



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CUSTAR
WOOD COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Custer (the Village) as of and for the years ended December 31, 2001 and 2000. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit 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 audit provides 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, 2001 and 2000, 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 June 18, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, 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". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

June 18, 2002

**VILLAGE OF CUSTAR
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$17,608	\$1,859	\$19,467
Intergovernmental Receipts	7,555	7,332	14,887
Earnings on Investments	5,961	253	6,214
Miscellaneous	1,735		1,735
	<hr/>		
Total Cash Receipts	32,859	9,444	42,303
	<hr/>		
Cash Disbursements:			
Current:			
Leisure Time Activities	1,302		1,302
Community Environment		2,247	2,247
Transportation		3,227	3,227
General Government	24,591		24,591
	<hr/>		
Total Cash Disbursements	25,893	5,474	31,367
	<hr/>		
Total Receipts Over Disbursements	6,966	3,970	10,936
	<hr/>		
Other Financing Disbursements:			
Transfers-Out	(3,963)		(3,963)
	<hr/>		
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	3,003	3,970	6,973
	<hr/>		
Fund Cash Balances, January 1	29,338	56,491	85,829
	<hr/>		
Fund Cash Balances, December 31	\$32,341	\$60,461	\$92,802
	<hr/>		
Reserves for Encumbrances, December 31			
	<hr/>		

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

**VILLAGE OF CUSTAR
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$143,434
Miscellaneous	13,287
	156,721
Operating Cash Disbursements:	
Personal Services	35,482
Contractual Services	85,480
Supplies and Materials	28,425
	149,387
Operating Income	7,334
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	175
Excess of Receipts Over Disbursements Before Interfund Transfers	7,159
Transfers-In	3,963
Net Receipts Over Disbursements	11,122
Fund Cash Balances, January 1	144,795
Fund Cash Balances, December 31	\$155,917
Reserve for Encumbrances, December 31	\$18,187

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

**VILLAGE OF CUSTAR
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$11,621	\$646	\$12,267
Intergovernmental Receipts	11,292	8,292	19,584
Earnings on Investments	6,719		6,719
Railroad settlement		80,000	80,000
Miscellaneous	1,360	538	1,898
	<u>30,992</u>	<u>89,476</u>	<u>120,468</u>
Total Cash Receipts			
	<u>30,992</u>	<u>89,476</u>	<u>120,468</u>
Cash Disbursements:			
Current:			
Public Health Services	111		111
Leisure Time Activities	1,416		1,416
Community Environment		47,936	47,936
Transportation		1,332	1,332
General Government	26,168		26,168
	<u>27,695</u>	<u>49,268</u>	<u>76,963</u>
Total Cash Disbursements			
	<u>27,695</u>	<u>49,268</u>	<u>76,963</u>
Total Receipts Over Disbursements	3,297	40,208	43,505
Fund Cash Balances, January 1	26,041	16,283	42,324
	<u>26,041</u>	<u>16,283</u>	<u>42,324</u>
Fund Cash Balances, December 31	<u>\$29,338</u>	<u>\$56,491</u>	<u>\$85,829</u>
Reserves for Encumbrances, December 31			
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

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

**VILLAGE OF CUSTAR
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$136,902
Miscellaneous	121
	137,023
Operating Cash Disbursements:	
Personal Services	32,931
Contractual Services	93,075
Supplies and Materials	36,626
	162,632
Operating Loss	(25,609)
Transfers-In	175
Transfers-Out	(175)
	(25,609)
Net Disbursements Over Receipts	(25,609)
Fund Cash Balances, January 1	170,404
Fund Cash Balances, December 31	\$144,795

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

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Custar (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 electric utilities and a park. The Village contracts with the Village of Weston to provide ambulance 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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. 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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

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. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investment 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:

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

	2001	2000
Checking account	\$182,997	\$167,554
Certificates of deposit	65,722	63,070
Total deposits	\$248,719	\$230,624

Deposits are partially insured by the Federal Depository Insurance Corporation.

