



Dave Yost • Auditor of State



VILLAGE OF MILAN  
ERIE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Milan  
Erie County  
11 South Main Street, P.O. Box 1450  
Milan, Ohio 44846-1450

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Milan, Erie County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our 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, each major fund, and the aggregate remaining fund information of the Village of Milan, Erie County, Ohio, as of December 31, 2013 and 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General, Street, and Street Levy funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental and Other Information*

We audited to opine on the Village's financial statements that collectively comprise its basic financial statements.

*Management's Discussion and Analysis* includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 15, 2014

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This discussion and analysis of the Village of Milan's (the Village's) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2013 and 2012, 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.

**Financial Highlights**

Key highlights for 2013 and 2012 are as follows:

In 2013, net position for governmental activities increased \$100,935 which represents a 9 percent increase from 2012. In 2012, net position for governmental activities increased \$80,589 which represents an 8 percent increase from 2011. The funds most affected by the increase in cash and cash equivalents were the Street and Capital Improvement funds in 2013 and the General, Street and Capital Improvement funds in 2012.

The Village's general receipts are primarily property and income taxes. These receipts represent 18 and 52 percent, respectively, of the total cash received for governmental activities during 2013 and 19 and 52 percent, respectively, of the total cash received for governmental activities during 2012. Property tax receipts remained relatively steady from 2012 to 2013 and from 2011 to 2012. Income tax receipts for 2013 remained relatively steady compared to 2012 and increased \$103,273 in 2012 from 2011 due to enhanced collection procedures.

In 2013, net position for business-type activities increased \$186,661 which represents a 10 percent increase from 2012. In 2012, net position for business-type activities increased \$82,670 which represents an 5 percent increase from 2011. The funds most affected by the increase in cash and cash equivalents were the Water, Sewer, and Electric funds.

**Using these Cash Basis Financial Statements**

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

**Report Components**

The statement of net position and 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 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

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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.

**Reporting the Village as a Whole**

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village.

The statement of net position and the statement of activities reflect how the Village did financially during 2013 and 2012, within the limitations of cash basis accounting. The statement of net position 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 and business-type 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 or business-type activity draws from the Village's general receipts.

These statements report the Village's net position and 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 nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, 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 position and the statement of activities, we divided the Village into two types of activities:

- Governmental activities - Most of the Village's basic services are reported here, including police, streets and parks. State 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 activities – The Village has three business-type activities, the provision of water, sewer and electric. Business-type activities are financed by a fee charged to the customers receiving the service.

**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 Village are split into two categories: governmental and proprietary.

**Governmental Funds** – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements 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 Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major

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governmental funds are the General, Street, Street Levy, and Capital Improvement funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Proprietary Funds** - When the Village 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 enterprise funds. The Village has four enterprise funds, the Water, Sewer, Electric, and Guaranteed Utilities funds. When these services are provided to other departments of the Village, the service is reported as internal service fund. The Village has no internal service funds.

**The Village as a Whole**

Table 1 provides a summary of the Village's net position for 2013 compared to 2012 and 2012 compared to 2011 on a cash basis:

(Table 1)  
**Net Position**

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Assets:</b>						
Cash and cash equivalents	\$ 1,236,990	\$ 1,136,055	\$ 2,035,555	\$ 1,848,894	\$ 3,272,545	\$ 2,984,949
<b>Net Position:</b>						
Restricted for:						
Capital projects	\$382,873	\$312,324			\$382,873	\$312,324
Debt service	2,599	1,416			2,599	1,416
Other purposes	532,335	508,252			532,335	508,252
Unrestricted	<u>319,183</u>	<u>314,063</u>	<u>\$2,035,555</u>	<u>\$1,848,894</u>	<u>2,354,738</u>	<u>2,162,957</u>
Total Net Position	<u>\$ 1,236,990</u>	<u>\$ 1,136,055</u>	<u>\$ 2,035,555</u>	<u>\$ 1,848,894</u>	<u>\$ 3,272,545</u>	<u>\$ 2,984,949</u>

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Assets:</b>						
Cash and cash equivalents	\$ 1,136,055	\$ 1,055,466	\$ 1,848,894	\$ 1,766,224	\$ 2,984,949	\$ 2,821,690
<b>Net Position:</b>						
Restricted for:						
Capital projects	\$312,324	\$249,110			\$312,324	\$249,110
Debt service	1,416	1,757			1,416	1,757
Other purposes	508,252	557,006			508,252	557,006
Unrestricted	<u>314,063</u>	<u>247,593</u>	<u>\$1,848,894</u>	<u>\$1,766,224</u>	<u>2,162,957</u>	<u>2,013,817</u>
Total Net Position	<u>\$ 1,136,055</u>	<u>\$ 1,055,466</u>	<u>\$ 1,848,894</u>	<u>\$ 1,766,224</u>	<u>\$ 2,984,949</u>	<u>\$ 2,821,690</u>

As mentioned previously, net position of governmental activities increased \$100,935 or 9 percent during 2013 and \$80,589 or 8 percent during 2012. The primary reason contributing to the increase in cash balances in 2013 was due to general decreases in disbursements and revenues exceeding disbursements, while the 2012 increase was due to the increased income tax collections. 2012 income taxes increased \$103,273 from 2011.

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As mentioned previously, net position of business-type activities increased \$186,661 or 10 percent during 2013 and \$82,670 or 5 percent during 2012. The primary reason contributing to the increase in cash balances is associated with an increase in water and sewer rates.

Table 2 reflects the changes in net position on a cash basis in 2013, 2012 and 2011 for governmental activities, business-type activities and total primary government.

(Table 2)  
**Changes in Net Position**

	Governmental <u>Activities</u>		Business-Type <u>Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Receipts:</b>						
Program Receipts:						
Charges for services and sales	\$ 46,730	\$ 44,113	\$ 1,981,939	\$ 1,931,058	\$ 2,028,669	\$ 1,975,171
Operating grants and contributions	84,038	81,265	-	-	84,038	81,265
Capital grants and contributions	7,463	6,180	-	-	7,463	6,180
<b>Total Program Receipts</b>	<b>138,231</b>	<b>131,558</b>	<b>1,981,939</b>	<b>1,931,058</b>	<b>2,120,170</b>	<b>2,062,616</b>
General Receipts:						
Property and other local taxes	170,737	179,240	-	-	170,737	179,240
Municipal income taxes	486,322	502,532	-	-	486,322	502,532
Grants and entitlements	118,099	121,066	-	-	118,099	121,066
Sale of capital assets	-	7,890	-	-	-	7,890
Cable franchise fees	14,223	11,214	-	-	14,223	11,214
Interest	4,149	2,216	-	-	4,149	2,216
Miscellaneous	5,429	9,842	58,664	38,556	64,093	48,398
<b>Total General Receipts</b>	<b>798,959</b>	<b>834,000</b>	<b>58,664</b>	<b>38,556</b>	<b>857,623</b>	<b>872,556</b>
<b>Total Receipts</b>	<b>937,190</b>	<b>965,558</b>	<b>2,040,603</b>	<b>1,969,614</b>	<b>2,977,793</b>	<b>2,935,172</b>
<b>Disbursements:</b>						
Current:						
General government	104,572	118,726	-	-	104,572	118,726
Security of persons and property	349,067	364,652	-	-	349,067	364,652
Leisure time activities	13,813	10,653	-	-	13,813	10,653
Community environment	4,729	11,747	-	-	4,729	11,747
Transportation	332,207	333,251	-	-	332,207	333,251
Capital outlay	18,738	22,510	-	-	18,738	22,510
Principal retirement	4,000	13,736	-	-	4,000	13,736
Interest and fiscal charges	2,280	2,691	-	-	2,280	2,691
Water	-	-	318,529	357,899	318,529	357,899
Sewer	-	-	211,800	217,975	211,800	217,975
Electric	-	-	1,325,582	1,314,738	1,325,582	1,314,738
Other enterprise	-	-	4,880	3,335	4,880	3,335
<b>Total Disbursements</b>	<b>829,406</b>	<b>877,966</b>	<b>1,860,791</b>	<b>1,893,947</b>	<b>2,690,197</b>	<b>2,771,913</b>
<b>Excess Before Transfers</b>	<b>107,784</b>	<b>87,592</b>	<b>179,812</b>	<b>75,667</b>	<b>287,596</b>	<b>163,259</b>
Transfer	(6,849)	(7,003)	6,849	7,003	-	-
<b>Increase in Net Position</b>	<b>100,935</b>	<b>80,589</b>	<b>186,661</b>	<b>82,670</b>	<b>287,596</b>	<b>163,259</b>
<b>Net Position, January 1</b>	<b>1,136,055</b>	<b>1,055,466</b>	<b>1,848,894</b>	<b>1,766,224</b>	<b>2,984,949</b>	<b>2,821,690</b>
<b>Net Position, December 31</b>	<b>\$ 1,236,990</b>	<b>\$ 1,136,055</b>	<b>\$ 2,035,555</b>	<b>\$ 1,848,894</b>	<b>\$ 3,272,545</b>	<b>\$ 2,984,949</b>

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(Table 2)

