



**VILLAGE OF MILAN
ERIE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2023-2022

**VILLAGE OF MILAN
ERIE COUNTY**

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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 Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Milan, Erie County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2023 and 2022, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter - Accounting Basis

As discussed in Note 13 to the financial statements, during 2022, the Village has elected to change its financial presentation to an accounting basis permitted by the financial reporting provisions of the Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2025, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Keith Faber
Auditor of State
Columbus, Ohio

April 3, 2025

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Village of Milan
Erie County
Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2023

	General	Special Revenue	Capital Projects	Combined Total
Cash Receipts				
Property and Other Local Taxes	\$162,351	\$90,200		\$252,551
Municipal Income Tax	746,399		\$186,600	932,999
Intergovernmental	123,570	100,337	38,983	262,890
Fines, Licenses and Permits	36,155	1,235		37,390
Earnings on Investments	142,897	10,756		153,653
Miscellaneous	3,713	18,887		22,600
<i>Total Cash Receipts</i>	<u>1,215,085</u>	<u>221,415</u>	<u>225,583</u>	<u>1,662,083</u>
Cash Disbursements				
Current:				
Security of Persons and Property	385,244	45,557		430,801
Leisure Time Activities		147		147
Community Environment	11,659	864		12,523
Transportation	119,345	246,577		365,922
General Government	227,449	13,881		241,330
Capital Outlay		113,073	223,229	336,302
<i>Total Cash Disbursements</i>	<u>743,697</u>	<u>420,099</u>	<u>223,229</u>	<u>1,387,025</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>471,388</u>	<u>(198,684)</u>	<u>2,354</u>	<u>275,058</u>
Other Financing Receipts (Disbursements)				
Transfers In	45,000	95,000		140,000
Transfers Out	(168,520)			(168,520)
Other Financing Uses			(3,664)	(3,664)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(123,520)</u>	<u>95,000</u>	<u>(3,664)</u>	<u>(32,184)</u>
<i>Net Change in Fund Cash Balances</i>	<u>347,868</u>	<u>(103,684)</u>	<u>(1,310)</u>	<u>242,874</u>
<i>Fund Cash Balances, January 1</i>	<u>1,222,384</u>	<u>599,962</u>	<u>536,254</u>	<u>2,358,600</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,570,252</u>	<u>\$496,278</u>	<u>\$534,944</u>	<u>\$2,601,474</u>

See accompanying notes to the financial statements

Village of Milan
Erie County
Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2023

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,887,210
Miscellaneous	5,327
<i>Total Operating Cash Receipts</i>	<u>1,892,537</u>
Operating Cash Disbursements	
Personal Services	369,884
Employee Fringe Benefits	124,313
Contractual Services	1,111,198
Supplies and Materials	128,662
Other	7,696
<i>Total Operating Cash Disbursements</i>	<u>1,741,753</u>
<i>Operating Income</i>	<u>150,784</u>
Non-Operating Disbursements	
Capital Outlay	(295,918)
Principal Retirement	(2,034)
<i>Total Non-Operating Disbursements</i>	<u>(297,952)</u>
<i>Loss before Transfers</i>	(147,168)
Transfers In	28,520
<i>Net Change in Fund Cash Balances</i>	(118,648)
<i>Fund Cash Balances, January 1</i>	<u>2,351,441</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,232,793</u></u>

See accompanying notes to the financial statements

Village of Milan
Erie County
Statement of Additions, Deductions, and
Change in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund
For the Year Ended December 31, 2023

	<u>Custodial</u>
	<u>Other</u>
	<u>Custodial</u>
Additions	
Fines, Licenses and Permits for Distribution	<u>\$4,394</u>
Deductions	
Other Distributions	<u>4,103</u>
<i>Net Change in Fund Cash Balance</i>	291
<i>Fund Cash Balance, January 1</i>	<u>272</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$563</u></u>
<i>See accompanying notes to the financial statements</i>	

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 1 - Reporting Entity

The Village of Milan, Erie County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, water, sewer, and electric utilities, maintenance of Village roads and bridges, park operations, and police services. The Village contracts with Milan Township to provide fire services.

Public Entity Risk Pool, Joint Ventures and Jointly Governed Organizations

The Village participates in a public entity risk pool, several joint ventures, and a jointly governed organization. Notes 6, 10, and 11 to the financial statements provide additional information for these entities.

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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for the proprietary fund type, and a statement of additions, deductions, and change in fund balance (regulatory cash basis) for the fiduciary fund which are all organized on a fund type basis.

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 below:

General Fund 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund The Street Construction Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

American Rescue Plan Act Fund The American Rescue Plan Act Fund accounts for and reports federal receipts for eligible uses of loss of revenue, water, sewer, and broadband infrastructure.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Capital Projects Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

Capital Improvement Fund The Capital Improvement Fund accounts for resources which are for the purpose of acquisition or construction of major facilities and capital outlay purchases.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Electric Fund The Electric Fund receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria. The Village does not have any trust funds.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the activity of the mayor's court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2023

A summary of 2023 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Settlement Monies

Ohio has reached settlement agreements with various distributors of opioids which are subject to the OneOhio memorandum of understanding. The original settlement was reached in 2021 with annual payments anticipated through 2038. For 2023, distributions of \$745 are reflected as intergovernmental receipts in the OneOhio Opioid Settlement Special Revenue Fund in the accompanying financial statements.

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the General Fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2023 follows:

2023 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,064,609	\$1,260,085	\$195,476
Special Revenue	310,538	316,415	5,877
Capital Projects	155,000	225,583	70,583
Enterprise	2,400,500	1,921,057	(479,443)
Total	<u>\$3,930,647</u>	<u>\$3,723,140</u>	<u>(\$207,507)</u>

2023 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,079,614	\$918,775	\$160,839
Special Revenue	624,096	476,537	147,559
Capital Projects	319,722	226,893	92,829
Enterprise	2,802,738	2,291,843	510,895
Total	<u>\$4,826,170</u>	<u>\$3,914,048</u>	<u>\$912,122</u>

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 4 - Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	<u>2023</u>
<i>Cash Management Pool (the Pool):</i>	
Demand deposits	\$1,464,420
STAR Ohio	<u>3,370,410</u>
Total carrying amount of deposits and investments held in the Pool	<u><u>\$4,834,830</u></u>

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2023 the Village is holding \$5,598 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 - Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Risk Pool Membership

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

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

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remain unchanged. OPRM had 801 Members as of December 31, 2023.

The Plan's audited financial statements conform with accounting principles generally accepted in the United States of America, with the exception of a qualified opinion related to recording premiums and membership fees earned in full as of December 31, 2023. Those premiums and fees should be earned pro-rata over the individual coverage and membership periods of each policy. The financial statements reported the following assets, liabilities and equity at December 31, 2023.

Assets	\$ 23,113,696
Liabilities	<u>(16,078,587)</u>
Members' Equity	<u>\$ 7,035,109</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

Village of Milan
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Notes to the Financial Statements
For the Year Ended December 31, 2023

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 14 percent of their gross salaries, and the Village contributed an amount equaling 10 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2023.

Ohio Police and Fire Retirement System

The Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2023.

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2023.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. OP&F uses a stipend-based health care model. A stipend funded by OP&F is placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses. For calendar year 2023, the portion of OPERS employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2023, the portion of employer contributions OPERS allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves. OP&F contributes 0.5 percent to fund these benefits.

Note 9 - Debt

Debt outstanding at December 31, 2023 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OMEGA JV5 Loan	\$197,060	Varies
OWDA Drinking Water Fund Planning #8110	3,051	0.00%
Total	<u><u>\$200,111</u></u>	

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2023

The Ohio Water Development Authority (OWDA) loan relates to an asset management plan. The loan will be repaid in semiannual installments over five years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Omega JV5 debt relates to the purchase of Ohio Municipal Electronic Generation Agency Joint Venture (OMEGA JV5). OMEGA JV5 are distributive generation projects. OMEGA JV5 debt is composed of two series of bonds, the 2001 and the 2016 bonds. The 2001 bonds are accretion bonds with a series of balloon payments coming due around 2025. In order to not cause mass fluctuation in member rates, AMP Ohio is currently collecting ahead to be able to make those payments. As such the debt paid down will not always equal the amount of principal collected each year. The increase from 2022 to 2023 is due to bond accretion, which is not reflected in the Village's cash basis reporting. An amortization schedule for the repayment of the debt is currently not available and, therefore, is not included in the schedule below.

Amortization

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	OWDA Loan
2024	\$2,034
2025	1,017
Total	<u>\$3,051</u>

Note 10 - Joint Ventures and Projects

OMEGA JV2

The Village is a Non-Financing Participant and an Owner Participant with an ownership percentage of .55% and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net 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. The Village's net investment in OMEGA JV2 was (\$10,834) at December 31, 2023. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Village of Milan
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Notes to the Financial Statements
For the Year Ended December 31, 2023

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2023 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	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

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.

Village of Milan
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Notes to the Financial Statements
For the Year Ended December 31, 2023

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, 2023, the Village of Milan has met its debt coverage obligation.

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

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP-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. On January 29, 2016, OMEGA JV5 issued the Beneficial Interest Certificates (2016 Certificates) in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JV5 was \$11,596 at December 31, 2023. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

AMP Generating Station (AMPGS) Project

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,259 kilowatts of a total 771,281 kilowatts, giving the Village a .16% 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. Until November 2009, AMP had been developing a 960 MW twin unit, supercritical boiler, coal-fired, steam and electric generating facility, to be known as the American Municipal Power Generating Station ("AMPGS"), in Meigs County, in southeastern Ohio, on the Ohio River. AMP had planned for AMPGS to enter commercial operation in 2014 at a total capital cost of approximately \$3 billion. In the fourth quarter of 2009, however, the estimated capital costs increased by 37% and Bechtel Power Corporation ("Bechtel"), the EPC (engineer, procure and construct) contractor, would not guarantee that the costs would not continue to escalate.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2023

As a result of the estimated cost increases and prior to the commencement of major construction at the project site, the 81 AMP Members that had subscribed for capacity from AMPGS (“*AMPGS Participants*”) voted to cease development of AMPGS as a coal fired project. The Village is one of the 81 AMPGS Participants.

In August 2016, AMP and Bechtel engaged in court-ordered mediation to resolve disputes raised in litigation relating to the cancellation of the AMPGS Project. Following the mediation, AMP and Bechtel reached a comprehensive settlement which resolved all claims. The terms of such settlement are confidential.

As of December 31, 2023, the Village’s allocated share of the stranded costs recoverable from the AMPGS Participants is \$74,429.

Note 11 - Jointly Governed Organization

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA’s operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2023, the Village paid RITA \$16,923 for income tax collection services.

Note 12 - Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Outstanding Encumbrances	<u>\$ 6,558</u>	<u>\$ 56,438</u>	<u>\$ 62,996</u>

The fund balance of Special Revenue funds is either restricted or committed. The fund balance of Capital Projects fund is restricted, committed or assigned. These restricted or committed amounts in the Special Revenue funds would include the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2023

Note 13 - Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 14 - AMP Revenue Coverage

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 10. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	<u>2023</u>
Total Fund Cash Balance	\$1,338,051
Total Long-Term Debt	\$197,060
Condensed Operating Information:	
Operating Receipts	
Charges for Services	\$1,219,545
Other Operating Receipts	<u>10,415</u>
Total Operating Receipts	<u>1,229,960</u>
Operating Expenses	
Personal Services	163,010
Employee Fringe Benefits	65,851
Contractual Services	874,290
Supplies and Materials	60,605
Other	<u>6,296</u>
Total Operating Expenses	<u>1,170,052</u>
Operating Income	59,908
Nonoperating (Disbursements)	
Other Nonoperating (Disbursements)	(77,102)
Transfers	<u>28,520</u>
Change in Fund Cash Balance	11,326
Beginning Fund Cash Balance	<u>1,326,725</u>
Ending Fund Cash Balance	<u><u>\$1,338,051</u></u>

Village of Milan
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Notes to the Financial Statements
For the Year Ended December 31, 2023

Condensed Cash Flows Information:	<u>2023</u>
Net Cash Provided by:	
Operating Activities	\$59,908
Noncapital Financing Activities	
Other Noncapital Financing Activities	28,520
Capital and Related Financing Activities	
Other Capital and Related Financing Activities	<u>(77,102)</u>
Net Increase	11,326
Beginning Fund Cash Balance	<u>1,326,725</u>
Ending Fund Cash Balance	<u><u>\$1,338,051</u></u>

Village of Milan
Erie County
Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2022

	General	Special Revenue	Capital Projects	Combined Total
Cash Receipts				
Property and Other Local Taxes	\$158,809	\$90,237		\$249,046
Municipal Income Tax	631,343		\$150,461	781,804
Intergovernmental	81,478	171,709		253,187
Fines, Licenses and Permits	46,620	835		47,455
Earnings on Investments	15,725	1,184		16,909
Gifts and Contributions		52,845		52,845
Miscellaneous	29,515	3,492		33,007
<i>Total Cash Receipts</i>	<u>963,490</u>	<u>320,302</u>	<u>150,461</u>	<u>1,434,253</u>
Cash Disbursements				
Current:				
Security of Persons and Property	365,695	32,402		398,097
Leisure Time Activities	135,784			135,784
Community Environment	6,806			6,806
Transportation		287,270		287,270
General Government	197,064	11,728		208,792
Capital Outlay			50,140	50,140
<i>Total Cash Disbursements</i>	<u>705,349</u>	<u>331,400</u>	<u>50,140</u>	<u>1,086,889</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>258,141</u>	<u>(11,098)</u>	<u>100,321</u>	<u>347,364</u>
Other Financing Receipts (Disbursements)				
Transfers In	41,136	72,000		113,136
Transfers Out	(138,133)	(17,671)		(155,804)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(96,997)</u>	<u>54,329</u>		<u>(42,668)</u>
<i>Net Change in Fund Cash Balances</i>	<u>161,144</u>	<u>43,231</u>	<u>100,321</u>	<u>304,696</u>
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>1,061,240</u>	<u>556,731</u>	<u>435,933</u>	<u>2,053,904</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,222,384</u>	<u>\$599,962</u>	<u>\$536,254</u>	<u>\$2,358,600</u>

See accompanying notes to the financial statements

Village of Milan
Erie County
Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2022

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$2,268,087
Operating Cash Disbursements	
Personal Services	353,179
Employee Fringe Benefits	148,517
Contractual Services	284,129
Supplies and Materials	137,642
Generation Purchase	955,986
Other	12,580
<i>Total Operating Cash Disbursements</i>	<i>1,892,033</i>
<i>Operating Income</i>	<i>376,054</i>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	7,485
Capital Outlay	(158,349)
Principal Retirement	(2,034)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(152,898)</i>
<i>Income before Transfers</i>	<i>223,156</i>
Transfers In	117,668
Transfers Out	(75,000)
<i>Net Change in Fund Cash Balances</i>	<i>265,824</i>
<i>Fund Cash Balances, January 1 (Restated)</i>	<i>2,085,617</i>
<i>Fund Cash Balances, December 31</i>	<i>\$2,351,441</i>

See accompanying notes to the financial statements

Village of Milan
Erie County
Statement of Additions, Deductions, and
Change in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund
For the Year Ended December 31, 2022

	<u>Custodial</u>
	<u>Other</u>
	<u>Custodial</u>
Additions	
Fines, Licenses and Permits for Distribution	<u>\$2,900</u>
Deductions	
Other Distributions	<u>2,628</u>
<i>Net Change in Fund Cash Balance</i>	272
<i>Fund Cash Balances, January 1 (Restated)</i>	<u> </u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$272</u></u>
<i>See accompanying notes to the financial statements</i>	

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 1 - Reporting Entity

The Village of Milan, Erie County, Ohio (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, water, sewer, and electric utilities, maintenance of Village roads and bridges, park operations, and police services. The Village contracts with Milan Township to provide fire services.

Public Entity Risk Pool, Joint Ventures and Jointly Governed Organizations

The Village participates in a public entity risk pool, several joint ventures, and a jointly governed organization. Notes 6, 10, and 11 to the financial statements provide additional information for these entities.

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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for the proprietary fund type, and a statement of additions, deductions, and change in fund balance (regulatory cash basis) for the fiduciary fund which are all organized on a fund type basis.

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 below:

General Fund 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair Fund The Street Construction Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Street Levy Fund The Street Levy Fund accounts for monies derived from property taxes. Disbursements are restricted by the levy to street repair/improvement programs.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Capital Projects Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

Capital Improvement Fund The Capital Improvement Fund accounts for resources which are for the purpose of acquisition or construction of major facilities and capital outlay purchases.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Electric Fund The Electric Fund receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Funds Fiduciary funds include private purpose trust funds, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria. The Village does not have any trust funds.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for the activity of the mayor's court.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

A summary of 2022 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Settlement Monies

Ohio has reached settlement agreements with various distributors of opioids which are subject to the OneOhio memorandum of understanding. The original settlement was reached in 2021 with annual payments anticipated through 2038. For 2022, distributions of \$353 are reflected as intergovernmental receipts in the OneOhio Opioid Settlement Special Revenue Fund in the accompanying financial statements.

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the General Fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$955,387	\$1,004,626	\$49,239
Special Revenue	419,934	392,302	(27,632)
Capital Projects	160,000	150,461	(9,539)
Enterprise	2,550,171	2,393,240	(156,931)
Total	<u>\$4,085,492</u>	<u>\$3,940,629</u>	<u>(\$144,863)</u>

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$917,569	\$869,987	\$47,582
Special Revenue	519,174	425,784	93,390
Capital Projects	165,140	160,862	4,278
Enterprise	2,946,190	2,454,676	491,514
Total	<u>\$4,548,073</u>	<u>\$3,911,309</u>	<u>\$636,764</u>

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 4 - Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	<u>2022</u>
<i>Cash Management Pool (the Pool):</i>	
Demand deposits	\$3,866,105
STAR Ohio	<u>844,208</u>
Total carrying amount of deposits and investments held in the Pool	<u><u>\$4,710,313</u></u>

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2022 the Village is holding \$10,970 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 5 - Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Income Taxes

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Risk Pool Membership

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

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

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and has remain unchanged. OPRM had 773 Members as of December 31, 2022.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2022.

Assets	\$ 21,662,291
Liabilities	(18,158,351)
Members' Equity	<u>\$ 3,503,940</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 14 percent of their gross salaries, and the Village contributed an amount equaling 10 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Ohio Police and Fire Retirement System

The Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2022.

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2022.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 9 - Debt

Debt outstanding at December 31, 2022, was as follows:

	Principal	Interest Rate
OMEGA JV5 Loan	\$191,085	Varies
OWDA Drinking Water Fund Planning #8110	5,085	0.00%
Total	<u>\$196,170</u>	

The Ohio Water Development Authority (OWDA) loan relates to an asset management plan. The loan will be repaid in semiannual installments over five years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Omega JV5 debt relates to the purchase of Ohio Municipal Electronic Generation Agency Joint Venture (OMEGA JV5). OMEGA JV5 are distributive generation projects. OMEGA JV5 debt is composed of two series of bonds, the 2001 and the 2016 bonds. The 2001 bonds are accretion bonds with a series of balloon payments coming due around 2025. In order to not cause mass fluctuation in member rates, AMP Ohio is currently collecting ahead to be able to make those payments. As such the debt paid down will not always equal the amount of principal collected each year. The increase from 2021 to 2022 is due to bond accretion, which is not reflected in the Village's cash basis reporting. An amortization schedule for the repayment of the debt is currently not available and, therefore, is not included in the schedule below.

Amortization

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	OWDA Loan
2023	\$2,034
2024	2,034
2025	1,017
Total	<u>\$5,085</u>

Note 10 - Joint Ventures and Projects

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.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non- Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net 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. The Village's net investment in OMEGA JV2 was (\$5,679) at December 31, 2022. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2022 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	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>134,081</u>

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.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

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, 2022, the Village of Milan has met its debt coverage obligation.

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

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP-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. On January 29, 2016, OMEGA JV5 issued the Beneficial Interest Certificates (2016 Certificates) in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JV5 was \$11,596 at December 31, 2022. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

AMP Generating Station (AMPGS) Project

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,259 kilowatts of a total 771,281 kilowatts, giving the Village a .16% 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. Until November 2009, AMP had been developing a 960 MW twin unit, supercritical boiler, coal-fired, steam and electric generating facility, to be known as the American Municipal Power Generating Station ("AMPGS"), in Meigs County, in southeastern Ohio, on the Ohio River. AMP had planned for AMPGS to enter commercial operation in 2014 at a total capital cost of approximately \$3 billion. In the fourth quarter of 2009, however, the estimated capital costs increased by 37% and Bechtel Power Corporation ("Bechtel"), the EPC (engineer, procure and construct) contractor, would not guarantee that the costs would not continue to escalate. As a result of the estimated cost increases and prior to the commencement of major construction at the project site, the 81 AMP Members that had subscribed for capacity from AMPGS ("AMPGS Participants") voted to cease development of AMPGS as a coal fired project. The Village is one of the 81 AMPGS Participants.

In August 2016, AMP and Bechtel engaged in court-ordered mediation to resolve disputes raised in litigation relating to the cancellation of the AMPGS Project. Following the mediation, AMP and Bechtel reached a comprehensive settlement which resolved all claims. The terms of such settlement are confidential.

As of December 31, 2022, the Village's allocated share of the stranded costs recoverable from the AMPGS Participants is \$86,523.

Note 11 - Jointly Governed Organization

Regional Income Tax Agency

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for the purpose of administering the income tax laws of the members and for the purpose of collecting income taxes on behalf of each member. RITA currently has approximately 350 members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine-member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the council. For 2022, the Village paid RITA \$18,317 for income tax collection services.

Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 12 - Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Outstanding Encumbrances	<u>\$ 26,505</u>	<u>\$ 76,713</u>	<u>\$ 110,722</u>	<u>\$ 213,940</u>

The fund balance of Special Revenue funds is either restricted or committed. The fund balance of Capital Projects fund is restricted, committed or assigned. These restricted, committed, and assigned amounts in the Special Revenue and Capital Projects funds would include the outstanding encumbrances. In the General Fund, outstanding encumbrances are considered assigned.

Note 13 - Change in Presentation

In 2021, the Village reported its financial statements on the cash basis comparable to the requirements of *Governmental Accounting Standards*. For 2022, the Village has elected to follow the financial statement presentation following the regulatory basis of accounting described in Note 2. The fund financial statements now present a column for each fund type, rather than each major fund in a separate column with nonmajor funds aggregated and presented in a single column. The Village also no longer presents entity wide financial statements.

Note 14 - Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Village of Milan
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2022

Note 15 - AMP Revenue Coverage

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 10. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	<u>2022</u>
Total Fund Cash Balance	\$1,326,725
Total Long-Term Debt	\$191,085
Condensed Operating Information:	
Operating Receipts	
Charges for Services	<u>\$1,616,561</u>
Operating Expenses	
Personal Services	159,327
Employee Fringe Benefits	78,683
Contractual Services	16,577
Supplies and Materials	53,249
Other	964,442
Total Operating Expenses	<u>1,272,278</u>
Operating Income	344,283
Nonoperating (Disbursements)	
Other Nonoperating (Disbursements)	(23,525)
Transfers	<u>(10,003)</u>
Change in Fund Cash Balance	310,755
Beginning Fund Cash Balance	1,015,970
Ending Fund Cash Balance	<u><u>\$1,326,725</u></u>
Condensed Cash Flows Information:	
	<u>2022</u>
Net Cash Provided by:	
Operating Activities	\$344,283
Noncapital Financing Activities	
Other Noncapital Financing Activities	(10,003)
Capital and Related Financing Activities	
Other Capital and Related Financing Activities	<u>(23,525)</u>
Net Increase	310,755
Beginning Fund Cash Balance	1,015,970
Ending Fund Cash Balance	<u><u>\$1,326,725</u></u>



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

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

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2023 and 2022 and the related notes to the financial statements of the Village of Milan, Erie County, Ohio (the Village), and have issued our report thereon dated April 3, 2025, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the Village elected to change its financial presentation to an accounting basis permitted by Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) for 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the finding identified in our audit and described in the accompanying schedule of findings. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 3, 2025

VILLAGE OF MILAN
ERIE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2023 AND 2022

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

FINDING NUMBER 2023-001

Material Weakness - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors requiring adjustment to the financial statements and notes to the financial statements were identified:

- In 2023, Budget Stabilization Reserve Fund activity (fund cash balances, January 1 in the amount of \$80,055, transfers in in the amount of \$45,000, and fund cash balances, December 31 in the amount of \$125,055) was incorrectly reported in the Capital Projects Fund Type and moved to the General Fund (GASB Cod. 1300.105);
- In 2023, Special Revenue and Enterprise Fund Type budgetary expenditures were increased in the amounts of \$56,438 and \$252,137, respectively, in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the actual amount;
- In 2023, Capital Improvement Fund municipal income tax receipts in the amount of \$182,075 were improperly classified as property and other local taxes receipts;
- In 2023, Capital Improvement Fund intergovernmental receipts in the amount of \$39,983 were improperly classified as earnings on investments receipts;
- In 2023, Capital Projects Fund Type budgeted receipts were decreased in the amount of \$45,000 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the authorized budget amount;
- In 2023, Custodial Fund Type fund cash balance, January 1, fines, licenses and permits for distribution additions, and other distributions deductions, in the amounts of \$272, \$4,394, and \$4,103, respectively, related to the mayor's court were incorrectly accounted for in the Village's General Fund; and
- In 2022, Custodial Fund Type fund cash balance, January 1, fines, licenses and permits for distribution additions, and other distributions deductions, in the amounts of \$181, \$2,900, and \$2,628, respectively, related to the mayor's court were incorrectly accounted for in the Village's General Fund.

These errors were not identified and corrected prior to the Village preparing its financial statements and notes to the financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The failure to adequately monitor the financial statements and notes to the financial statements could allow for misstatements to occur and go undetected. The accompanying financial statements, notes to the financial statements, and accounting records, where appropriate, have been adjusted to correct these errors. In addition to the adjustments noted above, we also identified misstatements ranging from \$4 to \$100,156 that we have brought to the Village's attention.

FINDING NUMBER 2023-001
(Continued)

The Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Village Council, to help identify and correct errors and omissions.

Officials' Response:

At the beginning of year 2024 the Village changed software systems from SSI to UAN. The Fiscal Officer will compare the approved Council budget to the UAN system to assure they match. In the UAN system for the Capital Fund a revenue line code name "Municipal Income Tax" has been established. The Fiscal Officer provides Council prior to their monthly the following reports for their review and approval: Bank Reconciliation, Appropriation Status, Appropriation Summary, Fund Status, Fund Summary, Payment Listing, Payment Register Detail (non-payroll), Receipt Listing, Receipt Detail, Revenue Status and Revenue Summary.



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Administrator
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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2023 AND 2022**

Finding Number	Finding Summary	Status	Additional Information
2021-001	Finding was first reported during the audit of the 2017 financial statements. Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2023-001 in this report.	These matters were not corrected due to deficiencies in Village's internal controls over financial reporting. The Fiscal Officer will compare the approved Council budget to the UAN system to assure they match. In the UAN system for the Capital Fund a revenue line code name "Municipal Income Tax" has been established.
2021-002	Significant deficiency and noncompliance with Village of Milan Codified Ordinance Chapter 197.13 for inappropriately recording income tax revenue in the General Fund.	Partially corrected and reissued as part of the management letter.	This matter was not fully corrected due to deficiencies in the Village's internal control over financial report. However, errors were not material or significant to the Village as a whole, thus supporting reduction to management letter reporting.
2021-003	Significant deficiency for not completing bank to book reconciliations from July, 2020 to April, 2021.	Fully corrected.	
2021-004	Finding for recovery related to errors on timesheets.	Fully corrected.	
2021-005	Finding for recovery related to administrative time given by the Mayor and fire calls claimed as a "break".	Fully corrected.	

Finding Number	Finding Summary	Status	Additional Information
2021-006	Finding for recovery related to improper use of compensation time and errors on timesheets.	Fully corrected.	
2021-007	Finding for recovery related to errors on timesheets.	Fully corrected.	
2021-008	Finding for recovery related to improper vacation accrual.	Fully corrected.	
2021-009	Finding for recovery related to administrative time given by the Mayor and errors on timesheets.	Fully corrected.	
2021-010	Finding for recovery related to errors on timesheets.	Fully corrected.	
2021-011	Finding for recovery related to clothing allowance.	Fully corrected.	

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MILAN

ERIE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/17/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov