



Dave Yost • Auditor of State

VILLAGE OF MINSTER
AUGLAIZE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Minster
Auglaize County
5 West Fourth Street
Minster, Ohio 45345

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Minster, Auglaize County, (the Village) as of and for the year ended December 31, 2012.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 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 opinion.

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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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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, 2012, or 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 combined cash balances of the Village of Minster, Auglaize County as of December 31, 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Matters

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2013, 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

July 26, 2013

**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, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$598,516				\$598,516
Municipal Income Tax	3,255,794				3,255,794
Intergovernmental	176,388	\$267,851		\$981,150	1,425,389
Special Assessments			\$37,198	17,970	55,168
Charges for Services	70,355	15,425			85,780
Fines, Licenses and Permits	10,892	1,834			12,726
Earnings on Investments	17,820	342			18,162
Miscellaneous	14,972	38,227		129,981	183,180
Total Cash Receipts	<u>4,144,737</u>	<u>323,679</u>	<u>37,198</u>	<u>1,129,101</u>	<u>5,634,715</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	663,779				663,779
Public Health Services		198,233			198,233
Community Environment	31,428				31,428
Transportation		573,060			573,060
General Government	438,339			3,178	441,517
Capital Outlay	52,791	164,289		2,967,957	3,185,037
Debt Service:					
Principal Retirement			29,649		29,649
Interest and Fiscal Charges			8,342		8,342
Total Cash Disbursements	<u>1,186,337</u>	<u>935,582</u>	<u>37,991</u>	<u>2,971,135</u>	<u>5,131,045</u>
Excess of Receipts Over (Under) Disbursements	<u>2,958,400</u>	<u>(611,903)</u>	<u>(793)</u>	<u>(1,842,034)</u>	<u>503,670</u>
Other Financing Receipts (Disbursements):					
Sale of Notes				4,329	4,329
Transfers In		481,000		3,382,631	3,863,631
Transfers Out	(2,899,888)			(1,990,000)	(4,889,888)
Total Other Financing Receipts (Disbursements)	<u>(2,899,888)</u>	<u>481,000</u>		<u>1,396,960</u>	<u>(1,021,928)</u>
Net Change in Fund Cash Balances	58,512	(130,903)	(793)	(445,074)	(518,258)
Fund Cash Balances, January 1	<u>274,251</u>	<u>234,947</u>	<u>14,311</u>	<u>1,901,507</u>	<u>2,425,016</u>
Fund Cash Balances, December 31:					
Restricted		85,633	13,518	404,734	503,885
Committed		18,411		1,051,699	1,070,110
Unassigned (Deficit)	<u>332,763</u>				<u>332,763</u>
Fund Cash Balances, December 31	<u>\$332,763</u>	<u>\$104,044</u>	<u>\$13,518</u>	<u>\$1,456,433</u>	<u>\$1,906,758</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$10,213,851	\$34,090	\$10,247,941
Fines, Licenses and Permits	\$3,918		3,918
Miscellaneous	206,356		206,356
Total Operating Cash Receipts	<u>10,424,125</u>	<u>34,090</u>	<u>10,458,215</u>
Operating Cash Disbursements:			
Personal Services	625,946		625,946
Employee Fringe Benefits	202,281		202,281
Contractual Services	7,533,755	34,090	7,567,845
Supplies and Materials	597,139		597,139
Total Operating Cash Disbursements	<u>8,959,121</u>	<u>34,090</u>	<u>8,993,211</u>
Operating Income (Loss)	<u>1,465,004</u>		<u>1,465,004</u>
Non-Operating Receipts (Disbursements):			
Intergovernmental	155,588		155,588
Sale of Notes	2,200,000		2,200,000
Miscellaneous Receipts	(6,975)		(6,975)
Capital Outlay	(4,946,422)		(4,946,422)
Principal Retirement	(140,000)		(140,000)
Interest and Other Fiscal Charges	(365,428)		(365,428)
Total Non-Operating Receipts (Disbursements)	<u>(3,103,237)</u>		<u>(3,103,237)</u>
Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances	(1,638,233)		(1,638,233)
Transfers In	1,776,257		1,776,257
Transfers Out	<u>(750,000)</u>		<u>(750,000)</u>
Net Change in Fund Cash Balances	(611,976)		(611,976)
Fund Cash Balances, January 1	<u>5,841,040</u>		<u>5,841,040</u>
Fund Cash Balances, December 31	<u>\$5,229,064</u>	<u>\$0</u>	<u>\$5,229,064</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, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

The Village's management believes these financial statements represent all of the activities for which the Village is financially accountable.

