



**VILLAGE OF CUSTAR
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF CUSTAR
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Custar
Wood County
8951 Custar Road
Custar, Ohio 43511-9701

To the Village Council:

We have audited the accompanying financial statements of the Village of Custar, Wood County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2000 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 grants.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

August 21, 2000

**VILLAGE OF CUSTAR
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	General	Special Revenue		Totals (Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$14,372			\$14,372
Special Assessments	109			109
Intergovernmental Receipts	6,957	\$8,517		15,474
Miscellaneous	3,011	133		3,144
	<u>24,449</u>	<u>8,650</u>		<u>33,099</u>
Cash Disbursements:				
Current:				
Public Health Services	56			56
Leisure Time Activities	2,502			2,502
Transportation		1,460		1,460
General Government	20,155			20,155
	<u>22,713</u>	<u>1,460</u>		<u>24,173</u>
Total Cash Disbursements	<u>22,713</u>	<u>1,460</u>		<u>24,173</u>
Total Receipts Over Disbursements	1,736	7,190		8,926
Fund Cash Balances, January 1	<u>24,305</u>	<u>9,093</u>		<u>33,398</u>
Fund Cash Balances, December 31	<u>\$26,041</u>	<u>\$16,283</u>		<u>\$42,324</u>
Reserves for Encumbrances, December 31	<u> </u>	<u> </u>		<u> </u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CUSTAR
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$134,741
Miscellaneous	<u>3,262</u>
Total Operating Cash Receipts	<u>138,003</u>
Operating Cash Disbursements:	
Personal Services	18,025
Contractual Services	96,981
Supplies and Materials	22,578
Capital Outlay	<u>66</u>
Total Operating Cash Disbursements	<u>137,650</u>
Operating Income	353
Fund Cash Balances, January 1	<u>170,098</u>
Fund Cash Balances, December 31	<u><u>\$170,451</u></u>
Reserve for Encumbrances, December 31	<u><u>\$16,121</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CUSTAR
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$7,507		\$7,507
Special Assessments	2,141		2,141
Intergovernmental Receipts	7,351	\$7,910	15,261
Miscellaneous	3,359	138	3,497
	<u>20,358</u>	<u>8,048</u>	<u>28,406</u>
Cash Disbursements:			
Current:			
Public Health Services	92		92
Leisure Time Activities	1,750		1,750
Transportation		9,745	9,745
General Government	22,559		22,559
	<u>24,401</u>	<u>9,745</u>	<u>34,146</u>
Total Cash Disbursements	<u>24,401</u>	<u>9,745</u>	<u>34,146</u>
Total Disbursements Over Receipts	<u>(4,043)</u>	<u>(1,697)</u>	<u>(5,740)</u>
Other Financing Receipts:			
Sale of Fixed Assets		1,202	1,202
Excess of Cash Disbursements Over Cash Receipts and Other Financing Receipts	(4,043)	(495)	(4,538)
Fund Cash Balances January 1	<u>28,348</u>	<u>9,588</u>	<u>37,936</u>
Fund Cash Balances, December 31	<u>\$24,305</u>	<u>\$9,093</u>	<u>\$33,398</u>
Reserves for Encumbrances, December 31	<u> </u>	<u> </u>	<u> </u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CUSTAR
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$158,262
Miscellaneous	<u>3,403</u>
Total Operating Cash Receipts	<u>161,665</u>
Operating Cash Disbursements:	
Personal Services	15,952
Contractual Services	94,979
Supplies and Materials	34,666
Capital Outlay	<u>175</u>
Total Operating Cash Disbursements	<u>145,772</u>
Operating Income	15,893
Fund Cash Balances, January 1	<u>154,205</u>
Fund Cash Balances, December 31	<u><u>\$170,098</u></u>
Reserve for Encumbrances, December 31	<u><u>\$22,366</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF CUSTAR
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Custar, Wood County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including electric utilities and park operations (leisure time activities). The Village contracts with the Village of Weston for EMS services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF CUSTAR
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. Enterprise Funds

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

Electric Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually. The budget should include estimated resources and spending appropriations. The Village did not adopt spending appropriations. Failing to budget is an illegal act.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. PRIOR PERIOD RESTATEMENT OF FUND BALANCE

The January 1, 1998 General Fund balance has been adjusted in the amount of \$6,100 for interest earned on a Certificate of Deposit prior to January 1, 1998. This resulted in the January 1, 1998 General Fund balance being increased from \$22,248 to \$28,348.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$152,130	\$145,109
Certificates of deposit	60,645	58,387
Total deposits	<u>\$212,775</u>	<u>\$203,496</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

VILLAGE OF CUSTAR
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

The Village's officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Village is member of the Public Entities Pool of Ohio (the pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability
- Automobile liability
- Officials liability
- Employee benefit liability

7. JOINT VENTURES

Ohio Municipal Electric Generation Agency Joint Venture 3 (JV3)

The Village is a participant with thirteen subdivisions within the State of Ohio in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. The Ohio Municipal Electric Generation Agency Joint Venture 3 (JV3) was created for that purpose. On dissolution of the joint venture, the net assets of JV3 will be shared by the participants on a percentage basis. The JV3 is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture. In accordance with the joint venture agreement, the Village remitted \$106.78 and \$106.98 for 1999 and 1998 respectively to the joint venture. The Village's net investment and its share of the operating results of JV3 ownership share of the project is .19 percent. Complete financial statements for JV3 can be obtained from AMP-Ohio at 601 Dempsey Road, Westerville, Ohio 43081, or from the Village's Clerk.

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5)

The Village is a participant with forty-two other municipalities within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) was created for that purpose. On the dissolution of the joint venture, the net assets of JV5 will be shared by the participants on a percentage basis.

VILLAGE OF CUSTAR
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

The JV5 is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture and a portion of the \$153,415,000 Certificates of Beneficial Interest debt that was issued to construct the fixed asset. In accordance with joint venture agreement, the Village remitted \$12,106.53 and \$11,711.02 for 1999 and 1998 respectively to the joint venture. The Village's net investment and its share of the operating results of JV5 ownership share of the project is .06 percent. Complete financial statement for JV5 can be obtained from AMP-Ohio at 601 Dempsey Road, Westerville, Ohio 43081, or from the Village's Clerk.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Custar
Wood County
8951 Custar Road
Custar, Ohio 43511-9701

To the Village Council:

We have audited the accompanying financial statements of the Village of Custar, Wood County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated [End of Fieldwork Date]. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30187-001, 1999-30187-002 and 1999-30187-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 21, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-30187-001, 1999-30187-002 and 1999-30187-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 21, 2000.

This report is intended for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

August 21, 2000

**VILLAGE OF CUSTAR
SCHEDULE OF FINDINGS
DECEMBER 31,1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30187-001

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1000, the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

The Clerk was unable to certify transactions since there was no appropriation authority. See finding 1999-30187-002.

To improve controls over disbursements, it is recommended that all Village disbursements receive prior certification of the Clerk/Treasurer and that Council periodically review the expenditures made to ensure they are within the appropriations adopted by Council, certified by the Clerk/Treasurer and recorded against appropriations.

FINDING NUMBER 1999-30187-002

Ohio Revised Code § 5705.38 states on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year. Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been lawfully appropriated.

There was no evidence that Council had approved any appropriations during the audit period.

The certificate of total amounts available for expenditure was not filed with the County Auditor in either year and an annual appropriation measure was never approved by the Village Council. As a result, the Village did not receive a certificate of estimated resources, from the County Budget Commission, and expenditures exceeded appropriations in all funds. We recommend the Village complete and submit the required certifications and Council appropriate for all planned expenditures. After approval of the original appropriations Council should use the budgeted amounts as a monitoring tool against actual expenditures and adjust as needed before planned expenditures exceed approved appropriations

FINDING NUMBER 1999-30187-003

Ohio Revised Code § 5705.36 requires that on or about the first day of each fiscal year the fiscal officer of each subdivision shall certify, to the county auditor, the total amount from all sources available for expenditure from each fund set up in the tax budget, with any balances existing at the end of the preceding year.

There was no evidence that the Village had filed the certificate of total amounts available for expenditure in 1998 or 1999.

We recommend that the Village complete the required certification and file it with the County Auditor.



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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
SEPTEMBER 12, 2000**