



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF CUSTAR
WOOD COUNTY

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INDEPENDENT AUDITOR'S REPORT

Village of Custer
Wood County
P.O. Box 128
Custer, Ohio 43511-0128

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Custer, Wood County, Ohio (the Village).

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.

Efficient • Effective • Transparent

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, 2020 and 2019, 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 for each governmental and proprietary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village, 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.

Emphasis of Matter

As discussed in Note 14 to the 2020 financial statements and in Note 13 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2021, 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

June 10, 2021

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Village of Custar, Ohio
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, 2020

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$20,912	\$1,199		\$22,111
Intergovernmental	17,565	23,736	\$61,700	103,001
Special Assessments	564			564
Fines, Licenses and Permits	443			443
Earnings on Investments	1,924	108		2,032
Miscellaneous	1,790	37	15,000	16,827
<i>Total Cash Receipts</i>	<u>43,198</u>	<u>25,080</u>	<u>76,700</u>	<u>144,978</u>
Cash Disbursements				
Current:				
Security of Persons and Property	2,304	8,201		10,505
Public Health Services	87			87
Leisure Time Activities	15,696			15,696
Community Environment	320			320
Transportation	24,901	33,892	80,186	138,979
General Government	20,598			20,598
<i>Total Cash Disbursements</i>	<u>63,906</u>	<u>42,093</u>	<u>80,186</u>	<u>186,185</u>
<i>Net Change in Fund Cash Balances</i>	(20,708)	(17,013)	(3,486)	(41,207)
<i>Fund Cash Balances, January 1</i>	<u>63,878</u>	<u>37,420</u>	<u>\$3,486</u>	<u>104,784</u>
<i>Fund Cash Balances, December 31</i>	<u>\$43,170</u>	<u>\$20,407</u>		<u>\$63,577</u>

See accompanying notes to the basic financial statements

Village of Custar, Ohio
Wood County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Enterprise Funds
For the Year Ended December 31, 2020

	Enterprise
Operating Cash Receipts	
Charges for Services	\$287,327
Miscellaneous	973
	288,300
<i>Total Operating Cash Receipts</i>	<i>288,300</i>
Operating Cash Disbursements	
Personal Services	19,410
Employee Fringe Benefits	3,005
Contractual Services	214,425
Supplies and Materials	20,190
Other	2,118
	259,148
<i>Total Operating Cash Disbursements</i>	<i>259,148</i>
<i>Operating Income</i>	<i>29,152</i>
Non-Operating Receipts (Disbursements)	
Special Assessments	20,210
Capital Outlay	(29,548)
Principal Retirement	(5,046)
Interest and Other Fiscal Charges	(119)
	(14,503)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(14,503)</i>
<i>Net Change in Fund Cash Balances</i>	<i>14,649</i>
<i>Fund Cash Balances, January 1</i>	<i>555,004</i>
<i>Fund Cash Balances, December 31</i>	<i>\$569,653</i>

See accompanying notes to the basic financial statements

Village of Custar, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of Custar (the Village), Wood County, Ohio 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. The Village contracts with Milton Township to receive fire protection services.

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

Village participates in two joint ventures, a public entity risk pool and is associated with one long-term purchase commitment. 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 all proprietary fund types which are all 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 Fund 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 license taxes restricted for construction, maintenance, and repair of streets within the Village.

Coronavirus Relief Fund The coronavirus relief fund accounts for and reports coronavirus relief funds restricted for pandemic related expenditures.

Capital Project Funds These funds account for and report 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 Project Funds:

Capital Projects Fund The capital projects fund accounts for proceeds from the sale of capital assets that are restricted for the acquisition of permanent improvements.

Village of Custar, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2020

CDBG Project Fund The CDBG project fund accounts for and reports CDBG grants restricted for the grant project.

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 located within the Village.

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 Village 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 2020 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.

Village of Custer, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,329	\$43,198	(\$2,131)
Special Revenue	25,235	25,080	(155)
Capital Projects	76,700	76,700	
Enterprise	321,200	308,510	(12,690)
Total	\$468,464	\$453,488	(\$14,976)

Village of Custer, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2020

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,962	\$64,817	\$11,145
Special Revenue	51,521	43,733	7,788
Capital Projects	80,186	80,186	
Enterprise	364,998	293,861	71,137
Total	\$572,667	\$482,597	\$90,070

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit accounts are as follows:

	2020
<i>Cash Management Pool:</i>	
Demand deposits	\$256,385
Certificates of deposit	376,845
Total carrying amount of deposits held in the Pool	\$633,230

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings.

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.

Village of Custer, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Risk Management

Risk Pool Membership

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, 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. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019 (latest information available).

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019 (latest information available).

Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

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.

Village of Custer, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The official contributed 6.2 percent of his gross salary. The Village contributed an amount equal to 6.2 percent of the participant's gross salary. The Village has paid all contributions required through December 31, 2020.

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 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

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 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 is \$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 \$231 and interest expense incurred on AMP's line-of-credit of \$65, resulting in a net impaired cost estimate at December 31, 2020 of \$296. The Village has elected to finance this amount through lump sum payments. The Village does have a potential PHFU Liability of \$5,609 resulting in a net total potential liability of \$5,905, 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 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.

Village of Custar, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 2 (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, 2020, \$1,876,617 principal amount of JV2 obligations was outstanding and held on the Line of Credit. The Village's net investment in OMEGA JV2 was \$96 at December 31, 2020 (latest information available). Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The 36 participating subdivisions and their respective ownership shares at December 31, 2020 were as follows:

Village of Custer, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2020

<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
• Custer	<u>0.00%</u>	<u>4</u>
	100.0%	134,081

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

The Village of Custer 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 Custer, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2020

In 1993, OMEGA JV5 assigned to a trustee the obligations of its participants to make payments for their respective ownership shares in the “Belleville Project”, a 42 MW run-of-the-river hydroelectric generating facility on an Army Corps dam near Parkersburg, West Virginia, an associated transmission line in Ohio and backup diesel generation owned by OMEGA JV5. AMP is responsible for operation of the Belleville Project. The hydroelectric generation associated with the Belleville Project has been operational since June 1999. The Federal Energy Regulatory Commission license for the Belleville Project runs through August 31, 2039. As of December 31, 2020, \$40,112,110 of the 2001 Belleville Beneficial Interest Certificates (“2001 BICs”) with a final maturity of 2030 was outstanding. The 2001 BICs are capital appreciation bonds with a final aggregate maturity amount of \$56,125,000. In addition, on February 15, 2014, AMP redeemed \$70,990,000 of the 2004 Belleville Beneficial Interest Certificates with the proceeds of a draw on the Line of Credit, which draw was evidenced by the proceeds of a note (the “JV5 Note”). On January 29, 2016, OMEGA JV5 caused the issuance of \$49,745,000 Belleville Beneficial Interest Refunding Certificates, Series 2016 (the “2016 BICs”) to pay a portion of the outstanding balance of the JV5 Note and to pay costs of issuance. The balance of the JV5 Note has since been retired. The 2016 BICs bear interest at a variable rate, mature on February 1, 2024 and are subject to redemption and mandatory tender at the option of the holder commencing February 15, 2021. As of December 31, 2020, \$13,515,000 aggregate principal amount of the 2016 BICs was outstanding. The 2001 BICs and 2016 BICs are non-recourse to AMP.

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, 2020, Custer has met its debt coverage obligation.

The Village’s net investment to date in OMEGA JV5 was \$1,707 at December 31, 2019 (latest information available). Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor’s website at www.ohioauditor.gov.

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, 2020, \$2,140,742,059 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$23.01 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.

Village of Custar, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

In August 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. (“*Voith*”), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things, that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged proven damages of at least \$40 million. On October 16, 2017, Voith filed its answer, denying each of AMP’s claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

As part of the initial disclosures, AMP listed 70 potential witnesses and \$90 million in gross damages, while Voith listed over 100 potential witnesses and \$65 million in gross damages. A scheduling order has been established which provides for the conclusion of discovery in April 2021, but no trial date has been set.

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, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2020

	<u>2020</u>
Total Fund Cash Balance	\$560,674
Total Long-Term Debt (latest information available)	\$33,684
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	\$286,902
Other Operating Receipts	<u>973</u>
Total Operating Receipts	287,875
 Operating Expenses	
Personal Services	19,410
Employee Fringe Benefits	3,005
Contractual Services	214,425
Supplies and Materials	20,190
Other	<u>1,518</u>
Total Operating Expenses	258,548
 Operating Income	 29,327
 Nonoperating Receipts (Disbursements)	
Special Assessments	20,210
Capital Outlay	(29,548)
Principal Payments	(5,046)
Interest Payments	<u>(119)</u>
Total Nonoperating Receipts (Disbursements)	(14,503)
 Change in Fund Cash Balance	 <u>14,824</u>
Beginning Fund Cash Balance	545,850
Ending Fund Cash Balance	<u>\$560,674</u>
 Condensed Cash Flows Information:	
	<u>2020</u>
Net Cash Provided (Used) by:	
Operating Activities	\$29,327
 Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(5,046)
Interest Payments on Capital and Related Debt	(119)
Other Capital and Related Financing Activities	<u>(9,338)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(14,503)
 Net Increase (Decrease)	 14,824
Beginning Fund Cash Balance	545,850
Ending Fund Cash Balance	<u>\$560,674</u>

Village of Custar, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 13 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Outstanding Encumbrances	\$911	\$1,640		\$2,551
<i>Total</i>	<u>\$911</u>	<u>\$1,640</u>		<u>\$2,551</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds are restricted, committed, or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. Of the amounts received, \$398 was returned to the granting agency and \$7,802 was spent on-behalf of other governments. These amounts are reflected as security of persons and property expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

Note 15 – Miscellaneous Revenues

During 2020, the Village received significant Capital Project Fund miscellaneous revenues consisting of a \$15,000 contribution from Legacy Farmers Cooperative towards the Custar Road Project.

Village of Custar, Ohio
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, 2019*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$22,231	\$1,130		\$23,361
Intergovernmental	10,686	12,789		23,475
Special Assessments	300			300
Fines, Licenses and Permits	579			579
Earnings on Investments	2,298	143		2,441
Miscellaneous	331	17		348
<i>Total Cash Receipts</i>	<u>36,425</u>	<u>14,079</u>		<u>50,504</u>
Cash Disbursements				
Current:				
Security of Persons and Property	4,142			4,142
Public Health Services	92			92
Leisure Time Activities	12,471			12,471
Community Environment	330			330
Transportation	100	12,894		12,994
General Government	27,487			27,487
<i>Total Cash Disbursements</i>	<u>44,622</u>	<u>12,894</u>		<u>57,516</u>
<i>Net Change in Fund Cash Balances</i>	(8,197)	1,185		(7,012)
<i>Fund Cash Balances, January 1</i>	<u>72,075</u>	<u>36,235</u>	<u>\$3,486</u>	<u>111,796</u>
Fund Cash Balances, December 31				
Restricted		37,420	3,486	40,906
Assigned	31,341			31,341
Unassigned	32,537			32,537
<i>Fund Cash Balances, December 31</i>	<u>\$63,878</u>	<u>\$37,420</u>	<u>\$3,486</u>	<u>\$104,784</u>

See accompanying notes to the basic financial statements

Village of Custar, Ohio
Wood County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Enterprise Funds
For the Year Ended December 31, 2019

	Enterprise
Operating Cash Receipts	
Charges for Services	\$260,045
Miscellaneous	1,501
	261,546
Operating Cash Disbursements	
Personal Services	15,370
Employee Fringe Benefits	2,360
Contractual Services	224,883
Supplies and Materials	8,025
Other	1,497
	252,135
<i>Total Operating Cash Disbursements</i>	<i>252,135</i>
<i>Operating Income</i>	<i>9,411</i>
Non-Operating Receipts (Disbursements)	
Special Assessments	14,476
Capital Outlay	(12,715)
Principal Retirement	(4,841)
Interest and Other Fiscal Charges	(322)
	(3,402)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(3,402)</i>
<i>Net Change in Fund Cash Balances</i>	<i>6,009</i>
<i>Fund Cash Balances, January 1</i>	<i>548,995</i>
<i>Fund Cash Balances, December 31</i>	<i>\$555,004</i>

See accompanying notes to the basic financial statements

Village of Custar, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of Custar (the Village), Wood County, Ohio 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. The Village contracts with Milton Township to receive fire protection services.

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

Village participates in two joint ventures, a public entity risk pool and is associated with one long-term purchase commitment. 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 all proprietary fund types which are all 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 Fund 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 license taxes restricted for construction, maintenance, and repair of streets within the Village.

