



Dave Yost • Auditor of State

VILLAGE OF MINSTER
AUGLAIZE COUNTY
DECEMBER 31, 2016

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Minster
Auglaize County
5 West Fourth Street
Minster, Ohio 45865

To the Members of Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Minster, Auglaize County, Ohio (the Village) as of and for the year ended December 31, 2016.

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 opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016, and the respective changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts, and disbursements by fund type, and the related notes of the Village of Minster, Auglaize County as of December 31, 2016, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 22, 2018

**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, 2016**

	<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	\$628,456				\$628,456
Municipal Income Tax	3,854,625				3,854,625
Intergovernmental	103,042	\$258,571			361,613
Special Assessments			\$35,044		35,044
Charges for Services	62,135	52,199		\$83,073	197,407
Fines, Licenses and Permits	4,644	552			5,196
Earnings on Investments	20,784	428			21,212
Miscellaneous	40,076	9,158		40,861	90,095
Total Cash Receipts	<u>4,713,762</u>	<u>320,908</u>	<u>35,044</u>	<u>123,934</u>	<u>5,193,648</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	772,644				772,644
Leisure Time Activities	264,046				264,046
Community Environment	20,267				20,267
Transportation		581,910			581,910
General Government	522,529			7,992	530,521
Capital Outlay	264,006	304,483		966,902	1,535,391
Debt Service:					
Principal Retirement			30,815		30,815
Interest and Fiscal Charges			3,827		3,827
Total Cash Disbursements	<u>1,843,492</u>	<u>886,393</u>	<u>34,642</u>	<u>974,894</u>	<u>3,739,421</u>
Excess of Receipts Over (Under) Disbursements	<u>2,870,270</u>	<u>(565,485)</u>	<u>402</u>	<u>(850,960)</u>	<u>1,454,227</u>
Other Financing Receipts (Disbursements):					
Sale of Capital Assets	1,304	11,041		38,610	50,955
Transfers In		530,000		3,473,218	4,003,218
Transfers Out	(2,620,754)	(3,212)		(1,985,000)	(4,608,966)
Total Other Financing Receipts (Disbursements)	<u>(2,619,450)</u>	<u>537,829</u>		<u>1,526,828</u>	<u>(554,793)</u>
Net Change in Fund Cash Balances	250,820	(27,656)	402	675,868	899,434
Fund Cash Balances, January 1	<u>853,269</u>	<u>160,671</u>	<u>17,963</u>	<u>2,373,100</u>	<u>3,405,003</u>
Fund Cash Balances, December 31:					
Restricted		133,015	18,365	98,905	250,285
Committed				2,950,063	2,950,063
Assigned	171,825				171,825
Unassigned	932,264				932,264
Fund Cash Balances, December 31	<u>\$1,104,089</u>	<u>\$133,015</u>	<u>\$18,365</u>	<u>\$3,048,968</u>	<u>\$4,304,437</u>

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<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	\$13,237,865	\$17,032	13,254,897
Fines, Licenses and Permits	3,753	6,684	10,437
Miscellaneous	224,230		224,230
Total Operating Cash Receipts	<u>13,465,848</u>	<u>23,716</u>	<u>13,489,564</u>
Operating Cash Disbursements:			
Personal Services	641,593		641,593
Employee Fringe Benefits	258,353		258,353
Contractual Services	9,967,732	17,032	9,984,764
Intergovernmental		7,140	7,140
Supplies and Materials	878,989		878,989
Total Operating Cash Disbursements	<u>11,746,667</u>	<u>24,172</u>	<u>11,770,839</u>
Operating Income (Loss)	<u>1,719,181</u>	<u>(456)</u>	<u>1,718,725</u>
Non-Operating Receipts (Disbursements):			
Intergovernmental	139,883		139,883
Sale of Notes	1,000,000		1,000,000
Miscellaneous Receipts	(11,025)		(11,025)
Capital Outlay	(2,551,128)		(2,551,128)
Principal Retirement	(585,000)		(585,000)
Interest and Other Fiscal Charges	(347,736)		(347,736)
Total Non-Operating Receipts (Disbursements)	<u>(2,355,006)</u>		<u>(2,355,006)</u>
Income (Loss) before Transfers	(635,825)	(456)	(636,281)
Transfers In	2,760,372		2,760,372
Transfers Out	<u>(2,157,837)</u>		<u>(2,157,837)</u>
Net Change in Fund Cash Balances	(33,290)	(456)	(33,746)
Fund Cash Balances, January 1	<u>5,263,067</u>	<u>456</u>	<u>5,263,523</u>
Fund Cash Balances, December 31	<u><u>\$5,229,777</u></u>	<u><u>\$0</u></u>	<u><u>\$5,229,777</u></u>

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

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

B. Basis of Accounting

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). The basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when the liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Village's certificates of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 except those required to be accounted for and reported in another fund.

