



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 Village 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, 2014.

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 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 1B 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.

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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, 2014, 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 Village of Minster, Auglaize County as of December 31, 2014, and its combined cash receipts and disbursements 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2015, 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 14, 2015

**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, 2014**

	<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	\$621,939				\$621,939
Municipal Income Tax	3,291,996				3,291,996
Intergovernmental	324,999	\$250,364		\$207,017	782,380
Special Assessments			\$35,407		35,407
Charges for Services	45,277	56,472			101,749
Fines, Licenses and Permits	5,275	480			5,755
Earnings on Investments	14,872	313			15,185
Miscellaneous	20,144	11,803		65,441	97,388
Total Cash Receipts	<u>4,324,502</u>	<u>319,432</u>	<u>35,407</u>	<u>272,458</u>	<u>4,951,799</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	896,818				896,818
Leisure Time Activities		216,224			216,224
Community Environment	27,508			8,460	35,968
Transportation		580,834			580,834
General Government	525,783			3,140	528,923
Capital Outlay	35,118	161,855		1,236,539	1,433,512
Debt Service:					
Principal Retirement			29,596		29,596
Interest and Fiscal Charges			5,852		5,852
Total Cash Disbursements	<u>1,485,227</u>	<u>958,913</u>	<u>35,448</u>	<u>1,248,139</u>	<u>3,727,727</u>
Excess of Receipts Over (Under) Disbursements	<u>2,839,275</u>	<u>(639,481)</u>	<u>(41)</u>	<u>(975,681)</u>	<u>1,224,072</u>
Other Financing Receipts (Disbursements):					
Sale of Capital Assets				67,320	67,320
Transfers In		508,000		611,306	1,119,306
Transfers Out	(2,887,184)			(611,306)	(3,498,490)
Total Other Financing Receipts (Disbursements)	<u>(2,887,184)</u>	<u>508,000</u>		<u>67,320</u>	<u>(2,311,864)</u>
Net Change in Fund Cash Balances	(47,909)	(131,481)	(41)	(908,361)	(1,087,792)
Fund Cash Balances, January 1	<u>293,058</u>	<u>283,102</u>	<u>15,214</u>	<u>2,311,149</u>	<u>2,902,523</u>
Fund Cash Balances, December 31:					
Restricted		127,561	15,173	389,320	532,054
Committed		24,060		1,013,468	1,037,528
Unassigned	245,149				245,149
Fund Cash Balances, December 31	<u>\$245,149</u>	<u>\$151,621</u>	<u>\$15,173</u>	<u>\$1,402,788</u>	<u>\$1,814,731</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, 2014**

	<u>Proprietary Fund Types</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	\$12,185,761	\$26,867	\$12,212,628
Fines, Licenses and Permits	7,358	8,355	15,713
Miscellaneous	348,928		348,928
Total Operating Cash Receipts	<u>12,542,047</u>	<u>35,222</u>	<u>12,577,269</u>
Operating Cash Disbursements:			
Personal Services	664,568		664,568
Employee Fringe Benefits	203,052		203,052
Contractual Services	9,751,999	26,867	9,778,866
Supplies and Materials	742,520		742,520
Intergovernmental		8,811	8,811
Total Operating Cash Disbursements	<u>11,362,139</u>	<u>35,678</u>	<u>11,397,817</u>
Operating Income (Loss)	<u>1,179,908</u>	<u>(456)</u>	<u>1,179,452</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	142,291		142,291
Miscellaneous	(10,700)		(10,700)
Capital Outlay	(2,053,057)		(2,053,057)
Principal Retirement	(580,000)		(580,000)
Interest and Other Fiscal Charges	(360,298)		(360,298)
Total Non-Operating Receipts (Disbursements)	<u>(2,861,764)</u>		<u>(2,861,764)</u>
Income (Loss) before Transfers	(1,681,856)	(456)	(1,682,312)
Transfers In	3,229,184		3,229,184
Transfers Out	<u>(850,000)</u>		<u>(850,000)</u>
Net Change in Fund Cash Balances	697,328	(456)	696,872
Fund Cash Balances, January 1	<u>3,848,764</u>	<u>978</u>	<u>3,849,742</u>
Fund Cash Balances, December 31	<u>\$4,546,092</u>	<u>\$522</u>	<u>\$4,546,614</u>

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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, (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 public entity risk pool and one joint venture. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are: Ohio Plan Risk Management (OPRM) and Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5).

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

B. Accounting Basis

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 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 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
DECEMBER 31, 2014
(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 Fund - This fund accumulates resources for the payment of Special Assessment notes and bonds.

4. Capital Project 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 project fund:

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

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Electric Fund - This fund receives charges for services from residents to cover electric service costs.

Waste Water Treatment Plant Fund - This fund accounts for activity related to the Waste Water Treatment Plant renovation.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust 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's agency funds account for:

Mayor's Court – This fund receives monies from collections on fines imposed from tickets issued by the Village's police protection force. Funds collected in part are on behalf of the State of Ohio. In addition, funds are used for safety programs, computerization and general Village operations.

NKTELCO Collections – This fund receives monies from collections on behalf of 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 or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2014 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:

VILLAGE OF MINSTER
AUGLAIZE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable

The Village classifies assets as non-spendable 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.

