



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF MINSTER  
AUGLAIZE COUNTY  
DECEMBER 31, 2018

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Village of Minster  
Auglaize County  
5 West Fourth Street  
Minster, Ohio 45865

To the Members of Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Minster, Auglaize County, Ohio (the Village) as of and for the year ended December 31, 2018.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018, and the respective changes in financial position or cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Minster, Auglaize County as of December 31, 2018, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

November 7, 2019

**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$692,791				\$692,791
Municipal Income Tax	4,142,250				4,142,250
Intergovernmental	100,453	\$264,536			364,989
Special Assessments			\$21,445	\$99,675	121,120
Charges for Services	108,730	14,436			123,166
Fines, Licenses and Permits	4,451	393			4,844
Earnings on Investments	42,192	358			42,550
Miscellaneous	44,244	11,801		1,580	57,625
<i>Total Cash Receipts</i>	<u>5,135,111</u>	<u>291,524</u>	<u>21,445</u>	<u>101,255</u>	<u>5,549,335</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	831,584				831,584
Leisure Time Activities	265,243				265,243
Community Environment	23,258				23,258
Transportation		682,390			682,390
General Government	512,255			3,962	516,217
Capital Outlay	177,290	111,402		3,001,810	3,290,502
Debt Service:					
Principal Retirement			20,094		20,094
Interest and Fiscal Charges			1,666		1,666
<i>Total Cash Disbursements</i>	<u>1,809,630</u>	<u>793,792</u>	<u>21,760</u>	<u>3,005,772</u>	<u>5,630,954</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,325,481</u>	<u>(502,268)</u>	<u>(315)</u>	<u>(2,904,517)</u>	<u>(81,619)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In		550,000		2,632,320	3,182,320
Transfers Out	(2,759,733)			(1,025,000)	(3,784,733)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,759,733)</u>	<u>550,000</u>		<u>1,607,320</u>	<u>(602,413)</u>
<i>Net Change in Fund Cash Balances</i>	565,748	47,732	(315)	(1,297,197)	(684,032)
<i>Fund Cash Balances, January 1</i>	<u>1,386,356</u>	<u>60,072</u>	<u>18,262</u>	<u>3,574,694</u>	<u>5,039,384</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		107,804	17,947		125,751
Committed				2,277,497	2,277,497
Assigned	465,987				465,987
Unassigned	1,486,117				1,486,117
<i>Fund Cash Balances, December 31</i>	<u>\$1,952,104</u>	<u>\$107,804</u>	<u>\$17,947</u>	<u>\$2,277,497</u>	<u>\$4,355,352</u>

See accompanying notes to the financial statements

**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, 2018**

	<b>Proprietary Fund Types</b>	<b>Fiduciary Fund Types</b>	<b>Totals</b>
	<b>Enterprise</b>	<b>Agency</b>	<b>(Memorandum Only)</b>
<b>Operating Cash Receipts</b>			
Charges for Services	\$15,588,603		\$15,588,603
Fines, Licenses and Permits	4,469	\$5,639	10,108
Miscellaneous	270,469		270,469
<i>Total Operating Cash Receipts</i>	<u>15,863,541</u>	<u>5,639</u>	<u>15,869,180</u>
<b>Operating Cash Disbursements</b>			
Personal Services	651,374		651,374
Employee Fringe Benefits	305,468		305,468
Contractual Services	11,604,321		11,604,321
Supplies and Materials	947,174		947,174
<i>Total Operating Cash Disbursements</i>	<u>13,508,337</u>	<u>-</u>	<u>13,508,337</u>
<i>Operating Income</i>	<u>2,355,204</u>	<u>5,639</u>	<u>2,360,843</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	134,719	(6,180)	128,539
Sale of Capital Assets	109,295		109,295
Miscellaneous Receipts	(12,975)		(12,975)
Capital Outlay	(1,042,828)		(1,042,828)
Principal Retirement	(293,000)		(293,000)
Interest and Other Fiscal Charges	(334,943)		(334,943)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,439,732)</u>	<u>(6,180)</u>	<u>(1,445,912)</u>
<i>Income (Loss) before Transfers</i>	915,472	(541)	914,931
Transfers In	2,312,413		2,312,413
Transfers Out	(1,710,000)		(1,710,000)
<i>Net Change in Fund Cash Balances</i>	1,517,885	(541)	1,517,344
<i>Fund Cash Balances, January 1</i>	<u>6,456,122</u>	<u>789</u>	<u>6,456,911</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$7,974,007</u></u>	<u><u>\$248</u></u>	<u><u>7,974,255</u></u>

See accompanying notes to the financial statements



**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**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, and street maintenance and repair, as well as other general governmental services.