2. Special Revenue Funds

These funds are used to account for and report proceeds from specific revenue sources (other than from private-purpose trusts, debt service or capital projects) that are restricted or committed to expenditure for specific purposes. 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, 2016
(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.

3. Debt Service Funds

These funds are used to 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:

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

4. Capital Projects Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures 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.

Industrial Park Fund – This fund provides monies, primarily via a transfer, for the Village to purchase 33.127 acres of land in 2016 for \$413,215. The land will be developed into an industrial park for industrial growth.

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.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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 agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village has two agency funds:

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 a 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. Appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash balance 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 commitments are made. Encumbrances outstanding at year-end are canceled, and re-appropriated in the subsequent year.

A summary of 2016 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
FOR THE YEAR ENDED DECEMBER 31, 2016
(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. 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, 2016
(Continued)**

2. EQUITY IN POOLED DEPOSITS

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

	2016
Deposits:	
Demand Deposits	\$9,034,214
Certificate of Deposit	500,000
Total Deposits	\$9,534,214

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, 2016 was as follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,823,518	\$4,715,066	\$891,548
Special Revenue	813,579	861,950	48,371
Debt Service	34,602	35,044	442
Capital Projects	3,215,560	3,635,763	420,203
Enterprise Funds	16,554,857	17,366,103	811,246
Total	\$24,442,116	\$26,613,926	\$2,171,810

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,622,255	\$ 4,464,247	\$158,008
Special Revenue	938,062	889,606	48,456
Debt Service	35,567	34,643	924
Capital Projects	3,646,043	2,959,895	686,148
Enterprise Funds	20,175,885	17,399,392	2,776,493
Total	\$29,417,812	\$25,747,783	\$3,670,029

4. DEBT OBLIGATIONS

Village Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
WWTP Renovation BAN	\$5,210,000	1.25-6.85%
Special Assessment Notes	61,145	3.50-4.10%
WWTP Renovation Note	1,000,000	1.90%
Total Outstanding Debt	\$6,271,145	

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

4. DEBT OBLIGATIONS (Continued)

A. Special Assessment Notes

2011 Misc Sidewalk Assessment Note, due April 17, 2018 at a rate of 3.95 percent. Principal balance at December 31, 2016 is \$865. Notes will be repaid with special assessment revenue through the debt service fund.

2009 Hanover St/Midway Drive Special Assessment Note, due July 22, 2019 at a rate of 4.1 percent. Principal balance at December 31, 2016 is \$60,280. Notes will be repaid with special assessment revenue through the debt service fund.

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

The Village issued \$6,050,000 in sewer improvement bonds in 2010. Semiannual payments are due on June 1 and December 1 through December 2040 at a varying rate of 1.25 percent to 6.85 percent. The Village also currently receives a Federal Subsidy that reimburses 45 percent of the interest associated with these bonds. Principal balance at December 31, 2016 is \$5,210,000. The note will be repaid through the waste water treatment plant debt service fund.

C. WWTP Renovation Note

The Village issued a \$1,000,000 note in 2016 for WWTP renovation due March 1, 2013. Semiannual payments are due on March 1 and September 1 at a rate of 1.90 percent. Principal balance at December 31, 2016 is \$1,000,000. The note will be repaid through the waste water treatment plant debt service fund.

