

VILLAGE OF MINSTER

DAYTON REGION, AUGLAIZE COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Mayor and Members of Council
Village of Minster
Minster, Ohio

We have reviewed the *Report of Independent Accountants* of the Village of Minster, Auglaize County, prepared by Vanderhorst & Manning CPAs, LLC, for the audit period January 1, 2004 through December 31, 2004. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 13, 2005

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**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

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VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

REPORT OF INDEPENDENT ACCOUNTANTS

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, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village of Minster has prepared 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Minster's combined funds of December 31, 2004 and their changes in financial position.

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, 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 17, 2005, on our consideration of the Village of Minster's internal control structure 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 the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

June 17, 2005

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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, 2004

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and other Local Taxes	\$ 224,850	\$ 0	\$ 0	\$ 0	\$ 224,850
Intergovernmental Receipts	257,189	181,599	0	31,655	470,443
Special Assessments	0	4,796	40,247	2,405	47,448
Charges for Services	423,621	1,700	0	0	425,321
Fines, Licenses and Permits	11,576	2,350	0	0	13,926
Earnings on Investments	72,840	2,196	0	0	75,036
Miscellaneous	28,685	30,984	0	19,900	79,569
Total Cash Receipts	<u>1,018,761</u>	<u>223,625</u>	<u>40,247</u>	<u>53,960</u>	<u>1,336,593</u>
Cash Disbursements:					
Current:					
Security of Person and Property	555,001	0	0	0	555,001
Public Health Services	600	0	0	0	600
Leisure Time Activities	0	110,351	0	0	110,351
Community Environment	11,227	0	0	0	11,227
Transportation	0	441,875	0	0	441,875
General Government	282,732	0	0	0	282,732
Capital Outlay	104,263	210,399	0	1,136,796	1,451,458
Debt Service:					
Principal Payments	0	0	31,404	550,000	581,404
Interest Payments	0	0	6,040	8,824	14,864
Total Cash Disbursements	<u>953,823</u>	<u>762,625</u>	<u>37,444</u>	<u>1,695,620</u>	<u>3,449,512</u>
Total Receipts Over/(Under) Disbursements	<u>64,938</u>	<u>(539,000)</u>	<u>2,803</u>	<u>(1,641,660)</u>	<u>(2,112,919)</u>
Other Financing Receipts/(Disbursements):					
Transfers-in	921,260	540,000	0	1,446,891	2,908,151
Transfers-out	(1,005,572)	(65,000)	0	0	(1,070,572)
Other Uses	0	0	0	0	0
Total Other Financing Receipts/ Disbursements	<u>(84,312)</u>	<u>475,000</u>	<u>0</u>	<u>1,446,891</u>	<u>1,837,579</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(19,374)	(64,000)	2,803	(194,769)	(275,340)
Fund Cash Balances, January 1, 2004	<u>1,342,119</u>	<u>265,297</u>	<u>10,893</u>	<u>636,951</u>	<u>2,255,260</u>
Fund Cash Balances, December 31, 2004	<u>\$ 1,322,745</u>	<u>\$ 201,297</u>	<u>\$ 13,696</u>	<u>\$ 442,182</u>	<u>\$ 1,979,920</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 - PROPRIETARY FUND TYPE AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Proprietary Fund Type</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Receipts:				
Changes for Services	\$ 6,185,289	\$ 39,719	\$ 49,815	\$ 6,274,823
Fines, License and Permits	6,899	0	0	6,899
Miscellaneous	150,144	0	0	150,144
Total Operating Cash Receipts	<u>6,342,332</u>	<u>39,719</u>	<u>49,815</u>	<u>6,431,866</u>
Operating Cash Disbursements:				
Personal Services	761,907	0	0	761,907
Travel Transportation	34,530	0	0	34,530
Contractual Services	4,476,516	39,719	0	4,516,235
Supplies and Materials	366,542	0	0	366,542
Capital Outlay	982,557	0	0	982,557
Total Operating Cash Disbursements	<u>6,622,052</u>	<u>39,719</u>	<u>0</u>	<u>6,661,771</u>
Operating Income (Loss)	<u>(279,720)</u>	<u>0</u>	<u>49,815</u>	<u>(229,905)</u>
Non-Operating Receipts (Disbursements)				
Property Tax and Other Local Taxes	0	0	2,420,485	2,420,485
Debt Service:				
Principal Payments	(129,588)	0	0	(129,588)
Interest Payments	(142,866)	0	0	(142,866)
Other Financing Uses	(7,388)	0	(162,149)	(169,537)
Total Non-Operating Cash Receipts	<u>(279,842)</u>	<u>0</u>	<u>2,258,336</u>	<u>1,978,494</u>
Income (Loss) Before Operating Transfers	(559,562)	0	2,308,151	1,748,589
Transfers In	934,001	0	0	934,001
Transfer Out	(463,429)	0	(2,308,151)	(2,771,580)
Net Receipts Over/(Under) Disbursements	<u>(88,990)</u>	<u>0</u>	<u>0</u>	<u>(88,990)</u>
Fund Balances, January 1, 2004	<u>3,926,391</u>	<u>0</u>	<u>0</u>	<u>3,926,391</u>
Fund Balances, December 31, 2004	<u>\$ 3,837,401</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,837,401</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, 2004**

