

City of Milford, Ohio

Clermont County

Regular Audit

January 1, 2002 through December 31, 2003

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Members of Council
City of Milford
Milford, Ohio

We have reviewed the Independent Auditor's Report of the City of Milford, Clermont County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 27, 2004

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CITY OF MILFORD, OHIO
CLERMONT COUNTY

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of Council
City of Milford
Milford, Ohio

We have audited the accompanying general purpose financial statements of the City of Milford, Clermont County, as of and for the years ended December 31, 2003 and 2002. These general purpose financial statements are the responsibility of the City of Milford's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Milford, as of December 31, 2003 and 2002, and the results of its operations and the cash flows of its proprietary funds for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2004 on our consideration of the City of Milford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

August 31, 2004

**City of Milford, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$2,506,518	\$1,260,209	\$28,760	\$794,692
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
<i>Receivables:</i>				
Property Taxes	500,402	1,408,001	0	0
Income Taxes	416,499	0	0	0
Accounts	22,818	0	0	0
Interfund	31,042	0	0	0
Accrued Interest	4,966	0	0	0
Due From Other Governments	294,455	270,191	0	0
Due From Other Funds	12,793	2,570	0	0
Materials and Supplies Inventory	13,336	34,594	0	0
Prepaid Items	47,846	6,318	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<i>Other Debits:</i>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$3,850,675	\$2,981,883	\$28,760	\$794,692

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$3,459,892	\$769	\$0	\$0	\$8,050,840
0	20,712	0	0	20,712
0	0	0	0	1,908,403
0	0	0	0	416,499
251,985	0	0	0	274,803
0	0	0	0	31,042
3,888	0	0	0	8,854
42,107	0	0	0	606,753
1,163	0	0	0	16,526
59,288	0	0	0	107,218
29,399	0	0	0	83,563
9,716,416	0	9,781,245	0	19,497,661
0	0	0	28,760	28,760
0	0	0	3,358,056	3,358,056
<u>\$13,564,138</u>	<u>\$21,481</u>	<u>\$9,781,245</u>	<u>\$3,386,816</u>	<u>\$34,409,690</u>

(Continued)

City of Milford, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2003
 (Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits</u>				
<i>Liabilities:</i>				
Accounts Payable	\$14,982	\$2,133	\$0	\$0
Accrued Wages and Benefits	45,013	6,001	0	0
Contracts Payable	0	39,171	0	0
Retainage Payable	0	0	0	0
Due to Other Funds	435	52	0	0
Due to Other Governments	45,945	7,748	0	28,799
Interfund Payable	0	11,042	0	0
Deposits Held and Due to Others	0	0	0	0
Deferred Revenue	916,638	1,654,960	0	375
Compensated Absences Payable	2,271	0	0	0
Accrued Interest Payable	0	0	0	12,577
Notes Payable	0	0	0	2,250,000
OPWC Loans Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	1,025,284	1,721,107	0	2,291,751
<i>Fund Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	73,438	74,224	0	114,963
Reserved for Inventory	13,336	34,594	0	0
Unreserved, Undesignated (Deficit)	2,738,617	1,151,958	28,760	(1,612,022)
Total Fund Equity (Deficit) and Other Credits	2,825,391	1,260,776	28,760	(1,497,059)
Total Liabilities, Fund Equity and Other Credits	\$3,850,675	\$2,981,883	\$28,760	\$794,692

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$18,672	\$0	\$0	\$0	\$35,787
16,236	0	0	0	67,250
49,950	0	0	0	89,121
41,159	0	0	0	41,159
676	15,363	0	0	16,526
28,487	3,036	0	68,738	182,753
20,000	0	0	0	31,042
0	3,082	0	0	3,082
2,724	0	0	0	2,574,697
49,911	0	0	158,078	210,260
0	0	0	0	12,577
0	0	0	0	2,250,000
121,225	0	0	0	121,225
540,487	0	0	0	540,487
0	0	0	3,160,000	3,160,000
<u>889,527</u>	<u>21,481</u>	<u>0</u>	<u>3,386,816</u>	<u>9,335,966</u>
0	0	9,781,245	0	9,781,245
4,774,734	0	0	0	4,774,734
7,899,877	0	0	0	7,899,877
0	0	0	0	262,625
0	0	0	0	47,930
0	0	0	0	2,307,313
<u>12,674,611</u>	<u>0</u>	<u>9,781,245</u>	<u>0</u>	<u>25,073,724</u>
<u>\$13,564,138</u>	<u>\$21,481</u>	<u>\$9,781,245</u>	<u>\$3,386,816</u>	<u>\$34,409,690</u>

**City of Milford, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$2,443,144	\$1,172,824	\$28,524	\$679,383
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
<i>Receivables:</i>				
Property Taxes	511,923	1,397,558	0	0
Income Taxes	439,981	0	0	0
Accounts	19,794	340	0	0
Interfund	22,000	0	0	0
Accrued Interest	6,492	0	0	0
Due From Other Governments	293,785	260,681	0	0
Due From Other Funds	12,132	1,410	0	0
Materials and Supplies Inventory	15,723	20,699	0	0
Prepaid Items	23,397	3,899	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<i>Other Debits:</i>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$3,788,371</u>	<u>\$2,857,411</u>	<u>\$28,524</u>	<u>\$679,383</u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$3,422,163	\$2,299	\$0	\$0	\$7,748,337
0	20,455	0	0	20,455
0	0	0	0	1,909,481
0	0	0	0	439,981
262,667	0	0	0	282,801
0	0	0	0	22,000
4,328	0	0	0	10,820
19,110	0	0	0	573,576
4,513	0	0	0	18,055
62,199	0	0	0	98,621
20,112	0	0	0	47,408
8,998,998	0	9,947,767	0	18,946,765
0	0	0	28,524	28,524
0	0	0	3,457,759	3,457,759
<u>\$12,794,090</u>	<u>\$22,754</u>	<u>\$9,947,767</u>	<u>\$3,486,283</u>	<u>\$33,604,583</u>

(Continued)

City of Milford, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2002
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits</u>				
<i>Liabilities:</i>				
Accounts Payable	\$16,710	\$3,098	\$0	\$0
Accrued Wages and Benefits	37,701	5,005	0	0
Contracts Payable	8,000	0	0	0
Due to Other Funds	668	1,500	0	0
Due to Other Governments	23,182	13,593	0	29,815
Interfund Payable	0	0	0	0
Deposits Held and Due to Others	0	0	0	0
Deferred Revenue	891,721	1,627,339	0	0
Compensated Absences Payable	2,518	793	0	0
Accrued Interest Payable	0	0	0	18,495
Notes Payable	0	0	0	2,500,000
OWDA Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	980,500	1,651,328	0	2,548,310
<i>Fund Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	79,244	32,795	0	119,550
Reserved for Inventory	15,723	20,699	0	0
Unreserved, Undesignated (Deficit)	2,712,904	1,152,589	28,524	(1,988,477)
Total Fund Equity (Deficit) and Other Credits	2,807,871	1,206,083	28,524	(1,868,927)
Total Liabilities, Fund Equity and Other Credits	\$3,788,371	\$2,857,411	\$28,524	\$679,383

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$46,145	\$0	\$0	\$0	\$65,953
12,993	0	0	0	55,699
3,237	0	0	0	11,237
2,345	13,542	0	0	18,055
12,670	2,105	0	82,298	163,663
22,000	0	0	0	22,000
0	7,107	0	0	7,107
2,661	0	0	0	2,521,721
45,060	0	0	138,985	187,356
0	0	0	0	18,495
0	0	0	0	2,500,000
606,650	0	0	0	606,650
0	0	0	3,265,000	3,265,000
<u>753,761</u>	<u>22,754</u>	<u>0</u>	<u>3,486,283</u>	<u>9,442,936</u>
0	0	9,947,767	0	9,947,767
4,774,734	0	0	0	4,774,734
7,265,595	0	0	0	7,265,595
0	0	0	0	231,589
0	0	0	0	36,422
0	0	0	0	1,905,540
<u>12,040,329</u>	<u>0</u>	<u>9,947,767</u>	<u>0</u>	<u>24,161,647</u>
<u>\$12,794,090</u>	<u>\$22,754</u>	<u>\$9,947,767</u>	<u>\$3,486,283</u>	<u>\$33,604,583</u>

