

***VILLAGE OF MILAN
ERIE COUNTY
AUDIT REPORT***

FOR THE YEAR ENDED DECEMBER 31, 2015





Dave Yost • Auditor of State

Village Council
Village of Milan
11 South Main St
Milan, OH 44846

We have reviewed the *Independent Auditor's Report* of the Village of Milan, Erie County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 3, 2016

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Village of Milan
Erie County
 Audit Report
 For the year ended December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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 year ended December 31, 2015, 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, 2015, and the respective changes in cash financial position and the budgetary comparison for the General and Street Levy funds thereof for the year 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. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016 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.



Charles E. Harris & Associates, Inc.
June 27, 2016

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Village of Milan
Erie County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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 year ended December 31, 2015, 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 2015 are as follows:

- In 2015, net position for governmental activities decreased \$48,533 which represents a 4 percent decrease from 2014. The funds most affected by the decrease in cash and cash equivalent were the Street Levy and Capital Improvement funds.
- The Village's general receipts are primarily property and income taxes. These receipts represent 66 and 25 percent, respectively, of the total cash received for governmental activities during 2015. Income tax receipts for 2015 remained relatively steady compared to 2014.

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 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.

Village of Milan
Erie County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The statement of net position and the statement of activities reflect how the Village did financially during 2015, 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. This change in net position is important because it tells the reader that, for the Village as a whole, the financial position of the Village has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Village's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and other factors.

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 major 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 governmental funds are the General, 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 five enterprise funds, the Water, Sewer, Electric, Electric Debt Service and the Guaranteed Utilities funds. When these services are provided to other department of the Village, the service is reported as internal service fund. The Village has no internal service funds.

Village of Milan
Erie County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The Village as a Whole

Table 1 provides a summary of the Village's net position for 2015 compared to 2014 on a cash basis:

(Table 1)
Net Position

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets:						
Cash and cash equivalent	\$ 1,280,306	\$ 1,328,839	\$ 1,859,257	\$ 1,918,728	\$ 3,139,563	\$ 3,247,567
Net Position:						
Restricted for:						
Capital projects	358,217	392,633	-	-	358,217	392,633
Debt service	2,263	2,328	-	-	2,263	2,328
Other purposes	485,566	533,197	-	-	485,566	533,197
Unrestricted	<u>434,260</u>	<u>400,681</u>	<u>1,859,257</u>	<u>1,918,728</u>	<u>2,293,517</u>	<u>2,319,409</u>
 Total Net Position	 <u>\$ 1,280,306</u>	 <u>\$ 1,328,839</u>	 <u>\$ 1,859,257</u>	 <u>\$ 1,918,728</u>	 <u>\$ 3,139,563</u>	 <u>\$ 3,247,567</u>

As mentioned previously, net position of governmental activities decreased \$48,533 or 4 percent during 2015. The primary reasons contributing to the decreases in cash balances was due to the completion of capital projects and road projects during the year.

Net position of business-type activities decreased \$59,471 or 3 percent during 2015. The primary reason contributing to the decrease in cash balances is associated with an increase in expenditures.

Village of Milan
Erie County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Table 2 reflects the changes in net position on a cash basis in 2015 and 2014 for governmental activities, business-type activities and total primary government.

(Table 2)

	Governmental <u>Activities</u>		Business-Type <u>Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Receipts:						
Program Receipts:						
Charges for services and sales	\$ 82,171	\$ 54,689	\$ 2,136,499	\$ 2,045,241	\$ 1,981,247	\$ 2,099,930
Operating grants and contributions	91,405	88,532	-	-	91,405	88,532
Total Program Receipts	173,576	143,221	2,136,499	2,045,241	2,072,652	2,188,462
General Receipts:						
Property and other local taxes	199,259	189,205	-	-	199,259	189,205
Municipal income taxes	551,763	537,516	-	-	551,763	537,516
Grants and entitlements	65,183	76,902	-	-	65,183	76,902
Cable franchise fees	-	13,096	-	-	-	13,096
Sale of capital assets	-	2,780	-	9,100	-	11,880
Interest	2,817	2,269	-	-	2,817	2,269
Miscellaneous	19,000	58,113	-	-	19,000	58,113
Total General Receipts	838,022	879,881	-	9,100	838,022	888,981
Total Receipts	1,011,598	1,023,102	2,136,499	2,054,341	2,910,674	3,077,443
Disbursements:						
Current:						
General government	118,155	119,074	-	-	118,155	119,074
Security of persons and property	362,483	320,185	-	-	362,483	320,185
Leisure time activities	17,159	10,946	-	-	17,159	10,946
Community environment	7,723	7,312	-	-	7,723	7,312
Transportation	391,239	379,018	-	-	391,239	379,018
Capital outlay	149,724	80,657	-	-	149,724	80,657
Debt Service:						
Principal retirement	5,000	5,067	-	-	5,000	5,067
Interest and fiscal charges	1,740	2,040	-	-	1,740	2,040
Water	-	-	363,852	358,538	363,852	358,538
Sewer	-	-	273,357	233,691	273,357	233,691
Electric	-	-	1,562,486	1,582,128	1,562,486	1,582,128
Other enterprise	-	-	3,183	3,765	3,183	3,765
Total Disbursements	1,053,223	924,299	2,202,878	2,178,122	3,256,101	3,102,421
Excess (Deficiency) Before Transfers	(41,625)	98,803	(66,379)	(123,781)	(345,427)	(24,978)
Transfer	(6,908)	(6,954)	6,908	6,954	-	-
Increase (Decrease) in Net Position	(48,533)	91,849	(59,471)	(116,827)	(345,427)	(24,978)
Net Position, Beginning of Year	1,328,839	1,236,990	1,918,728	2,035,555	3,247,567	3,272,545
Net Position, End of Year	\$ 1,280,306	\$ 1,328,839	\$ 1,859,257	\$ 1,918,728	\$ 2,902,140	\$ 3,247,567

Village of Milan
Erie County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

For 2015, program receipts represent 17 percent of total governmental receipts and almost 100 percent of total business-type receipts. General receipts represent 83 percent of the Village's total receipts and of this amount, 65 percent are income taxes. Property and other local taxes make up the largest remaining balance of the Village's general receipts (24 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.

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 2015, the major program disbursements for governmental activities are for transportation and security of persons and property, which account for 37 and 34 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 11 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by users for charges for services provided 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>2015</u>		<u>2014</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	\$ 118,155	\$ (39,061)	\$ 119,074	\$ (64,660)
Security of persons and property	362,483	(359,371)	320,185	(317,977)
Leisure time activities	17,159	(17,159)	10,946	(10,946)
Community environment	7,723	(7,723)	7,312	(7,312)
Transportation	391,239	(306,700)	379,018	(292,419)
Capital outlay	149,724	(149,724)	80,657	(80,657)
Principal retirement	5,000	-	5,067	(5,067)
Interest and fiscal charges	1,740	91	2,040	(2,040)
Total expenses	<u>\$ 1,053,223</u>	<u>\$ (879,647)</u>	<u>\$ 924,299</u>	<u>\$ (781,078)</u>

The dependence upon property and income tax receipts is apparent as 84 percent of governmental activities were supported through these general receipts in 2015.

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. Charges for services almost 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.

Village of Milan
Erie County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The Village's Funds

For 2015, total governmental funds had receipts of \$1,011,598 and disbursements of \$1,053,223. The greatest change in governmental funds occurred in the Capital Improvement Fund. Completion of capital projects resulted in a decrease in fund balance of \$149,724 in the Capital Improvement Fund.

Expenditures for maintenance, construction, and repair of streets resulted in deficit spending in the Street Levy fund in the amount of \$32,859 in 2015. An increase in tax proceeds (both municipal income taxes and property taxes) led to an increase in the General fund in the amount of \$33,579. Cash fund balance increased \$100,471 in the Other Governmental funds for 2015.

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 2015, the Village amended its General fund budget several times. Receipts were budgeted at \$558,258 while actual receipts were \$717,124.

