

City of Milford, Ohio
Clermont County

Regular Audit

January 1 , 2000 Through December 31, 2001

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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Member American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants



STATE OF OHIO
OFFICE OF THE AUDITOR

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

We have reviewed the Independent Auditor's Report of the City of Milford, Clermont County, prepared by Balestra & Company, for the audit period January 1, 2000 through December 31, 2001. 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, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

October 17, 2002

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CITY OF MILFORD, OHIO
CLERMONT COUNTY

TABLE OF CONTENTS

<u>TITLE:</u>	<u>PAGE:</u>
Independent Auditor's Report	
General Purpose Financial Statements	1
Combined Balance Sheet - All Fund Types and Account Groups, 2001	2-5
Combined Balance Sheet - All Fund Types and Account Groups, 2000	6-9
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types, 2001	10
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types, 2000	11
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types, 2001	12-13
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types, 2000	14-15
Combined Statement of Revenues, Expenses and Changes in Fund Equity- All Enterprise Funds, 2001	16
Combined Statement of Revenues, Expenses and Changes in Fund Equity- All Enterprise Funds, 2000	17
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Enterprise Funds, 2001	18
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Enterprise Funds, 2000	19
Combined Statement of Cash Flows - All Enterprise Funds, 2001	20-21
Combined Statement of Cash Flows - All Enterprise Funds, 2000	22-23
Notes to the General Purpose Financial Statements	24-55
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	56-57
Schedule of Findings and Corrective Action Plan	58

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Milford, Ohio

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the City of Milford, Clermont County, as of and for the years ended December 31, 2001 and 2000. These general purpose financial statements are the responsibility of the City of Milford's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Milford, as of December 31, 2001 and 2000, and the results of its operations and the cash flows of its proprietary funds for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2002 on our consideration of the City of Milford's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 3 to the general purpose financial statements, the City of Milford implemented Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and Governmental Accounting Standards Board Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* (an amendment of GASB Statement No. 33).

Balestra & Company
Balestra & Company

July 31, 2002

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General Purpose Financial Statements

The general purpose financial statements of the City include the basic combined financial statements, presented by fund type and account group, and notes to the financial statements that are essential to the fair presentation of financial position and results of operation and cash flows of the proprietary fund type.

**City of Milford
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$2,411,242	\$1,044,387	\$28,095	\$547,893
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
<i>Receivables:</i>				
Property Taxes	407,415	1,326,783	0	65,668
Income Taxes	486,702	0	0	0
Accounts	25,739	0	0	300
Interfund	30,280	0	0	0
Accrued Interest	10,059	0	0	0
Due From Other Governments	372,602	251,268	0	204
Due From Other Funds	9,859	1,528	0	1,226
Materials and Supplies Inventory	13,642	19,604	0	0
Prepaid Items	44,354	8,863	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<i>Other Debits:</i>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u><u>\$3,811,894</u></u>	<u><u>\$2,652,433</u></u>	<u><u>\$28,095</u></u>	<u><u>\$615,291</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$2,672,000	\$19,239	\$0	\$0	\$6,722,856
0	11,986	0	0	11,986
0	0	0	0	1,799,866
0	0	0	0	486,702
241,382	0	0	0	267,421
0	0	0	0	30,280
6,706	0	0	0	16,765
14,488	0	0	0	638,562
21,659	0	0	0	34,272
51,566	0	0	0	84,812
22,922	0	0	0	76,139
8,408,104	0	7,222,884	0	15,630,988
0	0	0	28,095	28,095
0	0	0	3,544,540	3,544,540
<u>\$11,438,827</u>	<u>\$31,225</u>	<u>\$7,222,884</u>	<u>\$3,572,635</u>	<u>\$29,373,284</u>

(Continued)

**City of Milford
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 2001
 (Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits</u>				
<i>Liabilities:</i>				
Accounts Payable	\$30,721	\$3,336	\$0	\$0
Accrued Wages and Benefits	35,062	4,537	0	0
Contracts Payable	0	0	0	26,330
Retainage Payable	0	0	0	2,926
Due to Other Funds	381	21,947	0	0
Due to Other Governments	12,428	5,910	0	0
Interfund Payable	0	0	0	0
Deposits Held and Due to Others	0	0	0	0
Deferred Revenue	1,047,187	1,549,420	0	66,072
Compensated Absences Payable	3,497	0	0	0
OWDA Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	1,129,276	1,585,150	0	95,328
<i>Fund Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	66,082	13,529	0	29,931
Reserved for Inventory	13,642	19,604	0	0
Undesignated	2,602,894	1,034,150	28,095	490,032
Total Fund Equity and Other Credits	2,682,618	1,067,283	28,095	519,963
Total Liabilities, Fund Equity and Other Credits	\$3,811,894	\$2,652,433	\$28,095	\$615,291

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$18,751	\$0	\$0	\$0	\$52,808
11,261	0	0	0	50,860
69,047	0	0	0	95,377
0	0	0	0	2,926
1,793	10,151	0	0	34,272
8,271	1,835	0	96,872	125,316
30,280	0	0	0	30,280
0	19,239	0	0	19,239
2,601	0	0	0	2,665,280
40,131	0	0	120,763	164,391
671,510	0	0	0	671,510
0	0	0	3,355,000	3,355,000
853,645	31,225	0	3,572,635	7,267,259
0	0	7,222,884	0	7,222,884
4,774,734	0	0	0	4,774,734
5,810,448	0	0	0	5,810,448
0	0	0	0	109,542
0	0	0	0	33,246
0	0	0	0	4,155,171
10,585,182	0	7,222,884	0	22,106,025
\$11,438,827	\$31,225	\$7,222,884	\$3,572,635	\$29,373,284

City of Milford
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$2,125,734	\$988,337	\$26,647	\$361,886
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Receivables:				
Property Taxes	372,625	1,183,367	0	0
Income Taxes	92,058	0	0	0
Accounts	16,869	0	0	0
Accrued Interest	9,546	0	0	0
Due From Other Governments	91,589	22,953	0	0
Due From Other Funds	9,177	1,492	0	0
Materials and Supplies Inventory	14,022	34,557	0	0
Prepaid Items	37,232	4,399	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<i>Other Debits:</i>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$2,768,852</u>	<u>\$2,235,105</u>	<u>\$26,647</u>	<u>\$361,886</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$2,895,109	\$17,742	\$0	\$0	\$6,415,455
0	12,339	0	0	12,339
0	0	0	0	1,555,992
0	0	0	0	92,058
260,483	0	0	0	277,352
6,364	0	0	0	15,910
0	0	0	0	114,542
2,594	0	0	0	13,263
41,311	0	0	0	89,890
21,679	0	0	0	63,310
7,599,113	0	7,047,015	0	14,646,128
0	0	0	26,647	26,647
0	0	0	3,730,842	3,730,842
<u>\$10,826,653</u>	<u>\$30,081</u>	<u>\$7,047,015</u>	<u>\$3,757,489</u>	<u>\$27,053,728</u>

(Continued)

City of Milford
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2000
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits</u>				
<i>Liabilities:</i>				
Accounts Payable	\$24,998	\$13,910	\$0	\$0
Accrued Wages and Benefits	26,032	3,780	0	0
Due to Other Funds	507	164	0	0
Due to Other Governments	19,913	3,564	0	0
Deposits Held and Due to Others	0	0	0	0
Deferred Revenue	383,710	1,183,367	0	0
Compensated Absences Payable	2,151	650	0	0
Accrued Interest Payable	0	0	0	0
Notes Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	457,311	1,205,435	0	0
<i>Fund Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	75,547	30,893	0	0
Reserved for Inventory	14,022	34,557	0	0
Undesignated	2,221,972	964,220	26,647	361,886
Total Fund Equity and Other Credits	2,311,541	1,029,670	26,647	361,886
Total Liabilities, Fund Equity and Other Credits	\$2,768,852	\$2,235,105	\$26,647	\$361,886

