

Village of Milan

Financial Condition

As of

December 31, 2004 and 2005

Together with Auditor's Report



Mary Taylor, CPA

Auditor of State

Village Council
Village of Milan
11 South Main Street
P.O. Box 1450
Milan, Ohio 44846

We have reviewed the *Independent Auditor's Report* of the Village of Milan, Erie County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Milan is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 23, 2007

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VILLAGE OF MILAN

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Independent Auditor's Report

Village of Milan
Erie County
11 South Main Street
Milan, Ohio 44846-1450

I have audited the accompanying financial statements of the Village of Milan (the Village), as of and for the year ended December 31, 2004 and 2005. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

I 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although I cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, I presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004 and 2005. Instead of the combined funds the accompanying financial statements present for 2004 and 2005, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2004 and 2005. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. My opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In my opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004 and 2005, or its changes in financial position, or where applicable its cash flows for the year then ended.

Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Milan, Erie County, Ohio, as of December 31, 2004 and 2005 and its combined cash receipts and disbursements and reserves for encumbrances for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with Government Auditing Standards, I have also issued my report dated November 27, 2006, on my consideration of the Village's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal controls over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards. You should read it in conjunction with this report in assessing the results of my audit.

Kevin L. Penn, Inc.

November 27, 2006

Village of Milan
 Erie County
 Combined Statement of Cash Receipts, Disbursements
 and Changes in Fund Cash Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2004

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 337,214	\$ 80,517	\$ 40,577	\$ 458,308
Intergovernmental Receipts	124,852	75,621	106,414	306,887
Charges for Services	100			100
Fines, Licenses, and Penalties	36,012	368		36,380
Earnings on Investments	29,765	1,501		31,266
Other Revenue	21,474	1,804		23,278
Total Cash Receipts	549,417	159,811	146,991	856,219
Cash Disbursements:				
Current:				
Security of Persons and Property	283,149	22,772		305,921
Leisure Time Activities	5,801			5,801
Community Environment	4,091			4,091
Transportation	117,908	95,394		213,302
General Government	95,521	1,390		96,911
Debt Service:				
Principal Payments			3,000	3,000
Interest Payments			4,080	4,080
Capital Outlay	3,975	162,277	209,385	375,637
Total Cash Disbursements	510,445	281,833	216,465	1,008,743
Total Receipts Over/(Under) Disbursements	38,972	(122,022)	(69,474)	(152,524)
Other Financing Receipts/(Disbursements)				
Transfers-In		76,577	127,901	204,478
Transfers-Out	(227,958)		(21,660)	(249,618)
Other Financing Sources		3,858	1,769	5,627
Other Financing Uses				-
Total Other Financing Receipts/(Disbursements)	(227,958)	80,435	108,010	(39,513)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements				
	(188,986)	(41,587)	38,536	(192,037)
Fund Cash Balance - January 1, 2004	625,999	303,811	223,719	1,153,529
Fund Cash Balance - December 31, 2004	\$ 437,013	\$ 262,224	\$ 262,255	\$ 961,492
Reserves for Encumbrances, December 31, 2004	\$ 352	\$ 176	\$ -	\$ 528

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

Village of Milan
 Erie County
 Combined Statement of Cash Receipts, Disbursements
 and Changes in Fund Cash Balances - Enterprise Funds
 For the Year Ended December 31, 2004

Operating Cash Receipts	
Charges for Services	\$ 1,505,429
Other Revenue	10,544
Total Operating Cash Receipts	<u>1,515,973</u>
Operating Cash Disbursements:	
Personal Services	345,735
Transportation	1,287
Contractual Services	88,464
Supplies and Materials	632,320
Capital Outlay	63,692
Total Operating Cash Disbursements	<u>1,131,498</u>
Operating Income	<u>384,475</u>
Non-Operating Cash Receipts	
Sale of Bonds	170,000
Other Financing Sources	3,060
Total Non-Operating Cash Receipts	<u>173,060</u>
Non-Operating Cash Disbursements	
Debt Service - Principal	403,399
Debt Service - Interest and Fiscal Charges	80,825
Other Financing Uses	2,975
Total Non-Operating Cash Disbursements	<u>487,199</u>
Excess of Receipts Under Disbursements Before Interfund Transfers and Advances	70,336
Transfers-In	122,109
Transfers-Out	(76,969)
Net Disbursements Over Receipts	<u>115,476</u>
Fund Cash Balance - January 1, 2004	1,501,296
Fund Cash Balance - December 31, 2004	<u>\$ 1,616,772</u>
Reserves for Encumbrances, December 31, 2004	<u>\$ 10,919</u>

