

***THE CITY OF MILFORD, OHIO***

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CLERMONT COUNTY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
DECEMBER 31, 2012





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Milford, Clermont County, prepared by Bastin & Company, LLC, for the audit period January 1, 2012 through December 31, 2012. 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.

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

Dave Yost  
Auditor of State

September 22, 2014

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 BASIC FINANCIAL STATEMENTS  
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# Bastin & Company, LLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

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

To the Members of City Council:

### **Report on the Financial Statements**

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 the City of Milford, Clermont County, Ohio (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, Clermont County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 3 to the financial statements, during 2012, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and *required budgetary comparison schedules*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Bastin & Company, L L C*

Cincinnati, Ohio  
July 22, 2014

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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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, 2012. 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 2012 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2012, by \$26,953,412 (net position). Of this amount, \$4,580,840 (governmental unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors, and \$5,399,179 is classified as unrestricted in the Water, Wastewater and Stormwater activities.
- The City's total net position decreased by \$112,245 which represents a 0.41% decrease from 2011.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,829,651. Of this amount \$3,536,388 is available for spending (unassigned General Fund balance) on behalf of its citizens.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,536,388 or 88.36% of total general fund expenditures.
- The other governmental major funds: Fire/EMS Levy Special Revenue Fund and Debt Service have ending fund balances of \$429,064 and \$546,082. Both of these funds saw fund balance increase in the current year as the City provides transfers to the Debt Service that offsets additional expenses and the Fire/EMS Levy fund received the new levy dollars.

**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 Position 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

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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.

**Reporting City of Milford as a Whole**

Statement of Net Position 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 2012?" The Statement of Net Position 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 position and the change in that position. This change in net position 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 Position 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

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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.

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/EMS Levy Special Revenue Fund (new for 2012), Debt Service, 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.

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*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 the Fire/EMS Levy special revenue fund along with the applicable accounting policies to develop those schedules.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$26,953,412 (\$10,434,799 in governmental activities and \$16,518,613 in business type activities) as of December 31, 2012. The largest portion of the City's net position (54.78%) 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 position for 2012 compared to 2011.

	Governmental Activities		Business-Type Activities		Total	
	2012	Restated 2011	2012	2011	2012	Restated 2011
Current and Other Assets	\$9,168,288	\$9,836,656	\$5,542,349	\$6,160,853	\$14,710,637	\$15,997,509
Capital Assets	6,019,207	6,023,868	16,011,020	15,833,993	22,030,227	21,857,861
Total Assets	15,187,495	15,860,524	21,553,369	21,994,846	36,740,864	37,855,370
Long-term liabilities	2,611,169	2,893,337	4,954,482	5,097,347	7,565,651	7,990,684
Other liabilities	443,251	780,450	80,274	171,870	523,525	953,320
Total Liabilities	3,054,420	3,673,787	5,034,756	5,269,217	8,089,176	8,943,004
Deferred Inflows of Resources	1,698,276	1,846,709	0	0	1,698,276	1,846,709
Net Position:						
Investment in net capital assets	3,645,717	3,346,852	11,119,434	10,793,021	14,765,151	14,139,873
Restricted	2,208,242	2,565,745	0	0	2,208,242	2,565,745
Unrestricted	4,580,840	4,427,431	5,399,179	5,932,608	9,980,019	10,360,039
Total Net Position	\$10,434,799	\$10,340,028	\$16,518,613	\$16,725,629	\$26,953,412	\$27,065,657

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represented \$2,208,242 or 8.19% of net position. The remaining unrestricted \$9,980,019 or 37.03% of net position may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

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As of December 31, 2012, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City saw overall capital assets increase slightly as the City made significant improvements in the Water fund SCADA assets. The City also invested significantly in construction of various stormwater projects during the year. The City decreased long term liabilities from 2011 although the City only made one payment during the year on OWDA and OWPC loans since the January 2012 payments were made in December 2011 and for the second straight year did not initiate any significant new loans. The overall unrestricted net position decreased as the City's various receivables all dropped from 2011 due to state reductions or decreased effective millage rates for tax collections.

*Statement of Activities*

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	\$444,003	\$365,044	\$2,312,977	\$2,150,626	\$2,756,980	\$2,515,670
Operating Grants and Contributions	305,121	308,938	0	0	305,121	308,938
General Revenues						
Income Taxes	2,692,585	2,755,535	0	0	2,692,585	2,755,535
Property Taxes	1,801,690	1,943,465	0	0	1,801,690	1,943,465
Other Taxes	1,360,610	1,572,383	0	0	1,360,610	1,572,383
Unrestricted Grants	336,722	595,106	0	0	336,722	595,106
Investment earnings	18,845	47,910	15,021	41,361	33,866	89,271
Other Revenues	54,931	34,285	0	0	54,931	34,285
Total Revenues	7,014,507	7,622,666	2,327,998	2,191,987	9,342,505	9,814,653
Expenses:						
Security of Persons and Property	4,077,591	3,965,074	0	0	4,077,591	3,965,074
Public Health and Welfare	499,093	508,187	0	0	499,093	508,187
Leisure Time Activities	177,317	141,168	0	0	177,317	141,168
Transportation	790,104	743,375	0	0	790,104	743,375
General Government	1,229,676	1,244,395	0	0	1,229,676	1,244,395
Intergovernmental	30,740	1,147,409	0	0	30,740	1,147,409
Interest and Fiscal Charges	115,215	150,149	0	0	115,215	150,149
Water	0	0	1,131,337	1,208,096	1,131,337	1,208,096
Wastewater	0	0	1,124,415	1,068,327	1,124,415	1,068,327
Stormwater Management	0	0	279,262	281,471	279,262	281,471
Total Expenses	6,919,736	7,899,757	2,535,014	2,557,894	9,454,750	10,457,651
Change in Net Position	94,771	(277,091)	(207,016)	(365,907)	(112,245)	(642,998)
Beginning Net Position (Restated)	10,340,028	10,617,119	16,725,629	17,091,536	27,065,657	27,708,655
Ending Net Position	\$10,434,799	\$10,340,028	\$16,518,613	\$16,725,629	\$26,953,412	\$27,065,657

*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 2012, total security of persons and property expenses were \$4.08 million representing 58.93% (up 8.74% from 2011) of governmental activity spending yielding a reliance on general

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revenues to fund the program of approximately \$3.81 million after direct support to their programs.

Despite decreased governmental revenues of about 8%, the City was able to maintain the level of service the residents of Milford expect and reduced expenses almost \$1 million as the City spent funds to prepare for future needs with intergovernmental expenses to the Clermont County TID and local grant match requirements in 2011 resulting in a positive net position change. The City incurred intergovernmental expenses as part of the City's commitment to the Clermont County TID for 2011 which included the \$600,000 local match the City was required to contribute for the State Route 131/State Route 50 project.

*Business-Type Activities*

The City's business-type activities include the water, wastewater and stormwater management systems. The stormwater management fund was able to produce an increase in net position for 2012. Combined change in net position totaled to (\$207,016) mainly from depreciation of the capital assets reducing the net position by \$665,872. The water and wastewater funds saw operating revenues increase by \$81,124 and \$74,922, respectively, but cash flow from operating activities decreased by \$109,065 in water mainly resulting from \$447,967 in capital asset additions. All three of the enterprise funds have significant unrestricted net position to offset any operating losses during the year.

**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 2012, the City's governmental funds reported combined ending fund balances of \$5.83 million. Approximately \$3.54 million constitutes unassigned fund balance available for spending for citizen needs as allowed under the Ohio Revised Code guidelines. A larger portion of the remaining \$2.29 million is restricted by external sources (restricted fund balance) earmarked for specific purposes and not available to be spent for some purposes.

The General Fund is the chief operating fund of the City. As of December 31, 2012, the unassigned general fund balance was \$3.54 million with a total fund balance of \$3.68 million. As a measure of liquidity, it is often useful to compare these numbers to total general fund expenditures and other financing uses. Unassigned fund balance represents

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approximately 81.78% of the total expenditures and other financing uses, while total fund balance represents 85.21% of that same amount.

During 2012, the City's general fund increased by \$0.29 million as the City generated \$0.64 million more in revenues as the City received over \$0.60 million in estate tax revenue during the year; however, expenditures increased slightly as well (\$76,305) from 2011. The City did evaluate the departmental budgets and kept them near the 2011 levels.

The Fire and EMS levy generated less revenue than the individual funds in 2011 as the City passed a renewal levy that combined both issues into one levy and is now in 2012 as the Fire/EMS Levy fund. The expenditures were still below revenue as the City spent down the remaining individual fund balances during 2012. The other major governmental fund is the Debt Service fund. The fund receives a share of income tax dollars but the majority of revenue comes from payment in lieu of taxes in the City's Rivers Edge development. Revenue collections decreased almost 19% from 2011 to \$0.50 million as service payments were down again. The City has pledged \$175,000 through 2014 to the Clermont County TID, which will be paid from the Debt Service fund although nothing was paid during 2012.