City of Milford, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2003

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<u>Revenues:</u>					
Property Taxes	\$615,608	\$1,402,034	\$0	\$0	\$2,017,642
Income Taxes	1,850,252	94,695	68,400	284,084	2,297,431
Charges for Services	169,843	109,038	0	0	278,881
Fines, Licenses and Permits	207,571	25,935	0	300	233,806
Intergovernmental	901,493	504,944	0	47,744	1,454,181
Interest	45,141	8,494	275	551	54,461
Donations and Contributions	0	500	0	0	500
Net Decrease in Fair Value of Investments	(1,971)	0	0	0	(1,971)
Rent	0	0	0	77,799	77,799
Other	33,563	4,060	0	0	37,623
Total Revenues	3,821,500	2,149,700	68,675	410,478	6,450,353
<u>Expenditures:</u>					
Current:					
Security of Persons and Property	1,552,007	676,965	0	0	2,228,972
Public Health Services	22,506	854,941	0	0	877,447
Leisure Time Activities	0	70,869	0	0	70,869
Community Environment	95,077	1,264	0	0	96,341
Basic Utility Services	244,750	0	0	0	244,750
Transportation	263,523	273,156	0	0	536,679
General Government	1,060,882	15,534	0	13,066	1,089,482
Capital Outlay	42,768	221,183	0	320,388	584,339
Debt Service:					
Principal Retirement	0	25,000	80,000	0	105,000
Interest and Fiscal Charges	0	29,080	146,429	50,332	225,841
Total Expenditures	3,281,513	2,167,992	226,429	383,786	6,059,720
Excess of Revenues Over (Under)					
Expenditures	539,987	(18,292)	(157,754)	26,692	390,633
<u>Other Financing Sources (Uses):</u>					
Sale of Fixed Assets	0	0	0	42,176	42,176
Operating Transfers - In	0	59,090	157,990	303,000	520,080
Operating Transfers - Out	(520,080)	0	0	0	(520,080)
Total Other Financing Sources (Uses)	(520,080)	59,090	157,990	345,176	42,176
Excess of Revenues and Other Financing Sources Over (Under)					
Expenditures and Other Financing Uses	19,907	40,798	236	371,868	432,809
Fund Balances at Beginning of Year	2,807,871	1,206,083	28,524	(1,868,927)	2,173,551
Increase (Decrease) in Reserve for Inventory	(2,387)	13,895	0	0	11,508
Fund Balances (Deficit) at End of Year	\$2,825,391	\$1,260,776	\$28,760	(\$1,497,059)	\$2,617,868

See accompanying notes to the general purpose financial statements

City of Milford, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2002

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<u>Revenues:</u>					
Income Taxes	\$2,038,801	\$181,274	\$64,700	\$297,954	\$2,582,729
Property Taxes	551,428	1,284,472	0	0	1,835,900
Charges for Services	166,128	101,719	0	0	267,847
Fines, Licenses and Permits	263,372	25,959	0	2,500	291,831
Intergovernmental	687,150	489,137	0	204	1,176,491
Interest	75,488	11,844	443	480	88,255
Net Decrease in Fair Value of Investments	(2,434)	0	0	0	(2,434)
Other	22,482	1,512	0	1,388	25,382
Total Revenues	<u>3,802,415</u>	<u>2,095,917</u>	<u>65,143</u>	<u>302,526</u>	<u>6,266,001</u>
<u>Expenditures:</u>					
Current:					
Security of Persons and Property	1,487,469	631,192	0	0	2,118,661
Public Health Services	76,400	809,394	0	0	885,794
Leisure Time Activities	0	71,096	0	0	71,096
Community Environment	95,256	0	0	0	95,256
Basic Utility Services	229,641	0	0	385	230,026
Transportation	229,919	215,734	0	0	445,653
General Government	1,193,088	0	0	29,815	1,222,903
Capital Outlay	79,455	235,704	0	2,723,721	3,038,880
Debt Service:					
Principal Retirement	0	20,000	70,000	0	90,000
Interest and Fiscal Charges	0	30,092	149,729	18,495	198,316
Total Expenditures	<u>3,391,228</u>	<u>2,013,212</u>	<u>219,729</u>	<u>2,772,416</u>	<u>8,396,585</u>
Excess of Revenues Over (Under)					
Expenditures	<u>411,187</u>	<u>82,705</u>	<u>(154,586)</u>	<u>(2,469,890)</u>	<u>(2,130,584)</u>
<u>Other Financing Sources (Uses):</u>					
Sale of Fixed Assets	0	0	0	3,000	3,000
Operating Transfers - In	0	55,000	155,015	78,000	288,015
Operating Transfers - Out	(288,015)	0	0	0	(288,015)
Total Other Financing Sources (Uses)	<u>(288,015)</u>	<u>55,000</u>	<u>155,015</u>	<u>81,000</u>	<u>3,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	123,172	137,705	429	(2,388,890)	(2,127,584)
Fund Balances at Beginning of Year	2,682,618	1,067,283	28,095	519,963	4,297,959
Increase in Inventory	<u>2,081</u>	<u>1,095</u>	<u>0</u>	<u>0</u>	<u>3,176</u>
Fund Balances (Deficit) at End of Year	<u>\$2,807,871</u>	<u>\$1,206,083</u>	<u>\$28,524</u>	<u>(\$1,868,927)</u>	<u>\$2,173,551</u>

See accompanying notes to the general purpose financial statements

City of Milford, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Year Ended December 31, 2003

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$613,732	\$615,608	\$1,876	\$1,414,018	\$1,410,171	(\$3,847)
Income Taxes	1,913,162	1,914,529	1,367	93,609	94,695	1,086
Charges for Services	163,985	167,743	3,758	105,470	109,038	3,568
Fines, Licenses and Permits	237,950	206,910	(31,040)	24,764	24,723	(41)
Intergovernmental	871,205	899,821	28,616	504,774	504,527	(247)
Interest	44,660	48,686	4,026	7,510	8,494	984
Donations	0	0	0	500	500	0
Rent	0	0	0	0	0	0
Other	6,214	28,537	22,323	4,275	4,400	125
Total Revenues	3,850,908	3,881,834	30,926	2,154,920	2,156,548	1,628
Expenditures:						
Current						
Security of Persons and Property	1,585,054	1,563,497	21,557	681,684	677,418	4,266
Public Health Services	22,506	22,506	0	873,007	856,465	16,542
Leisure Time Activities	0	0	0	82,817	73,515	9,302
Community Environment	151,243	113,273	37,970	0	0	0
Basic Utility Services	266,981	254,578	12,403	0	0	0
Transportation	273,954	264,807	9,147	303,637	287,992	15,645
General Government	1,169,100	1,110,020	59,080	29,156	30,094	(938)
Capital Outlay	55,985	44,748	11,237	264,226	235,865	28,361
Debt Service:						
Principal Retirement	0	0	0	25,000	25,000	0
Interest and Fiscal Charges	0	0	0	29,080	29,080	0
Total Expenditures	3,524,823	3,373,429	151,394	2,288,607	2,215,429	73,178
Excess of Revenues Over (Under) Expenditures	326,085	508,405	182,320	(133,687)	(58,881)	74,806
Other Financing Sources (Uses):						
Sale of Fixed Assets	0	0	0	0	0	0
Proceeds From Sale of Notes	0	0	0	0	0	0
Advances - In	0	22,000	22,000	0	0	0
Advances - Out	0	(20,000)	(20,000)	0	0	0
Operating Transfers - In	0	0	0	59,090	59,090	0
Operating Transfers - Out	(520,080)	(520,080)	0	0	0	0
Total Other Financing Sources (Uses)	(520,080)	(518,080)	2,000	59,090	59,090	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(193,995)	(9,675)	184,320	(74,597)	209	74,806
Fund Balances at Beginning of Year	2,351,585	2,351,585	0	1,128,836	1,128,836	0
Prior Year Encumbrances Appropriated	92,558	92,558	0	43,988	43,988	0
Fund Balances at End of Year	\$2,250,148	\$2,434,468	\$184,320	\$1,098,227	\$1,173,033	\$74,806

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$2,027,750	\$2,025,779	(\$1,971)
68,400	68,400	0	280,828	284,084	3,256	2,355,999	2,361,708	5,709
0	0	0	0	0	0	269,455	276,781	7,326
0	0	0	300	300	0	263,014	231,933	(31,081)
0	0	0	47,744	47,744	0	1,423,723	1,452,092	28,369
250	275	25	825	551	(274)	53,245	58,006	4,761
0	0	0	0	0	0	500	500	0
0	0	0	78,174	78,174	0	78,174	78,174	0
0	0	0	0	0	0	10,489	32,937	22,448
<u>68,650</u>	<u>68,675</u>	<u>25</u>	<u>407,871</u>	<u>410,853</u>	<u>2,982</u>	<u>6,482,349</u>	<u>6,517,910</u>	<u>35,561</u>
0	0	0	0	0	0	2,266,738	2,240,915	25,823
0	0	0	0	0	0	895,513	878,971	16,542
0	0	0	0	0	0	82,817	73,515	9,302
0	0	0	0	0	0	151,243	113,273	37,970
0	0	0	0	0	0	266,981	254,578	12,403
0	0	0	0	0	0	577,591	552,799	24,792
0	0	0	20,550	14,082	6,468	1,218,806	1,154,196	64,610
0	0	0	569,931	402,387	167,544	890,142	683,000	207,142
2,580,000	2,580,000	0	0	0	0	2,605,000	2,605,000	0
202,679	202,679	0	0	0	0	231,759	231,759	0
<u>2,782,679</u>	<u>2,782,679</u>	<u>0</u>	<u>590,481</u>	<u>416,469</u>	<u>174,012</u>	<u>9,186,590</u>	<u>8,788,006</u>	<u>398,584</u>
<u>(2,714,029)</u>	<u>(2,714,004)</u>	<u>25</u>	<u>(182,610)</u>	<u>(5,616)</u>	<u>176,994</u>	<u>(2,704,241)</u>	<u>(2,270,096)</u>	<u>434,145</u>
0	0	0	39,500	42,176	2,676	39,500	42,176	2,676
2,250,000	2,250,000	0	0	0	0	2,250,000	2,250,000	0
0	0	0	0	0	0	0	22,000	22,000
0	0	0	0	0	0	0	(20,000)	(20,000)
464,240	464,240	0	53,000	53,000	0	576,330	576,330	0
0	0	0	(56,250)	(56,250)	0	(576,330)	(576,330)	0
<u>2,714,240</u>	<u>2,714,240</u>	<u>0</u>	<u>36,250</u>	<u>38,926</u>	<u>2,676</u>	<u>2,289,500</u>	<u>2,294,176</u>	<u>4,676</u>
211	236	25	(146,360)	33,310	179,670	(414,741)	24,080	438,821
28,524	28,524	0	559,833	559,833	0	4,068,778	4,068,778	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>119,551</u>	<u>119,551</u>	<u>0</u>	<u>256,097</u>	<u>256,097</u>	<u>0</u>
<u>\$28,735</u>	<u>\$28,760</u>	<u>\$25</u>	<u>\$533,024</u>	<u>\$712,694</u>	<u>\$179,670</u>	<u>\$3,910,134</u>	<u>\$4,348,955</u>	<u>\$438,821</u>