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
\$42,567	\$0	\$0	\$0	\$81,475
8,174	0	0	0	37,986
1,923	10,669	0	0	13,263
14,668	1,670	0	110,073	149,888
0	17,742	0	0	17,742
1,061	0	0	0	1,568,138
34,360	0	0	97,416	134,577
1,735	0	0	0	1,735
95,000	0	0	0	95,000
735,092	0	0	0	735,092
0	0	0	3,550,000	3,550,000
934,580	30,081	0	3,757,489	6,384,896
0	0	7,047,015	0	7,047,015
4,774,734	0	0	0	4,774,734
5,117,339	0	0	0	5,117,339
0	0	0	0	106,440
0	0	0	0	48,579
0	0	0	0	3,574,725
9,892,073	0	7,047,015	0	20,668,832
<u>\$10,826,653</u>	<u>\$30,081</u>	<u>\$7,047,015</u>	<u>\$3,757,489</u>	<u>\$27,053,728</u>

City of Milford, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2001

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Income Taxes	\$1,880,911	\$101,336	\$65,000	\$304,291	\$2,351,538
Property Taxes	513,442	1,312,671	0	0	1,826,113
Charges for Services	166,032	102,665	0	0	268,697
Fines, Licenses and Permits	275,917	27,133	0	2,100	305,150
Intergovernmental	763,608	322,678	0	0	1,086,286
Interest	149,013	21,152	1,138	22	171,325
Other	20,387	6,899	0	29,385	56,671
Total Revenues	<u>3,769,310</u>	<u>1,894,534</u>	<u>66,138</u>	<u>335,798</u>	<u>6,065,780</u>
Expenditures:					
Current:					
Security of Persons and Property	1,370,865	591,240	0	0	1,962,105
Public Health Services	20,534	672,504	0	0	693,038
Leisure Time Activities	0	75,383	0	0	75,383
Community Environment	148,788	0	0	0	148,788
Basic Utility Services	204,243	0	0	0	204,243
Transportation	208,746	366,330	0	0	575,076
General Government	929,706	226	0	0	929,932
Other	37,480	0	0	0	37,480
Capital Outlay	80,246	140,179	0	259,760	480,185
Debt Service:					
Principal Retirement	100,000	25,000	70,000	0	195,000
Interest and Fiscal Charges	2,250	31,106	152,971	0	186,327
Total Expenditures	<u>3,102,858</u>	<u>1,901,968</u>	<u>222,971</u>	<u>259,760</u>	<u>5,487,557</u>
Excess of Revenues Over (Under)					
Expenditures	<u>666,452</u>	<u>(7,434)</u>	<u>(156,833)</u>	<u>76,038</u>	<u>578,223</u>
Other Financing Sources (Uses):					
Sale of Fixed Assets	0	0	0	5,325	5,325
Operating Transfers - In	0	60,000	158,281	78,000	296,281
Operating Transfers - Out	(294,995)	0	0	(1,286)	(296,281)
Total Other Financing Sources (Uses)	<u>(294,995)</u>	<u>60,000</u>	<u>158,281</u>	<u>82,039</u>	<u>5,325</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	371,457	52,566	1,448	158,077	583,548
Fund Balances at Beginning of Year	2,311,541	1,029,670	26,647	361,886	3,729,744
Decrease in Reserve for Inventory	<u>(380)</u>	<u>(14,953)</u>	<u>0</u>	<u>0</u>	<u>(15,333)</u>
Fund Balances at End of Year	<u>\$2,682,618</u>	<u>\$1,067,283</u>	<u>\$28,095</u>	<u>\$519,963</u>	<u>\$4,297,959</u>

See Accompanying Notes to the General Purpose Financial Statements.

City of Milford, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2000

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Income Taxes	\$1,592,021	\$89,145	\$68,000	\$267,336	\$2,016,502
Property Taxes	388,083	1,139,561	0	0	1,527,644
Charges for Services	95,375	107,718	0	0	203,093
Fines, Licenses and Permits	280,298	42,541	0	2,300	325,139
Intergovernmental	852,333	464,075	0	0	1,316,408
Interest	198,119	27,814	1,405	3,951	231,289
Other	25,079	2,287	5,600	13,160	46,126
Total Revenues	<u>3,431,308</u>	<u>1,873,141</u>	<u>75,005</u>	<u>286,747</u>	<u>5,666,201</u>
Expenditures:					
Current:					
Security of Persons and Property	1,254,290	503,864	0	0	1,758,154
Public Health Services	20,534	647,897	0	0	668,431
Leisure Time Activities	0	69,113	0	0	69,113
Community Environment	75,757	2,421	0	0	78,178
Basic Utility Services	204,773	0	0	0	204,773
Transportation	169,444	216,538	0	0	385,982
General Government	1,002,677	13,236	0	0	1,015,913
Capital Outlay	119,480	290,475	0	820,423	1,230,378
Debt Service:					
Principal Retirement	100,000	25,000	25,000	0	150,000
Interest and Fiscal Charges	6,750	32,230	106,145	111,569	256,694
Total Expenditures	<u>2,953,705</u>	<u>1,800,774</u>	<u>131,145</u>	<u>931,992</u>	<u>5,817,616</u>
Excess of Revenues Over (Under) Expenditures	<u>477,603</u>	<u>72,367</u>	<u>(56,140)</u>	<u>(645,245)</u>	<u>(151,415)</u>
Other Financing Sources (Uses):					
Sale of Fixed Assets	0	1,700	0	2,500	4,200
Proceeds From Sale of Bonds	0	0	40,000	2,060,000	2,100,000
Operating Transfers - In	0	52,000	18,319	182,570	252,889
Operating Transfers - Out	(252,889)	0	0	0	(252,889)
Total Other Financing Sources (Uses)	<u>(252,889)</u>	<u>53,700</u>	<u>58,319</u>	<u>2,245,070</u>	<u>2,104,200</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	224,714	126,067	2,179	1,599,825	1,952,785
Fund Balances (Deficit) at Beginning of Year	2,087,319	887,406	24,468	(1,237,939)	1,761,254
Prior Year Encumbrances Appropriated					0
Increase (Decrease) in Reserve for Inventory	(492)	16,197	0	0	15,705
Fund Balances at End of Year	<u>\$2,311,541</u>	<u>\$1,029,670</u>	<u>\$26,647</u>	<u>\$361,886</u>	<u>\$3,729,744</u>

See Accompanying Notes to the General Purpose Financial Statements.

City of Milford, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Year Ended December 31, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Income Taxes	\$1,786,080	\$1,861,490	\$75,410	\$98,230	\$101,336	\$3,106
Property Taxes	525,989	520,503	(5,486)	1,299,839	1,308,252	8,413
Charges for Services	126,810	164,424	37,614	103,200	102,665	(535)
Fines, Licenses and Permits	271,760	276,068	4,308	26,278	27,292	1,014
Intergovernmental	722,011	715,508	(6,503)	290,826	321,627	30,801
Interest	190,000	156,198	(33,802)	25,900	21,152	(4,748)
Other	12,000	19,554	7,554	4,335	6,496	2,161
Total Revenues	<u>3,634,650</u>	<u>3,713,745</u>	<u>79,095</u>	<u>1,848,608</u>	<u>1,888,820</u>	<u>40,212</u>
Expenditures:						
Current						
Security of Persons and Property	1,499,931	1,383,077	116,854	606,540	591,715	14,825
Public Health Services	20,534	20,534	0	692,287	673,887	18,400
Leisure Time Activities	0	0	0	88,261	81,977	6,284
Community Environment	204,181	196,672	7,509	0	0	0
Basic Utility Services	211,497	208,549	2,948	0	0	0
Transportation	226,214	206,607	19,607	435,077	377,705	57,372
General Government	1,061,709	943,278	118,431	1,800	936	864
Other	48,235	44,946	3,289	0	0	0
Capital Outlay	83,224	85,659	(2,435)	167,242	127,406	39,836
Debt Service:						
Principal Retirement	100,000	100,000	0	25,000	25,000	0
Interest and Fiscal Charges	2,250	2,250	0	31,106	31,106	0
Total Expenditures	<u>3,457,775</u>	<u>3,191,572</u>	<u>266,203</u>	<u>2,047,313</u>	<u>1,909,732</u>	<u>137,581</u>
Excess of Revenues Over (Under) Expenditures	<u>176,875</u>	<u>522,173</u>	<u>345,298</u>	<u>(198,705)</u>	<u>(20,912)</u>	<u>177,793</u>
Other Financing Sources (Uses):						
Sale of Fixed Assets	0	0	0	0	0	0
Advances - Out	0	(30,280)	(30,280)	0	0	0
Operating Transfers - In	0	0	0	54,000	60,000	6,000
Operating Transfers - Out	(294,995)	(294,995)	0	0	0	0
Total Other Financing Sources (Uses)	<u>(294,995)</u>	<u>(325,275)</u>	<u>(30,280)</u>	<u>54,000</u>	<u>60,000</u>	<u>6,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(118,120)</u>	<u>196,898</u>	<u>315,018</u>	<u>(144,705)</u>	<u>39,088</u>	<u>183,793</u>
Fund Balances at Beginning of Year	2,022,732	2,022,732	0	944,116	944,116	0
Prior Year Encumbrances Appropriated	99,213	99,213	0	44,221	44,221	0
Fund Balances at End of Year	<u>\$2,003,825</u>	<u>\$2,318,843</u>	<u>\$315,018</u>	<u>\$843,632</u>	<u>\$1,027,425</u>	<u>\$183,793</u>