The Village participates in one joint venture and a public entity risk pool. Notes 9 and 10 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 Plan Risk Management 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 permitted by the financial reporting provision of the Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). The basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when the liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**C. Deposits**

The Village's certificates of deposit are valued at cost.

**D. Fund Accounting**

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

**1. 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, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds:**

These funds are used to account for proceeds from specific sources (other than from private-purpose trusts, debt service or for capital projects) that are restricted or committed 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 streets.

**3. Debt Service Funds:**

These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

**Other Debt Service** – This fund accumulates special assessment resources for the payment of special assessment debt.

**4. Capital Projects Funds:**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Funds:

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

**Industrial Park Fund** – This fund provides monies, primarily via transfer, for the development of an industrial park for industrial growth.

**Northeast Development Fund** - This fund provides monies, primarily via transfer, for the development in the northeast part of the Village.

**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. 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.

**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.

**6. 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 programs.

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 one agency fund:

**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.

**E. Budgetary Process**

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

**1. 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. Appropriations lapse at year-end.

**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2018 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:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. 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.

**3. 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.

**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. 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.

**5. 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**

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

**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**2. EQUITY IN POOLED CASH (Continued)**

Deposits:	<u>2018</u>	
Demand Deposits		\$11,829,607
Certificate of Deposits		<u>500,000</u>
Total Deposits		\$12,329,607

*Deposits:* Deposits are insured by the Federal Deposit Insurance Corporation collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2018 was as follows:

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$4,049,485	\$5,135,111	\$1,085,626
Special Revenue	831,094	841,524	10,430
Debt Service	21,400	21,445	45
Capital Projects	2,231,897	2,733,575	501,678
Enterprise	15,846,675	18,419,968	2,573,293
Total	<u>\$22,980,551</u>	<u>\$27,151,623</u>	<u>\$4,171,072</u>

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$4,656,520	\$ 4,569,363	\$87,157
Special Revenue	856,800	793,792	63,008
Debt Service	23,500	21,760	1,740
Capital Projects	5,654,472	4,030,772	1,623,700
Enterprise	19,449,347	16,902,083	2,547,264
Total	<u>\$ 30,640,639</u>	<u>\$ 26,317,770</u>	<u>\$4,322,869</u>

**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**4. DEBT OBLIGATIONS**

Village Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2010 Sewer Improvement Bonds	\$4,910,000	1.25-6.85%
2009 Special Assessment Notes	\$ 20,092	4.10%
2016 Sewer Renovation Note	<u>\$ 714,000</u>	1.90%
Total Outstanding Debt	<u>\$5,644,092</u>	

**A. Special Assessment Note:**

The 2009 Hanover St/Midway Drive Special Assessment Note is due July 22, 2019 at a rate of 4.10 percent. The principal balance at December 31, 2018 is \$20,092. Notes will be repaid with special assessment revenue through the debt service fund.

**B. Sewer Improvement Bonds:**

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, 2018 was \$4,910,000. The note will be repaid through the sewer debt service enterprise fund.

**C. Sewer Renovation Note:**

The Village issued a \$1,000,000 sewer renovation note in 2016. Semiannual payments are due on March 1 and September 1 at a rate of 1.90 percent. Principal balance at December 31, 2018 was \$714,000. The note will be repaid through the sewer debt service enterprise fund.

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

Year Ending:	Special Assess.		Sewer		Sewer Renovation	
	Notes		Improvement Bonds		Note	
<u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	20,092	835	155,000	312,795	143,000	12,366
2020			160,000	305,510	143,000	9,641
2021			165,000	297,990	143,000	6,856
2022			170,000	289,080	143,000	4,102
2023			175,000	279,900	142,000	1,357
2024-2028			955,000	1,246,313		
2029-2033			1,135,000	919,753		
2034-2038			1,375,000	501,763		
2039-2040			620,000	64,048		
Total	\$20,092	\$835	\$4,910,000	\$4,217,152	\$714,000	\$34,322

**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**4. DEBT OBLIGATIONS (Continued)**

**D. American Municipal Power Generating Station Project**

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 5,381 kilowatts of a total 771,281 kilowatts, giving the Village 0.70 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed impaired and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share of the impaired costs at March 31, 2014 was \$938,132. The Village received a credit of \$70,925 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$243,355 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU) leaving an estimated net impaired cost balance of \$623,852. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$11,177 and interest expense incurred on AMP's line-of-credit of \$21,896, resulting in a net impaired cost estimate at December 31, 2018 of \$68,947. The Village does have a potential PHFU Liability of \$262,308 resulting in a net total potential liability of \$331,255 assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit.

Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP over the next 12 years through a power cost adjustment.