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 have direct operating control.

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

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 is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

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:

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.

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.

Parks Complex Fund – This fund provides monies for the construction of the parks complex.

Facilities Upgrade – This fund provides monies for the upgrading of various sites within the Village.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

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.

Internal Service Fund:

These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis. The Village had the following significant internal service fund:

Gas Internal Fund – This fund receives monies from Village departments to cover the cost of gasoline purchased by the Village.

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:

Income Tax Fund – This fund receives monies from collections on the Village's 1.5% income tax imposed. Funds collected are used in both general operations of the Village and for capital expenditures and maintenance and repairs as required.

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 on behalf of the State of Ohio. In addition, funds are used for safety programs, computerization and general Village operations.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or 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. Unencumbered appropriations lapse at year-end.

Estimate 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 carried over, and need not be reappropriated.

A summary of 2004 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. Intergovernmental Revenues

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

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.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Transactions

During the course of normal operations, the Village had transactions between funds. The most significant include transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.

J. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

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>2004</u>
Deposits:	
Demand deposits	\$ 77,245
Certificate of Deposits	5,358,000
Investments:	
Repurchase agreements	<u>382,076</u>
Total deposits	<u>\$ 5,817,321</u>

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

Investments: Repurchase agreements are uninsured and unregistered investments in which the securities are held by the counterparty's trust department or agent in the Village's name.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 was as follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,844,567	\$ 1,940,021	\$ 95,454
Special Revenue	956,373	763,625	(192,748)
Debt Service	36,232	40,247	4,015
Capital Projects	3,178,200	1,500,851	(1,677,349)
Enterprise Funds	10,340,840	7,276,333	(3,064,507)
Internal Service Funds	40,000	39,719	(281)
Fiduciary Fund	2,675,000	2,470,300	(204,700)
Total	<u>\$ 19,071,212</u>	<u>\$ 14,031,096</u>	<u>\$ (5,040,116)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,985,800	\$ 1,959,395	\$ 26,405
Special Revenue	1,138,643	827,625	311,018
Debt Service	39,809	37,444	2,365
Capital Projects	3,450,330	1,695,620	1,754,710
Enterprise Funds	12,177,104	7,365,323	4,811,781
Internal Service Funds	40,000	39,719	281
Fiduciary Fund	2,675,000	2,470,300	204,700
Total	<u>\$ 21,506,686</u>	<u>\$ 14,395,426</u>	<u>\$ 7,111,260</u>

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

4. DEBT OBLIGATIONS

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Special Assessment Notes	\$ 78,805	3.25-6.45%
General Obligation Notes	115,000	4.15%
Omega JV5	<u>2,326,509</u>	2.0-5.0%
Total	<u>\$2,520,314</u>	

Special Assessment Notes:

1994 Third Street Special Assessment Note, due in semiannual payments on February 1 and August 1 through 2005 at a rate of 5.5%. Principal balance at December 31, 2004 \$6,091.

1995 Street Projects Special Assessment Note, due in semiannual payments on February 21 and August 21 through 2006 at a rate of 5.7%. Principal balance at December 31, 2004 \$6,326.