B. Basis of Accounting

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund:

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds:

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

3. Debt Service Funds:

These funds 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.

Debt Service – This fund accumulates 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.

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

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.

Waste Water Treatment Plant Renovation - This fund was used to account for activity related to the Waste Water Treatment Plant renovation.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fiduciary Funds:

Fiduciary funds include agency fund.

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's agency fund, NKTELCO Collections receives monies from collections on behalf of NKTelco. Funds are collected and deposited in NKTelco depository account.

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.

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 re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 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. Non-spendable

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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:

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits:	2012
Demand Deposits	\$6,635,822
Certificate of Deposits	500,000
Total Deposits 2012	\$7,135,822

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2012 was as follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,825,204	\$ 4,144,737	\$319,533
Special Revenue	750,860	804,679	53,819
Debt Service	37,155	37,198	43
Capital Projects	6,087,177	4,516,061	(1,571,116)
Enterprise Funds	13,926,413	14,555,970	629,557
Total	\$24,626,809	\$24,058,645	(\$568,164)

2012 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,091,855	\$ 4,086,225	\$ 5,630
Special Revenue	958,700	935,582	23,118
Debt Service	38,314	37,991	323
Capital Projects	7,603,022	4,961,135	2,641,887
Enterprise Funds	17,524,676	15,167,946	2,356,730
Total	\$30,216,567	\$25,188,879	\$5,037,688

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

5. 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 \$3,255,794 in 2012.

6. DEBT OBLIGATIONS

Village Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Waste Water Treatment Anticipation Note	\$5,775,000	1.25-6.85%
Special Assessment Notes	170,893	3.95-4.12%
Capital Improvements Note	<u>2,200,000</u>	1.75%
Total Outstanding Debt	<u>\$8,145,893</u>	

A. Special Assessment Notes:

2011 Miscellaneous Sidewalk Assessment Note, due in semiannual payments on October 18 and April 18 through April 18, 2017, at a rate of 3.95 percent interest. Outstanding principal balance at December 31, 2012 is \$4,329.

2009 Hanover St/Midway Drive Special Assessment Note, due in semiannual payments on January 22 and July 22 through July 22, 2019, at a rate of 4.10 percent interest. Outstanding principal balance at December 31, 2012 is \$140,656.

2004 Eagle Acres Special Assessment Note, due in semiannual payments on January 5 and July 5 through July 5, 2015, at a rate of 4.12 percent interest. Outstanding principal balance at December 31, 2012 is \$25,908.

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. Outstanding principal balance at December 31, 2012 is \$5,775,000.

C. Capital Improvements Note:

The Village issued \$2,200,000 in capital improvements in 2012. Semiannual payments are due on March 8 and September 8 at a rate of 1.75 percent interest. Outstanding principle balance at December 31, 2012 is \$2,200,000.

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

6. DEBT OBLIGATIONS (Continued)

Year Ending December 31,	Special Assess. Notes		WWTP Renovation Note		Cap Improvement Note	
	Principle	Interest	Principle	Interest	Principle	Interest
2013	\$29,596	\$ 7,085	\$ 140,000	\$ 343,510	\$ 440,000	\$35,163
2014	29,596	5,860	140,000	340,920	440,000	27,356
2015	29,596	4,635	140,000	340,920	440,000	19,549
2016	20,959	3,419	145,000	333,710	440,000	11,764
2017	20,959	2,540	150,000	326,895	440,000	3,936
2018-2022	40,187	2,506	800,000	1,525,220		
2023-2027			925,000	1,300,305		
2028-2032			1,095,000	992,220		
2033-2037			1,325,000	592,525		
2038-2040			915,000	126,725		
Total	<u>\$170,893</u>	<u>\$26,045</u>	<u>\$5,775,000</u>	<u>\$6,219,590</u>	<u>\$2,200,000</u>	<u>\$97,768</u>

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 2012 OP&F participants contributed 10 percent of their wages. For 2012 the Village contributed to OP&F an amount equal to 19.5 percent of their wages. For 2012 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, 2012.

8. 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.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

8. JOINT VENTURES WITH EQUITY INTEREST (Continued)

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, 2012 Minster has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$194,462 at December 31, 2012. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

9. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan 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 coverage 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, 2012
(Continued)**

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, except OPRM retains 41.5% (effective November 1, 2011) 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, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012.

	2012
Assets	\$13,100,381
Liabilities	(6,687,193)
Members' Equity	\$ 6,413,188

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

10. TRANSFERS

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

	2012
Transfers from the General Fund to:	
Street Construction, Maintenance and Repair Fund	\$ 300,000
Parks fund	181,000
Capital Improvement Fund	1,892,631
Electric Fund	446,257
Pool Fund	80,000
 Transfers from the Capital Improvement Fund to:	
WWTP Renovation Fund	500,000
Fourth Street Construction Fund	1,000,000
Industrial Park Fund	150,000
Canal Clean-Up Fund	175,000
 Transfers from the Webster Street Fund to:	
Capital Improvement Fund	165,000

(Continued)

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

10. TRANSFERS (Continued)

Transfers from the Electric Fund to:	
Electric System Upgrade	400,000
Transfers from the Sewer Fund to:	
WWTP Renovation Fund	350,000
Total Transfers	\$5,639,888

The \$500,000 transfer from the Capital Improvement Fund to the Waste Water Treatment Plant Construction Fund is considered an allowable transfer due to the fact that the revenues in the Capital Improvement Fund are from the Village's income tax. The income tax ordinance specifies that the income tax revenues should be used for capital improvements and the maintenance and repair of buildings, equipment and facilities. The money was transferred to the Waste Water Treatment Plant for the construction of the Waste Water Treatment Plant which conforms to the specifications per the income tax ordinance.

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, 2012.

	Electric Fund	Electric System Upgrade	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues	\$8,395,658		\$2,028,467	\$10,424,125
Operating Expenses:				
Personal Service	313,355		312,591	625,946
Employee Benefits	111,591		90,690	202,281
Contractual Services	7,173,473		360,282	7,533,755
Supplies & Material	358,265		238,874	597,139
Other			6,975	6,975
Total Operating Expenses	7,956,684		1,009,412	8,966,096
Operating Income/(Loss)	438,974		1,019,055	1,458,029
Sale of Notes			2,200,000	2,200,000
Intergovernmental			155,588	155,588
Capital Outlay	(125,020)		(4,821,402)	(4,946,422)
Redemption of Principle			(140,000)	(140,000)
Interest Payments			(365,428)	(365,428)
Transfer In	446,257	\$400,000	930,000	1,776,257
Transfer Out	(400,000)		(350,000)	(750,000)
Net Receipts Over/(Under) Disbursements	360,211	400,000	(1,372,187)	(611,976)
Fund Balance, Beginning	1,883,160	233,119	3,724,761	5,841,040
Fund Balance, Ending	\$2,243,371	\$633,119	\$2,352,574	\$ 5,229,064

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

11. SEGMENT INFORMATION FOR THE ELECTRIC FUND (Continued)

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

	<u>2012</u>
Operating Income/(Loss)	\$438,974
Less Capital Outlay (electric funds)	(125,020)
Adjusted Operating Income Available for Debt Service	313,954
OMEGA JV5 Debt Service (paid by AMP-Ohio)	209,782
Coverage (covenants require 110% coverage of all debt)	150%

12. AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

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

A. History of the AMPGS Project

In November 2009, the participants of the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37% and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2012, the type of generating asset has not been determined.

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

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined balance sheet. AMP has reclassified \$34,881,075 of costs to plant held for future use as these costs were determined to be associated with the undeveloped Meigs County site regardless of the determination of which type of generating asset will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. At December 31, 2012, AMP has a regulatory asset of \$96,544,650 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS project participants to establish a formal plan for the recovery on a participant by participant basis.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

12. AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT (Continue)

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

Based on an allocation to Minster of 5,381 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2012, the Village of Minster has a potential stranded cost obligation of \$880,091 for the AMPGS Project. The Village of Minster does not have any payments on deposit with AMP at December 31, 2012.

B. AFEC Development Fee

The AFEC Development Fee is the amount paid by AFEC participants to the AMPGS project as a Development Fee in August, 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants.

The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board (please see attached Amended Minutes of May 3, 2011). The Village is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs as noted below.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$69,099 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 660 and the total kW share of those participating in both projects. The Village has not recorded this credit in its financial statements as of December 31, 2012.

