



**VILLAGE OF MILAN
ERIE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

VILLAGE OF MILAN
ERIE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 1998	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Milan
Erie County
24 Park Street
P.O. Box 1450
Milan, Ohio 44846-1450

To the Village Council:

We have audited the accompanying financial statements of the Village of Milan, Erie County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2000 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 grants.

This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end.

Jim Petro
Auditor of State

October 13, 2000

**VILLAGE OF MILAN
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$264,914	\$93,211	\$44,297	\$7,872	\$410,294
Special Assessments			16,454		16,454
Intergovernmental Receipts	191,344	54,056	162,794		408,194
Charges for Services	100				100
Fines, Licenses, and Permits	72,586	285			72,871
Miscellaneous	133,281	8,985			142,266
Total Cash Receipts	<u>662,225</u>	<u>156,537</u>	<u>223,545</u>	<u>7,872</u>	<u>1,050,179</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	195,806			16,372	212,178
Leisure Time Activities	9,131				9,131
Community Environment	3,335				3,335
Transportation	93,182	100,524			193,706
General Government	89,749	1,676			91,425
Debt Service					
Principal Payments			95,000		95,000
Interest Payments			1,772		1,772
Capital Outlay	36,247	14,768	355,195		406,210
Total Cash Disbursements	<u>427,450</u>	<u>116,968</u>	<u>451,967</u>	<u>16,372</u>	<u>1,012,757</u>
Total Receipts Over/(Under) Disbursements	<u>234,775</u>	<u>39,569</u>	<u>(228,422)</u>	<u>(8,500)</u>	<u>37,422</u>
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes			170,250		170,250
Sale of Fixed Assets	12,963				12,963
Transfers In		1,571	131,895		133,466
Transfers-Out		(36,000)	(46,000)		(82,000)
Other Uses	(16,103)				(16,103)
Total Other Financing Receipts/(Disbursements)	<u>(3,140)</u>	<u>(34,429)</u>	<u>256,145</u>		<u>218,576</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	231,635	5,140	27,723	(8,500)	255,998
Fund Cash Balances, January 1	696,636	243,327	168,177	21,923	1,130,063
Fund Cash Balances, December 31	<u>\$928,271</u>	<u>\$248,467</u>	<u>\$195,900</u>	<u>\$13,423</u>	<u>\$1,386,061</u>
Reserves for Encumbrances, December 31	<u>\$9,860</u>	<u>\$6,400</u>			<u>\$16,260</u>

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

**VILLAGE OF MILAN
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,393,208
Operating Cash Disbursements:	
Personal Services	264,360
Transportation	4,332
Contractual Services	583,504
Supplies and Materials	66,789
Capital Outlay	290,706
Total Operating Cash Disbursements	1,209,691
Operating Income	183,517
Non-Operating Cash Receipts:	
Miscellaneous	1,496
Intergovernmental Receipts	48,992
Proceeds from Notes and Bonds	370,000
Other Non-Operating Receipts	3,425
Total Non-Operating Cash Receipts	423,913
Non-Operating Cash Disbursements:	
Debt Service	630,695
Other Non-Operating Cash Disbursements	2,780
Total Non-Operating Cash Disbursements	633,475
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(26,045)
Transfers-In	75,000
Transfers-Out	(126,466)
Net Disbursements Over Receipts	(77,511)
Fund Cash Balances, January 1	1,817,151
Fund Cash Balances, December 31	\$1,739,640
Reserve for Encumbrances, December 31	\$12,888

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

**VILLAGE OF MILAN
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$271,422	\$96,111	\$37,698	\$7,939	\$413,170
Intergovernmental Receipts	80,142	55,579	67,662	745	204,128
Fines, Licenses, and Permits	75,679				75,679
Miscellaneous	164,297	17,665			181,962
Total Cash Receipts	<u>591,540</u>	<u>169,355</u>	<u>105,360</u>	<u>8,684</u>	<u>874,939</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	181,460			10,835	192,295
Leisure Time Activities	95,179				95,179
Community Environment	255				255
Transportation	87,233	37,496			124,729
General Government	79,952	1,706			81,658
Capital Outlay	26,002	18,298	92,662		136,962
Total Cash Disbursements	<u>470,081</u>	<u>57,500</u>	<u>92,662</u>	<u>10,835</u>	<u>631,078</u>
Total Receipts Over/(Under) Disbursements	<u>121,459</u>	<u>111,855</u>	<u>12,698</u>	<u>(2,151)</u>	<u>243,861</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		1,571		10,000	11,571
Transfers-Out	(10,000)				(10,000)
Total Other Financing Receipts/(Disbursements)	<u>(10,000)</u>	<u>1,571</u>		<u>10,000</u>	<u>1,571</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	111,459	113,426	12,698	7,849	245,432
Fund Cash Balances January 1	585,177	129,901	155,479	14,074	884,631
Fund Cash Balances, December 31	<u>\$696,636</u>	<u>\$243,327</u>	<u>\$168,177</u>	<u>\$21,923</u>	<u>\$1,130,063</u>
Reserves for Encumbrances, December 31		<u>\$52,050</u>	<u>\$59,984</u>		<u>\$112,034</u>

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

**VILLAGE OF MILAN
ERIE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,314,460
Operating Cash Disbursements:	
Personal Services	256,107
Transportation	3,170
Contractual Services	553,318
Supplies and Materials	108,767
Capital Outlay	195,386
Total Operating Cash Disbursements	1,116,748
Operating Income	197,712
Non-Operating Cash Receipts:	
Miscellaneous	20,172
Proceeds from Notes and Bonds	410,000
Total Non-Operating Cash Receipts	430,172
Non-Operating Cash Disbursements:	
Debt Service	675,907
Other Non-Operating Cash Disbursements	14,180
Total Non-Operating Cash Disbursements	690,087
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(62,203)
Transfers-In	65,000
Transfers-Out	(66,571)
Net Receipts Over/(Under) Disbursements	(63,774)
Fund Cash Balances, January 1	1,880,925
Fund Cash Balances, December 31	\$1,817,151
Reserve for Encumbrances, December 31	\$30,000

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

**VILLAGE OF MILAN
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Milan, Erie County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water, sewer and electric, park operations (leisure time activities), police services and street maintenance and repairs.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF MILAN
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

Street Levy Fund - This fund receives property tax money for maintaining and repairing Village Streets.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Improvement Fund - This fund receives tax monies to be used for various capital projects within the Village.

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

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Electric Fund - This fund receives charges from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Police Pension Fund - This expendable trust fund receives property tax money to pay the Village's portion of pension benefits for full-time police officers.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

**VILLAGE OF MILAN
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 289,956	\$ 72,390
Certificates of deposit	1,075,000	1,200,000
Total deposits	1,364,956	1,272,390
STAR Ohio	1,760,745	1,674,824
Total deposits and investments	\$ 3,125,701	\$ 2,947,214

**VILLAGE OF MILAN
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$630,075	\$675,188	\$45,113
Special Revenue	253,384	158,108	(95,276)
Capital Projects	567,832	525,690	(42,142)
Enterprise	2,539,200	1,892,121	(647,079)
Fiduciary	32,130	7,872	(24,258)
Total	\$4,022,621	\$3,258,979	(\$763,642)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$667,200	\$453,413	\$213,787
Special Revenue	223,710	159,368	64,342
Capital Projects	633,102	497,967	135,135
Enterprise	2,845,655	1,982,520	863,135
Fiduciary	16,000	16,372	(372)
Total	\$4,385,667	\$3,109,640	\$1,276,027

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$434,945	\$591,540	\$156,595
Special Revenue	141,377	170,926	29,549
Capital Projects	331,622	105,360	(226,262)
Enterprise	1,738,396	1,809,632	71,236
Fiduciary	15,000	18,684	3,684
Total	\$2,661,340	\$2,696,142	\$34,802

**VILLAGE OF MILAN
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$741,907	\$480,081	\$261,826
Special Revenue	161,278	109,550	51,728
Capital Projects	496,622	152,646	343,976
Enterprise	2,742,113	1,903,406	838,707
Fiduciary	16,000	10,835	5,165
Total	\$4,157,920	\$2,656,518	\$1,501,402

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

The Village levies an income tax of one-half percent on the gross salaries, wages and other personal service compensation earned by residents of the Village and to the earnings of nonresidents working within the Village. This tax also applies to the net income of businesses operating within the Village. Residents of the Village are granted a credit (up to the percentage which would be due the Village) for income taxes paid to other Ohio municipalities. Pursuant to the Village's Codified Ordinances, 80 percent of the revenue is allocated to the General Fund and 20 percent is allocated to the Capital Improvement Fund.

6. DEBT

Debt outstanding at December 31, 1999 was as follows:

**VILLAGE OF MILAN
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,127,060	7.03%
Amp Ohio Loan Lease Agreement	512,666	3.50%
Lockwood Road Project Bond	75,000	6.00%
Various Purpose Improvement Note	370,000	3.87%
Total	\$2,084,726	

The Ohio Water Development Authority (OWDA) loan relates to a water system improvement project. The loan agreement was entered into during August 1992. The original loan amount was \$1,287,380. The loan will be repaid in semiannual installments of \$55,385, including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The semiannual payment of \$55,385 due January 1, 2000 was paid by the Village in December 31, 1999. The outstanding debt principal schedule above and the amortization schedule below have been adjusted to reflect that this payment had been made during 1999.

The American Municipal Power-Ohio, Inc. (AMP-Ohio) loan relates to an electrical substation and distribution line construction project. The loan was entered into during January 1997, in the amount of \$700,000. The loan will be repaid in monthly installments over 10 years. Interest rates on the note are adjusted annually. The interest rate for fiscal year 2000 will be 4.45%. The amortization schedule below is based on an outstanding principal of \$512,666 at December 31, 1999, and an annual interest rate of 4.45%, with final payment to be made December 2006.

The various purpose improvement note is a bond anticipation debt. It consists of \$110,000 of water system improvement debt and \$280,000 of sewerage system improvement debt.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan	AMP Ohio Loan	Various Purpose Improvement Notes	Lockwood Road Project Bond
2000	\$55,385	\$85,369	\$384,350	\$6,625
2001	110,770	85,371		6,440
2002	110,770	85,371		6,320
2003	110,770	85,371		6,200
2004	110,770	85,371		7,080
Subsequent	2,880,020	170,742		100,820
Total	\$3,378,485	\$597,595	\$384,350	\$133,485

See Note 9, Related Party Transactions - Ohio Municipal Electric Generation Agency Joint Venture 5, concerning the Village's share of the Joint Venture's debt.

**VILLAGE OF MILAN
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

9. RELATED PARTY TRANSACTIONS

A. Ohio Municipal Electric Generation Agency Joint Venture 5:

The Village is a participant with forty-two other municipalities within the State of Ohio in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia on the Ohio River at the Belleville Locks and Dam and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 ("JV 5") was created for that purpose. On the dissolution of the joint venture, the net assets of JV 5 will be shared by the participants on a percentage basis. The JV 5 is managed by AMP-Ohio who acts as the JV 5's agent. The participants are obligated by the agreement to remit monthly costs incurred from using electricity generated by the joint venture and a portion of the \$153,415,000 certificates of beneficial interest debt that was issued to construct the fixed asset. The Village of Milan's net investment and its share of the of the project is 0.39 percent. Each member is required to make debt service payment for the project based on their percentage of ownership. Payment began in 1994. The Village of Milan's share of this debt is as follows:

**VILLAGE OF MILAN
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Village's Share</u>
2000	\$2,985,000	\$7,925,736	\$10,910,736	\$42,552
2001	3,130,000	7,783,949	10,913,949	42,564
2002	3,280,000	7,631,361	10,911,361	42,554
2003	3,445,000	7,467,361	10,912,361	42,558
2004	3,620,000	7,295,111	10,915,111	42,569
2005-2024	131,355,000	7,110,491	138,465,491	851,156
	<u>\$ 147,815,000</u>	<u>\$ 45,214,009</u>	<u>\$ 193,029,009</u>	<u>\$ 1,063,953</u>

See Note 6, Debt, concerning an outstanding loan from AMP-Ohio to the Village. During 1998 and 1999, the Village made payments to AMP-Ohio for principal and interest totaling \$85,118.

Complete financial statements for JV 5 can be obtained from AMP-Ohio at 601 Dempsey Road, Westerville, Ohio 43081 or from the Village's Administrator.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Milan
Erie County
24 Park Street
P.O. Box 1450
Milan, Ohio 44846-1450

To the Village Council:

We have audited the accompanying financial statements of the Village of Milan, Erie County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated October 13, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 13, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated October 13, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

October 13, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF MILAN

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 14, 2000