City of Milford, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Year Ended December 31, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Income Taxes	\$1,889,042	\$1,843,544	(\$45,498)	\$175,960	\$177,556	\$1,596
Property Taxes	535,189	551,428	16,239	1,239,395	1,284,472	45,077
Charges for Services	166,105	165,688	(417)	97,000	101,719	4,719
Fines, Licenses and Permits	221,550	260,266	38,716	24,558	25,782	1,224
Intergovernmental	687,240	756,716	69,476	523,366	490,478	(32,888)
Interest	116,250	77,527	(38,723)	14,700	11,844	(2,856)
Other	6,200	23,883	17,683	1,048	1,575	527
Total Revenues	<u>3,621,576</u>	<u>3,679,052</u>	<u>57,476</u>	<u>2,076,027</u>	<u>2,093,426</u>	<u>17,399</u>
Expenditures:						
Current						
Security of Persons and Property	1,629,193	1,491,340	137,853	645,108	631,665	13,443
Public Health Services	78,392	76,422	1,970	824,748	809,660	15,088
Leisure Time Activities	0	0	0	73,703	68,274	5,429
Community Environment	147,086	120,780	26,306	0	0	0
Basic Utility Services	245,400	238,529	6,871	0	0	0
Transportation	247,240	235,605	11,635	253,024	216,409	36,615
General Government	1,279,970	1,213,972	65,998	1,800	505	1,295
Capital Outlay	103,529	79,490	24,039	360,525	287,369	73,156
Debt Service:						
Principal Retirement	0	0	0	20,000	20,000	0
Interest and Fiscal Charges	0	0	0	30,092	30,092	0
Total Expenditures	<u>3,730,810</u>	<u>3,456,138</u>	<u>274,672</u>	<u>2,209,000</u>	<u>2,063,974</u>	<u>145,026</u>
Excess of Revenues Over (Under) Expenditures	<u>(109,234)</u>	<u>222,914</u>	<u>332,148</u>	<u>(132,973)</u>	<u>29,452</u>	<u>162,425</u>
Other Financing Sources (Uses):						
Sale of Fixed Assets	0	0	0	0	0	0
Proceeds From Sale of Notes	0	0	0	0	0	0
Advances - In	0	30,280	30,280	0	0	0
Advances - Out	0	(22,000)	(22,000)	0	0	0
Operating Transfers - In	0	0	0	55,000	55,000	0
Operating Transfers - Out	(288,015)	(288,015)	0	0	0	0
Total Other Financing Sources (Uses)	<u>(288,015)</u>	<u>(279,735)</u>	<u>8,280</u>	<u>55,000</u>	<u>55,000</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(397,249)</u>	<u>(56,821)</u>	<u>340,428</u>	<u>(77,973)</u>	<u>84,452</u>	<u>162,425</u>
Fund Balances at Beginning of Year	2,318,843	2,318,843	0	1,027,425	1,027,425	0
Prior Year Encumbrances Appropriated	89,563	89,563	0	16,959	16,959	0
Fund Balances at End of Year	<u>\$2,011,157</u>	<u>\$2,351,585</u>	<u>\$340,428</u>	<u>\$966,411</u>	<u>\$1,128,836</u>	<u>\$162,425</u>

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$64,700	\$64,700	\$0	\$291,235	\$297,954	\$6,719	\$2,420,937	\$2,383,754	(\$37,183)
0	0	0	0	0	0	1,774,584	1,835,900	61,316
0	0	0	0	0	0	263,105	267,407	4,302
0	0	0	2,400	2,500	100	248,508	288,548	40,040
0	0	0	47,948	204	(47,744)	1,258,554	1,247,398	(11,156)
425	443	18	0	480	480	131,375	90,294	(41,081)
0	0	0	2,426	2,714	288	9,674	28,172	18,498
65,125	65,143	18	344,009	303,852	(40,157)	6,106,737	6,141,473	34,736
0	0	0	0	0	0	2,274,301	2,123,005	151,296
0	0	0	0	0	0	903,140	886,082	17,058
0	0	0	0	0	0	73,703	68,274	5,429
0	0	0	0	0	0	147,086	120,780	26,306
0	0	0	550	385	165	245,950	238,914	7,036
0	0	0	0	0	0	500,264	452,014	48,250
0	0	0	0	0	0	1,281,770	1,214,477	67,293
0	0	0	3,155,469	2,872,528	282,941	3,619,523	3,239,387	380,136
70,000	70,000	0	0	0	0	90,000	90,000	0
149,729	149,729	0	0	0	0	179,821	179,821	0
219,729	219,729	0	3,156,019	2,872,913	283,106	9,315,558	8,612,754	702,804
(154,604)	(154,586)	18	(2,812,010)	(2,569,061)	242,949	(3,208,821)	(2,471,281)	737,540
0	0	0	3,000	3,000	0	3,000	3,000	0
0	0	0	2,500,000	2,500,000	0	2,500,000	2,500,000	0
0	0	0	0	0	0	0	30,280	30,280
0	0	0	0	0	0	0	(22,000)	(22,000)
155,015	155,015	0	78,000	78,000	0	288,015	288,015	0
0	0	0	0	0	0	(288,015)	(288,015)	0
155,015	155,015	0	2,581,000	2,581,000	0	2,503,000	2,511,280	8,280
411	429	18	(231,010)	11,939	242,949	(705,821)	39,999	745,820
28,095	28,095	0	477,168	477,168	0	3,851,531	3,851,531	0
0	0	0	70,726	70,726	0	177,248	177,248	0
\$28,506	\$28,524	\$18	\$316,884	\$559,833	\$242,949	\$3,322,958	\$4,068,778	\$745,820

City of Milford, Ohio
Combined Statement of Revenues, Expenses and
Changes in Fund Equity
All Enterprise Funds
For the Year Ended December 31, 2003

	Enterprise
Operating Revenues:	
Charges for Services	\$1,962,623
Other	4,568
Total Operating Revenues	1,967,191
 Operating Expenses:	
Personal Services	662,833
Contractual Services	455,476
Materials and Supplies	129,570
Depreciation	512,278
Total Operating Expenses	1,760,157
 Operating Income	207,034
 Non-Operating Revenues (Expenses):	
Interest	41,682
Net Decrease in Fair Value of Cash Equivalents	(1,444)
Interest and Fiscal Charges	(11,804)
Grants	376,328
Loss on Disposal of Fixed Asset	(739)
Other	23,225
Total Non-Operating Revenues (Expenses)	427,248
 Net Income	634,282
 Retained Earnings at Beginning of Year	7,265,595
 Retained Earnings at End of Year	7,899,877
 Contributed Capital at Beginning and End of Year	4,774,734
 Total Fund Equity at End of Year	\$12,674,611

See accompanying notes to the general purpose financial statements

City of Milford, Ohio
Combined Statement of Revenues, Expenses and
Changes in Fund Equity
All Enterprise Funds
For the Year Ended December 31, 2002

	Enterprise
Operating Revenues:	
Charges for Services	\$2,254,648
Other	10,875
Total Operating Revenues	2,265,523
Operating Expenses:	
Personal Services	672,390
Contractual Services	528,058
Materials and Supplies	109,286
Depreciation	635,776
Other Expenses	1,857
Total Operating Expenses	1,947,367
Operating Income	318,156
Non-Operating Revenues (Expenses):	
Interest	54,469
Net Decrease in Fair Value of Cash Equivalents	(1,622)
Interest and Fiscal Charges	(13,108)
Grants	24,612
Donated Assets	1,052,280
Loss on Disposal of Fixed Asset	(134)
Other	20,494
Total Non-Operating Revenues (Expenses)	1,136,991
Net Income	1,455,147
Retained Earnings at Beginning of Year	5,810,448
Retained Earnings at End of Year	7,265,595
Contributed Capital at Beginning and End of Year	4,774,734
Total Fund Equity at End of Year	\$12,040,329