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. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2014
Demand deposits	\$5,861,345
Certificates of deposit	500,000
Total deposits	6,361,345

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,131,282	\$4,324,502	\$193,220
Special Revenue	776,388	827,432	51,044
Debt Service	34,566	35,407	841
Capital Projects	805,978	951,084	145,106
Enterprise	13,486,600	15,913,522	2,426,922
Total	\$19,234,814	\$22,051,947	\$2,817,133

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,415,198	\$4,372,411	\$42,787
Special Revenue	1,018,400	958,913	59,487
Debt Service	35,956	35,448	508
Capital Projects	2,665,444	1,859,445	805,999
Enterprise	16,828,295	15,216,194	1,612,101
Total	\$24,963,293	\$22,442,411	\$2,520,882

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20. Public utilities are also taxed on personal and real property located within the Village.

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(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 activities 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.

6. DEBT

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Waste Water Treatment Bonds	\$5,495,000	1.25 - 6.85%
Special Assessment Notes	\$111,701	3.95 - 4.12%
WWTP Renovation Note	880,000	1.75%
Total	<u>\$6,486,701</u>	

A. Special Assessment Notes:

2011 Miscellaneous Sidewalk Assessment Notes, due in semiannual payments at a rate of 3.95 percent interest and will be repaid through special assessments from the Debt Service Fund. Principal balance at December 31, 2014 was \$2,597.

2004 Eagle Acres Special Assessment Note, due in semiannual payments at a rate of 4.12 percent interest and will be repaid through special assessments from the Debt Service Fund. Principal balance at December 31, 2014 was \$8,636.

2009 Hanover St/Midway Drive Special Assessment Note, due in semiannual payments at a rate of 4.10 percent interest and will be repaid through special assessments from the Debt Service Fund. Principal balance at December 31, 2014 was \$100,468.

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. Principal balance at December 31, 2014 was \$5,495,000.

C. Waste Water Treatment Plant (WWTP) Renovation Note:

The Village issued \$2,200,000 in WWTP Renovation Note in 2012. Semiannual payments are due on March 8 and September 8 at a rate of 1.75 percent. Principal balance at December 31, 2014 was \$880,000.

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

6. DEBT (Continued)

Year ending December 31:	Special Assessment Notes	WWTP Renovation Bonds	WWTP Renovation Notes
2015	\$34,231	\$477,560	\$455,400
2016	24,379	482,710	447,700
2017	23,500	476,895	
2018	21,765	469,845	
2019	20,929	467,795	
2020-2024		2,292,930	
2025-2029		2,173,548	
2030-2034		2,023,726	
2035-2039		1,833,176	
2040		336,578	
Total	\$124,804	\$11,034,763	\$903,100

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 a 0.7 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. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 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 at March 31, 2014 of the impaired costs is \$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, leaving a net impaired cost estimate of \$623,852. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. These amounts will be recorded as they become estimable. The Village made payments in 2014 totaling \$62,385 and incurred costs of \$6,640, leaving a net impaired cost estimate of \$568,107 at December 31, 2014.

The Village intends to recover these costs and repay AMP over the next 15 years through a power cost adjustment.

7. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension 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 contribution rates. For 2014, OP&F participants contributed 11.5% of their wages. For 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

8. 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 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, 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 (and through October 2014) 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 774 and 783 members as of December 31, 2013 and 2014 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 equity at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

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

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-two 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
DECEMBER 31, 2014
(Continued)**

9. 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, 2014 Minster has met their debt coverage obligation.

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

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2014. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2014 to \$57,679,473. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$59,459 at December 31, 2014. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov

10. SEGMENT INFORMATION

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Venture as described in Note 9. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Operating Fund and Electric System Upgrade Fund, which are reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Operating Fund and Electric System Upgrade Fund are presented below:

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

10. SEGMENT INFORMATION (Continued)

	Electric Operating Fund 2014	Electric Upgrade Fund 2014
Total Assets	\$2,044,430	\$12,721
Condensed Operating Information:		
Operating Receipts:		
Charges for Services	9,875,071	
Other Operating Receipts	332,531	
Total Operating Receipts	10,207,602	0
Operating Expenses	9,710,664	
Operating Income	496,938	0
Non-operating Receipts (Disbursements)	(258,316)	(1,257,892)
Transfers	62,184	400,000
Change in Fund Cash Balance	300,806	(857,892)
Beginning Fund Cash Balance	1,743,624	870,613
Ending Fund Cash Balance	<u>\$2,044,430</u>	<u>\$12,721</u>
Condensed Cash Flows Information:		
Net Cash Provided (Used) by:		
Operating Activities	\$496,938	\$0
Non-capital Financing Activities:		
Transfers In	462,184	400,000
Transfers Out	(400,000)	
Net Cash Provided (Used) by Noncapital Financing Activities	62,184	400,000
Capital and Related Financing Activities:		
Other Capital and Related Financing Activities	(258,316)	(1,257,892)
Net Cash Provided (Used) by Capital and Related Financing Activities	(258,316)	(1,257,892)
Net Increase	300,806	(857,892)
Beginning Fund Cash Balance	1,743,624	870,613
Ending Fund Cash Balance	<u>\$2,044,430</u>	<u>\$12,721</u>

11. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.



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 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 Village of Minster, Auglaize County, (the Village) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated July 14, 2015 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 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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 14, 2015

VILLAGE OF MINSTER
AUGLAIZE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Material Weakness – Accuracy of Financial Reporting	Yes	

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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 4, 2015**