C. Recording of Stranded Costs

The Village has not requested an invoice from AMP for the potential stranded costs. The Village is not intending to request an invoice from AMP until such time as the litigation with the EPC contractor is finalized.

Had the Village chosen to expense the potential stranded costs, the Village believes it would have not violated its covenant obligations for its Electric Fund bonds and its debt obligations with Ohio Municipal Electric Generation Agency (OMEGA) Joint Venture 5/6/2.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF Transportation <i>Passed Through Ohio Department of Transportation</i>		
Highway Planning and Construction	20.205	\$211,928
ARRA - Highway Planning and Construction	20.205	<u>689,979</u>
Total U.S. Department of Transportation		<u>901,907</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	<u>11,730</u>
Total U.S. Environmental Protection Agency		<u>11,730</u>
Total		<u><u>\$913,637</u></u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Village of Minster's (the Village's) federal award programs' expenditures. The Schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the Village to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Village has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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 45345

To the Members of 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 Village of Minster (the Village) as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated July 26, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits.

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2012-001 described in the accompanying schedule of findings 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 2012-002.

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 communication 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 initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

July 26, 2013



Dave Yost • Auditor of State

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

Village of Minster
Auglaize County
5 West Fourth Street
Minster, Ohio 45345

To the Members of Council:

Report on Compliance for Each Major Federal Program

We have audited the Village of Minster's (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of Minster's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Village's major federal program.

Management's Responsibility

The Village's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for each of the Village's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on the Major Federal Program

In our opinion, the Village of Minster complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 26, 2013

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2012-001

Material Weakness

Accuracy of Financial Reporting

The Village should have procedures and controls in place to help assure that all financial transactions are correctly recorded in the accounting records and financial statements to assist in proper reporting of financial activity. The chart of accounts is to be used for posting of financial transactions as outlined in the Ohio Village Officer's Handbook. The following items were not posted in accordance with the chart of accounts during 2012 along with the fund balance classification as lined out in Auditor of State Bulletin 2011-004:

- A transfer of \$1,892,631 into the Capital Improvement Fund, Capital Project Fund Type was incorrectly recorded as Municipal Income Taxes, instead of a Transfer In.
- Kilowatt hour tax revenue of \$446,257 was recorded as Charges for Services within the General Fund instead of Property and Other Local Taxes.
- Sale of Notes of \$2,200,000 and the related interest payment of \$19,678 were recorded in the Capital Improvement Fund, Capital Project Fund Type and should have been recorded in the Waste Water Treatment Plan Renovation Fund, Enterprise Fund Type since it is related to a business-type activity.
- Reclassification of fund balances per GASB 54 for Special Revenue, Debt Service, and Capital Projects opinion units were required as followed:
 - Special Revenue - \$18,411 was reported as Unassigned Fund Balance and should have been reported as Committed Fund Balance
 - Special Revenue - \$170,053 was reported as a negative Unassigned Fund Balance and should have been reported as Restricted Fund Balance
 - Debt Service - \$13,518 was reported as Unassigned Fund Balance and should have been reported as Restricted Fund Balance
 - Capital Projects - \$268,600 was reported as an Unassigned Fund Balance and \$93,600 should have been reported as Restricted Fund Balance and \$175,000 should have been reported as Committed Fund Balance.

The failure to correctly classify financial activity in the accounting records and financial statements may impact a user's understanding of the financial operations, the Village's ability to make sound financial decisions, the Village's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. The accompanying financial statements have been adjusted to correct the errors identified above along with the client's records.

The Fiscal Officer should review the Ohio Village Officer's Handbook, Auditor of State Bulletin 2011-004, and other resources for guidance in correctly classifying receipts and funds. Periodically, the Village Council should perform a review of the accounting records to help identify errors and/or irregularities in a timely manner and prior to completion of the annual financial statements.

FINDING NUMBER 2012-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village Council (the Council) can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Council.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village of Minster did not properly certify the availability of funds prior to purchase commitment for 10 out of thirty-one disbursement transactions tested (32%). The Village did not prepare purchase orders for expenditures over \$50 and did not have the Council Members approve "Then and "Now" certificates for expenditures over \$3,000 as required. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, a "then and now" certification should be used.

Client's Response:

We did not receive a response from Officials to the findings reported above.

VILLAGE OF MINSTER
AUGLAIZE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Invoice computation errors	Corrected	
2011-002	Timely submission of data collection form	Corrected	



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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 27, 2013**