

VILLAGE OF MINSTER

AUGLAIZE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2011



Dave Yost • Auditor of State

Village Council
Village of Minster
5 West Fourth Street
Minster, Ohio 45345

We have reviewed the *Independent Auditors' Report* of the Village of Minster, Auglaize County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Minster is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 13, 2013

This page intentionally left blank.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1 – 2
Combined Statement of Receipts, Disbursements and Changes – In Fund Balances – All Governmental Fund Types For the Year Ended December 31, 2011	4
Combined Statement of Receipts, Disbursements and Changes in Fund Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 2011	5
Notes to the Financial Statements	6 – 20
Supplemental Data:	
Schedule of Federal Awards Expenditures	21
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	22 – 23
Report on compliance with Requirements Applicable to its Major Program and on Internal Control Over Compliance In Accordance with <i>OMB Circular A- 133</i>	24 – 25
Summary of Auditors Results	26
Schedule of Findings and Questioned Costs and Prior Audit Findings	26 – 27



INDEPENDENT AUDITORS' REPORT

Mayor and Members of Council
Village of Minster
5 West Fourth Street
Minster, Ohio 45345

We have audited the accompanying financial statements of the Village of Minster, Auglaize County, Ohio (the Village), as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2011 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 or its changes in financial position or cash flows, for the year then ended.

Dayton | 6105 N. Dixie Drive | P.O. Box 13449 | Dayton, Ohio 45414
(937) 898-3167 | Fax (937) 898-9202 | Email: dayton@manningcpallc.com

Sidney | 500 Folkerth Avenue | Sidney, Ohio 45365
(937) 492-0386 | Fax (937) 492-3262 | Email: sidney@manningcpallc.com

America Counts
On CPAs®
www.manningcpallc.com

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Minster, Auglaize County, as of December 31, 2011, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2013 on our consideration of the Government'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Government's financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Manning & Associates
CPAs, LLC

Digitally signed by Manning & Associates CPAs, LLC
DN: cn=Manning & Associates CPAs, LLC, o=Manning &
Associates CPAs, LLC, ou=Manning & Associates CPAs,
LLC, email=lschmidt@manningcpallc.com, c=US
Date: 2013.03.12 15:46:26 -0400

Manning & Associates CPAs, LLC
Dayton, Ohio

February 1, 2013

This page intentionally left blank

VILLAGE OF MINSTER
AUGLAIZE COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENT FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$190,258	\$0	\$0	\$0	\$190,258
Municipal Income Tax	2,891,946	0	0	0	2,891,946
Intergovernmental	206,411	295,910	0	637,279	1,139,600
Special Assessments	0	0	39,274	0	39,274
Charges for Services	603,100	25,085	0	0	628,185
Fines, Licenses and Permits	12,851	1,711	0	0	14,562
Earnings on Investments	32,453	423	0	0	32,876
Miscellaneous	10,958	24,968	0	29,788	65,714
<i>Total Cash Receipts</i>	<u>3,947,977</u>	<u>348,097</u>	<u>39,274</u>	<u>667,067</u>	<u>5,002,415</u>
Cash Disbursements					
Current:					
Security of Persons and Property	634,321	0	0	0	634,321
Leisure Time Activities	0	153,312	0	0	153,312
Community Environment	23,166	0	0	0	23,166
Transportation	0	535,347	0	0	535,347
General Government	434,832	0	0	1,577	436,409
Capital Outlay	197,719	152,602	0	3,008,723	3,359,044
Debt Service:					
Principal Retirement	0	0	30,565	0	30,565
Interest and Fiscal Charges	0	0	9,427	0	9,427
<i>Total Cash Disbursements</i>	<u>1,290,038</u>	<u>841,261</u>	<u>39,992</u>	<u>3,010,300</u>	<u>5,181,591</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,657,939</u>	<u>(493,164)</u>	<u>(718)</u>	<u>(2,343,233)</u>	<u>(179,176)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	8,158	0	0	1,160	9,318
Transfers In	0	557,290	0	3,060,299	3,617,589
Transfers Out	(2,743,421)	0	0	(1,378,364)	(4,121,785)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,735,263)</u>	<u>557,290</u>	<u>0</u>	<u>1,683,095</u>	<u>(494,878)</u>
<i>Net Change in Fund Cash Balances</i>	(77,324)	64,126	(718)	(660,138)	(674,054)
<i>Fund Cash Balances, January 1</i>	<u>351,575</u>	<u>170,821</u>	<u>15,030</u>	<u>2,561,643</u>	<u>3,099,069</u>
Fund Cash Balances, December 31					
Restricted	0	200,718	14,312	1,004,151	1,219,181
Committed	0	34,229	0	897,354	931,583
Unassigned (Deficit)	274,251	0	0	0	274,251
<i>Fund Cash Balances, December 31</i>	<u>\$274,251</u>	<u>\$234,947</u>	<u>\$14,312</u>	<u>\$1,901,505</u>	<u>\$2,425,015</u>

The Notes to the Financial Statements are an integral part of this statement.

VILLAGE OF MINSTER
AUGLAIZE COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$9,733,622	\$35,539	\$9,769,161
Fines, Licenses and Permits	4,120	\$0	4,120
Miscellaneous	283,759	0	283,759
<i>Total Operating Cash Receipts</i>	<u>10,021,501</u>	<u>35,539</u>	<u>10,057,040</u>
Operating Cash Disbursements			
Personal Services	652,924	0	652,924
Employee Fringe Benefits	225,733	0	225,733
Contractual Services	7,137,632	35,539	7,173,171
Supplies and Materials	529,910	0	529,910
Other	7,025	0	7,025
<i>Total Operating Cash Disbursements</i>	<u>8,553,224</u>	<u>35,539</u>	<u>8,588,763</u>
<i>Operating Income (Loss)</i>	<u>1,468,277</u>	<u>0</u>	<u>1,468,277</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	159,387	0	159,387
Capital Outlay	(3,955,203)	0	(3,955,203)
Principal Retirement	(135,000)	0	(135,000)
Interest and Other Fiscal Charges	(354,193)	0	(354,193)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(4,285,009)</u>	<u>0</u>	<u>(4,285,009)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<u>(2,816,732)</u>	<u>0</u>	<u>(2,816,732)</u>
Transfers In	1,224,196	0	1,224,196
Transfers Out	(720,000)	0	(720,000)
<i>Net Change in Fund Cash Balances</i>	<u>(2,312,536)</u>	<u>0</u>	<u>(2,312,536)</u>
<i>Fund Cash Balances, January 1</i>	<u>8,153,636</u>	<u>0</u>	<u>8,153,636</u>
<i>Fund Cash Balances, December 31</i>	<u>\$5,841,100</u>	<u>\$0</u>	<u>\$5,841,100</u>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Minster, Auglaize County, Ohio (the Village) 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. The Village is directed by a publicly elected six-member Council. The Village provides the following services: fire and police protection, water, electric, sewer, street maintenance and repair, as well as other general governmental services.

The Village participates in one jointly governed organization and a public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are: the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5) and the Ohio Government Risk Management Plan public entity risk pool.

The Village's management believes these financial statements represent all of the funds of the Village over which the Village officials are financially accountable.

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. The basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when 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 Auditor of State prescribes or permits.

C. 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. 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:

General Fund:

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

Special Revenue Funds:

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

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

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village State Highways.

Permissive Motor Vehicle License Fund – This fund receives an additional fee on license plates to pay for constructing, maintaining and repairing Village roads.

Parks and Recreation Fund – This fund receives fees to maintain the Village's parks.

Debt Service Funds:

These funds are used to accumulate resources for the payment of indebtedness.

Other Debt Service – This fund accumulates resources for the payment of Special Assessment notes and bonds.

Capital Projects Funds:

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Funds:

Capital Improvement Fund – This fund provides monies for the purchase of large equipment, vehicles, and buildings for the Village.

Fourth Street Reconstruction – This fund provides monies for the construction of the canal street project.

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 Funds:

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

Enterprise Funds:

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

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

Fiduciary Funds:

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under agreement for individuals, private organizations, or other governments which are not available to support the Village's own purpose.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village has two agency funds:

Mayor's Court – This fund receives monies from collections on fines imposed from tickets issued by the Village's police protection force. Funds collected in part are on behalf of the State of Ohio. In addition, funds are used for safety programs, computerization and general Village operations.

NKTELCO Collections – This fund receives monies from collections on behalf of Verizon. Funds are collected and remitted to Verizon. The Village receives a percentage fee for this service.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain Agency funds) be budgeted annually.

Appropriations

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process, (continued)

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2011 budgetary activity appears in Note 3.

F. 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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (continued)

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.

G. Property, Plant and Equipment

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

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2011</u>
Deposits:	
Demand Deposits	\$ 7,766,115
Certificate of Deposits	<u>500,000</u>
Total Deposits	<u>\$ 8,266,115</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2011 was as follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,760,733	\$ 3,956,135	\$ 195,402
Special Revenue	862,795	905,387	42,592
Debt Service	39,274	39,274	0
Capital Projects	3,159,800	3,728,526	568,726
Enterprise Funds	10,810,213	11,405,084	594,871
Total	<u>\$ 18,632,815</u>	<u>\$ 20,034,406</u>	<u>\$ 1,401,591</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,103,159	\$ 4,033,459	\$ 69,700
Special Revenue	948,245	841,261	106,984
Debt Service	40,486	39,992	494
Capital Projects	5,465,900	4,388,664	1,077,236
Enterprise Funds	18,418,618	13,717,620	4,700,998
Total	<u>\$ 28,976,408</u>	<u>\$ 23,020,996</u>	<u>\$ 5,955,412</u>

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

4. DEBT OBLIGATIONS

Village Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Special Assessment Notes	\$ 196,214	4.10-4.60%
Waste Water Treatment Anticipation Note	<u>5,915,000</u>	1.25-6.85%
	<u>\$6,111,214</u>	

Special Assessment Notes:

2002 Hamilton Street Assessment Note, due June 18, 2013 at a rate of 4.5 percent. Principal balance at December 31, 2011 \$919.

2004 Eagle Acres Special Assessment Note, due in semiannual payments on January 5 and July 5 through July 5, 2015, at a rate of 4.12 percent. Principal balance at December 31, 2011 \$34,545.

2009 Hanover St/Midway Drive Special Assessment Note, due in semiannual payments on January 22 and July 22 through July 22, 2019, at a rate of 4.10 percent. Principal balance at December 31, 2011 \$160,750.

Waste Water Treatment Plant (WWTP) Renovation Bond Anticipation Note:

The Village issued \$6,050,000 in sewer improvement bonds in 2010. Semiannual payments are due on June 1 and December 1 through December 2040 at a varying rate of 1.25 percent to 6.85 percent. The Village also currently receives a Federal Subsidy that reimburses 45 percent of the interest associated with these bonds. Principal balance at December 31, 2011 \$5,915,000.

Omega JV 5 – AMP

The Village entered into a loan agreement with Ohio Municipal Power- Ohio, Inc. (AMP) for the purpose of providing financing for the acquisition and installation of electric system improvements.

The Electric Operating Fund is to pay the loan made by AMP together with interest thereon equal to the rates of interest on the electric system improvement bond anticipation notes to be issued by AMP in one or more series, or on notes issued to refund the Notes or on the Electric System Improvement Bonds to be issued by AMP in anticipation of which Bonds the Notes are issued.

On the maturity date of each series of the Notes the Village will pay to AMP all interest due on the Notes plus any amount of principal up to the original principal amount of such series, and on the maturity date of such series of the Notes plus an amount of principal equal to the amount of principal amount which would be due in the corresponding year on a loan the original amount of such series, for a term of 20 years, at the interest rate borne by such series of the Notes.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

4. DEBT OBLIGATIONS (Continued)

Omega JV 5 – AMP, (continued)

AMP will use its best efforts to refinance any remaining principal of any series of the Notes; provided, however, that if AMP is unable to refinance any series of the Notes, it shall give the Village and the original purchaser of the Notes 60 days notice of such inability, and the Village shall pay AMP all amounts necessary to retire such series of the Notes at maturity. Also see Note 9, for more information relating to AMP, Omega JV-5 project and related amortization schedules based upon percentage of ownership.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending : December 31	Special Assess. Notes		WWTP Renovation Note	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 29,649	\$ 8,165	\$ 140,000	\$ 345,750
2013	28,730	6,914	140,000	343,510
2014	28,730	5,724	140,000	340,920
2015	28,730	4,532	140,000	337,560
2016	20,094	3,350	145,000	333,710
2017-2021	60,281	5,012	780,000	1,563,035
2022-2026	0	0	900,000	1,350,900
2027-2031	0	0	1,055,000	1,061,168
2032-2036	0	0	1,275,000	679,861
2037-2040	0	0	1,200,000	208,925
Total	\$ <u>196,214</u>	\$ <u>33,697</u>	\$ <u>5,915,000</u>	\$ <u>6,565,339</u>

5. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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 MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activity within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Tax receipts credited to the Village amounted to \$2,891,946 in 2011.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes rates. For 2011 OP&F participants contributed 10 percent of their wages. For 2011 the Village contributed to OP&F an amount equal to 19.5 percent of their wages. For 2011 OPERS members contribute 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, 2011.

8. RISK MANAGEMENT

Prior to 2009, the Government belonged to the Ohio Government Risk Management Plan (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 was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

8. RISK MANAGEMENT, (Continued)

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. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), 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, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC.

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	<u>(4,845,056)</u>	<u>(1,055,096)</u>	<u>(4,852,485)</u>	<u>(1,253,617)</u>
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

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

The Village also provides health insurance and dental to full-time employees through a private carrier.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

9. JOINT VENTURES WITH EQUITY INTEREST

The Village of Minster is a Financing Participant with an ownership percentage of 1.99 %, 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.

Pursuant to the OMEGA Joint Venture JV5 Agreement (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.

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.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of 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. On 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, 2011 Minster has met their 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 (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.

The Village's net investment to date in OMEGA JV5 was \$211,360 at December 31, 2011. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

9. JOINT VENTURES WITH EQUITY INTEREST, (continued)

Amortization of the participant's percentage share of debt as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Refunding</u>	<u>Total</u>
2012	\$ 96,853	\$ 85,566	\$ 27,363	\$ 209,782
2013	101,735	80,724	27,369	209,828
2014	106,717	75,637	27,353	209,707
2015	112,198	70,301	27,375	209,874
2016	120,568	64,691	27,789	213,048
2017-2021	683,948	228,247	136,830	1,049,025
2022-2024	498,015	49,307	82,098	629,420
Total	<u>\$1,720,034</u>	<u>\$654,473</u>	<u>\$356,177</u>	<u>\$2,730,684</u>

10. TRANSFERS AND ADVANCES

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.15.

	<u>2011</u>
Transfers from the General Fund to:	
Special Revenue Funds	\$ 557,290
Capital Project Funds	1,681,935
Enterprise Funds	504,196
Transfers from the Capital Improvement Fund to:	
Capital Project Funds	1,360,000
Transfers from the State Issue I Fund to:	
Capital Improvement Fund	18,364
Transfers from the Electric Fund to:	
Electric System Upgrade	200,000
Transfers from the Sewer Fund to:	
WWTP Renovation	350,000
Transfers from the Water Fund to:	
Well Field Development	170,000
Total Transfers	<u>\$ 4,841,785</u>

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2011

11. SEGMENT INFORMATION FOR THE ELECTRIC FUND

The Village maintains two enterprise funds to account for the operation of the electric utility. The table below reflects, in summarized format, the more significant financial data relating to the Electric Fund and the Electric System Upgrade Fund for the year ended December 31, 2011.

	Electric Fund	Electric System Upgrade	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues:	\$ 8,313,143	\$ 0	\$ 1,708,358	\$ 10,021,501
Operating Expenses:				
Personal Service	307,453	0	345,471	652,924
Employee Fringe Benefits	113,418	0	112,315	225,733
Contractual Services	6,741,981	0	395,651	7,137,632
Supplies and Materials	346,858	0	183,052	529,910
Other	0	0	7,025	7,025
Total Operating Expenses	7,509,710	0	1,043,514	8,553,224
 Operating Income/ (Loss)	 803,433	 0	 664,844	 1,468,277
Intergovernmental	0	0	159,387	159,387
Capital Outlay	(200,600)	(61,576)	(3,693,027)	(3,955,203)
Redemption of Principal	0	0	(135,000)	(135,000)
Interest Payments	0	0	(354,193)	(354,193)
Transfers In	444,196	200,000	580,000	1,224,196
Transfers Out	(200,000)	0	(520,000)	(720,000)
 Net Receipts Over/ (under) Disbursements	 847,029	 138,424	 (3,297,989)	 (2,312,536)
 Fund Balance, Beginning	 1,036,192	 94,695	 7,022,749	 8,153,636
Fund Balance, Ending	\$ 1,883,221	\$ 233,119	\$ 3,724,760	\$ 5,841,100

Included in the services provided by the Village are electric utility services financed primarily by user charges. The calculation of JV5 debt coverage and the financial breakdown of the electric fund are presented separately to satisfy the debt covenant requirements with AMP Ohio.

	2011
Operating Income/ (Loss)	803,433
Less Capital Outlay (electric funds)	(262,176)
Adjusted Operating Income Available for Debt Service	541,257
OMEGA JV5 Debt Service (paid by AMP-Ohio)	209,735
Coverage (convenants require 110% coverage of all debt)	258%

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

12. CONTINGENCIES

American Municipal Power Generating Station Project

The Village of Minster is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The Village executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

History of the AMPGS Project

In November 2009, the participants of the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. (Please see attached Joint Resolution No. 09-11-2891 dated November 24, 2009.) The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37% and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2011, the type of generating asset has not been determined.

As mentioned above, the AMPGS project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay all costs incurred for the project. To date it has not been determined what those total final costs are for the project participants.

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined balance sheet. AMP has reclassified \$34,881,075 of costs to plant held for future use as these costs were determined to be associated with the undeveloped Meigs County site regardless of the determination of which type of generating asset will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. At December 31, 2011 AMP has a regulatory asset of \$86,548,349 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS project participants to establish a formal plan for the recovery on a participant by participant basis.

AMP has consistently communicated with the AMPGS participants as to the risks and uncertainties with respect to the outstanding potential liability the Village has as a result of the cancellation of the AMPGS Project. Meetings with AMPGS Project participants have been held as necessary to communicate any updates to both costs being incurred and ongoing litigation.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

12. CONTINGENT LIABILITIES, (continued)

At the request of the participants, on November 18, 2011 and December 13, 2011 AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded cost liability and providing options for payment of those stranded costs, if the participant so chose. These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

Based on an allocation to Minster of 5,381 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the Village of Minster has a potential stranded cost obligation of \$880,091 for the AMPGS Project. The Village of Minster does not have any payments on deposit with AMP at December 31, 2011.

AMP Fremont Energy Center (AFEC) Development Fee –

The AFEC Development Fee is the amount paid by AFEC participants to the AMPGS project as a Development Fee in August, 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board (please see attached Amended Minutes of May 3, 2011). The Village is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs as noted below.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$69,099 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 660 and the total kW share of those participating in both projects. The Village has not recorded this credit in its financial statements as of December 31, 2011.

Recording of Stranded Costs-

It is the opinion on management and their legal counsel that the above amount is a contingent liability with an estimated maximum exposure, not an estimate of what management believes to be a reasonable estimate of a final amount. In addition, AMP and the Village are unable to estimate the ultimate liability due to the current factors and a pending lawsuit. Therefore, the Village has not booked a liability or expense as of December 31, 2011. Had the Village chosen to expense the potential stranded costs the management believes it would have violated its covenant obligations for its Electric Fund bonds and/or its debt covenant obligations with Ohio Municipal Electric Generation Agency (OMEGA) Joint Venture 5.

If future events require the Village to pay these stranded costs, then they will be paid from the electric fund reserves in a manner that would not cause the Village to violate its debt covenants and without adjusting rates to its customers.

**VILLAGE OF MINSTER
MERCER COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION <i>Passed Through Ohio Department of Transportation</i>			
Federal-aid Highway Program - ARRA		20.205 ARRA	510,021
Total U.S. Department of Transportation			<u>510,021</u>
U.S. DEPARTMENT OF TRANSPORTATION <i>Passed Through Ohio Department of Transportation</i>			
Federal-aid Highway Program		20.205	126,470
Total U.S. Department of Transportation			<u>126,470</u>
Total			<u>\$636,491</u>

The accompanying notes are an integral part of this schedule.

This page intentionally left blank.

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

Mayor and Members of Council
Village of Minster
5 West Fourth Street
Minster, Ohio 45345

To the Village Council:

We have audited the financial statements of the Village of Minster, Auglaize County (the Village), as of and for the year ended December 31, 2011, and have issued our report thereon dated February 1, 2013 wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America, and wherein we noted the Village adopted Governmental Accounting Standards Board Statement No. 54. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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 in internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 that we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.

**Manning & Associates
CPAs, LLC**

Digitally signed by Manning & Associates CPAs, LLC
DN: cn=Manning & Associates CPAs, LLC, o=Manning &
Associates CPAs, LLC, ou=Manning & Associates CPAs, LLC,
email=lschmidt@manningcpallc.com, c=US
Date: 2013.03.12 15:45:58 -04'00'

Manning & Associates CPAs, LLC
Dayton, Ohio

February 1, 2013

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Mayor and Members of Council
Village of Minster
5 West Fourth Street
Minster, Ohio 45345

To the Village Council:

Compliance

We have audited the compliance of Village of Minster, Auglaize County (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village's major federal program for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Government's major federal program. The Government's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Government's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Government's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government's compliance with these requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-02

Internal Control Over Compliance

The Government's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Government's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Government's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of as item 2011-01. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We intend this report solely for the information and use of the audit committee, management, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

**Manning &
Associates CPAs, LLC**

 Digitally signed by Manning & Associates CPAs, LLC
DN: cn=Manning & Associates CPAs, LLC, o=Manning &
Associates CPAs, LLC, ou=Manning & Associates CPAs,
LLC, email=lschmidt@manningcpallc.com, c=US
Date: 2013.03.12 15:45:37 -04'00'

Manning & Associates CPAs, LLC

February 1, 2013

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	UNQUALIFIED
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	YES
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	UNQUALIFIED
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	YES
<i>(d)(1)(vii)</i>	Major Programs (list):	20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	NO

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

There are no findings or questioned costs for the year ended December 31, 2011

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2011-001
CFDA Title and Number	ARRA 20-205
Federal Award Number / Year	2011
Federal Agency	Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133
DECEMBER 31, 2011**

SIGNIFICANT DEFICIENCY

2011 OMB Circular A-133 Compliance Supplement, Part 4 requires computations of invoices submitted to the government be check for accuracy. We noted cumulative to date on invoices submitted to the Ohio Department of Transportation (ODOT), either did not foot and/or did not state the correct cumulative to date amounts.

Auditee Response:

The Village hired contracted with a Company the was experienced with billing government contracts. The contracted Company prepared all the invoices on behalf of the Village. It was presumed since they were experienced invoices were correctly calculated. The Village will monitor invoices prepared by a contracted third party in the future.

Finding Number	2011-002
CFDA Title and Number	ARRA 20-205
Federal Award Number / Year	2011
Federal Agency	Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

NONCOMPLIANCE

OMB Circular A-133, Section 320 states the audit shall be completed and the data collection form shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. (However, for fiscal years beginning on or before June 30, 1998, the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or 13 months after the end of the audit period.) Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

The Village failed to file the data collection form (DCF), within specified time restraints, as a result the Village will be considered a high risk auditee for years ending December 31, 2011 and 2012.

Auditee Response:

The Village will work with auditor in the future to ensure the DCF is filled timely.



Dave Yost • Auditor of State

VILLAGE OF MINSTER

AUGLAIZE 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
MARCH 26, 2013