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

Year Ending December 31	Special Assessment Notes		WWTP Renovation BAN		WWTP Renovation Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$20,960	\$2,540	\$150,000	\$326,895	\$143,000	\$17,875
2018	20,094	1,671	150,000	319,845	143,000	15,120
2019	20,094	835	155,000	312,795	143,000	12,336
2020			160,000	305,510	143,000	9,641
2021-2025			875,000	1,398,150	428,000	12,314
2031-2035			1,225,000	763,775		
2036-2040			1,475,000	309,963		
Total	\$61,148	\$5,046	\$5,210,000	\$4,863,890	\$1,000,000	\$67,316

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 was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's project share was 5,381 kilowatts of a total 771,281 kilowatts, giving the Village a .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. All project costs incurred prior to cancellation and related to the cancellation were therefore deemed *impaired* and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

4. DEBT OBLIGATIONS (Continued)

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 was \$938,132. The Village received a credit of \$70,925 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$243,355 related to the AMPGS costs deemed to have future benefit for the project participants, leaving an estimated net impaired cost balance of \$623,852. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP, reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kilowatt including the AMP General Fund's project share.

Since March 31, 2014 the Village has made payments of \$311,926 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$9,377 and interest expense incurred on AMP's line-of-credit of \$13,453, resulting in a net impaired cost estimated at December 31, 2016 of \$334,756. The Village does have a potential PHFU Liability of \$250,303 resulting in a net total potential liability of \$585,059 assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line-of-credit. Activities include items such as negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP over the next 13 years through a power cost adjustment.

5. PROPERTY TAX

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

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, 2016
(Continued)**

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activity within the Village as well as certain income of residents earned outside of the Village. Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Tax receipts credited to the Village amounted to \$3,854,625 in 2016.

7. RETIREMENT SYSTEMS

The Village's full-time 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 2016 OP&F participants contributed 12.25 percent of their wages. For 2016 the Village contributed to OP&F an amount equal to 19.5 percent of their wages. For 2016 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, 2016.

8. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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.

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

8. RISK MANAGEMENT (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	2016
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$5,234,206</u>

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

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

9. JOINT VENTURES WITH EQUITY INTEREST

The Village of Minster is a Financing Participant with an ownership percentage of 1.99 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Also, pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2016, the Village has met their debt coverage obligation.

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

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

9. JOINT VENTURES WITH EQUITY INTEREST (Continued)

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2014. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount of the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JV5 was \$59,459 at December 31, 2016. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

10. SEGMENT INFORMATION

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 9. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is 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 Update Fund are presented below:

	Electric Operating Fund	Electric System Upgrade Fund
Total Assets	\$1,527,918	\$1,949,871
Condensed Operating Information:		
Operating Receipts:		
Charges for Services	10,790,815	
Other Operating Receipts	188,355	
Total Operating Receipts	<u>10,979,170</u>	<u>0</u>
Operating Expenses	<u>10,291,285</u>	
Operating Income (Loss)	687,885	0
Non-operating Receipts (Disbursements)		
Other Non-operating Receipts (Disbursements)	(481,202)	(98,402)
Special and Extraordinary Items		
Transfers In	462,535	1,100,000
Transfers Out	<u>(1,100,000)</u>	
Change in Fund Cash Balance	(430,782)	1,001,598
Beginning Fund Cash Balance	1,958,700	948,273
Ending Fund Cash Balance	<u>\$1,527,918</u>	<u>\$1,949,871</u>

(Continued)

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

10. SEGMENT INFORMATION (Continued)

	Electric Operating Fund	Electric System Upgrade Fund
Condensed Cash Flows Information:		
Net Cash Provided (Used) by:		
Operating Activities	\$687,885	
Non-Capital Financing Activities:		
Transfers In	462,535	1,100,000
Transfers Out	(1,100,000)	
Net Cash Provided (Used) by Non-Capital Financing Activities	(637,465)	1,100,000
Capital and Related Financing Activities:		
Other Capital and Related Financing Activities	(481,202)	(98,402)
Net Cash Provided (Used) by Capital and Related Financing Activities	(481,202)	(98,402)
Net Increase (Decrease)	(430,782)	1,001,598
Beginning Fund Cash Balance	1,958,700	948,273
Ending Fund Cash Balance	\$1,527,918	\$1,949,871

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Minster
Auglaize County
5 West Fourth Street
Minster, Ohio 45865

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Minster, Auglaize County, (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated January 22, 2018, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

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 "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 22, 2018

**VILLAGE OF MINSTER
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID UNDER AUDIT

Village Fire Department personnel attended the annual Fire Department Instructor's Conference in Indianapolis, Indiana on April 22, 2016. The Fire Chief was provided with the Village's credit card to be used to pay for expenses related to the attendance of the conference. The applicable credit card charges were paid via Village check number 153296 on May 13, 2016. The following issues were identified related to these credit card charges:

- A charge of \$123.64 to a restaurant/bar with no itemized receipt to show what was purchased.
- A charge of \$580.96 to a restaurant/bar with no itemized receipt to show what was purchased.
- A charge of \$170 to a bar with no itemized receipt to show what was purchased.
- A charge totaling \$37.98 for 11 alcoholic beverages at a restaurant. The itemized receipt was obtained directly from the restaurant by the audit team.