1997 Parkview Sidewalks Special Assessment Note, due in semiannual payments on June 4 and December 4 through 2007 at a rate of 6.45%. Principal balance at December 31, 2004 \$2,276

1998 First-Hanover Street Special Assessment Note, due in semiannual payments on June 29 and December 29 through 2008 at a rate of 5.25%. Principal balance at December 31, 2004 \$17,043.

1999 First Street Special Assessment Note, due in semiannual payments on January 1 and July 1 through 2010 at a rate of 5.95%. Principal balance at December 31, 2004 \$16,562.

2000 Paris Street Special Assessment Note, due in semiannual payments on June 26 and December 26 through 2010 at a rate of 6%. Principal balance at December 31, 2004 \$23,155.

2002 Hamilton Street Assessment Note, due June 18, 2013 at a rate of 4.5%. Principal balance at December 31, 2004 \$7,352.

General Obligation Notes:

1996 Equalization Basin General Obligation Note, due in semiannual payments on May 13 and November 13 through 2006 at a rate of 4.15%. Principal balance at December 31, 2004 \$115,000.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

4. DEBT OBLIGATIONS (Continued)

Omega JV-5:

Omega JV-5 Bonded Debt Village of Minster's share of participant debt.

The OMEGA JV5 Project consists of governmental entities that have joined together to finance a municipal electric generation facility (see also, Note 10). Bonded debt issued in the total of \$153,415,000 for the project; the amount listed above and the amortization schedule below represents the Village's participant share. The debt is being repaid through the purchase price of the electricity and is financed through user charges.

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

Year Ending December 31:	Special Assess. Notes	General Obligation Notes	Omega JV5 Debt
2005	\$ 26,567	\$ 62,273	\$ 182,334
2006	19,205	59,886	182,477
2007	15,118	0	182,377
2008	13,643	0	182,462
2009	8,798	0	182,493
Thereafter	<u>6,979</u>	<u>0</u>	<u>2,735,377</u>
Total	<u>\$ 90,310</u>	<u>\$ 122,159</u>	<u>\$ 3,647,520</u>

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. 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. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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, 2004**

6. LOCAL INCOME TAX

This locally levied tax of 1.5% 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 \$2,420,485 in 2004.

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, members of OP&F contribute 10% of their wages to the OP&F. The Village contributes an amount equal to 19.5% of their wages. PERS members contribute 8.5% of their gross salaries. The Village contributes an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

The Village is insured through the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides, Property, Liability, Wrongful Acts, Law Enforcement, Automobile, Bond, Crime, Inland Marine, Fire Vehicle RC, EDP, Governmental Medical Liability, Employee Benefits Liability, and Automobile Liability, and other coverage's. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional coverage's and reinsures these coverage's 100 percent, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts, which may vary from member to member.

Boiler coverage has been obtained through a commercial carrier.

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

9. CONTINGENT LIABILITY

LITIGATION

The Village is currently not involved in litigation that the Village's legal counsel anticipates a loss.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

10. JOINT VENTURES WITH EQUITY INTEREST

The Village of Minster is a Financing Participant with an ownership percentage of 1.99 percent, 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-Ohio.

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 (one 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 percent of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2004 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 rate 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 25 percent of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio 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 investments to date in OMEGA JV5 was \$172,036 at December 31, 2004. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio, OMEGA JV5, C/O Robert Trippe, Vice President & CEO, 2600 Airport Drive, Columbus, Ohio 43219.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

11. COMMITMENT

Gorsuch Station Sales Contract – The Village has entered into a power sales contract to purchase 1.786 MW of capacity from AMP-Ohio until current and subsequent Gorsuch Station bond issues have been retired. The bonds are retired through user fees charged by the municipalities. Forty-five other municipalities are also participating in this contract at varying amounts of purchase commitments. Under this contract, the Village is obligated to purchase power at a rate determined by AMP-Ohio as long as power is being delivered. For the period January 1, 2004, to December 31, 2004, the Village has authorized AMP-Ohio to resell its portion of Gorsuch power to American Electric Power.

VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND 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, as of and for the year ended December 31, 2004, and have issued our report thereon dated June 17, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Minster's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village of Minster in a separate letter dated June 17, 2005.

Mayor and Members of Council
Village of Minster
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Minster's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

June 17, 2005



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

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 4, 2005**