**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 2012, the City amended its total and general fund budget several 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.

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The following table summarizes the major revenue sources and expenditures from original to final budget for 2012:

Description	Original Budget	Final Budget	Change
Revenues:			
Property and Other Taxes	\$728,687	\$741,610	\$12,923
Income Taxes	2,577,007	2,622,710	45,703
Intergovernmental Revenue	906,238	922,310	16,072
Other Revenues	388,067	398,220	10,153
Total Revenues	<u>4,599,999</u>	<u>4,684,850</u>	<u>84,851</u>
Expenditures:			
Security of Persons/Property	2,370,159	2,260,651	109,508
General Government	1,432,714	1,365,363	67,351
Other Expenditures	751,111	715,580	35,531
Total Expenditures	<u>4,553,984</u>	<u>4,341,594</u>	<u>212,390</u>

The City's original revenue budget increased 2% to the final budget as the final budget was created at a departmental review level compared to a more broad view for the initial budget. The City also received additional income taxes from the new JEDD and also higher estate tax than expected. The expenditures actually decreased 4.06%. The final budget was completed when the City had a better understanding of the state and local government funding issues and more information related to total income tax collections. The City continued to evaluate the budgeted expenditures making several changes throughout the year although nothing of significance was changed with any of the amendments.

The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2012:

Description	Final Budget	Actual	Change
Revenues:			
Property and Other Taxes	\$741,610	\$685,332	(\$56,278)
Income Taxes	2,622,710	2,586,068	(36,642)
Intergovernmental Revenue	922,310	935,268	12,958
Other Revenues	398,220	474,958	76,738
Total Revenues	<u>4,684,850</u>	<u>4,681,626</u>	<u>(3,224)</u>
Expenditures:			
Security of Persons/Property	2,260,651	2,167,678	92,973
General Government	1,365,363	1,235,296	130,067
Other Expenditures	715,580	657,887	57,693
Total Expenditures	<u>4,341,594</u>	<u>4,060,861</u>	<u>280,733</u>

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The City submitted their final revenue budget to the county very close to year end. The timing of receipts was slightly off which resulted in the variances. The variance in other revenue resulted from the departmental reimbursements offsetting the expenditure.

Despite the City's increased final budget figures, the departmental staff, within the functions of the City, was successful in bringing their final expenditures in under budget for 2012 by over 6%. 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 net investment in capital assets for its governmental and business type activities as of December 31, 2012, totaled \$14.77 million (net of accumulated depreciation and related debt). This investment in net 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 SCADA and stormwater system improvements which are recorded as construction in progress. For more information on the governmental and business-type capital assets see Note 8 in the notes to the financial statements.

*Long-term Debt:* At the end of 2012, the City had general obligation bonds outstanding of \$2.34 million in governmental activities. The City retired \$449,386 in principal related to all debt during the year. The City also has \$4.89 million in business-type debt between the water and wastewater funds. See Note 13 for further information on the City's long-term debt.

**Economic Factors affecting the City**

Surrounded by hills and woods, with 2010 population of just over 6,700, 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.

As the River's Edge development has grown over the past decade, the City hosts a multitude of restaurants, Target, Wal-Mart, a top line cinema and two top class hotel accommodations. The area still has several parcels available.

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**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(Unaudited)**

The City has expanded its capacity for income tax revenue by working with Union Township and creating a Joint Economic Development District (JEDD) around State Route 32 and Interstate 275. During 2012, the City and Township created another JEDD around the new Jungle Jim's market in Eastgate that started collections during the second half of 2012. For the 2013, the City and Township are working on expanding to more JEDDs in the area. With the City's boundaries being restricted, using mechanisms, such as this, will allow the City to work with the surrounding Townships to help both the City and Township generate additional revenue as other revenues like local government funding and personal property taxes are being reduced or eliminated.

During 2012, the City saw the groundbreaking of the Riverwalk Flats and Rowhouses project that is being built along the Little Miami River. The area had been vacant or under utilized commercial property and is a significant visible improvement and construction completion is 2014.

**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, 745 Center Street, Suite 200, Milford, Ohio 45150, (513) 831-4192 or visit the City website at [www.milfordohio.org](http://www.milfordohio.org).

**CITY OF MILFORD, OHIO**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 5,963,876	\$ 5,234,195	\$ 11,198,071
Receivables (net of allowance for doubtful accounts):			
Taxes-Real & Personal Property	1,823,156	-	1,823,156
Taxes-Municipal Income	521,255	-	521,255
Accounts	24,484	305,554	330,038
Interest	2,599	2,600	5,199
Payment in Lieu of Taxes	427,545	-	427,545
Due from Other Governments	405,373	-	405,373
Nondepreciable Capital Assets:			
Land	1,874,087	328,914	2,203,001
Construction In Progress	61,364	136,881	198,245
Depreciable Capital Assets:			
Plant	-	6,182,808	6,182,808
Water/Sewer Lines	-	7,056,044	7,056,044
Buildings and Improvements	4,013,720	-	4,013,720
Improvements other than Buildings	1,474,286	11,653,183	13,127,469
Furniture, Equipment and Vehicles	2,680,867	1,362,762	4,043,629
Less: Accumulated Depreciation	(4,085,117)	(10,709,572)	(14,794,689)
<b>Total Assets</b>	<b>15,187,495</b>	<b>21,553,369</b>	<b>36,740,864</b>
<b>Liabilities:</b>			
Accounts Payable	92,425	27,734	120,159
Accrued Wages and Benefits	48,619	16,529	65,148
Due to Other Governments	134,306	36,011	170,317
Claims Payable	155,880	-	155,880
Accrued Interest Payable	12,021	-	12,021
Long Term Liabilities due within 1 year	441,087	341,251	782,338
Long Term Liabilities due over 1 year	2,170,082	4,613,231	6,783,313
<b>Total Liabilities</b>	<b>3,054,420</b>	<b>5,034,756</b>	<b>8,089,176</b>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	1,698,276	-	1,698,276
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,645,717	11,119,434	14,765,151
Restricted:			
Transportation	279,150	-	279,150
Culture and Recreation	292,858	-	292,858
Protection of Citizens	814,371	-	814,371
Debt Service	546,082	-	546,082
Capital Improvements	275,781	-	275,781
Unrestricted	4,580,840	5,399,179	9,980,019
<b>Total Net Position</b>	<b>10,434,799</b>	<b>16,518,613</b>	<b>26,953,412</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 15,187,495</b>	<b>\$ 21,553,369</b>	<b>\$ 36,740,864</b>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Business-Type Activities
Total					Total
<b>Governmental Activities:</b>					
Security of Persons and Property	\$ (4,077,591)	\$ 268,109	\$ 3,719	\$ (3,805,763)	\$ -
Public Health and Welfare	(499,093)	128,754	-	(370,339)	(370,339)
Leisure Time Activities	(177,317)	2,534	-	(174,783)	(174,783)
Transportation	(790,104)	-	301,402	(488,702)	(488,702)
General Government	(1,229,676)	44,606	-	(1,185,070)	(1,185,070)
Intergovernmental	(30,740)	-	-	(30,740)	(30,740)
Interest and Fiscal Charges	(115,215)	-	-	(115,215)	(115,215)
Total Governmental Activities	<u>(6,919,736)</u>	<u>444,003</u>	<u>305,121</u>	<u>(6,170,612)</u>	<u>(6,170,612)</u>
<b>Business-Type Activities:</b>					
Water	(1,131,337)	844,160	-	(287,177)	(287,177)
Wastewater	(1,124,415)	1,005,153	-	(119,262)	(119,262)
Stormwater Management	(279,262)	463,664	-	184,402	184,402
Total Business-Type Activities	<u>(2,535,014)</u>	<u>2,312,977</u>	<u>-</u>	<u>(222,037)</u>	<u>(222,037)</u>
Total	<u>\$ (9,454,750)</u>	<u>\$ 2,756,980</u>	<u>\$ 305,121</u>	<u>(6,170,612)</u>	<u>(6,392,649)</u>
<b>General Revenues:</b>					
Income Taxes		2,692,585			2,692,585
Property Taxes		1,801,690			1,801,690
Estate Taxes		651,687			651,687
Franchise Fee Taxes		95,410			95,410
Cinema Admissions Taxes		134,650			134,650
Hotel Taxes		97,420			97,420
Payment in Lieu of Taxes		309,820			309,820
Permissive Sale Taxes		71,623			71,623
Grants and Contributions not restricted to specific programs		336,722			336,722
Unrestricted investment earnings		18,845	15,021		33,866
Miscellaneous		54,931			54,931
Total General Revenues		<u>6,265,383</u>		<u>15,021</u>	<u>6,280,404</u>
Changes in Net Position		<u>94,771</u>		<u>(207,016)</u>	<u>(112,245)</u>
Net Position-Beginning (Restated)		<u>10,340,028</u>		<u>16,725,629</u>	<u>27,065,657</u>
Net Position-Ending		<u>\$ 10,434,799</u>		<u>\$ 16,518,613</u>	<u>\$ 26,953,412</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	General	Fire/ EMS Levy	Debt Service	Other Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,815,656	\$ 429,064	\$ 555,497	\$ 1,163,659
Receivables (net of allowance for doubtful accounts):				
Taxes-Real & Personal Property	438,134	1,385,022	-	-
Taxes-Municipal Income	444,776	-	68,865	7,614
Accounts	24,484	-	-	-
Interest	2,599	-	-	-
Payment in Lieu of Taxes	-	-	427,545	-
Due from Other Governments	149,480	70,605	-	185,288
<b>Total Assets</b>	<b>4,875,129</b>	<b>1,884,691</b>	<b>1,051,907</b>	<b>1,356,561</b>
<b>Liabilities:</b>				
Accounts Payable	76,299	-	9,415	6,711
Accrued Wages and Benefits	43,604	-	-	5,015
Claims Payable	155,880	-	-	-
Due to Other Governments	126,556	-	-	7,750
Matured Leave Payable	-	-	-	6,787
<b>Total Liabilities</b>	<b>402,339</b>	<b>-</b>	<b>9,415</b>	<b>26,263</b>
<b>Deferred Inflows of Resources:</b>				
Property Tax Levy for Next Fiscal Year	377,395	1,320,881	-	-
Delinquent Property Taxes	18,326	64,141	-	-
Income Taxes	255,947	-	68,865	7,614
State Shared Revenues	84,021	-	-	152,757
Payment in Lieu of Taxes	-	-	427,545	-
County Shared Revenues	49,197	70,605	-	-
Other miscellaneous revenues	3,326	-	-	-
<b>Total Deferred Inflows of Resources:</b>	<b>788,212</b>	<b>1,455,627</b>	<b>496,410</b>	<b>160,371</b>
<b>Fund Balances:</b>				
Restricted	-	429,064	546,082	1,156,326
Assigned	148,190	-	-	13,601
Unassigned	3,536,388	-	-	-
<b>Total Fund Balances</b>	<b>3,684,578</b>	<b>429,064</b>	<b>546,082</b>	<b>1,169,927</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,875,129</b>	<b>\$ 1,884,691</b>	<b>\$ 1,051,907</b>	<b>\$ 1,356,561</b>

