

VILLAGE OF MINSTER

DAYTON REGION, AUGLAIZE COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2010



Dave Yost • Auditor of State

Mayor and Members of 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, 2010 through December 31, 2010. 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

July 28, 2011

This Page is Intentionally Left Blank.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1 – 2
Combined Statement of Cash Receipts, Cash Disbursements and Changes – In Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2010	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 2010	5
Notes to the Financial Statements	6 – 17
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	18 – 19

This Page is Intentionally Left Blank.

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, 2010. 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, 2010 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, 2010 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, 2010, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 27, 2011, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion 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* and should not be read in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC
Dayton, Ohio

April 27, 2011

This page intentionally left blank

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and other Local Taxes	\$ 246,504	\$ 0	\$ 0	\$ 0	\$ 246,504
Municipal Income Taxes	2,262,560	0	0	0	2,262,560
Intergovernmental Receipts	252,836	319,738	0	0	572,574
Special Assessments	0	0	45,466	0	45,466
Charges for Services	553,529	1,375	0	0	554,904
Fines, Licenses and Permits	13,300	1,118	0	0	14,418
Earnings on Investments	35,945	860	0	0	36,805
Miscellaneous	16,869	45,316	0	15,879	78,064
Total Cash Receipts	<u>3,381,543</u>	<u>368,407</u>	<u>45,466</u>	<u>15,879</u>	<u>3,811,295</u>
Cash Disbursements:					
Current:					
Security of Person and Property	630,841	0	0	0	630,841
Leisure Time Activities	0	172,238	0	0	172,238
Community Environment	18,258	0	0	0	18,258
Transportation	0	437,427	0	0	437,427
General Government	420,343	0	0	0	420,343
Capital Outlay	184,072	128,689	0	473,883	786,644
Debt Service:					
Redemption of Principal	0	0	34,424	0	34,424
Interest Payments	0	0	10,837	0	10,837
Total Cash Disbursements	<u>1,253,514</u>	<u>738,354</u>	<u>45,261</u>	<u>473,883</u>	<u>2,511,012</u>
Total Receipts Over/(Under) Disbursements	<u>2,128,029</u>	<u>(369,947)</u>	<u>205</u>	<u>(458,004)</u>	<u>1,300,283</u>
Other Financing Receipts/(Disbursements):					
Transfers-In	0	341,000	0	2,386,869	2,727,869
Transfers-Out	<u>(2,175,863)</u>	0	0	<u>(1,083,173)</u>	<u>(3,259,036)</u>
Total Other Financing Receipts/ Disbursements	<u>(2,175,863)</u>	<u>341,000</u>	<u>0</u>	<u>1,303,696</u>	<u>(531,167)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(47,834)	(28,947)	205	845,692	769,116
Fund Cash Balances, January 1	<u>399,409</u>	<u>199,768</u>	<u>14,825</u>	<u>1,715,951</u>	<u>2,329,953</u>
Fund Cash Balances, December 31	<u>\$ 351,575</u>	<u>\$ 170,821</u>	<u>\$ 15,030</u>	<u>\$ 2,561,643</u>	<u>\$ 3,099,069</u>

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND
SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Changes for Services	\$ 9,102,801	\$ 36,903	\$ 9,139,704
Fines, License and Permits	1,998	0	1,998
Miscellaneous	254,500	0	254,500
Total Operating Cash Receipts	<u>9,359,299</u>	<u>36,903</u>	<u>9,396,202</u>
Operating Cash Disbursements:			
Personal Services	896,102	0	896,102
Travel Transportation	29,646	0	29,646
Contractual Services	7,239,654	0	7,239,654
Supplies and Materials	461,102	0	461,102
Other	7,875	36,903	44,778
Capital Outlay	1,509,587	0	1,509,587
Total Operating Cash Disbursements	<u>10,143,966</u>	<u>36,903</u>	<u>10,180,869</u>
Operating Income (Loss)	<u>(784,667)</u>	<u>0</u>	<u>(784,667)</u>
Non-Operating Receipts (Disbursements)			
Sale of Bonds	6,050,000		6,050,000
Sale of Fixed Assets	55,000	0	55,000
Debt Service:			
Principal Payments	(300,000)	0	(300,000)
Interest Payments	(5,610)		(5,610)
Other Financing Uses	(119,325)	0	(119,325)
Total Non-Operating Cash Receipts	<u>5,680,065</u>	<u>0</u>	<u>5,680,065</u>
Income (Loss) Before Operating Transfers	4,895,398	0	4,895,398
Transfers In	1,197,107	0	1,197,107
Transfers Out	<u>(665,940)</u>	<u>0</u>	<u>(665,940)</u>
Net Receipts Over/(Under) Disbursements	<u>5,426,565</u>	<u>0</u>	<u>5,426,565</u>
Fund Balances, January 1	<u>2,727,071</u>	<u>0</u>	<u>2,727,071</u>
Fund Balances, December 31	<u>\$ 8,153,636</u>	<u>\$ 0</u>	<u>\$ 8,153,636</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, 2010**

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'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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village maintains all funds in an interest bearing checking account, savings account, and certificates of deposit with a local financial institution. The certificates of deposit are valued at cost. The Village pools its cash deposits for investment purposes to capture the highest rate of return.

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.

Special Revenue Funds:

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

Special Revenue Funds: (continued)

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 Fund:

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

Sanitary Sewer Canal Cleanup – This fund provides monies for the construction of the canal street cleanup project.

Fourth Street Construction – 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:

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

Enterprise Funds: (continued)

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

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 (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary 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, 2010**

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 2010 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Fixed assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

G. 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>2010</u>
Deposits:	
Demand Deposits	\$ 10,752,705
Certificate of Deposits	<u>500,000</u>
Total Deposits	\$ <u>11,252,705</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, 2010

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2010 was as follows:

2010 Budgeted vs. Actual Receipts

Fund Type	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 3,095,547	\$ 3,381,543	\$ 285,996
Special Revenue	584,212	709,407	125,195
Debt Service	45,393	45,466	73
Capital Projects	2,233,935	2,402,748	168,813
Enterprise Funds	10,276,166	16,661,406	6,385,240
Fiduciary Fund	36,903	36,903	0
Total	<u>\$ 16,272,156</u>	<u>\$ 23,237,473</u>	<u>\$ 6,965,317</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 3,493,188	\$ 3,429,377	\$ 63,811
Special Revenue	798,008	738,354	59,654
Debt Service	45,826	45,261	565
Capital Projects	2,446,538	1,557,056	889,482
Enterprise Funds	12,476,351	11,234,841	1,241,510
Fiduciary Fund	36,903	36,903	0
Total	<u>\$ 19,296,814</u>	<u>\$ 17,041,792</u>	<u>\$ 2,255,022</u>

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

4. DEBT OBLIGATIONS

Village Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Special Assessment Notes	\$ 226,778	4.10-4.60%
Waste Water Treatment Anticipation Note	<u>6,050,000</u>	1.25-2.75%
	<u>\$6,276,778</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, 2010 \$1,838.

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, 2010 \$43,181.

2006 State Route 66 Special Assessment Note, due in semiannual payments on January 5 and July 5 through July 5, 2011, at a rate of 4.6 percent. Principal balance at December 31, 2010 \$915.

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, 2010 \$180,844.

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

The Village is renovating their waste water treatment plant. Bond anticipation notes in the amount of \$6,050,000 were issued in 2010 for the project. Semiannual payments are due on June 1 and December 1 through December 2040 at a varying rate of 1.25 percent to 2.75 percent. Principal balance at December 31, 2010 \$6,050,000.

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, 2010**

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>
2011	\$ 30,564	\$ 9,423	\$ 135,000	\$ 194,806
2012	29,649	8,165	140,000	190,162
2013	28,730	6,914	140,000	188,930
2014	28,729	5,724	140,000	187,506
2015	109,106	12,893	140,000	185,658
2016-2020	0	0	760,000	879,315
2021-2025	0	0	875,000	769,072
2026-2030	0	0	1,020,000	619,827
2031-2035	0	0	1,225,000	420,076
2036-2040	0	0	1,475,000	170,479
Total	\$ <u>226,778</u>	\$ <u>43,119</u>	\$ <u>6,050,000</u>	\$ <u>3,805,831</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.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

6. LOCAL INCOME TAX

This locally levied tax of 1.5 percent applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located in the Village. Tax receipts are credited to the Village and amounted to \$2,262,560 in 2010.

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 2010, OP&F participates contributed 10 percent of their wages. The Village contributes an amount equal to 19.5 percent of their wages. For 2010, OPERS members contribute 10 percent of their gross salaries and the Village contributed an amount equal to 14 percent of covered payroll. The Village has paid all contributions required through December 31, 2010.

8. RISK MANAGEMENT

Through December 31, 2008, the Village belongs to the Ohio Plan Risk Management, Inc. (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management programs 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) – formally known as the Ohio Risk Management Plan
- Ohio Plan Healthcare Consortium Inc. (OPHC) – formally 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 members that include appointed and elected officials from member organizations.

Pursuant to Ohio Revised Code Sec. 2744.081, the Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Risk Plan 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 retain 17.5% (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.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

8. RISK MANAGEMENT, (Continued)

Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. 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 subdivisions and is a self funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage 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 60 members as of December 31, 2009. 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.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008, the latest information available:

	2009			2008
	<u>OPRM</u>	<u>OPHC</u>	<u>Total</u>	
Assets	\$11,176,186	\$11,176,186	\$11,176,186	\$10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(4,852,485)</u>	<u>(4,852,485)</u>	<u>(5,286,781)</u>
Members Equity	<u>\$6,323,701</u>	<u>\$6,323,701</u>	<u>\$6,323,701</u>	<u>\$ 5,184,333</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

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

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, 2010**

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, 2010 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.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

9. JOINT VENTURES WITH EQUITY INTEREST, (continued)

The Village's net investment to date in OMEGA JV5 was \$214,979 at December 31, 2010. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

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

	<u>Principal</u>	<u>Interest</u>	<u>Refunding</u>	<u>Total</u>
2011	\$ 93,764	\$ 88,614	\$ 27,357	\$ 209,735
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
2016-2020	654,055	260,950	137,252	1,052,257
2021-2024	648,476	81,295	109,465	839,236
Total	<u>\$1,813,798</u>	<u>\$743,087</u>	<u>\$383,534</u>	<u>\$2,940,419</u>

10. TRANSFERS AND ADVANCES

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

	<u>2010</u>
Transfers from the General Fund to:	
Special Revenue Funds	\$ 341,000
Capital Project Funds	1,303,696
Enterprise Funds	531,167
Transfers from the Capital Improvement Fund to:	
Capital Project Funds	1,083,173
Transfers from the Electric Fund to:	
Electric System Upgrade	300,000
Transfers from the Sewer Fund to:	
WWTP Renovation	300,000
Transfers from the Water Fund to:	
Water Plant Construction	65,940
Total Transfers	<u>\$ 3,924,976</u>

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2010

12. 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, 2010.

	Electric Fund	Electric System Upgrade	Water Plant Construction	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues:	\$ 7,858,563	\$ 0	\$ 0	\$ 1,500,736	\$ 9,359,299
Operating Expenses:					
Personal Service	424,500	0	0	471,602	896,102
Travel Transportation	19,993	0	0	9,653	29,646
Contractual Services	6,899,077	0	0	340,577	7,239,654
Supplies and Materials	211,034	0	0	250,068	461,102
Other	0	0	0	7,875	7,875
Total Operating Expenses	7,554,604	0	0	1,079,775	8,634,379
Operating Income/ (Loss)	303,959	0	0	420,961	724,920
Sale of Bonds				6,050,000	6,050,000
Sale of Fixed Assets	0	0	0	55,000	55,000
Capital Outlay	(385,228)	(644,107)	0	(480,252)	(1,509,587)
Redemption of Principal	0	0	(300,000)	0	(300,000)
Interest Payments	0	0	(5,610)	0	(5,610)
Other Financing Uses	0	0	0	(119,325)	(119,325)
Transfers In	433,167	300,000	65,942	397,998	1,197,107
Transfers Out	(300,000)	0	0	(365,940)	(665,940)
Net Receipts Over/ (under) Disbursements	51,898	(344,107)	(239,668)	5,958,442	5,426,565
Fund Balance, Beginning	984,292	438,801	239,668	1,064,310	2,727,071
Fund Balance, Ending	\$ 1,036,190	\$ 94,694	\$ 0	\$ 7,022,752	\$ 8,153,636

**INDEPENDENT AUDITORS' 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, 2010, and have issued our report thereon dated April 27, 2011 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. 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*.

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

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
Dayton, Ohio

April 27, 2011

This Page is Intentionally Left Blank.



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
AUGUST 9, 2011