**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

**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 \$4,142,250 in 2018.

**7. DEFINED BENEFIT PENSION PLANS**

*Ohio Public Employees Retirement System*

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

*Ohio Police and Fire Retirement System*

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

*Social Security*

Several Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

**8. POSTEMPLOYMENT BENEFITS**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**9. RISK MANAGEMENT**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit associate providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**9. RISK MANAGEMENT (Continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

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 the 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 equity at December 31, 2017 (the most recent information available):

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	\$5,292,512

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

The Village also provides health insurance and dental to full-time employees through a private carrier. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**10. 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.

**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**10. JOINT VENTURES WITH EQUITY INTEREST (Continued)**

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.

Also, 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, 2018 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 2014. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**10. JOINT VENTURES WITH EQUITY INTEREST (Continued)**

The Village's net investment to date in OMEGA JV5 was \$59,459 at December 31, 2018. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**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, 2018.

	Electric System Fund	Electric Upgrade Fund	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues:	\$ 13,467,525	\$0	\$2,396,016	\$15,863,541
Operating Expenses				
Personal Service	317,088	0	334,286	651,374
Employee Benefits	163,535	0	141,933	305,468
Contractual Service	11,078,815	0	525,506	11,604,321
Supplies & Material	<u>611,002</u>	<u>0</u>	<u>336,172</u>	<u>947,174</u>
Total Operating Exp.	<u>\$12,170,440</u>	<u>0</u>	<u>1,337,897</u>	<u>13,508,337</u>
Operating Income/(Loss)	1,297,085	0	1,058,119	2,355,204
Intergovernmental	0	0	134,719	134,719
Miscellaneous Receipt	0	0	(12,975)	(12,975)
Capital Outlay	(746,174)	(246,396)	(50,258)	(1,042,828)
Sale of Capital Assets	109,295	0	0	109,295
Redemption of Principal	0	0	(293,000)	(293,000)
Interest Payments	0	0	(334,943)	(334,943)
Transfer In	502,413	200,000	1,610,000	2,312,413
Transfer Out	<u>(200,000)</u>	<u>0</u>	<u>(1,510,000)</u>	<u>(1,710,000)</u>
Net Receipts Over/ (under) Disbursements	962,619	(46,396)	601,662	1,517,885
Fund Balance, Beginning	<u>1,679,947</u>	<u>2,281,176</u>	<u>2,494,999</u>	<u>6,456,122</u>
Fund Balance, Ending	<u>\$2,642,566</u>	<u>\$2,234,780</u>	<u>\$3,096,661</u>	<u>\$7,974,007</u>

**VILLAGE OF MINSTER  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**12. SUBSEQUENT EVENTS**

On April 8, 2019, Village Council approved a purchase of 140 acres of land in the amount of \$1,500,000 that is being financed with a ten year note at a rate of 2.05%. Semiannual interest payments are due beginning October 9, 2019 and the principal payment of \$150,000 is due annually beginning April 9, 2020.

On April 16, 2019, Village Council approved a ten year note for the Fifth Street renovation project in the amount of \$109,821 at a rate of 2.98%. Semiannual interest payments are due beginning October 17, 2019 and the principal payment of \$10,982 is due annually beginning April 17, 2020.

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Minster  
Auglaize County  
5 West Fourth Street  
Minster, Ohio 45865

To the Members of Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Minster, Auglaize County, (the Village) as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated November 7, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

***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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

***Village's Response to Finding***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

November 7, 2019



VILLAGE OF MINSTER  
AUGLAIZE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018

FINDING RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2018-001

**Noncompliance and Material Weakness**

**Ohio Rev. Code § 5705.14(E)** states that money may be transferred from the general fund to any other fund of the subdivision.

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village Council approved a transfer of \$100,000 from the general fund to the public works department special revenue fund on December 4, 2018; however, this transfer was actually made in the amount of \$130,000 on November 21, 2018. The Village's financial statements and accounting system have been adjusted to correct the unauthorized transfer amount of \$30,000.

In addition to the above transfer, there were also other transfers that occurred during the year in which the applicable transfer was made on the Village's accounting system prior to Village Council's approval.

This issue was a result of lack of monitoring performed by the Village over the transfer process.

Failure by the Village to make transfer transactions in the amount authorized by Village Council and obtain approval prior to the transfer actually being made could lead to illegal transfers or the movement of money without the knowledge or wishes of the Village's decision-makers.

The Village should implement procedures to verify that all transfers are made in the amount that has been authorized by Village Council and the applicable Council approval occurs prior to making any transfer.

**Officials' Response:** The Village has made the correction to the 2018 financial statements transferring the \$30,000 from the public works department back to the general fund.

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# OHIO AUDITOR OF STATE KEITH FABER



**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  
DECEMBER 5, 2019**