

City of Milford

Clermont County

January 1, 2008 through December 31, 2008

Fiscal Year Audited Under GAGAS: 2008



**Balestra, Harr & Scherer, CPAs, Inc.**

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# Dave Yost • Auditor of State

City Council  
City of Milford  
745 Center Street, Suite 200  
Milford, Ohio 45150

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, 2008 through December 31, 2008. 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.

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Dave Yost  
Auditor of State

January 11, 2011

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**City of Milford**  
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*For the Year Ended December 31, 2008*

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## Independent Auditor's Report

City of Milford  
Clermont County, Ohio  
745 Center Street  
Milford, Ohio 45150

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Milford, Clermont County, Ohio (the City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

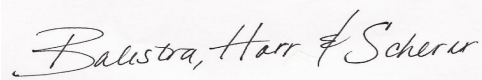
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Milford, Clermont County, Ohio, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows, thereof for the year 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 June 30, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

City Council  
City of Milford  
Independent Auditor's Report

Management's Discussion and Analysis and the respective budgetary comparison for the General, Fire Levy and EMS Levy are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
June 30, 2010

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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The discussion and analysis of the City of Milford's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2008. While the intent of this discussion and analysis is to look at the City's financial performance as a whole, readers should also review the basic financial statements and notes to enhance their understanding of the City's fiscal performance.

**Financial Highlights**

Key highlights for 2008 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2008, by \$25,025,455 (net assets). Of this amount, \$4,380,745 (governmental unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors, and \$5,499,575 is classified as unrestricted in the Water, Wastewater and Stormwater activities.
- The City's total net assets decreased by \$369,499 which represents a 1.45% decrease from 2007.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,315,632. Of this amount \$5,198,555 is available for spending (unreserved fund balance) on behalf of its citizens.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,007,113 or 76.30% of total general fund expenditures.
- The other governmental major funds: Fire Levy and EMS Levy have ending fund balances of \$311,093 and \$123,150. Both of these funds saw net assets decrease since 2006 for the Fire Levy fund and 2005 for the EMS Levy. Increased contractual commitments compared to the slowing revenue growth resulted in the negative change.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Milford as a complete operating entity.

The Statement of Net Assets and Statement of Activities present both an aggregate view of the City's finances and longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.



**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**Reporting City of Milford as a Whole**

Statement of Net Assets and the Statement of Activities:

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the change in those assets. This change in net assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

- **Governmental Activities** – Most of the City's services are reported here including police, social services programs, administration, and all departments with the exception of our Water, Wastewater and Stormwater Management functions.
- **Business-Type Activities** – These services have a charge based upon the amount of usage. The City charges fees to recoup the cost of the entire operation of our Water, Wastewater and Stormwater Management systems as well as all capital expenses associated with these facilities.
- **Component units** are legally separate entities that the City has voting control over or fiscal responsibility for. The City has no component units.

**Reporting the City of Milford's Most Significant Funds**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

However, these fund financial statements focus on the City's most significant funds. In the case of Milford, our major funds are the General, Fire Levy, EMS Levy, Water, Wastewater and Stormwater Management funds.

*Governmental Funds:* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

*Proprietary Funds:* The City maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater and stormwater management operations.

*Fiduciary Funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City maintains three agency funds which have no measurement focus and use the accrual basis of accounting.

*Notes to the Financial Statements:* The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements.

*Required Supplementary Information:* The City is required to report the budgetary schedules for the General Fund and two major special revenue funds along with the applicable accounting policies to develop those schedules.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$25,025,455 (\$9,487,181 in governmental activities and \$15,538,274 in business type activities) as of December 31, 2008. The largest portion of the City's net assets (51.85%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Table 1 provides a summary of the City's statement of net assets for 2008 compared to 2007.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$9,262,564	\$9,544,090	\$5,666,559	\$6,294,233	\$14,929,123	\$15,838,323
Capital Assets	6,428,482	6,413,585	14,927,373	13,056,306	21,355,855	19,469,891
Total Assets	15,691,046	15,957,675	20,593,932	19,350,539	36,284,978	35,308,214
Long-term liabilities	3,699,786	3,871,195	4,932,824	3,477,335	8,632,610	7,348,530
Other liabilities	2,504,079	2,513,119	122,834	225,340	2,626,913	2,738,459
Total Liabilities	6,203,865	6,384,314	5,055,658	3,702,675	11,259,523	10,086,989
Nets Assets:						
Invested in capital assets, net of related debt	2,935,888	2,300,752	10,038,699	9,631,764	12,974,587	11,932,516
Restricted	2,170,548	2,972,233	0	0	2,170,548	2,972,233
Unrestricted	4,380,745	4,300,376	5,499,575	6,016,100	9,880,320	10,316,476
Total Net Assets	\$9,487,181	\$9,573,361	\$15,538,274	\$15,647,864	\$25,025,455	\$25,221,225

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represented \$2,170,548 or 8.67% of net assets. The remaining unrestricted \$9,880,320 or 39.48% of net assets may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

As of December 31, 2008, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City saw capital assets increase as the City continued construction on the wastewater treatment plant, new sewer main, and work on the water wellfields. The City increased long term liabilities again by 17.47% from 2007 as the City continued to drawn down on funding from OWDA and OWPC related to those projects continued. The overall unrestricted net assets decreased as the City spent down the large cash balances by five percent to implement some capital improvements throughout the City.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

*Statement of Activities*

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$386,013	\$345,204	\$2,590,958	\$2,599,615	\$2,976,971	\$2,944,819
Operating Grants and Contributions	331,612	399,330	3,190	2,483	334,802	401,813
Capital Grants and Contributions	0	0	0	393,252	0	393,252
<b>General Revenues</b>						
Income Taxes	2,641,460	2,541,689	0	0	2,641,460	2,541,689
Property Taxes	2,092,461	2,177,634	0	0	2,092,461	2,177,634
Other Taxes	823,708	1,181,137	0	0	823,708	1,181,137
Unrestricted Grants	938,686	749,163	0	0	938,686	749,163
Investment earnings	187,006	338,104	190,977	291,675	377,983	629,779
Other Revenues	42,676	81,870	0	0	42,676	81,870
<b>Total Revenues</b>	<b>7,443,622</b>	<b>7,814,131</b>	<b>2,785,125</b>	<b>3,287,025</b>	<b>10,228,747</b>	<b>11,101,156</b>
<b>Expenses:</b>						
Security of Persons and Property	4,151,336	3,686,561	0	0	4,151,336	3,686,561
Public Health and Welfare	986,045	500,241	0	0	986,045	500,241
Leisure Time Activities	181,003	377,140	0	0	181,003	377,140
Basic Utility Services	302,022	636,523	0	0	302,022	636,523
Transportation	412,785	335,747	0	0	412,785	335,747
General Government	1,379,829	1,373,930	0	0	1,379,829	1,373,930
Intergovernmental	0	27,879	0	0	0	27,879
Interest and Fiscal Charges	185,630	218,333	0	0	185,630	218,333
Water	0	0	1,337,424	1,162,977	1,337,424	1,162,977
Wastewater	0	0	1,417,991	867,574	1,417,991	867,574
Stormwater Management	0	0	244,181	194,126	244,181	194,126
<b>Total Expenses</b>	<b>7,598,650</b>	<b>7,156,354</b>	<b>2,999,596</b>	<b>2,224,677</b>	<b>10,598,247</b>	<b>9,381,031</b>
Change in Net Assets	(155,028)	657,777	(214,471)	1,062,348	(369,499)	1,720,125
Beginning Net Assets - Restated	9,642,209	8,984,432	15,752,745	14,690,397	25,394,954	23,674,829
Ending Net Assets	\$9,487,181	\$9,642,209	\$15,538,274	\$15,752,745	\$25,025,455	\$25,394,954

*Governmental Activities*

The primary focus of governmental activities is in the area of security of persons and property, which represents the police, fire and EMS services of the City. For 2008, total security of persons and property expenses were \$4.15 million representing 54.63% of governmental activity spending yielding a reliance on general revenues to fund the program of approximately \$3.93 million after direct support to their programs.

Despite decreasing revenues, the City was able to continue to provide the level of service the residents of Milford expect. The City only increased expenses by 6.18% from 2007 using some of the City's cash balance to ensure the community cemeteries were maintained and the police, fire and ambulance services were able to provide the best service possible. The City was able to reduce the overall interest cost of outstanding debt by almost 15% from 2007.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

*Business-Type Activities*

The City's business-type activities include the water, wastewater and stormwater management systems. The Stormwater Management fund was able to boast a positive change in net assets figure of \$274,006. Combined change in net assets totaled to (\$214,471) as the depreciation of the capital assets was \$494,272. The total expenses increased over 34% as the City continues to improve the systems by increasing the capacity and size of the plant and forced mains throughout the City. The City continues to work on the mandated stormwater management plan.

**Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The focus of these City funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements as well as its ability to meet the needs of its citizens. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of 2008, the City's governmental funds reported combined ending fund balances of \$5.31 million. Approximately \$5.20 million constitutes unreserved fund balance available for spending for citizens. The remaining \$0.11 million reserved to indicate that it has been earmarked for specific purposes and not available to be spent for some purposes, most notably to liquidate contracts and purchase orders from the prior year.