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$65,000	\$65,000	\$0	\$292,690	\$304,291	\$11,601
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	2,100	2,100	0
0	0	0	0	0	0
1,100	1,138	38	22	22	0
0	0	0	27,860	28,059	199
66,100	66,138	38	322,672	334,472	11,800
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	437,000	301,229	135,771
70,000	70,000	0	0	0	0
152,971	152,971	0	0	0	0
222,971	222,971	0	437,000	301,229	135,771
(156,871)	(156,833)	38	(114,328)	33,243	147,571
0	0	0	2,325	5,325	3,000
0	0	0	0	0	0
158,270	158,281	11	78,000	78,000	0
0	0	0	(1,286)	(1,286)	0
158,270	158,281	11	79,039	82,039	3,000
1,399	1,448	49	(35,289)	115,282	150,571
26,647	26,647	0	361,886	361,886	0
0	0	0	0	0	0
\$28,046	\$28,095	\$49	\$326,597	\$477,168	\$150,571

City of Milford, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Year Ended December 31, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Income Taxes	\$1,640,648	\$1,641,588	\$940	\$88,689	\$89,145	\$456
Property Taxes	378,623	381,022	2,399	1,141,207	1,139,537	(1,670)
Charges for Services	105,190	110,313	5,123	103,900	107,718	3,818
Fines, Licenses and Permits	262,675	281,097	18,422	41,320	42,494	1,174
Intergovernmental	865,263	868,656	3,393	481,076	489,290	8,214
Interest	219,000	221,439	2,439	24,000	28,354	4,354
Other	18,400	25,698	7,298	3,860	2,287	(1,573)
Total Revenues	<u>3,489,799</u>	<u>3,529,813</u>	<u>40,014</u>	<u>1,884,052</u>	<u>1,898,825</u>	<u>14,773</u>
Expenditures:						
Current						
Security of Persons and Property	1,347,110	1,257,167	89,943	510,411	503,694	6,717
Public Health Services	20,534	20,534	0	668,768	655,547	13,221
Leisure Time Activities	0	0	0	80,425	72,403	8,022
Community Environment	178,072	141,272	36,800	12,506	2,796	9,710
Basic Utility Services	222,788	209,548	13,240	0	0	0
Transportation	185,144	167,030	18,114	272,812	238,383	34,429
General Government	1,134,639	1,029,670	104,969	14,477	12,157	2,320
Capital Outlay	139,122	119,480	19,642	337,987	295,749	42,238
Debt Service:						
Principal Retirement	100,000	100,000	0	25,000	25,000	0
Interest and Fiscal Charges	131,790	129,320	2,470	32,230	32,230	0
Total Expenditures	<u>3,459,199</u>	<u>3,174,021</u>	<u>285,178</u>	<u>1,954,616</u>	<u>1,837,959</u>	<u>116,657</u>
Excess of Revenues Over (Under) Expenditures	<u>30,600</u>	<u>355,792</u>	<u>325,192</u>	<u>(70,564)</u>	<u>60,866</u>	<u>131,430</u>
Other Financing Sources (Uses):						
Sale of Fixed Assets	0	0	0	1,700	1,700	0
Proceeds From Sale of Bonds	0	0	0	0	0	0
Proceeds From Sale of Notes	0	0	0	0	0	0
Advances - In	0	184,000	184,000	0	0	0
Advances - Out	0	0	0	0	(104,000)	(104,000)
Operating Transfers - In	0	0	0	51,000	52,000	1,000
Operating Transfers - Out	(130,319)	(130,319)	0	0	0	0
Total Other Financing Sources (Uses)	<u>(130,319)</u>	<u>53,681</u>	<u>184,000</u>	<u>52,700</u>	<u>(50,300)</u>	<u>(103,000)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(99,719)</u>	<u>409,473</u>	<u>509,192</u>	<u>(17,864)</u>	<u>10,566</u>	<u>28,430</u>
Fund Balances at Beginning of Year	1,552,132	1,552,132	0	814,263	814,263	0
Prior Year Encumbrances Appropriated	61,127	61,127	0	119,289	119,289	0
Fund Balances at End of Year	<u>\$1,513,540</u>	<u>\$2,022,732</u>	<u>\$509,192</u>	<u>\$915,688</u>	<u>\$944,118</u>	<u>\$28,430</u>

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$68,000	\$68,000	\$0	\$267,267	\$267,336	\$69
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	2,300	2,300	0
0	0	0	0	0	0
1,000	1,405	405	3,900	3,951	51
5,325	5,600	275	0	13,160	13,160
<u>74,325</u>	<u>75,005</u>	<u>680</u>	<u>273,467</u>	<u>286,747</u>	<u>13,280</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	13,981	13,981	0
0	0	0	230	230	0
0	0	0	988,677	858,142	130,535
4,240,000	4,240,000	0	0	0	0
65,870	106,145	(40,275)	0	0	0
<u>4,305,870</u>	<u>4,346,145</u>	<u>(40,275)</u>	<u>1,002,888</u>	<u>872,353</u>	<u>130,535</u>
<u>(4,231,545)</u>	<u>(4,271,140)</u>	<u>(39,595)</u>	<u>(729,421)</u>	<u>(585,606)</u>	<u>143,815</u>
0	0	0	0	2,500	2,500
2,060,000	2,100,000	40,000	0	0	0
2,155,000	2,155,000	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
18,319	18,319	0	60,000	60,000	0
0	0	0	0	0	0
<u>4,233,319</u>	<u>4,273,319</u>	<u>40,000</u>	<u>60,000</u>	<u>62,500</u>	<u>2,500</u>
1,774	2,179	405	(669,421)	(523,106)	146,315
24,468	24,468	0	392,636	392,636	0
0	0	0	492,356	492,356	0
<u>\$26,242</u>	<u>\$26,647</u>	<u>\$405</u>	<u>\$215,571</u>	<u>\$361,886</u>	<u>\$146,315</u>

City of Milford, Ohio
Combined Statement of Revenues, Expenses and
Changes in Fund Equity
All Enterprise Funds
For the Year Ended December 31, 2001

	Enterprise
Operating Revenues:	
Charges for Services	\$2,136,147
Other	26,246
Total Operating Revenues	2,162,393
 Operating Expenses:	
Personal Services	628,700
Travel and Education	3,262
Contractual Services	541,666
Materials and Supplies	120,254
Depreciation	472,164
Other Expenses	2,282
Total Operating Expenses	1,768,328
 Operating Income	394,065
 Non-Operating Revenues (Expenses):	
Interest	121,306
Net Increase in Fair Value of Cash Equivalents	5,798
Interest and Fiscal Charges	(17,274)
Grants	14,488
Donated Assets	175,100
Loss on Disposal of Fixed Asset	(374)
Total Non-Operating Revenues (Expenses)	299,044
 Net Income	693,109
 Retained Earnings at Beginning of Year	5,117,339
 Retained Earnings at End of Year	5,810,448
 Contributed Capital at Beginning and End of Year	4,774,734
 Total Fund Equity at End of Year	\$10,585,182

See Accompanying Notes to the General Purpose Financial Statements.

