

VILLAGE OF MINSTER

DAYTON REGION, AUGLAIZE COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED
DECEMBER 31, 2003



**Auditor of State
Betty Montgomery**

Village Council
Village of Minster

We have reviewed the Independent Auditor's Report of the Village of Minster, Auglaize County, prepared by Vanderhorst & Manning CPAs, LLC, for the audit period January 1, 2003 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Minster, Auglaize County is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 19, 2004

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**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

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

REPORT OF INDEPENDENT ACCOUNTANTS

Mayor and Members of Council
Village of Minster
5 West Fourth Street
Minster, Ohio 45345

We have audited the accompanying financial statements of the Village of Minster, Auglaize County, Ohio (the Village), as of and for the year ended December 31, 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and fund balances of the Village Of Minster, Auglaize County, as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards* we have also issued our report dated June 1, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

June 1, 2004

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VILLAGE OF MINSTER
AUGLAIZE COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property and other Local Taxes	\$ 221,176	\$ 0	\$ 0	\$ 0	\$ 2,218,071	\$ 2,439,247
Intergovernmental Receipts	183,482	154,950	0	0	0	338,432
Special Assessments	0	0	40,833	0	0	40,833
Charges for Services	401,435	540	0	0	0	401,975
Fines, Licenses and Permits	8,922	2,204	0	0	0	11,126
Earnings on Investments	109,337	2,870	0	0	0	112,207
Miscellaneous	41,320	12,466	0	42,528	0	96,314
Total Cash Receipts	<u>965,672</u>	<u>173,030</u>	<u>40,833</u>	<u>42,528</u>	<u>2,218,071</u>	<u>3,440,134</u>
Cash Disbursements:						
Current:						
Security of Person and Property	552,615	0	0	0	0	552,615
Public Health Services	600	0	0	0	0	600
Leisure Time Activities	0	122,276	0	0	0	122,276
Community Environment	12,104	0	0	0	0	12,104
Transportation	0	409,346	0	0	0	409,346
General Government	267,835	0	0	0	24,815	292,650
Capital Outlay	106,421	173,108	0	1,531,101	0	1,810,630
Debt Service:						
Principal Payments	0	0	38,929	475,000	0	513,929
Interest Payments	0	0	4,892	11,527	0	16,419
Total Cash Disbursements	<u>939,575</u>	<u>704,730</u>	<u>43,821</u>	<u>2,017,628</u>	<u>24,815</u>	<u>3,730,569</u>
Total Receipts Over/(Under) Disbursements	<u>26,097</u>	<u>(531,700)</u>	<u>(2,988)</u>	<u>(1,975,100)</u>	<u>2,193,256</u>	<u>(290,435)</u>
Other Financing Receipts/(Disbursements):						
Sale of Notes	0	0	2,365	550,000	0	552,365
Sale of Fixed Assets	0	6,467	0	155,790	0	162,257
Transfers-in	855,184	450,700	10,000	1,342,775	0	2,658,659
Transfers-out	(823,544)	(60,000)	0	0	(2,142,958)	(3,026,502)
Other Uses	0	0	0	0	(50,298)	(50,298)
Total Other Financing Receipts/ Disbursements	<u>31,640</u>	<u>397,167</u>	<u>12,365</u>	<u>2,048,565</u>	<u>(2,193,256)</u>	<u>296,481</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>57,737</u>	<u># (134,533)</u>	<u>9,377</u>	<u>73,465</u>	<u>0</u>	<u>6,046</u>
Fund Cash Balances, January 1, 2003	<u>1,284,382</u>	<u>399,830</u>	<u>1,516</u>	<u>563,486</u>	<u>0</u>	<u>2,249,214</u>
Fund Cash Balances, December 31, 2003	<u>\$ 1,342,119</u>	<u>\$ 265,297</u>	<u>\$ 10,893</u>	<u>\$ 636,951</u>	<u>\$ 0</u>	<u>\$ 2,255,260</u>

The Notes to the Financial Statements are an integral part of this statement.