Capital Project Funds These funds account for and report 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 Project Funds:

Capital Projects Fund The capital projects fund accounts for proceeds from the sale of capital assets that are restricted for the acquisition of permanent improvements.

CDBG Project Fund The CDBG project fund accounts for and reports CDBG grants restricted for the grant project.

Village of Custer, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 located within the Village.

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 Village 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 2019 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.

Village of Custar, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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*.

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, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,656	\$36,425	(\$2,231)
Special Revenue	11,600	14,079	2,479
Capital Projects	76,700		(76,700)
Enterprise	271,200	276,022	4,822
Total	\$398,156	\$326,526	(\$71,630)

Village of Custar, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$66,683	\$59,713	\$6,970
Special Revenue	39,876	35,576	4,300
Capital Projects	80,186	80,186	
Enterprise	313,462	270,069	43,393
Total	\$500,207	\$445,544	\$54,663

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit accounts are as follows:

	2019
<i>Cash Management Pool:</i>	
Demand deposits	\$484,912
Certificates of deposit	174,876
Total carrying amount of deposits held in the Pool	\$659,788

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

Risk Pool Membership

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.

Village of Custer, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 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. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

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 the participant's gross salary. The Village has paid all contributions required through December 31, 2019.

Village of Custar, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

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 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 is \$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 \$231 and interest expense incurred on AMP's line-of-credit of \$62, resulting in a net impaired cost estimate at December 31, 2019 of \$293. The Village has elected to finance this amount through lump sum payments. The Village does have a potential PHFU Liability of \$5,534 resulting in a net total potential liability of \$5,827, 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 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 2 (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.

Village of Custar, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 2019, \$2,900,302 principal amount of JV2 obligations was outstanding and held on the Line of Credit. The Village's net investment in OMEGA JV2 was \$96 at December 31, 2019. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The 36 participating subdivisions and their respective ownership shares at December 31, 2019 were as follows:

Village of Custer, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019

<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
• Custer	<u>0.00%</u>	<u>4</u>
	100.0%	134,081

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

The Village of Custer 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 Custer, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 2019, Custer 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, 2019. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Village of Custer, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 2019, \$2,194,396,471 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$31.12 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 Custer 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, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019

	<u>2019</u>
Total Fund Cash Balance	\$545,850
Total Long-Term Debt	\$33,684
 Condensed Operating Information:	
Operating Receipts	
Charges for Services	\$258,745
Other Operating Receipts	1,501
Total Operating Receipts	<u>260,246</u>
Operating Expenses	
Personal Services	15,370
Employee Fringe Benefits	2,360
Contractual Services	224,883
Supplies and Materials	8,025
Other	972
Total Operating Expenses	<u>251,610</u>
Operating Income	8,636
Nonoperating Receipts (Disbursements)	
Special Assessments	14,476
Capital Outlay	(12,715)
Principal Payments	(4,841)
Interest Payments	(322)
Total Nonoperating Receipts (Disbursements)	<u>(3,402)</u>
Change in Fund Cash Balance	<u>5,234</u>
Beginning Fund Cash Balance	<u>540,616</u>
Ending Fund Cash Balance	<u>\$545,850</u>
 Condensed Cash Flows Information:	
	<u>2019</u>
Net Cash Provided (Used) by:	
Operating Activities	\$8,636
Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(4,841)
Interest Payments on Capital and Related Debt	(322)
Other Capital and Related Financing Activities	1,761
Net Cash Provided (Used) by Capital and Related Financing Acti	<u>(3,402)</u>
Net Increase (Decrease)	5,234
Beginning Fund Cash Balance	<u>540,616</u>
Ending Fund Cash Balance	<u>\$545,850</u>

Village of Custar, Ohio
Wood County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.



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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 43511-0128

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 for each governmental and proprietary fund type combined total as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Custar, Wood County, Ohio (the Village) and have issued our report thereon dated June 10, 2021, 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. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 financial statements. 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

June 10, 2021

VILLAGE OF CUSTAR
P.O. BOX 128
CUSTAR, OHIO 43511-0128

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements. Finding was first issued in the 2011-2012 audit.	Fully corrected.	
2018-002	Ohio Rev. Code § 5705.10(F) due to posting the sale of capital assets to the wrong fund.	Fully corrected.	
2018-003	Finding for recovery due to the overpayment of employees.	Fully corrected.	

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF CUSTAR

WOOD COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/29/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov