



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF CUSTAR  
WOOD COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2018 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2018 .....	4
Notes to the Financial Statements – For the Year Ended December 31, 2018 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2017 .....	15
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2017 .....	16
Notes to the Financial Statements – For the Year Ended December 31, 2017 .....	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	27
Schedule of Findings .....	29
Summary Schedule of Prior Audit Findings (Prepared by Management) .....	33

**This page intentionally left blank.**



One Government Center, Suite 1420  
Toledo, Ohio 43604-2246  
(419) 245-2811 or (800) 443-9276  
NorthwestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Village of Custar  
Wood County  
P.O. Box 128  
Custar, Ohio 43511

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Custar, Wood County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Custar, Wood County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

October 24, 2019

**VILLAGE OF CUSTAR**  
WOOD COUNTY  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$22,756	\$1,128		\$23,884
Intergovernmental	14,954	10,589		25,543
Fines, Licenses and Permits	671			671
Earnings on Investments	1,875	115		1,990
Miscellaneous	1,043	44		1,087
<i>Total Cash Receipts</i>	<u>41,299</u>	<u>11,876</u>		<u>53,175</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	723			723
Public Health Services	92			92
Leisure Time Activities	20,852			20,852
Community Environment	274			274
Transportation		13,363		13,363
General Government	25,650		\$89	25,739
<i>Total Cash Disbursements</i>	<u>47,591</u>	<u>13,363</u>	<u>89</u>	<u>61,043</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(6,292)</u>	<u>(1,487)</u>	<u>(89)</u>	<u>(7,868)</u>
<b>Other Financing Receipts</b>				
Sale of Capital Assets			3,575	3,575
<i>Total Other Financing Receipts</i>			<u>3,575</u>	<u>3,575</u>
<i>Net Change in Fund Cash Balances</i>	(6,292)	(1,487)	3,486	(4,293)
<i>Fund Cash Balances, January 1</i>	<u>78,367</u>	<u>37,722</u>		<u>116,089</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		36,235	3,486	39,721
Assigned	65,418			65,418
Unassigned	6,657			6,657
<i>Fund Cash Balances, December 31</i>	<u>\$72,075</u>	<u>\$36,235</u>	<u>\$3,486</u>	<u>\$111,796</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CUSTAR**  
WOOD COUNTY  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$295,135
Miscellaneous	785
	295,920
<i>Total Operating Cash Receipts</i>	<i>295,920</i>
<b>Operating Cash Disbursements</b>	
Personal Services	12,910
Employee Fringe Benefits	2,102
Contractual Services	230,370
Supplies and Materials	5,475
Other	27,705
	278,562
<i>Total Operating Cash Disbursements</i>	<i>278,562</i>
<i>Operating Income</i>	<i>17,358</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	33,651
Principal Retirement	(4,791)
Interest and Other Fiscal Charges	(373)
	28,487
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>28,487</i>
<i>Net Change in Fund Cash Balances</i>	<i>45,845</i>
<i>Fund Cash Balances, January 1</i>	<i>503,150</i>
<i>Fund Cash Balances, December 31</i>	<i>\$548,995</i>

*See accompanying notes to the basic financial statements*



VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

---

**Note 1 - Reporting Entity**

The Village of Custar (the Village), Wood County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides electric utilities and park operations. The Village contracts with Weston EMS to provide ambulance services.

***Joint Ventures, Public Entity Risk Pools and Long-Term Purchase Commitments***

The Village participates in two joint ventures, a public entity risk pool and is associated with two long term purchase commitments. Notes 7 and 10-13 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Capital Projects Fund*** The capital projects fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

***Capital Projects Fund*** The capital projects fund accounts for proceeds from the sale of capital assets and the related fees and expenses.

***Enterprise Funds*** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

***Electric Operating Fund*** The electric operating fund receives charges for services from consumers and accounts for the provision of electric services to the residents and commercial users within the Village.