See accompanying notes to the general purpose financial statements

City of Milford, Ohio
Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Budget Basis)
All Enterprise Funds
For the Year Ended December 31, 2003

	Revised Budget	Actual	Favorable (Unfavorable)
Revenues:			
Charges for Services	\$1,944,000	\$1,975,146	\$31,146
Interest	31,400	42,024	10,624
Grants	588,939	376,328	(212,611)
Other	2,800	6,368	3,568
Total Revenues	<u>2,567,139</u>	<u>2,399,866</u>	<u>(167,273)</u>
Expenses:			
Personal Services	730,983	655,887	75,096
Contractual Services	606,498	516,740	89,758
Materials and Supplies	157,801	134,800	23,001
Capital Outlay	2,085,741	1,584,827	500,914
Debt Service:			
Principal Retirement	66,163	66,163	0
Interest and Fiscal Charges	11,804	11,804	0
Total Expenses	<u>3,658,990</u>	<u>2,970,221</u>	<u>688,769</u>
Excess of Revenues Over (Under) Expenses	(1,091,851)	(570,355)	521,496
Proceeds of OPWC Loans	116,785	121,225	4,440
Advances - In	0	20,000	20,000
Advances - Out	0	(22,000)	(22,000)
Excess of Revenues Over (Under) Expenses and Advances	(975,066)	(451,130)	523,936
Fund Equity Beginning of Year	3,251,757	3,251,757	0
Prior Year Encumbrances Appropriated	<u>164,636</u>	<u>164,636</u>	<u>0</u>
Fund Equity at End of Year	<u>\$2,441,327</u>	<u>\$2,965,263</u>	<u>\$523,936</u>

See accompanying notes to the general purpose financial statements

City of Milford, Ohio
Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Budget Basis)
All Enterprise Funds
For the Year Ended December 31, 2002

	Revised Budget	Actual	Favorable (Unfavorable)
Revenues:			
Charges for Services	\$2,167,384	\$2,232,780	\$65,396
Interest	70,800	57,779	(13,021)
Grants	481,268	39,100	(442,168)
Other	23,164	30,464	7,300
Total Revenues	<u>2,742,616</u>	<u>2,360,123</u>	<u>(382,493)</u>
Expenses:			
Personal Services	763,021	660,928	102,093
Contractual Services	618,211	535,187	83,024
Materials and Supplies	149,885	119,052	30,833
Other Expenses	100	3,313	(3,213)
Capital Outlay	1,337,824	367,314	970,510
Debt Service:			
Principal Retirement	64,860	64,860	0
Interest and Fiscal Charges	13,108	13,108	0
Total Expenses	<u>2,947,009</u>	<u>1,763,762</u>	<u>1,183,247</u>
Excess of Revenues Over (Under) Expenses	(204,393)	596,361	800,754
Advances - In	0	22,000	22,000
Advances - Out	0	(30,280)	(30,280)
Excess of Revenues Over (Under) Expenses and Advances	(204,393)	588,081	792,474
Fund Equity Beginning of Year	2,411,255	2,411,255	0
Prior Year Encumbrances Appropriated	<u>252,421</u>	<u>252,421</u>	<u>0</u>
Fund Equity at End of Year	<u>\$2,459,283</u>	<u>\$3,251,757</u>	<u>\$792,474</u>

See accompanying notes to the general purpose financial statements

City of Milford, Ohio
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2003

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$1,975,146
Cash Payments to Employees for Services and Benefits	(654,370)
Cash Payments to Suppliers for Goods and Services	(608,581)
Other Operating Revenues	<u>6,368</u>

Net Cash Provided by Operating Activities 718,563

Cash Flows from Noncapital Financing Activities:

Advances-In	20,000
Advances - Out	(22,000)
Operating Grants	<u>376,328</u>

Net Cash Provided by Noncapital Financing Activities 374,328

*Cash Flows from Capital
and Related Financing Activities:*

Acquisition of Capital Assets	(1,139,000)
Proceeds of Ohio Public Works Commission Loan	121,225
Principal Paid on Ohio Water Development Authority Loans	(66,163)
Interest Paid on Ohio Water Development Authority Loans	<u>(11,804)</u>

Net Cash Used for Capital
and Related Financing Activities (1,095,742)

Cash Flows from Investing Activities:

Increase in Fair Value of Cash Equivalents	(1,444)
Interest on Investments	<u>42,024</u>

Net Cash Provided by Investing Activities 40,580

Net Increase in Cash and Cash Equivalents 37,729

Cash and Cash Equivalents Beginning of Year 3,422,163

Cash and Cash Equivalents End of Year \$3,459,892

(Continued)

City of Milford, Ohio
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2003
(Continued)

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities:

Operating Income	\$207,034
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Adjustments to Reconcile Operating Income to Net

Cash Provided by Operating Activities:

Depreciation	512,278
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	10,682
Decrease in Due from Other Funds	3,350
Decrease in Materials and Supplies Inventory	2,911
Increase in Prepaid Items	(9,287)
Decrease in Accounts Payable	(27,473)
Decrease in Contracts Payable	(3,237)
Increase in Accrued Wages and Benefits	3,243
Increase in Compensated Absences Payable	4,851
Decrease in Due to Other Funds	(1,669)
Increase in Due to Other Governments	15,817
Increase in Deferred Revenue	63
Total Adjustments	511,529
Net Cash Provided by Operating Activities	\$718,563

See accompanying notes to the general purpose financial statements

City of Milford, Ohio
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2002

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from Customers	\$2,232,780
Cash Payments to Employees for Services and Benefits	(655,707)
Cash Payments to Suppliers for Goods and Services	(687,614)
Other Operating Revenues	30,464
Other Operating Expenses	(2,897)
	917,026
Net Cash Provided by Operating Activities	917,026

Cash Flows from Noncapital Financing Activities:

Advances-In	22,000
Advances - Out	(30,280)
Operating Grants	39,100
	30,820
Net Cash Provided by Noncapital Financing Activities	30,820

*Cash Flows from Capital
and Related Financing Activities:*

Acquisition of Capital Assets	(175,872)
Principal Paid on Ohio Water Development Authority Loans	(64,860)
Interest Paid on Ohio Water Development Authority Loans	(13,108)
	(253,840)
Net Cash Used for Capital and Related Financing Activities	(253,840)

Cash Flows from Investing Activities:

Decrease in Fair Value of Cash Equivalents	(1,622)
Interest on Investments	57,779
	56,157
Net Cash Provided by Investing Activities	56,157

Net Increase in Cash and Cash Equivalents	750,163
Cash and Cash Equivalents Beginning of Year	2,672,000
Cash and Cash Equivalents End of Year	\$3,422,163

(Continued)

City of Milford, Ohio
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2002
(Continued)

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities:

Operating Income	\$318,156
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Adjustments to Reconcile Operating Income to Net

Cash Provided by Operating Activities:

Depreciation	635,776
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(20,985)
Decrease in Due from Other Funds	18,646
Increase in Materials and Supplies Inventory	(10,633)
Decrease in Prepaid Items	2,810
Increase in Accounts Payable	27,394
Decrease in Contracts Payable	(65,810)
Increase in Accrued Wages and Benefits	1,732
Increase in Compensated Absences Payable	4,929
Increase in Due to Other Funds	552
Increase in Due to Other Governments	4,399
Increase in Deferred Revenue	60
Total Adjustments	598,870

Net Cash Provided by Operating Activities	\$917,026
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Noncash Capital Financing Activities:

During 2002, the Water and Sewer Enterprise funds received water and sewer lines donated by developers with a fair market value of \$537,767 and \$514,513 respectively.

See accompanying notes to the general purpose financial statements

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 1 – REPORTING ENTITY

The City of Milford (“The City”) is a charter City operating under the laws of the State of Ohio. The City was originally incorporated as the Village of Milford in 1836. Milford’s name is attributed to the principal industry of that time period, milling. Milford became a City after the 1980 census.

The City operates under a Council-Manager form of government. All legislative power of the Municipality is vested in a seven member elected Council and the administrative power of the Municipal Government is vested in a Manager appointed by the Council. The Manager is the chief executive and administrative officer of the City. The Council selects, from its own members, a Mayor and a Vice Mayor. The Mayor is the ceremonial and representative head of the Municipality, but exercises no administrative authority. The Finance Director is appointed by the Manager and confirmed by a majority vote of the Council.

THE REPORTING ENTITY

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. To provide necessary services to its citizens, the City of Milford is divided into departments and financial management and control systems. Departments providing services include a police force, a street maintenance and repair force, a parks and recreation system, a sewer department, a water system, an income tax department and a staff to provide essential support to these service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the administration of the City Manager. All are responsible to the citizens of Milford and are included as part of the reporting entity.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization’s budget, the issuance of its debt or the levying of its taxes. The City has no component units.