Disbursements and other financing uses were originally budgeted at \$826,875. Final budgeted disbursements and other financing uses were \$969,098 while actual disbursements and other financing uses were \$683,545, \$285,553 below budgeted expenditures for 2015.

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.

Debt

At December 31, 2015, the Village's outstanding debt included \$245,333 in an Ohio Water Development Authority Loan for water system improvement, \$24,000 in bonds for Lockwood Road improvements, and \$228,953 in JV5 loans related to a distributive generation project. For further information regarding the Village's debt, refer to Note 10 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, Ohio
Statement of Net Position - Cash Basis
December 31, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in pooled cash and cash equivalents	<u>\$ 1,280,306</u>	<u>\$ 1,859,257</u>	<u>\$ 3,139,563</u>
Net Position			
Restricted for:			
Capital projects	358,217	-	358,217
Debt service	2,263	-	2,263
Other purposes	485,566	-	485,566
Unrestricted	<u>434,260</u>	<u>1,859,257</u>	<u>2,293,517</u>
Total net position	<u>\$ 1,280,306</u>	<u>\$ 1,859,257</u>	<u>\$ 3,139,563</u>

See accompanying notes to the financial statements.

Village of Milan
Erie County, Ohio
Statement of Activities - Cash Basis
For the Year Ended December 31, 2015

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Current:						
General government	\$ 118,155	\$ 79,094	\$ -	\$ (39,061)	\$ -	\$ (39,061)
Security of persons and property	362,483	3,077	35	(359,371)	-	(359,371)
Leisure time activities	17,159	-	-	(17,159)	-	(17,159)
Community environment	7,723	-	-	(7,723)	-	(7,723)
Transportation	391,239	-	84,539	(306,700)	-	(306,700)
Capital outlay	149,724	-	-	(149,724)	-	(149,724)
Debt service:						
Principal retirement	5,000	-	5,000	-	-	-
Interest and fiscal charges	1,740	-	1,831	91	-	91
Total governmental activities	1,053,223	82,171	91,405	(879,647)	-	(879,647)
Business-Type Activities						
Water	363,852	348,981	-	-	(14,871)	(14,871)
Sewer	273,357	225,481	-	-	(47,876)	(47,876)
Electric	1,562,486	1,556,100	-	-	(6,386)	(6,386)
Guaranteed Utilities	3,183	5,937	-	-	2,754	2,754
Total business-type activities	2,202,878	2,136,499	-	-	(66,379)	(66,379)
Total government	\$ 3,256,101	\$ 2,218,670	\$ 91,405	(879,647)	(66,379)	(946,026)
General Receipts						
Municipal income taxes levied for:						
General purposes				455,455	-	455,455
Capital outlay				96,308	-	96,308
Property taxes levied for:						
General purposes				116,976	-	116,976
Street services				74,454	-	74,454
Police pension				7,829	-	7,829
Grants and entitlements not restricted						
to specific programs				65,183	-	65,183
Interest				2,817	-	2,817
Miscellaneous				19,000	-	19,000
Transfers				(6,908)	6,908	-
Total general receipts and transfers				831,114	6,908	838,022
Change in net position				(48,533)	(59,471)	(108,004)
Net position beginning of year				1,328,839	1,918,728	3,247,567
Net position end of year				\$ 1,280,306	\$ 1,859,257	\$ 3,139,563

See accompanying notes to the financial statements.

Village of Milan
Erie County, Ohio
Statement of Fund Net Position - Cash Basis
Governmental Funds
December 31, 2015

	<u>General</u>	<u>Street Levy</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in pooled cash and cash equivalents	\$ 434,260	\$ 219,360	\$ 242,909	\$ 383,777	\$ 1,280,306
Fund Balances					
Restricted	-	219,360	242,909	383,777	846,046
Unassigned	434,260	-	-	-	434,260
Total fund balances	<u>\$ 434,260</u>	<u>\$ 219,360</u>	<u>\$ 242,909</u>	<u>\$ 383,777</u>	<u>\$ 1,280,306</u>

See accompanying notes to the financial statements.

Village of Milan
Eric County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General	Street Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal income taxes	\$ 455,455	\$ -	\$ -	\$ 96,308	\$ 551,763
Property and other local taxes	116,976	74,454	-	7,829	199,259
Fines, licenses and permits	76,693	-	-	2,436	79,129
Intergovernmental	65,183	-	-	71,887	137,070
Special assessments	-	-	-	6,831	6,831
Interest	2,817	-	-	212	3,029
Miscellaneous	-	72	-	34,445	34,517
Total receipts	717,124	74,526	-	219,948	1,011,598
Disbursements					
Current:					
General government	116,658	1,210	-	287	118,155
Security of persons and property	337,372	-	-	25,111	362,483
Leisure time activities	17,159	-	-	-	17,159
Community environment	7,723	-	-	-	7,723
Transportation	182,725	106,175	-	102,339	391,239
Capital outlay	-	-	149,724	-	149,724
Debt service:					
Principal retirement	-	-	-	5,000	5,000
Interest and fiscal charges	-	-	-	1,740	1,740
Total disbursements	661,637	107,385	149,724	134,477	1,053,223
Excess of receipts over (under) disbursements	55,487	(32,859)	(149,724)	85,471	(41,625)
Other financing sources (uses)					
Transfers in	-	-	-	15,000	15,000
Transfers out	(21,908)	-	-	-	(21,908)
Total other financing sources (uses)	(21,908)	-	-	15,000	(6,908)
Net change in fund balance	33,579	(32,859)	(149,724)	100,471	(48,533)
Fund balances beginning of year	400,681	252,219	392,633	283,306	1,328,839
Fund balances end of year	<u>\$ 434,260</u>	<u>\$ 219,360</u>	<u>\$ 242,909</u>	<u>\$ 383,777</u>	<u>\$ 1,280,306</u>

See accompanying notes to the financial statements.

Village of Milan
Erie County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Municipal income taxes	\$ 354,557	\$ 354,557	\$ 455,455	\$ 100,898
Property and other local taxes	91,062	91,062	116,976	25,914
Fines, licenses and permits	59,703	59,703	76,693	16,990
Intergovernmental	50,743	50,743	65,183	14,440
Interest	2,193	2,193	2,817	624
Total receipts	<u>558,258</u>	<u>558,258</u>	<u>717,124</u>	<u>158,866</u>
Disbursements				
Current:				
General government	157,900	153,900	116,658	37,242
Security of persons and property	376,323	383,200	337,372	45,828
Leisure time activities	20,000	18,000	17,159	841
Community environment	15,500	8,800	7,723	1,077
Transportation	236,250	239,850	182,725	57,125
Total disbursements	<u>805,973</u>	<u>803,750</u>	<u>661,637</u>	<u>142,113</u>
Excess of receipts over disbursements	(247,715)	(245,492)	55,487	300,979
Other financing uses				
Transfers out	<u>(23,125)</u>	<u>(23,125)</u>	<u>(21,908)</u>	<u>1,217</u>
Net change in fund balance	(270,840)	(268,617)	33,579	302,196
Fund balance at beginning of year	377,729	377,729	377,729	-
Prior year encumbrances appropriated	<u>22,952</u>	<u>22,952</u>	<u>22,952</u>	<u>-</u>
Fund balance at end of year	<u>\$ 129,841</u>	<u>\$ 132,064</u>	<u>\$ 434,260</u>	<u>\$ 302,196</u>

See accompanying notes to the financial statements.

Village of Milan
Erie County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Street Levy Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and other local taxes	\$ 77,033	\$ 77,033	\$ 74,454	\$ (2,579)
Miscellaneous	<u>74</u>	<u>74</u>	<u>72</u>	<u>(2)</u>
Total receipts	<u>77,107</u>	<u>77,107</u>	<u>74,526</u>	<u>(2,581)</u>
Disbursements				
Current:				
General government	2,000	2,000	1,210	790
Transportation	<u>180,000</u>	<u>180,000</u>	<u>106,175</u>	<u>73,825</u>
Total disbursements	<u>182,000</u>	<u>182,000</u>	<u>107,385</u>	<u>74,615</u>
Net change in fund balance	(104,893)	(104,893)	(32,859)	72,034
Fund balance at beginning of year	<u>252,219</u>	<u>252,219</u>	<u>252,219</u>	<u>-</u>
Fund balance at end of year	<u>\$ 147,326</u>	<u>\$ 147,326</u>	<u>\$ 219,360</u>	<u>\$ 72,034</u>

See accompanying notes to the financial statements.