VILLAGE OF MINSTER
AUGLAIZE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND
SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Proprietary Fund Type</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Receipts:				
Changes for Services	5,865,590	\$ 34,877	\$ 135,285	\$ 6,035,752
Miscellaneous	142,465	0	0	142,465
Total Operating Cash Receipts	<u>6,008,055</u>	<u>34,877</u>	<u>135,285</u>	<u>6,178,217</u>
Operating Cash Disbursements:				
Personal Services	715,872	0	0	715,872
Travel Transportation	17,573	0	0	17,573
Contractual Services	4,629,754	34,877	0	4,664,631
Supplies and Materials	345,697	0	0	345,697
Capital Outlay	946,983	0	0	946,983
Total Operating Cash Disbursements	<u>6,655,879</u>	<u>34,877</u>	<u>0</u>	<u>6,690,756</u>
Operating Income (Loss)	<u>(647,824)</u>	<u>0</u>	<u>135,285</u>	<u>(512,539)</u>
Non-Operating Receipts (Disbursements)				
Sale of Fixed Assets	3,002	0	0	3,002
Debt Service:				
Principal Payments	(135,169)	0	0	(135,169)
Interest Payments	(148,868)	0	0	(148,868)
Other Financing Uses	(9,112)	0	(135,285)	(144,397)
Total Non-Operating Cash Receipts	<u>(290,147)</u>	<u>0</u>	<u>(135,285)</u>	<u>(425,432)</u>
Income (Loss) Before Operating Transfers	<u>(937,971)</u>	<u>0</u>	<u>0</u>	<u>(937,971)</u>
Transfers In	<u>367,844</u>	<u>0</u>	<u>0</u>	<u>367,844</u>
Net Receipts Over/(Under) Disbursements	<u>(570,127)</u>	<u>0</u>	<u>0</u>	<u>(570,127)</u>
Fund Balances, January 1, 2003	<u>4,496,518</u>	<u>0</u>	<u>0</u>	<u>4,496,518</u>
Fund Balances, December 31, 2003	<u>3,926,391</u> \$	<u>0</u> \$	<u>0</u> \$	<u>3,926,391</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, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village's management believes these financial statements represent all of the funds of the Village over which the Village officials have direct operating control.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

General Fund:

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

Special Revenue Funds:

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

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

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

Debt Service Funds:

These funds are used to accumulate resources for the payment of indebtedness.

Other Debt Service – This fund accumulates resources for the payment of Special Assessment notes and bonds.

Capital Projects Funds:

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

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

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

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

Enterprise Funds:

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

Water Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Electric Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Internal Service Fund:

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

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

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

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

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

Estimate Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Fixed assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

G. Intergovernmental Revenues

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

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Transactions

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

J. Total Columns on Financial Statements

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>
Deposits:	
Demand deposits	\$ 5,343,510
Investments:	
Repurchase agreements	<u>838,141</u>
Total deposits	<u>\$ 6,181,651</u>

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

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 was as follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,622,556	\$ 1,820,856	\$ 198,300
Special Revenue	675,900	630,197	(45,703)
Debt Service	62,703	53,198	(9,505)
Capital Projects	3,179,055	2,091,093	(1,087,962)
Enterprise Funds	6,826,860	6,378,901	(447,959)
Internal Service Funds	40,000	34,877	(5,123)
Fiduciary Fund	2,300,000	2,218,071	(81,929)
Total	<u>\$ 14,707,074</u>	<u>\$ 13,227,193</u>	<u>\$ (1,479,881)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,783,044	\$ 1,763,119	\$ 19,925
Special Revenue	868,443	764,730	103,713
Debt Service	58,360	43,821	14,539
Capital Projects	3,549,092	2,017,628	1,531,464
Enterprise Funds	8,949,289	6,949,028	2,000,261
Internal Service Funds	\$40,000	\$34,877	\$5,123
Fiduciary Fund	\$2,300,000	\$2,218,071	\$81,929
Total	<u>\$ 17,548,228</u>	<u>\$ 13,791,274</u>	<u>\$ 3,756,954</u>

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

4. DEBT OBLIGATIONS

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Special Assessment Bonds	\$ 7,000	5.70%
Special Assessment Notes	103,209	3.25-6.45%
General Obligation Notes	172,500	5.5%
Land Acquisition Note	550,000	1.6%
Omega JV5	<u>2,686,002</u>	5.1%
Total	<u>\$3,518,711</u>	

Special Assessment Bonds:

1994 Street Improvement Special Assessment. Bonds, due in semiannual payments on June 1 and December 1 through 2004 at a rate of 5.70%. Principal balance at December 31, 2003 \$7,000.

Special Assessment Notes:

1994 Third Street Special Assessment Note, due in semiannual payments on February 1 and August 1 through 2005 at a rate of 5.5%. Principal balance at December 31, 2003 \$11,863.

1995 Street Projects Special Assessment Note, due in semiannual payments on February 21 and August 21 through 2006 at a rate of 5.7%. Principal balance at December 31, 2003 \$9,486.

1997 Parkview Sidewalks Special Assessment Note, due in semiannual payments on June 4 and December 4 through 2007 at a rate of 6.45%. Principal balance at December 31, 2003 \$3,036.