**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Receipts:</b>						
Program Receipts:						
Charges for services and sales	\$ 44,113	\$ 46,100	\$ 1,931,058	\$ 1,805,087	\$ 1,975,171	\$ 1,851,187
Operating grants and contributions	81,265	90,163	-	-	81,265	90,163
Capital grants and contributions	6,180	10,180	-	-	6,180	10,180
<b>Total Program Receipts</b>	<b>131,558</b>	<b>146,443</b>	<b>1,931,058</b>	<b>1,805,087</b>	<b>2,062,616</b>	<b>1,951,530</b>
General Receipts:						
Property and other local taxes	179,240	192,342	-	-	179,240	192,342
Municipal income taxes	502,532	399,259	-	-	502,532	399,259
Grants and entitlements	121,066	191,738	-	-	121,066	191,738
Sale of capital assets	7,890	-	-	-	7,890	-
Cable franchise fees	11,214	13,970	-	-	11,214	13,970
Interest	2,216	3,022	-	-	2,216	3,022
Miscellaneous	9,842	3,772	38,556	96,954	48,398	100,726
<b>Total General Receipts</b>	<b>834,000</b>	<b>804,103</b>	<b>38,556</b>	<b>96,954</b>	<b>872,556</b>	<b>901,057</b>
<b>Total Receipts</b>	<b>965,558</b>	<b>950,546</b>	<b>1,969,614</b>	<b>1,902,041</b>	<b>2,935,172</b>	<b>2,852,587</b>
<b>Disbursements:</b>						
Current:						
General government	118,726	100,279	-	-	118,726	100,279
Security of persons and property	364,652	361,700	-	-	364,652	361,700
Leisure time activities	10,653	14,311	-	-	10,653	14,311
Community environment	11,747	2,644	-	-	11,747	2,644
Transportation	333,251	237,077	-	-	333,251	237,077
Capital outlay	22,510	3,198	-	-	22,510	3,198
Principal retirement	13,736	26,636	-	-	13,736	26,636
Interest and fiscal charges	2,691	3,754	-	-	2,691	3,754
Water	-	-	357,899	374,955	357,899	374,955
Sewer	-	-	217,975	237,038	217,975	237,038
Electric	-	-	1,314,738	1,254,867	1,314,738	1,254,867
Other enterprise	-	-	3,335	3,002	3,335	3,002
<b>Total Disbursements</b>	<b>877,966</b>	<b>749,599</b>	<b>1,893,947</b>	<b>1,869,862</b>	<b>2,771,913</b>	<b>2,619,461</b>
Excess Before Transfers	87,592	200,947	75,667	32,179	163,259	233,126
Transfer	(7,003)	(7,232)	7,003	7,232	-	-
<b>Increase in Net Position</b>	<b>80,589</b>	<b>193,715</b>	<b>82,670</b>	<b>39,411</b>	<b>163,259</b>	<b>233,126</b>
Net Position, January 1	1,055,466	861,751	1,766,224	1,726,813	2,821,690	2,588,564
<b>Net Position, December 31</b>	<b>\$ 1,136,055</b>	<b>\$ 1,055,466</b>	<b>\$ 1,848,894</b>	<b>\$ 1,766,224</b>	<b>\$ 2,984,949</b>	<b>\$ 2,821,690</b>

For 2013, program receipts represent 71 percent of total receipts and are primarily comprised of water, sewer, and electric utility user fees. For 2012, program receipts represent 70 percent of total receipts and are primarily comprised of water, sewer, and electric utility user fees.

For 2013, general receipts represent 29 percent of the Village's total receipts and of this amount, 57 percent are income taxes. Property and other local taxes make up the largest remaining balance of the Village's general receipts (20 percent). For 2012, general receipts represent 30 percent of the Village's total receipts, and of this amount, over 57 percent are income taxes. Property and other local taxes make up the largest remaining balance of the Village's general receipts (21 percent).

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, and the mayor, the fiscal officer, the village administrator, the mayor's court, as well as internal services such as payroll and purchasing.

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Security of Persons and Property are the costs of police protection; Leisure Time Activities are the costs of maintaining the parks; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. In 2013, the major program disbursements for governmental activities are for security of persons and property and transportation, which account for 42 and 40 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 13 percent. In 2012, the major program disbursements for governmental activities are for security of persons and property and transportation, which account for 42 and 38 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 14 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. 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.

(Table 3)  
**Governmental Activities**

	<u>2013</u>		<u>2012</u>	
	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>
General government	\$ 104,572	\$ 57,917	\$ 118,726	\$ 74,688
Security of persons and property	349,067	348,992	364,652	364,577
Leisure time activities	13,813	13,813	10,653	10,653
Community environment	4,729	4,729	11,747	11,747
Transportation	332,207	248,169	333,251	251,986
Capital outlay	18,738	18,738	22,510	22,510
Principal retirement	4,000	(754)	13,736	9,736
Interest and fiscal charges	2,280	(429)	2,691	511
Total expenses	<u>\$ 829,406</u>	<u>\$ 691,175</u>	<u>\$ 877,966</u>	<u>\$ 746,408</u>

  

	<u>2012</u>		<u>2011</u>	
	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>of Services</u>
General government	\$ 118,726	\$ 74,688	\$ 100,279	\$ 54,239
Security of persons and property	364,652	364,577	361,700	361,640
Leisure time activities	10,653	10,653	14,311	14,311
Community environment	11,747	11,747	2,644	2,644
Transportation	333,251	251,986	237,077	146,914
Capital outlay	22,510	22,510	3,198	-
Principal retirement	13,736	9,736	26,636	22,505
Interest and fiscal charges	2,691	511	3,754	903
Total expenses	<u>\$ 877,966</u>	<u>\$ 746,408</u>	<u>\$ 749,599</u>	<u>\$ 603,156</u>

The dependence upon property and income tax receipts is apparent as over 80 percent of governmental activities are supported through these general receipts.

**Village of Milan**  
**Erie County, Ohio**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2013 and 2012  
Unaudited

**Business-type Activities**

The Village has three major business type activities, the provision of water, sewer, and electric, which are accounted for in the Water Fund, Sewer Fund, and Electric Fund, respectively. Charges for services completely supported the business type activity disbursements. The Village regularly reviews its water, sewer, and electric rates and makes necessary adjustments to align the revenues with anticipated expenditures.

**The Village's Funds**

For 2013, total governmental funds had receipts and other financing sources of \$982,250 and disbursements and other financing uses of \$881,315. The greatest changes within governmental funds occurred within the Street and Capital Improvement funds. Reductions in transportation disbursements resulted in an increase in fund balance of \$31,712 in the Street Fund. Receipts exceeding disbursements resulted in an increase in fund balance of \$68,913 in the Capital Improvement Fund. For 2012, total governmental funds had receipts and other financing sources of \$1,040,618 and disbursements and other financing uses of \$960,029. The greatest changes within governmental funds occurred within the General and Capital Improvement funds. Increases in receipts for advances resulted in an increase in fund balance of \$66,470 in the General fund in 2012. Receipts exceeding disbursements resulted in an increase in fund balance of \$61,798 in the Capital Improvement Fund in 2012.

Expenditures for maintenance, construction, and repair of streets resulted in deficit spending in the Street Levy fund in the amount of \$8,833 in 2013. In 2012, similar expenditures led to deficit spending in the Street fund of \$90,142.

Cash fund balance only increased \$4,023 in the Other Governmental funds for 2013. This can be attributed to the decrease of Police Pension fund transfer of \$30,000 in 2012 to \$15,000 in 2013. Cash fund balance increased \$18,548 for 2012, which can be attributed to Police Pension fund transfers in of \$30,000.

**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 2013 and 2012, the Village did not amend its General fund budget. 2012 disbursement amendments were the result of audit adjustments. Receipts were budgeted at \$462,483 and \$428,741, in 2013 and 2012 respectively, while actual receipts and other financing sources were \$639,180 and \$737,085, in 2013 and 2012 respectively.

Disbursements and other financing uses were budgeted at \$738,050 and \$712,237 in 2013 and 2012 respectively, while actual disbursements and other financing uses were \$637,031 and \$627,494 during 2013 and 2012, respectively.

The Village employs a conservative approach to budgeting by estimating receipts low and appropriations high.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village capital assets and infrastructure are not reflected in the accompanying financial statements.

**Village of Milan**  
**Erie County, Ohio**  
Management's Discussion and Analysis  
For the Years Ended December 31, 2013 and 2012  
Unaudited

**Debt**

At December 31, 2013, the Village's outstanding debt included \$414,354 in an Ohio Water Development Authority Loans for water system improvements, \$34,000 in bonds for Lockwood Road improvements, and \$296,292 in JV5 loans related to a distributive generation project. At December 31, 2012, the Village's outstanding debt included \$490,633 in an Ohio Water Development Authority Loans for water system improvements, \$38,000 in bonds for Lockwood Road improvements, and \$316,104 in JV5 loans related to a distributive generation project. For further information regarding the Village's debt, refer to Note 12 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 local taxes. The Village is constantly looking at ways to cut costs without cutting services.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. 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 South Main St., Milan, Ohio 44846.



