



Dave Yost • Auditor of State



# OHIO AUDITOR OF STATE KEITH FABER



January 24, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio



VILLAGE OF MINSTER  
AUGLAIZE COUNTY  
DECEMBER 31, 2017

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# Dave Yost • Auditor of State

## 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, 2017.

### ***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, 2017, 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, 2017, 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 January 11, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 11, 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, 2017**

	<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	\$629,429				\$629,429
Municipal Income Tax	3,758,866				3,758,866
Intergovernmental	94,079	\$282,372			376,451
Special Assessments			\$23,374		23,374
Charges for Services	85,385	33,364		\$35,393	154,142
Fines, Licenses and Permits	2,603	314			2,917
Earnings on Investments	25,006	464			25,470
Miscellaneous	41,916	25,068		5,390	72,374
<i>Total Cash Receipts</i>	<u>4,637,284</u>	<u>341,582</u>	<u>23,374</u>	<u>40,783</u>	<u>5,043,023</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	749,404				749,404
Leisure Time Activities	209,711				209,711
Community Environment	23,522				23,522
Transportation		623,605			623,605
General Government	496,633			5,877	502,510
Capital Outlay	501,396	168,232		995,848	1,665,476
Debt Service:					
Principal Retirement			20,959		20,959
Interest and Fiscal Charges			2,518		2,518
<i>Total Cash Disbursements</i>	<u>1,980,666</u>	<u>791,837</u>	<u>23,477</u>	<u>1,001,725</u>	<u>3,797,705</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,656,618</u>	<u>(450,255)</u>	<u>(103)</u>	<u>(960,942)</u>	<u>1,245,318</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets	4,170	645		42,300	47,115
Transfers In	333	377,000		3,721,491	4,098,824
Transfers Out	(2,378,854)	(333)		(2,277,122)	(4,656,309)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,374,351)</u>	<u>377,312</u>		<u>1,486,669</u>	<u>(510,370)</u>
<i>Net Change in Fund Cash Balances</i>	282,267	(72,943)	(103)	525,727	734,948
<i>Fund Cash Balances, January 1</i>	<u>1,104,089</u>	<u>133,015</u>	<u>18,365</u>	<u>3,048,968</u>	<u>4,304,437</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		60,072	18,262		78,334
Committed				3,574,695	3,574,695
Assigned	607,035				607,035
Unassigned	779,321				779,321
<i>Fund Cash Balances, December 31</i>	<u>1,386,356</u>	<u>60,072</u>	<u>18,262</u>	<u>3,574,695</u>	<u>5,039,385</u>

**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, 2017**

	<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	\$13,885,323		\$13,885,323
Fines, Licenses and Permits	4,512	\$4,614	9,126
Miscellaneous	324,625		324,625
<i>Total Operating Cash Receipts</i>	<u>14,214,460</u>	<u>4,614</u>	<u>14,219,074</u>
<b>Operating Cash Disbursements</b>			
Personal Services	645,321		645,321
Employee Fringe Benefits	212,382		212,382
Contractual Services	10,513,558		10,513,558
Supplies and Materials	895,546		895,546
<i>Total Operating Cash Disbursements</i>	<u>12,266,807</u>	<u>-</u>	<u>12,266,807</u>
<i>Operating Income</i>	<u>1,947,653</u>	<u>4,614</u>	<u>1,952,267</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	137,173	(3,825)	133,348
Sale of Capital Assets	94,785		94,785
Miscellaneous Receipts	(9,800)		(9,800)
Capital Outlay	(863,196)		(863,196)
Principal Retirement	(293,000)		(293,000)
Interest and Other Fiscal Charges	(344,755)		(344,755)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,278,793)</u>	<u>(3,825)</u>	<u>(1,282,618)</u>
<i>Income before Transfers</i>	668,860	789	669,649
Transfers In	1,968,485		1,968,485
Transfers Out	(1,411,000)		(1,411,000)
<i>Net Change in Fund Cash Balances</i>	1,226,345	789	1,227,134
<i>Fund Cash Balances, January 1</i>	<u>5,229,777</u>	<u>-</u>	<u>5,229,777</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$6,456,122</u></u>	<u><u>\$789</u></u>	<u><u>6,456,911</u></u>

VILLAGE OF MINSTER  
AUGLAIZE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Minster, Auglaize County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides the following services: fire and police protection, water, electric, sewer, street maintenance and repair, as well as other general governmental services.

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

The Village's 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:

**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, 2017

**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 roads.

**3. Debt Service Funds:**

These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principle 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 notes and bonds

**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.

**Northeast Development Fun** – This fund provides monies, primarily via a transfer, 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, 2017

**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. 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, 2017

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus the 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 2017 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.

**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.

VILLAGE OF MINSTER  
AUGLAIZE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

**F. Fund Balance (Continued)**

**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 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:

Deposits:	<u>2017</u>
Demand Deposits	\$10,996,296
Certificate of Deposits	<u>500,000</u>
Total Deposits 2017	<u>\$11,496,296</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized through the Ohio Pooled Collateral System (OPCS).