The Milford Exempted Village School District and Milford Community Fire Department have been excluded from the City’s financial statements because the City is not financially accountable for these organizations nor are the entities fiscally dependent on the City.

The City is associated with the Ohio Municipal League that provides two related services. One service is a risk sharing pool and the other is an insurance purchasing pool. The organization’s services are presented in Notes 13 and 18 to the general purpose financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Milford have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City’s accounting policies are described below.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION - FUND ACCOUNTING

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financing resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

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

Special Revenue Funds - These funds are used to account for revenues derived from specific taxes, grants, or other sources (other than amounts relating to major capital projects) whose use is restricted. The uses and limitations of each special revenue fund are specified by City ordinances or federal and state statutes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUNDS

The proprietary funds are used to account for the City's ongoing activities which are similar to those often found in the private sector. The following is the City's proprietary fund type:

Enterprise Funds - These funds are used to account for water and sewer operations. They are financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that a periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The City's only fiduciary funds are agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to a specific fund and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group - This account group is used to account for all unmatured general long-term obligations of the City that are not specific liabilities of the proprietary funds.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year the income was earned; property taxes are recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income taxes, accounts, accrued interest, and intergovernmental revenues (including motor vehicle license tax, gasoline tax, and local government assistance).

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year, with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated.

Advances-in and advances-out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

A tax budget of estimated revenues and expenditures for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increasing) tax rates.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue to be collected is greater or less than the current estimates. The amounts set forth in the financial statements represent estimates from the amended certificate in force at the time final appropriations were passed by Council.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations

An appropriation ordinance (the appropriation budget) to control the level of expenditures for all funds except agency funds must be legally enacted on or before January 1. Appropriations may not exceed estimated resources as established in the official amended certificate of estimated resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations passed during the year. Several supplemental appropriations were legally enacted during 2003 and 2002 by Council.

Budgeted Level of Expenditures

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made at fund and department levels. The appropriations set by Council remain fixed unless amended by Council ordinance.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and as a note disclosure for proprietary funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances outstanding at year-end are carried forward to the subsequent year and are not reappropriated.

CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the City, except Cash in Segregated Accounts, is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. The City's Municipal Court has its own checking accounts for collection and distribution of court fines and forfeitures which are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

During 2003 and 2002, investments were limited to Federal Farm Credit Bank Bonds, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, U.S. Treasury Notes, Money Market Mutual Funds and STAROhio. Investments are reported at fair value which is based on quoted market prices. Fair value of open-end mutual funds is based on current share price.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2003 and 2002.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less, and funds within the cash management pool are considered to be cash and cash equivalents.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during 2003 amounted to \$45,141, which includes \$13,786 assigned from other funds. Interest revenue credited to the general fund during 2002 amounted to \$75,488, which includes \$28,811 assigned from other funds.

INVENTORY OF SUPPLIES

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INTERFUND ASSETS/LIABILITIES

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “Due From Other Funds” or “Due To Other Funds” on the balance sheet. Receivables and payables arising between funds for short-term interfund loans are classified as “Interfund Receivables” or “Interfund Payables” on the balance sheet.

FIXED ASSETS AND DEPRECIATION

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund.

All purchased fixed assets are valued at cost when historical records are available and at estimated historical cost when no historical records exist. For certain assets, estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are valued at their estimated fair market value on the date received. The capitalization threshold is \$500.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Public domain (“infrastructure”) general fixed assets consisting of roads, bridges, curbs, gutters, sidewalks, street lights, traffic signals, fire hydrants, and drainage systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Depreciation in the proprietary fund type is computed using the straight-line method over the following useful lives:

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Improvements Other than Buildings	15 - 50 years
Equipment	4 - 15 years
Plant	40 years
Sewer and Water Lines	40 years

One-half year's depreciation is recorded for each asset in the year of acquisition and one-half year's depreciation is recorded in the year of disposal.

CAPITALIZATION OF INTEREST

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until the completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2003 and 2002, no net interest expense was incurred on proprietary fund construction projects.

COMPENSATED ABSENCES

Vacation benefits and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated, unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated, unused sick leave for employees after ten years of current service.

For governmental funds, the current portion of unpaid compensated absences is the amount to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the individuals who have accumulated the unpaid leave are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

ACCRUED LIABILITIES AND OTHER LONG-TERM OBLIGATIONS

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, tax abatement and contractually required pension obligations are reported as a liability in the General Long-Term Obligations Account Group to the extent they will not be paid with current expendable available financial resources. Payments made more than thirty-one days after year-end are considered not to have been paid using current available financial resources. Bonds are recognized as a liability of the General Long-Term Obligations Account Group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary fund.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRIBUTED CAPITAL

Contributed capital represents resources from other funds, other governments, and tap-in fees provided to the extent they exceed the cost of physical connection to the system, which have been provided to the Enterprise Funds and are not subject to repayment. Those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements. Beginning in 2001, GASB Statement No. 33 requires that these types of contributions be recognized as revenue.

Because the City had not prepared financial statements in accordance with Generally Accepted Accounting Principles prior to 1990, the exact amount of contributed capital pertaining to prior years cannot be determined. Only those amounts that have been able to be identified specifically have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds are classified as retained earnings.

RESERVES OF FUND EQUITY

Reserves of fund equity indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for encumbrances and inventory.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

INTERFUND TRANSACTIONS

During the course of normal operations, the City has transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

Nonrecurring and nonroutine transfers of equity between funds, capital contributions to the enterprise funds, the subsequent return of all or part of such contributions, and the transfer of residual balances of discontinued funds or projects to the general fund, general capital improvement capital projects fund, or debt service funds (when financed with debt proceeds) are classified as residual equity transfers.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund are properly allocated to another fund are recorded as expenditures and expenses in the reimbursing fund and as a reduction of expenditures and expenses in the fund that is reimbursed.

TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

Total columns on the general purpose financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – ACCOUNTABILITY

The Land Purchase Capital Projects Fund had deficit fund balances of \$2,252,940 and \$2,518,015 at December 31, 2003 and 2002, respectively. These deficits resulted from the issuance of bond anticipation notes which are used to finance projects until bonds are issued. The deficit will be eliminated when long-term bonds are issued. The General Fund provides transfers when cash is required, not when accruals occur.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 4 – BUDGET TO GAAP RECONCILIATION

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, appropriations and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure for proprietary fund types (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
7. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 4 – BUDGET TO GAAP RECONCILIATION (Continued)

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis all governmental funds and proprietary funds for 2003 are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$19,907	\$40,798	\$236	\$371,868
Adjustments:				
Revenue Accruals	60,334	6,848	0	375
Expenditure Accruals	(4,582)	28,697	(2,556,250)	49,316
Proceeds of Notes	0	0	2,250,000	0
Advances	2,000	0	0	0
Transfers	0	0	306,250	(306,250)
Encumbrances	(87,334)	(76,134)	0	(81,999)
Budget Basis	(\$9,675)	\$209	\$236	\$33,310

Net Income /Excess of Revenues Over Expenses and Advances
All Enterprise Funds

	Enterprise
Net Income	\$634,282
Increases (decreases) Due To:	
Revenue Accruals	(8,560)
Expense Accruals	(2,293,496)
Decrease in Fair Value of Cash Equivalents	1,444
Depreciation Expense	512,278
Debt Principal Retirement	(66,163)
Proceeds of OPWC Loan	121,225
Acquisition of Fixed Assets	1,139,326
Loss on Disposal of Fixed Assets	739
Advances	(2,000)
Encumbrances Outstanding At Year	
End (Budget Basis)	(490,205)
Budget Basis Excess	(\$451,130)

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 4 – BUDGET TO GAAP RECONCILIATION (Continued)

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for all governmental funds and proprietary funds for 2002 are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$123,172	\$137,705	\$429	(\$2,388,890)
Adjustments:				
Revenue Accruals	(123,363)	(2,491)	0	1,326
Expenditure Accruals	27,648	(94,750)	0	(220,047)
Proceeds of Notes	0	0	0	2,500,000
Advances	8,280	0	0	0
Encumbrances	(92,558)	43,988	0	119,550
Budget Basis	<u>(\$56,821)</u>	<u>\$84,452</u>	<u>\$429</u>	<u>\$11,939</u>

Net Income /Excess of Revenues Over Expenses and Advances
All Enterprise Funds

	<u>Enterprise</u>
Net Income	\$1,455,147
Increases (decreases) Due To:	
Revenue Accruals	(3,583)
Expense Accruals	(384,091)
Decrease in Fair Value of Cash Equivalents	1,622
Depreciation Expense	635,776
Debt Principal Retirement	(64,860)
Donated Assets	(1,052,280)
Unrecorded Cash	(1,392)
Loss on Disposal of Fixed Assets	134
Acquisition of Fixed Assets	174,524
Advances	(8,280)
Encumbrances Outstanding At Year End (Budget Basis)	<u>(164,636)</u>
Budget Basis Excess	<u>\$588,081</u>

NOTE 5 – DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

DEPOSITS

Carrying amounts of the City's deposits were \$1,360,144 and \$1,100,387 at December 31, 2003 and 2002, respectively. Bank balances were \$1,608,292 and \$1,258,034 at December 31, 2003 and 2002, respectively. Of the bank balances, \$120,793 and \$120,745 were covered by federal deposit insurance at December 31, 2003 and 2002, respectively. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

INVESTMENTS

GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," requires that the City's investments be classified in categories of risk. The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. STAROhio and Money Market Mutual Fund investments are unclassified since they are not evidenced by securities that exist in physical or book entry form.