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

Village of Milan
 Erie County
 Combined Statement of Cash Receipts, Disbursements
 and Changes in Fund Cash Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2005

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 303,734	\$ 95,209	\$ 35,920	\$ 434,863
Intergovernmental Receipts	127,688	77,550	6,808	212,046
Fines, Licenses, and Penalties	60,151	3,493		63,644
Earnings on Investments	66,298	4,853		71,151
Other Revenue	11,633	5,757		17,390
Total Cash Receipts	569,504	186,862	42,728	799,094
Cash Disbursements:				
Current:				
Security of Persons and Property	289,693	27,409		317,102
Leisure Time Activities	5,561			5,561
Community Environment	2,497			2,497
Transportation	123,209	98,603		221,812
General Government	93,295	1,511		94,806
Debt Service:				
Principal Payments			3,000	3,000
Interest Payments			3,900	3,900
Capital Outlay	10,238	6,430		16,668
Total Cash Disbursements	524,493	133,953	6,900	665,346
Total Receipts Over/(Under) Disbursements	45,011	52,909	35,828	133,748
Other Financing Receipts/(Disbursements)				
Transfers-In		67,559	92	67,651
Transfers-Out	(111,176)	(3,702)		(114,878)
Other Financing Sources		2,706		2,706
Other Financing Uses	(322)			(322)
Total Other Financing Receipts/(Disbursements)	(111,498)	66,563	92	(44,843)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements				
	(66,487)	119,472	35,920	88,905
Fund Cash Balance - January 1, 2005	437,013	262,224	262,255	961,492
Fund Cash Balance - December 31, 2005	\$ 370,526	\$ 381,696	\$ 298,175	\$ 1,050,397
Reserves for Encumbrances, December 31, 2005	\$ 2,423	\$ 313	\$ -	\$ 2,736

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

Village of Milan
 Erie County
 Combined Statement of Cash Receipts, Disbursements
 and Changes in Fund Cash Balances - Enterprise Funds
 For the Year Ended December 31, 2005

Operating Cash Receipts	
Charges for Services	\$ 1,695,906
Other Revenue	7,853
Total Operating Cash Receipts	<u>1,703,759</u>
Operating Cash Disbursements:	
Personal Services	333,100
	2,698
Contractual Services	91,286
Supplies and Materials	759,850
Capital Outlay	64,425
Total Operating Cash Disbursements	<u>1,251,359</u>
Operating Income	<u>452,400</u>
Non-Operating Cash Receipts	
Other Financing Sources	4,545
Total Non-Operating Cash Receipts	<u>4,545</u>
Non-Operating Cash Disbursements	
Debt Service - Principal	193,826
Debt Service - Interest and Fiscal Charges	77,320
Other Financing Uses	4,255
Total Non-Operating Cash Disbursements	<u>275,401</u>
Excess of Receipts Under Disbursements	
Before Interfund Transfers and Advances	181,544
Transfers-In	122,227
Transfers-Out	(75,000)
Net Disbursements Over Receipts	<u>228,771</u>
Fund Cash Balance - January 1, 2005	1,616,772
Fund Cash Balance - December 31, 2005	<u>\$ 1,845,543</u>
Reserves for Encumbrances, December 31, 2005	<u>\$ 85,324</u>

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

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Milan, Erie County, (the Village) is a body corporate and politic 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 water and sewer utilities, electric utilities, park operations, and police services. The Village contracts with Milan Township to provide fire protection services.

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

Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1)

The Village is a participant with twenty-one subdivisions within the State of Ohio in a joint venture to provide a source of supplemental capacity to the participants. On dissolution of the joint venture, the net assets of the JV1 will be shared by the participants on a percentage basis. The JV1 is managed by AMP-Ohio who acts as the joint venture's agent. The Village's net investment and its share of the operating results of JV1 ownership share of the project is .71 percent. Complete financial statements for JV1 can be obtained from AMP-Ohio at 2600 Airport Drive, Columbus, Ohio 43219 or from the Village's Administrator.

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The Village of Milan is a Non-Financing Participant and an Owner Participant with an ownership percentage of .55 percent and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants. Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the JV2 Agreement. OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system.

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity (continued)

Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$271,372 at December 31, 2005. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the Village's Administrator.

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV 5)

The Village of Milan is a Financing Participant with an ownership percentage of .39 %, 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-Ohio.

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.

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, 2005 and 2004, Milan has met their debt coverage obligation.

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity (continued)

Ohio Municipal Electric Generation Agency Joint Venture 5 (JV 5)

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

The Village's net investment to date in OMEGA JV5 was \$36,200 at December 31, 2005 and \$33,716 at December 31, 2004. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

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 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 prescribed or permitted by the Auditor of State.

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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.

3. Capital Project 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 funds). The Village had the following significant capital project funds:

Utility Building Fund - This fund receives transfers from the general fund to be used for the construction of a new utility building.

Capital Project Issue II Fund - This fund receives Issue II monies to be used for various projects within the Village.

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

4. Enterprise Funds (continued)

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.

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Village must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

F. Property, Plant, and Equipment

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. DEPOSITS AND INVESTMENTS

Legal Requirements. Monies held by the Village are classified by State statute into two categories. Active monies means an amount of public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the Village which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase and reverse repurchase agreements in the securities listed above;
4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

2. DEPOSITS AND INVESTMENTS (continued)

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year-end, the Village had \$160 in undeposited cash on hand which is included as part of "Pooled Cash and Cash Investments". This amount is uninsured and uncollateralized.

Deposits. At year-end, the carrying amount of the Village's deposits was \$893,911 for 2005 and \$636,657 for 2004 and the bank balance was \$926,186 for 2005 and \$705,690 for 2004. Of the bank balance, \$100,000 was covered by federal depository insurance for 2005 and 2004, and \$826,186 for 2005 and \$605,690 for 2004 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments. Statutory provisions require that the Village hold all securities acquired by the Village or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterparty is a designated depository of the Village for the current period of designation of depositories, in which case the securities may be held in trust by the depository. At the end of each day, the Village withdraws surplus funds from the account and invests the monies in an overnight repurchase agreement. The Village does not purchase any specific security in this manner, but the investment is collateralized by pledged securities held by a third party in the name of the bank.

The Village has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio), during 2005 and 2004. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes.

STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2005 and 2004. At year end, the carrying amount of the Village's deposits with Star Ohio was \$2,001,869 for 2005 and \$1,941,447 for 2004 and the market value was \$2,001,869 for 2005 and \$1,941,447 for 2004.

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

2. DEPOSITS AND INVESTMENTS (continued)

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. Category 1 includes investments that are insured or registered, or securities held by the Village or its agent in Village name. Category 2 includes uninsured and unregistered, with securities held by the counter-party trust department or agent in the Village. Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village. STAR Ohio is unclassified investments since they are not evidenced by securities that exist in physical or book entry form. Since STAR Ohio is the only investments, the categories described above do not apply.

3. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

4. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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.

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2004 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,434,969	\$ 549,417	\$ (885,552)
Special Revenue	267,581	240,246	(27,335)
Capital Projects	377,151	276,661	(100,490)
Enterprise	2,699,520	1,811,143	(888,377)
Total	\$ 4,779,221	\$ 2,877,467	\$(1,901,754)

2004 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 610,075	\$ 738,755	\$ (128,680)
Special Revenue	246,607	282,009	(35,402)
Capital Projects	162,200	238,125	(75,925)
Enterprise	2,204,129	1,706,586	497,543
Total	\$ 3,223,011	\$ 2,965,475	\$ 257,536

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type:	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,767,616	\$ 569,504	\$(1,198,112)
Special Revenue	319,754	257,127	(62,627)
Capital Projects	276,500	42,820	(233,680)
Enterprise	2,765,071	1,830,532	(934,539)
Total	\$ 5,128,941	\$ 2,699,983	\$(2,428,958)

2005 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type:	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 606,575	\$ 638,414	\$ (31,839)
Special Revenue	261,685	137,967	123,718
Capital Projects	299,400	6,900	292,500
Enterprise	2,089,667	1,687,085	402,582
Total	\$ 3,257,327	\$ 2,470,366	\$ 786,961

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

6. DEBT

Debt outstanding at December 31, 2005 was as follows:

Ohio Water Development Authority Loan	\$ 901,291	7.03%
Sewage System Improvement Notes	100,000	3.25%
AMP - Ohio Loan	479,273	3.50%
Lockwood Road Project Bond	<u>65,000</u>	6.00%
Total	<u>\$1,545,564</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water system improvement project. The loan agreement was entered into during August 1992. The original loan amount was \$1,287,380. The loan will be repaid in semiannual installments of \$55,385, including interest over 20 years. The Village was advised in July 2003 that the OWDA was reducing the interest rate from 7.30 to 7.00 percent. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Sewage System Improvement note is a bond anticipation debt and consists of \$100,000 of sewerage system improvement debt for sewerage system improvements. Interest rate on bond anticipation debt is 3.25% annum.

The American Municipal Power-Ohio, Inc. (AMP-Ohio) loan relates to an electrical substation and distribution line construction project. The loan was entered into during January 1997, in the amount of \$700,000. In fiscal year 2001, an additional loan of \$472,000 was entered into to finance the construction of an electric service building and enter into OMEGA JV2 (Distributive Generation Project), a joint venture organized by AMP Ohio. The loans will be repaid in monthly installments over 10 years. Interest rates on the loans are adjusted annually.

The aggregate amounts of long-term debt maturities for the five years following 2005 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 152,421	\$ 45,344	\$ 197,765
2007	179,830	71,878	251,708
2008	179,584	65,821	245,405
2009	154,598	59,668	214,266
2010	160,891	54,182	215,073
Thereafter	<u>718,240</u>	<u>248,136</u>	<u>966,376</u>
Total	<u>\$ 1,545,564</u>	<u>\$ 545,029</u>	<u>\$ 2,090,593</u>

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

6. DEBT (continued)

In fiscal year 2002, the Village entered into an agreement for the purchase of property for the construction of a building to house all Village Offices and the Village Police Station. The Village signed a promissory note in the amount of \$190,000 for the purchase of property with a stated rate of interest at 4.5 percent. The note is to be paid in equal monthly installments commencing June 10, 2002. On May 10, 2007, the rate of the note shall be adjusted to the minimum applicable federal rate. The Village will then make equal monthly payments on the remaining balance such that the entire outstanding principal balance will be paid in full on May 10, 2012.

The aggregate amounts of payments for the five years following 2005 are as follows:

Year	Principal	Interest	Total
2006	\$ 18,083	\$ 5,547	\$ 23,630
2007	18,913	4,716	23,629
2008	19,782	3,847	23,629
2009	20,691	2,938	23,629
2010	21,642	1,988	23,630
Thereafter	<u>32,372</u>	<u>1,103</u>	<u>33,475</u>
Total	<u>\$ 131,483</u>	<u>\$ 20,139</u>	<u>\$ 151,622</u>

7. PENSION PLAN

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

Ohio Public Employees Retirement System

All Village full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

7. PENSION PLAN (continued)

- The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Ohio Public Employees Retirement System

PERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Village to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory Village for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Village was 13.55 percent of covered payroll. The Village's required contributions to OPERS for the fiscal years ended December 31, 2005, 2004, and 2003 were \$51,662, \$53,782, and \$52,722 respectively.

8. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Ohio Public Employees Retirement System

The Ohio Revised Code provides statutory Village for employer contributions. The 2005 employer contribution rate was 13.55 percent of covered payroll, 4 percent was the portion that was used to fund health care for 2005.

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

8. POST-EMPLOYMENT BENEFITS (continued)

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases.

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2005, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 376,109. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**VILLAGE OF MILAN
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability.
- Vehicles.
- Errors and omissions.

The Village also provides health insurance coverage to full time employees through a private carrier.

10. ACCOUNTABILITY AND COMPLIANCE

1. Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$128,680; Special Revenue Fund by \$35,402 and Capital Project Fund by \$75,925 as of December 31, 2004. As of December 31, 2005 budgetary expenditures exceeded appropriation authority in the General Fund by \$31,839. Also contrary to Ohio law appropriation authority exceeded estimated resources in the Capital Project Fund by \$22,900.
2. The Village did not properly certify the availability of funds prior to purchase commitment for 53 percent of expenditures selected for examination.

11. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Village of Milan
Erie County
115 East Main Street
Milan, Ohio 44851-1201

I have audited the financial statements of Village of Milan as of and for the year ended December 31, 2004 and 2005, and have issued my report thereon dated November 27, 2006. I conducted my audit in accordance with generally accepted auditing standards 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Village of Milan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Village of Milan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as 2005-1, 2005-2 and 2005-3. I also noted certain additional matters that I reported to management of Village of Milan in a separate letter dated November 27, 2006.

A material weakness is a condition in which the design or operation of one or more of the 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above, is a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Milan's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as items 2005-1, 2005-2 and 2005-3. I also noted certain additional matters that I reported to management of Village of Milan in a separate letter dated November 27, 2006.

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

Kevin L. Penn, Inc.

November 27, 2006

Village of Milan
Erie County

Schedule of Findings
December 31, 2004 and 2005

Finding Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

2005-1

Ohio Revised Code § 5705.41(8) states that no subdivision or taxing unit is to expend money unless it has been appropriated. For fiscal year 2004, budgetary expenditures exceeded appropriations in five funds. For fiscal year 2005, budgetary expenditures exceeded appropriations in five funds. Several instances of budgetary expenditures exceeding appropriations were also noted during the fiscal year at the legal level of control. The failure to limit expenditures to appropriated amounts may result in the Village expending funds in excess of available resources. The Village should periodically compare expenditures and encumbrances to appropriations to determine if a modification to appropriations is necessary.

2005-2

Ohio Revised Code Section 5735.28 states that wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half percent of the amount paid to any municipal corporation pursuant to Ohio Revised Code Section 4501.04, Ohio Revised Code Section 5735.23, and Ohio Revised Code Section 5735.27 shall be used by it for specified purposes related to maintenance and repair of such highways. The remaining ninety-two and one-half percent of funds are to be used for purposes related to maintenance and repair of streets within the Village. The errors were noted in the recording of revenues under the above Revised Code sections:

During the 2005 fiscal year gas tax receipts in the amount of \$19,356 were improperly credited to the General Fund. Of the amount, \$17,905 should have been credited to the Street Fund and \$1,451 should have been recorded to the State Highway Fund.

During the 2004 fiscal year gas tax receipts in the amount of \$23,838 were improperly credited to the General Fund. Of the amount, \$22,050 should have been credited to the Street Fund and \$1,788 should have been recorded to the State Highway Fund. In addition, during the 2004 fiscal year permissive tax receipts in the amount of \$431 was improperly credited to the General Fund.

The Village has adjusted the financial statements, pertaining to the improperly credited amounts to the General Fund in 2004 and 2005.

Village of Milan
Erie County

Schedule of Findings
December 31, 2004 and 2005

Finding Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

2005-3

Ohio Revised Code § 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

A. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 effective April 7, 2003 or \$ 1,000 prior to this date may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

B. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

C. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Village of Milan
Erie County

Schedule of Findings
December 31, 2004 and 2005

Finding Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

2005-3 (continued)

The Village did not properly certify the availability of funds prior to purchase commitment for 53 percent of expenditures selected for examination and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

Reliance on then and now certificates should be limited to situations where prior certification was not obtained due only to extreme circumstances that justify the failure to follow the routine purchasing process. The use of then and now certification bypasses the encumbrance portion of the budgetary control process and can result in the inability to pay obligations when due. This condition was previously reported to the Village during the audit of fiscal years 2002 and 2003.

Village of Milan
Erie County

Schedule of Prior Audit Findings
December 31, 2004 and 2005

2003-001

Finding Summary:

Ohio Revised Code Section 5705.41 (B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Testing of budgetary compliance, indicated instances in which expenditures exceeded appropriations.

Fully Corrected?

No. Will be repeated in the 2004 and 2005 audit.

Current Status:

There were several instances noted, whereby, expenditures exceeded appropriations.

2003-002

Finding Summary:

Ohio Revised Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. Testing of budgetary compliance, indicated instances in which appropriations exceeded estimated resources.

Fully Corrected?

No. Will be repeated in the 2004 and 2005 audit.

Current Status:

There were several instances noted, whereby, appropriations exceeded estimated resources.

2003-003

Finding Summary:

Ohio Revised Code Section 5735.28 states that wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half percent of the amount paid to any municipal corporation pursuant to Ohio Revised Code Section 4501.04, Ohio Revised Code Section 5735.23, and Ohio Revised Code Section 5735.27 shall be used by it for specified purposes related to maintenance and repair of such highways. The remaining ninety-two and one-half percent of funds are to be used for purposes related to maintenance and repair of streets within the Village. There were several errors noted in the recording of revenues derived the above Revised Code sections.

Village of Milan
Erie County

Schedule of Prior Audit Findings
December 31, 2004 and 2005

2003-003 (continued)

Fully Corrected?

No. Will be repeated in the 2004 and 2005 audit.

Current Status:

There were several errors noted, relating to recording monies into the proper fund.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MILAN

ERIE 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
APRIL 5, 2007**