Village of Milan
Erie County, Ohio
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>	<u>Other Enterprise Fund</u>	<u>Total Enterprise Funds</u>
Assets					
Equity in pooled cash and cash equivalents	<u>\$ 277,092</u>	<u>\$ 457,047</u>	<u>\$ 1,109,900</u>	<u>\$ 15,218</u>	<u>\$ 1,859,257</u>
Total assets	<u>\$ 277,092</u>	<u>\$ 457,047</u>	<u>\$ 1,109,900</u>	<u>\$ 15,218</u>	<u>\$ 1,859,257</u>
Net position					
Unrestricted	<u>277,092</u>	<u>457,047</u>	<u>1,109,900</u>	<u>15,218</u>	<u>1,859,257</u>
Total net position	<u><u>\$ 277,092</u></u>	<u><u>\$ 457,047</u></u>	<u><u>\$ 1,109,900</u></u>	<u><u>\$ 15,218</u></u>	<u><u>\$ 1,859,257</u></u>

See accompanying notes to the financial statements.

Village of Milan
Eric County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Net Position - Cash Basis
Proprietary Funds
December 31, 2015

	Water	Sewer	Electric	Other Enterprise Fund	Total Enterprise Funds
Operating Receipts					
Charges for services	\$ 348,981	\$ 225,382	\$ 1,532,039	\$ 5,937	\$ 2,112,339
Other operating receipts	-	99	24,061	-	24,160
Total operating receipts	<u>348,981</u>	<u>225,481</u>	<u>1,556,100</u>	<u>5,937</u>	<u>2,136,499</u>
Operating Disbursements					
Personal services	94,128	70,576	158,437	-	323,141
Employee fringe benefits	59,874	45,322	84,483	-	189,679
Travel and transportation	573	549	3,061	-	4,183
Purchased services	-	-	1,086,642	-	1,086,642
Contractual services	40,044	55,411	31,385	-	126,840
Supplies and materials	34,898	52,352	73,256	-	160,506
Total operating disbursements	<u>229,517</u>	<u>224,210</u>	<u>1,437,264</u>	<u>-</u>	<u>1,890,991</u>
Operating income (loss)	119,464	1,271	118,836	5,937	245,508
Non-operating disbursements					
Capital outlay	(23,665)	(49,147)	(92,321)	-	(165,133)
Principal retirement	(87,380)	-	(30,588)	-	(117,968)
Interest and fiscal charges	(23,290)	-	(2,313)	-	(25,603)
Other financing uses	-	-	-	(3,183)	(3,183)
Total non-operating disbursements	<u>(134,335)</u>	<u>(49,147)</u>	<u>(125,222)</u>	<u>(3,183)</u>	<u>(311,887)</u>
Income (loss) before transfers	(14,871)	(47,876)	(6,386)	2,754	(66,379)
Transfers					
Transfers in	-	-	6,908	-	6,908
Total transfers	<u>-</u>	<u>-</u>	<u>6,908</u>	<u>-</u>	<u>6,908</u>
Change in net position	(14,871)	(47,876)	522	2,754	(59,471)
Net position beginning of year	<u>291,963</u>	<u>504,923</u>	<u>1,109,378</u>	<u>12,464</u>	<u>1,918,728</u>
Net position end of year	<u>\$ 277,092</u>	<u>\$ 457,047</u>	<u>\$ 1,109,900</u>	<u>\$ 15,218</u>	<u>\$ 1,859,257</u>

See accompanying notes to the financial statements.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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 operates under a council/mayor form of government. Elected officials include six council members, a clerk/treasurer, and a mayor. The Village provides various services including police protection, recreation (including parks), street maintenance and repair, utility (including water, sewer and electric) and general administrative services. The Village contracts with Milan Township to provide fire protection services.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

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 general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, court and police services. Council has direct responsibility for these services.

Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resource; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village does not have any component units.

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 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). For more information on joint ventures see Note 14.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity (continued)

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 the “Basis of Accounting” section of this note, 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.

Basis of Presentation

The Village’s basic financial statements consist of government-wide financial 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 statements distinguish between those activities of the Village that are governmental and those that are considered business-type activities. 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.

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 activities 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, and receipts of interest earned on grants required to be used to support 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 general receipts of the Village.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

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. Fiduciary funds are reported by type.

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.

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:

General - The general fund accounts for and reports all financial resources not accounted for and reported 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.

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

Capital Improvement – This fund accounts for resources which are for the purpose of acquisition or construction of major capital facilities.

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

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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 either enterprise funds or internal service funds. The Village does not have an internal service fund.

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 following are the Village's 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 - This fund receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Village has no pension trust funds, investment trust funds or private purpose trust funds. Agency funds are purely custodial in nature and are used to account for assets held by the Village for individuals, other governments, or other organizations. The Village's agency fund accounts for the Mayor's Court. There was no balance in the Mayor's Court at year-end.

Basis of Accounting

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

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

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process

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

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 of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

During 2015, the Village invested in negotiable certificates of deposit (CDARS) 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, 2015.

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 2015 were \$2,817, which included \$2,434 assigned from other Village funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or by laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Village are reported as nonspendable.

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.

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.

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.

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.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when 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 an other financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Net Position

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

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

Fund Balance

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 are 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.

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.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 – Summary of Significant Accounting Policies (continued)

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or 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 (ordinance or resolution) it employed to previously commit those amounts. 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.

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 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 all 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 not presented in the financial statements.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general and street levy funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as assigned or restricted fund balance (cash basis). For 2015, there were no outstanding encumbrances at year end (budgetary basis) for the General or Street Levy funds.

Note 4 – Deposits and Investments

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

Active deposits are public deposits determined to be necessary to meet current demands upon 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 Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of 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;

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 4 – Deposits and Investments (continued)

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 two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year end, the Village had \$200 in undeposited cash on hand, which is included on the balance sheet of the Village as part of “Equity in Pooled Cash and Cash Equivalents.”

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 year end, none of the Village’s bank balance of \$1,266,884 was 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 105% of the deposits being secured.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Investments

As of December 31, the Village had the following investments:

Investment Type	2015 Fair Value
Star Ohio	\$ 776,556
CDARS	1,257,451
Total Investments	\$ 2,034,007

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village’s investment policy addresses interest rate risk by requiring that the Village’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit risk is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. STAR Ohio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

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

Note 5 – Income Taxes

The Village levies a 1 percent income tax on substantially all income earned in the Village. In addition, Village residents employed in municipalities having an income tax less than 1 percent must pay the difference to the Village. Additional increases in income tax rate require voter approval. Employers within the Village withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

Income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. During 2015, the receipts were allocated to the general fund and the capital improvement fund.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 6 – Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the Village. Property tax revenue received during 2015 for real and public utility property taxes represents collections of 2014 taxes, respectively.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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 later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015 and are collected in 2016 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2015, was \$5.22 per \$1,000 of assessed value. The assessed values of real property and public utility property upon which 2015 property tax receipts were based are as follows:

	<u>2015</u>
Real property	
Residential and agricultural	\$ 21,267,890
Other	3,922,480
Public utility	<u>1,124,530</u>
Total assessed value	<u><u>\$ 26,314,900</u></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.

Note 7 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 7 – Risk Management (continued)

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, 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 774 and 783 members as of December 31, 2013 and 2014, respectively (the latest information available).

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.

Settlements 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, 2013 and 2014 (the latest information available).

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

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

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description – Village employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined benefit features. While members (e.g. Village employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	Formula:	Formula:
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Village of Milan
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Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 8 – Defined Benefit Pension Plans (continued)

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State	
	and Local	
2015 Statutory Maximum Contribution Rates		
Employer	14.0	%
Employee	10.0	%
2015 Actual Contribution Rates		
Employer:		
Pension	12.0	%
Post-employment Health Care Benefits	2.0	
Total Employer	14.0	%
Employee	10.0	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Village’s contractually required contribution was \$81,603 for year 2015.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 8 – Defined Benefit Pension Plans (continued)

Ohio Police and Fire Pension Fund

Plan Description – Village full-police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report may be obtained by visiting the OPF website at www.opf.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 8 – Defined Benefit Pension Plans (continued)

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police		Firefighters	
2015 Statutory Maximum Contribution Rates				
Employer	19.50	%	24.00	%
Employee:				
January 1, 2015 through July 1, 2015	11.50	%	11.50	%
July 2, 2015 through December 31, 2015	12.25	%	12.25	%
2015 Actual Contribution Rates				
Employer:				
Pension	19.00	%	23.50	%
Post-employment Health Care Benefits	0.50		0.50	
Total Employer	19.50	%	24.00	%
Employee:				
January 1, 2015 through July 1, 2015	11.50	%	11.50	%
July 2, 2015 through December 31, 2015	12.25	%	12.25	%

Employer contributions rates are expressed as a percentage of covered payroll. The Village’s contractually required contribution to OPF was \$22,747 for 2015.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan. The combined plan is 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 post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 9 - Postemployment Benefits (continued)

In order to qualify for post-employment health care coverage, aged-and-service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in 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.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, the Village contributed at a rate of 14.00% of earnable salary for state and local employees. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund the OPEB Plan.

OPERS' post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. For 2015, the portion of employer contributions allocated to health care for members in the traditional pension and combined plans was 2%. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the OPERS' Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2015, 2014, and 2013 were \$11,656, \$10,749, and \$8,192 respectively, 100% has been contributed for 2015, 2014, and 2013.

Village of Milan
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Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 9 - Postemployment Benefits (continued)

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 passage of pension obligation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

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

OPF provides access post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OPF to provide OPEB benefits. Authority for the OPF 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.

OPF 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 OPF, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24% of covered payroll for fire employer unit. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One fund is for health care benefits under an IRS Code Section 115 trust and one fund is for Medicare Part B 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 OPF Board of Trustees.

Village of Milan
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Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 9 - Postemployment Benefits (continued)

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. The portion of employer contributions allocated to health care was 1% of covered payroll for 2015. 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 OPF 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 OPF allocated to the health care plan for the years ending December 31, 2015, 2014, and 2013 were \$1,167, \$989, and \$6,593 respectively. 100% has been contributed for 2015, 2014, and 2013.

Note 10 – Debt

The Village's long-term debt activity for the year ended December 31, 2015 was as follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Ohio Water Development Authority (OWDA) Loan	7.03%	\$ 1,061,767	July 1, 2018
OMEGA JV5 Loan	2.50%	437,946	February 15, 2024
Lockwood Road Project General Obligation Bond	6.00%	75,000	December 1, 2019

<i>Governmental Activities</i>	Balance at 1/1/2015	Increase	Decrease	Balance at 12/31/2015	Due within one year
Lockwood Road GO Bond 6%	\$ 29,000	\$ -	\$ (5,000)	\$ 24,000	\$ 5,000
<i>Total Governmental Activities</i>	\$ 29,000	\$ -	\$ (5,000)	\$ 24,000	\$ 5,000

<i>Business-Type Activities</i>	Balance at 1/1/2015	Increase	Decrease	Balance at 12/31/2015	Due within one year
OWDA Loan	\$ 332,713	\$ -	\$ (87,380)	\$ 245,333	\$ 93,523
OMEGA JV5 Loan	259,541	-	(30,588)	228,953	-
<i>Total Business-Type Activities</i>	\$ 592,254	\$ -	\$ (117,968)	\$ 474,286	\$ 93,523

Village of Milan
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Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 10 – Debt (continued)

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 7.03 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.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2015 are as follows:

Year Ending December 31:	Lockwood Road GO Bonds		OWDA Loan	
	Principal	Interest	Principal	Interest
2016	\$ 5,000	\$ 1,440	\$ 93,523	\$ 17,247
2017	6,000	1,140	100,098	10,672
2018	6,000	780	51,712	3,673
2019	7,000	420	-	-
Total	\$ 24,000	\$ 3,780	\$ 245,333	\$ 31,592

No amortization schedule is available for the OMEGA JV5 loan.

Note 11 - 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:

<i>2015 Fund Balances</i>	<i>Other</i>				<i>Total</i>
	<i>General</i>	<i>Street Levy</i>	<i>Capital Improvements</i>	<i>Governmental Funds</i>	<i>Governmental Funds</i>
Restricted for					
Law enforcement	\$ -	\$ -	\$ -	\$ 23,766	\$ 23,766
Street and highway repair	-	219,360	-	231,948	451,308
Computer	-	-	-	10,492	10,492
Special assessment	-	-	-	2,263	2,263
Capital improvements	-	-	242,909	115,308	358,217
Total restricted	-	219,360	242,909	383,777	846,046
Unassigned	434,260	-	-	-	434,260
Total fund balances	<u>\$ 434,260</u>	<u>\$ 219,360</u>	<u>\$ 242,909</u>	<u>\$ 383,777</u>	<u>\$ 1,280,306</u>

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 12 - Interfund Transactions

The following is a reconciliation of the Village's transfers:

Fund	2015	
	Transfers In	Transfers Out
General	\$ -	\$ 21,908
Other Governmental Funds	15,000	-
<i>Total Governmental Funds</i>	15,000	-
Electric	6,908	-
<i>Total Enterprise Funds</i>	6,908	-
Total	\$ 21,908	\$ 21,908

Transfers are made from the general fund to subsidize operations of other funds. Transfers are also made from other funds to move money for the payment of debt and capital disbursements. Transfers were in accordance with budgetary authorizations and Ohio Revised Code provisions.

Note 13 – Contingent Liabilities

Management believes there are no pending claims or lawsuits.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 14 – Joint Ventures

AMP Generating Station (AMPGS) Project

The Village is a member of the 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 .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 considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 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 a future benefit for the project participants, leaving a net impaired cost estimate of \$162,971. 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. Since March 31, 2014 the Village has made payments of \$15,392 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$1,674 and interest expense incurred on AMP's line-of-credit of \$2,302, resulting in a net impaired cost estimate at December 31, 2015 of \$151,555.

The Village intends to recover these costs and repay AMP over the next 5 years through a power cost adjustment.

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.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 14 – Joint Ventures (continued)

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 position 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, 2015, the outstanding debt was \$8,052,470. The Village's net investment in OMEGA JV2 was \$91,178 at December 31, 2015. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2015 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>
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	<u>0.79%</u>	<u>1,066</u>	Custar	<u>0.00%</u>	<u>4</u>
	<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>

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 14 – Joint Ventures (continued)

Under the Village’s cash basis of accounting, the equity interest in OMEGA JV2 is not reported as an asset in the accompanying cash basis financial statements.

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 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 Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Management 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 the OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2015 the Village of Milan has met their debt coverage obligation.

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

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 14 – Joint Ventures (continued)

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of the 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. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187. AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$11,653 at December 31, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Note 15 – Change in Accounting Principle

The Village implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, expense/expenditure and enhanced footnote disclosure. The implementation of this pronouncement had no effect on the net position of the Village.

**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
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 (the Village), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 27, 2016, wherein we noted the Village uses a special purpose framework other than generally accepted accounting principles. We also noted the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

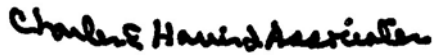
Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

However, we noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 27, 2016.

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.



Charles E. Harris & Associates, Inc.
June 27, 2016

**VILLAGE OF MILAN
ERIE COUNTY**

Schedule of Prior Audit Findings
December 31, 2015

The prior audit report, for the year ending December 31, 2014, reported no material citations or recommendations.



Dave Yost • Auditor of State

VILLAGE OF MILAN

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 18, 2016