The General Fund is the chief operating fund of the City. As of December 31, 2008, the unreserved general fund balance was \$3.00 million with a total fund balance of \$3.08 million. As a measure of liquidity, it is often useful to compare these numbers to total general fund expenditures and other financing uses. Unreserved fund balance represents approximately 73.41% of the total expenditures and other financing uses, while total fund balance represents 75.16% of that same amount.

During 2008, the City's general fund increased by \$0.19 million as the City generated \$0.15 million more in income tax revenue and did not transfer significant amounts to the other funds as in past years.

The Fire Levy major special revenue fund realized a decrease in fund balance of \$0.03 million during the year. The EMS Levy major special fund also saw a decrease of \$0.21 million. The Fire and EMS levy funds generated higher revenues than in prior years but the cost to provide services increased a faster rate as certain capital assets needed replaced during 2008.

**CITY OF MILFORD, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**General Fund Budgeting Highlights**

The City's budget is prepared according to Ohio law and the Charter of the City. The budget is based on accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2008, the City amended its total and general fund budget two times, the most significant noted below. All recommendations for the budget came from the City Manager after consultation with individual directors and the Finance Department before submission to City Council. The City Council also ministerially approves small interdepartmental budget changes that modify line items within departments within the same fund. With the General fund supporting a majority of our major activities such as public safety programs, as well as most legislative and executive activities, the General Fund is monitored closely with particular attention to possible revenue shortfalls or over spending by individual departments.

The following table summarizes the major revenue sources and expenditures from original to final budget for 2008:

<u>Description</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>
Revenues:			
Property and Other Taxes	\$684,471	\$727,292	\$42,821
Income Taxes	1,874,678	1,991,959	117,281
Intergovernmental Revenue	854,771	908,246	53,475
Other Revenues	502,430	533,863	31,433
Total Revenues	<u>3,916,350</u>	<u>4,161,360</u>	<u>245,010</u>
Expenditures:			
Security of Persons/Property	2,121,736	2,132,604	10,868
General Government	1,328,284	1,343,623	15,339
Other Expenditures	737,221	737,221	0
Total Expenditures	<u>4,187,241</u>	<u>4,213,448</u>	<u>26,207</u>

The City's original revenue budget was increased by 6.26% to the final budget as the original budget was created with the City's tax budget although the final budget for expenditures only increased 0.63%. The final budget was completed when the City had a better understanding of the state local government funding issues and more information related to total income tax collections. The City made very few changes to the final appropriations as more time was spent on the original budget for 2008.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2008:

Description	Final Budget	Actual	Change
<b>Revenues:</b>			
Property and Other Taxes	\$727,292	\$731,335	\$4,043
Income Taxes	1,991,959	2,043,026	51,067
Intergovernmental Revenue	908,246	937,599	29,353
Other Revenues	533,863	540,364	6,501
<b>Total Revenues</b>	<b>4,161,360</b>	<b>4,252,324</b>	<b>90,964</b>
<b>Expenditures:</b>			
Security of Persons/Property	2,132,604	2,040,752	91,852
General Government	1,343,623	1,241,957	101,666
Other Expenditures	737,221	686,877	50,344
<b>Total Expenditures</b>	<b>4,213,448</b>	<b>3,969,586</b>	<b>243,862</b>

The City's largest variance in final revenues was in income tax revenue. The City's increase can be attributed to the additional revenue from the JEDD revenue share and being on the RITA collection system for over a full year and getting the revenue transfer process fine tuned.

Despite the City's slightly increased final budget figures, the departmental staff, within the functions of the City, was successful in bringing their final expenditures in under budget for 2008 by almost 6%. The City realized revenues were going to be less than what was anticipated as the economy slowed. The City emphasized the need to evaluate all expenditures whether they were budgeted or not to ensure the City maintains a solid fiscal condition.

**Capital Assets and Debt Administration**

*Capital Assets:* The City's investment in capital assets for its governmental and business type activities as of December 31, 2008, totaled \$12.97 Million (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, equipment and machinery.

The City spent most of the capital asset money on construction projects for the new wastewater facility and water wellfields which are recorded as construction in progress. For more information on the governmental and business-type capital assets see Note 9 in the notes to the financial statements.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

*Long-term Debt:* At the end of 2008, the City had general obligation bonds outstanding of \$3.45 Million in governmental activities. The City retired \$210,000 in principal related to all debt during the year. See Note 14 for further information on the City's long-term debt.

**Economic Factors affecting the City**

Surrounded by hills and woods, with a population of just over 6,000, Milford is Clermont County's only city, and a focal point of new business development in the Greater Cincinnati Area. Milford has preserved the charms of its natural setting and historic downtown while creating a modern infrastructure that makes it a great place to live, work, play and grow.

Milford provides an excellent location for light industrial and retail businesses. The Milford commerce park offers a unique blend of industrial and recreational development. With a scenic location on the East Fork of the Little Miami River and a direct connection to I-275, the Park promises to be the "best business address" in Greater Cincinnati.

With the opening of River's Edge development in the past several years, the City now hosts a multitude of restaurants, a top line cinema and two top class hotel accommodations. The area still has several parcels available. The opening of the Wal-Mart in 2006 required moving part of Chamber drive which opened up additional development potential on the opposite side of the road from the store. Milford continues to provide more and more opportunities for its residents to find everything they need right at home.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, creditors, investors and elected officials with a general overview of the City's finances and to show accountability for the money it receives. If you have any questions about this report or need additional information, contact the City of Milford Finance Director, 745 Center Street, Suite 200, Milford, Ohio 45150, (513) 831-4192 or visit the City website at [www.milfordohio.org](http://www.milfordohio.org).



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**CITY OF MILFORD, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2008**

	<u>Governmental</u> <u>Type</u>	<u>Business</u> <u>Type</u>	<u>Total</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 5,376,427	\$ 5,200,606	\$ 10,577,033
Receivables (net of allowance for doubtful accounts):			
Taxes-Real & Personal Property	2,216,334	-	2,216,334
Taxes-Municipal Income	776,846	-	776,846
Accounts	23,414	439,058	462,472
Interest	26,895	26,895	53,790
Due from Other Governments	718,553	-	718,553
Bond Issuance Costs	124,095	-	124,095
Nondepreciable Capital Assets:			
Land	1,874,087	328,914	2,203,001
Construction In Progress	61,364	6,717,627	6,778,991
Depreciable Capital Assets:			
Plant	-	6,182,808	6,182,808
Water/Sewer Lines	-	6,448,470	6,448,470
Buildings and Improvements	4,013,720	-	4,013,720
Improvements other than Buildings	1,322,399	2,161,248	3,483,647
Furniture, Equipment and Vehicles	2,226,793	1,091,542	3,318,335
Less: Accumulated Depreciation	(3,069,881)	(8,003,236)	(11,073,117)
<b>Total Assets</b>	<b>15,691,046</b>	<b>20,593,932</b>	<b>36,284,978</b>
<b>Liabilities:</b>			
Accounts Payable	73,249	35,465	108,714
Contracts Payable	-	4,130	4,130
Accrued Wages and Benefits	139,628	44,309	183,937
Due to Other Governments	165,688	38,930	204,618
Accrued Interest Payable	25,128	-	25,128
Unearned Revenue	2,100,386	-	2,100,386
Long Term Liabilities due within 1 year	365,418	403,714	769,132
Long Term Liabilities due over 1 year	3,334,368	4,529,110	7,863,478
<b>Total Liabilities</b>	<b>6,203,865</b>	<b>5,055,658</b>	<b>11,259,523</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, net related debt	2,935,888	10,038,699	12,974,587
Restricted:			
Transportation	333,013	-	333,013
Culture and Recreation	428,457	-	428,457
Protection of Citizens	607,151	-	607,151
Debt Service	54,608	-	54,608
Capital Improvements	747,319	-	747,319
Unrestricted	4,380,745	5,499,575	9,880,320
<b>Total Net Assets</b>	<b>9,487,181</b>	<b>15,538,274</b>	<b>25,025,455</b>
<b>Total Net Assets and Liabilities</b>	<b>\$ 15,691,046</b>	<b>\$ 20,593,932</b>	<b>\$ 36,284,978</b>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities		Total
<b>Governmental Activities:</b>							
Security of Persons and Property	\$ (4,151,336)	\$ 216,669	-	\$ (3,934,667)	\$ -	\$ -	(3,934,667)
Public Health and Welfare	(986,045)	119,752	19,454	(846,839)	-	-	(846,839)
Leisure Time Activities	(181,003)	295	-	(180,708)	-	-	(180,708)
Basic Utility Services	(302,022)	-	-	(302,022)	-	-	(302,022)
Transportation	(412,785)	-	302,158	(110,627)	-	-	(110,627)
General Government	(1,379,829)	49,297	10,000	(1,320,532)	-	-	(1,320,532)
Interest and Fiscal Charges	(185,630)	-	-	(185,630)	-	-	(185,630)
Total Governmental Activities	(7,598,650)	386,013	331,612	(6,881,025)	-	-	(6,881,025)
<b>Business-Type Activities:</b>							
Water	(1,337,424)	957,985	-	-	(379,439)	-	(379,439)
Wastewater	(1,417,991)	1,136,480	3,190	-	(278,321)	-	(278,321)
Stormwater Management	(244,181)	496,493	-	-	252,312	-	252,312
Total Business-Type Activities	(2,999,596)	2,590,958	3,190	-	(405,448)	-	(405,448)
Total	(10,598,246)	2,976,971	334,802	(6,881,025)	(405,448)	(405,448)	(7,286,473)
<b>General Revenues:</b>							
Income Taxes				2,641,460	-	-	2,641,460
Property Taxes				2,092,461	-	-	2,092,461
Estate Taxes				94,749	-	-	94,749
Franchise Fee Taxes				84,166	-	-	84,166
Cinema Admissions Taxes				166,085	-	-	166,085
Hotel Taxes				88,218	-	-	88,218
Payment in Lieu of Taxes				317,525	-	-	317,525
Permissive Sale Taxes				72,965	-	-	72,965
Grants and Contributions not restricted to specific programs				938,686	-	-	938,686
Unrestricted investment earnings				187,006	190,977	-	377,983
Miscellaneous				42,676	-	-	42,676
Total General Revenues				6,725,997	190,977	-	6,916,974
Changes in Net Assets				(155,028)	(214,471)	-	(369,499)
Net Assets-Beginning (Restated)				9,642,209	15,752,745	-	25,394,954
Net Assets-Ending				\$ 9,487,181	\$ 15,538,274	\$ -	\$ 25,025,455