The Village Fire Chief also attended the annual Ohio Fire and Rescue Officer Development Conference in Columbus, Ohio from July 13, 2016 to July 18, 2016. The Fire Chief was provided with the Village's credit card to be used to pay for expenses related to his attendance of the conference. The applicable credit card charges were paid via Village check number 154014 on August 19, 2016. The following issues were identified related to these credit card charges:

- A charge totaling \$18.50 for three alcoholic beverages at a restaurant and two additional meals totaling \$20 for guests of the Fire Chief that were not Village personnel. The itemized receipt was obtained directly from the restaurant by the audit team.
- A charge totaling \$7.25 for two alcoholic beverages at a restaurant and one additional meal in the amount of \$10.69 for a guest of the Fire Chief that was not Village personnel.
- A charge totaling \$10.98 for an additional meal at a restaurant for a guest of the Fire Chief that was not Village personnel. The itemized receipt was obtained directly from the restaurant by the audit team.

The Village had a "Policy for Credit Card Usage" in place during the audit period. The following guidelines from the credit card policy were not complied with in relation to the above charges:

- The credit card may be used only for Village business and for the benefit of the Village.
- The credit card shall not be used for personal purchases, alcoholic beverages, or tips.
- Those authorized to use a credit card are required to maintain itemized receipts for credit transactions.
- Receipts must show individual items purchased, not just the total charged.
- Undocumented purchases will become the personal liability of the person making the charge.
- The employee responsible for credit card charges will be contacted to supply any missing information.
- Cardholder must reimburse the Village for any inappropriate purchases, and the employee is subject to disciplinary action up to and including dismissal. Willful, fraudulent abuse of the credit card will be cause for termination.

FINDING NUMBER 2016-001
(Continued)

Additionally, *State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Further, **Auditor of State Bulletin 2003-005** states that the Auditor of State's Office will only question expenditures where the legislative determination of a proper public purpose is manifestly arbitrary and incorrect, and that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against Dale Dues, Fire Chief, in the amount of \$980, and in favor of the Village of Minster.

The Village should implement procedures to comply with the established credit card policy and ensure compliance in administering the established credit card policy. Failure to do so could result in additional findings for recovery in the future.

Repayment was made via check number 8388 on November 21, 2017, in the amount of \$980. This amount was deposited by the Village and posted to the Village's accounting system (General Fund) on November 22, 2017.

Officials' Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-002

NONCOMPLIANCE/FINDING FOR RECOVERY – REPAID UNDER AUDIT

The Village paid for alcohol that was provided at a Village Christmas party. The itemized invoice from the vendor, paid on December 9, 2016 with check number 154747, showed a total of \$530 in alcohol that was paid for by the Village.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Further, **Auditor of State Bulletin 2003-005** states that the Auditor of State's Office will only question expenditures where the legislative determination of a proper public purpose is manifestly arbitrary and incorrect, and that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against John Stechschulte, Fiscal Officer, in the amount of \$530, and in favor of the Village of Minster.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure was made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost, or stolen.

FINDING NUMBER 2016-002
(Continued)

The Village should implement policies and procedures to verify that all purchases serve a proper public purpose and that no Village funds are used for the purchase of alcohol. Failure to do so could result in additional findings for recovery in the future.

Repayment was made via check number 2913 on November 21, 2017, in the amount of \$530. This amount was deposited by the Village and posted to the Village's accounting system (General Fund) on November 22, 2017.

Officials' Response: We did not receive a response from Officials to this finding.

VILLAGE OF MINSTER
AUGLAIZE COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	GASB 54 errors related to general fund subsequent year appropriations exceeding estimated revenue and park fund activity being reported incorrectly within the special revenue fund rather than the general fund.	Corrective action taken and finding is fully corrected.	None



Dave Yost • Auditor of State

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
FEBRUARY 15, 2018