1998 First-Hanover Street Special Assessment Note, due in semiannual payments on June 29 and December 29 through 2008 at a rate of 5.25%. Principal balance at December 31, 2003 \$21,301.

1999 First Street Special Assessment Note, due in semiannual payments on January 1 and July 1 through 2010 at a rate of 5.95%. Principal balance at December 31, 2003 \$19,873.

2000 Paris Street Special Assessment Note, due in semiannual payments on June 26 and December 26 through 2010 at a rate of 6%. Principal balance at December 31, 2003 \$27,014

2002 Street Assessment Note, due October 8, 2004, at a rate of 3.25%. Principal balance at December 31, 2003 \$2,365.

2002 Hamilton Street Assessment Note, due June 18, 2013 at a rate of 4.5%. Principal balance at December 31, 2003 \$8,271.

General Obligation Notes:

1996 Equalization Basin General Obligation Note, due in semiannual payments on May 13 and November 13 through 2006 at a rate of 5.55%. Principal balance at December 31, 2003 \$172,500.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

4. DEBT OBLIGATIONS (Continued)

Acquisition Note:

Minster Bank, Real Estate Acquisition Note, due July 16, 2004, interest rate 1.6%. Principal balance at December 31, 2003 \$550,000.

Omega JV-5:

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

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

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

Year Ending December 31:	Special Assess. Bonds	Special Assess. Notes	General Obligation Notes	Omega JV5 Debt	Land Acquisition Note
2004	\$ 7,399	\$ 29,915	\$ 63,466	\$ 209,024	\$ 558,800
2005	0	26,536	61,080	212,853	0
2006	0	19,203	58,693	216,163	0
2007	0	15,114	0	216,650	0
2008	0	13,642	0	219,073	0
Subsequent	0	15,778	0	3,474,515	0
Total	<u>\$ 7,399</u>	<u>\$ 120,188</u>	<u>\$ 183,239</u>	<u>\$ 4,548,278</u>	<u>\$ 558,800</u>

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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

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

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

6. LOCAL INCOME TAX

This locally levied tax of 1.5% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located in the Village. Tax receipts are credited to the Village and amounted to \$2,218,071 in 2003.

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, members of OP&F contribute 10% of their wages to the OP&F. The Village contributes an amount equal to 19.5% of their wages. PERS members contribute 8.5% of their gross salaries. The Village contributes an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

8. RISK MANAGEMENT

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

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

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

Boiler coverage has been obtained through a commercial carrier.

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

9. CONTINGENT LIABILITY

LITIGATION

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

10. JOINT VENTURES WITH EQUITY INTEREST

During the year December 31, 2003, the Village was part of the following joint venture:

Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV 5) – A group of forty-two municipalities have entered into a joint venture for constructing, installing, and operating a 42 megawatts (MW) hydroelectric generator and related facilities at the Belleville locks and dam on the Ohio River. The Village has a 1.99 percent participant ownership interest in OMEGA JV 5. For the year ended December 31, 2003, (the most current available financial information), the Village's equity in the joint venture was \$157,082. Bonds issued by the joint venture are retired through the municipalities' payments for the monthly energy usage. The participants are obligated by the agreement to remit on a monthly basis those costs incurred from using electricity generated by the joint venture and a portion of the \$153,415,000 Certificates of Beneficial Interest debt that was issued to construct the fixed asset. Complete separate financial statements may be obtained from OMEGA JV5, c/o Robert Trippe, Vice President and CEO, AMP-Ohio, 2600 Airport Drive, Columbus, Ohio, 43219.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

11. COMMITMENT

Gorsuch Station Sales Contract – The Village has entered into a power sales contract to purchase 1.786 MW of capacity from AMP-Ohio until current and subsequent Gorsuch Station bond issues have been retired. The bonds are retired through user fees charged by the municipalities. Forty-five other municipalities are also participating in this contract at varying amounts of purchase commitments. Under this contract, the Village is obligated to purchase power at a rate determined by AMP-Ohio as long as power is being delivered. For the period January 1, 2003, to December 31, 2003, the Village has authorized AMP-Ohio to resell its portion of Gorsuch power to American Electric Power.

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

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Mayor and Members of Council
Village of Minster
5 West Fourth Street
Minster, Ohio 45345

We have audited the financial statements of the Village of Minster, Auglaize County, as of and for the years ended December 31, 2003, and have issued our report thereon dated June 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Minster, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village of Minster in a separate letter dated June 1, 2004.

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

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

June 1, 2004



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

VILLAGE OF MINSTER

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 5, 2004**