See accompanying notes to the basic financial statements

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**CITY OF MILFORD, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008**

	General	Fire Levy	EMS Levy	Other Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,111,579	\$ 311,446	\$ 124,847	\$ 1,828,555
Receivables (net of allowance for doubtful accounts):				
Taxes-Real & Personal Property	548,300	812,603	855,431	-
Taxes-Municipal Income	655,045	-	-	121,801
Accounts	21,594	-	-	1,820
Interest	26,895	-	-	-
Due from Other Governments	279,322	103,531	108,921	226,779
<b>Total Assets</b>	<b>4,642,735</b>	<b>1,227,580</b>	<b>1,089,199</b>	<b>2,178,955</b>
<b>Liabilities:</b>				
Accounts Payable	27,843	49	49	45,308
Accrued Wages and Benefits	131,906	-	-	7,722
Due to Other Governments	157,277	336	1,680	6,395
Deferred Revenue	1,246,847	916,102	964,320	317,003
<b>Total Liabilities</b>	<b>1,563,873</b>	<b>916,487</b>	<b>966,049</b>	<b>376,428</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	71,749	-	-	45,328
Unreserved, reported in:				
General	3,007,113	-	-	-
Special Revenue	-	311,093	123,150	967,958
Debt Service	-	-	-	54,608
Capital Projects	-	-	-	734,633
<b>Total Fund Balances</b>	<b>3,078,862</b>	<b>311,093</b>	<b>123,150</b>	<b>1,802,527</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,642,735</b>	<b>\$ 1,227,580</b>	<b>\$ 1,089,199</b>	<b>\$ 2,178,955</b>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO  
RECONCILIATION OF THE TOTAL GOVERNMENTAL  
FUND BALANCES TO NET ASSETS  
OF GOVERNMENTAL ACTIVITIES**

**DECEMBER 31, 2008**

<u>Total Governmental Funds</u>		
\$ 5,376,427	Fund Balances - Governmental Funds	\$ 5,315,632
	Amounts reported for governmental activities in the statement of net assets are different because:	
2,216,334		
776,846		
23,414	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,428,482
26,895		
718,553		
9,138,469	Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,343,886
73,249	Issuance Costs associated with governmental debt are not financial resources and, therefore, are not reported in the funds.	124,095
139,628		
165,688	Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(3,724,914)
3,444,272		
3,822,837	Net Assets of governmental activities	<u>\$ 9,487,181</u>
117,077		
3,007,113		
1,402,201		
54,608		
734,633		
5,315,632		
\$ 9,138,469		

**CITY OF MILFORD, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Fire Levy	EMS Levy	Other Governmental Funds
<b>Revenues:</b>				
Income Taxes	\$ 2,069,771	\$ -	\$ -	\$ 504,901
Property and Other Taxes	735,935	784,631	826,198	-
Intergovernmental	959,998	116,748	121,380	465,020
Charges for Services	128,248	-	-	108,779
Licenses and Permits	56,267	-	-	295
Investment Earnings	165,007	23,609	4,215	18,806
Change in Fair Value of Investments	(24,630)	-	-	-
Fines and Forfeitures	161,609	-	-	23,991
Payment in Lieu of Taxes	-	-	-	317,525
All Other Revenues	36,101	-	1	3,047
<b>Total Revenues</b>	<b>4,288,306</b>	<b>924,988</b>	<b>951,794</b>	<b>1,442,364</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,031,866	926,171	1,134,783	80,478
Public Health and Welfare	380,168	-	-	566,214
Leisure Time Activities	-	-	-	151,223
Basic Utility Services	302,022	-	-	-
Transportation	17	-	-	436,657
General Government	1,227,123	-	-	45,080
Capital Outlay	-	-	-	35,150
Debt Service:				
Principal Retirement	-	15,000	15,000	180,000
Interest and Fiscal Charges	-	11,499	11,499	156,010
<b>Total Expenditures</b>	<b>3,941,196</b>	<b>952,670</b>	<b>1,161,282</b>	<b>1,650,812</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	347,110	(27,682)	(209,488)	(208,448)
<b>Other Financing Sources (Uses):</b>				
Transfers - In	-	-	-	237,317
Transfers - Out	(155,000)	-	-	(82,317)
<b>Total Other Financing Sources (Uses)</b>	<b>(155,000)</b>	<b>-</b>	<b>-</b>	<b>155,000</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	192,110	(27,682)	(209,488)	(53,448)
Fund Balances at Beginning of Year	2,886,752	338,775	332,638	1,855,975
Fund Balances at End of Year	<u>\$ 3,078,862</u>	<u>\$ 311,093</u>	<u>\$ 123,150</u>	<u>\$ 1,802,527</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

Total Governmental Funds		
\$ 2,574,672	Amounts reported in governmental activities in the statement of activities are different because:	
2,346,764	Net Change in Fund Balances - total governmental funds	\$ (98,508)
1,663,146		
237,027	Governmental funds report capital outlays as expenditures. However, in the statement of activities	
56,562	the cost of those assets is allocated over their estimated useful lives and reported as depreciation	
211,637	expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(53,951)
(24,630)		
185,600	Revenues in the statement of activities that do not provide current financial resources	
317,525	are not reported as revenues in the funds.	(167,356)
39,149		
7,607,452	The issuance of long-term debt provides current financial resources to governmental funds, while the	
	repayment of the principal of long-term debt consumes the current financial resources of governmental	
	funds. Neither transaction however, has any affect of net assets. Also, governmental funds	
	report the effect of issuance costs and similar items when debt is first issued, whereas	
4,173,298	these amounts are deferred and amortized in the statement of activities. This amount is	
946,382	the net effect of these differences in the treatment of long-term debt and related items.	206,904
151,223		
302,022	Some items reported in the statement of activities do not require the use of current financial	
436,674	current financial resources and, therefore, are not reported as expenditures in governmental funds.	(42,117)
1,272,203		
35,150	Change in net assets of governmental activities	<u>\$ (155,028)</u>
210,000		
179,008		
7,705,960		
(98,508)		
237,317		
(237,317)		
-		
(98,508)		
5,414,140		
\$ 5,315,632		