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

---

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 4.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**Committed** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Compliance**

Contrary to Ohio law, the Village sold a truck for \$3,575 in 2018. The Village inappropriately recorded the proceeds from the sale of the truck as sale of capital assets in the General Fund instead of the Capital Projects Fund. The financial statements and accounting records have been adjusted to correct this misstatement.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,836	\$41,299	(\$6,537)
Special Revenue	10,345	11,876	1,531
Capital Projects		3,575	3,575
Enterprise	309,160	329,571	20,411
Total	\$367,341	\$386,321	\$18,980

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,232	\$47,836	\$15,396
Special Revenue	19,256	14,000	5,256
Capital Projects		89	(89)
Enterprise	307,405	283,963	23,442
Total	\$389,893	\$345,888	\$44,005

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

---

**Note 5 – Deposits**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2018
Demand deposits	\$488,258
Certificates of deposit	172,533
Total deposits	\$660,791

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

**Note 6 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**Note 7 - Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

---

need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (the latest information available).

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

***Social Security***

One of the Village's elected officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The official contributed 6.2 percent of his gross salary. The Village contributed an amount equal to 6.2 percent of participant's gross salary. The Village has paid all contributions required through December 31, 2018.

**Note 9 - Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

**Note 10 – Debt**

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 110 kilowatts of a total 771,281 kilowatts, giving the Village a 0.01 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

---

voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs was \$19,213. The Village received a credit of \$4,975 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$14,238. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable.

Since March 31, 2014 the Village has made payments of \$14,238 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$229 and interest expense incurred on AMP's line-of-credit of \$50, resulting in a net impaired cost estimate at December 31, 2018 of \$279. The Village has elected to finance this amount through lump sum payments. The Village does have a potential PHFU Liability of \$5,367 resulting in a net total potential liability of \$5,646, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items such as revenue from leases or sale of all or a portion of the Meigs County site property.

**Note 11 – Joint Ventures**

**A. Ohio Municipal Electric Generation Agency Venture (OMEGA JV2)**

The Village of Custar is a Non-Financing Participant and an Owner Participant, with an ownership percentage of 0.0029833%; participation is shared with thirty-five other subdivisions within the State of Ohio, in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests (as tenants in common) in the OMEGA JV2 Project, in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective project shares, ownership of which is held in trust for such purchaser participants.

Pursuant to the OMEGA JV2 Agreement, the participants (as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser) jointly undertook the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed, or equipped by AMP; and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high, or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation, of which 134.081MW is the participants' entitlement, and the remaining 4.569MW are held in reserve. Upon dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis.

OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2018, the outstanding debt was \$188,606.

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

---

The Village's net investment in OMEGA JV2 was \$0 at December 31, 2018. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

The 36 participating subdivisions and their respective ownership shares at December 31, 2018 were as follows:

<b><u>Municipality</u></b>	<b><u>% Ownership</u></b>	<b><u>Kw Entitlement</u></b>
• Hamilton	23.87%	32,000
• Bowling Green	14.32%	19,198
• Niles	11.49%	15,400
• Cuyahoga Falls	7.46%	10,000
• Wadsworth	5.81%	7,784
• Painesville	5.22%	7,000
• Dover	5.22%	7,000
• Galion	4.29%	5,753
• Amherst	3.73%	5,000
• St. Mary's	2.98%	4,000
• Montpelier	2.98%	4,000
• Shelby	1.89%	2,536
• Versailles	1.24%	1,660
• Edgerton	1.09%	1,460
• Yellow Springs	1.05%	1,408
• Oberlin	0.91%	1,217
• Pioneer	0.86%	1,158
• Seville	0.79%	1,066
• Grafton	0.79%	1,056
• Brewster	0.75%	1,000
• Monroeville	0.57%	764
• Milan	0.55%	737
• Oak Harbor	0.55%	737
• Elmore	0.27%	364
• Jackson Center	0.22%	300
• Napoleon	0.20%	264
• Lodi	0.16%	218
• Genoa	0.15%	199
• Pemberville	0.15%	197
• Lucas	0.12%	161
• South Vienna	0.09%	123
• Bradner	0.09%	119
• Woodville	0.06%	81
• Haskins	0.05%	73
• Arcanum	0.03%	44
• Custar	<u>0.00%</u>	<u>4</u>
	100.0%	134,081

**B. Ohio Municipal Electric Generation Agency Venture (OMEGA JV5)**

The Village of Custar is a Financing Participant with an ownership percentage of 0.06%; participation is shared with and shares participation with forty-one other subdivisions within the State of Ohio, in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests (as tenants in common) without right of partition in the OMEGA JV5 Project.

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

---

Pursuant to the OMEGA Joint Venture JV5 Agreement (the "Agreement"), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5 including such portions of OMEGA JV5 as have been acquired, constructed, or equipped by AMP. Each participant also has an obligation to pay its share of debt service on the Beneficial Interest Certificates (the "Certificates") from the revenues of its electric system, subject only to the prior payment of the Operating & Maintenance Expenses (O & M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the System.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Upon dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement, each participant is to fix, charge, and collect rates, fees, and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2018 Custar has met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power"), provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project, prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001, AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (hereinafter referred to as "Certificates") on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030.

The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JV5 was \$1,707 at December 31, 2018. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).



VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

---

**Note 12 – Long-Term Purchase Commitment**

Combined Hydroelectric Projects

AMP recently completed construction of three hydroelectric facilities, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the “Combined Hydroelectric Project”), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Project facilities involved the installation of run-of-the-river hydroelectric generating facilities on existing United States Army Corps of Engineers’ dams and includes associated transmission facilities. The Combined Hydroelectric Project, including associated transmission facilities, are operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Project.

To provide financing for, or refinance certain obligations incurred in respect of, the Combined Hydroelectric Project, AMP issued eight series of its Combined Hydroelectric Project Revenue Bonds (the “Combined Hydroelectric Bonds”), consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its members.

As of December 31, 2018, \$2,222,975,882 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$126.9 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

The Village of Custar has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 100 kW or 0.05% of capacity and associated energy from the Combined Hydroelectric Projects.

**Note 13 – AMP Revenue Coverage**

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 11. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village’s Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>
Total Fund Cash Balance	\$550,944
Total Long-Term Debt	\$36,732
 <b>Condensed Operating Information:</b>	
Operating Receipts	
Charges for Services	294,435
Other Operating Receipts	<u>785</u>
Total Operating Receipts	295,220
Operating Expenses	
Personal Services	12,910
Employee Fringe Benefits	2,102
Contractual Services	230,370
Supplies and Materials	5,475
Other	<u>27,662</u>
Total Operating Expenses	278,519
Operating Income	16,701
Nonoperating Receipts (Disbursements)	
Special Assessment Receipts	33,651
Principal Payments	(4,791)
Interest Payments	<u>(373)</u>
Change in Fund Cash Balance	45,188
Beginning Fund Cash Balance	<u>495,428</u>
Ending Fund Cash Balance	<u><u>\$540,616</u></u>
 <b>Condensed Cash Flows Information:</b>	
	<u>2018</u>
Net Cash Provided by:	
Operating Activities	\$16,701
Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(4,791)
Interest Payments on Capital and Related Debt	(373)
Other Capital and Related Financing Activities	<u>33,651</u>
Net Cash Provided by Capital and Related Financing Activities	28,487
Net Increase	45,188
Beginning Fund Cash Balance	<u>495,428</u>
Ending Fund Cash Balance	<u><u>\$540,616</u></u>

**VILLAGE OF CUSTAR**  
**WOOD COUNTY**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS**  
**AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$23,417	\$1,181	\$24,598
Intergovernmental	8,338	10,311	18,649
Charges for Services	551		551
Fines, Licenses and Permits	455		455
Earnings on Investments	4,395	441	4,836
Miscellaneous	290	174	464
<i>Total Cash Receipts</i>	<u>37,446</u>	<u>12,107</u>	<u>49,553</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	2,130		2,130
Public Health Services	295		295
Leisure Time Activities	6,576		6,576
Community Environment	443		443
Transportation		7,091	7,091
General Government	24,669		24,669
Capital Outlay		32,253	32,253
<i>Total Cash Disbursements</i>	<u>34,113</u>	<u>39,344</u>	<u>73,457</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,333</u>	<u>(27,237)</u>	<u>(23,904)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	25		25
Other Financing Uses	(252)		(252)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(227)</u>		<u>(227)</u>
<i>Net Change in Fund Cash Balances</i>	3,106	(27,237)	(24,131)
<i>Fund Cash Balances, January 1</i>	<u>75,261</u>	<u>64,959</u>	<u>140,220</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		37,722	37,722
Assigned	15,396		15,396
Unassigned	62,971		62,971
<i>Fund Cash Balances, December 31</i>	<u>\$78,367</u>	<u>\$37,722</u>	<u>\$116,089</u>

See accompanying notes to the basic financial statements

**VILLAGE OF CUSTAR**  
**WOOD COUNTY**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS**  
**AND CHANGES IN FUND BALANCES (REGULATOR CASH BASIS)**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$209,676
Miscellaneous	1,490
	211,166
<i>Total Operating Cash Receipts</i>	<i>211,166</i>
<b>Operating Cash Disbursements</b>	
Personal Services	11,728
Employee Fringe Benefits	2,026
Contractual Services	190,828
Supplies and Materials	3,516
Other	343
	208,441
<i>Total Operating Cash Disbursements</i>	<i>208,441</i>
<i>Operating Income</i>	<i>2,725</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	15,484
Capital Outlay	(17,084)
Principal Retirement	(4,847)
Interest and Other Fiscal Charges	(317)
	(6,764)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(6,764)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(4,039)</i>
<i>Fund Cash Balances, January 1</i>	<i>507,189</i>
<i>Fund Cash Balances, December 31</i>	<i>\$503,150</i>

*See accompanying notes to the basic financial statements*

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

---

**Note 1 - Reporting Entity**

The Village of Custar (the Village), Wood County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides electric utilities and park operations. The Village contracts with Weston EMS to provide ambulance services.

***Joint Ventures, Public Entity Risk Pools and Long-Term Purchase Commitments***

The Village participates in two joint ventures, a public entity risk pool and is associated with two long term purchase commitments. Notes 6 and 9-12 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary fund type which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Permissive Motor Vehicle License Tax Fund*** The permissive motor vehicle license tax fund accounts for and reports the local-levied and County-levied portion of permissive motor vehicle license taxes restricted for planning, construction, reconstruction, maintenance, and repair of streets within the Village, and to purchase, erect, and maintain traffic signs and marks and traffic lights and signals within the Village.

***Enterprise Funds*** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

***Electric Operating Fund*** The electric operating fund receives charges for services from consumers and accounts for the provision of electric services to the residents and commercial users within the Village.

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

---

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**Committed** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,115	\$37,471	\$6,356
Special Revenue	9,945	12,107	2,162
Enterprise	207,050	226,650	19,600
Total	\$248,110	\$276,228	\$28,118

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,994	\$35,449	\$6,545
Special Revenue	53,009	40,194	12,815
Enterprise	281,716	233,709	48,007
Total	\$376,719	\$309,352	\$67,367

**Note 4 – Deposits**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

---

	2017
Demand deposits	\$448,600
Certificates of deposit	170,639
Total deposits	\$619,239

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**Note 6 - Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.



VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

---

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

***Social Security***

One of the Village's elected officials contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The official contributed 6.2 percent of his gross salary. The Village contributed an amount equal to 6.2 percent of participant's gross salary. The Village has paid all contributions required through December 31, 2017.