VILLAGE OF MINSTER  
AUGLAIZE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2017 was as follows:

**2017 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,903,818	\$ 4,641,787	\$737,969
Special Revenue	702,180	719,227	17,047
Debt Service	23,374	23,374	0
Capital Projects	3,313,039	3,804,574	491,535
Enterprise Funds	14,765,519	16,414,903	1,649,384
Total	<u>\$22,707,930</u>	<u>\$25,603,865</u>	<u>\$2,895,935</u>

**2017 Budgeted vs Actual Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,575,643	\$ 4,359,520	\$216,123
Special Revenue	810,847	792,170	18,677
Debt Service	23,500	23,477	23
Capital Projects	5,621,430	3,278,847	2,342,583
Enterprise Funds	18,129,273	15,188,558	2,940,715
Total	<u>\$ 29,160,693</u>	<u>\$ 23,642,572</u>	<u>\$5,518,121</u>

**4. DEBT OBLIGATIONS**

Village Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Waste Water Treatment Anticipation Note	\$5,060,000	1.25-6.85%
Special Assessment Notes	40,188	4.10%
WWTP Renovation Note	<u>857,000</u>	1.90%
Total Outstanding Debt	<u>\$5,957,188</u>	



VILLAGE OF MINSTER  
AUGLAIZE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**4. DEBT OBLIGATIONS (Continued)**

**A. Special Assessment Notes:**

2009 Hanover St/Midway Drive Special Assessment Note, due July 22, 2109, is at a rate of 4.10 percent. The principal balance at December 31, 2017 was \$40,188. Notes will be repaid with special assessment revenue through the debt service fund.

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

The Village issued \$6,050,000 in sewer improvement bonds in 2010. Semiannual payments are due on June 1 and December 1 through December 2040 at a varying rate of 1.25 percent to 6.85 percent. The Village also currently receives a Federal Subsidy that reimburses 45 percent of the interest associated with these bonds. The principal balance at December 31, 2017 was \$5,060,000. The note will be repaid through the waste water treatment plant debt service fund.

**C. WWTP Renovation Note:**

The Village issued \$1,000,000 in WWTP Renovation in 2016. Semiannual payments are due on March 1 and September 1 at a rate of 1.90 percent. The principal balance at December 31, 2017 was \$857,000. The note will be repaid through the waste water treatment plant debt service fund.

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

Year Ending:	Special Assess.		WWTP Renovation Bonds		WWTP Renovation Note	
	Principal	Interest	Principal	Interest	Principal	Interest
December 31						
2018	\$20,094	\$1,671	\$150,000	\$319,845	\$143,000	\$15,120
2019	20,094	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
2023-2027			925,000	1,300,305	142,000	1,357
2028-2032			1,095,000	992,220		
2033-2037			1,325,000	592,525		
2038-2040			915,000	126,725		
Total	\$ 40,188	\$2,506	\$5,060,000	\$4,536,995	\$857,000	\$49,442

VILLAGE OF MINSTER  
AUGLAIZE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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 \$11,077 and interest expense incurred on AMP's line-of-credit of \$18,304, resulting in a net impaired cost estimate at December 31, 2017 of \$190,025. The Village does have a potential PHFU Liability of \$254,816 resulting in a net total potential liability of \$444,841, 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.

VILLAGE OF MINSTER  
AUGLAIZE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**4. DEBT OBLIGATIONS (Continued)**

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 13 years through a power cost adjustment.

**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. 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 \$3,758,866 in 2017.

**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 2017, OP&F participants contributed 12.25 percent of their wages. For 2017 the Village contributed to OP&F an amount equal to 19.5 percent of their wages. For 2017 OPERS members contribute 10 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

VILLAGE OF MINSTER  
AUGLAIZE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**8. 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.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 retained earnings at December 31, 2017 (the latest information available).

	<b>2017</b>
	<u>OPRM</u>
Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members’ Equity	<u>\$5,292,512</u>

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.

VILLAGE OF MINSTER  
AUGLAIZE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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.

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, 2017 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.

VILLAGE OF MINSTER  
AUGLAIZE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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.

The Village's net investment to date in OMEGA JV5 was \$59,459 at December 31, 2017. 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).

**10. 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, 2017.

VILLAGE OF MINSTER  
AUGLAIZE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**10. SEGMENT INFORMATION FOR THE ELECTRIC FUND (Continued)**

	Electric Fund Upgrade	Electric System	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues	\$11,636,533	0	\$2,577,927	\$14,214,460
Operating Expenses				
Personal Service	334,028	0	311,293	645,321
Employee Benefits	104,079	0	108,303	212,382
Contractual Service	10,030,014	0	483,544	10,513,558
Supplies & Material	533,364	0	362,182	895,546
Total Operating Exp.	11,001,485	0	1,265,322	12,266,807
Operating Income	635,048	0	1,312,605	1,947,653
Intergovernmental	0	0	137,173	137,173
Miscellaneous Receipts	94,785	0	(9,800)	84,985
Capital Outlay	(635,289)	(68,695)	(159,212)	(863,196)
Redemption of Principal	0	0	(293,000)	(293,000)
Interest Payments	0	0	(344,755)	(344,755)
Transfer In	457,485	400,000	1,111,000	1,968,485
Transfer Out	(400,000)	0	(1,011,000)	(1,411,000)
Net Receipts Over/(under) Disbursements	152,029	331,305	743,011	1,226,345
Fund Balance, Beginning	1,527,918	1,949,871	1,751,988	5,229,777
Fund Balance, Ending	\$1,679,947	\$2,281,176	\$2,494,999	\$6,456,122

**11. SUBSEQUENT EVENTS**

On November 6, 2018, Village Council approved contracts for the Northwest Electrical Substation project. Total cost of the project is approximately \$1,646,262.

On November 6, 2018, Village residents approved a three year, three mill property tax levy for fire and emergency medical services equipment and operations.

On December 4, 2018, Village Council approved to purchase a new fire truck at a cost of \$538,865. The truck will be ready in early 2020.

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# Dave Yost • Auditor of State

## 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 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, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 11, 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 11, 2019



VILLAGE OF MINSTER  
AUGLAIZE COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Noncompliance/Finding For Recovery - Repaid Under Audit	Corective Action Taken and finding is fully corrected	None
2016-002	Noncompliance/Finding For Recovery - Repaid Under Audit	Corrective Action Taken and finding is fully corrected	None

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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  
JANUARY 29, 2019**