See accompanying notes to the basic financial statements

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

**DECEMBER 31, 2012**

<u>Total Governmental Funds</u>																																																																																			
<table border="0" style="width: 100%;"> <tr> <td style="width: 15%; text-align: right;">\$ 5,963,876</td> <td style="width: 70%;"></td> <td style="width: 15%; text-align: right;">\$ 5,829,651</td> </tr> <tr> <td style="text-align: right;">1,823,156</td> <td>Amounts reported for governmental activities in the statement of net position is different because:</td> <td></td> </tr> <tr> <td style="text-align: right;">521,255</td> <td>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</td> <td style="text-align: right;">6,019,207</td> </tr> <tr> <td style="text-align: right;">24,484</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">2,599</td> <td>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</td> <td style="text-align: right;">1,202,344</td> </tr> <tr> <td style="text-align: right;">427,545</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">405,373</td> <td>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.</td> <td style="text-align: right;"><u>(2,616,403)</u></td> </tr> <tr> <td style="text-align: right;"><u>9,168,288</u></td> <td style="text-align: center;">Net Position of governmental activities</td> <td style="text-align: right;"><u>\$ 10,434,799</u></td> </tr> <tr> <td style="text-align: right;">92,425</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">48,619</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">155,880</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">134,306</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">6,787</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;"><u>438,017</u></td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">1,698,276</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">82,467</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">332,426</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">236,778</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">427,545</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">119,802</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">3,326</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;"><u>2,900,620</u></td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">2,131,472</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">161,791</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;"><u>3,536,388</u></td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">5,829,651</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;"><u>\$ 9,168,288</u></td> <td></td> <td></td> </tr> </table>	\$ 5,963,876		\$ 5,829,651	1,823,156	Amounts reported for governmental activities in the statement of net position is different because:		521,255	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,019,207	24,484			2,599	Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,202,344	427,545			405,373	Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(2,616,403)</u>	<u>9,168,288</u>	Net Position of governmental activities	<u>\$ 10,434,799</u>	92,425			48,619			155,880			134,306			6,787			<u>438,017</u>			1,698,276			82,467			332,426			236,778			427,545			119,802			3,326			<u>2,900,620</u>			2,131,472			161,791			<u>3,536,388</u>			5,829,651			<u>\$ 9,168,288</u>				
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**CITY OF MILFORD, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Fire/ EMS Levy	Debt Service	Other Governmental Funds
<u>Revenues:</u>				
Income Taxes	\$ 2,533,349	\$ -	\$ 70,270	\$ 87,882
Property and Other Taxes	689,296	1,432,946	-	-
Intergovernmental	922,093	141,211	-	389,777
Charges for Services	148,170	-	-	96,983
Licenses and Permits	37,201	-	-	-
Investment Earnings	12,734	2,763	52	3,296
Fines and Forfeitures	227,807	-	-	25,544
Payment in Lieu of Taxes	-	-	427,544	-
All Other Revenues	43,385	-	-	13,458
<b>Total Revenues</b>	<b>4,614,035</b>	<b>1,576,920</b>	<b>497,866</b>	<b>616,940</b>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	2,109,283	1,093,645	-	618,367
Public Health and Welfare	277,565	-	-	191,625
Leisure Time Activities	163,059	-	-	-
Transportation	355,456	-	64,952	460,443
General Government	1,066,114	-	-	5,150
Intergovernmental	30,740	-	-	-
Capital Outlay	-	-	62,513	286,377
Debt Service:				
Principal Retirement	-	35,000	265,000	-
Interest and Fiscal Charges	-	16,720	109,003	-
<b>Total Expenditures</b>	<b>4,002,217</b>	<b>1,145,365</b>	<b>501,468</b>	<b>1,561,962</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	611,818	431,555	(3,602)	(945,022)
<u>Other Financing Sources (Uses):</u>				
Transfers - In	-	-	212,150	110,000
Transfers - Out	(322,150)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(322,150)</b>	<b>-</b>	<b>212,150</b>	<b>110,000</b>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	289,668	431,555	208,548	(835,022)
Fund Balances at Beginning of Year	3,394,910	(2,491)	337,534	2,004,949
Fund Balances at End of Year	<u>\$ 3,684,578</u>	<u>\$ 429,064</u>	<u>\$ 546,082</u>	<u>\$ 1,169,927</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, 2012**

Total Governmental Funds		
\$ 2,691,501	Amounts reported in governmental activities in the statement of activities are different because:	
2,122,242	Net Change in Fund Balances - total governmental funds	\$ 94,749
1,453,081		
245,153	Governmental funds report capital outlays as expenditures. However, in the statement of activities	
37,201	the cost of those assets is allocated over their estimated useful lives and reported as depreciation	
18,845	expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(4,661)
253,351		
427,544	Revenues in the statement of activities that do not provide current financial resources	
56,843	are not reported as revenues in the funds.	(294,780)
<hr/> 7,305,761	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. This amount is the net effect of	
	the net effect of these differences in the treatment of long-term debt and related items.	314,034
3,821,295	Some items reported in the statement of activities do not require the use of current financial	
469,190	current financial resources and, therefore, are not reported as expenditures in governmental funds.	(14,571)
163,059		
880,851	Change in net position of governmental activities	<u>\$ 94,771</u>
1,071,264		
30,740		
348,890		
300,000		
125,723		
<hr/> 7,211,012		
94,749		
322,150		
(322,150)		
<hr/> -		
94,749		
5,734,902		
<hr/> \$ 5,829,651		