**Village of Milan**  
*Erie County*  
*Statement of Net Position - Cash Basis*  
*December 31, 2013*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,236,990	\$2,035,555	\$3,272,545
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$382,873		\$382,873
Debt Service	2,599		2,599
Other Purposes	532,335		532,335
Unrestricted	319,183	\$2,035,555	2,354,738
<i>Total Net Position</i>	\$1,236,990	\$2,035,555	\$3,272,545

See accompanying notes to the basic financial statements

**Village of Milan**  
*Erie County*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2013*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Current:				
Security of Persons and Property	\$349,067	\$75		
Leisure Time Activities	13,813			
Community Environment	4,729			
Transportation	332,207		\$84,038	
General Government	104,572	46,655		
Capital Outlay	18,738			
Debt Service:				
Principal Retirement	4,000			\$4,754
Interest and Fiscal Charges	2,280			2,709
<i>Total Governmental Activities</i>	<u>829,406</u>	<u>46,730</u>	<u>84,038</u>	<u>7,463</u>
<b>Business-Type Activities</b>				
Water	318,529	331,957		
Sewer	211,800	206,931		
Electric	1,325,582	1,438,421		
Non-Major	4,880	4,630		
<i>Total Business-Type Activities</i>	<u>1,860,791</u>	<u>1,981,939</u>		
<i>Total Primary Government</i>	<u>\$2,690,197</u>	<u>\$2,028,669</u>	<u>\$84,038</u>	<u>\$7,463</u>

General Receipts:

Property Taxes Levied for:

General Purposes

Street Services

Police Pension

Income Taxes Levied for:

General Purposes

Capital Projects

Grants and Entitlements not Restricted to Specific Programs

Cable Franchise Fees

Earnings on Investments

Miscellaneous

Transfers

*Total General Receipts and Transfers*

Change in Net Position

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$348,992)		(\$348,992)
(13,813)		(13,813)
(4,729)		(4,729)
(248,169)		(248,169)
(57,917)		(57,917)
(18,738)		(18,738)
754		754
429		429
(691,175)		(691,175)
	\$13,428	13,428
	(4,869)	(4,869)
	112,839	112,839
	(250)	(250)
	121,148	121,148
(691,175)	121,148	(570,027)
101,127		101,127
62,867		62,867
6,743		6,743
398,671		398,671
87,651		87,651
118,099		118,099
14,223		14,223
4,149		4,149
5,429	58,664	64,093
(6,849)	6,849	
792,110	65,513	857,623
100,935	186,661	287,596
1,136,055	1,848,894	2,984,949
<u>\$1,236,990</u>	<u>\$2,035,555</u>	<u>\$3,272,545</u>

**Village of Milan**  
*Erie County*  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2013*

	<u>General</u>	<u>Street</u>	<u>Street Levy</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	<u>\$319,183</u>	<u>\$173,361</u>	<u>\$246,372</u>	<u>\$335,490</u>	<u>\$162,584</u>	<u>\$1,236,990</u>
<b>Fund Balances</b>						
Restricted		\$173,361	\$246,372	\$335,490	\$162,584	917,807
Assigned	\$2,971					2,971
Unassigned	<u>316,212</u>					<u>316,212</u>
<i>Total Fund Balances</i>	<u>\$319,183</u>	<u>\$173,361</u>	<u>\$246,372</u>	<u>\$335,490</u>	<u>\$162,584</u>	<u>\$1,236,990</u>

See accompanying notes to the basic financial statements

**Village of Milan**  
*Erie County*  
*Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General	Street	Street Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$398,671			\$87,651		\$486,322
Property and Other Local Taxes	101,127		\$62,867		\$13,871	177,865
Intergovernmental	73,325	\$71,360	43,725		6,599	195,009
Special Assessments					7,463	7,463
Fines, Licenses and Permits	58,380				2,573	60,953
Earnings on Investments	2,248	1,827			74	4,149
Miscellaneous	5,429					5,429
<i>Total Receipts</i>	<u>639,180</u>	<u>73,187</u>	<u>106,592</u>	<u>87,651</u>	<u>30,580</u>	<u>937,190</u>
<b>Disbursements</b>						
Current:						
Security of Persons and Property	318,263				30,804	349,067
Leisure Time Activities	13,813					13,813
Community Environment	4,729					4,729
Transportation	144,159	71,535	114,156		2,357	332,207
General Government	101,187		1,269		2,116	104,572
Capital Outlay				18,738		18,738
Debt Service:						
Principal Retirement					4,000	4,000
Interest and Fiscal Charges					2,280	2,280
<i>Total Disbursements</i>	<u>582,151</u>	<u>71,535</u>	<u>115,425</u>	<u>18,738</u>	<u>41,557</u>	<u>829,406</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>57,029</u>	<u>1,652</u>	<u>(8,833)</u>	<u>68,913</u>	<u>(10,977)</u>	<u>107,784</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In		60			15,000	15,060
Transfers Out	(21,909)					(21,909)
Advances In		30,000				30,000
Advances Out	(30,000)					(30,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(51,909)</u>	<u>30,060</u>			<u>15,000</u>	<u>(6,849)</u>
<i>Net Change in Fund Balances</i>	5,120	31,712	(8,833)	68,913	4,023	100,935
<i>Fund Balances Beginning of Year</i>	<u>314,063</u>	<u>141,649</u>	<u>255,205</u>	<u>266,577</u>	<u>158,561</u>	<u>1,136,055</u>
<i>Fund Balances End of Year</i>	<u>\$319,183</u>	<u>\$173,361</u>	<u>\$246,372</u>	<u>\$335,490</u>	<u>\$162,584</u>	<u>\$1,236,990</u>

See accompanying notes to the basic financial statements

**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, 2013*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Receipts</b>				
Municipal Income Taxes	\$288,006	\$288,006	\$398,671	\$110,665
Property and Other Local Taxes	73,232	73,232	101,127	27,895
Intergovernmental	53,155	53,155	73,325	20,170
Fines, Licenses and Permits	42,531	42,531	58,380	15,849
Earnings on Investments	1,628	1,628	2,248	620
Miscellaneous	3,931	3,931	5,429	1,498
<i>Total Receipts</i>	<u>462,483</u>	<u>462,483</u>	<u>639,180</u>	<u>176,697</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	335,250	335,250	318,869	16,381
Leisure Time Activities	16,100	16,100	13,978	2,122
Community Environment	5,100	5,100	4,729	371
Transportation	215,250	215,250	146,359	68,891
General Government	128,225	128,225	101,187	27,038
<i>Total Disbursements</i>	<u>699,925</u>	<u>699,925</u>	<u>585,122</u>	<u>114,803</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(237,442)</u>	<u>(237,442)</u>	<u>54,058</u>	<u>291,500</u>
<b>Other Financing Uses</b>				
Transfers Out	(38,125)	(38,125)	(21,909)	16,216
Advances Out			(30,000)	(30,000)
<i>Total Other Financing Uses</i>	<u>(38,125)</u>	<u>(38,125)</u>	<u>(51,909)</u>	<u>(13,784)</u>
<i>Net Change in Fund Balance</i>	<u>(275,567)</u>	<u>(275,567)</u>	<u>2,149</u>	<u>277,716</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	312,184	312,184	312,184	
Prior Year Encumbrances Appropriated	<u>1,879</u>	<u>1,879</u>	<u>1,879</u>	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$38,496</u>	<u>\$38,496</u>	<u>\$316,212</u>	<u>\$277,716</u>

See accompanying notes to the basic financial statements

**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, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$47,863	\$47,863	\$71,360	\$23,497
Earnings on Investments	1,225	1,225	1,827	602
<i>Total Receipts</i>	<u>49,088</u>	<u>49,088</u>	<u>73,187</u>	<u>24,099</u>
<b>Disbursements</b>				
Current:				
Transportation	174,100	174,100	74,524	99,576
<i>Excess of Disbursements Over Receipts</i>	<u>(125,012)</u>	<u>(125,012)</u>	<u>(1,337)</u>	<u>123,675</u>
<b>Other Financing Sources</b>				
Transfers In	40	40	60	20
Advances In	20,122	20,122	30,000	9,878
<i>Total Other Financing Sources</i>	<u>20,162</u>	<u>20,162</u>	<u>30,060</u>	<u>9,898</u>
<i>Net Change in Fund Balance</i>	(104,850)	(104,850)	28,723	133,573
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>141,649</u>	<u>141,649</u>	<u>141,649</u>	
<i>Unencumbered Fund Balance End of Year</i>	<u><u>\$36,799</u></u>	<u><u>\$36,799</u></u>	<u><u>\$170,372</u></u>	<u><u>\$133,573</u></u>

See accompanying notes to the basic financial statements

**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, 2013*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property Taxes	\$45,041	\$45,041	\$62,867	\$17,826
Intergovernmental	31,326	31,326	43,725	12,399
<i>Total Receipts</i>	<u>76,367</u>	<u>76,367</u>	<u>106,592</u>	<u>30,225</u>
<b>Disbursements</b>				
Current:				
Transportation	180,000	180,000	115,406	64,594
General Government	2,000	2,000	1,269	731
<i>Total Disbursements</i>	<u>182,000</u>	<u>182,000</u>	<u>116,675</u>	<u>65,325</u>
<i>Net Change in Fund Balance</i>	(105,633)	(105,633)	(10,083)	95,550
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>255,205</u>	<u>255,205</u>	<u>255,205</u>	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$149,572</u>	<u>\$149,572</u>	<u>\$245,122</u>	<u>\$95,550</u>