2003 Investments:

	<u>Category 2</u>	<u>Unclassified</u>	<u>Carrying/ Fair Value</u>
Federal Farm Credit Bank Bonds	\$70,004	\$0	\$70,004
Federal Home Loan Mortgage Notes	628,357	0	628,357
Federal Home Loan Bank Bonds	1,016,550	0	1,016,550
Federal National Mortgage Association Bonds	175,067	0	175,067
U.S. Treasury Notes	110,430	0	110,430
STAROhio	0	4,711,000	4,711,000
Total Investments	<u>\$2,000,408</u>	<u>\$4,711,000</u>	<u>\$6,711,408</u>

2002 Investments:

	<u>Category 2</u>	<u>Unclassified</u>	<u>Carrying/ Fair Value</u>
Federal Farm Credit Bank Bonds	\$75,240	\$0	\$75,240
Federal Home Loan Mortgage Notes	275,284	0	275,284
Federal Home Loan Bank Bonds	206,788	0	206,788
Federal National Mortgage Association Bonds	320,336	0	320,336
U.S. Treasury Notes	55,687	0	55,687
Money Market Mutual Funds	0	21,098	21,098
STAROhio	0	5,713,972	5,713,972
Total Investments	<u>\$933,335</u>	<u>\$5,735,070</u>	<u>\$6,668,405</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." Cash and cash equivalents are defined as investments with original maturities of three months or less and funds held as part of the City's cash management pool.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

A reconciliation between classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

2003 Reconciliation:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$8,071,552	\$0
Investments:		
Federal Farm Credit Bank Bonds	(70,004)	70,004
Federal Home Loan Mortgage Corporation Notes	(628,357)	628,357
Federal Home Loan Bank Bonds	(1,016,550)	1,016,550
Federal National Mortgage Association Bonds	(175,067)	175,067
U.S. Treasury Notes	(110,430)	110,430
STAROhio	(4,711,000)	4,711,000
GASB Statement No. 3	\$1,360,144	\$6,711,408

2002 Reconciliation:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$7,768,792	\$0
Investments:		
Federal Farm Credit Bank Bonds	(75,240)	75,240
Federal Home Loan Mortgage Notes	(275,284)	275,284
Federal Home Loan Bank Bonds	(206,788)	206,788
Federal National Mortgage Association Bonds	(320,336)	320,336
U.S. Treasury Notes	(55,687)	55,687
Money Market Mutual Funds	(21,098)	21,098
STAROhio	(5,713,972)	5,713,972
GASB Statement No. 3	\$1,100,387	\$6,668,405

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2003 for real and public utility property taxes represents collections of 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) is for 2003 taxes.

2003 real property taxes are levied after October 1, 2003 on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2003 public utility property taxes became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 6 – PROPERTY TAXES (Continued)

The full tax rate for all City operations for the year ended December 31, 2003, was \$3.00 per \$1,000 of assessed value for inside millage. Additionally, voted levies were \$10.70 per \$1,000 of assessed value for fire and emergency medical service. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

Category	Assessed Value
Real Property Tax	\$132,539,710
Tangible Personal Property	14,920,373
Public Utility Tangible Personal Property	6,027,270
Total Property Taxes	\$153,487,353

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Milford. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2003 operations. The receivable is offset by deferred revenue.

NOTE 7 – INCOME TAX

The City levies a municipal income tax of 1.0% on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City.

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

Income tax proceeds are to be used to pay the cost of administering the tax. After these costs are recovered the proceeds are allocated to the General Fund, the Parks and Recreation Special Revenue Fund, the Debt Service Fund, and the Capital Improvement Capital Projects Fund. Income tax revenue was \$2,297,431 and \$2,582,729 for 2003 and 2002, respectively.

NOTE 8 – RECEIVABLES

Receivables at December 31, 2003 and 2002, consisted primarily of property taxes, income taxes, accounts, interfund, interest on investments, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 8 – RECEIVABLES (Continued)

A summary of intergovernmental receivables follows:

	2003	2002
<u>GENERAL FUND</u>		
Recycling Grants	\$9,526	\$4,251
Liquor Permits	1,816	2,021
Estate Tax	0	54,967
Local Government	171,769	178,900
Local Government Revenue Assistance	25,776	27,209
Homestead and Rollback	82,091	23,007
Tax Replacement	3,430	3,430
Personal Property Tax Exemption	47	0
Total General Fund	294,455	293,785
 <u>SPECIAL REVENUE FUNDS</u>		
<u>Drug Enforcement Fund</u>		
Drug Free Grant	152	100
<u>Street Fund</u>		
Gasoline Excise Tax	97,388	78,766
Motor Vehicle License Tax	58,602	73,914
Motor Vehicle License Tax Excess	1,185	65
Total Street Fund	157,175	152,745
<u>State Highway Fund</u>		
Gasoline Excise Tax	7,985	6,387
Motor Vehicle License Tax	7,785	5,993
Motor Vehicle License Tax Excess	2	5
Total State Highway Fund	\$15,772	\$12,385
	(Continued)	(Continued)

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 8 – RECEIVABLES (Continued)

	<u>2003</u>	<u>2002</u>
<u>Permissive Motor Vehicle License Fund</u>		
Permissive Tax	\$5,929	\$10,179
<u>Fire Levy Fund</u>		
Tax Replacement	6,994	6,804
Rollback	38,511	36,458
Total Fire Levy Fund	45,505	42,587
<u>Emergency Management System Levy Fund</u>		
Tax Replacement	6,421	6,227
Rollback	39,237	36,458
Total Emergency Management System Levy Fund	45,658	42,685
Total Special Revenue Funds	270,191	260,681
 <u>ENTERPRISE FUND</u>		
<u>Sewer Fund</u>		
Issue II - Waste Water Treatment Plant	42,107	19,110
Total All Funds	<u>\$606,753</u>	<u>\$573,576</u>

NOTE 9 – FIXED ASSETS

Changes in general fixed assets during the year ended December 31, 2003, were as follows:

<u>Asset Category</u>	<u>Balance</u> <u>12/31/2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2003</u>
Land	\$3,996,697	\$0	\$33,884	\$3,962,813
Buildings	4,034,514	143,854	350,429	3,827,939
Improvements Other than Buildings	301,297	11,533	17,610	295,220
Vehicles, Furniture, and Equipment	1,613,120	118,120	95,385	1,635,855
Construction in Progress	2,139	57,279	0	59,418
Totals	<u>\$9,947,767</u>	<u>\$330,786</u>	<u>\$497,308</u>	<u>\$9,781,245</u>

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 9 – FIXED ASSETS (Continued)

Changes in general fixed assets during the year ended December 31, 2002, were as follows:

Asset Category	Balance 12/31/2001	Additions	Deletions	Balance 12/31/2002
Land	\$1,475,583	\$2,521,114	\$0	\$3,996,697
Buildings	4,020,041	14,473	0	4,034,514
Improvements Other than Buildings	285,449	31,085	15,237	301,297
Vehicles, Furniture, and Equipment	1,439,672	210,176	36,728	1,613,120
Construction in Progress	2,139	0	0	2,139
Totals	<u><u>\$7,222,884</u></u>	<u><u>\$2,776,848</u></u>	<u><u>\$51,965</u></u>	<u><u>\$9,947,767</u></u>

Fixed asset balances for Enterprise Funds as of December 31, 2003, were as follows:

Class	Sewer	Water	Total
Land	\$38,772	\$101,488	\$140,260
Improvements Other than Buildings	686,389	947,207	1,633,596
Plant	4,270,595	2,051,893	6,322,488
Equipment	405,225	413,931	819,156
Sewer and Water Lines	4,154,678	2,291,475	6,446,153
Construction in Progress	146,092	39,448	185,540
Total	<u>9,701,751</u>	<u>5,845,442</u>	<u>15,547,193</u>
Less: Accumulated Depreciation	<u>(3,401,883)</u>	<u>(2,428,894)</u>	<u>(5,830,777)</u>
Net Fixed Assets	<u><u>\$6,299,868</u></u>	<u><u>\$3,416,548</u></u>	<u><u>\$9,716,416</u></u>

Fixed asset balances for Enterprise Funds as of December 31, 2002, were as follows:

Class	Sewer	Water	Total
Land	\$38,772	\$101,488	\$140,260
Improvements Other than Buildings	621,810	947,207	1,569,017
Plant	3,641,935	1,981,623	5,623,558
Equipment	362,881	355,157	718,038
Sewer and Water Lines	4,154,678	2,291,475	6,446,153
Construction in Progress	248,410	36,755	285,165
Total	<u>9,068,486</u>	<u>5,713,705</u>	<u>14,782,191</u>
Less: Accumulated Depreciation	<u>(3,579,365)</u>	<u>(2,203,828)</u>	<u>(5,783,193)</u>
Net Fixed Assets	<u><u>\$5,489,121</u></u>	<u><u>\$3,509,877</u></u>	<u><u>\$8,998,998</u></u>

