

Village of Milan

Financial Condition

As of

December 31, 2009

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 *Report of Independent Accountants* of the Village of Milan, Erie County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 16, 2010

This Page is Intentionally Left Blank.

Village of Milan
Erie County

Table of Contents

<u>Title</u>	<u>Page</u>
Independent Accountant's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis – December 31, 2009	10
Statement of Activities – Cash Basis – For the Year Ended December 31, 2009	11
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – December 31, 2009	12
Statement of Cash Basis Assets and Fund Balances – Proprietary Funds – December 31, 2009	13
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds – December 31, 2009	14
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances - Proprietary Funds – December 31, 2009	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund – For the Year Ended December 31, 2009	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Street Fund – For the Year Ended December 31, 2009	17
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Street Levy Fund – For the Year Ended December 31, 2009	18
Notes to the Basic Financial Statements	19
Independent Accountant's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards	36
Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS	38



Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustee
Village of Milan
Erie County

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund, and the aggregate remaining fund information of Village of Milan, Erie County, Ohio (the Village), as of and for the year ended December 31, 2009 which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on our 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 2, the Village has prepared these financial statements using a cash basis of accounting. These practices differ from accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the Village as of December 31, 2009 and the respective changes in cash financial position and the respective budgetary comparison for the General fund, Street Fund and Street Levy Fund thereof for the year then ended in conformity with the basis of the accounting Note 2 describes.

In accordance with Government Auditing Standards, I have also issued my report dated June 21, 2010, 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.

The Management's Discussion and Analysis, is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, consisting principally of inquires of management regarding the methods of measuring and presenting the required supplementary information. However, I did not audit the information and express no opinion on it.

Kevin L. Penn, Inc.

June 21, 2010

Village of Milan
Erie County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

This discussion and analysis of the Village of Milan financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2009, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2009 are as follows:

Net assets of governmental activities decreased \$89,372, or 9 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2009. Net assets of business activities decreased by \$237,552, or 12 percent.

The Village's general receipts are primarily property taxes and municipal income taxes. These receipts represent respectively 63 and 24 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2009 changed very little compared to 2008 as development within the Village has slowed.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Village of Milan
Erie County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Government into two types of activities:

Governmental activities. Most of the Government's basic services are reported here, including police, fire and streets. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds - not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The funds of the Government are split into two categories: governmental and proprietary.

Governmental Funds - The Village's activities are reported in governmental fund financial statements, which provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

Proprietary Funds – When the Government charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Government enterprise fund, consist of the following water, sewer and electric.

Village of Milan
Erie County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

The Village as a Whole

Table 1 provides a summary of the Village's net assets for the governmental and business-type activities for 2008 compared to 2009 on a cash basis:

	(Table 1) Net Assets			
	2009	2008	2009	2008
	Governmental	Governmental	Business	Business
	Activities	Activities	Type	Type
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 872,623	\$ 961,995	\$ 1,694,298	\$ 1,931,850
Total Assets	<u>\$ 872,623</u>	<u>\$ 961,995</u>	<u>\$ 1,694,298</u>	<u>\$ 1,931,850</u>
Net Assets				
Restricted for:				
Capital Projects	\$ 141,259	\$ 145,637	\$ -	\$ -
Other Purposes	576,057	532,352		
Unrestricted	<u>155,307</u>	<u>284,006</u>	<u>1,694,298</u>	<u>1,931,850</u>
Total Net Assets	<u>\$ 872,623</u>	<u>\$ 961,995</u>	<u>\$ 1,694,298</u>	<u>\$ 1,931,850</u>

As mentioned previously, net assets of governmental activities decreased \$89,372 or 9 percent during 2009. The primary reasons contributing to the decreases in cash balances are as follows:

- Unanticipated slow growth in local tax receipts and a decrease in interest income.

Table 2 reflects the changes in net assets on a cash basis of accounting for governmental and business-type activities in 2008 and 2009.

Village of Milan
 Erie County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2009
 Unaudited

(Table 2)

	2009 Governmental Activities	2008 Governmental Activities
	<u> </u>	<u> </u>
Changes in Net Assets		
Cash Receipts:		
Taxes	\$ 552,961	\$ 517,675
Fines, Forfeitures, and Penalties	85,217	100,475
Intergovernmental Receipts	134,928	115,674
Interest	9,602	68,914
Other Revenue	375	43,624
Total Cash Receipts	<u>783,083</u>	<u>846,362</u>
Cash Disbursements:		
General Government	186,790	241,390
Security of Persons and Property	428,227	421,687
Transportation	176,422	222,823
Capital Outlay	35,201	5,700
Debt Service - Note Principal Payment	3,000	3,000
Debt Service - Interest and Fiscal Charges	3,180	3,360
Total Cash Disbursements	<u>832,820</u>	<u>897,960</u>
Total Receipts Over/(Under) Disbursements	<u>(49,737)</u>	<u>(51,598)</u>
Other Financing Receipts/(Disbursements)		
Transfers-In	83,763	80,900
Transfers-Out	<u>(123,398)</u>	<u>(130,090)</u>
Total Other Financing Receipts/(Disbursements)	<u>(39,635)</u>	<u>(49,190)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(89,372)	(100,788)
Fund Cash Balance - January 1	<u>961,995</u>	<u>1,062,783</u>
Fund Cash Balance - December 31	<u>\$ 872,623</u>	<u>\$ 961,995</u>

General receipts represent 100 percent of the Government's total receipts, and of this amount, over 63 percent are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for its activities. These include the costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 20 % of General Fund unrestricted receipts.

Village of Milan
 Erie County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2009
 Unaudited

	2009 Business Type Activities	2008 Business Type Activities
	<u> </u>	<u> </u>
Operating Receipts:		
Taxes	\$ 213,266	\$ 202,134
Charges for Services	1,196,303	1,355,707
Other Revenue	<u>2,443</u>	<u>6,288</u>
Total Cash Receipts	1,412,012	1,564,129
Cash Disbursements:		
Generation/Purchase - Electric	359,274	567,975
Personal Services	284,265	275,424
Fringe Benefits	114,767	110,077
Contractual Services	62,881	77,993
Materials and Supplies	139,113	158,636
Other	6,975	6,792
Claims	204,937	74,033
Capital Outlay	132,007	138,548
Debt Service - Note Principal Payment	294,995	184,283
Debt Service - Interest and Fiscal Charges	<u>89,985</u>	<u>78,477</u>
Total Cash Disbursements	<u>1,689,199</u>	<u>1,672,238</u>
Total Receipts Over/(Under) Disbursements	(277,187)	(108,109)
Other Financing Receipts/(Disbursements)		
Transfers-In	380,318	124,190
Transfers-Out	<u>(340,683)</u>	<u>(75,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>39,635</u>	<u>49,190</u>
Excess of Cash Receipts and Other Financing		
Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(237,552)	(58,919)
Fund Cash Balance - January 1	<u>1,931,850</u>	<u>1,990,769</u>
Fund Cash Balance - December 31	<u>\$ 1,694,298</u>	<u>\$ 1,931,850</u>

Village Activities

If you look at the Statement of Activities on page 7, you will see that the first column lists the major services provided by the Village. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Village of Milan
Erie County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

	Total Cost of Services 2009	Net Cost of Services 2009
	<u>2009</u>	<u>2009</u>
Governmental Activities		
Capital Outlay	\$ 35,201	\$ (35,201)
Debt Service	6,180	(6,180)
General Government	186,790	(186,790)
Security of Persons and Property	428,227	(428,227)
Transportation	<u>176,422</u>	<u>(176,422)</u>
Total Governmental Activities	832,820	(832,820)
Proprietary Activities		
General Government	359,274	832,624
Capital Outlay	132,007	(132,007)
Debt Service	384,980	(384,980)
Personal Services	399,032	(399,032)
Contract Services	62,881	(62,881)
Claims	204,937	(204,937)
Materials and Supplies	139,113	(139,113)
Other	<u>6,975</u>	<u>(2,570)</u>
Total Business Type Activities	<u>1,689,199</u>	<u>(492,896)</u>
 Total	 <u>\$ 2,522,019</u>	 <u>\$ (1,325,716)</u>

The dependence upon property a tax receipts is low as only 15 percent of governmental activities are supported through these general receipts.

The Village's Funds

Total governmental funds had receipts of \$866,846 and disbursements of \$956,218. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased by \$128,699 as the result of increased costs and not achieving anticipated growth in income and property tax receipts.

Total business-type funds had receipts of \$1,792,330 and disbursements of \$2,029,882. The greatest change within business-type funds occurred within the Electric Fund. The fund balance of the Electric Fund decreased by \$184,689 as the result of increased costs and not achieving anticipated growth in charges for services.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2009, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Village of Milan
Erie County
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

General Fund Budgeting Highlights

Final disbursements were budgeted at \$822,320 while actual disbursements were \$699,157. Although receipts failed to live up to expectations, appropriations were not reduced but expenses were. The Village spent less funds than budgeted as demonstrated by the minor reported variances. The result is the decrease in the General Fund balance of \$128,699 for 2009.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2009, the Village's outstanding debt included \$690,702 in Ohio Water Development Authority Loans; \$21,845 in AMP – Ohio Loans and \$50,000 in a Road Project Bond. For further information regarding the Village's debt, refer to Note 9 to the basic financial statements.

Current Issues

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on the State, Local and Property taxes.

Contacting the Village's Financial Management

This financial report is designed to provide a general overview of the Village's finances and to show the Village's accountability for the money it receives to all those interested in the Village's financial well being. Questions concerning any of the information in this report or requests for additional information should be directed to Mary Bruno, Fiscal Officer, Village of Milan, 11 S. Main Street, Milan, Ohio 44846.

Village of Milan
 Erie County
 Statement of Net Assets - Cash Basis
 December 31, 2009

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 872,623	\$ 1,694,298	\$ 2,566,921
Total Assets	<u>\$ 872,623</u>	<u>\$ 1,694,298</u>	<u>\$ 2,566,921</u>
Net Assets			
Restricted for:			
Capital Projects	\$ 141,259	\$ -	\$ 141,259
Other Purposes	576,057		576,057
Unrestricted	<u>155,307</u>	<u>1,694,298</u>	<u>1,849,605</u>
Total Net Assets	<u>\$ 872,623</u>	<u>\$ 1,694,298</u>	<u>\$ 2,566,921</u>

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

Village of Milan
 Erie County
 Statement of Activities - Cash Basis
 For the Year Ended December 31, 2009

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Governmental Activities	Business Type Activities	
Governmental Activities					
Capital Outlay	\$ 35,201		\$ (35,201)		\$ (35,201)
Debt Service	6,180		(6,180)		(6,180)
General Government	186,790	\$ 85,217	(101,573)		(101,573)
Security of Persons and Property	428,227		(428,227)		(428,227)
Transportation	176,422		(176,422)		(176,422)
Total Governmental Activities	832,820	85,217	(747,603)		(747,603)
Business-Type Activities					
Water Fund	322,281	335,735		\$ 13,454	13,454
Sewer Fund	170,180	2,925		(167,255)	(167,255)
Electric Fund	946,510	760,120		(186,390)	(186,390)
Other Proprietary Funds	250,228	97,523		(152,705)	(152,705)
Total Business Type Activities	1,689,199	1,196,303	-	(492,896)	(492,896)
Total	\$ 2,522,019	\$ 1,281,520	\$ (747,603)	\$ (492,896)	(1,240,499)
General Receipts:					
Property Other Local Taxes			367,440	213,266	\$ 580,706
Municipal Income Tax			185,521		185,521
Intergovernmental			134,928		134,928
Earnings on Investments			9,602		9,602
Miscellaneous			375	2,443	2,818
Total General Receipts			697,866	215,709	\$ 913,575
Transfer			(39,635)	39,635	-
Change in Net Assets			(89,372)	(237,552)	(326,924)
Net Assets Beginning of Year			961,995	1,931,850	2,893,845
Net Assets End of Year			\$ 872,623	\$ 1,694,298	\$ 2,566,921

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

Village of Milan
 Erie County
 Statement of Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2009

	General	Street Fund	Street Levy Funds	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 155,307	\$ 321,772	\$ 195,872	\$ 199,672	\$ 872,623
Total Assets	\$ 155,307	\$ 321,772	\$ 195,872	\$ 199,672	\$ 872,623
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$ -	\$ 5,600	\$ 6,024	\$ -	\$ 11,624
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	155,307				155,307
Special Revenue Funds		316,172	189,848	58,413	564,433
Capital Projects Funds				141,259	141,259
Total Net Assets	\$ 155,307	\$ 321,772	\$ 195,872	\$ 199,672	\$ 872,623

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

Village of Milan
 Erie County
 Statement of Cash Basis Assets and Fund Balances
 Proprietary Funds
 December 31, 2009

	Water Fund	Sewer Fund	Electric Funds	Other Proprietary Funds	Total Proprietary Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$ 302,680</u>	<u>\$ 355,035</u>	<u>\$ 530,331</u>	<u>\$ 506,252</u>	<u>\$ 1,694,298</u>
Total Assets	<u><u>\$ 302,680</u></u>	<u><u>\$ 355,035</u></u>	<u><u>\$ 530,331</u></u>	<u><u>\$ 506,252</u></u>	<u><u>\$ 1,694,298</u></u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:	<u>302,680</u>	<u>355,035</u>	<u>530,331</u>	<u>506,252</u>	<u>1,694,298</u>
Total Net Assets	<u><u>\$ 302,680</u></u>	<u><u>\$ 355,035</u></u>	<u><u>\$ 530,331</u></u>	<u><u>\$ 506,252</u></u>	<u><u>\$ 1,694,298</u></u>

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

Village of Milan
Erie County
Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Street Fund	Street Levy Funds	Other Governmental Funds	Total Governmental Funds
Cash Receipts:					
Taxes	\$ 348,073	\$ 75,799	\$ 82,225	\$ 46,864	\$ 552,961
Fines, Forfeitures, and Penalties	85,052			165	85,217
Intergovernmental Receipts	128,404			6,524	134,928
Interest	8,929	406		267	9,602
Other Revenue			375		375
Total Cash Receipts	570,458	76,205	82,600	53,820	783,083
Cash Disbursements:					
General Government	186,790				186,790
Security of Persons and Property	399,969			28,258	428,227
Transportation		94,468	77,493	4,461	176,422
Capital Outlay				35,201	35,201
Debt Service - Note Principal Payment				3,000	3,000
Debt Service - Interest and Fiscal Charges				3,180	3,180
Total Cash Disbursements	586,759	94,468	77,493	74,100	832,820
Total Receipts Over/(Under) Disbursements	(16,301)	(18,263)	5,107	(20,280)	(49,737)
Other Financing Receipts/(Disbursements)					
Transfers-In		58,763		25,000	83,763
Transfers-Out	(112,398)			(11,000)	(123,398)
Total Other Financing Receipts/(Disbursements)	(112,398)	58,763	-	14,000	(39,635)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(128,699)	40,500	5,107	(6,280)	(89,372)
Fund Cash Balance - January 1, 2009	284,006	281,272	190,765	205,952	961,995
Fund Cash Balance - December 31, 2009	\$ 155,307	\$ 321,772	\$ 195,872	\$ 199,672	\$ 872,623

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

Village of Milan
 Erie County
 Statement of Cash Receipts, Disbursements and
 Changes in Cash Basis Fund Balances
 Proprietary Funds
 For the Year Ended December 31, 2009

	Water Fund	Sewer Fund	Electric Fund	Other Proprietary Funds	Total Proprietary Funds
Operating Receipts:					
Taxes	\$ -	\$ 213,266	\$ -	\$ -	\$ 213,266
Charges for Services	335,735	2,925	760,120	97,523	1,196,303
Other Revenue	591	151	1,701		2,443
Total Cash Receipts	336,326	216,342	761,821	97,523	1,412,012
Cash Disbursements:					
Generation/Purchase - Electric			359,274		359,274
Personal Services	87,234	62,655	134,376		284,265
Fringe Benefits	40,133	35,241	39,393		114,767
Contractual Services	31,162	19,474	12,245		62,881
Materials and Supplies	47,646	26,457	65,010		139,113
Other			6,975		6,975
Claims				204,937	204,937
Capital Outlay	5,561	26,353	100,093		132,007
Debt Service - Note Principal Payment	58,127		197,168	39,700	294,995
Debt Service - Interest and Fiscal Charges	52,418		31,976	5,591	89,985
Total Cash Disbursements	322,281	170,180	946,510	250,228	1,689,199
Total Receipts Over/(Under) Disbursements	14,045	46,162	(184,689)	(152,705)	(277,187)
Other Financing Receipts/(Disbursements)					
Transfers-In		11,000	75,683	293,635	380,318
Transfers-Out	(20,000)	(20,000)	(75,683)	(225,000)	(340,683)
Total Other Financing Receipts/(Disbursements)	(20,000)	(9,000)	-	68,635	39,635
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	(5,955)	37,162	(184,689)	(84,070)	(237,552)
Fund Cash Balance - January 1, 2009	308,635	317,873	715,020	590,322	1,931,850
Fund Cash Balance - December 31, 2009	\$ 302,680	\$ 355,035	\$ 530,331	\$ 506,252	\$ 1,694,298

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

Village of Milan
 Erie County
 Statement of Receipts, Disbursements and Changes in Fund
 Balance - Budget and Actual - Budget Basis
 General Fund
 For the Year Ended December 31, 2009

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Receipts:				
Property and Other Local Taxes	\$ 462,894	\$ 717,945	\$ 348,073	\$ (369,872)
Intergovernmental Receipts			128,404	128,404
Fines and Forfeitures	121,000	121,000	85,052	(35,948)
Interest	120,000	120,000	8,929	(111,071)
Other	200	200	-	(200)
Total Receipts	704,094	959,145	570,458	(388,687)
Disbursements:				
Current:				
Security of Persons and Property	440,886	431,652	399,969	31,683
General Government	235,434	244,668	186,790	57,878
Total Disbursements	676,320	676,320	586,759	89,561
Excess of Receipts Over (Under) Disbursements	27,774	282,825	(16,301)	(299,126)
Other Financing Sources (Uses)				
Transfers In				
Transfers Out	(146,000)	(146,000)	(112,398)	33,602
Total Other Financing Sources (Uses)	(146,000)	(146,000)	(112,398)	33,602
Net Change in Fund Balances	(118,226)	136,825	(128,699)	(265,524)
Fund Balances Beginning of Year	265,051	265,051	265,051	-
Prior Year Encumbrances Appropriated	18,955	18,955	18,955	-
Fund Balances End of Year	\$ 165,780	\$ 420,831	\$ 155,307	\$ (265,524)

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

Village of Milan
 Erie County
 Statement of Receipts, Disbursements and Changes in Fund
 Balance - Budget and Actual - Budget Basis
 Street Fund
 For the Year Ended December 31, 2009

	<u>Budget Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and Other Local Taxes	\$ 144,000	\$ 416,039	\$ 75,799	\$ (340,240)
Interest	3,000	3,000	406	(2,594)
Total Receipts	147,000	419,039	76,205	(342,834)
Disbursements:				
Current:				
Transportation	108,100	108,100	100,068	8,032
Total Disbursements	108,100	108,100	100,068	8,032
Excess of Receipts Over (Under) Disbursements	38,900	310,939	(23,863)	(334,802)
Other Financing Sources (Uses)				
Transfers In			58,763	58,763
Transfers Out				-
Total Other Financing Sources (Uses)	-	-	58,763	58,763
Net Change in Fund Balances	38,900	310,939	34,900	(276,039)
Fund Balances Beginning of Year	272,039	272,039	272,039	-
Prior Year Encumbrances Appropriated	9,233	9,233	9,233	-
Fund Balances End of Year	\$ 320,172	\$ 592,211	\$ 316,172	\$ (276,039)

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

Village of Milan
 Erie County
 Statement of Receipts, Disbursements and Changes in Fund
 Balance - Budget and Actual - Budget Basis
 Street Levy Fund
 For the Year Ended December 31, 2009

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Receipts:				
Property and Other Local Taxes	\$ 91,304	\$ 277,866	\$ 82,225	\$ (195,641)
Other			375	375
Total Receipts	91,304	277,866	82,600	(195,266)
Disbursements:				
Current:				
Transportation	152,000	152,000	83,517	68,483
Total Disbursements	152,000	152,000	83,517	68,483
Excess of Receipts Over (Under) Disbursements	(60,696)	125,866	(917)	(126,783)
Net Change in Fund Balances	(60,696)	125,866	(917)	(126,783)
Fund Balances Beginning of Year	186,562	186,562	186,562	-
Prior Year Encumbrances Appropriated	4,203	4,203	4,203	-
Fund Balances End of Year	\$ 130,069	\$ 316,631	\$ 189,848	\$ (126,783)

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

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 1 – Reporting 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 reporting entity is comprised of the primary government, and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations for which the Village approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units. As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted (GAAP) in the United States of America. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise fund.

C. Joint Venture

The Village of Milan is a Non-Financing Participant and an Owner Participant with an ownership percentage of .55% 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.

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

C. Joint Venture (continued)

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 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. 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, which acts as the joint venture's agent. During 2001, AMP 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 \$189,528 at December 31, 2009. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

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.

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, 2009 Milan has met/not 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.

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

C. Joint Venture (continued)

Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

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

The Village's net investment to date in OMEGA JV5 was \$41,858 at December 31, 2009. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Village of Milan have been prepared on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when an expenditure is made.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government funds. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The statement of net assets presents the cash balance of the governmental of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions.

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Government-wide Financial Statements

The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories: governmental and proprietary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are as follows:

General Fund - The general fund is the operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Street Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Street Levy Fund - This fund receives tax levy funds which are for the purpose of general construction, reconstruction, resurfacing and repair of street, roads and bridges.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village has the following major 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.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village may appropriate.

The appropriations ordinance is the Village's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Village. The legal level of control has been established by the Village at the fund function object level. Budgetary modification may only be made by resolution of the Board at the legal level of control. Budgetary statements are presented beyond that legal level of control for information purposes only.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village during the year.

E. Cash and Cash Equivalents

The Village deposits and invests cash from all funds mainly in Certificates of Deposit. The financial statements present each fund's share of interest in the pool as equity in pooled cash and cash equivalents on the financial statements.

The Village specifies the funds that the Certificates of Deposit are purchased for and allocates interest to the fund which purchased the Certificate of Deposit.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 2 - Summary of Significant Accounting Policies (continued)

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor capital outlay are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

M. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

N. Fund Balance Reserve

The Village reserves any portion of fund balances which are not available for appropriation or which are legally separate for a specific use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$11,624 for major special revenue funds.

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 4 - Deposits and Investments

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the Village treasury. Such 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.

Inactive deposits are public deposits that the Village has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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;

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 4 - Deposits and Investments (continued)

7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

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 \$200 in undeposited cash on hand, which is included on the balance sheet of the Village as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits with Financial Institutions, Investments (Including Star Ohio). At year end, the carrying amount of the Village's deposits was \$293,546 and the bank balance was \$360,473. Of the bank balance \$250,000 was covered by federal depository insurance and \$110,473 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.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$110,473 of the Village's bank balance of \$360,473 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

The Village has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio), during 2009. 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, 2009. At year end, the carrying amount of the Village's deposits with Star Ohio was \$2,273,175 and the market value was \$2,273,175.

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 4 - 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.

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years < 1)</u>
Carrying Amount of Deposits	\$ 293,546	\$ 293,546
Star Ohio	2,273,175	2,273,175
Petty Cash	<u>200</u>	<u>200</u>
Totals	<u>\$ 2,566,921</u>	<u>\$ 2,566,921</u>

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 5 - Risk Management

Commercial Insurance

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Village has obtained commercial insurance for the following risks:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Anthem	Commercial Property	\$ 5,000,000
	General Liability	1,000,000
	Aggregate Umbrella	2,000,000

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 6 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is 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 the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2009, the members of all three plans were required to contribute 10.00 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2009 was 14.00 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008 and 2007 were \$53,427, \$64,125, and \$60,755 respectively; the full amount has been contributed for 2009, 2008 and 2007. Contributions to the member-directed plan for 2009 were \$53,427 made by the Village and \$38,162 made by the plan members. 100 percent has been contributed for 2009, 2008 and 2007.

Ohio Police Pension Fund

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a costsharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% respectively for police officers. Contribution rates are established by State statute. The Village's required contributions to OP&F for the years ended December 31, 2009, 2008, and 2007 were \$26,797, \$26,084, and \$25,381. The full amount has been contributed for 2009, 2008 and 2007.

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 7 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2009 local government employer contribution rate was 14.00 percent of covered payroll; 7.0% was the portion that was used to fund health care from January 1, through March 31, 2009 and 5.5% from April 1, through December 31, 2009.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2009, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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 annually.

The number of active contributing participants in the traditional and combined plans was 376,109. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2009, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2009. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Actual Village contributions for 2009, 2008 and 2007 which were used to fund post-employment benefits were \$47,176, \$45,804 and \$41,673.

Ohio Police and Fire Pension Plan (the "OP&F Fund")

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing, multiple-employer defined post employment health care plan administered by the OP&F. OP&F provides health care benefits, including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium, and long term care to retirees, qualifying benefit recipients, and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a two-thirds basis.

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 7 - Postemployment Benefits

The health care coverage provided by OP&F is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. Health care funding and accounting is on a pay-as-you-go basis. The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F's Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code. OP&F maintains funds for health care in two separate accounts. One account is for health care benefits under IRS Code Section 115 trust and one account is for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provision of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage period. The portion of the 2009 covered payroll that was used to fund post-employment health care benefits was \$41,195, representing 6.75 percent of covered payroll. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. The Village's required contributions to OP&F for the years ended December 31, 2009, 2008, and 2007 were \$26,797, \$26,084, and \$25,381. The full amount has been contributed for 2009, 2008 and 2007.

Note 8- Property Tax

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax receipts received in 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2008, were levied after October 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2009 (other than public utility property) represent the collection of 2009 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2008, on the true value as of December 31, 2008. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 8- Property Tax (continued)

The full tax rate for all Village operations for the year ended December 31, 2009, was \$9.65 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property		
Agricultural	\$	266,450
Residential		23,035,510
Commercial/Industrial/Mineral		4,088,010
Tangible Personal Property		70,040
Public Utility		
Personal		<u>916,130</u>
Total Assessed Value	\$	<u>28,376,140</u>

Note 9 – Local Income Tax

This locally levied tax of 2 percent is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of non-residents (except certain transients) earned in the Village. It also applies to net income of business organizations conducted with the Village. Tax receipts credited to the Village amounted to \$185,521 in 2009.

Space Intentionally left Blank

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 10–Debt

A summary of the long-debt transactions for the year ended December 31, 2009, follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
<u>Governmental Activities</u>						
Lockwood Road Project Bond 1999 Issue Original Amount \$75,000	6%	\$ 53,000		\$ 3,000	\$ 50,000	\$ 4,000
<u>Business-type Activities</u>						
1992 OWDA Loan Original Amount \$1,061,767	7.3%	\$ 748,830		\$ 58,128	\$ 690,702	\$ 30,051
AMP Ohio Loan (Rent) 2004 Issue Original Amount \$150,000	3.5%	40,854		19,009	\$ 21,845	\$ 21,845
AMP Ohio Loan (Electric) 2001 Issue Original Amount \$1,022,000	3.5%	197,167		197,167	\$ -	
Total Business-type Activities		<u>\$ 986,851</u>	<u>\$ -</u>	<u>\$ 274,304</u>	<u>\$ 712,547</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 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.

Village of Milan
Erie County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note – 10 Debt (continued)

The aggregate amounts of long-term debt maturities for the five years following 2009 are as follows:

Year	Lockwood Road		Rent Loan AMP-Ohio		OWDA	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 4,000	\$ 2,880	\$ 21,845	\$ 1,784	\$ 30,051	\$ 29,999
2011	4,000	2,760			64,326	49,204
2012	4,000	2,520			68,848	44,442
2013	4,000	2,280			73,688	39,362
2014	5,000	2,040			78,869	33,941
2015-2019	<u>29,000</u>	<u>5,520</u>			<u>374,920</u>	<u>73,680</u>
	<u>\$ 50,000</u>	<u>\$ 18,000</u>	<u>\$ 21,845</u>	<u>\$ 1,784</u>	<u>\$ 690,702</u>	<u>\$ 270,628</u>

Note 11 – Note Payable

A summary of the note payable transactions for the year ended December 31, 2009, follows:

	Interest Rate	Balance		Additions	Reductions	Balance		Due Within One Year
		December 31, 2008	December 31, 2009			December 31, 2009	December 31, 2009	
<u>Business-type Activities</u>								
Promissory Note	4.5%	\$ 74,705			\$ 20,691	\$ 54,014		\$ 21,642
2002 Issue								
Original Amount		\$190,000						

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. The Village will 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 2009 are as follows:

Year	Principal	Interest	Total
2010	\$ 21,642	\$ 1,988	\$ 23,630
2011	\$ 22,636	\$ 994	\$ 23,630
2012	\$ 9,736	\$ 110	\$ 9,846
Total	<u>\$ 54,014</u>	<u>\$ 3,092</u>	<u>\$ 57,106</u>

Village of Milan
 Erie County
 Notes to the Basic Financial Statements
 For the Year Ended December 31, 2009

Note 12 – Transfers

During 2009 the following interfund transfers were made:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 0	\$ 112,398
Street Fund	58,763	0
Other Governmental Funds	25,000	11,000
Water Fund	0	20,000
Sewer Fund	11,000	20,000
Electric Fund	75,683	75,683
Other Proprietary Funds	<u>293,635</u>	<u>225,000</u>
Totals	<u>\$ 464,084</u>	<u>\$ 464,084</u>

A transfer of funds of \$11,000 was made from UST Fund to the Sewer Fund, which was deemed to be an emergency measure, necessary for the health, safety and welfare of the residents of the Village. \$20,000 was transferred from the Sewer Fund to the Sewer Replacement Fund to reserve funds for future costs and expenses. \$75,683 was transferred to from the Electric Fund to the Electric Replacement Fund to reserve funds for future costs and expenses. \$20,000 was transferred from the Water Fund to the Water Replacement Fund to reserve funds for future costs and expenses. \$225,000 was transferred from the Electric Replacement Fund to the Electric Fund. All transfers are in compliance with Ohio Revised Code Sections 5705.14-5705.16.



Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

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

To the Board of Trustee
Village of Milan
Erie County

I have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Village of Milan as of and for the year ended December 31, 2009, and have issued my report thereon dated June 21, 2010. 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. My report on the financial statements disclosed that, as described in Note 2 to the financial statements, the Village prepares its financial statements on a cash basis of accounting that demonstrates compliance with the cash basis and budget laws of Ohio, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village's internal control over financial reporting as a basis for designing my audit procedures for expressing my opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, I have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. I consider finding 2009-1 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, I 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, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express an opinion. The results of my tests disclosed no instances of noncompliance or other matters I must report under Government Auditing Standards.

I did note certain matters not requiring inclusion in this report that I reported to the Village's management in a separate letter dated June 21, 2010.

The Village's response to the finding identified in my audit is described in the accompanying schedule of findings. I did not audit the Village's response and, accordingly, I express no opinion on it.

I intend this report solely for the information and use of the management and Members of Council. I intend it for no one other than these specified parties

Kevin L. Penn, Inc.

June 21, 2010

VILLAGE OF MILAN
Erie County

Schedule of Findings
December 31, 2009

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

2009-1

Preparation of Financial Statements

Condition:

The following year-end financial statements that management prepared and presented for the audit contained a number of coding errors, footing errors, inconsistencies, and omissions:

- Statement of Net Assets – Cash Basis
- Statement of Activities – Cash Basis
- Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balance
- Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis (General, Street and Street Levy Fund)

Criteria:

The internal controls established by management, pertaining to the year-end financial statements should operate in a manner which should prevent or detect errors, inconsistencies, and omissions.

Effect:

The financial statements provided contained coding errors, footing errors and inconsistencies and omissions.

Cause:

The Village implemented the GASB 34 Statement format for the first time, and used a new accounting software to prepare the financial statements. As a result of the GASB 34 implementation and the unfamiliarity with the new accounting software, the financial statements contained a number of coding errors, footing errors, inconsistencies, and omissions.

Recommendation:

I recommend that management should assess the adequacy of the design of its policies and procedures related to preparation of financial statements and the design appropriate controls as necessary to rectify inadequacies. Furthermore, management should become more familiar with the coding process of the accounting software as it relates to each financial statement referred to above. By performing these procedures, the risk of the financial statements containing a number of coding errors, footing errors, inconsistencies, and omissions will be significantly reduced.

VILLAGE OF MILAN
Erie County

Schedule of Findings
December 31, 2009

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

2009-1

Preparation of Financial Statements (continued)

Auditee's Response:

The software was new, and prior to 2008, the Village of Milan had all year end reports done out of house. The new software was set up with the help of the software company, but still problems existed. I believe the problems in 2009 could have been prevented, but the 2008 year end was not audited by the time the 2009 reports were processed. In familiarizing myself with the corrections, I have understand the software much more, and do not foresee this problems existing in the future.



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
DECEMBER 28, 2010