**Note 8 - Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2017.

**Note 9 - Debt**

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 110 kilowatts of a total 771,281 kilowatts, giving the Village a 0.01 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

---

of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs was \$19,213. The Village received a credit of \$4,975 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$14,238. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable.

Since March 31, 2014 the Village has made payments of \$14,238 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$230 and interest expense incurred on AMP's line-of-credit of \$39, resulting in a net impaired cost estimate at December 31, 2017 of \$269. The Village has elected to finance this amount through lump sum payments. The Village does have a potential PHFU Liability of \$5,214 resulting in a net total potential liability of \$5,483, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items such as revenue from leases or sale of all or a portion of the Meigs County site property.

**Note 10 – Joint Ventures**

**A. Ohio Municipal Electric Generation Agency Venture (OMEGA JV2)**

The Village of Custar is a Non-Financing Participant and an Owner Participant, with an ownership percentage of 0.0029833%; participation is shared with thirty-five other subdivisions within the State of Ohio, in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests (as tenants in common) in the OMEGA JV2 Project, in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective project shares, ownership of which is held in trust for such purchaser participants.

Pursuant to the OMEGA JV2 Agreement, the participants (as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser) jointly undertook the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed, or equipped by AMP; and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high, or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation, of which 134.081MW is the participants' entitlement, and the remaining 4.569MW are held in reserve. Upon dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis.

OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2017, the outstanding debt was \$188,606. The Village's net investment in OMEGA JV2 was \$0 at December 31, 2017. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

---

The 36 participating subdivisions and their respective ownership shares at December 31, 2017 were as follows:

<u>Municipality</u>	<u>% Ownership</u>	<u>Kw Entitlement</u>
• Hamilton	23.87%	32,000
• Bowling Green	14.32%	19,198
• Niles	11.49%	15,400
• Cuyahoga Falls	7.46%	10,000
• Wadsworth	5.81%	7,784
• Painesville	5.22%	7,000
• Dover	5.22%	7,000
• Galion	4.29%	5,753
• Amherst	3.73%	5,000
• St. Mary's	2.98%	4,000
• Montpelier	2.98%	4,000
• Shelby	1.89%	2,536
• Versailles	1.24%	1,660
• Edgerton	1.09%	1,460
• Yellow Springs	1.05%	1,408
• Oberlin	0.91%	1,217
• Pioneer	0.86%	1,158
• Seville	0.79%	1,066
• Grafton	0.79%	1,056
• Brewster	0.75%	1,000
• Monroeville	0.57%	764
• Milan	0.55%	737
• Oak Harbor	0.55%	737
• Elmore	0.27%	364
• Jackson Center	0.22%	300
• Napoleon	0.20%	264
• Lodi	0.16%	218
• Genoa	0.15%	199
• Pemberville	0.15%	197
• Lucas	0.12%	161
• South Vienna	0.09%	123
• Bradner	0.09%	119
• Woodville	0.06%	81
• Haskins	0.05%	73
• Arcanum	0.03%	44
• Custar	<u>0.00%</u>	<u>4</u>
	100.0%	134,081

**B. Ohio Municipal Electric Generation Agency Venture (OMEGA JV5)**

The Village of Custar is a Financing Participant with an ownership percentage of 0.06%; participation is shared with and shares participation with forty-one other subdivisions within the State of Ohio, in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests (as tenants in common) without right of partition in the OMEGA JV5 Project.

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

---

Pursuant to the OMEGA Joint Venture JV5 Agreement (the "Agreement"), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5 including such portions of OMEGA JV5 as have been acquired, constructed, or equipped by AMP. Each participant also has an obligation to pay its share of debt service on the Beneficial Interest Certificates (the "Certificates") from the revenues of its electric system, subject only to the prior payment of the Operating & Maintenance Expenses (O & M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the System.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Upon dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement, each participant is to fix, charge, and collect rates, fees, and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2017 Custar has met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power"), provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project, prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001, AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (hereinafter referred to as "Certificates") on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030.

The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004, the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JV5 was \$1,793 at December 31, 2017. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

---

**Note 11 – Long-Term Purchase Commitment**

Combined Hydroelectric Projects

AMP recently completed construction of three hydroelectric facilities, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the “Combined Hydroelectric Project”), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Project facilities involved the installation of run-of-the-river hydroelectric generating facilities on existing United States Army Corps of Engineers’ dams and includes associated transmission facilities. The Combined Hydroelectric Project, including associated transmission facilities, are operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Project.

To provide financing for, or refinance certain obligations incurred in respect of, the Combined Hydroelectric Project, AMP issued eight series of its Combined Hydroelectric Project Revenue Bonds (the “Combined Hydroelectric Bonds”), consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Combined Hydroelectric Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its members.

As of December 31, 2017, \$2,150,625,294 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$126.9 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit, were outstanding under the indenture securing the Combined Hydroelectric Bonds.

The Village of Custar has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Projects of 100 kW or 0.05% of capacity and associated energy from the Combined Hydroelectric Projects.

**Note 12 – AMP Revenue Coverage**

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 10. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village’s Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

VILLAGE OF CUSTAR  
WOOD COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

---

	<u>2017</u>
Total Fund Cash Balance	\$495,428
Total Long-Term Debt	\$43,774
 <b>Condensed Operating Information:</b>	
Operating Receipts	
Charges for Services	209,151
Other Operating Receipts	<u>1,490</u>
Total Operating Receipts	210,641
 Operating Expenses	
Personal Services	11,728
Employee Fringe Benefits	2,026
Contractual Services	190,828
Supplies and Materials	3,516
Other	<u>168</u>
Total Operating Expenses	208,266
 Operating Income	 2,375
 Nonoperating Receipts (Disbursements)	
Special Assessment Receipts	15,484
Capital Outlay	(17,084)
Principal Payments	(4,847)
Interest Payments	<u>(317)</u>
Change in Fund Cash Balance	(4,389)
Beginning Fund Cash Balance	<u>499,817</u>
Ending Fund Cash Balance	<u><u>\$495,428</u></u>
 <b>Condensed Cash Flows Information:</b>	
	<u>2017</u>
Net Cash Provided by:	
Operating Activities	\$2,375
 Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(4,847)
Interest Payments on Capital and Related Debt	(317)
Other Capital and Related Financing Activities	<u>(1,600)</u>
Net Cash Used by Capital and Related Financing Activities	(6,764)
 Net Decrease	 (4,389)
Beginning Fund Cash Balance	<u>499,817</u>
Ending Fund Cash Balance	<u><u>\$495,428</u></u>



One Government Center, Suite 1420  
Toledo, Ohio 43604-2246  
(419) 245-2811 or (800) 443-9276  
NorthwestRegion@ohioauditor.gov

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Custar  
Wood County  
P.O. Box 128  
Custar, Ohio 43511

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Custar, Wood County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated October 24, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-002.

***Village's Response to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

October 24, 2019



**VILLAGE OF CUSTAR  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2018-001**

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The following errors were noted and required adjustment to the financial statements:

- In 2018 and 2017, debt payments were classified as Contractual Services instead of Principal and Interest payments in the Enterprise Fund, resulting in an overstatement in Contractual Services of \$5,164 in each year, and an understatement in Principal of \$4,791 and \$4,847, and Interest of \$373 and \$317, in 2018 and 2017, respectively.
- In 2017, the Village purchased a truck in the amount of \$49,338. This purchase was paid out of the Special Revenue Fund, Transportation line item in the amount of \$32,254, and the Enterprise Fund, Contractual Services line item in the amount of \$17,084. Although the fund classification was correct, this payment should have been posted to the Capital Outlay line item in the respective funds.
- In 2017, Special Assessment receipts for delinquent utilities were classified as Charges for Services instead of Special Assessments in the Enterprise Fund in the amount of \$15,484.
- In 2017, HB66 and Rollback amounts were improperly posted as Property Tax revenue instead of Intergovernmental revenue in the amount of \$1,945 in the General Fund.
- In 2017, General fund balances were not classified in accordance with Governmental Accounting Standards Board Statement 54 requirements. The 2018 permanent appropriation measure for the General Fund exceeded estimated receipts by \$14,312. Additionally, carryover encumbrances, totaling \$1,084, were only partially taken into consideration. While the Village did assign \$1,423 of total fund balance at December 31, 2017, the total assigned amount should have been \$15,396, resulting in a deficit of \$13,973.
- In 2018 and 2017, Special Revenue fund type balances were not classified in accordance with Governmental Accounting Standards Board Statement 54 requirements. A portion of the fund balance in the Special Revenue fund type was reported as Assigned in each year of the audit period, when it should have been reported as Restricted, totaling \$19,657 in 2018 and \$5,596 in 2017.

The errors noted above were due to an insufficiency of monitoring by management. The amounts noted above that were improperly classified or recorded have been adjusted and are properly presented on the financial statements. Additional errors were noted in smaller relative amounts.

The failure to correctly classify financial activity in the accounting records and financial statements may impact a user's understanding of the financial operations, the ability to make sound financial decisions, the ability to comply with budgetary laws, and may result in the material misstatement of the financial

**VILLAGE OF CUSTAR  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner by the Council.

The Village should adopt policies and procedures to identify and correct errors and omissions. The Fiscal Officer should review the Ohio Village Handbook, Uniform Accounting Network (UAN) Manual, Auditor of State Bulletins, and other resources for guidance in correctly classifying receipts and disbursements. Additionally, the Council should perform periodic reviews of the receipt and disbursement ledgers to help identify errors and/or irregularities.

**Officials' Response**

- Up until I (Fiscal Officer) started in October 2017, the payments made to AMP-Ohio, Inc. were allocated to one appropriation account (5301-513-311-0000); a breakdown of the principal and interest amounts was not being entered. Further, no Principal or Interest appropriation accounts had been created in UAN at that time. Not knowing different, I continued making the entries as they had appeared in the system previously. Going forward, I will be sure to enter these amounts correctly. Although AMP no longer separates out the debt portion of our payment on the monthly statement we receive, I will request this information on an annual basis and make an adjustment entry to re-allocate the amounts in the UAN system.
- As noted, I took the position in October 2017. This was after the purchase of the truck, and the entry was made by the previous Fiscal Officer.
- The special assessments are coded to revenue account number 5301-390-0012. This was correct for 2018, but coded to the wrong account by mistake in 2017 by the previous Fiscal Officer.
- The 2017 Rollback entries were made by the previous Fiscal Officer. All 2018 entries were allocated to the correct accounts.
- I was very careful to make sure these amounts were correct. Further clarification would be appreciated.
- I was previously unaware that Special Revenue Funds did not have to separately assign fund balance for carry-over purchase orders. I made the mistake of classifying the carry-over purchase orders as 'Assigned'. I will know not to do so going forward.

**FINDING NUMBER 2018-002**

**Noncompliance and Material Weakness**

**Ohio Rev. Code § 5705.10(F)** requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines "permanent improvement" or "improvement" to mean "any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more".

In 2018, the Village sold a truck for \$3,575. The Village inappropriately recorded the proceeds from the sale of the truck as sale of capital assets in the General Fund instead of the Capital Projects Fund. An audit adjustment is reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities

The Village should implement controls to help ensure all transactions are reviewed and posted to the proper funds.