City of Milford, Ohio
Combined Statement of Revenues, Expenses and
Changes in Fund Equity
All Enterprise Funds
For the Year Ended December 31, 2000

	Enterprise
Operating Revenues:	
Charges for Services	\$1,908,095
Other	3,203
Total Operating Revenues	1,911,298
 Operating Expenses:	
Personal Services	557,381
Travel and Education	6,036
Contractual Services	450,411
Materials and Supplies	172,441
Depreciation	420,448
Total Operating Expenses	1,606,717
 Operating Income	 304,581
 Non-Operating Revenues (Expenses):	
Interest	185,949
Net Increase in Fair Value of Cash Equivalents	3,650
Interest and Fiscal Charges	(21,397)
Grants	617,764
Other Non-Operating Expenses	(1,240)
Loss on Disposal of Fixed Asset	(6,124)
Total Non-Operating Revenues (Expenses)	778,602
 Net Income	 1,083,183
 Retained Earnings at Beginning of Year	 4,034,156
 Retained Earnings at End of Year	 5,117,339
 Contributed Capital at Beginning and End of Year	 4,774,734
 Contributed Capital at End of Year	 4,774,734
 Total Fund Equity at End of Year	 \$9,892,073

See Accompanying Notes to the General Purpose Financial Statements.

City of Milford, Ohio
Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Budget Basis)
All Enterprise Funds
For the Year Ended December 31, 2001

	Revised Budget	Actual	Favorable (Unfavorable)
Revenues:			
Charges for Services	\$2,064,056	\$2,157,312	\$93,256
Interest	140,000	120,964	(19,036)
Grants	4,680	0	(4,680)
Other	28,100	6,657	(21,443)
Total Revenues	<u>2,236,836</u>	<u>2,284,933</u>	<u>48,097</u>
Expenses:			
Personal Services	671,575	624,438	47,137
Travel and Education	12,500	3,262	9,238
Contractual Services	671,658	588,785	82,873
Materials and Supplies	154,241	133,893	20,348
Other Expenses	0	1,242	(1,242)
Capital Outlay	1,465,626	1,267,330	198,296
Debt Service:			
Principal Retirement	158,582	158,582	0
Interest and Fiscal Charges	19,009	19,009	0
Total Expenses	<u>3,153,191</u>	<u>2,796,541</u>	<u>356,650</u>
Excess of Revenues Over (Under) Expenses	(916,355)	(511,608)	404,747
Advances - In	<u>0</u>	<u>30,280</u>	<u>30,280</u>
Excess of Revenues Over (Under) Expenses and Advances	(916,355)	(481,328)	435,027
Fund Equity Beginning of Year	1,793,987	1,793,987	0
Prior Year Encumbrances Appropriated	<u>1,098,596</u>	<u>1,098,596</u>	<u>0</u>
Fund Equity at End of Year	<u>\$1,976,228</u>	<u>\$2,411,255</u>	<u>\$435,027</u>

See Accompanying Note to the General Purpose Financial Statements.

City of Milford, Ohio
Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Budget Basis)
All Enterprise Funds
For the Year Ended December 31, 2000

	Revised Budget	Actual	Favorable (Unfavorable)
Revenues:			
Charges for Services	\$1,877,050	\$1,890,748	\$13,698
Interest	187,700	203,823	16,123
Grants	617,764	617,764	0
Other	2,500	3,293	793
Total Revenues	<u>2,685,014</u>	<u>2,715,628</u>	<u>30,614</u>
Expenses:			
Personal Services	594,588	551,761	42,827
Travel and Education	12,600	6,036	6,564
Contractual Services	655,287	566,213	89,074
Materials and Supplies	140,213	151,118	(10,905)
Other Expenses	300	1,240	(940)
Capital Outlay	2,629,811	2,417,303	212,508
Debt Service:			
Principal Retirement	120,329	120,329	0
Interest and Fiscal Charges	21,802	21,802	0
Total Expenses	<u>4,174,930</u>	<u>3,835,802</u>	<u>339,128</u>
Excess of Revenues Under Expenses	(1,489,916)	(1,120,174)	369,742
Advances - Out	<u>0</u>	<u>(80,000)</u>	<u>(80,000)</u>
Excess of Revenues Under Expenses and Advances	(1,489,916)	(1,200,174)	289,742
Fund Equity Beginning of Year	1,924,138	1,924,138	0
Prior Year Encumbrances Appropriated	<u>1,070,023</u>	<u>1,070,023</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$1,504,245</u></u>	<u><u>\$1,793,987</u></u>	<u><u>\$289,742</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

City of Milford, Ohio
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2001

Increase (Decrease) in Cash and Cash Equivalents:

<u>Cash Flows from Operating Activities:</u>	Enterprise
Cash Received from Customers	\$2,157,312
Cash Payments to Employees for Services and Benefits	(627,700)
Cash Payments to Suppliers for Goods and Services	(631,158)
Other Operating Revenues	6,657
Other Operating Expenses	(1,242)
Net Cash Provided by Operating Activities	903,869
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Advances-In	30,280
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(1,106,429)
Principal Paid on General Obligation Notes	(95,000)
Interest Paid on General Obligation Notes	(4,623)
Principal Paid on Ohio Water Development Authority Loans	(63,582)
Interest Paid on Ohio Water Development Authority Loans	(14,386)
Net Cash Used for Capital and Related Financing Activities	(1,284,020)
 <u>Cash Flows from Investing Activities:</u>	
Increase in Fair Value of Cash Equivalents	5,798
Interest on Investments	120,964
Net Cash Provided by Investing Activities	126,762
Net Decrease in Cash and Cash Equivalents	(223,109)
Cash and Cash Equivalents Beginning of Year	2,895,109
Cash and Cash Equivalents End of Year	\$2,672,000

(Continued)

City of Milford, Ohio
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2001
(Continued)

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities:

Operating Income	Enterprise \$394,065
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Adjustments to Reconcile Operating Income to Net

Cash Provided by Operating Activities:

Depreciation	472,164
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	19,101
Increase in Due from Other Funds	(19,065)
Increase in Materials and Supplies Inventory	(10,255)
Increase in Prepaid Items	(1,243)
Increase in Contracts Payable	69,047
Decrease in Accounts Payable	(23,816)
Increase in Accrued Wages and Benefits	3,087
Increase in Compensated Absences Payable	5,771
Decrease in Due to Other Funds	(130)
Decrease in Due to Other Governments	(6,397)
Increase in Deferred Revenue	1,540
Total Adjustments	509,804
Net Cash Provided by Operating Activities	\$903,869

Noncash Capital Financing Activities:

During 2001, the Sewer Enterprise fund received two lift stations from developers with a fair market value of \$175,100.

See Accompanying Notes to the General Purpose Financial Statements.

City of Milford, Ohio
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2000

Increase (Decrease) in Cash and Cash Equivalents:

<u>Cash Flows from Operating Activities:</u>	Enterprise
Cash Received from Customers	\$1,894,041
Cash Payments to Employees for Services and Benefits	(548,390)
Cash Payments to Suppliers for Goods and Services	(672,272)
Other Non-Operating Expenses	(1,240)
Net Cash Provided by Operating Activities	672,139
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Advances - Out	(80,000)
Operating Grants	617,764
Net Cash Provided by Noncapital Financing Activities	537,764
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Aquisition of Capital Assets	(1,373,173)
Proceeds from Sale of General Obligation Notes	95,000
Principal Paid on General Obligation Bonds	(8,000)
Interest Paid on General Obligation Bonds	(1,474)
Principal Paid on General Obligation Notes	(145,000)
Interest Paid on General Obligation Notes	(5,784)
Principal Paid on Ohio Water Development Authority Loans	(62,329)
Interest Paid on Ohio Water Development Authority Loans	(15,638)
Net Cash Used for Capital and Related Financing Activities	(1,516,398)
 <u>Cash Flows from Investing Activities:</u>	
Increase in Fair Value of Cash Equivalents	3,650
Interest on Investments	203,823
Net Cash Provided by Investing Activities	207,473
Net Decrease in Cash and Cash Equivalents	(99,022)
Cash and Cash Equivalents Beginning of Year	2,994,131
Cash and Cash Equivalents End of Year	\$2,895,109

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

City of Milford, Ohio
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2000
(Continued)