At December 31, 2001, \$154,725 and at December 31, 2000, \$132,627 of deposits were not insured or collateralized, contrary to Ohio law.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,105	\$32,859	\$9,754
Special Revenue	9,004	9,444	440
Enterprise	120,200	160,684	40,484
Total	\$152,309	\$202,987	\$50,678

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$29,465	\$29,856	(\$391)
Special Revenue	36,895	5,474	31,421
Enterprise	153,290	167,749	(14,459)
Total	\$219,650	\$203,079	\$16,571

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,565	\$30,992	\$6,427
Special Revenue	15,000	89,476	74,476
Enterprise		137,198	137,198
Total	\$39,565	\$257,666	\$218,101

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$27,695	(\$27,695)
Special Revenue		49,268	(49,268)
Enterprise		162,807	(162,807)
Total		\$239,770	(\$239,770)

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. COMPLIANCE

The Village did not certify all commitments as required by Ohio Revised Code § 5705.41(D). In addition, as of December 31, 2001, the Village had \$18,187, in outstanding purchase commitments that were not properly certified and as a result will be charged against 2002 appropriations.

Council did not approve any appropriations in 2000 and in 2001 temporary appropriations were not approved to meet ordinary expenses until the permanent appropriations were passed in March, as a result all expenditures exceeded appropriations in 2000 and until permanent appropriations were approved in March 2001. In addition, there were several instances throughout 2001 for which expenditures exceeded appropriations at the fund, function, and object legal level of control and the following funds had expenditures in excess of appropriations at December 31, 2001:

Fund	Amount Appropriated	Amount Expended	Excess of Expenditures Over Appropriations
General Fund	\$29,465	\$29,856	\$391
Electric Fund	153,290	167,749	14,459

The Village did not certify to the county auditor the total amount from all sources which were available for expenditures from each fund in 2001 or 2000. In addition, the Village did not obtain an amended certificate for \$80,000 unanticipated revenues for the special revenue fund in 2000.

The Village did not credit the general fund with the applicable electric distribution tax for the period May 1, 2001 to December 31, 2001. The financial statements have been adjusted to show the tax as a revenue in the general fund with a corresponding transfer out of the general fund and into the electric fund.

5. 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 payments, 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.

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.

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS

The Village's officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is 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 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid 78.4% of the contributions required through December 31, 2001.

7. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

Casualty Coverage	2000	1999
Assets	\$17,112,129	\$15,295,389
Liabilities	<u>7,715,035</u>	<u>6,636,543</u>
Retained earnings	<u>\$9,397,094</u>	<u>\$8,658,846</u>
Property Coverage	2000	1999
Assets	\$1,575,614	\$1,118,222
Liabilities	<u>281,561</u>	<u>279,871</u>
Retained earnings	<u>\$1,294,053</u>	<u>\$838,351</u>

8. 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's net investment and its share of the operating results of JV3 ownership share of the project is .19 percent. As of March 28, 2001 the assets of JV3 were sold to Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2). 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. 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 the joint venture agreement, the Village remitted \$10,022.94 and \$10,137.05 for 2001 and 2000 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 statements for JV5 can be obtained from AMP-Ohio at 601 Dempsey Road, Westerville, Ohio 43081, or from the Village Clerk.

**VILLAGE OF CUSTAR
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The Village is a participant with thirty-six 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 2 (JV2) was created for that purpose. On dissolution of the joint venture, the net assets of JV2 will be shared by the participants on a percentage basis. The JV2 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's net investment and its share of the operating results of JV2 ownership share of the project is .003 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.

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Custer (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit 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 2001-30187-001 through 2001-30187-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 June 18, 2002.

Village of Custar
Wood County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, 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". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

Jim Petro
Auditor of State

June 18, 2002

**VILLAGE OF CUSTAR
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30187-001

Noncompliance Citation

Ohio Revised Code § 135.18 states the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities, consisting of securities of the United States or any of its political subdivisions or securities guaranteed by the United States or any federal government agency.