**CITY OF MILFORD, OHIO  
STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
DECEMBER 31, 2012**

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

	Water	Wastewater	Stormwater Management	Totals
<b>Assets:</b>				
<u>Current Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,467,119	\$ 2,967,280	\$ 799,796	\$ 5,234,195
Receivables (net of allowances for doubtful accounts):				
Accounts	101,066	137,933	66,555	305,554
Interest	1,040	1,040	520	2,600
Total Current Assets	<u>1,569,225</u>	<u>3,106,253</u>	<u>866,871</u>	<u>5,542,349</u>
<u>Nondepreciable Capital Assets:</u>				
Land	101,488	227,426	-	328,914
Construction in Progress	-	-	136,881	136,881
<u>Depreciable Capital Assets:</u>				
Improvements Other than Buildings	3,734,835	6,218,872	1,699,476	11,653,183
Furniture, Fixtures, Equipment	567,357	755,011	40,394	1,362,762
Water and Sewer Line	2,428,272	4,627,772	-	7,056,044
Plant	2,051,892	4,130,916	-	6,182,808
Less: Accumulated Depreciation	<u>(4,260,882)</u>	<u>(6,194,697)</u>	<u>(253,993)</u>	<u>(10,709,572)</u>
Total Capital Assets (net of accumulated depreciation)	<u>4,622,962</u>	<u>9,765,300</u>	<u>1,622,758</u>	<u>16,011,020</u>
Total Assets	<u><u>6,192,187</u></u>	<u><u>12,871,553</u></u>	<u><u>2,489,629</u></u>	<u><u>21,553,369</u></u>
<b>Liabilities</b>				
<u>Current Liabilities:</u>				
Accounts Payable	19,192	8,291	251	27,734
Accrued Wages and Benefits	8,221	5,886	2,422	16,529
Due to Other Governments	23,934	9,890	2,187	36,011
Compensated Absences Payable - Current	22,560	13,185	3,997	39,742
Ohio Water Development				
Authority Loans Payable - Current	66,903	142,696	-	209,599
OPWC Loan Payable - Current	14,498	77,410	-	91,908
Total Current Liabilities	<u>155,308</u>	<u>257,358</u>	<u>8,857</u>	<u>421,523</u>
<u>Noncurrent Liabilities:</u>				
Compensated Absences Payable	14,714	7,042	1,398	23,154
Ohio Water Development				
Authority Loans Payable	1,173,210	2,253,030	-	3,426,240
OPWC Loans Payable	193,693	970,146	-	1,163,839
Total Noncurrent Liabilities	<u>1,381,617</u>	<u>3,230,218</u>	<u>1,398</u>	<u>4,613,233</u>
Total Liabilities	<u><u>1,536,925</u></u>	<u><u>3,487,576</u></u>	<u><u>10,255</u></u>	<u><u>5,034,756</u></u>
<b>Net Position</b>				
Net Investment in Capital Assets	3,174,658	6,322,018	1,622,758	11,119,434
Unrestricted	1,480,604	3,061,959	856,616	5,399,179
Total Net Position	<u>4,655,262</u>	<u>9,383,977</u>	<u>2,479,374</u>	<u>16,518,613</u>
Total Net Position and Liabilities	<u><u>\$ 6,192,187</u></u>	<u><u>\$ 12,871,553</u></u>	<u><u>\$ 2,489,629</u></u>	<u><u>\$ 21,553,369</u></u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

BUSINESS-TYPE ACTIVITIES—ENTERPRISE FUNDS

	Water	Wastewater	Stormwater Management	Totals
<u>Operating Revenues:</u>				
Charges for Services	\$ 822,175	\$ 1,001,204	\$ 463,265	\$ 2,286,644
Other Operating Revenues	21,985	3,949	399	26,333
Total Operating Revenues	<u>844,160</u>	<u>1,005,153</u>	<u>463,664</u>	<u>2,312,977</u>
<u>Operating Expenses:</u>				
Personal Services	517,421	377,258	147,871	1,042,550
Materials and Supplies	291,210	180,596	24,272	496,078
Contractual Services	129,689	151,392	24,652	305,733
Other Operating Expenses	1,338	347	100	1,785
Depreciation	180,177	403,328	82,367	665,872
Total Operating Expenses	<u>1,119,835</u>	<u>1,112,921</u>	<u>279,262</u>	<u>2,512,018</u>
Operating Income (Loss)	(275,675)	(107,768)	184,402	(199,041)
<u>Non-Operating Revenues (Expenses):</u>				
Investment Earnings	4,393	8,825	1,803	15,021
Interest and Fiscal Charges	(11,502)	(11,494)	-	(22,996)
Total Non-Operating Revenues (Expenses)	<u>(7,109)</u>	<u>(2,669)</u>	<u>1,803</u>	<u>(7,975)</u>
Change in Net Position	(282,784)	(110,437)	186,205	(207,016)
Total Net Position - Beginning	<u>4,938,046</u>	<u>9,494,414</u>	<u>2,293,169</u>	<u>16,725,629</u>
Total Net Position - Ending	<u>\$ 4,655,262</u>	<u>\$ 9,383,977</u>	<u>\$ 2,479,374</u>	<u>\$ 16,518,613</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, 2012**

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

	Water	Wastewater	Stormwater Management	Totals
Increase (Decrease) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$ 824,098	\$ 1,003,533	\$ 467,479	\$ 2,295,110
Cash Paid for Employee Services and Benefits	(514,270)	(374,296)	(147,439)	(1,036,005)
Cash Paid to Suppliers for Goods and Services	(439,458)	(336,409)	(117,483)	(893,350)
Other Operating Revenues	21,985	4,928	399	27,312
Other Operating Expenses	(1,420)	(347)	(100)	(1,867)
Net Cash Provided by (Used for) Operating Activities	(109,065)	297,409	202,856	391,200
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(447,967)	(140,071)	(254,861)	(842,899)
Principal Paid on Loans Payable	(40,255)	(109,130)	-	(149,385)
Interest Paid on All Debt	(11,502)	(11,494)	-	(22,996)
Net Cash (Used for) Capital and Related Financing Activities	(499,724)	(260,695)	(254,861)	(1,015,280)
<u>Cash Flows from Investing Activities:</u>				
Interest	5,465	9,897	2,339	17,701
Net Cash Provided By Investing Activities	5,465	9,897	2,339	17,701
Net Increase (Decrease) in Cash and Cash Equivalents	(603,324)	46,611	(49,666)	(606,379)
Cash and Cash Equivalents at Beginning of Year	2,070,443	2,920,669	849,462	5,840,574
Cash and Cash Equivalents at End of Year	<u>\$ 1,467,119</u>	<u>\$ 2,967,280</u>	<u>\$ 799,796</u>	<u>\$ 5,234,195</u>

**CITY OF MILFORD, OHIO  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS</u>			
	<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)	\$ (275,675)	\$ (107,768)	\$ 184,402	\$ (199,041)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation Expense	180,177	403,328	82,367	665,872
Change in Assets and Liabilities:				
Decrease in Accounts Receivable	1,923	3,308	4,214	9,445
Increase (Decrease) in Due to Other Governments	1,138	(2,000)	(1,970)	(2,832)
(Decrease) in Accounts Payables	(20,979)	(2,635)	(769)	(24,383)
(Decrease) in Contracts Payables	-	-	(67,790)	(67,790)
Increase in Accrued Wages and Benefits	1,315	520	1,574	3,409
Increase in Compensated Absences Payable	3,036	2,656	828	6,520
Total Adjustments	<u>166,610</u>	<u>405,177</u>	<u>18,454</u>	<u>590,241</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (109,065)</u>	<u>\$ 297,409</u>	<u>\$ 202,856</u>	<u>\$ 391,200</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2012**

	<u>Totals</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 32,147
Cash and Cash Equivalents in Segregated Accounts	<u>70,154</u>
 Total Assets	 <u><u>102,301</u></u>
 <b>Liabilities:</b>	
Due to Other Governments	22,117
Due to Others	<u>80,184</u>
 Total Liabilities	 <u><u>\$ 102,301</u></u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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, 2012**

**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 12 to the basic financial statements. The City is also associated with four jointly governed organizations: The Center for Local Government, the Ohio-Kentucky-Indiana Regional Council of Governments, City of Milford-Union Township Joint Economic Development District and Clermont County Transportation Improvement District, which are presented in Note 15 to the basic financial statements.

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

The government-wide financial statements (i.e., the statement of net position 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, 2012**

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, 2012**

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/EMS Levy Special Revenue Fund**

The Fire/EMS levy fund accounts for collection of the City's Fire and EMS levies. The proceeds are collected by the City and the City contracts with the Milford Community Fire Department for safety services. The services were split in prior years but the City has decided for fiscal year 2012 to report them in a new fund.

**Debt Service Fund**

The debt service fund accounts for the City's payment in lieu of taxes revenue and general obligation specific property tax revenue. The City also makes all general obligation bond payments from this fund.

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, 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Additionally, the City reports the following fund types:

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net position and changes in net position. 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 the Special Deposit fund that is similar to unclaimed 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.

**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 and the JEDD agency fund receives and disburses income tax revenue through a separate checking account both of which are presented on the fiduciary statement of net position as "Cash and Cash Equivalents in Segregated Accounts."

During 2012, 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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2012.

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 2012 amounted to \$12,734, which includes \$2,527 assigned from other funds. The fire/EMS levy special revenue, debt service, street construction, state highway, cemetery and permissive tax special revenue funds, water enterprise, wastewater enterprise, and stormwater enterprise funds also received interest of \$2,763; \$52; \$1,223; \$341; \$986; \$746; \$4,393; \$8,825; and \$1,803 respectively.

***C. 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.

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

***D. 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 2012, no net interest expense was incurred on enterprise fund construction projects.

***E. Compensated Absences***

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount 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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***F. 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. The City reports a liability for the required reserve shortage from the Center for Local Government insurance pool. The claims liability is the calculated share allocated to the City by the Center for Local Government. 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.

***G. Fund Balance***

The City reports the following categories of fund balance:

- Nonspendable fund balance relates to the value of consumable inventories, prepaids or unclaimed funds. The City does not report this classification.
- Restricted fund balances related to grants, other restricted revenue sources like state shared revenues or charges for specific services are reported as restricted in the fund receiving those resources.
- Assigned fund balances are balances for which the City administration has specified the future use such as encumbrances or specific fund without a restricted revenue source.
- Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City applies restricted resources first then committed and assigned resources when expenditures are incurred for purposes for which either restricted, committed, assigned or unrestricted amounts are available.

***H. 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.

***I. Net Position***

Net position represents the difference between assets and liabilities in the statement of net position. Net position of net investment in capital assets is 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 position is 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 \$2,208,242 restricted net position is restricted by enabling legislation.

***J. Deferred Inflows of Resources***

Deferred inflows of resources arise 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, 2013, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred inflows of resources. Payment in lieu of taxes, grants and entitlements received before the eligibility requirements are met are also recorded as deferred inflows of resources.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**K. 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.

**L. 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.

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. 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 (\$2,616,403) difference are as follows:

General Obligation Bonds	(\$2,340,000)
Premium on General Obligations Bonds	(33,490)
Accrued Interest Payable	(12,021)
Compensated Absences	<u>(230,892)</u>
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>(\$2,616,403)</u></u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 \$6,019,207 difference are as follows:

Capital Assets	\$10,104,324
Accumulated Depreciation	(4,085,117)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$6,019,207

The governmental statement of revenues, expenditures and changes in fund balance includes a reconciliation between *net change in fund balance – total governmental funds* and *change in net position of governmental activities* as reported in the government wide statement of position.

One 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.” The details of this (\$4,661) are as follows:

Current Capital Additions	\$338,668
Current Deletions	(55,946)
Accumulated Depreciation Removed	(343,329)
Depreciation Expense	55,946
Net Adjustment - capital assets to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net position – governmental activities</i>	(\$4,661)

Another 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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$314,034 are as follows:

Principal paid on Long Term Debt	\$300,000
Amortization of Bond Premium Cost	3,526
Change in Interest Payable	10,508
Net Adjustment - current financial resources focus to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	\$314,034

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS**

**CHANGE IN ACCOUNTING PRINCIPLE**

The City implemented GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*; and GASB 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year. The implementation of GASB 62 had no financial statement impact. The implementation of GASB 63 removed the issuances costs reported on the Statement of Net Position as those items, other than prepaid insurance, are considered current period costs. The change in accounting principles had the following impact on beginning net position:

	Government- Type Activities
Net Position at 12/31/11 as previously reported	\$10,436,547
Implementation of GASB pronouncements	(96,519)
Restated Net Position Balance at 01/01/12	\$10,340,028

**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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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

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

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

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

***CITY OF MILFORD, OHIO***  
***NOTES TO THE BASIC FINANCIAL STATEMENTS***  
***DECEMBER 31, 2012***

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

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.

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 \$1,041,561 and the bank balance was \$1,057,519. \$1,000,000 of the City's deposits was insured by federal depository insurance. The remaining \$57,519 of the City's \$1,057,519 was collateralized with securities held by the pledging financial institution's trust department or agent in the manner described above.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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

Investments

As of December 31, 2012, the City had the following investments.

	Carrying and Fair Value	Less Than One Year	More Than One Year
Federal National Mortgage Association Bonds	\$1,795,086	\$824,457	\$970,629
Federal Home Loan Bank Bonds	2,942,723	1,352,836	1,589,887
Federal Home Loan Mortgage Corporation Bonds	1,270,600	0	1,270,600
U.S. Treasury Note	675,290	0	675,290
U.S. Treasury Bill	199,750	199,750	0
Money Market Mutual Fund	3,375,362	3,375,362	0
Total Investments	<u>\$10,258,811</u>	<u>\$5,752,405</u>	<u>\$4,506,406</u>

*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.

*Credit Risk* - The Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds and Federal Home Loan Mortgage Corporation 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 and Federal Home Loan Mortgage Corporation 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 17.50% of the City's total investments, Federal Home Loan Bank Bonds represents 28.68% of the City's total investments and Federal Home Loan Mortgage Corporation Bonds represents 12.39% of the City's total investments. The City's investment in U.S Treasury Bills and Notes represents 8.53% of the City's total investments. The City's investment in money market mutual funds Cash Portfolio Fund represents 32.90% of the City's total investments.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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

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:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Cash and Cash Equivalents – Financial Statements	\$11,300,372	\$0
Investments:		
Federal National Mortgage Association Bonds	(1,795,086)	1,795,086
Federal Home Loan Bank Bonds	(2,942,723)	2,942,723
Federal Home Loan Mortgage Corporation Bonds	(1,270,600)	1,270,600
U.S. Treasury Bills and Notes	(875,040)	875,040
Money Market Mutual Fund	(3,375,362)	3,375,362
GASB Statement No. 3	<u>\$1,041,561</u>	<u>\$10,258,811</u>

**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 2012 for real and public utility property taxes represents collections of 2011 taxes. Property tax payments received during 2012 for tangible personal property (other than public utility property) are for 2012 taxes.

2012 real property taxes are levied after October 1, 2012 on the assessed value as of January 1, 2012 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013.

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. 2012 public utility property taxes became a lien December 31, 2011, are levied after October 1, 2012, and are collected in 2013 with real property taxes.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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

The full tax rate for all City operations for the year ended December 31, 2012, 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 2012 property tax receipts were based are as follows:

<u>Category (Clermont County Only)</u>	<u>Assessed Value</u>
Real Property	\$138,130,150
Public Utility Tangible Personal Property	7,072,000
Total Property Tax	<u>\$145,202,150</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.

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, 2012, 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 2012 operations. The receivable is offset by unearned 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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 6 - INCOME TAX (CONTINUED)**

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 Debt Service Fund and the Capital Improvement Capital Projects Fund. Income tax revenue (net of refunds) for 2012 was \$2,691,501.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2012, 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.

A summary of intergovernmental receivables follows:

<b><u>Fund/Description</u></b>	<b><u>Amount</u></b>
<b><u>MAJOR FUNDS</u></b>	
<i>General Fund:</i>	
Local Government	\$98,666
Estate Tax	29,104
Homestead/Rollback	20,093
Local Governments – Reimbursements	1,617
Total General Fund	<u>149,480</u>
<i>Fire/EMS Levy</i>	
Homestead/Rollback	<u>70,605</u>
<b><u>NONMAJOR FUNDS</u></b>	
<i>Street Fund</i>	
Gasoline Excise Tax	111,682
Motor Vehicle License Tax	26,030
Total Street Fund	<u>137,712</u>
<i>State Highway Fund</i>	
Gasoline Excise Tax	9,057
Motor Vehicle License Tax	2,112
Total State Highway Fund	<u>11,169</u>
<i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	36,407
Total All Funds	<u>\$405,373</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 8 – CAPITAL ASSETS**

	Balance 12/31/11	Increases	Decreases	Balance 12/31/12
<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	<u>1,935,451</u>	<u>0</u>	<u>0</u>	<u>1,935,451</u>
Capital Assets, being depreciated:				
Buildings	4,013,720	0	0	4,013,720
Improvements other than Buildings	1,474,286	0	0	1,474,286
Vehicles, Furniture and Equipment	2,398,145	338,668	(55,946)	2,680,867
Total capital assets being depreciated	<u>7,886,151</u>	<u>338,668</u>	<u>(55,946)</u>	<u>8,168,873</u>
Less Accumulated Depreciation For:				
Buildings	(1,955,020)	(105,566)	0	(2,060,586)
Improvements other than Buildings	(283,538)	(62,569)	0	(346,107)
Vehicles, Furniture and Equipment	(1,559,176)	(175,194)	55,946	(1,678,424)
Total Accumulated Depreciation	<u>(3,797,734)</u>	<u>(343,329)</u>	<u>55,946</u>	<u>(4,085,117)</u>
Total capital assets, being depreciated, net	<u>4,088,417</u>	<u>(4,661)</u>	<u>0</u>	<u>4,083,756</u>
Governmental Activities - Capital Assets, Net	<u>\$6,023,868</u>	<u>(\$4,661)</u>	<u>\$0</u>	<u>\$6,019,207</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 8 – CAPITAL ASSETS (CONTINUED)**

	Balance 12/31/11	Increases	Decreases	Balance 12/31/12
<b>Business Type Activities</b>				
Capital Assets, not being depreciated				
Land	\$328,914	\$0	\$0	\$328,914
Construction in Progress	0	136,881	0	136,881
Total capital assets, not being depreciated	<u>328,914</u>	<u>136,881</u>	<u>0</u>	<u>465,795</u>
Capital Assets, being depreciated				
Improvements other than Buildings	11,166,588	486,595	0	11,653,183
Plant	6,182,808	0	0	6,182,808
Machinery and Equipment	1,143,339	219,423	0	1,362,762
Sewer and Water Lines	7,056,044	0	0	7,056,044
Total capital assets, being depreciated	<u>25,548,779</u>	<u>706,018</u>	<u>0</u>	<u>26,254,797</u>
Less Accumulated Depreciation For:				
Improvements other than Buildings	(2,098,856)	(330,653)	0	(2,429,509)
Plant	(3,506,914)	(169,463)	0	(3,676,377)
Machinery and Equipment	(708,997)	(32,232)	0	(741,229)
Sewer and Water Lines	(3,728,933)	(133,524)	0	(3,862,457)
Total Accumulated Depreciation	<u>(10,043,700)</u>	<u>(665,872)</u>	<u>0</u>	<u>(10,709,572)</u>
Total capital assets, being depreciated, net	<u>15,505,079</u>	<u>40,146</u>	<u>0</u>	<u>15,545,225</u>
Business Type Activities - Capital Assets, Net	<u>\$15,833,993</u>	<u>\$177,027</u>	<u>\$0</u>	<u>\$16,011,020</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

NOTE 8 – CAPITAL ASSETS (CONTINUED)

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

**Governmental Activities:**

Security of Persons and Property	\$124,798
Public Health and Welfare	10,338
Leisure Time Activities	23,179
Transportation	73,101
General Government	111,913
Total Depreciation Expense - governmental activities	<u>\$343,329</u>

**Business Type Activities:**

Water	\$180,177
Wastewater	403,328
Stormwater Management	82,367
Total Depreciation Expense – business-type activities	<u>\$665,872</u>

NOTE 9 - 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 retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in 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) 222-5601 or 1-800-222-PERS (7377).

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, 2012**

**NOTE 9- DEFINED BENEFIT PENSION PLANS (CONTINUED)**

- The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions 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.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10%. The employer contribution rate was 14% for 2012 with 4% was used to fund the health care fund. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the OPERS for the years ending December 31, 2012, 2011, and 2010 were \$172,132, \$158,972, and \$145,708, respectively, 97 percent has been contributed for fiscal year 2012 and 100 has been contributed for fiscal years 2011 and 2010.

**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, 2012, 2011, and 2010 were \$135,766, \$124,466, and \$130,696, respectively. The full amount has been contributed for 2011 and 2010. 96 percent has been contributed for 2012 with the remainder being reported as a liability within the respective funds.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 10- 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 Traditional 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 Traditional 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 (ORC) 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 2012, state and local employers contributed at a rate of 14% of covered payroll, and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the ORC. 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 Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to the health care plan was 4% for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during 2012.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 10- POST EMPLOYMENT BENEFITS (CONTINUED)**

Effective January 1, 2013, the portion of the employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Retirement Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual contributions for 2012, 2011, and 2010 that were used to fund OPEB were \$86,090, \$63,063, and \$76,311, respectively; 97 percent has been contributed for fiscal year 2012 and 100 percent has been contributed for fiscal years 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care coverage, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**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. O&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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 10- POST EMPLOYMENT BENEFITS (CONTINUED)**

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, 2012, 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, 2012, 2011, and 2010 were \$71,877, \$65,894, and \$69,191 respectively. The full amount has been contributed for 2011 and 2010. 96 percent has been contributed for 2012 with the remainder being reported as a liability within the respective funds.

**NOTE 11- EMPLOYEE BENEFITS**

***Compensated Absences***

**Accumulated Unpaid Vacation**

Full time 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 \$182,081.

**Accumulated Unpaid Sick Leave**

Full time City employees earn sick leave at the rate of 3.70 hours per eighty hours of service. Sick leave is cumulative without limit. In the case of retirement, employees with ten (10) or more years of service will be paid twenty-five percent (25%) of accrued but unused sick leave, up to a maximum of 240 hours. For the City as a whole, the total obligation for sick leave accrual amounted to \$96,152.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 11- EMPLOYEE BENEFITS (CONTINUED)**

**Accumulated Unpaid Personal Leave**

All full time City employees receive two personal days in January, except police officers and police clerks who receive 36 hours and 30 hours, respectively, on July 1 of each year. All full-time employees can earn up to three (3) additional personal days for each 120 consecutive days worked without using sick leave. Personal leave can be carried over from year to year up to the following maximum hours allowed:

	<u>Maximum Personal time Allowed</u>
Exempt Employees	40 hours
AFSCME Employees	48 hours
Police Personnel and Clerks	60 hours

For the City as a whole, the total obligation for personal leave accrual amounted to \$22,342.

***Insurance Benefits***

Full time employees are provided health, dental, and life insurance. The City elected to provide employee medical and hospitalization benefits through the Center for Local Government Benefit Pool (CLGBP) OME-RESA for health insurance during 2012. All employees share the cost of the monthly premium with the City. The City provided life insurance and AD&D insurance to Mutual of Omaha. Dental insurance is provided by the City through Dental Care Plus. In addition, the City provides Health Reimbursement Accounts for all full time employees based on their medical coverage election. The annual reimbursement for Single Coverage is \$1,000 and the annual reimbursement for all other elections is \$2,000.

**NOTE 12 - RISK MANAGEMENT**

For 2012, the City contracted with GAU, Inc. for general commercial coverage. The City had a general aggregate limit of \$3,000,000; personal injury limit of \$1,000,000.

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 2012 paid in 2013 was .025174.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 13 - LONG-TERM OBLIGATIONS**

Issue Date	Interest Rate	Description	December 31, 2011	Additions	Reductions	December 31, 2012	Due Within One Year
<b>Governmental activities:</b>							
Bonds payable:							
General Obligation Bonds:							
2004	2.80% - 4.30%	Beechwood Connector	\$400,000	\$0	\$130,000	\$270,000	\$130,000
2007		Refunded Capital Facility	1,560,000	0	85,000	1,475,000	85,000
1997	4.90% - 6.25%	Milford Parkway	335,000	0	50,000	285,000	50,000
1999	4.50% - 5.20%	Firehouse/Trailer Park	345,000	0	35,000	310,000	40,000
		Total Bonds Payable	2,640,000	0	300,000	2,340,000	305,000
2007		Premium on Refunded GO Bonds	37,016	0	3,526	33,490	0
		Net Bonds Payable	2,677,016	0	303,526	2,373,490	305,000
		Compensated absences	216,321	290,292	268,934	237,679	136,087
		Total Governmental Activities	2,893,337	290,292	572,460	2,611,169	441,087
<b>Business – Type Activities:</b>							
2005	0.90%	OWDA Loans	1,676,958	0	50,531	1,626,427	101,746
2007	2.00%	OWDA Loans	1,150,210	0	29,592	1,120,618	60,075
2008	1.00%	OWDA Loans	352,893	0	9,548	343,345	19,239
2009	1.00%	OWDA Loans	436,729	0	10,775	425,954	21,711
2009	0.00%	OWDA Loans	122,909	0	3,414	119,495	6,828
2003	0.00%	OPWC Loans	26,339	0	6,585	19,754	13,169
2004	0.00%	OPWC Loans	27,590	0	1,724	25,866	3,448
2006	0.00%	OPWC Loans	970,400	0	30,325	940,075	60,650
2009	0.00%	OPWC Loans	187,850	0	5,525	182,325	11,050
2010	0.00%	OPWC Loans	76,532	0	1,367	75,165	2,733
2010	0.00%	OPWC Loans	12,562	0	0	12,562	858
		Compensated absences	56,375	95,464	88,943	62,896	39,744
		Total Business – Type Activities	5,097,347	95,464	238,329	4,954,482	341,351
		All FUNDS	\$7,990,684	\$385,756	\$810,789	\$7,565,651	\$782,338

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 obligations were 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 fund over the next 20 years. \$200,000 was issued for the trailer park purchase and was paid off in 2001.

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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 13 - LONG-TERM OBLIGATIONS (CONTINUED)**

In September 2000, \$2,100,000 of general obligation bonds were issued for the Five Points Building project. In August 2007, the City refunded the remaining balance of \$1,555,000 through the issuance of \$1,640,000 of 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 City has also obtained the following loans from the Ohio Water Development Authority (OWDA) for the expansion and improvements of the City's water and wastewater treatment plants.

OWDA loan #4331 was approved in 2005 for a total of \$2,121,674 for the Wastewater Treatment Plant Improvement project. Repayment is scheduled over twenty years at a .90% interest rate with a final payment due July 2027. Payments are made from the Wastewater Fund's operating revenues.

OWDA loan #4795 was approved in 2007 for a total of \$1,349,311 for the Clearwell and Water Storage project. Repayment is scheduled over twenty years at a 2.00% interest rate with a final payment due July 2028. Payments are made from the Water Fund's operating revenues.

OWDA loan #4984 was approved in 2008 for a total of \$409,191 for the CSO Phase II-Garfield Force Main project. Repayment is scheduled over twenty years at a 1.00% interest rate with a final payment due July 2029. Payments are made from the Wastewater Fund's operating revenues.

OWDA loan #5341 was approved in 2009 for a total of \$468,732 for the Garfield Avenue Force Main project. Repayment is scheduled over twenty years at a 1.00% interest rate with a final payment due July 2030. Payments are made from the Wastewater Fund's operating revenues.

OWDA loan #5370 was approved in 2009 for a total of \$136,565 for the Lime Silo Rehabilitation project. Repayment is scheduled over twenty years at a 0.00% interest rate with a final payment due January 2030. Payments are made from the Water Fund's operating revenues.

The City has also obtained the following non interest bearing loans from the Ohio Public Works Commission (OPWC) for the expansion and improvements of the City's water and wastewater treatment plants.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

NOTE 13 - LONG-TERM OBLIGATIONS (CONTINUED)

OPWC loan #CJ16E was approved in 2003 for a total of \$131,694 for the Miami Woods Lift Station Replacement project. Repayment is scheduled over ten years with a final payment due January 2014. Payments are made from the Wastewater Fund's operating revenues.

OPWC loan #CJ20F was approved in 2004 for a total of \$51,732 for the Edgcombe Tank Rehabilitation project. Repayment is scheduled over fifteen years with a final payment due January 2020. Payments are made from the Water Fund's operating revenues.

OPWC loan #CJ12G was approved in 2006 for a total of \$1,213,000 for the Wastewater Treatment Plant Repair and Replacement - Phase II project. Repayment is scheduled over twenty years with a final payment due January 2028. Payments are made from the Wastewater Fund's operating revenues.

OPWC loan #CJ09I was approved in 2009 for a total of \$221,000 for the Clearwell/WTP Storage project. Repayment is scheduled over twenty years with a final payment due January 2029. Payments are made from the Water Fund's operating revenues.

OPWC loan #CJ09L was approved in 2010 for a total of \$81,998 for the 54 Inch Combined Sewer Overflow project. Repayment is scheduled over thirty years with a final payment due January 2040. Payments are made from the Wastewater Fund's operating revenues.

OPWC loan #CJ04M was approved in 2010 for a total of \$25,758 for the Garfield Force Main project. Repayment is scheduled over thirty years with a final payment due January 2042. Payments are made from the Wastewater Fund's operating revenues. As of December 31, 2012 the City has drawn down \$12,562 of the loan.

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 \$1,642,695 and from the Wastewater Fund is \$3,642,890, which equal the outstanding principal and interest obligations on the related debt.

As of December 31, 2012, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$13,452,308, and the unvoted legal debt margin was \$5,892,200.

A summary of the City's long-term debt funding requirements as of December 31, 2012 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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 13 - LONG-TERM OBLIGATIONS (CONTINUED)**

Annual debt service requirements to maturity for General Obligation Bonds are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>			
General Obligation Bonds			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$305,000	\$112,021	\$417,021
2014	325,000	97,948	422,948
2015	185,000	82,689	267,689
2016	200,000	73,288	273,288
2017	210,000	61,810	271,810
2018-2022	700,000	181,813	881,813
2023-2025	415,000	38,025	453,025
	<u>\$2,340,000</u>	<u>\$647,594</u>	<u>\$2,987,594</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			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$209,599	\$44,114	\$253,713
2014	212,135	41,578	253,713
2015	214,708	39,005	253,713
2016	217,317	36,396	253,713
2017	219,965	33,748	253,713
2018-2022	1,140,909	127,656	1,268,565
2023-2027	1,213,156	55,410	1,268,566
2028-2030	208,050	2,896	210,946
Totals	<u>\$3,635,839</u>	<u>\$380,803</u>	<u>\$4,016,642</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 13 - LONG-TERM OBLIGATIONS (CONTINUED)**

Annual debt service requirements to maturity for Ohio Public Works Commission Loans, including the total amount of OPWC loan #CJ04M, are as follows:

<b>BUSINESS-TYPE ACTIVITIES</b>			
Ohio Public Works Commission Loans			
Years	Principal	Interest	Total
2013	\$91,908	\$0	\$91,908
2014	85,324	0	85,324
2015	78,740	0	78,740
2016	78,740	0	78,740
2017	78,740	0	78,740
2018-2022	385,083	0	385,083
2023-2027	376,460	0	376,460
2028-2032	64,860	0	64,860
2033-2037	17,960	0	17,960
2038-2042	11,128	0	11,128
Totals	<u>\$1,268,943</u>	<u>\$0</u>	<u>\$1,268,943</u>

**NOTE 14 – INTERFUND TRANSACTIONS**

Following is a summary of transfers in and out for all funds for 2012:

Fund	Transfers In	Transfers Out
<b>MAJOR FUNDS</b>		
General	\$0	\$322,150
Debt Retirement	212,150	0
Non-Major Governmental Funds	<u>110,000</u>	<u>0</u>
 Total All Funds	 <u>\$322,150</u>	 <u>\$322,150</u>

The transfers out in the General fund to the nonmajor funds was related to covered costs associated with the cemetery activities for the City. The City also transferred additional funds into the debt retirement for the Clermont County TID obligation.

***CITY OF MILFORD, OHIO***  
***NOTES TO THE BASIC FINANCIAL STATEMENTS***  
***DECEMBER 31, 2012***

**NOTE 15 – 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 2012. Information can be obtained from the Center by writing to Director of the Center for Local Government, 10945 Reed Hartman Highway, Suite 303, 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 2012. 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, 2012***

**NOTE 15 – 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. In 2012, a Joint Economic Development District (JEDD) between the City of Milford and Union Township was approved by Union Township Trustees. It encompassed the new Jungle Jim's areas along State Route 32.

Due to this JEDDs' 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 for both JEDDs averaged over \$48,000 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.

During 2010, the City joined the Clermont County Transportation Improvement District (TID). The TID is a body politic and corporate, created for the purpose of financing, constructing, maintaining, repairing, and operating selected transportation projects. The TID was specifically created pursuant to Chapter 5540 of the Ohio Revised Code, as amended. The TID was created by action of the Board of Clermont County Commissioners on June 21, 2006.

The TID contracts with local governments within Clermont County to assist in infrastructure projects. The City contracted with the TID in 2009 for a traffic study at the U.S 50/S.R.131 intersection. The City pledged \$175,000 to the TID in 2010 to pay for the study with payments through 2014. During 2012, the City paid \$25,497 to the TID for this work. Copies of the TID's financial report are on file at the Clermont County Board of County Commissioner's Office, 101 East Main Street, Third Floor, Batavia, Ohio, 45103.

**NOTE 16 - 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 pending litigation as of December 31, 2012 but as of December 31, 2012 it was not determined if the litigation would be resolved and what financial impact, if any, there would be to the City.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

NOTE 16 - CONTINGENT LIABILITIES (CONTINUED)

STATE GRANTS

For the period January 1, 2012, to December 31, 2012, 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.

NOTE 17 – CLAIMS PAYABLE

Medical/surgical, dental and vision insurance is offered to employees through a payroll deduction. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$50,000 per covered person. The plan is offered to governmental entities state-wide through the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) in Steubenville, and administered by Self-Funded Plans, Inc. of Cleveland.

All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The OME-RESA’s independent third-party administrator has actuarially determined that \$155,880 is a good and sufficient provision for incurred but not reported claims as of December 31, 2012. This amount is non-discounted and is based upon historical claims experience.

The claims liability of \$155,880 reported in the General fund at December 31, 2012, is based on an estimate provided by Self Funded Plans, Inc. (the third party administrator) and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims, Changes in the fund's claims liability amount in 2011 were:

	<u>Claims Balance</u> <u>Beginning of Year</u>	<u>Claims and Changes in</u> <u>Claims Estimates</u>	<u>Claims</u> <u>Payments</u>	<u>Claims Balance</u> <u>at Year End</u>
2011	\$293,019	\$362,996	(\$383,731)	\$272,284
2012	272,284	283,435	(399,839)	155,880

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

NOTE 18 – FUND BALANCE ALLOCATION

The City has chosen to present the consolidated summary of fund balance classification on the financial statements. The detail of those fund balance classifications are outline below:

<u>Fund Balance</u>	<u>General</u>	<u>Fire/EMS Levy</u>	<u>Debt Service</u>	<u>Other Governmental</u>
Restricted:				
Debt Service	\$0	\$0	\$546,082	\$0
Public Safety	0	429,064	0	385,307
Cemetery Service	0	0	0	225,538
Public Works	0	0	0	283,300
Capital Improvements	0	0	0	262,181
Assigned:				
Parks and Recreation	63,169	0	0	13,601
Encumbrances	85,021	0	0	0
Unassigned	3,536,388	0	0	0
Total Fund Balance	<u>\$3,684,578</u>	<u>\$429,064</u>	<u>\$546,082</u>	<u>\$1,169,927</u>

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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, 2012**

**GENERAL FUND**

	Budget		Actual	Variance
	Initial	Final		Positive (Negative)
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 728,687	\$ 741,610	\$ 685,332	\$ (56,278)
Income Taxes	2,577,007	2,622,710	2,586,068	(36,642)
Intergovernmental	906,238	922,310	935,268	12,958
Charges for Services	134,131	136,510	147,838	11,328
Licenses and Permits	27,070	27,550	36,386	8,836
Investment Earnings	28,052	28,550	21,653	(6,897)
Fines and Forfeitures	177,718	180,870	227,847	46,977
Other All Revenue	21,096	24,740	41,234	16,494
<b>Total Revenue</b>	<b>4,599,999</b>	<b>4,684,850</b>	<b>4,681,626</b>	<b>(3,224)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Security of Persons and Property:</b>				
Police				
Personal Services	1,960,136	1,869,619	1,798,253	71,366
Other	346,587	330,590	317,981	12,609
<b>Total Police</b>	<b>2,306,723</b>	<b>2,200,209</b>	<b>2,116,234</b>	<b>83,975</b>
Building Inspection				
Personal Services	53,877	51,320	46,756	4,564
Other	9,559	9,122	4,688	4,434
<b>Total Building Inspection</b>	<b>63,436</b>	<b>60,442</b>	<b>51,444</b>	<b>8,998</b>
<b>Total Security of Persons and Property</b>	<b>2,370,159</b>	<b>2,260,651</b>	<b>2,167,678</b>	<b>92,973</b>
<b>Public Health and Welfare Services:</b>				
Health				
Other	32,030	30,510	30,501	9
<b>Total Health</b>	<b>32,030</b>	<b>30,510</b>	<b>30,501</b>	<b>9</b>
Grounds and Facilities				
Personal Services	222,925	212,347	197,113	15,234
Other	62,754	59,875	45,874	14,001
<b>Total Grounds and Facilities</b>	<b>285,679</b>	<b>272,222</b>	<b>242,987</b>	<b>29,235</b>
<b>Total Public Health and Welfare</b>	<b>317,709</b>	<b>302,732</b>	<b>273,488</b>	<b>29,244</b>
<b>Transportation</b>				
Public Works - Administration				
Other	377,447	359,548	353,659	5,889
<b>Total Transportation</b>	<b>377,447</b>	<b>359,548</b>	<b>353,659</b>	<b>5,889</b>
<b>General Government</b>				
Mayor's Court				
Personal Services	75,996	72,390	72,637	(247)
Other	21,931	20,903	20,390	513
<b>Total Mayor's Court</b>	<b>97,927</b>	<b>93,293</b>	<b>93,027</b>	<b>266</b>
City Council				
Personal Services	47,756	45,490	38,632	6,858
Other	33,372	31,795	34,690	(2,895)
<b>Total City Council</b>	<b>81,128</b>	<b>77,285</b>	<b>73,322</b>	<b>3,963</b>
Five Points Building				
Other	140,435	133,902	121,317	12,585
<b>Total Five Points Building</b>	<b>140,435</b>	<b>133,902</b>	<b>121,317</b>	<b>12,585</b>
Civil Defense				
Other	8,525	8,120	6,288	1,832
<b>Total Civil Defense</b>	<b>8,525</b>	<b>8,120</b>	<b>6,288</b>	<b>1,832</b>

(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, 2012**

	GENERAL FUND			Variance Positive (Negative)
	Initial	Budget Final	Actual	
City Manager				
Personal Services	\$ 234,718	\$ 223,580	\$ 229,582	\$ (6,002)
Other	124,834	119,196	105,484	13,712
Total City Manager	<u>359,552</u>	<u>342,776</u>	<u>335,066</u>	<u>7,710</u>
Law Director				
Personal Services	85,592	81,530	80,628	902
Other	10,971	10,450	6,283	4,167
Total Law Director	<u>96,563</u>	<u>91,980</u>	<u>86,911</u>	<u>5,069</u>
Department of Civil Service				
Personal Services	336	320	81	239
Other	5,784	5,510	1,606	3,904
Total Department of Civil Service	<u>6,120</u>	<u>5,830</u>	<u>1,687</u>	<u>4,143</u>
Finance and Accounting				
Personal Services	158,533	151,010	109,059	41,951
Other	50,726	48,394	52,697	(4,303)
Total Finance and Accounting	<u>209,259</u>	<u>199,404</u>	<u>161,756</u>	<u>37,648</u>
Administration				
Other	87,183	83,104	81,543	1,561
Total Administration	<u>87,183</u>	<u>83,104</u>	<u>81,543</u>	<u>1,561</u>
Engineering				
Personal Services	40,229	38,320	34,234	4,086
Other	11,315	10,806	1,439	9,367
Total Engineering	<u>51,544</u>	<u>49,126</u>	<u>35,673</u>	<u>13,453</u>
Development				
Personal Services	57,519	54,790	53,078	1,712
Other	37,884	36,108	21,089	15,019
Total Development	<u>95,403</u>	<u>90,898</u>	<u>74,167</u>	<u>16,731</u>
Income Tax				
Personal Services	75,891	72,290	68,277	4,013
Other	123,184	117,355	96,262	21,093
Total Income Tax	<u>199,075</u>	<u>189,645</u>	<u>164,539</u>	<u>25,106</u>
Total General Government	<u>1,432,714</u>	<u>1,365,363</u>	<u>1,235,296</u>	<u>130,067</u>
Intergovernmental	<u>55,955</u>	<u>53,300</u>	<u>30,740</u>	<u>22,560</u>
Total Expenditures	<u>4,553,984</u>	<u>4,341,594</u>	<u>4,060,861</u>	<u>280,733</u>
Excess of Revenues Over (Under) Expenditures	46,015	343,256	620,765	277,509

(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, 2012**

	GENERAL FUND			Variance Positive (Negative)
	Initial	Budget Final	Actual	
<u>Other Financing Uses:</u>				
Income Tax Refunds	\$ -	\$ (75,000)	\$ (78,392)	\$ 3,392
Transfers - Out	-	(322,150)	(322,150)	-
Total Other Financing Uses	-	(397,150)	(400,542)	(3,392)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	46,015	(53,894)	220,223	274,117
Fund Balances at Beginning of Year - Restated	3,317,021	3,317,021	3,317,021	-
Prior Year Encumbrances	78,132	78,132	78,132	-
Fund Balances at End of Year	<u>\$ 3,441,168</u>	<u>\$ 3,341,259</u>	<u>\$ 3,615,376</u>	<u>\$ 274,117</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, 2012**

**FIRE/EMS LEVY FUND**

	Budget		Actual	Variance
	Initial	Final		Positive (Negative)
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 1,441,500	\$ 1,441,500	\$ 1,432,946	\$ (8,554)
Intergovernmental	131,260	131,260	141,211	9,951
Investment Earnings	4,000	4,000	2,763	(1,237)
<b>Total Revenue</b>	<b>1,576,760</b>	<b>1,576,760</b>	<b>1,576,920</b>	<b>160</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property:				
Fire/EMS Department				
Other	1,048,280	1,098,280	1,097,774	506
<b>Total Fire/EMS Department</b>	<b>1,048,280</b>	<b>1,098,280</b>	<b>1,097,774</b>	<b>506</b>
Debt Service:				
Principal Retirement	35,000	35,000	35,000	-
Interest and Fiscal Charges	16,720	16,720	16,720	-
<b>Total Debt Service</b>	<b>51,720</b>	<b>51,720</b>	<b>51,720</b>	<b>-</b>
<b>Total Expenditures</b>	<b>1,100,000</b>	<b>1,150,000</b>	<b>1,149,494</b>	<b>506</b>
<b>Excess of Revenues Over Expenditures</b>	<b>476,760</b>	<b>426,760</b>	<b>427,426</b>	<b>666</b>
<b>Fund Balances at Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances at End of Year</b>	<b>\$ 476,760</b>	<b>\$ 426,760</b>	<b>\$ 427,426</b>	<b>\$ 666</b>

See accompanying notes to the required supplementary information

**CITY OF MILFORD, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2012**

**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, 2012**

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 2012 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 assigned fund balance for subsequent-year expenditures for the general fund on the basic financial statements while the other funds have the amount reported within the current higher classification.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2012**

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/EMS Levy Fund
GAAP Basis	\$289,668	\$431,555
Adjustments:		
Revenue Accruals	(10,801)	0
Expenditure Accruals	31,148	(2,491)
Encumbrances	(89,792)	(1,638)
Budget Basis	\$220,223	\$427,426

***CITY OF MILFORD, OHIO***  
***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION***  
***DECEMBER 31, 2012***

**NOTE 3 – RESTATEMENT OF BUDGETARY FUND BALANCE**

The previously reported budgetary fund balance in the General Fund as of December 31, 2011 was understated by \$368,469 due to adjustments that were not properly reflected in prior year's statements. The budgetary schedules presented for 2012 reflect this correction to the beginning budgetary fund balance. This restatement had no impact on beginning of year accrual basis net position or modified accrual fund balance.

# Bastin & Company, LLC

*Certified Public Accountants*

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

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

To the Members of City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, Clermont County, Ohio (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 22, 2014, wherein we noted the City implemented Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

As part of reasonably assuring whether the 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

### ***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio  
July 22, 2014



# 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  
OCTOBER 2, 2014**