**VILLAGE OF CUSTAR  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

**Officials' Response**

I (Fiscal Officer) was always under the impression that the proceeds of the sale of an asset went back into the fund it was paid from (and if that was unknown, it could go to the General Fund). This was obviously incorrect, as I was unaware that ORC Section 5705.10(F) requires revenue received from the sale of an asset with a life of more than 5 years to be placed in a Capital Projects Fund. Since the Village does not have any Capital Projects Funds for this to go into, (aside from our CDBG Project, which it would not be appropriate for these funds to intermingle with), a new fund will be created.

**2. OTHER – FINDINGS FOR RECOVERY**

In addition, we identified the following other issues related to Findings for Recovery. These issues did not impact our GAGAS report.

**FINDING NUMBER 2018-003**

**Finding for Recovery – Overpayment of Employees – Repaid Under Audit**

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

On February 11, 2015, Village Council passed Ordinance 03-15, which provided for the wage compensation of Board of Public Affairs (BPA) board members. Annual salaries were set at \$600 per year, to be paid monthly at a rate of \$50 per month. However, due to deficiencies in internal controls, each member of the BPA was paid \$60 per month in 2017 and 2018. This resulted in a total overpayment of \$360 in both 2017 and 2018, for a total overpayment of \$720 for the audit period.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against following individuals in the amount identified:

<b>Individual</b>	<b>Approved Salary</b>	<b>Actual Salary</b>	<b>Variance</b>	<b>Total Variance</b>
Deborah Bechstein	\$600/year	\$720/year	\$120/year	\$240
Jerald Clink	600/year	720/year	120/year	240
Dave Wensink	600/year	720/year	120/year	240

Additionally, a Finding for Recovery for public monies illegally expended is hereby issued against Beverly Bender, Fiscal Officer for the period January 2017 through September 2017 in the amount of \$270; and Sarah Schroeder, Fiscal Officer for the period October 2017 through December 2018 in the amount of \$450, and Ohio Plan Risk Management, Inc., the Fiscal Officers' bonding company, jointly and severally, and in favor of the Village of Custar's Enterprise Fund.

On August 16, 2019, the Finding for Recovery, totaling \$720, was paid in full and the monies were paid into the Village's Enterprise Fund.

The Village should review all gross pay amounts per the payroll reports for all employees and verify that payments are made in accordance with the amounts approved by Council. Failure to do so could result in future payroll overpayments and findings for recovery.

**VILLAGE OF CUSTAR  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

**Officials' Response**

When I (Fiscal Officer) started in 2017, all BPA members were being paid at \$60/month (the same as Village Council members). However, there was no ordinance in place to increase their pay from \$50 to \$60 month before the previous Fiscal Officer entered those amounts in the system (in mid-2016). This error was not caught in the 2015/2016 audit, and therefore continued through 2019. The amounts paid in error for 2017/2018 were recovered quickly, and the change has been entered going forward. Amounts for 2019 will be recovered in full by the end of the calendar year.

Village of Custar  
P.O. Box 128  
Custar, Ohio 43511

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Finding was first issued in the 2011-2012 audit. Material weakness regarding financial reporting due to errors on the financial statements.	Not corrected. Reissued as finding 2018-001 in this report.	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements for financial reporting. The Village is implementing procedures to correct these issues.
2016-002	Finding was first issued in the 2015-2016 audit. Material weakness over bank reconciliations due to posting errors and bank errors.	Partially corrected. A management letter recommendation will be issued.	The Village includes the bank balance, if any, of the BPA account on the monthly reconciliations. However, the balance is not entered into UAN until it is deposited in the Village's general checking account. The BPA account itself is not reconciled.
2016-003	Finding was first issued in the 2015-2016 audit. Material weakness over appropriations and estimated revenues due final approved amounts not matching the amounts in UAN and improper amounts included in the Village's budgetary footnotes.	Partially corrected. We will issue a verbal recommendation.	Issues were noted with the amounts in the notes, due to the Fiscal Officer forgetting to include carryover appropriations and encumbrances in the budgeted and actual amounts.

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF CUSTAR**

**WOOD COUNTY**

## **CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 12, 2019**