**CITY OF MILFORD, OHIO  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
DECEMBER 31, 2008**

**BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS**

	Water	Wastewater	Stormwater Management	Totals
<b>Assets:</b>				
<u>Current Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,019,088	\$ 2,611,199	\$ 570,319	\$ 5,200,606
Receivables (net of allowances for doubtful accounts)				
Accounts	153,334	195,379	90,345	439,058
Interest	10,758	10,758	5,379	26,895
Total Current Assets	<u>2,183,180</u>	<u>2,817,336</u>	<u>666,043</u>	<u>5,666,559</u>
<u>Nondepreciable Capital Assets:</u>				
Land	101,488	227,426	-	328,914
Construction in Progress	1,896,051	4,308,625	512,951	6,717,627
<u>Depreciable Capital Assets:</u>				
Improvements Other than Buildings	947,207	818,933	395,108	2,161,248
Furniture, Fixtures, Equipment	487,459	573,989	30,094	1,091,542
Water and Sewer Line	2,364,532	4,083,938	-	6,448,470
Plant	2,051,892	4,130,916	-	6,182,808
Less: Accumulated Depreciation	<u>(3,339,171)</u>	<u>(4,621,246)</u>	<u>(42,819)</u>	<u>(8,003,236)</u>
Total Capital Assets (net of (accumulated depreciation)	<u>4,509,458</u>	<u>9,522,581</u>	<u>895,334</u>	<u>14,927,373</u>
Total Assets	<u>6,692,638</u>	<u>12,339,917</u>	<u>1,561,377</u>	<u>20,593,932</u>
<b>Liabilities</b>				
<u>Current Liabilities:</u>				
Accounts Payable	16,106	18,603	756	35,465
Contracts Payable	-	4,131	-	4,131
Accrued Wages and Benefits	23,501	18,786	2,022	44,309
Due to Other Governments	22,369	15,069	1,492	38,930
Compensated Absences Payable - Current	10,843	9,581	1,535	21,959
Ohio Water Development Authority Loans Payable - Current	73,817	192,033	-	265,850
OPWC Loan Payable - Current	5,175	110,727	-	115,902
Total Current Liabilities	<u>151,811</u>	<u>368,930</u>	<u>5,805</u>	<u>526,546</u>
<u>Noncurrent Liabilities:</u>				
Compensated Absences Payable Ohio Water Development Authority Loans Payable	7,601	13,597	992	22,190
OPWC Loans Payable	1,489,662	1,932,741	-	3,422,403
Total Noncurrent Liabilities	<u>1,531,750</u>	<u>2,996,371</u>	<u>992</u>	<u>4,529,113</u>
Total Liabilities	<u>1,683,561</u>	<u>3,365,300</u>	<u>6,797</u>	<u>5,055,658</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,906,317	6,237,048	895,334	10,038,699
Unrestricted	2,102,760	2,737,569	659,246	5,499,575
Total Net Assets	<u>5,009,077</u>	<u>8,974,617</u>	<u>1,554,580</u>	<u>15,538,274</u>
Total Net Assets and Liabilities	<u>\$ 6,692,638</u>	<u>\$ 12,339,917</u>	<u>\$ 1,561,377</u>	<u>\$ 20,593,932</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Wastewater	Stormwater Management	Totals
<u>Operating Revenues:</u>				
Charges for Services	\$ 938,974	\$ 1,136,480	\$ 495,420	\$ 2,570,874
Other Operating Revenues	19,011	3,190	1,073	23,274
Total Operating Revenues	<u>957,985</u>	<u>1,139,670</u>	<u>496,493</u>	<u>2,594,148</u>
<u>Operating Expenses:</u>				
Personal Services	448,452	406,209	55,046	909,707
Materials and Supplies	307,699	197,879	12,962	518,540
Contractual Services	316,500	436,808	153,210	906,518
Other Operating Expenses	1,741	2,726	99	4,566
Depreciation	206,318	265,090	22,864	494,272
Total Operating Expenses	<u>1,280,710</u>	<u>1,308,712</u>	<u>244,181</u>	<u>2,833,603</u>
Operating Income (Loss)	(322,725)	(169,042)	252,312	(239,455)
<u>Non-Operating Revenues (Expenses):</u>				
Investment Earnings	74,270	95,013	21,694	190,977
Interest and Fiscal Charges	(56,299)	(92,185)	-	(148,484)
Loss on Disposal of Capital Assets	(415)	(17,094)	-	(17,509)
Total Non-Operating Revenues (Expenses)	<u>17,556</u>	<u>(14,266)</u>	<u>21,694</u>	<u>24,984</u>
Change in Net Assets	(305,169)	(183,308)	274,006	(214,471)
Total net assets - Beginning (Restated)	<u>5,314,246</u>	<u>9,157,925</u>	<u>1,280,574</u>	<u>15,752,745</u>
Total net assets - Ending	<u>\$ 5,009,077</u>	<u>\$ 8,974,617</u>	<u>\$ 1,554,580</u>	<u>\$ 15,538,274</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater Management</u>	<u>Totals</u>
Decrease in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$ 923,292	\$ 1,110,609	\$ 478,833	\$ 2,512,734
Cash Paid for Employee Services and Benefits	(446,167)	(407,202)	(57,286)	(910,655)
Cash Paid to Suppliers for Goods and Services	(609,218)	(621,065)	(162,121)	(1,392,404)
Other Operating Revenues	14,031	4,275	1,248	19,554
Other Operating Expenses	(1,741)	(2,726)	(99)	(4,566)
Net Cash Provided by (Used for) Operating Activities	(119,803)	83,891	260,575	224,663
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Face Value from the Sale of Debt	1,591,054	274,102	-	1,865,156
Acquisition and Construction of Assets	(1,609,067)	(277,880)	(512,951)	(2,399,898)
Principal Paid on Loans Payable	(29,298)	(216,097)	-	(245,395)
Interest Paid on All Debt	(56,299)	(92,185)	-	(148,484)
Net Cash Used for Capital and Related Financing Activities	(103,610)	(312,060)	(512,951)	(928,621)
<u>Cash Flows from Investing Activities:</u>				
Interest	77,197	97,940	23,157	198,294
Net Cash Provided By Investing Activities	77,197	97,940	23,157	198,294
Net Decrease in Cash and Cash Equivalents	(146,216)	(130,229)	(229,219)	(505,664)
Cash and Cash Equivalents at Beginning of Year	2,165,304	2,741,428	799,538	5,706,270
Cash and Cash Equivalents at End of Year	<u>\$ 2,019,088</u>	<u>\$ 2,611,199</u>	<u>\$ 570,319</u>	<u>\$ 5,200,606</u>

**CITY OF MILFORD, OHIO  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater Management</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ (322,725)	\$ (169,042)	\$ 252,312	\$ (239,455)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation Expense	206,318	265,090	22,864	494,272
Change in Assets and Liabilities:				
(Increase) in Accounts Receivable	(24,524)	(26,689)	(12,540)	(63,753)
Decrease in Due From Other Funds	2,639	818	-	3,457
Decrease in Due From Other Governments	1,223	1,085	175	2,483
Decrease in Prepaid Items	10,439	8,306	272	19,017
(Decrease) in Due to Other Governments	(6,252)	(6,170)	(436)	(12,858)
Increase (Decrease) in Accounts Payables	6,285	3,042	(221)	9,106
Increase in Contracts Payables	-	4,131	-	4,131
Increase in Accrued Wages and Benefits	10,643	7,484	919	19,046
(Decrease) in Compensated Absences Payable	(3,690)	(2,184)	(2,770)	(8,644)
(Decrease) in Due to Other Funds	(159)	(1,980)	-	(2,139)
Total Adjustments	<u>202,922</u>	<u>252,933</u>	<u>8,263</u>	<u>464,118</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (119,803)</u>	<u>\$ 83,891</u>	<u>\$ 260,575</u>	<u>\$ 224,663</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2008**

	<u>Totals</u>
<b>Assets:</b>	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 53,645</u>
Total Assets	<u><u>53,645</u></u>
<b>Liabilities:</b>	
Due to Other Governments	18,213
Due to Others	<u>35,432</u>
Total Liabilities	<u><u>\$ 53,645</u></u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 1-REPORTING ENTITY AND BASIS OF ACCOUNTING

**A. 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.

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, a stormwater 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; (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) 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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 1-REPORTING ENTITY AND BASIS OF ACCOUNTING (CONTINUED)

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 one related service: a risk sharing pool. The organization's service is presented in Note 13 to the basic financial statements. The City is also associated with three jointly governed organizations: The Center for Local Government, the Ohio-Kentucky-Indiana Regional Council of Governments and City of Milford-Union Township Joint Economic Development District, which are presented in Note 16 to the basic financial statements.

**B. Basis of Presentation – Fund Accounting**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of inter-fund activity has been removed from these statements. Taxes and intergovernmental revenues normally support governmental activities. *Business type activities* are supported by charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, enterprise funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (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's accounting policies are described as follows.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***A. Measurement Focus Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the enterprise fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within thirty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is expected to be liquidated with expendable, available resources. However, debt service expenditures, as well as compensated absences, are recorded only when payment is due.

Property taxes, income taxes, licenses, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the City receives cash.

*Fund Accounting*

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The City employs the use of three categories of funds: governmental, enterprise, and fiduciary.

*Governmental Funds*

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose of which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.



**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental funds:

**General Fund**

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Fire Levy Special Revenue Fund**

The fire levy fund accounts for collection of the City's fire levy. The proceeds are collected by the City and the City contracts with the Milford Community Fire Department for safety services.

**EMS Levy Special Revenue Fund**

The EMS levy fund accounts for collection of the City's EMS levy. The proceeds are collected by the City and the City contracts with the Milford Community Fire Department for safety services.

The City reports the following major enterprise funds:

**Water Fund**

To account for activities of the City's water system.

**Wastewater Fund**

To account for the activities of the City's wastewater system.

**Stormwater Management Fund**

To account for the activities of the City's stormwater management system.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the City reports the following fund types:

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: private purpose trust funds, pension trust funds, investment trust funds and agency funds. The City maintains three fiduciary agency funds. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The City is serving as fiscal agent for the Joint Economic Development District between Union Township and the City. These monies are maintained in an agency fund until distributed to the two governments. The City also maintains a Mayor's Court agency fund, which accounts for funds that flow through the municipal court office. Another agency fund is Special Deposit fund that is similar to unclaimed funds.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary and Other Governmental Entities that Use Enterprise Fund Accounting*, the City has elected to follow FASB Statements and Interpretations issued prior to December 1, 1989 to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The City also has the option of following subsequent FASB guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply those FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***B. 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 enterprise 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 basic financial statements. The City's Municipal Court has its own checking account for collection and distribution of court fines and forfeitures which are presented on the fiduciary statement of net assets as "Cash and Cash Equivalents in Segregated Accounts."

During 2008, investments were limited to U.S. Governmental Agency Obligations, U.S. Treasury Notes, and STAR Ohio. Investments are reported at fair value which is based on quoted market prices. The fair value of open-end mutual funds is based on the current share price.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2008.