See accompanying notes to the basic financial statements



**Village of Milan**  
*Erie County*  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2013*

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Other Enterprise Funds	
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	<u>\$305,456</u>	<u>\$526,543</u>	<u>\$1,191,073</u>	<u>\$12,483</u>	<u>\$2,035,555</u>
<b>Net Position</b>					
Unrestricted	<u>\$305,456</u>	<u>\$526,543</u>	<u>\$1,191,073</u>	<u>\$12,483</u>	<u>\$2,035,555</u>

See accompanying notes to the basic financial statements

**Village of Milan**  
*Erie County*  
*Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2013*

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Other Enterprise Funds	
<b>Operating Receipts</b>					
Charges for Services	\$331,957	\$206,931	\$1,438,421	\$4,630	\$1,981,939
Miscellaneous	1,527		36,909		38,436
<i>Total Operating Receipts</i>	<u>333,484</u>	<u>206,931</u>	<u>1,475,330</u>	<u>4,630</u>	<u>2,020,375</u>
<b>Operating Disbursements</b>					
Personal Services	85,534	64,583	149,116		299,233
Employee Fringe Benefits	50,425	48,428	51,612		150,465
Contractual Services	29,539	52,524	991,150		1,073,213
Supplies and Materials	24,556	27,183	50,077		101,816
Other	185	100	1,138		1,423
<i>Total Operating Disbursements</i>	<u>190,239</u>	<u>192,818</u>	<u>1,243,093</u>		<u>1,626,150</u>
<i>Operating Income</i>	<u>143,245</u>	<u>14,113</u>	<u>232,237</u>	<u>4,630</u>	<u>394,225</u>
<b>Non-Operating Receipts (Disbursements)</b>					
Capital Outlay	(17,668)	(18,982)	(47,452)		(84,102)
Principal Retirement	(76,278)		(19,812)		(96,090)
Interest and Other Fiscal Charges	(34,344)		(15,225)		(49,569)
Other Financing Sources	20,228				20,228
Other Financing Uses				(4,880)	(4,880)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(108,062)</u>	<u>(18,982)</u>	<u>(82,489)</u>	<u>(4,880)</u>	<u>(214,413)</u>
<i>Income (Loss) before Transfers</i>	<u>35,183</u>	<u>(4,869)</u>	<u>149,748</u>	<u>(250)</u>	<u>179,812</u>
Transfers In			6,849		6,849
<i>Change in Net Position</i>	<u>35,183</u>	<u>(4,869)</u>	<u>156,597</u>	<u>(250)</u>	<u>186,661</u>
<i>Net Position Beginning of Year</i>	<u>270,273</u>	<u>531,412</u>	<u>1,034,476</u>	<u>12,733</u>	<u>1,848,894</u>
<i>Net Position End of Year</i>	<u><u>\$305,456</u></u>	<u><u>\$526,543</u></u>	<u><u>\$1,191,073</u></u>	<u><u>\$12,483</u></u>	<u><u>\$2,035,555</u></u>

See accompanying notes to the basic financial statements

**Village of Milan**  
*Erie County*  
*Statement of Net Position - Cash Basis*  
*December 31, 2012*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,136,055	\$1,848,894	\$2,984,949
<b>Net Position</b>			
Restricted for:			
Capital Projects	\$312,324		\$312,324
Debt Service	1,416		1,416
Other Purposes	508,252		508,252
Unrestricted	314,063	\$1,848,894	2,162,957
<i>Total Net Position</i>	\$1,136,055	\$1,848,894	\$2,984,949

See accompanying notes to the basic financial statements

**Village of Milan**  
*Erie County*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2012*

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Current:				
Security of Persons and Property	\$364,652	\$75		
Leisure Time Activities	10,653			
Community Environment	11,747			
Transportation	333,251		\$81,265	
General Government	118,726	44,038		
Capital Outlay	22,510			
Debt Service:				
Principal Retirement	13,736			\$4,000
Interest and Fiscal Charges	2,691			2,180
<i>Total Governmental Activities</i>	<u>877,966</u>	<u>44,113</u>	<u>81,265</u>	<u>6,180</u>
<b>Business-Type Activities</b>				
Water	357,899	328,298		
Sewer	217,975	201,635		
Electric	1,314,738	1,397,240		
Non-Major	3,335	3,885		
<i>Total Business-Type Activities</i>	<u>1,893,947</u>	<u>1,931,058</u>		
<i>Total Primary Government</i>	<u>\$2,771,913</u>	<u>\$1,975,171</u>	<u>\$81,265</u>	<u>\$6,180</u>

General Receipts:  
Property Taxes Levied for:  
    General Purposes  
    Street Services  
    Police Pension  
Income Taxes Levied for:  
    General Purposes  
    Capital Projects  
Grants and Entitlements not Restricted to Specific Programs  
Sale of Capital Assets  
Cable Franchise Fees  
Earnings on Investments  
Miscellaneous  
Transfers

*Total General Receipts and Transfers*

Change in Net Position

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
(\$364,577)		(\$364,577)
(10,653)		(10,653)
(11,747)		(11,747)
(251,986)		(251,986)
(74,688)		(74,688)
(22,510)		(22,510)
(9,736)		(9,736)
(511)		(511)
<u>(746,408)</u>		<u>(746,408)</u>
	(\$29,601)	(29,601)
	(16,340)	(16,340)
	82,502	82,502
	550	550
	<u>37,111</u>	<u>37,111</u>
<u>(746,408)</u>	<u>37,111</u>	<u>(709,297)</u>
110,418		110,418
60,897		60,897
7,925		7,925
418,224		418,224
84,308		84,308
121,066		121,066
7,890		7,890
11,214		11,214
2,216		2,216
9,842	38,556	48,398
(7,003)	7,003	
<u>826,997</u>	<u>45,559</u>	<u>872,556</u>
80,589	82,670	163,259
<u>1,055,466</u>	<u>1,766,224</u>	<u>2,821,690</u>
<u>\$1,136,055</u>	<u>\$1,848,894</u>	<u>\$2,984,949</u>

**Village of Milan**  
*Erie County*  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*December 31, 2012*

	<u>General</u>	<u>Street</u>	<u>Street Levy</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	<u>\$314,063</u>	<u>\$141,649</u>	<u>\$255,205</u>	<u>\$266,577</u>	<u>\$158,561</u>	<u>\$1,136,055</u>
<b>Fund Balances</b>						
Restricted		\$141,649	\$255,205	\$266,577	\$158,561	\$821,992
Assigned	\$1,879					1,879
Unassigned	<u>312,184</u>					<u>312,184</u>
<i>Total Fund Balances</i>	<u>\$314,063</u>	<u>\$141,649</u>	<u>\$255,205</u>	<u>\$266,577</u>	<u>\$158,561</u>	<u>\$1,136,055</u>

See accompanying notes to the basic financial statements

**Village of Milan**  
*Erie County*  
*Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2012*

	General	Street	Street Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Municipal Income Taxes	\$418,224			\$84,308		\$502,532
Property and Other Local Taxes	110,418		\$60,897		\$13,333	184,648
Intergovernmental	102,212	\$70,198	18,294		6,219	196,923
Special Assessments					6,180	6,180
Fines, Licenses and Permits	51,418				3,909	55,327
Earnings on Investments	2,061	84			71	2,216
Miscellaneous	7,752	2,030			60	9,842
<i>Total Receipts</i>	<u>692,085</u>	<u>72,312</u>	<u>79,191</u>	<u>84,308</u>	<u>29,772</u>	<u>957,668</u>
<b>Disbursements</b>						
Current:						
Security of Persons and Property	335,750				28,902	364,652
Leisure Time Activities	10,653					10,653
Community Environment	11,747					11,747
Transportation	148,160	125,404	54,087		5,600	333,251
General Government	117,396		1,189		141	118,726
Capital Outlay				22,510		22,510
Debt Service:						
Principal Retirement	9,736				4,000	13,736
Interest and Fiscal Charges	110				2,581	2,691
<i>Total Disbursements</i>	<u>633,552</u>	<u>125,404</u>	<u>55,276</u>	<u>22,510</u>	<u>41,224</u>	<u>877,966</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>58,533</u>	<u>(53,092)</u>	<u>23,915</u>	<u>61,798</u>	<u>(11,452)</u>	<u>79,702</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Capital Assets		7,890				7,890
Transfers In		60			30,000	30,060
Transfers Out	(37,063)					(37,063)
Advances In	45,000					45,000
Advances Out		(45,000)				(45,000)
<i>Total Other Financing Sources (Uses)</i>	<u>7,937</u>	<u>(37,050)</u>			<u>30,000</u>	<u>887</u>
<i>Net Change in Fund Balances</i>	66,470	(90,142)	23,915	61,798	18,548	80,589
<i>Fund Balances Beginning of Year</i>	<u>247,593</u>	<u>231,791</u>	<u>231,290</u>	<u>204,779</u>	<u>140,013</u>	<u>1,055,466</u>
<i>Fund Balances End of Year</i>	<u>\$314,063</u>	<u>\$141,649</u>	<u>\$255,205</u>	<u>\$266,577</u>	<u>\$158,561</u>	<u>\$1,136,055</u>

See accompanying notes to the basic financial statements

**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, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Municipal Income Taxes	\$255,246	\$255,246	\$418,224	\$162,978
Property and Other Local Taxes	80,665	80,665	110,418	29,753
Intergovernmental	53,120	53,120	102,212	49,092
Fines, Licenses and Permits	33,721	33,721	51,418	17,697
Earnings on Investments	1,258	1,258	2,061	803
Miscellaneous	4,731	4,731	7,752	3,021
<i>Total Receipts</i>	<u>428,741</u>	<u>428,741</u>	<u>692,085</u>	<u>263,344</u>
<b>Disbursements</b>				
Current:				
Security of Persons and Property	353,000	352,404	335,820	16,584
Leisure Time Activities	15,000	15,000	10,653	4,347
Community Environment	3,400	13,400	11,747	1,653
Transportation	153,950	153,950	148,160	5,790
General Government	128,896	129,358	119,205	10,153
Debt Service:				
Principal Retirement		9,736	9,736	
Interest and Fiscal Charges		110	110	
<i>Total Disbursements</i>	<u>654,246</u>	<u>673,958</u>	<u>635,431</u>	<u>38,527</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(225,505)</u>	<u>(245,217)</u>	<u>56,654</u>	<u>301,871</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(43,125)	(38,279)	(37,063)	1,216
Advances In			45,000	45,000
<i>Total Other Financing Sources (Uses)</i>	<u>(43,125)</u>	<u>(38,279)</u>	<u>7,937</u>	<u>46,216</u>
<i>Net Change in Fund Balance</i>	(268,630)	(283,496)	64,591	348,087
<i>Unencumbered Fund Balance Beginning of Year</i>	244,961	244,961	244,961	
Prior Year Encumbrances Appropriated	<u>2,632</u>	<u>2,632</u>	<u>2,632</u>	
<i>Unencumbered Fund Balance End of Year</i>	<u><u>(\$21,037)</u></u>	<u><u>(\$35,903)</u></u>	<u><u>\$312,184</u></u>	<u><u>\$348,087</u></u>

See accompanying notes to the basic financial statements



**Village 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, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Intergovernmental	\$117,000	\$117,000	\$70,198	(\$46,802)
Earnings on Investments	1,000	1,000	84	(916)
Miscellaneous	25,000	25,000	2,030	(22,970)
<i>Total Receipts</i>	<u>143,000</u>	<u>143,000</u>	<u>72,312</u>	<u>(70,688)</u>
<b>Disbursements</b>				
Current:				
Transportation	147,600	207,600	125,404	82,196
<i>Excess of Disbursements Over Receipts</i>	<u>(4,600)</u>	<u>(64,600)</u>	<u>(53,092)</u>	<u>11,508</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets			7,890	7,890
Transfers In			60	60
Advances Out			(45,000)	(45,000)
<i>Total Other Financing Sources (Uses)</i>			<u>(37,050)</u>	<u>(37,050)</u>
<i>Net Change in Fund Balance</i>	(4,600)	(64,600)	(90,142)	(25,542)
<i>Unencumbered Fund Balance Beginning of Year</i>	218,824	218,824	218,824	
Prior Year Encumbrances Appropriated	<u>12,967</u>	<u>12,967</u>	<u>12,967</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$227,191</u>	<u>\$167,191</u>	<u>\$141,649</u>	<u>(\$25,542)</u>

See accompanying notes to the basic financial statements

**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, 2012*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property Taxes and Other Local Taxes	\$62,097	\$62,097	\$60,897	(\$1,200)
Intergovernmental	18,654	18,654	18,294	(360)
<i>Total Receipts</i>	<u>80,751</u>	<u>80,751</u>	<u>79,191</u>	<u>(1,560)</u>
<b>Disbursements</b>				
Current:				
Transportation	135,000	135,000	54,087	80,913
General Government	2,000	2,000	1,189	811
<i>Total Disbursements</i>	<u>137,000</u>	<u>137,000</u>	<u>55,276</u>	<u>81,724</u>
<i>Net Change in Fund Balance</i>	(56,249)	(56,249)	23,915	80,164
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>231,290</u>	<u>231,290</u>	<u>231,290</u>	
<i>Unencumbered Fund Balance End of Year</i>	<u>\$175,041</u>	<u>\$175,041</u>	<u>\$255,205</u>	<u>\$80,164</u>

See accompanying notes to the basic financial statements

**Village of Milan**  
*Erie County*  
*Statement of Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*December 31, 2012*

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Other Enterprise Funds	
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	<u>\$270,273</u>	<u>\$531,412</u>	<u>\$1,034,476</u>	<u>\$12,733</u>	<u>\$1,848,894</u>
<b>Net Position</b>					
Unrestricted	<u>\$270,273</u>	<u>\$531,412</u>	<u>\$1,034,476</u>	<u>\$12,733</u>	<u>\$1,848,894</u>

See accompanying notes to the basic financial statements

**Village of Milan**  
*Erie County*  
*Statement of Receipts, Disbursements and Changes in Fund Net Position - Cash Basis*  
*Proprietary Funds*  
*For the Year Ended December 31, 2012*

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Other Enterprise Funds	
<b>Operating Receipts</b>					
Charges for Services	\$328,298	\$201,635	\$1,397,240	\$3,885	\$1,931,058
Miscellaneous	3,290		35,266		38,556
<i>Total Operating Receipts</i>	<u>331,588</u>	<u>201,635</u>	<u>1,432,506</u>	<u>3,885</u>	<u>1,969,614</u>
<b>Operating Disbursements</b>					
Personal Services	97,490	71,300	141,239		310,029
Employee Fringe Benefits	51,037	50,608	49,262		150,907
Contractual Services	35,840	53,309	1,033,459		1,122,608
Supplies and Materials	35,007	31,387	46,380		112,774
Other	332	317	1,704		2,353
<i>Total Operating Disbursements</i>	<u>219,706</u>	<u>206,921</u>	<u>1,272,044</u>		<u>1,698,671</u>
<i>Operating Income (Loss)</i>	<u>111,882</u>	<u>(5,286)</u>	<u>160,462</u>	<u>3,885</u>	<u>270,943</u>
<b>Non-Operating Disbursements</b>					
Capital Outlay	(27,592)	(11,054)	(7,563)		(46,209)
Principal Retirement	(71,268)		(18,940)		(90,208)
Interest and Other Fiscal Charges	(39,333)		(16,191)		(55,524)
Other Financing Uses				(3,335)	(3,335)
<i>Total Non-Operating Disbursements</i>	<u>(138,193)</u>	<u>(11,054)</u>	<u>(42,694)</u>	<u>(3,335)</u>	<u>(195,276)</u>
<i>Income (Loss) before Transfers</i>	<u>(26,311)</u>	<u>(16,340)</u>	<u>117,768</u>	<u>550</u>	<u>75,667</u>
Transfers In			7,003		7,003
<i>Change in Net Position</i>	<u>(26,311)</u>	<u>(16,340)</u>	<u>124,771</u>	<u>550</u>	<u>82,670</u>
<i>Net Position Beginning of Year</i>	<u>296,584</u>	<u>547,752</u>	<u>909,705</u>	<u>12,183</u>	<u>1,766,224</u>
<i>Net Position End of Year</i>	<u>\$270,273</u>	<u>\$531,412</u>	<u>\$1,034,476</u>	<u>\$12,733</u>	<u>\$1,848,894</u>

See accompanying notes to the basic financial statements

**VILLAGE OF MILAN  
ERIE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 1 – Reporting Entity**

The Village of Milan, Erie County, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member council elected at large for four year terms. The Mayor is elected to a four-year term and votes only break a tie.

**A. Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The primary government of the Village of Milan provides the following services to its citizens: general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. Council has direct responsibility for these services.

**B. Joint Venture and Public Entity Risk Pool**

The Village is a member of JV2 and JV5 which are joint ventures with several other governments to produce electric power. These joint ventures are managed by American Municipal Power (AMP-Ohio). Note 15 to the financial statements provide additional information for these joint ventures. A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures.

The Village participates in a public entity risk pool. This organization is presented in Note 9 to the financial statements. This entity is Ohio Plan Risk Management, Inc.

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

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash 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. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The Village has no fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**VILLAGE OF MILAN  
ERIE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 2 - Summary of Significant Accounting Policies (Continued)**

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type 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. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type 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 fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses funds 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. The funds of the Village are presented in two categories: governmental and proprietary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. The following are the Village's major governmental funds:

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

The Street Levy Fund receives property tax money for constructing, maintaining, and repairing Village roads and bridges.

The Capital Improvement Fund receives income tax money for capital acquisitions and projects.

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, OHIO**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**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 – The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund – The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Fund – The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. 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.

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.

D. Budgetary Process

All 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 Village Council may appropriate. The appropriations ordinance is Village Council's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by Village Council. The legal level of control has been established by Village Council at the fund, department, and object level for all funds.

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 Village Council.

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 Village Council during the year.

**VILLAGE OF MILAN  
ERIE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**E. Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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 negative receipts (contra revenue), respectively.

During 2013 and 2012, the Village invested in nonnegotiable certificates of deposit, a savings account, and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2013 and 2012, respectively.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2013 and 2012 were \$2,248 and \$2,061, respectively, which included \$2,018 and \$1,807, respectively, assigned from other Village funds.

**F. 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.

**G. 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.

**H. 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.

**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 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.



**VILLAGE OF MILAN  
ERIE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**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.

**L. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for street improvements, police pension and computerization of the mayor's court.

The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**M. Fund Balances**

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Restricted:** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**VILLAGE OF MILAN  
ERIE COUNTY, OHIO**

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For the Years Ended December 31, 2013 and 2012

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Village Council or a Village official delegated that authority by ordinance, or by State Statute.

**Unassigned:** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**N. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are reported as advances.

**Note 3 – Change in Accounting Principle**

For 2012, the Village implemented GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Village's financial statements.

For 2012, the Village also implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Village's 2012 financial statements; however, there was no effect on beginning net position and/or fund balance.

**VILLAGE OF MILAN  
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Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 4 - 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 – Budget Basis presented for the General Fund, Street Fund, and Street Levy Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a restricted or assigned fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The encumbrances outstanding at year end 2013 and 2012 (budgetary basis) amounted to \$2,971 and \$1,879, respectively, for the General Fund, \$2,989 and \$0, respectively, for the Street Fund and \$1,250 and \$0, respectively, for the Street Levy Fund.

**Note 5 - 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;

**VILLAGE OF MILAN  
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Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 5 - Deposits and Investments (Continued)**

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

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 2013 and 2012, the Village had \$200 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk 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 December 31, 2013 and 2012, the carrying amounts of the Village's deposits were \$2,496,869 and \$2,209,575, respectively, and the Village's bank balances of \$2,545,837 and \$2,252,275, respectively, were not exposed to custodial credit risk.

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.

Investments

As of December 31, 2013 and 2012, the Village had \$775,476 and \$775,174, respectively, invested in STAR Ohio. STAR Ohio has a maturity of approximately one month.

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 service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**VILLAGE OF MILAN  
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Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 6 – Income Taxes**

The Village levies a one percent income tax on substantially all income earned in the Village. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

The Village’s income tax ordinance requires twenty percent of the income tax receipts to be used to finance capital improvements. As a result, this portion of the receipts is allocated to the Capital Improvement capital projects fund each year. The remaining income tax receipts are to be used to pay the cost of administering the tax and general fund operations. In 2013 and 2012, the receipts were allocated to the General Fund and the Capital Improvement Fund.

**Note 7 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax revenue received during 2013 and 2012 for real and public utility property taxes represent collections of 2012 and 2011, respectively, taxes.

2013 and 2012 real property taxes are levied after October 1, 2013 and 2012, respectively, on the assessed value as of January 1, 2013 and 2012, respectively, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 and 2012 real property taxes are collected in and intended to finance 2014 and 2013, respectively.

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 personal property currently is assessed at varying percentage of true value; public utility real property is assessed at 35 percent of true value. 2013 and 2012 public utility property taxes which became a lien December 31, 2012 and 2011, are levied after October 1, 2012 and 2011, and are collected in 2014 and 2013 real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2013 and 2012, was \$8.80 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2013 and 2012 property tax receipts were based are as follows:

	Collection Year	Collection Year
Real Property	2013	2012
Agricultural	\$ 296,300	\$ 265,710
Residential	21,567,950	20,887,620
Commercial/Industrial/Mineral	3,886,450	3,946,440
Public Utility	953,740	1,084,640
Total Assessed Value	<u>\$ 26,704,440</u>	<u>\$ 26,184,410</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

**VILLAGE OF MILAN  
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**Note 8 – Interfund Receivables/Payables**

Interfund balances at December 31, 2013, consisted of the following individual fund receivables and payables associated with a manuscript debt issue:

	<b>Receivable</b>	<b>Payable</b>
	Advance to Other Funds	Advance from Other Funds
<b>Major Funds</b>		
General Fund		\$15,000
Street Fund	\$15,000	
Total	\$15,000	\$15,000

Advances to/from other funds consisted of General Fund repayments to the Street Fund for the loan described below. Advances to/from other funds are expected to be repaid within one year.

Interfund balances at December 31, 2012, consisted of the following individual fund receivables and payables associated with a manuscript debt issue:

	<b>Receivable</b>	<b>Payable</b>
	Advance to Other Funds	Advance from Other Funds
<b>Major Funds</b>		
General Fund		\$45,000
Street Fund	\$45,000	
Total	\$45,000	\$45,000

Advances to/from other funds consisted of a Street Fund loan (advance) of \$45,000 to the General Fund to pay for the General Fund's portion to be used for the purchase of a truck. The loan will be repaid through monthly payments of \$2,500 during 2013 and 2014 until the \$45,000 has been paid off in full. The Village did not establish an interest rate in the authorizing legislation.

**Note 9 - Risk Management**

**Risk Pool Membership**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF MILAN  
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Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 9 - Risk Management (Continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013:

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 10 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 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% per year). Under the Member-Directed Plan, members accumulated retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings. The Combined Plan (CP) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to, but less than, the Traditional Pension Plan benefits. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD.

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. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtm#lor>, or by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**VILLAGE OF MILAN  
ERIE COUNTY, OHIO**

Notes to the Basic Financial Statements  
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**Note 10 – Defined Benefit Pension Plan (Continued)**

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the years ended December 31, 2013 and 2012, members in state and local classifications contributed 10 percent of covered payroll. For 2013 and 2012, member and employer contribution rates were consistent across all three plans.

The Village's 2013 and 2012 contribution rate was 14.00 percent of covered payroll. The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, 2011, and 2010 were \$64,350, \$50,741, \$49,228, and \$62,475, respectively. The full amount has been contributed for 2013, 2012, 2011, and 2010.

**B. Ohio Police and Fire Pension Fund**

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at [www.op-f.org](http://www.op-f.org).

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013 through July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent for police officers. For 2012, Plan members were required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent for police officers, of which 12.75 percent was used to fund pension plans. The Village's required contributions for police for the years ended December 31, 2013, 2012, 2011, and 2010 were \$24,965, \$18,420, \$18,268, and \$17,535, respectively. The full amount has been contributed for 2013, 2012, 2011, and 2010.

**Note 11 – Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan-a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan-a defined contribution plan; and the Combined Plan-a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment benefit health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug plan, and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, aged and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.



**VILLAGE OF MILAN  
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Notes to the Basic Financial Statements  
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**Note 11 – Postemployment Benefits (Continued)**

Disclosures for the health care plan are presented separately in the OPERS financial report with may obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contributions to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 1 percent in 2013. The portion of the employer contribution allocated to health care for members in the traditional plan was 4 percent for 2012. The portion of the employer contribution allocated to health care for members in the combined plan was 6.05 percent for 2012. Effective January 1, 2014 the portion of the employer contribution allocated to health care was raised to 2 percent for both plans as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The Village's contributions allocated to fund postemployment health care benefits for the years ending December 31, 2013, 2012, 2011, and 2010 were \$4,950, \$20,297, \$19,691, and \$14,857 respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension obligation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**B. Ohio Police and Fire Pension Fund**

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

OP&F provides access to postretirement health care coverage for 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. The health care coverage provided by OP&F meets the definition of an Other Postemployment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 45.

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Notes to the Basic Financial Statements  
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**Note 11 – Postemployment Benefits (Continued)**

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting OP&F's website at [www.op-f.org](http://www.op-f.org).

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentage of the payroll of active pension plan members, currently, 19.50 percent of covered payroll for police. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B premium reimbursements administrated 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 January 1, 2013 through May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013 through December 31, 2013 the employer contribution allocated to the health care plan was 2.85 percent of covered payroll. For the year ended December 31, 2012, the employer contribution allocated to the health 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 provisions 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 selected.

The Village's contributions to OP&F which was allocated to fund postemployment health care benefits for police for the years ending 2013, 2012, 2011, and 2010 were \$5,689, \$9,752, \$9,671, and \$9,283 respectively; 100 percent has been contributed for 2013, 2012, 2011, and 2010.

**Note 12 – Debt**

The changes in the Village's long-term debt during 2013 follows:

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ERIE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 12 – Debt (Continued)**

	Interest Rate	Balance 1/1/2013	Additions	Reductions	Balance 12/31/2013	Due in One Year
<u>Governmental Activities</u>						
Lockwood Road Project Bond						
1999 Issue						
Original Amount \$75,000	6%	\$ 38,000	\$ -	\$ 4,000	\$ 34,000	\$ 5,000
<u>Business-Type Activities</u>						
1992 OWDA Loan						
Original Amount \$1,061,767	7.03%	490,633	-	76,279	414,354	81,641
1993 OMEGA JV5 Loan						
Original Amount \$437,946	2.50%	316,104	-	19,812	296,292	20,783
Total Business-Type Activities		\$ 806,737	\$ -	\$ 96,091	\$ 710,646	\$ 102,424

The Lockwood Road Project Bond relates to a road improvement project. The bond will be repaid in semiannual installments over 20 years. The Village levies special assessments to pay the annual debt service.

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 OMEGA JV5 loan relates to the purchase of Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA-JV5). OMEGA-JV5 is a distributive generation project.

The following is a summary of the Village's future annual debt service requirements at December 31, 2013:

Year	<u>Lockwood Road Bond</u>		<u>OWDA Loan</u>		<u>OMEGA JV5 Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 5,000	\$ 2,040	81,641	\$ 29,005	\$ 20,783	\$ 20,057
2015	5,000	1,740	87,380	23,290	21,850	19,022
2016	5,000	1,440	93,523	17,173	23,480	18,010
2017	6,000	1,140	100,098	10,627	24,120	16,756
2018	6,000	780	51,712	3,658	25,308	15,546
2019-2023	7,000	420	-	-	146,835	57,443
2024	-	-	-	-	33,916	6,941
	<u>\$ 34,000</u>	<u>\$ 7,560</u>	<u>\$ 414,354</u>	<u>\$ 83,753</u>	<u>\$ 296,292</u>	<u>\$ 153,775</u>

The changes in the Village's long-term debt during 2012 follows:

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Notes to the Basic Financial Statements  
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**Note 12 – Debt (Continued)**

	Interest Rate	Balance 1/1/2012	Additions	Reductions	Balance 12/31/2012	Due in One Year
<u>Governmental Activities</u>						
2002 Land Purchase Note						
Original Amount \$190,000	4.50%	\$ 9,736	\$ -	\$ 9,736	\$ -	\$ -
Lockwood Road Project Bond						
1999 Issue						
Original Amount \$75,000	6%	\$ 42,000	\$ -	\$ 4,000	\$ 38,000	\$ 4,000
Total Governmental Type Activities		<u>\$ 51,736</u>	<u>\$ -</u>	<u>\$ 13,736</u>	<u>\$ 38,000</u>	<u>\$ 4,000</u>
<u>Business-Type Activities</u>						
1992 OWDA Loan						
Original Amount \$1,061,767	7.03%	561,901	-	71,268	490,633	76,279
1993 OMEGA JV5 Loan						
Original Amount \$437,946	2.50%	335,044	-	18,940	316,104	19,812
Total Business-Type Activities		<u>\$ 896,945</u>	<u>\$ -</u>	<u>\$ 90,208</u>	<u>\$ 806,737</u>	<u>\$ 96,091</u>

In 2002 the Village entered into an agreement for the purchase of property for the construction of a building to house all Village offices. The note will be repaid in monthly installments, including interest, over 10 years with the final payment in 2012.

The Lockwood Road Project Bond relates to a road improvement project. The bond will be repaid in semiannual installments over 20 years. The Village levies special assessments to pay the annual debt service.

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 OMEGA JV5 loan relates to the purchase of Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA-JV5). OMEGA-JV5 is a distributive generation project.

The following is a summary of the Village's future annual debt service requirements at December 31, 2012:

Year	<u>Lockwood Road Bond</u>		<u>OWDA Loan</u>		<u>OMEGA JV5 Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 4,000	\$ 2,280	76,279	\$ 34,344	\$ 19,812	\$ 21,050
2014	5,000	2,040	81,641	29,005	20,783	20,057
2015	5,000	1,740	87,380	23,290	21,850	19,022
2016	5,000	1,440	93,523	17,173	23,480	18,010
2017	6,000	1,140	100,098	10,627	24,120	16,756
2018-2022	13,000	1,200	51,712	3,658	139,831	64,433
2023-2024	-	-	-	-	66,228	15,498
	<u>\$ 38,000</u>	<u>\$ 9,840</u>	<u>\$ 490,633</u>	<u>\$ 118,097</u>	<u>\$ 316,104</u>	<u>\$ 174,826</u>

**VILLAGE OF MILAN  
ERIE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 12 – Debt (Continued)**

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2013 were an overall debt margin of \$2,749,363 and an unvoted debt margin of \$1,440,143. The effects of the debt limitations at December 31, 2012 were an overall debt margin of \$2,803,966 and an unvoted debt margin of \$1,468,744.

**Note 13 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below.

**VILLAGE OF MILAN  
ERIE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 13 – Fund Balances**

2013	General	Street	Street Levy	Capital	Other	
Fund Balances	Fund	Fund	Fund	Improvement	Governmental	Total
				Fund	Fund	
<b>Restricted for</b>						
Road Improvement	-	\$ 173,361	\$ 246,372	-	\$ 87,191	\$ 506,924
Capital Improvements	-	-	-	\$ 335,490	-	335,490
Police Operations	-	-	-	-	501	501
Police Pension	-	-	-	-	16,372	16,372
Mayor's Court Computer	-	-	-	-	11,590	11,590
Debt Service	-	-	-	-	2,599	2,599
Issue II Projects	-	-	-	-	44,331	44,331
<i>Total Restricted</i>	-	173,361	246,372	335,490	162,584	917,807
<b>Assigned to</b>						
Police Operations	\$ 606	-	-	-	-	606
Other Purposes	2,365	-	-	-	-	2,365
<i>Total Assigned</i>	2,971	-	-	-	-	2,971
Unassigned:	316,212	-	-	-	-	316,212
<b>Total Fund Balances</b>	<b>\$ 319,183</b>	<b>\$ 173,361</b>	<b>\$ 246,372</b>	<b>\$ 335,490</b>	<b>\$ 162,584</b>	<b>\$1,236,990</b>
2012	General	Street	Street Levy	Capital	Other	
Fund Balances	Fund	Fund	Fund	Improvement	Governmental	Total
				Fund	Fund	
<b>Restricted for</b>						
Road Improvement	-	\$ 141,649	\$ 255,205	-	\$ 78,775	\$ 475,629
Capital Improvements	-	-	-	\$266,577	-	266,577
Police Operations	-	-	-	-	576	576
Police Pension	-	-	-	-	24,371	24,371
Mayor's Court Computer	-	-	-	-	9,092	9,092
Debt Service	-	-	-	-	1,416	1,416
Issue II Projects	-	-	-	-	44,331	44,331
<i>Total Restricted</i>	-	141,649	255,205	266,577	158,561	821,992
<b>Assigned to</b>						
Police Operations	\$ 1,809	-	-	-	-	1,809
Other Purposes	70	-	-	-	-	70
<i>Total Assigned</i>	1,879	-	-	-	-	1,879
Unassigned:	312,184	-	-	-	-	312,184
<b>Total Fund Balances</b>	<b>\$ 314,063</b>	<b>\$ 141,649</b>	<b>\$ 255,205</b>	<b>\$ 266,577</b>	<b>\$ 158,561</b>	<b>\$1,136,055</b>

**VILLAGE OF MILAN  
ERIE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 14 – Interfund Transfers**

	2013	2012
Transfer from General Fund to:		
<b>Major Governmental Fund</b>		
Street	\$ 60	\$ 60
<b>Other Governmental Fund</b>		
Police pension	15,000	30,000
<b>Major Business-Type Fund</b>		
Electric	6,849	7,003
Total	\$ 21,909	\$ 37,063

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 15 – Joint Venture**

**A. Ohio Municipal Electric Generation Agency Joint Venture 2 (OMEGA JV2)**

The Village 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.

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. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2013 and 2012, the outstanding debt was \$15,769,323 and \$20,030,648, respectively. The Village's net investment in OMEGA JV2 was \$125,242 at December 31, 2013 and \$143,921 at December 31, 2012. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

**VILLAGE OF MILAN  
ERIE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 15 – Joint Venture (Continued)**

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2013 and 2012 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

**B. Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)**

The Village 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.



**VILLAGE OF MILAN  
ERIE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 15 – Joint Venture (Continued)**

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net position 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, 2013 and 2012 the Village has met its debt coverage obligation.

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

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

The Village's net investment to date in OMEGA JV5 was \$38,111 at December 31, 2013 and 2012. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

**Note 16 – Prairie State Energy Campus**

On December 20, 2007, AMP acquired 368,000kW or an effective 23.26% undivided ownership interest (the "*PSEC Ownership Interest*") in the Prairie State Energy Campus ("PSEC"), a planned 1,600 MW coal-fired power plant and associated facilities in southwest Illinois. The PSEC Ownership Interest is held by AMP 368 LLC, a single-member Delaware limited liability company ("*AMP 368 LLC*"). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commenced in October 2007.

The Village of Milan has executed a take-or-pay power sales contract with AMP for 995 kW or 0.27% kW of capacity and associated energy from the Prairie State facility.

On June 12, 2012, Unit 1 of the PSEC began commercial operation and on November 2, 2012 Unit 2 of the PSEC began commercial operation.

**VILLAGE OF MILAN  
ERIE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 16 – Prairie State Energy Campus (Continued)**

AMP's share of the total Project costs, including AMP's share of PSEC capital improvements through 2016, resulted in the issuance by AMP of approximately \$1.697 billion of debt of which on December 31, 2013 the Village of Milan's share was approximately \$4,534,064. These estimated costs include (i) AMP's costs of acquisition of its Ownership Interest and its share of the cost of construction of the PSEC, including an allowance for contingencies, (ii) capitalized interest during and after the scheduled in service dates of the two PSEC Units, (iii) costs of issuance associated with both the interim and long-term financing for the Project and (iv) deposits to the Parity Common Reserve Account for the Bonds issued to permanently finance the Project.

AMP will sell the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the "*Prairie State Power Sales Contract*") with 68 Members (the "*Prairie State Participants*"). The Prairie State Power Sales Contract is, in all material respects, comparable to the Power Sales Contract for the Project. The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

**Note 17 – American Municipal Power Generating Station Project**

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,259 kilowatts of a total 771,281 kilowatts, giving the Village a 0.16 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$219,909. The Village received a credit of \$56,938 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of \$162,971. The Village will begin making payments in 2014. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments.

The Village intends to recover these costs and repay AMP over the next 15 years through a monthly payment plan of \$905.

**Note 18 – Combined Hydroelectric Projects**

AMP is currently developing three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the "*Combined Hydroelectric Projects*"), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects entails the installation of run-of-the-river hydroelectric generating facilities on existing United States Army Corps of Engineers' dams and includes associated transmission facilities. The Combined Hydroelectric Projects, including associated transmission facilities, will be constructed and operated by AMP. AMP holds the licenses from FERC for the Combined Hydroelectric Projects. AMP received the last of the material permits needed to begin construction on the Cannelton hydroelectric facility and Smithland hydroelectric facility, respectively in 2009. Ground breaking ceremonies were held for Cannelton on August 25, 2009 and for Smithland on September 1, 2010. AMP received the last of the material permits for the Willow Island hydroelectric facility in the last quarter of 2010 and ground breaking ceremonies took place on July 21, 2011.

**VILLAGE OF MILAN  
ERIE COUNTY, OHIO**

Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

**Note 18 – Combined Hydroelectric Projects (Continued)**

The Village of Milan has executed a take-or-pay power sales contract with AMP for 100 kW or 0.05% of capacity and associated energy from the hydro facilities.

All major contracts for the projects which include the turbines, the powerhouse construction, the powerhouse gates, the powerhouse cranes, and the transformers have been awarded for the Cannelton, Smithland, and Willow Island facilities. And property right-of-way acquisitions for the transmission lines have been completed for all three projects.

As of December 1, 2014, AMP is projecting that the Combined Hydroelectric Projects are expected to enter into commercial operation as follows: Cannelton in the second quarter of 2015; Willow Island in the second quarter of 2015; and Smithland in the second quarter of 2016.

Please note that this date is subject to change and is dependent on a number of factors affecting the project's construction schedule, including weather. As a result, this date may be revised to reflect earlier or later expected commercial operation as construction progresses. AMP will update the above expected commercial operation date in the 4th quarter of 2014 after the construction season ends.

To provide financing for the Combined Hydroelectric Projects, in 2009 and 2010 AMP has issued in seven series \$2,045,425,000 of its Combined Hydroelectric Projects Revenue Bonds (the "*Combined Hydroelectric Bonds*"), consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds) of which the Village of Milan's share at December 31, 2013 was approximately \$980,182. The Combined Hydroelectric Bonds are net revenue obligations of AMP, secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members.

**Note 19 – Compliance**

Contrary to Ohio law, the Village did not post various receipts to the appropriate funds.

Also contrary to Ohio law, the Village did not establish a Mayor's Court Computer (Special Revenue) Fund.

**Note 20 – Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

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# Dave Yost • Auditor of State

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

Village of Milan  
Erie County  
11 South Main Street, P.O. Box 1450  
Milan, Ohio 44846-1450

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Milan, Erie County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 15, 2014, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-003 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-003.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 15, 2014

VILLAGE OF MILAN  
ERIE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2013-001

Noncompliance Citation / Material Weakness

Ohio Rev. Code § 5705.10(D) provides that all revenues derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Fiscal Officer posted commercial activity tax, rollbacks, state and local government high distribution, permissive motor vehicle license, delinquent charges for services collections, electric company income tax, and liquor permit monies to improper funds.

The following table identifies the amounts recorded in error for the year ending December 31, 2012:

<u>Fund Type/Fund</u>	<u>Amount</u>
<b>Major Funds:</b>	
General Fund	(\$6,578)
Street Fund	(1,557)
Street Levy Fund	5,767
<b>Non-Major Funds:</b>	
State Highway Fund	(83)
Permissive Tax Fund	3,213
Police Pension Fund	(762)

The following table identifies the amounts recorded in error for the year ending December 31, 2013:

<u>Fund Type/Fund</u>	<u>Amount</u>
<b>Major Funds:</b>	
General Fund	\$880
Street Fund	(5,265)
Street Levy Fund	1,118
Capital Improvement Fund	239
Water Fund	72
Sewer Fund	399
Electric Fund	221
<b>Non-Major Funds:</b>	
State Highway Fund	(263)
Permissive Tax Fund	4,409
Police Pension Fund	(1,118)
Special Assessments Fund	(692)

The accompanying financial statements and Village accounting records have been adjusted to reflect these changes.

**FINDING NUMBER 2013-001  
(Continued)**

Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Village Council, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the Ohio Village Officer's Handbook available from the following web address for guidance on the posting of transactions:

<https://ohioauditor.gov/publications/OhioVillageOfficersHandbook2014.pdf>

**FINDING NUMBER 2013-002**

**Material Weakness - Financial Reporting**

We identified the following errors requiring adjustment to the financial statements or notes to the financial statements for the year ending December 31, 2012:

- Transfers from the General Fund to the Electric Fund and corresponding debt service disbursements, including authorized appropriations, in the amount of \$9,846 have been eliminated and accounted for as Principal Retirement and Interest and Fiscal Charges in the amounts of \$9,736 and \$110, respectively, in the General Fund;
- Proceeds from the Sale of Capital Assets in the amount of \$7,890 were incorrectly classified as Miscellaneous receipts in the Street Fund;
- Intergovernmental receipts in the amount of \$8,076 were incorrectly classified as Property and Other Local Taxes in the Street Levy Fund;
- Estimated receipts in the amount of \$18,654 were reclassified from Property and Other Local Taxes to Intergovernmental in the Street Levy Fund in order to properly allocate estimated receipts in the financial statements based on actual receipt activity;
- The Village failed to record an approved manuscript debt loan (advance) related to the purchase of a truck between the Street and General funds in the amount of \$45,000, including the proper allocation of the General Fund's portion of the purchase. Street Fund Transportation disbursements, including budgeted expenditures, have been decreased, while Advances Out have been increased in the amount of \$45,000. General Fund Advances In and Transportation disbursements, including budgeted expenditures, have been increased in the amount of \$45,000; and
- The Street Fund Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual - Budget Basis statement incorrectly omitted \$12,967 in Prior Year Encumbrances Appropriated. The Unencumbered Opening Balance was reduced accordingly.



**FINDING NUMBER 2013-002  
(Continued)**

We identified the following errors requiring adjustment to the financial statements for the year ending December 31, 2013:

- Estimated Receipts were decreased in the Street Fund in the amount of \$73,750 in order to bring amounts reported in the financial statements in line with authorized budget amounts;
- Intergovernmental receipts in the amount of \$31,823 were incorrectly classified as Property and Other Local Taxes in the Street Levy Fund;
- Estimated Receipts were decreased in the Street Levy Fund in the amount of \$12,640 in order to bring amounts reported in the financial statements in line with authorized budget amounts;
- Miscellaneous Receipts and Capital Outlay were decreased in the Electric Fund in the amount of \$65,000 to properly account for and classify an intra-fund Advance;
- Insurance proceeds in the amount of \$20,228 were reclassified from Miscellaneous Receipts to Other Financing Sources in the Water Fund; and
- Advances Out in the amount of \$30,000 were improperly classified as Transportation disbursements in the General Fund. Also, Advances In in the amount of \$30,000 were improperly classified as Intergovernmental in the Street Fund.

Additionally, immaterial errors not requiring adjustment to the financial statements were noted in the classification of certain receipt and disbursement transactions, accounting for kWh tax activity, unrecorded purchase commitments, and amounts posted to the financial statements for budgeted expenditures and unencumbered opening fund balances ranging from \$23 to \$35,361.

Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Village Council, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the Ohio Village Officer's Handbook available from the following web address for guidance on the posting of transactions:

<https://ohioauditor.gov/publications/OhioVillageOfficersHandbook2014.pdf>

**FINDING NUMBER 2013-003**

**Noncompliance Citation / Material Weakness**

**Ohio Rev. Code §1907.261(B)(1)** provides that a court may determine that, for the efficient operation of the court, additional funds are required to computerize the office of the clerk of the court and, upon that determination, may include in its schedule of fees and costs under section 1907.24 of the Revised Code an additional fee not to exceed ten dollars on the filing of each cause of action or appeal, on the filing, docketing, and endorsing of each certificate of judgment, or on the docketing and indexing of each aid in execution or petition to vacate, revive, or modify a judgment. All monies collected under this section shall be placed into a separate fund.

**FINDING NUMBER 2013-003  
(Continued)**

The Village did not establish a separate fund to account for the additional fees collected under this section until April, 2013. The financial statements and Village accounting records have been adjusted to reflect \$3,834 and \$351 in Mayor's Court receipts collected under this section in 2012 and 2013, respectively, as being deposited into the Mayor's Court Computer Fund. Previously these monies were deposited into the General Fund.

The Village should account for monies received under this section in the Mayor's Court Computer Fund.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF MILAN  
ERIE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Rev. Code § 1907.261(B)(1) for the failure to record computerization fees in the Mayor's Court Computer Fund.	No	Not corrected. Repeated as finding number 2013-003 in this report.
2011-002	Material weakness for the failure to record grant activity in the Village's accounting records.	N/A	Finding no longer valid. No similar grant activity occurred during 2013 and 2012.
2011-003	Ohio Rev. Code § 5705.10(D) for the failure to post receipts to the proper funds.	No	Not corrected. Repeated as finding number 2013-001 in this report.
2011-004	Material weakness for the failure to accurately record various transactions.	No	Not corrected. Repeated as finding number 2013-002 in this report.