As of December 31, 2001 and 2000 the Village had \$154,725 and \$136,627, respectively, of deposits that were uninsured and uncollateralized. The Village should monitor deposits and request securities from the bank to cover deposits in excess of the \$100,000 depository insurance.

FINDING NUMBER 2001-30187-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision or taxing unit 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 Village 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, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Village Council, if such expenditure is otherwise valid.

Ninety-seven percent of the transactions tested did not receive prior certification nor were they certified using a then-and-now certification. In addition, as of December 31, 2001, the Village had \$18,187, in outstanding purchase commitments that were not properly certified and as a result will be charged against 2002 appropriations. The accompanying financial statements have been adjusted to reflect these amounts as outstanding encumbrance at December 31, 2001, in the Enterprise Fund Type.

Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Clerk and that the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Clerk and recorded against appropriations.

FINDING NUMBER 2001-30187-003

Noncompliance Citation

Ohio Revised Code § 5705.38 states on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1 of the current year. Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been lawfully appropriated.

Council did not approve any appropriations in 2000 and in 2001 temporary appropriations were not approved to meet ordinary expenses until the permanent appropriations were passed in March, as a result all expenditures exceeded appropriations in 2000 and until permanent appropriations were approved in March 2001. In addition, there were several instances throughout 2001 for which expenditures exceeded appropriations at the fund, function, and object legal level of control and the following funds had expenditures in excess of appropriations at December 31, 2001:

Fund	Amount Appropriated	Amount Expended	Excess of Expenditures Over Appropriations
General Fund	\$29,465	\$29,856	\$391
Electric Fund	153,290	167,749	14,459

The Clerk should not issue checks for expenditures that would exceed appropriations. The Clerk should inform the Council of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Council should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

FINDING NUMBER 2001-30187-004

Noncompliance Citation

Ohio Revised Code § 5705.36 states on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. It also allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation

The Village did not certify to the county auditor the total amount from all sources which were available for expenditures from each fund in 2001 or 2000. In addition, the Village did not obtain an amended certificate for \$80,000 unanticipated revenues for the special revenue fund in 2000. We recommend the Clerk review revenue monthly and determine if adjustments to the Certificate of Estimated Revenue are needed and to certify to the county auditor the total amount from all sources which is available for expenditures from each fund.

FINDING NUMBER 2001-30187-005

Noncompliance Citation

Ohio Revised Code § 5727.82(A)(3) states if the electric distribution company required to pay the tax imposed by section 5727.81 of the Revised Code is a municipal electric utility, it may retain in its general fund that portion of the tax on the kilowatt hours distributed to end users located within the boundaries of the municipal corporation. However, the municipal electric utility shall make payment in accordance with division (A)(1) of this section of the tax due on the kilowatt hours distributed to end users located outside the boundaries of the municipal corporation.

The Village approved transferring the tax from users within the boundaries of the Village from the general fund to the electric fund; however, the tax was never receipted into the general fund. Based on the total monthly electric consumption from May 1, 2001 through December 31, 2001, \$3,963 tax was due the general fund. The accompanying financial statements have been adjusted to show the \$3,963 as local taxes in the general fund and as a transfer out of the general fund and in to the electric fund. We recommend the Village calculate how much tax should be collected from the end users inside the Village boundaries and record this amount in the general fund monthly.

**VILLAGE OF CUSTAR
WOOD COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-30187-001	Ohio Revised Code § 5705.41(D) , failure to certify funds.	No	This finding has been repeated in this report as finding 2001-30187-002
1999-30187-002	Ohio Revised Code § 5705.38 , approving appropriations, includes Ohio Revised Code § 5705.41(B) expenditures in excess of appropriations.	No	Some improvement has been made; however, this finding has been repeated in this report as finding 2001-30187-003.
1999-30187-003	Ohio Revised Code § 5705.36 certifying the amounts available for expenditures.	No	This finding has been repeated in this report as finding 2001-30187-004.



STATE OF OHIO
OFFICE OF THE 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
JULY 9, 2002**