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

Interest income is distributed to the funds according to ordinance as directed by the City's charter. Interest revenue credited to the general fund during 2008 amounted to \$165,007, which includes \$65,475 assigned from other funds. The fire levy special revenue, EMS levy special revenue, cemetery special revenue, debt service, land purchase, and Beechwood Road Connector capital projects, water enterprise, wastewater enterprise, and stormwater enterprise funds also received interest of \$23,609; \$4,215; \$6,297; \$12,343; \$40; \$126; \$74,270; \$95,013; and \$21,694 respectively.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. *Inventories of Supplies***

Inventories of governmental funds are stated at cost while inventories of enterprise 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 enterprise 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. The City did not complete a year end accounting of consumable supplies.

**D. *Prepaid Assets***

Payments made to vendors for services that will benefit periods beyond December 31, 2008, 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. The City had no prepaid items that were material to the financial statements at December 31, 2008.

**E. *Interfund Assets/Liabilities***

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “Interfund Receivable” or “Interfund Payable” on the fund balance sheet. These amounts are eliminated from the consolidated columns on the statement of net assets and have been repaid during 2008.

**F. *Capital Assets and Depreciation***

The accounting and reporting treatment applied to capital assets is determined by the ultimate use:

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (Years)</u>
Improvement other than Buildings	15 - 50
Machinery, Equipment, Furniture and Fixtures	4 – 15
Plant (Water and Wastewater)	40
Sewer and Water Lines	40

The City has elected to not report major general infrastructure assets retroactively which is allowed by GASB Statement No. 34 paragraph 148. The City felt with limited staff time to research the infrastructure maintained by the City the retroactive reporting would not be cost beneficial.

**G. Capitalization of Interest**

Interest is capitalized on enterprise 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 2008, no net interest expense was incurred on enterprise fund construction projects.

**H. 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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year. These amounts are reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The entire liability is reported on the government-wide statements. In enterprise funds, the entire amount of unpaid compensated absences is reported as a fund liability.

***I. Accrued Liabilities and Other Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, compensated absences and general obligation bonds payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be expected to be liquidated with expendable, available financial resources. In general, payments made within thirty-one days after year-end are considered to have been made with current available financial resources. Long-term debt and other obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise fund.

***J. Reservations of Fund Balance***

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.

***K. Interfund Transactions***

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

Transfers are reported as “Other Financing Sources and Uses” in the governmental funds, as “Transfers In” by the recipient fund and “Transfers Out” by the disbursing fund on the fund financial statements. These transfers are consolidated within the governmental and business-type activities columns, and also from the “total” column on the statement of activities. Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**L. Net Assets**

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. None of the City's \$2,170,548 restricted net assets are restricted by enabling legislation.

**M. Deferred Revenues/Unearned Revenues**

Deferred or unearned 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, 2008, but which were levied to finance fiscal year 2009 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.

**N. Exchange/Non-Exchange Transactions**

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.

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 5). 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 specified 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 BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**O. 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.

**P. Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$3,724,914) difference are as follows:

General Obligation Bonds	(\$3,445,000)
Premium on General Obligations Bonds	(47,594)
Accrued Interest Payable	(25,192)
Compensated Absences	(207,192)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$3,724,914)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of \$6,428,482 difference are as follows:

Capital Assets	\$9,498,363
Accumulated Depreciation	(3,069,881)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$6,428,482



**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Another element of that reconciliation states that “Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. Governmental funds report proceeds from sale of capital assets as revenue, but in the statement of activities a gain or loss is reported in the governmental funds.” The details of this (\$53,951) are as follows:

Current capital additions	\$259,934
Loss on disposal of capital assets	(23,433)
Depreciation Expense	<u>(290,452)</u>
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>(\$53,951)</u></u>

An element of that reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any affect of net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$206,094 are as follows:

Principal paid on Long Term Debt	\$210,000
Amortization of Bond Premium Costs	(5,666)
Change in Interest Payable	<u>2,570</u>
Net Adjustment - current financial resources focus to increae <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$206,094</u></u>

NOTE 3 – RESTATEMENT OF NET ASSETS

The City conducted a major internal review of the capital assets to determine the accuracy of the capital asset listing. The review determined that there were assets not recorded and assets that were deleted but still on the listing.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 3 – RESTATEMENT OF NET ASSETS (CONTINUED)

The following are the restated balances resulting from this restatement:

	Governmental Activities	Business Activities	Water Fund	Sewer Fund
December 31, 2007 Balance	\$9,573,361	\$15,647,864	\$5,315,603	\$9,051,687
Capital Asset Restatement	68,848	104,881	(1,357)	106,238
December 31, 2007 Balance – Restated	<u>\$9,642,209</u>	<u>\$15,752,745</u>	<u>\$5,314,246</u>	<u>\$9,157,925</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classified 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.

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;

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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 (STAR Ohio).

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 tax exempt 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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. At fiscal year-end, the carrying value of the City's deposits was \$6,497,117 and the bank balance was \$6,635,482. \$3,552,761 of the City's deposits was insured by federal depository insurance. The remaining \$3,082,721 of the City's \$6,635,482 was collateralized with securities held by the pledging financial institution's trust department or agent in the manner described above.

**Investments**

As of December 31, 2008, the City had the following investments.

	Carrying and Fair Value	Less Than One Year	More Than One Year
Federal National Mortgage Association Bonds	\$1,504,814	\$101,922	\$1,402,892
Federal Home Loan Bank Bonds	528,242	0	528,242
Federal Home Loan Mortgage Corporation Bonds	300,113	0	300,113
Federal Farm Credit Bureau Bonds	650,201	0	650,201
Money Market Mutual Fund	1,001,266	1,001,266	0
STAR Ohio	148,925	148,925	0
<b>Total Investments</b>	<b>\$4,133,561</b>	<b>\$1,252,113</b>	<b>\$2,881,448</b>

*Interest Rate Risk* - The City has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

*Credit Risk* - The Federal National Mortgage Association Bonds and Federal Home Loan Bank Bonds carry a rating of A-1+ and Aaa/AAA and P-1/A-1 respectively. The City has no investment policy that would further limit its investment choices.

*Custodial Credit Risk* - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds and Federal Farm Credit Bureau Bonds are held in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk* - The City places no limit on the amount it may invest in any one issuer. The City's investment in Federal National Mortgage Association Bonds represents 36.40% of the City's total investments, Federal Farm Credit Bonds represents 15.73% of the City's total investments, Federal Home Loan Bank Bonds represents 12.78% of the City's total investments, and Federal Home Loan Mortgage Corporation Bonds represents 7.26% of the City's total investments. The City's investment in Smith Barney Money Funds Cash Portfolio Fund represents 24.22% of the City's total investments.

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

	Cash and Cash Equivalents	Investments
Cash and Cash Equivalents – Financial Statements	\$10,630,678	\$0
Investments:		
Federal National Mortgage Association Bonds	(1,504,814)	1,504,814
Federal Home Loan Bank Bonds	(528,242)	528,242
Federal Home Loan Mortgage Corporation Bonds	(300,113)	300,113
Federal Farm Credit Bureau Bonds	(650,201)	650,201
Money Market Mutual Fund	(1,001,266)	1,001,266
STAR Ohio	(148,925)	148,925
GASB Statement No. 3	\$6,497,117	\$4,133,561

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 5 - 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 2008 for real and public utility property taxes represents collections of 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008 on the assessed value as of January 1, 2008 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

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. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2008, was \$3.00 per \$1,000 of assessed value for inside millage. Additionally, voted levies were \$10.50 per \$1,000 of assessed value for fire and emergency medical service. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

<u>Category (Clermont County Only)</u>	<u>Assessed Value</u>
Real Property	\$164,751,150
Tangible Personal Property	499,067
Public Utility Tangible Personal Property	5,343,490
Total Property Tax	<u>\$170,593,707</u>

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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 5 - PROPERTY TAXES (CONTINUED)**

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, 2008, 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 2008 operations. The receivable is offset by deferred revenue.

**NOTE 6 - 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 (net of refunds) for 2008 was \$2,574,672.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2008, 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 BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 7 – RECEIVABLES (CONTINUED)

A summary of intergovernmental receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>MAJOR FUNDS</u>	
<i>General Fund:</i>	
Local Government	\$148,268
Estate Tax	66,891
Homestead/Rollback	62,030
State of Ohio – Liquor Control	935
Senate Bill 3 Reimbursements	499
Hamilton County Personal Property Reimb	9
City of Loveland	690
Total General Fund	<u>279,322</u>
 <i>Fire Levy</i>	
Homestead/Rollback	103,499
Personal Property Exemptions	32
Total Fire Levy	<u>103,531</u>
 <i>EMS Levy</i>	
Homestead/Rollback	108,889
Personal Property Exemptions	32
Total EMS Levy	<u>108,921</u>
 <u>NONMAJOR FUNDS</u>	
<i>Street Fund</i>	
Gasoline Excise Tax	114,665
Motor Vehicle License Tax	32,514
Village of Terrace Park	4,774
Total Street Fund	<u>151,953</u>
 <i>State Highway Fund</i>	
Gasoline Excise Tax	9,296
Motor Vehicle License Tax	2,634
Total State Highway Fund	<u>11,930</u>
 <i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	<u>36,869</u>
 <i>FEMA Grant Fund</i>	
Federal Grants	26,027
Total All Funds	<u><u>\$718,553</u></u>



**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 8 – NOTES RECEIVABLE**

On February 27, 2003, the City and Brailey Ventures, LLC, (“Brailey”) entered into an agreement whereby the City assigned property rights to Brailey at 18 Main Street, 19 High Street and 29 High Street, Milford, Ohio. Brailey entered in a promissory note with the City for \$50,000 with interest charged on the principal balance at nine percent (9%) per year. Installments of \$375 interest only was payable from March 2003 through March 2008.