Reconciliation of Operating Income to Net

<u>Cash Provided by Operating Activities:</u>	Enterprise
Operating Income	\$304,581
 <i><u>Adjustments to Reconcile Operating Income to Net</u></i>	
<i><u>Cash Provided by Operating Activities:</u></i>	
Depreciation	420,448
Other Non-Operating Expenses	(1,240)
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(29,918)
Increase in Due from Other Funds	(646)
Increase in Materials and Supplies Inventory	(9,268)
Decrease in Prepaid Items	253
Increase in Accounts Payable	25,113
Decrease in Contracts Payable	(42,405)
Decrease in Retainage Payable	(1,082)
Increase in Accrued Wages and Benefits	97
Increase in Compensated Absences Payable	1,904
Increase in Due to Other Funds	350
Increase in Due to Other Governments	2,891
Increase in Deferred Revenue	1,061
Total Adjustments	367,558
Net Cash Provided by Operating Activities	\$672,139

See Accompanying Notes to the General Purpose Financial Statements.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 1 - REPORTING ENTITY

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

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

THE REPORTING ENTITY

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

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

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

The City is associated with the Ohio Municipal League that provides two related services. One service is a risk sharing pool and the other is an insurance purchasing pool. The organization's services are presented in Notes 14 and 19 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

The financial statements of the City of Milford 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 also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION - FUND ACCOUNTING

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

A fund is defined as a separate accounting entity with a self-balancing set of accounts. An account group on the other hand is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types". The following categories and fund types are used by the City:

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

The proprietary funds are used to account for the City's ongoing activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. The following is the City's proprietary fund type:

Enterprise Funds - These funds are used to account for water and sewer operations. They are financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNT GROUPS

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

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the City other than those accounted for in proprietary funds. These assets do not represent financial resources available for expenditure.

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

BUDGETARY PROCESS

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

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

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

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue to be collected is greater or less than the current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations

An appropriation ordinance (the appropriation budget) to control the level of expenditures for all funds except agency funds must be legally enacted on or before January 1. Appropriations may not exceed estimated resources as established in the official amended certificate of estimated resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations. Several supplemental appropriations were legally enacted during 2001 by Council.

Budgeted Level of Expenditures

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

Encumbrances

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

Lapsing of Appropriations

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

CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the City, except Cash in Segregated Accounts, is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity In Pooled Cash and Cash Equivalents" on the balance sheet.

During 2001 and 2000, investments were limited to Federal Farm Credit Bank Bonds, Federal Home Loan Mortgage Notes, Federal Home Loan Bank Bonds, STAROhio, Money Market Mutual Funds and a Repurchase Agreement. Investments are reported at fair value which is based on quoted market prices. Fair value of open-end mutual funds is based on current share price.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2001.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less and funds within the cash management pool are considered to be cash and cash equivalents. The City's Municipal Court has its own checking accounts for collection and distribution of court fines and forfeitures which are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$149,013, which includes \$43,725 assigned from other funds. Interest revenue credited to the general fund, special revenue funds, debt service fund, capital projects funds and the enterprise funds during fiscal year 2000 amounted to \$198,119, \$27,814, \$1,405, \$3,951 and \$185,949, respectively. The general fund receipt included \$127,198 assigned from other City funds.

INVENTORY OF SUPPLIES

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

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 2001 are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INTERFUND ASSETS/LIABILITIES

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

FIXED ASSETS AND DEPRECIATION

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

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

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

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

CAPITALIZATION OF INTEREST

The City's policy is to capitalize net interest on proprietary fund 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 and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

COMPENSATED ABSENCES

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount to be paid using available expendable resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Debt Account Group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

ACCRUED LIABILITIES AND OTHER LONG-TERM OBLIGATIONS

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

**CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCRUED LIABILITIES AND OTHER LONG-TERM OBLIGATIONS (Continued)

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Due to Other Governments (Tax agreement with School District) (Pension Obligation)	General Fund Paid by the fund from which the Employees' salaries are paid.
Compensated Absences	Paid by the fund from which the Employees' salaries are paid.
General Obligation Bonds OWDA Loans Payable	General, Special Revenue, and Debt Service Sewer Fund

CONTRIBUTED CAPITAL

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

Because the City has not prepared its financial statements in accordance with accounting principles generally accepted in the United States of America in years prior to 1990, the exact amount of contributed capital at December 31, 2000, cannot be determined. Only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds are classified as retained earnings.

RESERVES OF FUND EQUITY

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

ESTIMATES

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

INTERFUND TRANSACTIONS

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

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

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the City has implemented *GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions,"* and *GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues,"* which changes how the City recognizes certain types of revenues. GASB Statement No. 33 also requires that, beginning in 2001, capital contributions to proprietary funds be recognized as revenues. The implementation of these GASB pronouncements had no effect on fund balances or retained earnings as previously reported.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

The Federal Emergency Management Assistance Special Revenue fund had a deficit fund balance of \$1,275 at December 31, 2001. This deficit is due to adjustments for accrued liabilities which generate expenditures that are greater than those recognized on a cash basis. The general fund is liable for the deficit and provides operating transfers when cash is required, not when accruals occur. In 2000, the bond retirement fund's expenditures plus encumbrances exceeded total appropriations by \$40,275.

NOTE 5 - BUDGET TO GAAP RECONCILIATION

BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance for governmental fund types or note disclosure for proprietary fund types (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 5 - BUDGET TO GAAP RECONCILIATION (Continued)

5. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for all governmental funds and proprietary funds for 2001 are as follows:

Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$371,457	\$52,566	\$1,448	\$158,077
Increases (decreases) Due To:				
Revenue Accruals	(55,565)	(5,714)	0	(1,326)
Expenditure Accruals	850	9,198	0	29,256
Encumbrances Outstanding At Year End (Budget Basis)	(89,564)	(16,962)	0	(70,725)
Advances	(30,280)	0	0	0
Budget Basis	\$196,898	\$39,088	\$1,448	\$115,282

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

	Enterprise
Net Income	\$693,109
Increases (decreases) Due To:	
Revenue Accruals	(188,354)
Expense Accruals	(34,718)
Increase in Fair Value of Investments	(5,798)
Depreciation Expense	472,164
Debt Principal Retirement	(158,582)
Acquisition of Fixed Assets	(1,037,382)
Loss on Disposal of Fixed Assets	374
Advances	30,280
Encumbrances Outstanding At Year End (Budget Basis)	(252,421)
Budget Basis Excess	(\$481,328)

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 5 - BUDGET TO GAAP RECONCILIATION (Continued)

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for all governmental funds and proprietary funds for 2000 are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$224,714	\$126,067	\$2,179	\$1,599,825
Increases (decreases) Due To:				
Revenue Accruals	98,505	25,684	0	0
Expenditure Accruals	(121,103)	7,034	0	59,639
Encumbrances Outstanding				
At Year End (Budget Basis)	(99,213)	(44,219)	0	0
Debt Principal Retirement	0	0	(4,215,000)	
Note Proceeds	0	0	4,215,000	(2,060,000)
Operating Transfers	184,000	(104,000)	0	0
Interest and Fiscal Charges	122,570	0	0	(122,570)
Budget Basis	\$409,473	\$10,566	\$2,179	(\$523,106)

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

	Enterprise
Net Income	\$1,083,183
Increases (decreases) Due To:	
Revenue Accruals	617
Expense Accruals	(34,798)
Depreciation Expense	420,448
Debt Principal Retirement	(120,329)
Capital Outlay	(1,373,173)
Advances	(80,000)
Increase in Fair Value of Cash Equivalents	(3,650)
Loss on Disposal of Fixed Assets	6,124
Encumbrances	(1,098,596)
Budget Basis Excess	(\$1,200,174)

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current two-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 that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts.

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

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

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 6 - 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 taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

DEPOSITS

At December 31, 2001, the carrying amount of the City's deposits was \$11,986 and the bank balance was \$38,195. Of the bank balance, \$38,195 was covered by federal deposit insurance. At December 31, 2000, the carrying amount of the City's deposits was \$12,339 and the bank balance was \$78,473. Of the bank balance, \$78,473 was covered by federal deposit insurance.

INVESTMENTS

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

2001 Investments:

	<u>Category 2</u>	<u>Category 3</u>	<u>Unclassified</u>	<u>Fair Value</u>
U.S. Treasury Bonds & Notes	\$1,006,536	\$0	\$0	\$1,006,536
Repurchase Agreement	0	1,129,682	0	1,129,682
Unclassified Investments:				
STAROhio	0	0	4,582,000	4,582,000
Money Market Mutual Funds	0	0	4,638	4,638
Total	<u>\$1,006,536</u>	<u>\$1,129,682</u>	<u>\$4,586,638</u>	<u>\$6,722,856</u>

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS

2000 Investments:

	<u>Category 2</u>	<u>Category 3</u>	<u>Unclassified</u>	<u>Fair Value</u>
U.S. Treasury Bonds & Notes	\$924,289	\$0	\$0	\$924,289
Repurchase (Sweep) Investments	0	1,147,140	0	1,147,140
Unclassified Investments:				
STAROhio	0	0	4,262,000	4,262,000
Money Market Mutual Funds	0	0	82,026	82,026
Total	<u>\$924,289</u>	<u>\$1,147,140</u>	<u>\$4,344,026</u>	<u>\$6,415,455</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined as investments with original maturities of three months or less and funds held as part of the City's cash management pool.

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

2001 Reconciliation:

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$6,734,842	\$0
Investments:		
Repurchase Agreement	(1,129,682)	1,129,682
U.S. Treasury Bonds & Notes	(1,006,536)	1,006,536
STAROhio	(4,582,000)	4,582,000
Money Market Mutual Funds	<u>(4,638)</u>	<u>4,638</u>
GASB Statement No. 3	<u>\$11,986</u>	<u>\$6,722,856</u>

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

INVESTMENTS

2000 Reconciliation:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$6,427,794	\$0
Investments:		
Repurchase Agreement	(1,147,140)	1,147,140
U.S. Treasury Bonds & Notes	(924,289)	924,289
STAROhio	(4,262,000)	4,262,000
Money Market Mutual Funds	(82,026)	82,026
GASB Statement No. 3	\$12,339	\$6,415,455

NOTE 7 - 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 2001 for real and public utility property taxes represents collections of 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) are for 2001 taxes.

2001 real property taxes are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

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. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after October 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 2001 was \$3.00 per \$1,000 of assessed value for inside mileage. Additionally, voted levies were \$10.70 per \$1,000 of assessed value for fire and emergency medical service. The assessed values of real and tangible personal property upon which 2001 property tax receipts were based are as follows:

Category	Assessed Value
Real Property Tax	\$101,663,420
Tangible Personal Property	12,015,590
Public Utility Tangible Personal Property	8,300,460
Total Property Taxes	\$121,979,470

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 7 - PROPERTY TAXES (Continued)

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 represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2001, 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 2001 operations. The receivable is offset by deferred revenue.

NOTE 8 - 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. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax. After these costs are recovered the proceeds are allocated to the General Fund, the Parks and Recreation Special Revenue Fund, the Debt Service Fund, and Capital Improvement Capital Projects Fund. Income tax revenue for 2001 was \$2,351,538. Income tax revenue for 2000 was \$2,016,502.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2001 consisted primarily of property taxes, income taxes, accounts, interfund, interest on investments, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 9 – RECEIVABLES (Continued)

A summary of intergovernmental receivables follows:

	2001	2000
GENERAL FUND		
COPS Grant	\$4,492	\$1,349
Recycling Grant	4,338	761
Liquor Permits	2,343	565
Transitional Work Grant	2,600	0
Local Government	153,539	28,236
Local Government Revenue Assistance	55,325	3,878
Rollback	19,179	0
Tax Replacement	3,430	0
Estate Tax	127,356	56,800
 Total General Fund	 372,602	 91,589
 SPECIAL REVENUE FUNDS:		
Drug Enforcement Fund		
Grant	6,391	0
 Enforcement and Education Fund		
DUI Fines	208	0
 Street Fund		
Gas Tax	77,754	12,261
Motor Vehicle License Tax	65,596	3,683
Motor Vehicle License Tax Excess	1,060	0
Total Street Fund	144,410	15,944
 State Highway Fund		
Gas Tax	6,304	994
Motor Vehicle License Tax	5,319	299
Motor Vehicle License Tax Excess	86	0
Total State Highway Fund	\$11,709	\$1,293

(Continued)

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 9 - RECEIVABLES (Continued)

	<u>2001</u>	<u>2000</u>
Permissive Motor Vehicle License Fund		
Permissive Tax	<u>\$5,532</u>	<u>\$5,716</u>
Fire Levy Fund		
Tax Replacement	6,805	0
Rollback	<u>34,034</u>	<u>0</u>
Total Fire Levy Fund	<u>40,839</u>	<u>0</u>
Emergency Management System Levy Fund		
Tax Replacement	6,228	0
Rollback	<u>34,676</u>	<u>0</u>
Total Emergency Management System Levy Fund	<u>40,904</u>	<u>0</u>
Federal Emergency Management Assistance Fund		
Grant	<u>1,275</u>	<u>0</u>
Total Special Revenue Funds	<u>251,268</u>	<u>22,953</u>
CAPITAL PROJECTS FUND		
Capital Improvement Fund		
State of Ohio Federal Emergency Management	<u>204</u>	<u>0</u>
ENTERPRISE FUNDS		
Water Fund		
Issue II	<u>7,473</u>	<u>0</u>
Sewer Fund		
State of Ohio Federal Emergency Management	3,265	0
Issue II	<u>3,750</u>	<u>0</u>
Total Sewer Fund	<u>7,015</u>	<u>0</u>
Total Enterprise Funds	<u>14,488</u>	<u>0</u>
Total All Funds	<u><u>\$638,562</u></u>	<u><u>\$114,542</u></u>

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 10 - FIXED ASSETS

Changes in general fixed assets during the year ended December 31, 2001 were as follows:

Class	Balance 12/31/2000	Additions	Deletions	Balance 12/31/2001
Land	\$1,471,283	\$4,300	\$0	\$1,475,583
Buildings	4,000,405	19,636	0	4,020,041
Improvements Other Than Buildings	285,153	5,126	4,830	285,449
Vehicles, Furniture & Equipment	1,288,035	278,942	127,305	1,439,672
Construction in Progress	2,139	0	0	2,139
Total	\$7,047,015	\$308,004	\$132,135	\$7,222,884

Changes in general fixed assets during the year ended December 31, 2000 were as follows:

Class	Balance 12/31/1999	Additions	Deletions	Balance 12/31/2000
Land	\$1,471,283	\$0	\$0	\$1,471,283
Buildings	3,470,876	529,529	0	4,000,405
Improvements Other Than Buildings	285,153	0	0	285,153
Vehicles, Furniture & Equipment	1,101,770	431,673	245,408	1,288,035
Construction in Progress	215,219	4,000	217,080	2,139
Total	\$6,544,301	\$965,202	\$462,488	\$7,047,015

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 10 - FIXED ASSETS

Fixed asset balances for Enterprise Funds as of December 31, 2001 were as follows:

<u>Class</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Land	\$38,772	\$101,488	\$140,260
Improvements Other than Land	611,184	945,279	1,556,463
Plant	3,641,935	2,114,169	5,756,104
Equipment	360,198	338,927	699,125
Sewer and Water Lines	3,640,165	1,753,708	5,393,873
Construction in Progress	<u>150,988</u>	<u>5,666</u>	<u>156,654</u>
Total	8,443,242	5,259,237	13,702,479
Less: Accumulated Depreciation	<u>(3,300,214)</u>	<u>(1,994,161)</u>	<u>(5,294,375)</u>
Net Fixed Assets	<u><u>\$5,143,028</u></u>	<u><u>\$3,265,076</u></u>	<u><u>\$8,408,104</u></u>

Fixed asset balances for Enterprise Funds as of December 31, 2000 were as follows:

<u>Class</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Land	\$38,772	\$101,488	\$140,260
Improvements Other than Land	585,859	896,230	1,482,089
Plant	2,753,693	2,103,862	4,857,555
Equipment	329,331	319,806	649,137
Sewer and Water Lines	3,465,065	1,753,708	5,218,773
Construction in Progress	<u>107,665</u>	<u>0</u>	<u>107,665</u>
Total	7,280,385	5,175,094	12,455,479
Less: Accumulated Depreciation	<u>(3,043,041)</u>	<u>(1,813,325)</u>	<u>(4,856,366)</u>
Net Fixed Assets	<u><u>\$4,237,344</u></u>	<u><u>\$3,361,769</u></u>	<u><u>\$7,599,113</u></u>

NOTE 11 - DEFINED BENEFIT PENSION PLANS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2001 employer pension contribution rate for the City was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. For 2000, PERS instituted a temporary employer rate rollback for state and local governments. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$124,222, \$78,242, and \$108,702, respectively. The full amount has been contributed for 2000 and 1999. 95.12 percent has been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

OHIO POLICE AND FIRE PENSION FUND

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12 percent for police. The City has no firefighters. For 2000, the City contributions were 12.25 percent for police. The City's contributions to the OP&F for police were \$88,352 for the year ended December 31, 2001, \$78,855 for the year ended December 31, 2000, and \$71,445 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 96.57 percent has been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

NOTE 12 - POSTEMPLOYMENT BENEFITS

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (Continued)

The number of active contributing participants was 411,076. The City's actual contributions for 2001 that were used to fund post employment benefits were \$57,746. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the un-funded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

OHIO POLICE AND FIRE PENSION FUND

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

The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.5 percent of covered payroll was applied to the post employment health care program during 2001. For 2000 the percent used to fund healthcare was 7.25 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The City of Milford has no fire personnel; therefore the Ohio Police and Fire Pension Fund covers police personnel only.

The City's actual contributions for 2001 and 2000 that were used to fund post employment benefits for police were \$55,220 and \$46,669, respectively. The OP&F's total health care expense for the year ended December 31, 2000, (the latest information available) was \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

NOTE 13 - OTHER EMPLOYEE BENEFITS

COMPENSATED ABSENCES

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. Upon departure from City employment, an employee (or his estate) will be paid for unused vacation leave. For the City as a whole, the total obligation for vacation accrual for 2001 amounted to \$95,806. For 2000, the total obligation for vacation accrual amounted to \$74,945.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of 3.69 hours per eighty hours of service. Sick leave is cumulative without limit. In the case of retirement, employees will be paid one fourth of up to 960 hours for a maximum payment of up to 240 hours. For the City as a whole, the total obligation for sick leave accrual for 2001 amounted to \$59,600. The total obligation for sick leave accrual for 2000 amounted to \$52,182.

Accumulated Unpaid Personal Leave

All City employees receive two personal days in January, except police union employees who earn the days on July 1. Employees can earn additional personal days for each 120 consecutive days worked without using sick leave. Employees can accumulate a maximum of 40 hours at any time. The personal leave can be carried over from year to year. For the City as a whole, the total obligation for personal leave accrual for 2001 amounted to \$8,985. The total obligation for personal leave accrual for 2000 amounted to \$7,450.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 14 - RISK MANAGEMENT

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

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

Each participant makes an annual "contribution" to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operation for the various coverage's provided. Participants are also charged for a "surplus contribution" that is used to fund the activities of the pool. During 2001, the City of Milford made contributions of \$62,121 to the pool. During 2000, the City made \$55,208 in contributions to the pool.

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

Treaty basis casualty excess of loss contracts in force at December 31, 2000, (the latest information available) generally protects the Pool against individual losses over \$150,000 and \$50,000 on property.

Additionally, treaty basis property coverage protects the Pool against losses subject to a deductible of greater than \$150,000. There is presently no aggregate amount in place.

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

The City obtained insurance coverage from the pool for losses related to general liability, property and fire in 2001. Coverage by the pool includes: General Liability, Police Professional Liability, Public Officials Liability, Property and Fire, Vehicles, Radios, Computers, and other coverages. Vehicle deductibles are \$250 while property and liability deductibles are both \$1,000.

The City also carried commercial insurance coverage for the boiler and machinery with a \$1,000 deductible.

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

Performance bonds for employees are protected by the Ohio Casualty Insurance Company and range from \$10,000 to \$25,000 with specific bonds for the finance director and 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 2000 paid in 2001 is .011390.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 15 - LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2001 was as follows:

General Long-Term Obligations

	Balance December 31, 2000	Increase	Decrease	Balance December 31, 2001
General Obligation Bonds (Unvoted)				
Capital Facility				
4.4%-5.75% 2000	\$2,100,000	\$0	\$45,000	\$2,055,000
Milford Parkway				
4.9%-6.25% 1998	705,000	0	25,000	680,000
Firehouse/Trailer Park				
4.5%-5.2% 1999	745,000	0	125,000	620,000
Total General Obligation Bonds	<u>3,550,000</u>	<u>0</u>	<u>195,000</u>	<u>3,355,000</u>
Pension Obligation	5,073	6,872	5,073	6,872
Tax Abatement	105,000	0	15,000	90,000
Compensated Absences	97,416	23,347	0	120,763
TOTAL - General Long-Term Obligations	<u>\$3,757,489</u>	<u>\$30,219</u>	<u>\$215,073</u>	<u>\$3,572,635</u>

Enterprise Long-Term Obligations

OWDA Loans 2.00% 1994	\$735,092	\$0	\$63,582	\$671,510
Pension Obligation	930	1,308	930	1,308
Compensated Absences	34,360	5,771	0	40,131
TOTAL - Enterprise Funds	<u>770,382</u>	<u>7,079</u>	<u>64,512</u>	<u>712,949</u>
TOTAL - All Types	<u>\$4,527,871</u>	<u>\$37,298</u>	<u>\$279,585</u>	<u>\$4,285,584</u>

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

General Long-Term Obligations

	Balance December 31, 1999	Increase	Decrease	Balance December 31, 2000
General Obligation Bonds (Unvoted)				
Capital Facility				
4.4%-5.75% 2000	\$0	\$2,100,000	\$0	\$2,100,000
Milford Parkway				
4.9%-6.25% 1998	730,000	0	25,000	705,000
Firehouse/Trailer Park				
4.5%-5.2% 1999	870,000	0	125,000	745,000
Total General Obligation Bonds	<u>1,600,000</u>	<u>2,100,000</u>	<u>150,000</u>	<u>3,550,000</u>
Pension Obligation	3,743	5,073	3,743	5,073
Tax Abatement	120,000	0	15,000	105,000
Compensated Absences	88,214	9,202	0	97,416
TOTAL - General Long-Term Obligations	<u>\$1,811,957</u>	<u>\$2,114,275</u>	<u>\$168,743</u>	<u>\$3,757,489</u>
<i>Enterprise Long-Term Obligations</i>				
General Obligation Bonds				
Sewer Bonds 4.75% 1971	\$8,000	\$0	\$8,000	\$0
OWDA Loans 2.00% 1994	\$797,421	\$0	\$62,329	\$735,092
Pension Obligation	928	930	928	930
Compensated Absences	32,456	1,904	0	34,360
TOTAL - Enterprise Funds	<u>838,805</u>	<u>2,834</u>	<u>71,257</u>	<u>770,382</u>
TOTAL - All Types	<u>\$2,650,762</u>	<u>\$2,117,109</u>	<u>\$240,000</u>	<u>\$4,527,871</u>

The unvoted general obligation bond issues will be paid through the General Fund, Special Revenue Funds and Debt Service Fund from property taxes and income taxes. The general obligation sewer bonds were paid from sewer revenues.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

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

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

In March 2000, \$2,060,000 general obligation short-term notes were renewed for the Five Points Building project. The notes were paid with the \$2,100,000 Capital Facility bonds issued on September 15, 2000. The bonds were issued with varying interest rates from 4.4% to 5.75% and will mature on December 1, 2025. The bonds will be paid from the General Fund.

In May 1998, \$700,000 of one-year general obligation note debt was issued for the firehouse project. In April of 1999, bonds for this improvement and Trailer Park purchase were lumped together and issued in the amount of \$870,000. \$670,000 was issued for the firehouse and will be paid from the Fire and EMS levy special revenue funds over the next 20 years. \$200,000 was issued for the land purchase and was completely paid from the General Fund during 2001.

The OWDA loan will be repaid from the sewer fund's operating revenues.

During 1998, the City entered into a municipal income tax revenue sharing agreement with Milford Exempted Village School District. The City is allowed to grant an exemption from taxation for real or tangible personal property improvements. Pursuant to Section 5709.82 of the Ohio Revised Code, the City may negotiate and enter into an agreement with the School to compensate the School for tax revenue the School would have received had the property comprising a project not been exempted from taxation by the City. During 1999, the City granted New Creative Enterprise, Inc. a tax exemption. The City shall pay the School \$15,000 over the next ten years under this agreement.

As of December 31, 2001, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$9,480,939, and the unvoted legal debt margin was \$3,381,966.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 2001 are:

Year	General Obligation Bonds	Enterprise Ohio Water Development Authority Loans
2002	\$269,822	\$77,967
2003	280,509	77,967
2004	275,549	77,967
2005	275,543	77,967
2006	275,237	77,967
2007-2011	1,373,482	350,828
2012-2016	1,383,622	0
2017-2021	1,153,488	0
2022-2025	619,637	0
TOTAL	5,906,889	740,663
Less: Amount Representing Interest	(2,551,889)	(69,153)
Total Principal	\$3,355,000	\$671,510

NOTE 16 – NOTE OBLIGATIONS

A summary of the note transactions for the year ended December 31, 2001 follows:

Fund	Balance December 31, 2000	Increase	Decrease	Balance December 31, 2001
Enterprise	\$95,000	\$0	\$95,000	\$0

The note was paid from revenue derived by the City from water operations.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 16 – NOTE OBLIGATIONS, Continued

A summary of the note transactions for the year ended December 31, 2000 follows:

Fund	Balance December 31, 1999	Increase	Decrease	Balance December 31, 2000
Capital Projects	\$2,060,000	\$2,060,000	\$4,120,000	\$0
Enterprise	145,000	95,000	145,000	95,000
Total	<u>\$2,205,000</u>	<u>\$2,155,000</u>	<u>\$4,265,000</u>	<u>\$95,000</u>

The Enterprise note will be paid from revenue derived by the City from water operations. In March 2000, \$2,060,000 General Obligation Short Term Notes were renewed for the Five Points Building Project. The notes were paid with the \$2,100,000 Capital Facility Bonds issued on September 15, 2000. The bonds will be paid from the General Fund.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 17 – INTERFUND TRANSACTIONS

Interfund balances at December 31, 2001 consist of the following individual fund receivables and payables:

<u>Fund Type/Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$30,280	\$0	\$9,859	\$381
<i>Special Revenue Funds:</i>				
Drug Law Enforcement	0	0	160	0
Mayor's Court Computer	0	0	890	0
Enforcement and Education	0	0	75	0
Cemetery	0	0	403	299
Federal Emergency Management	0	0	0	21,648
Total Special Revenue Funds	0	0	1,528	21,947
<i>Capital Projects Fund:</i>				
Capital Improvement	0	0	1,226	0
<i>Enterprise Funds:</i>				
Water	0	4,680	1,693	0
Sewer	0	25,600	19,966	1,793
Total Enterprise Funds	0	30,280	21,659	1,793
<i>Agency Fund:</i>				
Municipal Court	0	0	0	10,151
Total All Funds	<u>\$30,280</u>	<u>\$30,280</u>	<u>\$34,272</u>	<u>\$34,272</u>

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 17 – INTERFUND TRANSACTIONS (Continued)

Interfund asset and liability balances at December 31, 2000 were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$9,177	507
<i>Special Revenue Funds</i>		
Drug Law Enforcement Fund	692	0
Mayor’s Court Computer Fund	800	0
Cemetary Fund	0	164
Total Special Revenue Funds	1,492	164
<i>Enterprise Fund</i>		
Water Fund	2,221	0
Sewer Fund	373	1,923
Total Enterprise Funds	2,594	1,923
<i>Agency Fund</i>		
Municipal Court Fund	0	10,669
Total All Funds	\$13,263	\$13,263

NOTE 18 - SEGMENT INFORMATION

The City's enterprise funds account for the provision of sewer and water services. Key financial information as of and for the year ended December 31, 2001 for each enterprise fund is as follows:

2001

	Water Fund	Sewer Fund	Total
Operating Revenues	\$981,536	\$1,180,857	\$2,162,393
Depreciation Expense	204,493	267,671	472,164
Operating Income	94,847	299,218	394,065
Operating Grants	0	14,488	14,488
Net Non-Operating Revenues	53,141	239,469	299,044
Net Income	147,988	538,687	693,109
Net Working Capital	1,355,786	1,532,933	2,888,719
Property, Plant, and Equipment Additions	102,508	934,874	1,037,382
Donated Assets	0	175,100	175,100
Total Assets	4,653,188	6,785,639	11,438,827
Loans and Other Long-Term Liabilities			
Payable From Revenues	17,800	695,149	712,949
Total Fund Equity	4,603,062	5,982,120	10,585,182
Encumbrances Outstanding at December 31, 2001	(\$15,940)	(\$236,481)	(\$252,421)

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

NOTE 18 - SEGMENT INFORMATION (Continued)

2000

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues	\$860,691	\$1,050,607	\$1,911,298
Depreciation Expense	191,381	229,067	420,448
Operating Income	4,374	300,207	304,581
Operating Grants	273,282	344,482	617,764
Net Income	344,082	739,101	1,083,183
Net Working Capital	1,472,590	1,589,822	3,062,412
Property, Plant, and Equipment Additions	586,534	786,639	1,373,173
Total Assets	4,611,484	6,215,169	10,826,653
Loans and Other Long-Term Liabilities			
Payable From Revenues	16,698	753,684	770,382
Total Fund Equity	4,455,074	5,436,999	9,892,073
Encumbrances Outstanding at December 31, 2000	(\$52,949)	(\$1,045,647)	(\$1,098,596)

NOTE 19 - INSURANCE PURCHASING POOL

For 2001, the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, the Plan's executive committee annually calculates the total savings that accrued to the Plan. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to cities that can meet the Plan's selection criteria. The firm of Gates McDonald provides administrative, cost control and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

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

NOTE 20 - CONTINGENT LIABILITIES

LITIGATION

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

STATE GRANTS

For the period January 1, 2001 to December 31, 2001 the City received state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 21 - CONTRACTUAL COMMITMENTS

As of December 31, 2001, the City had contractual purchase commitments for the following:

<u>Contract</u>	<u>Balance at 12/31/2001</u>
Elex Inc.	\$32,741
M.S. Beljin and Associates	3,645
Crace	<u>23,317</u>
Total	<u><u>\$59,703</u></u>

NOTE 22 – SUBSEQUENT EVENTS

The City is currently in negotiations with Milford Exempted Village School District to purchase land for approximately \$2,500,000. The City intends to develop the land in order to facilitate economic development. The City plans to finance the purchase with short-term notes.

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Ohio Society of Certified Public Accountants

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

Members of Council
City of Milford
Milford, Ohio

We have audited the financial statements of the City of Milford,(The City), Clermont County, as of and for the years ended December 31, 2001 and 2000 , in which we indicated the City had changed its method of accounting for non-exchange transactions in 2001, and have issued our report thereon dated July 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Milford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*. That reportable citation is described in the accompanying schedule of findings as item 2000-01. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated July 31, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Milford's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated July 31, 2002.

Members of Council
City of Milford
Milford, Ohio

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

Page 2

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

Balestra & Company
Balestra & Company

July 31, 2002

CITY OF MILFORD, OHIO
CLERMONT COUNTY
JANUARY 1, 2000 THROUGH DECEMBER 31, 2001

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN
ACCORDANCES WITH GAGAS:**

Finding Number: 2000-01	<u>Expenditures Plus Encumbrances Exceeding Appropriations</u> Ohio Revised Code section 5705.41(b) states that no subdivision or taxing unit is to expend money unless it has been appropriated. In 2000, the bond retirement fund's expenditures plus encumbrances exceeded total appropriations by \$40,275.
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FINDING NUMBER:	PLANNED CORRECTIVE ACTION:	ANTICIPATED COMPLETED DATE:	RESPONSIBLE CONTACT PERSON:
2000-01	The Board will monitor budgetary activity more closely during the next fiscal year.	12/31/01	Steve Wagner, Director of Finance



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CITY OF MILFORD

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 7, 2002**