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

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

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$135,934, \$124,438, and \$124,222, respectively; 81.31 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$443 made by the City and \$706 made by the plan members.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police. The City has no firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for the years ended December 31, 2003, 2002, and 2001 were \$103,309, \$92,553, and \$88,352, respectively, equal to the required contributions for each year. The full amount has been contributed for 2002 and 2001. 84.26 percent has been contributed for 2003 with the remainder being reported as a liability.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 11 – POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$79,494. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care “Choices” Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$68,140 for police. The OP&F's total health care expense for the year ended December 31, 2002, (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

NOTE 12 - EMPLOYEE BENEFITS

COMPENSATED ABSENCES

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. Upon departure from City employment, an employee (or his estate) will be paid for unused vacation leave. For the City as a whole, the total obligations for vacation accrual at December 31, 2003 and 2002 amounted to \$130,677 and \$112,697, respectively.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of 3.69 hours per eighty hours of service. Sick leave is cumulative without limit. In the case of retirement, employees will be paid one-fourth of up to 960 hours for a maximum payment of up to 240 hours. For the City as a whole, the total obligations for sick leave accrual at December 31, 2003 and 2002 amounted to \$66,263 and \$63,996, respectively.

Accumulated Unpaid Personal Leave

All City employees, except police, receive two personal days in January, except police union employees who earn the days on July 1. Employees can earn additional personal days for each 120 consecutive days worked without using sick leave. Employees can accumulate a maximum of 40 hours at any time. The personal leave can be carried over from year to year. Patrol officers and police clerks receive 24 hours and 16 hours, respectively, on July 1 of each year. All police department employees may accumulate up to 60 hours of personal leave. For the City as a whole, the total obligations for personal leave accrual at December 31, 2003 and 2002 amounted to \$13,320 and \$10,663, respectively.

INSURANCE BENEFITS

Full time employees are provided health, dental and life insurance. The City has elected to provide employee medical hospitalization benefits through Humana Choice Care. Employees with family plans share the cost of monthly premium with the City. The City provides life insurance and accidental death and dismemberment insurance through the Standard Life Insurance Company. Dental and vision insurance is provided by the City through Dental Care Plus.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 12 – EMPLOYEE BENEFITS (Continued)

DEFERRED COMPENSATION

Employees of the City may elect to participate in the ICMA Retirement Corporation Deferred Compensation Plan and Trust, or the Ohio Public Employees Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under these programs, employees elect to defer a portion of their pay. The deferred pay and any income earned on it is not subject to federal and state income taxation until actually received by the employee. Participation in the plans is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

NOTE 13 – RISK MANAGEMENT

The City is a participant in the Ohio Municipal Joint Self-Insurance Pool, a risk sharing pool (the "Pool"). The Pool was established in 1987 and is administered under contract by the JWF Specialty Company to provide a program of property and casualty insurance for its member organizations throughout the State of Ohio.

The Pool's general objectives are to formulate, develop, and administer a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool, as well as current members, are subject to a supplemental assessment or a refund at the discretion of the board of trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date, there have been no assessments or refunds due to the nature of the coverage that is afforded to the participants.

Each participant makes an annual "contribution" to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operation for the various coverages provided. Participants are also charged for a "surplus contribution" that is used to fund the activities of the pool. During 2003 and 2002, the City of Milford paid premiums of \$83,615 and \$71,579, respectively, to the pool.

In the ordinary course of business, the Pool cedes a portion of its exposure to other insurers. These arrangements limit the Pool's maximum net loss on individual risks.

Treaty basis casualty excess of loss contracts in force at December 31, 2003, (the latest information available) generally protect the Pool against individual losses over \$175,000 and \$100,000 on property.

The Pool is, and ultimately the participants are, contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

Coverage by the Pool in 2003 includes: General Liability, Police Professional Liability, Public Officials Liability, Property and Fire, Vehicles, Radios, Computers, Contractors Equipment and other coverage. Vehicle deductibles are \$250, while liability insurance deductibles (other than vehicle) are \$5,000. Radios, Computers and Contractor's Equipment have a \$250 deductible.

The City also has coverage under the Pool for the boiler and machinery with a \$1,000 deductible.

Settled claims have not exceeded the City's coverage in any of the past three years. There was no significant decline in the level of coverage from the prior year.

Performance bonds for employees are protected by the Ohio Casualty Insurance Company and range from \$10,000 to \$25,000 with specific bonds for the Finance Director, Tax Commissioner and City Manager.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative cost. The rate for 2002 paid in 2003 is .025996.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 14 – LONG-TERM OBLIGATIONS

Long-term obligations at December 31, 2003, were as follows:

	Balance December 31, 2002	Increase	Decrease	Balance December 31, 2003
<i><u>General Long-Term Obligations</u></i>				
General Obligation Bonds				
(Unvoted)				
Capital Facility				
4.4%-5.75% 2000	\$2,010,000	\$0	\$50,000	\$1,960,000
Milford Parkway				
4.9%-6.25% 1997	655,000	0	30,000	625,000
Firehouse/Trailer Park				
4.5%-5.2% 1999	600,000	0	25,000	575,000
Total General Obligation Bonds	<u>\$3,265,000</u>	<u>\$0</u>	<u>\$105,000</u>	<u>\$3,160,000</u>
Pension Obligation	\$7,298	\$8,738	\$7,298	\$8,738
Tax Abatement	75,000	0	15,000	60,000
Compensated Absences	138,985	19,093	0	158,078
TOTAL - General Long-Term Obligations	<u>\$3,486,283</u>	<u>\$27,831</u>	<u>\$127,298</u>	<u>\$3,386,816</u>
<i><u>Enterprise Long-Term Obligations</u></i>				
OWDA Loans 2.00% 1994	\$606,650	\$0	\$66,163	\$540,487
OPWC Loans 0% 2003	0	121,225	0	121,225
Pension Obligation	1,519	1,863	1,519	1,863
Compensated Absences	45,060	4,851	0	49,911
TOTAL - Enterprise Funds	<u>\$653,229</u>	<u>\$127,939</u>	<u>\$67,682</u>	<u>\$713,486</u>

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Long-term obligations at December 31, 2002, were as follows:

	Balance December 31, 2001	Increase	Decrease	Balance December 31, 2002
<i>General Long-Term Obligations</i>				
General Obligation Bonds (Unvoted)				
	Balance December 31, 2001	Increase	Decrease	Balance December 31, 2002
Capital Facility 4.4%-5.75% 2000	\$2,055,000	\$0	\$45,000	\$2,010,000
Milford Parkway 4.9%-6.25% 1997	680,000	0	25,000	655,000
Firehouse/Trailer Park 4.5%-5.2% 1999	620,000	0	20,000	600,000
Total General Obligation Bonds	<u>3,357,001</u>	<u>0</u>	<u>90,000</u>	<u>3,267,002</u>
Pension Obligation	6,872	7,298	6,872	7,298
Tax Abatement	90,000	0	15,000	75,000
Compensated Absences	120,763	18,222	0	138,985
TOTAL - General Long-Term Obligations	<u>\$3,574,636</u>	<u>\$25,520</u>	<u>\$111,872</u>	<u>\$3,488,285</u>

The unvoted general obligation bond issues will be paid through the Special Revenue Funds and Debt Service Fund from property taxes and income taxes.

Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid. The tax abatement liability will be paid from the General Fund.

In April 1997, \$775,000 general obligation bonds were issued for the City's share of construction of the Milford Parkway Development project. The debt will mature on December 1, 2017, and will be paid from income taxes. The City will credit the Debt Service Fund enough income tax revenue to satisfy the debt each year.

In September 2000, \$2,100,000 of general obligation bonds was issued for the Five Points Building project. The bonds were issued with varying interest rates from 4.4% to 5.75% and will mature on December 1, 2025. The bonds will be paid from the General Fund.

In April of 1999, general obligation bonds for improvements to the firehouse and purchase of a trailer park were issued in the amount of \$870,000. \$670,000 was issued for the firehouse and will be paid from the Fire and EMS levy special revenue funds over the next 20 years. \$200,000 was issued for the trailer park purchase and was paid off in 2001.

The Ohio Water Development Authority loan is for the expansion of the City's Wastewater Treatment Plant. The loan will be repaid from the sewer fund's operating revenues.

In 2002 the City was approved for a \$131,694 loan from the Ohio Public Works Commission for the Miami Woods Lift Station replacement. In 2003, the work was still in progress, and as of December 31, 2003, \$121,225 of the total loan had been received. The loan will be retired in January, 2014 from the sewer fund's operating revenues.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

During 1998, the City entered into a municipal income tax revenue sharing agreement with Milford Exempted Village School District. The City is allowed to grant an exemption from taxation for real or tangible personal property improvements. Pursuant to Section 5709.82 of the Ohio Revised Code, the City may negotiate and enter into an agreement with the School to compensate the School for tax revenue the School would have received had the property comprising a project not been exempted from taxation by the City. During 2000, the City granted New Creative Enterprise, Inc. a tax exemption. The City shall pay the School \$15,000 over the next ten years under this agreement.

As of December 31, 2003, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$10,734,932, and the unvoted legal debt margin was \$3,060,564.

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2003, are:

Year	General Obligation Bonds	Enterprise Ohio Water Development Authority Loans	Ohio Public Works Commission Loan
2004	\$275,549	\$77,967	\$6,585
2005	275,543	77,967	13,170
2006	275,237	77,967	13,170
2007	274,472	77,967	13,170
2008	273,507	77,967	13,170
2009-2013	1,381,900	194,893	65,850
2014-2018	1,313,376	0	6,579
2019-2023	838,763	0	0
2024-2025	309,721	0	0
Total	5,218,068	584,728	131,694
Less: Amount Representing Interest	(2,058,068)	(44,241)	0
Total Principal	\$3,160,000	\$540,487	\$131,694

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2002, are:

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Enterprise Ohio Water Development Authority Loans</u>
2003	\$280,509	\$77,967
2004	275,549	77,967
2005	275,543	77,967
2006	275,237	77,967
2007	274,472	77,967
2008-2012	1,379,099	272,860
2013-2017	1,379,967	0
2018-2022	894,613	0
2023-2025	463,586	0
TOTAL	<u>5,498,575</u>	<u>662,695</u>
Less: Amount Representing Interest	<u>(2,233,575)</u>	<u>(56,045)</u>
Total Principal	<u><u>\$3,265,000</u></u>	<u><u>\$606,650</u></u>

NOTE 15 – NOTE OBLIGATIONS

A summary of the note transactions for the year ended December 31, 2003, follows:

<u>Fund</u>	<u>Balance December 31, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2003</u>
Capital Projects	<u>\$2,500,000</u>	<u>\$2,250,000</u>	<u>\$2,500,000</u>	<u>\$2,250,000</u>

The note is issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the City and mature within one year.

A summary of the note transactions for the year ended December 31, 2002, follows:

<u>Fund</u>	<u>Balance December 31, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2002</u>
Capital Projects	<u>\$0</u>	<u>\$2,500,000</u>	<u>\$0</u>	<u>\$2,500,000</u>

The note is issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the City and mature within one year.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 16 – INTERFUND TRANSACTIONS

Interfund balances at December 31, 2003, consist of the following individual fund receivables and payables:

Fund Type/Fund	Interfund		Due	
	Receivables	Payables	From Other Funds	To Other Funds
General Fund	\$31,042	\$0	\$12,793	\$435
<i>Special Revenue Funds:</i>				
Drug Law Enforcement	0	0	700	0
Mayor's Court Computer	0	0	1,870	0
Cemetery	0	0	0	52
FEMA Hazard Mitigation	0	11,042	0	0
Total Special Revenue Funds	0	11,042	2,570	52
<i>Enterprise Funds:</i>				
Water	0	0	870	0
Sewer	0	20,000	293	676
Total Enterprise Funds	0	20,000	1,163	676
<i>Agency Fund:</i>				
Municipal Court	0	0	0	15,363
Total All Funds	\$31,042	\$31,042	\$16,526	\$16,526

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 16 – INTERFUND TRANSACTIONS (Continued)

Interfund balances at December 31, 2002, consist of the following individual fund receivables and payables:

Fund Type/Fund	Interfund		Due	
	Receivables	Payables	From Other Funds	To Other Funds
General Fund	\$22,000	\$0	\$12,132	\$668
<i>Special Revenue Funds:</i>				
Drug Law Enforcement	0	0	350	0
Mayor's Court Computer	0	0	1,060	0
Street Construction	0	0	0	1,500
Total Special Revenue Funds	0	0	1,410	1,500
<i>Enterprise Funds:</i>				
Water	0	0	4,142	0
Sewer	0	22,000	371	2,345
Total Enterprise Funds	0	22,000	4,513	2,345
<i>Agency Fund:</i>				
Municipal Court	0	0	0	13,542
Total All Funds	\$22,000	\$22,000	\$18,055	\$18,055

NOTE 17 – SEGMENT INFORMATION

The City's enterprise funds account for the provision of sewer and water services. Key financial information as of and for the year ended December 31, 2003, for each enterprise fund is as follows:

	Water Fund	Sewer Fund	Total
Operating Revenues	\$872,667	\$1,094,524	\$1,967,191
Depreciation Expense	226,465	285,813	512,278
Operating Income	(40,897)	247,931	207,034
Operating Grants	1,290	375,038	376,328
Net Income	(23,033)	657,316	634,283
Net Working Capital	1,656,563	1,949,391	3,605,954
Property, Plant, and Equipment Additions	133,750	1,096,359	1,230,109
Total Assets	5,111,551	8,452,587	13,564,138
Loans and Other Long-Term Liabilities			
Payable From Revenues	20,641	690,982	711,623
Total Fund Equity	5,055,132	7,619,479	12,674,611
Encumbrances Outstanding at December 31, 2003	360,863	129,342	490,205

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 17 – SEGMENT INFORMATION (Continued)

The City's enterprise funds account for the provision of sewer and water services. Key financial information as of and for the year ended December 31, 2002, for each enterprise fund is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues	\$1,022,690	\$1,242,833	\$2,265,523
Depreciation Expense	356,224	279,552	635,776
Operating Income	(102,135)	420,291	318,156
Operating Grants	10,905	13,707	24,612
Net Income	471,886	983,261	1,455,147
Net Working Capital	5,075,976	6,959,975	12,035,951
Property, Plant, and Equipment Additions	601,699	626,453	1,228,152
Donated Assets	537,767	514,513	1,052,280
Total Assets	5,152,592	7,641,498	12,794,090
Loans and Other Long-Term Liabilities			
Payable From Revenues	20,851	630,859	651,710
Total Fund Equity	5,078,165	6,962,164	12,040,329
Encumbrances Outstanding at December 31, 2002	\$34,084	\$130,552	\$164,636

NOTE 18 – INSURANCE PURCHASING POOL

For 2003, the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to cities that can meet the Plan's selection criteria. The firm of Gates McDonald provides administrative, cost control and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

The City may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access experience for three years following the last year of participation.

NOTE 19 – CONTINGENT LIABILITIES

LITIGATION

The City is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

STATE GRANTS

For the period January 1, 2002 to December 31, 2003, the City received State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

NOTE 20 – CONTRACTUAL COMMITMENTS

As of December 31, 2003, the City had contractual purchase commitments for the following:

<u>Contract</u>	<u>Balance at 12/31/2003</u>
Aaron Incorporated	\$90,925
Ameriteon	10,469
B & J Electric	11,027
FNJM Engineers	15,000
ICRC	6,800
IMAC Consulting Group	6,400
Jeffery Allen Corporation	52,165
Mitter Trucking and Excavating	3,000
OMNI Business Forms	4,391
Oxbow River & Stream Restoration	3,059
Quest Engineers	264,724
RC Biliter & Associates	4,520
Reynolds Incorporated	57,554
Sontoro Engineers	7,050
Winchester Land Company	17,313
32 Ford Mercury	<u>53,200</u>
Total	<u><u>\$607,597</u></u>

NOTE 21 – SUBSEQUENT EVENT

In 2004, City Council approved the offering of a new utility service, the Storm Water Utility Program, for the citizens of the City of Milford. The Storm Water Utility shall charge to each owner of property located within the municipal corporation limits a storm water charge based on the property's contribution to run off to the storm water system and the amount of impervious area contained on the property. The rate to be charged for the storm water user fee for an equivalent residential unit (ERU), which includes single-family properties and duplex properties, shall be \$5.50 per month. The rate charged to undeveloped property shall be determined by dividing the total square footage of the property by the square footage of an equivalent residential unit times a correction factor of 0 times the rate of an equivalent residential unit. The rates to be charged for non-residential properties shall be a rate of \$5.50 multiplied by the number of equivalent residential units (ERU). ERU is calculated as the total square footage of impervious area of the property divided by 2,400 square feet (the statistical average of residential impervious area based on a random sample of single family properties and duplex properties in the City of Milford).

This new utility was implemented for the June 2004 billing cycle (April and May 2004 readings).

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of Council
City of Milford
Milford, Ohio

We have audited the financial statements of the City of Milford, Clermont County, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 31, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Milford'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*. We did, however, note a certain immaterial instance of noncompliance that we have reported to management of the City of Milford in a separate letter dated August 31, 2004.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the City of Milford'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, which we have reported to management of the City of Milford in a separate letter dated August 31, 2004.

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

August 31, 2004

**CITY OF MILFORD, OHIO
CLERMONT COUNTY
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding No.:	Finding Summary:	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid (Explain):
2000.01	Expenditures Plus Encumbrances Exceeding Appropriations	Yes	Fully Corrected.



**Auditor of State
Betty Montgomery**

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**CITY OF MILFORD
CLERMONT 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 9, 2004**