On February 1, 2007, the City and Brailey Ventures renegotiated the promissory note when Brailey paid \$10,000 on the prior outstanding balance. The terms of the new note receivable was monthly interest of \$300 paid from February 2007 to March 2008. In March 2008, Brailey paid the remaining \$40,000 on the note for the purchase of the building.

**NOTE 9 – CAPITAL ASSETS**

	Restated Balance 12/31/07	Increases	Decreases	Balance 12/31/08
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$1,874,087	\$0	\$0	\$1,874,087
Construction in Progress	61,364	0	0	61,364
Total capital assets, not being depreciated	1,935,451	0	0	1,935,451
Capital Assets, being depreciated:				
Buildings	4,014,348	0	(628)	4,013,720
Improvements other than Buildings	1,322,399	0	0	1,322,399
Vehicles, Furniture and Equipment	2,191,265	259,934	(224,406)	2,226,793
Total capital assets being depreciated	7,528,012	259,934	(225,034)	7,562,912
Less Accumulated Depreciation For:				
Buildings	(1,425,593)	(133,008)	628	(1,557,973)
Improvements other than Buildings	(191,358)	(33,428)	0	(224,786)
Vehicles, Furniture and Equipment	(1,364,079)	(124,016)	200,973	(1,287,122)
Total Accumulated Depreciation	(2,981,030)	(290,452)	201,601	(3,069,881)
Total capital assets, being depreciated, net	4,546,982	(30,518)	(23,433)	4,493,031
Governmental Activities - Capital Assets, Net	\$6,482,433	(\$30,518)	(\$23,433)	\$6,428,482

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 9 – CAPITAL ASSETS (CONTINUED)

	Restated Balance 12/31/07	Increases	Decreases	Balance 12/31/08
<b>Business Type Activities</b>				
Capital Assets, not being depreciated				
Land	\$328,914	\$0	\$0	\$328,914
Construction in Progress	4,523,574	2,194,053	0	6,717,627
Total capital assets, not being depreciated	4,852,488	2,194,053	0	7,046,541
Capital Assets, being depreciated				
Improvements other than Buildings	2,203,804	0	(42,556)	2,161,248
Plant	6,182,808	0	0	6,182,808
Machinery and Equipment	1,034,737	83,915	(27,110)	1,091,542
Sewer and Water Lines	6,448,470	0	0	6,448,470
Total capital assets, being depreciated	15,869,819	83,915	(69,666)	15,884,068
Less Accumulated Depreciation For:				
Improvements other than Buildings	(1,135,063)	(96,972)	25,462	(1,206,573)
Plant	(2,645,975)	(219,427)	0	(2,865,402)
Machinery and Equipment	(613,628)	(42,579)	26,694	(629,513)
Sewer and Water Lines	(3,166,454)	(135,294)	0	(3,301,748)
Total Accumulated Depreciation	(7,561,120)	(494,272)	52,156	(8,003,236)
Total capital assets, being depreciated, net	8,308,699	(410,357)	(17,510)	7,880,832
Business Type Activities - Capital Assets, Net	\$13,161,187	\$1,783,696	(\$17,510)	\$14,927,373

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 9 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental and business-type functions as follows:

<b>Governmental Activities:</b>	
Security of Persons and Property	\$106,576
Public Health and Welfare	55,414
Leisure Time Activities	29,780
Transportation	50,236
General Government	48,446
Total Depreciation Expense - governmental activities	<u>\$290,452</u>
<b>Business Type Activities:</b>	
Water	206,318
Wastewater	265,090
Stormwater Management	22,864
Total Depreciation Expense – business-type activities	<u>\$494,272</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

**Public Employees Retirement System**

The City contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-8025 or 1-800-222-PERS (7377).

In 2003, PERS expanded the retirement options for covered employees. PERS administers three separate pension plans as described below:

- The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan
- The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 10- DEFINED BENEFIT PENSION PLANS (CONTINUED)

- The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2008, 2007, and 2006, were \$96,830, \$149,039, and \$168,602, respectively. The full amount has been contributed for 2007 and 2006. 89 percent has been contributed for 2008 with the remainder being reported as a liability within the respective funds.

**Ohio Police and Fire Pension Fund**

The City contributes to the Ohio Police and Fire Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan. The Fund 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 by Chapter 742 of the Ohio Revised Code. The Fund issues a publicly available financial report that includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Police and Firemen's Disability and Pension Fund of Ohio, 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 and the City is required to contribute 19.5 for police officers. Contributions are authorized by State statute. The City's required contributions to the Fund for the years ended December 31, 2008, 2007, and 2006, were \$123,007, \$137,539, and \$110,768, respectively. The full amount has been contributed for 2007 and 2006. 99 percent has been contributed for 2008 with the remainder being reported as a liability within the respective funds.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 11- POST EMPLOYMENT BENEFITS**

**Public Employees Retirement System (OPERS)**

The Public Employees Retirement System of Ohio (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Tradition Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the Tradition Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefits is available. The health care coverage provided by the retirement system meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual contributions for 2008, 2007 and 2006 that were used to fund OPEB were \$101,616, \$90,768, and \$67,221, respectively.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 11- POST EMPLOYMENT BENEFITS (CONTINUED)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**Ohio Police and Fire Pension Fund**

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

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

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contribution made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered amount. The amount of the employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provision of Section 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of dependents and the coverage selected. The City's contributions for December 31, 2008, 2007 and 2006 were \$65,136, \$74,711 and \$73,065, respectively.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

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 obligation for vacation accrual amounted to \$141,264.

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 obligation for sick leave accrual amounted to \$96,084.

Accumulated Unpaid Personal Leave

All City employees receive two personal days in January, except police union employees who receive 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 48 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 patrol officers in the police department may accumulate up to 60 hours of personal leave. For the City as a whole, the total obligation for personal leave accrual amounted to \$13,993.

***Insurance Benefits***

Full time employees are provided health, dental and life insurance. The City has elected to provide employee medical and hospitalization benefits through United Health Care. All employees share the cost of the 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.

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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 13 - RISK MANAGEMENT (CONTINUED)

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 2008, the City of Milford paid premiums of \$74,803 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, 2008 generally protects the Pool against individual losses over \$75,000 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 2008 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 \$100,000 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 2008 paid in 2009 was .047202.



**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 14 - LONG-TERM OBLIGATIONS**

Issue Date	Interest Rate	Description	December 31, 2007	Additions	Reductions	December 31, 2008	Due Within One Year
<b>Governmental activities:</b>							
Bonds payable:							
General Obligation Bonds:							
2004	2.80% - 4.30%	Beechwood Connector	\$860,000	\$0	\$85,000	\$775,000	\$115,000
2000	4.40% - 5.75%	Capital Facility	190,000	0	60,000	130,000	65,000
2007		Refunded Capital Facility	1,640,000	0	0	1,640,000	0
1997	4.90% - 6.25%	Milford Parkway	495,000	0	35,000	460,000	40,000
1999	4.50% - 5.20%	Firehouse/Trailer Park	470,000	0	30,000	440,000	30,000
		Total Bonds Payable	3,655,000	0	210,000	3,445,000	250,000
2007		Premium on Refunded GO Bonds	51,120	0	3,526	47,594	0
		Net Bonds Payable	3,706,120	0	213,526	3,492,594	250,000
		Compensated absences	166,075	195,632	154,515	207,192	115,418
		Total Governmental Activities	3,871,195	195,632	368,041	3,699,786	365,418
<b>Business - Type Activities:</b>							
1994	2.00%	OWDA Loans	262,266	0	72,362	189,904	73,817
2006	0.90%	OWDA Loans	1,923,220	1,709,528	134,399	3,498,349	192,033
2003	0.00%	OPWC Loans	79,015	0	6,585	72,430	19,755
2004	0.00%	OPWC Loans	41,386	0	1,725	39,661	5,175
2006	0.00%	OPWC Loans	1,118,655	0	30,325	1,088,330	90,975
		Compensated absences	52,793	24,281	32,925	44,149	21,959
		Total Business - Type Activities	3,477,335	1,733,809	278,321	4,932,823	403,714
		All FUNDS	\$7,348,530	\$1,929,441	\$646,362	\$8,632,609	\$769,132

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 obligation was paid from the funds from which the employees' salaries are paid.

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 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.

In September 2000, \$2,100,000 of general obligation bonds were issue for the Five Points Building project. The bonds were issued with varying interest rates from 4.40% to 5.75% and will mature on December 1, 2025. The bonds will be paid from the General Fund.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 14 - LONG-TERM OBLIGATIONS (CONTINUED)**

In August 2004, the City issued \$910,000 for the Beechwood Road Connector. The bonds were issued with varying interest rates from 2.80% to 4.30% and will mature on August 1, 2014. The bonds will be retired from TIF funds and paid from the Debt Service fund.

In August 2007, the City refund \$1,555,000 of general obligation bonds through the issuance of \$1,640,000 in general obligations bonds through the Ohio Capital Assets Financing Program as a way to reduce the interest over the remaining term of the capital facility bonds and retire the bond anticipation note that was outstanding. The bonds were issued with varying interest rates from 4.25% to 5.75% and will mature on December 1, 2025. The bonds will be paid from the General Fund.

The Ohio Water Development Authority loans are for the expansion of the City's Wastewater Treatment Plant. The loans will be repaid from the sewer fund's operating revenues. The 1994 bonds will mature on July 1, 2011 and the 2006 bonds will mature on July 1, 2027. The City has drawn the \$2,329,879 2006 bond authorization as of December 31, 2008.

In 2002, the City was approved for a \$131,694 loan from the Ohio Public Works Commission for the Miami Woods Lift Station replacement. The loan will be retired in January 2014 from the wastewater fund's operating revenues. During 2004, the City was approved for another loan from the Ohio Public Works Commission for the Edgecombe Tank Rehabilitation for \$51,732. The loan will be retired in December 2019 from the water fund's operating revenues. During 2006, the City was approved for another loan from the Ohio Public Works Commission for the wastewater treatment plant replacement and improvement for \$1,213,000. The loan will be retired in January 2028 from the wastewater fund's operating revenues.

The City has pledged a portion of future water and wastewater revenues to repay the OWDA and OPWC loans through final maturity on each debt obligation. The amount of future pledged revenues from the water fund is \$1,127,991 and from the wastewater fund is \$4,234,372 which are equal to the outstanding principal and interest obligations on the related debt.

As of December 31, 2008, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$14,521,947, and the unvoted legal debt margin was \$5,992,262.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 14 - LONG-TERM OBLIGATIONS (CONTINUED)**

A summary of the City's long-term debt funding requirements as of December 31, 2008 is represented in the following schedules. Principal, interest and total debt service is provided for General Obligation Bonds, Ohio Water Development Authority Loans, and Ohio Public Works Commission Loans.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>			
General Obligation Bonds			
Years	Principal	Interest	Total
2009	\$250,000	\$247,689	\$497,689
2010	265,000	236,844	501,844
2011	290,000	138,597	428,597
2012	300,000	129,122	429,122
2013	305,000	112,025	417,025
2014-2018	1,080,000	365,296	1,445,296
2019-2023	670,000	150,925	820,925
2024-2025	285,000	19,350	304,350
Totals	<u>\$3,445,000</u>	<u>\$1,399,848</u>	<u>\$4,844,848</u>

Annual debt service requirements to maturity for Ohio Water Development Authority Loans are as follows:

<b>BUSINESS – TYPE ACTIVITIES</b>			
Ohio Water Development Authority Loans -1994			
Years	Principal	Interest	Total
2009	\$73,817	\$3,413	\$77,230
2010	76,053	1,914	77,967
2011	40,034	411	40,445
Totals	<u>\$189,904</u>	<u>\$5,738</u>	<u>\$195,642</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**NOTE 14 - LONG-TERM OBLIGATIONS (CONTINUED)**

Ohio Water Development Authority Loans – 2006			
Years	Principal	Interest	Total
2009	\$192,033	\$45,336	\$237,369
2010	166,434	43,226	209,660
2011	168,575	41,086	209,661
2012	170,747	38,915	209,662
2013	172,952	36,709	209,661
2014-2018	899,019	149,284	1,048,303
2019-2023	959,386	88,917	1,048,303
2024-2028	769,203	24,478	793,681
Totals	<u>\$3,498,349</u>	<u>\$467,951</u>	<u>\$3,966,300</u>

Annual debt service requirements to maturity for Ohio Public Works Commission Loans are as follows:

<b>BUSINESS-TYPE ACTIVITIES</b>			
Ohio Public Works Commission Loans - 2003/2004			
Years	Principal	Interest	Total
2009	\$24,930	0	\$24,930
2010	16,618	0	16,618
2011	16,618	0	16,618
2012	16,618	0	16,618
2013	16,618	0	16,618
2014-2018	17,243	0	17,243
2019	3,446	0	3,446
Totals	<u>\$112,091</u>	<u>\$0</u>	<u>\$112,091</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 14 - LONG-TERM OBLIGATIONS (CONTINUED)

Ohio Public Works			
Commission Loan – 2006			
Years	Principal	Interest	Total
2009	\$90,975	\$0	\$90,975
2010	60,650	0	60,650
2011	60,650	0	60,650
2012	60,650	0	60,650
2013	60,650	0	60,650
2014-2018	303,250	0	303,250
2019-2023	303,250	0	303,250
2024-2028	148,255	0	148,255
Totals	<u>\$1,088,330</u>	<u>\$0</u>	<u>\$1,088,330</u>

NOTE 15 – INTERFUND TRANSACTIONS

Following is a summary of transfers in and out for all funds for 2008:

Fund	Transfers In	Transfers Out
<b>MAJOR FUNDS</b>		
General	\$0	\$155,000
Non-Major Governmental Funds	237,317	82,317
Total All Funds	<u>\$237,317</u>	<u>\$237,317</u>

The transfers out in the nonmajor governmental funds relate to closing out two of the capital projects funds and transferred the FEMA grant dollars to the fund that spent the money. The transfers out in the General fund were related to the established of a downtown redevelopment district and payment on debt service.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

The Center for Local Government, a jointly governed organization, was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Board of Trustees consists of five members made up of elected representatives from the participating governments. The City does not have any financial interest in or responsibility for the Center. The City made no financial contribution during 2008. Information can be obtained from the Center by writing to Director of the Center for Local Government, 10979 Reed Hartman Highway, Suite 239, Cincinnati, Ohio 45242.

The Ohio-Kentucky-Indiana Regional Council of Governments (OKI), a jointly governed organization, was established to provide coordinated planning services to the appropriate federal, state and local governments, their political subdivisions, agencies, departments, instrumentalities, and special districts, in connection with the preparation and development of comprehensive and continuing regional transportation and development plans within the OKI Region. OKI members include Butler, Clermont and Warren Counties in Ohio, Boone, Campbell and Kenton Counties in Kentucky and Dearborn and Ohio Counties in Indiana. OKI also serves as an area wide review agency in conjunction with comprehensive planning within the OKI Region.

OKI contracts periodically for local funds and other support with the governing board of each of the governments who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each City and municipal corporation, one individual selected by each City planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member City. This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI. The City made no financial contribution during 2008. To obtain financial information, write to Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 920 Pete Rose Way Suite 420, Cincinnati, Ohio, 45202.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

In 2007, a Joint Economic Development District (JEDD) between the City of Milford and Union Township was approved by Union Township Trustees. It set aside 30 acres of prime land, zoned for business and commercial, to be serviced jointly as specified in the contract and marketed for commercial development. To date, the development in the JEDD area has proceeded at a strong pace. The prime project in the Ivy Point Development Project is Total Quality Logistics employing 1,000 people in the JEDD district.

Due to this JEDD's location around the interchange of State Route 32 and the Interstate 275, additional commercial development is expected to continue at this location into the future. The deposits of income tax revenues exceeded \$34,000 per month between both the City and Township. For more information related to the financial results of the JEDD please contact the City's Income Tax Department.

NOTE 17 - 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. The City had no pending litigation as of December 31, 2008.

STATE GRANTS

For the period January 1, 2008, to December 31, 2008, 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 BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

NOTE 18 – CONTRACTUAL COMMITMENTS

As of December 31, 2008, the City had contractual commitments related to property, plant and equipment improvements and additions, as well as various other contracts and agreements to provide or receive services related to the operations of the City. The list below reflects the major contracts that comprise commitments at December 31, 2008:

<u>Description</u>	<u>Amount</u>
Perkins/Carmack Construction - Clearwell	\$78,219
Queen City Electric - Clearwell	44,634
Rack and Ballauer Excavating – 54” CSO	395,285
Lake Erie Construction – WWTP Expansion	44,152
Building Crafts, Inc. – WWP Expansion	28,298



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**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**GENERAL FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 684,471	\$ 727,292	\$ 731,335	\$ 4,043
Income Taxes	1,874,678	1,991,959	2,043,026	51,067
Intergovernmental	854,771	908,246	937,599	29,353
Charges for Services	117,852	125,225	128,898	3,673
Licenses and Permits	51,768	55,007	56,267	1,260
Investment Earnings	147,694	156,934	157,006	72
Fines and Forfeitures	151,745	161,238	161,609	371
Other All Revenue	33,371	35,459	36,584	1,125
Total Revenue	3,916,350	4,161,360	4,252,324	90,964
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Security of Persons and Property:</b>				
<b>Police</b>				
Personal Services	1,700,261	1,711,129	1,644,648	66,481
Other	366,118	366,118	337,044	29,074
Total Police	2,066,379	2,077,247	1,981,692	95,555
<b>Fire</b>				
Other	250	250	-	250
Total Fire	250	250	-	250
<b>Building Inspection</b>				
Other	55,107	55,107	59,060	(3,953)
Total Building Inspection	55,107	55,107	59,060	(3,953)
Total Security of Persons and Property	2,121,736	2,132,604	2,040,752	91,852
<b>Public Health and Welfare Services:</b>				
<b>Health</b>				
Other	26,615	26,615	26,615	-
Total Health	26,615	26,615	26,615	-
<b>Grounds and Facilities</b>				
Personal Services	259,920	259,920	274,489	(14,569)
Other	82,636	82,636	69,134	13,502
Total Grounds and Facilities	342,556	342,556	343,623	(1,067)
Total Public Health and Welfare	369,171	369,171	370,238	(1,067)
<b>Basic Utility Services</b>				
<b>Public Works - Administration</b>				
Other	330,906	330,906	316,639	14,267
Total Basic Utility Services	330,906	330,906	316,639	14,267
<b>Leisure Time Activities</b>				
Other	22,144	22,144	-	22,144
Total Leisure Time Activities	22,144	22,144	-	22,144
<b>General Government</b>				
<b>Mayor's Court</b>				
Personal Services	67,141	67,141	68,062	(921)
Other	22,970	24,155	20,781	3,374
Total Mayor's Court	90,111	91,296	88,843	2,453

(continued)

**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**GENERAL FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
City Council				
Personal Services	\$ 46,308	\$ 46,308	\$ 44,495	\$ 1,813
Other	55,928	55,928	61,547	(5,619)
Total City Council	102,236	102,236	106,042	(3,806)
Five Points Building				
Other	159,029	159,029	102,961	56,068
Total City Clerk	159,029	159,029	102,961	56,068
Civil Defense				
Other	265	265	5,060	(4,795)
Total Team Hamilton	265	265	5,060	(4,795)
City Manager				
Personal Services	207,576	207,576	197,000	10,576
Other	84,333	84,333	59,438	24,895
Total City Manager	291,909	291,909	256,438	35,471
Law Director				
Personal Services	77,554	80,658	73,282	7,376
Other	2,134	13,184	6,699	6,485
Total Department of Law	79,688	93,842	79,981	13,861
Department of Civil Service				
Personal Services	184	184	277	(93)
Other	4,133	4,133	6,200	(2,067)
Total Department of Civil Service	4,317	4,317	6,477	(2,160)
Finance and Accounting				
Personal Services	133,221	133,221	124,435	8,786
Other	41,931	41,931	33,186	8,745
Total Finance - Administration	175,152	175,152	157,621	17,531
Administration				
Personal Services	3,000	3,000	1,169	1,831
Other	96,338	96,338	85,517	10,821
Total Finance - Administration	99,338	99,338	86,686	12,652
Engineering				
Other	70,417	70,417	77,490	(7,073)
Total Finance - Purchasing	70,417	70,417	77,490	(7,073)
Development				
Personal Services	55,723	55,723	55,574	149
Other	42,541	42,541	27,044	15,497
Total Finance - Building Services	98,264	98,264	82,618	15,646
Income Tax				
Personal Services	63,030	63,030	64,237	(1,207)
Other	94,528	94,528	127,503	(32,975)
Total Finance - Income Tax	157,558	157,558	191,740	(34,182)
Total General Government	1,328,284	1,343,623	1,241,957	101,666
Intergovernmental	15,000	15,000	-	15,000
Total Expenditures	4,187,241	4,213,448	3,969,586	243,862

(continued)

**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**GENERAL FUND**

	Initial	Budget Final	Actual	Variance Positive (Negative)
Excess of Revenues Over (Under) Expenditures	\$ (270,891)	\$ (52,088)	\$ 282,738	\$ 334,826
<u>Other Financing Sources (Uses):</u>				
Income Tax Refunds	-	(7,200)	-	(7,200)
Transfers - Out	-	(215,000)	(155,000)	60,000
Total Other Financing Sources (Uses)	-	(222,200)	(155,000)	67,200
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(270,891)	(274,288)	127,738	402,026
Fund Balances at Beginning of Year	2,290,209	2,290,209	2,290,209	-
Prior Year Encumbrances	181,995	181,995	181,995	-
Fund Balances at End of Year	<u>\$ 2,201,313</u>	<u>\$ 2,197,916</u>	<u>\$ 2,599,942</u>	<u>\$ 402,026</u>

See accompanying notes to the required supplementary information

**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**FIRE LEVY FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 728,618	\$ 784,631	\$ 784,631	\$ -
Intergovernmental	108,384	116,716	116,716	-
Investment Earnings	21,908	23,591	23,609	18
<b>Total Revenue</b>	<b>858,910</b>	<b>924,938</b>	<b>924,956</b>	<b>18</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Security of Persons and Property:</b>				
Fire Department				
Other	932,225	932,225	925,554	6,671
<b>Total Fire Department</b>	<b>932,225</b>	<b>932,225</b>	<b>925,554</b>	<b>6,671</b>
<b>Debt Service:</b>				
Principal Retirement	15,000	15,000	15,000	-
Interest and Fiscal Charges	11,499	11,499	11,499	-
<b>Total Debt Service</b>	<b>26,499</b>	<b>26,499</b>	<b>26,499</b>	<b>-</b>
<b>Total Expenditures</b>	<b>958,724</b>	<b>958,724</b>	<b>952,053</b>	<b>6,671</b>
<b>Deficiency of Revenues</b>				
Under Expenditures	(99,814)	(33,786)	(27,097)	6,689
Fund Balances at Beginning of Year	337,748	337,748	337,748	-
Prior Year Encumbrances Appropriated	724	724	724	-
<b>Fund Balances at End of Year</b>	<b>\$ 238,658</b>	<b>\$ 304,686</b>	<b>\$ 311,375</b>	<b>\$ 6,689</b>

See accompanying notes to the required supplementary information

**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**EMS LEVY FUND**

	Budget		Actual	Variance Postive (Negative)
	Initial	Final		
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 940,989	\$ 826,198	\$ 826,198	\$ -
Intergovernmental	138,208	121,348	121,348	-
Investment Earnings	4,798	4,212	4,215	3
<b>Total Revenue</b>	<b>1,083,995</b>	<b>951,758</b>	<b>951,761</b>	<b>3</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Security of Persons and Property:</b>				
Fire Department				
Other	1,133,938	1,133,938	1,133,914	24
<b>Total Fire Department</b>	<b>1,133,938</b>	<b>1,133,938</b>	<b>1,133,914</b>	<b>24</b>
<b>Debt Service:</b>				
Principal Retirement	15,000	15,000	15,000	-
Interest and Fiscal Charges	11,499	11,499	11,499	-
<b>Total Debt Service</b>	<b>26,499</b>	<b>26,499</b>	<b>26,499</b>	<b>-</b>
<b>Total Expenditures</b>	<b>1,160,437</b>	<b>1,160,437</b>	<b>1,160,413</b>	<b>24</b>
Deficiency of Revenues Under Expenditures	(76,442)	(208,679)	(208,652)	27
Fund Balances at Beginning of Year	331,492	331,492	331,492	-
Prior Year Encumbrances Appropriated	1,938	1,938	1,938	-
<b>Fund Balances at End of Year</b>	<b>\$ 256,988</b>	<b>\$ 124,751</b>	<b>\$ 124,778</b>	<b>\$ 27</b>

See accompanying notes to the required supplementary information

**CITY OF MILFORD, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2008**

NOTE 1 – 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 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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2008**

NOTE 1 – BUDGETARY PROCESS (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. Several supplemental appropriations were legally enacted during 2008 by Council.

The budgetary figures which appear in the “Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis) – General fund and major special revenue funds are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications. Budget figures appearing in the statement of budgetary comparisons are based upon the following:

Initial Budget is the legally adopted amount of appropriation originally passed by City Council through the original appropriation ordinance.

Final Budget represents the final appropriation amounts, including all amendments and modifications.

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 personal services and other within each department. 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 on the basic financial statements.



**CITY OF MILFORD, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2008**

NOTE 1 – BUDGETARY PROCESS (CONTINUED)

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.

NOTE 2 - BUDGET TO GAAP RECONCILIATION

While reporting financial position, results of operations, and changes in fund balance 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 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) – General Fund and Major Special Revenue 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 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 for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

	General Fund	Fire Levy Fund	EMS Levy Fund
GAAP Basis	\$192,110	(\$27,682)	(\$209,488)
Adjustments:			
Revenue Accruals	(35,982)	(32)	(33)
Expenditure Accruals	54,588	687	939
Encumbrances	(82,978)	(70)	(70)
Budget Basis	\$127,738	(\$27,097)	(\$208,652)



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by  
*Government Auditing Standards***

City of Milford  
Clermont County, Ohio  
745 Center Street  
Milford, Ohio 45150

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Milford, Clermont County, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

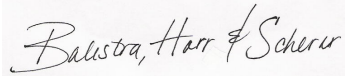
**Compliance and Other Matters**

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

We noted a certain noncompliance or other matter that we reported to the City's management in a separate letter dated June 30, 2010.

City of Milford  
Clermont County  
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by  
*Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management and others within the City. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
June 30, 2010

**CITY OF MILFORD  
CLERMON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2007-001	Material Weakness – Bank Reconciliations	Yes	
2007-002	Material Weakness – Internal Control Over Financial Reporting	Yes	
2007-003	Noncompliance Citation – Ohio Revised Code Section 5705.41D	Yes	
2007-004	Noncompliance Citation – Ohio Revised Code Section 5705.39	Yes	



# Dave Yost • Auditor of State

**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  
JANUARY 25, 2011**