

City of Milford

Clermont County

Regular Audit

January 1, 2005 through December 31, 2005

Fiscal Year Audited Under GAGAS: 2005

**BALESTRA, HARR & SCHERER CPAs, INC.**

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
[www.bhscpas.com](http://www.bhscpas.com)





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the City of Milford, Clermont County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2005, through December 31, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

August 8, 2006

**This Page is Intentionally Left Blank.**

**City of Milford**  
*Table of Contents*  
*For the Year Ended December 31, 2005*

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities .....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Net Assets – Proprietary Funds .....	20
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	21
Statement of Cash Flows – Proprietary Funds .....	22
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund .....	24
Notes to the Basic Financial Statements.....	25
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	57
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – Fire Levy Fund.....	60

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) – EMS Levy Fund.....	61
Notes to the Required Supplementary Information .....	62
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	65

# BALESTRA, HARR & SCHERER CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## **Independent Auditor's Report**

City of Milford  
Clermont County  
745 Center Street, Suite 200  
Milford, Ohio 45150

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, Clermont County, (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of Milford  
Clermont County  
Independent Auditor's Report

The Management's Discussion and Analysis on pages 3 through 11 and budgetary comparison schedules for the General, Fire Levy, and EMS Levy Funds on pages 57 through 64 are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 19 to the basic financial statements, the District implemented Governmental Accounting Standards Board Statement Number 40, *Deposit and Investment Risk Disclosures – An amendment of GASB statement No. 3*, GASB Statement Number 42, *Accounting for Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and GASB Technical Bulletin Number 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-sharing Employers*.



Balestra, Harr & Scherer, CPAs, Inc.  
May 5, 2006

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

---

The discussion and analysis of the City of Milford's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2005. While the intent of this discussion and analysis is to look at the City's financial performance as a whole, readers should also review the basic financial statements and notes to enhance their understanding of the City's fiscal performance.

**Financial Highlights**

Key highlights for 2005 are as follows:

- ❑ The assets of the City exceeded its liabilities at the close of the year ended December 31, 2005, by \$22,423,097 (net assets). Of this amount, \$3,257,358 (governmental unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors, and \$5,184,451 is classified as unrestricted in the Water, Wastewater and Stormwater activities.
- ❑ The City's total net assets increased by \$795,847, which represents a 3.68% increase from 2004.
- ❑ At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,603,037. Of this amount \$4,353,072 is available for spending (unreserved fund balance) on behalf of its citizens.
- ❑ At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,907,762 or a little more than 80.23% of total general fund expenditures and other financing uses.
- ❑ The other governmental major funds: Fire Levy, EMS Levy, and Land Purchase have ending fund balances of \$356,107; \$268,751; and (\$529,766), respectively. The deficit in the Land Purchase Fund was due to the short term note outstanding.

**Using this Annual Financial Report**

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

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

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**Reporting City of Milford as a Whole**

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

Fund Financial Statements

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

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

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

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

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

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

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

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

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$22,423,097 (\$8,716,833 in governmental activities and \$13,706,264 in business type activities) as of December 31, 2005. By far, the largest portion of the City's net assets (50.99%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Table 1 provides a summary of the City's statement of net assets for 2005 compared to 2004.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$8,234,834	\$8,134,431	\$5,376,186	\$4,550,674	\$13,611,020	\$12,685,105
Capital Assets	7,306,322	8,553,633	9,079,594	9,554,993	16,385,916	18,108,626
Total Assets	<u>15,541,156</u>	<u>16,688,064</u>	<u>14,455,780</u>	<u>14,105,667</u>	<u>29,996,936</u>	<u>30,793,731</u>
Long-term liabilities	4,040,724	4,193,959	604,910	689,499	4,645,634	4,883,458
Other liabilities	2,783,599	4,202,209	144,606	80,814	2,928,205	4,283,023
Total Liabilities	<u>6,824,323</u>	<u>8,396,168</u>	<u>749,516</u>	<u>770,313</u>	<u>7,573,839</u>	<u>9,166,481</u>
Nets Assets:						
Invested in capital assets, net of related debt	2,911,322	2,338,633	8,521,813	8,911,743	11,433,135	11,250,376
Restricted	2,548,153	2,361,976	0	0	2,548,153	2,361,976
Unrestricted	3,257,358	3,591,287	5,184,451	4,423,611	8,441,809	8,014,898
Total Net Assets	<u>\$8,716,833</u>	<u>\$8,291,896</u>	<u>\$13,706,264</u>	<u>\$13,335,354</u>	<u>\$22,423,097</u>	<u>\$21,627,250</u>

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represented \$2,548,153 or 11.36% of net assets. The remaining unrestricted \$8,441,809 or 37.65% of net assets may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

As of December 31, 2005, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City saw capital assets decrease as it sold off land to the Valleyview foundation during the year. The City retained only the land it will use for future City purposes. The land sale helped increase the current assets and reduce the principal on the short term note debt issue from the prior year

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

*Statement of Activities*

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$454,445	\$520,149	\$2,364,111	\$2,385,830	\$2,818,556	\$2,905,979
Operating Grants and Contributions	377,114	360,204	1,845	0	378,959	360,204
Capital Grants and Contributions	0	0	0	24,472	0	24,472
General Revenues						
Income Taxes	2,535,974	2,605,314	0	0	2,535,974	2,605,314
Property Taxes	2,016,994	2,048,612	0	0	2,016,994	2,048,612
Other Taxes	215,215	296,235	0	0	215,215	296,235
Unrestricted Grants	746,188	586,743	0	0	746,188	586,743
Investment earnings	136,612	96,983	118,525	67,139	255,137	164,122
Other Revenues	44,541	192,213	0	0	44,541	192,213
Total Revenues	6,527,083	6,706,453	2,484,481	2,477,441	9,011,564	9,183,894
Expenses:						
Security of Persons and Property	3,430,327	3,267,569	0	0	3,430,327	3,267,569
Public Health and Welfare	498,923	406,401	0	0	498,923	406,401
Leisure Time Activities	84,597	36,998	0	0	84,597	36,998
Community Environment	643	0	0	0	643	0
Basic Utility Services	498,665	303,103	0	0	498,665	303,103
Transportation	278,776	796,911	0	0	278,776	796,911
General Government	1,073,021	1,145,986	0	0	1,073,021	1,145,986
Intergovernmental	3,500	0	0	0	3,500	0
Interest and Fiscal Charges	233,694	232,641	0	0	233,694	232,641
Water	0	0	1,020,317	961,563	1,020,317	961,563
Wastewater	0	0	943,061	787,025	943,061	787,025
Stormwater Management	0	0	150,193	104,510	150,193	104,510
Total Expenses	6,102,146	6,189,609	2,113,571	1,853,098	8,215,717	8,042,707
Change in Net Assets	424,937	516,844	370,910	624,343	795,847	1,141,187
Beginning Net Assets	8,291,896	7,775,052	13,335,354	12,711,011	21,627,250	20,486,063
Ending Net Assets	\$8,716,833	\$8,291,896	\$13,706,264	\$13,335,354	\$22,423,097	\$21,627,250

*Governmental Activities*

The primary focus of governmental activities is in the area of security of persons and property, which represents the police, fire and EMS services of the City. For 2005, total expenses were \$3.43 Million representing 56.21% of governmental activity spending yielding a reliance on general revenues to fund the program of approximately \$3.31 Million after direct support to their programs.

Continuing escalation in health insurance costs has affected all programs of the government. A primary goal of all programs is to continually review and monitor methods to seek self-sufficiency as public safety continues to increase expenditures.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

*Business-Type Activities*

The City's business-type activities include the Water, Wastewater and Stormwater Management systems. The Wastewater and Stormwater Management were able to boast positive change in net assets figures of \$175,583 and \$292,172, respectively. Combined change in net assets figured to \$370,910 with the water systems posting a negative change in net assets of \$96,845, mainly due to depreciation on capital assets.

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

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

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

As of the end of 2005, the City's governmental funds reported combined ending fund balances of \$4.6 Million. Approximately \$4.35 Million constitutes unreserved fund balance available for spending for citizens. The remainder of the balance is reserved to indicate that it has been spoken for already and not available to be spent for a variety of purposes, most notably to liquidate contracts and purchase orders from the prior year (\$0.21 Million).

The General Fund is the chief operating fund of the City. As of December 31, 2005, the unreserved general fund balance was \$2.91 Million with a total fund balance of \$3.03 Million. As a measure of liquidity, it is often useful to compare these numbers to total general fund expenditures and other financing uses. Unreserved fund balance represents approximately 80.23% of the total expenditures and other financing uses, while total fund balance represents 83.71% of that same amount.

During 2005, the City's general fund decreased by \$.05 Million as the City transferred \$.27 Million to the debt service fund to cover their portion of the debt service requirements for the year.

Both the Fire Levy and EMS Levy major special revenue funds realized a slight decrease in fund balance during the year. The funds reflected higher expenditures as the cost to provide services to the citizens increased over the prior year as the City purchased two new ambulances and sold two of the older units. The land purchase fund retired \$1.75 Million in short term bond anticipation notes reducing the negative fund balance from the prior year.

**CITY OF MILFORD, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**General Fund Budgeting Highlights**

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

During the course of 2005, the City amended its total and general fund budget three times, the most significant noted below. All recommendations for the budget came from the City Manager after consultation with individual directors and the Finance Department before submission to City Council. The City Council also ministerially approves small interdepartmental budget changes that modify line items within departments within the same fund. With the General fund supporting a majority of our major activities such as public safety programs, as well as most legislative and executive activities, the General Fund is monitored closely looking for possible revenue shortfalls or over spending by individual departments.

The following table summarizes the major revenue sources and expenditures from original to final budget for 2005:

<u>Description</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>
Revenues:			
Property and Other Taxes	\$669,674	\$669,674	\$0
Income Taxes	1,941,485	1,941,485	0
Intergovernmental Revenue	566,140	566,139	(1)
Other Revenues	497,934	497,931	(3)
Total Revenues	<u>3,675,233</u>	<u>3,675,229</u>	<u>(4)</u>
Expenditures:			
Security of Persons/Property	1,804,230	1,839,538	35,308
General Government	1,497,411	1,515,225	17,814
Other Expenditures	608,458	626,125	17,667
Total Expenditures	<u>3,910,099</u>	<u>3,980,888</u>	<u>70,789</u>

The City's original and final revenues remained consistent throughout the year. All the budgeted expenditures were relatively similar from original to final amounts.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2005:

Description	Final Budget	Actual	Change
<b>Revenues:</b>			
Property and Other Taxes	\$669,674	\$643,151	(\$26,523)
Income Taxes	1,941,485	2,019,586	78,101
Intergovernmental Revenue	566,139	562,648	(3,491)
Other Revenues	497,931	494,738	(3,193)
<b>Total Revenues</b>	<b>3,675,229</b>	<b>3,720,123</b>	<b>44,894</b>
<b>Expenditures:</b>			
Security of Persons/Property	1,839,538	1,775,447	(64,091)
General Government	1,515,225	1,108,077	(407,148)
Other Expenditures	626,125	584,907	(41,218)
<b>Total Expenditures</b>	<b>3,980,888</b>	<b>3,468,431</b>	<b>(512,457)</b>

The City's largest variance in final revenues was in property and other taxes and interest revenue. The City was conservative in the expected revenue increase in property and other taxes from prior years.

The largest variance in final expenditures is in the general government function. The City budgets all professional services for the engineering and development departments although approximately \$93,000 was not spent by year end. The City brought the grounds and facilities actual expenditures in under budget by \$56,000 with lower personnel costs and the annual cost of Christmas lighting. Under security of persons and property, the City had budgeted the December pension payment in 2005 but the actual expenditure didn't occur until January 2006.

**Capital Assets and Debt Administration**

*Capital Assets:* The City's investment in capital assets for its governmental and business type activities as of December 31, 2005, amounts to \$11.43 Million (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, equipment and machinery.

Note 8 (Capital Assets) provides capital asset activity during 2005. The City completed the Beechwood Road Connector during the year and also sold land to the Valleyview foundation. For more information on the governmental and business-type capital assets see Note 8 in the notes to the financial statements.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

*Long-term Debt:* At the end of 2005, the City had general obligation bonds outstanding of \$3.85 Million in governmental activities. The City retired \$195,469 in principal related to all debt during the year. See Note 13 for further information on the City's long-term debt.

**Economic Factors affecting the City**

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

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

With the opening of River's Edge development in the past several years, the City now hosts a multitude of restaurants, a top line cinema and two top class hotel accommodations. The area still has development available with another restaurant under construction at the end of the year. Milford continues to provide more and more opportunities for its residents to find everything they need right at home.

**Requests for Information**

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

*This page intentionally left blank*

**CITY OF MILFORD, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**

	<u>Governmental</u> <u>Type</u>	<u>Business</u> <u>Type</u>	<u>Total</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,930,172	\$ 4,899,936	\$ 9,830,108
Receivables (net of allowance for doubtful accounts):			
Taxes-Real & Personal Property	2,206,122	-	2,206,122
Taxes-Municipal Income	527,499	-	527,499
Accounts	17,792	381,718	399,510
Due from Other Governments	475,337	2,850	478,187
Inventory of Supplies at Cost	44,297	71,776	116,073
Prepaid Items	33,615	19,906	53,521
Nondepreciable Capital Assets:			
Land	2,612,991	140,260	2,753,251
Construction In Progress	-	319,382	319,382
Depreciable Capital Assets:			
Plant	-	6,182,808	6,182,808
Water/Sewer Lines	-	6,448,470	6,448,470
Buildings and Improvements	3,990,903	-	3,990,903
Improvements other than Buildings	1,261,598	1,808,696	3,070,294
Furniture, Equipment and Vehicles	1,974,682	834,276	2,808,958
Less: Accumulated Depreciation	(2,533,852)	(6,654,298)	(9,188,150)
<b>Total Assets</b>	<b>15,541,156</b>	<b>14,455,780</b>	<b>29,996,936</b>
<b>Liabilities:</b>			
Accounts Payable	35,070	15,274	50,344
Contracts Payable	900	59,905	60,805
Accrued Wages and Benefits	73,363	19,667	93,030
Due to Other Governments	134,359	49,760	184,119
General Obligation Notes Payable	540,000	-	540,000
Accrued Interest Payable	35,289	-	35,289
Unearned Revenue	1,964,618	-	1,964,618
Long Term Liabilities due within 1 year	231,658	119,228	350,886
Long Term Liabilities due over 1 year	3,809,066	485,682	4,294,748
<b>Total Liabilities</b>	<b>6,824,323</b>	<b>749,516</b>	<b>7,573,839</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, net related debt	2,911,322	8,521,813	11,433,135
Restricted:			
Transportation	577,407	-	577,407
Culture and Recreation	363,674	-	363,674
Protection of Citizens	829,433	-	829,433
Capital Improvements	777,639	-	777,639
Unrestricted	3,257,358	5,184,451	8,441,809
<b>Total Net Assets</b>	<b>8,716,833</b>	<b>13,706,264</b>	<b>22,423,097</b>
<b>Total Net Assets and Liabilities</b>	<b>\$ 15,541,156</b>	<b>\$ 14,455,780</b>	<b>\$ 29,996,936</b>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
Security of Persons and Property	\$ (3,430,327)	\$ 123,852	\$ 850	\$ (3,305,625)	\$ -	\$ (3,305,625)
Public Health and Welfare	(498,923)	127,027	6,419	(365,477)	-	(365,477)
Leisure Time Activities	(84,597)	3,689	-	(80,908)	-	(80,908)
Community Environment	(643)	-	-	(643)	-	(643)
Basic Utility Services	(498,665)	3,156	-	(495,509)	-	(495,509)
Transportation	(278,776)	104	369,845	91,173	-	91,173
General Government	(1,073,021)	196,617	-	(876,404)	-	(876,404)
Intergovernmental	(3,500)	-	-	(3,500)	-	(3,500)
Interest and Fiscal Charges	(233,694)	-	-	(233,694)	-	(233,694)
Total Governmental Activities	(6,102,146)	454,445	377,114	(5,270,587)	-	(5,270,587)
<b>Business-Type Activities:</b>						
Water	(1,020,317)	870,614	1,845	-	(147,858)	(147,858)
Wastewater	(943,061)	1,061,178	-	-	118,117	118,117
Stormwater Management	(150,193)	432,319	-	-	282,126	282,126
Total Business-Type Activities	(2,113,571)	2,364,111	1,845	-	252,385	252,385
Total	(8,215,717)	2,818,556	378,959	(5,270,587)	252,385	(5,018,202)
<b>General Revenues:</b>						
Income Taxes				2,535,974	-	2,535,974
Property Taxes				2,016,994	-	2,016,994
Estate Taxes				17,908	-	17,908
Franchise Fee Taxes				59,285	-	59,285
Hotel Taxes				46,947	-	46,947
Payment in Lieu of Taxes				15,316	-	15,316
Permissive Sale Taxes				75,759	-	75,759
Grants and Contributions not restricted to specific programs				746,188	-	746,188
Unrestricted investment earnings				136,612	118,525	255,137
Miscellaneous				44,541	-	44,541
Total General Revenues				5,695,524	118,525	5,814,049
Changes in Net Assets				424,937	370,910	795,847
Net Assets-Beginning				8,291,896	13,335,354	21,627,250
Net Assets-Ending				\$ 8,716,833	\$ 13,706,264	\$ 22,423,097

See accompanying notes to the basic financial statements

*This page intentionally left blank*

**CITY OF MILFORD, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Fire Levy</u>	<u>EMS Levy</u>	<u>Land Purchase</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,518,344	\$ 343,229	\$ 262,041	\$ 16,878
Receivables (net of allowance for doubtful accounts):				
Taxes-Real & Personal Property	544,370	870,798	790,954	-
Taxes-Municipal Income	472,776	-	-	-
Accounts	12,773	-	-	-
Interfund Receivable	360,178	-	-	-
Due from Other Governments	272,289	128	131	-
Prepaid Items	27,422	651	651	-
Materials and Supplies Inventory	10,492	-	-	-
<b>Total Assets</b>	<u>4,218,644</u>	<u>1,214,806</u>	<u>1,053,777</u>	<u>16,878</u>
<b>Liabilities:</b>				
Accounts Payable	25,594	-	-	-
Contracts Payable	-	-	-	900
Accrued Wages and Benefits	70,097	-	-	-
Due to Other Governments	114,730	1,260	6,216	-
Interfund Payable	-	-	-	-
Accrued Interest Payable	-	-	-	5,744
Deferred Revenue	974,241	857,439	778,810	-
General Obligation Notes Payable	-	-	-	540,000
<b>Total Liabilities</b>	<u>1,184,662</u>	<u>858,699</u>	<u>785,026</u>	<u>546,644</u>
<b>Fund Balances:</b>				
Reserved for Encumbrances	115,728	-	-	-
Reserved for Inventory	10,492	-	-	-
Unreserved, reported in:				
General	2,907,762	-	-	-
Special Revenue	-	356,107	268,751	-
Debt Service (Deficit)	-	-	-	-
Capital Projects (Deficit)	-	-	-	(529,766)
<b>Total Fund Balances (Deficit)</b>	<u>3,033,982</u>	<u>356,107</u>	<u>268,751</u>	<u>(529,766)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,218,644</u>	<u>\$ 1,214,806</u>	<u>\$ 1,053,777</u>	<u>\$ 16,878</u>

See accompanying notes to the basic financial statements

CITY OF MILFORD, OHIO

RECONCILIATION OF THE TOTAL GOVERNMENTAL  
FUND BALANCES TO NET ASSETS  
OF GOVERNMENTAL ACTIVITIES

DECEMBER 31, 2005

Other Governmental Funds	Total Governmental Funds		
\$ 1,789,680	\$ 4,930,172	Fund Balances - Governmental Funds	\$ 4,603,037
		Amounts reported for governmental activities in the statement of net assets are different because:	
-	2,206,122		
54,723	527,499		
5,019	17,792	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,306,322
-	360,178		
202,789	475,337		
4,891	33,615	Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	877,743
33,805	44,297		
<u>2,090,907</u>	<u>8,595,012</u>	Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,070,269)</u>
		Net Assets of governmental activities	<u>\$ 8,716,833</u>
9,476	35,070		
-	900		
3,266	73,363		
12,153	134,359		
360,178	360,178		
-	5,744		
231,871	2,842,361		
-	540,000		
<u>616,944</u>	<u>3,991,975</u>		
89,940	205,668		
33,805	44,297		
-	2,907,762		
844,763	1,469,621		
(277,404)	(277,404)		
782,859	253,093		
<u>1,473,963</u>	<u>4,603,037</u>		
<u>\$ 2,090,907</u>	<u>\$ 8,595,012</u>		

**CITY OF MILFORD, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Fire Levy	EMS Levy	Land Purchase
<u>Revenues:</u>				
Income Taxes	\$ 1,910,048	\$ -	\$ -	\$ -
Property and Other Taxes	622,589	707,535	720,891	-
Intergovernmental	557,255	92,030	90,889	-
Charges for Services	155,870	-	-	59,962
Licenses and Permits	51,478	-	-	-
Investment Earnings	134,637	4,597	2,026	373
Change in Fair Value of Investments	(8,175)	-	-	-
Fines and Forfeitures	126,355	-	-	-
All Other Revenues	28,775	-	-	-
<b>Total Revenues</b>	<b>3,578,832</b>	<b>804,162</b>	<b>813,806</b>	<b>60,335</b>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	1,739,187	811,610	817,039	-
Public Health and Welfare	311,980	-	-	-
Leisure Time Activities	-	-	-	-
Community Environment	643	-	-	-
Basic Utility Services	262,795	-	-	-
Transportation	4,458	-	-	-
General Government	1,018,305	-	-	-
Intergovernmental	18,500	-	-	-
Capital Outlay	-	-	-	7,610
Debt Service:				
Principal Retirement	-	12,500	12,500	-
Interest and Fiscal Charges	-	13,412	13,412	35,785
<b>Total Expenditures</b>	<b>3,355,868</b>	<b>837,522</b>	<b>842,951</b>	<b>43,395</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	222,964	(33,360)	(29,145)	16,940
<u>Other Financing Sources (Uses):</u>				
Sale of Capital Assets	-	-	-	-
Transfers - In	-	-	-	1,755,000
Transfers - Out	(268,415)	-	-	(45,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(268,415)</b>	<b>-</b>	<b>-</b>	<b>1,710,000</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(45,451)	(33,360)	(29,145)	1,726,940
Fund Balances (Deficit) at Beginning of Year	3,079,433	389,467	297,896	(2,256,706)
Fund Balances (Deficit) at End of Year	<u>\$ 3,033,982</u>	<u>\$ 356,107</u>	<u>\$ 268,751</u>	<u>\$ (529,766)</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

Other Governmental Funds	Total Governmental Funds		
\$ 486,164	\$ 2,396,212	Amounts reported in governmental activities in the statement of activities are different because:	
-	2,051,015	Net Change in Fund Balances - total governmental funds	\$ 1,365,258
431,370	1,171,544	Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.	(1,247,311)
118,876	334,708		
689	52,167		
3,153	144,786		
15,317	7,142		
20,311	146,666	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	174,812
19,256	48,031		
<u>1,095,136</u>	<u>6,352,271</u>	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any affect of net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	110,532
-	3,367,836	Some items reported in the statement of activities do not require the use of current financial current financial resources and, therefore, are not reported as expenditures in governmental funds.	21,646
182,117	494,097	Change in net assets of governmental activities	<u>\$ 424,937</u>
74,603	74,603		
-	643		
-	262,795		
274,318	278,776		
2,484	1,020,789		
-	18,500		
466,960	474,570		
85,000	110,000		
<u>171,617</u>	<u>234,226</u>		
<u>1,257,099</u>	<u>6,336,835</u>		
(161,963)	15,436		
1,349,822	1,349,822		
313,415	2,068,415		
<u>(1,755,000)</u>	<u>(2,068,415)</u>		
<u>(91,763)</u>	<u>1,349,822</u>		
(253,726)	1,365,258		
1,727,689	3,237,779		
<u>\$ 1,473,963</u>	<u>\$ 4,603,037</u>		

**CITY OF MILFORD, OHIO  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
DECEMBER 31, 2005**

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

	Water	Wastewater	Nonmajor Enterprise Funds	Totals
<b>Assets:</b>				
<u>Current Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,718,874	\$ 2,675,267	\$ 505,795	\$ 4,899,936
Receivables (net of allowances for doubtful accounts)				
Accounts	122,998	180,380	78,340	381,718
Due from Other Governments	2,850	-	-	2,850
Inventory of Supplies at Cost	58,427	12,942	407	71,776
Prepaid Items	12,036	7,517	353	19,906
Total Current Assets	<u>1,915,185</u>	<u>2,876,106</u>	<u>584,895</u>	<u>5,376,186</u>
<u>Nondepreciable Capital Assets:</u>				
Land	101,488	38,772	-	140,260
Construction in Progress	167,573	151,809	-	319,382
<u>Depreciable Capital Assets:</u>				
Improvements Other than Buildings	947,207	861,489	-	1,808,696
Furniture, Fixtures, Equipment	421,789	412,487	-	834,276
Water and Sewer Line	2,364,532	4,083,938	-	6,448,470
Plant	2,051,892	4,130,916	-	6,182,808
Less: Accumulated Depreciation	<u>(2,722,528)</u>	<u>(3,931,770)</u>	<u>-</u>	<u>(6,654,298)</u>
Total Capital Assets (net of accumulated depreciation)	<u>3,331,953</u>	<u>5,747,641</u>	<u>-</u>	<u>9,079,594</u>
Total Assets	<u><u>5,247,138</u></u>	<u><u>8,623,747</u></u>	<u><u>584,895</u></u>	<u><u>14,455,780</u></u>
<b>Liabilities</b>				
<u>Current Liabilities:</u>				
Accounts Payable	4,332	10,942	-	15,274
Contracts Payable	59,905	-	-	59,905
Accrued Wages and Benefits	10,780	8,316	571	19,667
Due to Other Governments	28,173	19,940	1,647	49,760
Compensated Absences Payable - Current	16,499	14,326	1,551	32,376
Ohio Water Development Authority Loans Payable - Current	-	70,234	-	70,234
OPWC Loan Payable - Current	3,449	13,169	-	16,618
Total Current Liabilities	<u>123,138</u>	<u>136,927</u>	<u>3,769</u>	<u>263,834</u>
<u>Noncurrent Liabilities:</u>				
Compensated Absences Payable	7,519	6,527	707	14,753
Ohio Water Development Authority Loans Payable	-	333,910	-	333,910
OPWC Loans Payable	44,834	92,185	-	137,019
Total Noncurrent Liabilities	<u>52,353</u>	<u>432,622</u>	<u>707</u>	<u>485,682</u>
Total Liabilities	<u><u>175,491</u></u>	<u><u>569,549</u></u>	<u><u>4,476</u></u>	<u><u>749,516</u></u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	3,283,670	5,238,143	-	8,521,813
Unrestricted	1,787,977	2,816,055	580,419	5,184,451
Total Net Assets	<u>5,071,647</u>	<u>8,054,198</u>	<u>580,419</u>	<u>13,706,264</u>
Total Net Assets and Liabilities	<u><u>\$ 5,247,138</u></u>	<u><u>\$ 8,623,747</u></u>	<u><u>\$ 584,895</u></u>	<u><u>\$ 14,455,780</u></u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS			
	Water	Wastewater	Nonmajor Enterprise Funds	Totals
<u>Operating Revenues:</u>				
Charges for Services	\$ 864,061	\$ 1,060,391	\$ 432,202	\$ 2,356,654
Other Operating Revenues	8,398	787	117	9,302
Total Operating Revenues	<u>872,459</u>	<u>1,061,178</u>	<u>432,319</u>	<u>2,365,956</u>
<u>Operating Expenses:</u>				
Personal Services	402,881	324,093	41,148	768,122
Materials and Supplies	97,402	83,980	1,889	183,271
Contractual Services	300,224	252,661	107,076	659,961
Other Operating Expenses	3,961	2,898	80	6,939
Depreciation	215,849	270,313	-	486,162
Total Operating Expenses	<u>1,020,317</u>	<u>933,945</u>	<u>150,193</u>	<u>2,104,455</u>
Operating Income (Loss)	(147,858)	127,233	282,126	261,501
<u>Non-Operating Revenues (Expenses):</u>				
Investment Earnings	51,013	57,466	10,046	118,525
Interest and Fiscal Charges	-	(9,116)	-	(9,116)
Total Non-Operating Revenues (Expenses)	<u>51,013</u>	<u>48,350</u>	<u>10,046</u>	<u>109,409</u>
Change in Net Assets	(96,845)	175,583	292,172	370,910
Total net assets - Beginning	<u>5,168,492</u>	<u>7,878,615</u>	<u>288,247</u>	<u>13,335,354</u>
Total net assets - Ending	<u>\$ 5,071,647</u>	<u>\$ 8,054,198</u>	<u>\$ 580,419</u>	<u>\$ 13,706,264</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Wastewater	Nonmajor Enterprise Funds	Totals
Increase in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$ 876,553	\$ 1,071,118	\$ 447,586	\$ 2,395,257
Cash Paid for Employee Services and Benefits	(383,317)	(315,274)	(39,330)	(737,921)
Cash Paid to Suppliers for Goods and Services	(350,522)	(347,810)	(121,170)	(819,502)
Other Operating Revenues	5,548	579	117	6,244
Other Operating Expenses	(3,081)	(2,898)	(80)	(6,059)
Net Cash Provided by Operating Activities	<u>145,181</u>	<u>405,715</u>	<u>287,123</u>	<u>838,019</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(650)	(10,113)	-	(10,763)
Principal Paid on Loans Payable	(3,449)	(82,020)	-	(85,469)
Interest Paid on All Debt	-	(9,116)	-	(9,116)
Net Cash Used for Capital and Related Financing Activities	<u>(4,099)</u>	<u>(101,249)</u>	<u>-</u>	<u>(105,348)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest	<u>55,131</u>	<u>61,584</u>	<u>11,546</u>	<u>128,261</u>
Net Cash Provided By Investing Activities	<u>55,131</u>	<u>61,584</u>	<u>11,546</u>	<u>128,261</u>
Net Increase in Cash and Cash Equivalents	196,213	366,050	298,669	860,932
Cash and Cash Equivalents at Beginning of Year	<u>1,522,661</u>	<u>2,309,217</u>	<u>207,126</u>	<u>4,039,004</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,718,874</u>	<u>\$ 2,675,267</u>	<u>\$ 505,795</u>	<u>\$ 4,899,936</u>

**CITY OF MILFORD, OHIO  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	<u>Water</u>	<u>Wastewater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (147,858)	\$ 127,233	\$ 282,126	\$ 261,501
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	215,849	270,313	-	486,162
Change in Assets and Liabilities:				
Decrease in Accounts Receivable	11,125	10,262	15,617	37,004
Decrease Decrease in Due From Other Funds	1,367	257	502	2,126
(Increase) Decrease in Due From Other Governments	(2,850)	-	-	(2,850)
(Increase) in Materials and Supplies Inventories	(8,732)	(3,349)	(407)	(12,488)
(Increase) Decrease in Prepaid Items	2,503	1,519	(97)	3,925
Increase (Decrease) in Due to Other Governments	11,916	5,119	(2,376)	14,659
(Decrease) in Accounts Payables	(2,268)	(67)	(8,346)	(10,681)
Increase in Contracts Payables	59,905	-	-	59,905
Increase (Decrease) in Accrued Wages and Benefits	1,420	(2,082)	571	(91)
Increase (Decrease) in Compensated Absences Payable	2,942	(2,330)	268	880
(Decrease) in Due to Other Funds	(138)	(1,160)	(735)	(2,033)
Total Adjustments	<u>293,039</u>	<u>278,482</u>	<u>4,997</u>	<u>576,518</u>
Net Cash Provided by Operating Activities	<u>\$ 145,181</u>	<u>\$ 405,715</u>	<u>\$ 287,123</u>	<u>\$ 838,019</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

	<u>Totals</u>
<b>Assets:</b>	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 17,686</u>
Total Assets	<u><u>17,686</u></u>
<b>Liabilities:</b>	
Due to Other Governments	10,799
Due to Others	<u>6,887</u>
Total Liabilities	<u><u>\$ 17,686</u></u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 1-REPORTING ENTITY AND BASIS OF ACCOUNTING

**A. Reporting Entity**

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

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

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

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

The City is associated with the Ohio Municipal League that provides one related service: a risk sharing pool. The organization's service is presented in Note 12 to the basic financial statements. The City is also associated with two jointly governed organizations: The Center for Local Governments and the Ohio-Kentucky-Indiana Regional Council of Governments, which are presented in Note 16 to the basic financial statements.

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Certain of the City's accounting policies are described as follows.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

*Fund Accounting*

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

*Governmental Funds*

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental funds:

**General Fund**

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

**Fire Levy Special Revenue Fund**

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

**EMS Levy Special Revenue Fund**

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

**Land Purchase Capital Projects Fund**

The land purchase fund accounted for the purchase of 151 acres. The City sold 59 acres to the Valleyview Foundation in August 2005. The City anticipates using the remaining acreage for future expansion of the wastewater treatment plant and possible future purchase by the Valleyview Foundation.

The City reports the following major enterprise funds:

**Water Fund**

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

**Wastewater Fund**

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

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

Additionally, the City reports the following fund types:

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: private purpose trust funds, pension trust funds, investment trust funds and agency funds. The City maintains two fiduciary agency funds. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

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

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

***B. Cash and Cash Equivalents***

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

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

During 2005, investments were limited to U. S. Governmental Agency Obligations, U.S. Treasury Notes, and STAR Ohio. Investments are reported at fair value which is based on quoted market prices. The fair value of open-end mutual funds is based on the current share price.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2005.

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

Interest income is distributed to the funds according to Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during 2005 amounted to \$134,637. The City allocates interest to each fund during the month if the fund has a positive cash balance. The cemetery special revenue, fire levy special revenue, EMS levy special revenue, land purchase capital projects, debt service, Beechwood Road Connector capital projects, water enterprise, wastewater enterprise, and stormwater enterprise funds also received interest of \$1,670; \$4,597; \$2,026; \$373; \$834; \$649; \$51,013; \$57,466; and \$10,046 respectively.

***C. Inventories of Supplies***

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

***D. Prepaid Assets***

Payments made to vendors for services that will benefit periods beyond December 31, 2005, 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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**G. Capitalization of Interest**

Interest is capitalized on enterprise fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until the completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2005, no net interest expense was incurred on enterprise fund construction projects.

**H. Compensated Absences**

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

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

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

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

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

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

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

***K. Interfund Transactions***

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

Transfers are reported as “Other Financing Sources and Uses” in the governmental funds, as “Transfers In” by the recipient fund and “Transfers Out” by the disbursing fund on the fund financial statements. These transfers are consolidated within the governmental and business-type activities columns, and also from the “total” column on the statement of activities.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City.

***L. Net Assets***

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**M.      *Deferred Revenues/Unearned Revenues***

Deferred or unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year the income was earned; property taxes are recognized in the year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specified the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**O.      *Estimates***

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$4,070,269) difference are as follows:

General Obligation Bonds	(\$3,855,000)
Tax Abatement	(30,000)
Accrued Interest Payable	(29,545)
Compensated Absences	(155,724)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$4,070,269)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of \$7,306,322 difference are as follows:

Capital Assets	\$9,840,174
Accumulated Depreciation	(2,533,852)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$7,306,322

Another element of that reconciliation states that “Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Governmental funds report proceeds from sale of capital assets as revenue, but in the statement of activities a gain or loss is reported in the governmental funds.” The details of this (\$1,247,311) are as follows:

Current capital additions	\$401,305
Proceeds from sale of capital assets	(1,349,822)
Loss on disposal of capital assets	(6,844)
Depreciation Expense	(291,950)
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$1,247,311)

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

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

An element of that reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any affect of net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$110,532 are as follows:

Principal paid on Long Term Debt	\$110,000
Change in Interest Payable	532
Net Adjustment - current financial resources focus to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$110,532

**NOTE 3 - COMPLIANCE AND ACCOUNTABILITY**

**A. Statutory Compliance**

The following funds had appropriations in excess of estimated resources plus available balances for the year ended December 31, 2005:

<b>Fund Type/Fund</b>	<b>Excess</b>
<b>Nonmajor Funds:</b>	
Special Revenue Fund:	
State Highway Fund	\$46,207
Capital Projects Fund	
Beechwood Road Connector	475

**B. Accountability**

The Debt Service Fund and Land Purchase Capital Projects Fund had deficit fund balances of \$277,404 and \$529,766 at December 31, 2005. The deficits resulted from the issuance of bond anticipation notes which are used to finance projects until bonds are issued. The deficits will be eliminated when long-term bonds are issued.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
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;

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned to it. At fiscal year-end, the carrying value of the City's deposits was \$3,162,574 and the bank balance was \$3,241,454. \$100,000 of the City's deposits was insured by federal depository insurance. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$3,141,454 of the City's bank balance of \$3,241,454 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the City had the following investments.

	<u>Carrying and Fair Value</u>	<u>Average Maturity (in years)</u>
Federal National Mortgage Association Bonds	\$221,000	2.57
Federal Home Loan Bank Bonds	3,189,536	2.90
Federal Mortgage Corporation Bonds	247,893	3.05
Salomon Brothers National Tax Free Bond Fund	1,802,163	0.00
Smith Barney Money Funds Cash Portfolio Fund	72,700	0.00
STAR Ohio	1,151,928	0.33
Total Investments	<u>\$6,685,220</u>	

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

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

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

*Concentration of Credit Risk* - The City places no limit on the amount it may invest in any one issuer. The City's investment in Federal Home Loan Bank Bonds represents 47.7% of the City's total investments. The City's investment in Salomon Brothers National Tax Free Bond Fund and STAROhio represent 27.0% and 17.23%, respectively, of the City's total investments.

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Cash and Cash Equivalents – Financial Statements	\$9,847,794	\$0
Investments:		
Federal National Mortgage Association Bonds	(221,000)	221,000
Federal Home Loan Bank Bonds	(3,189,536)	3,189,536
Federal Mortgage Corporation Bonds	(247,893)	247,893
Salomon Brothers National Tax Free Bond Fund	(1,802,163)	1,802,163
Smith Barney Money Funds Cash Portfolio Fund	(72,700)	72,700
STAR Ohio	(1,151,928)	1,151,928
GASB Statement No. 3	<u>\$3,162,574</u>	<u>\$6,685,220</u>

**NOTE 5 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2005 for real and public utility property taxes represents collections of 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005 on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 5 - PROPERTY TAXES (CONTINUED)

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. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2005, was \$3.00 per \$1,000 of assessed value for inside millage. Additionally, voted levies were \$10.70 per \$1,000 of assessed value for fire and emergency medical service. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Category (Clermont County Only)	Assessed Value
Real Property	\$152,802,490
Tangible Personal Property	14,513,601
Public Utility Tangible Personal Property	6,477,970
Total Property Tax	\$173,794,061

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Milford. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2005, 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 2005 operations. The receivable is offset by deferred revenue.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 6 - INCOME TAX**

The City levies a municipal income tax of 1.0% on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax. After these costs are recovered the proceeds are allocated to the General Fund, the Parks and Recreation Special Revenue Fund, the Debt Service Fund and the Capital Improvement Capital Projects Fund. Income tax revenue (net of refunds) for 2005 was \$2,396,212.

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2005, consisted primarily of property taxes, income taxes, accounts, interfund, interest on investments, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

<b><u>Fund/Description</u></b>	<b><u>Amount</u></b>
<b><u>MAJOR FUNDS</u></b>	
<i>General Fund:</i>	
Local Government	\$171,173
Estate Tax	91,619
Court Collections	8,855
Hamilton County Reimbursements	642
Total General Fund	<u>272,289</u>
<i>Fire Levy</i>	
Personal Property Exemptions	<u>128</u>
<i>EMS Levy</i>	
Personal Property Exemptions	<u>131</u>
<i>Water Fund</i>	
Clermont County Recycling	1,845
Ohio BWC Refund	1,005
Total Water Fund	<u>2,850</u>
<b><u>NONMAJOR FUNDS</u></b>	
<i>Enforcement and Education</i>	
DUI Reimbursement	<u>75</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 7 – RECEIVABLES (CONTINUED)

<i>Street Fund</i>	
Gasoline Excise Tax	\$111,669
Motor Vehicle License Tax	38,900
Total Street Fund	150,569
<i>State Highway Fund</i>	
Gasoline Excise Tax	9,054
Motor Vehicle License Tax	3,194
Total State Highway Fund	12,248
<i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	39,897
Total All Funds	\$478,187

NOTE 8 – CAPITAL ASSETS

	Balance 12/31/04	Increases	Decreases	Balance 12/31/05
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$3,962,813		\$0 (\$1,349,822)	\$2,612,991
Construction in Progress	932,306	0	(932,306)	0
Total capital assets, not being depreciated	4,895,119	0	(2,282,128)	2,612,991
Capital Assets, being depreciated:				
Buildings	3,887,885	103,018	0	3,990,903
Improvements other than Buildings	295,220	966,378	0	1,261,598
Vehicles, Furniture and Equipment	1,740,200	264,215	(29,733)	1,974,682
Total capital assets being depreciated	5,923,305	1,333,611	(29,733)	7,227,183
Less Accumulated Depreciation For:				
Buildings	(1,029,156)	(129,596)	0	(1,158,752)
Improvements other than Buildings	(116,639)	(11,330)	0	(127,969)
Vehicles, Furniture and Equipment	(1,118,996)	(151,024)	22,889	(1,247,131)
Total Accumulated Depreciation	(2,264,791)	(291,950)	22,889	(2,533,852)
Total capital assets, being depreciated, net	3,658,514	1,041,661	(6,844)	4,693,331
Governmental Activities - Capital Assets, Net	\$8,553,633	\$1,041,661	(\$2,288,972)	\$7,306,322

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 8 – CAPITAL ASSETS (CONTINUED)

	Balance 12/31/04	Increases	Decreases	Balance 12/31/05
<b>Business Type Activities</b>				
Capital Assets, not being depreciated				
Land	\$140,260	\$0	\$0	\$140,260
Construction in Progress	319,382	0	0	319,382
Total capital assets, not being depreciated	459,642	0	0	459,642
Capital Assets, being depreciated				
Improvements other than Buildings	1,808,696	0	0	1,808,696
Plant	6,182,808	0	0	6,182,808
Machinery and Equipment	823,513	10,763	0	834,276
Sewer and Water Lines	6,448,470	0	0	6,448,470
Total capital assets, being depreciated	15,263,487	10,763	0	15,274,250
Less Accumulated Depreciation For:				
Improvements other than Buildings	(879,481)	(79,669)	0	(959,150)
Plant	(1,977,045)	(225,374)	0	(2,202,419)
Machinery and Equipment	(551,253)	(45,610)	0	(596,863)
Sewer and Water Lines	(2,760,357)	(135,509)	0	(2,895,866)
Total Accumulated Depreciation	(6,168,136)	(486,162)	0	(6,654,298)
Total capital assets, being depreciated, net	9,095,351	(475,399)	0	8,619,952
Business Type Activities - Capital Assets, Net	\$9,554,993	(\$475,399)	\$0	\$9,079,594

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 8 – CAPITAL ASSETS (CONTINUED)

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

**Governmental Activities:**

Security of Persons and Property	\$131,028
Public Health and Welfare	6,752
Leisure Time Activities	14,658
Transportation	50,366
General Government	89,146
Total Depreciation Expense - governmental activities	<u>291,950</u>

**Business Type Activities:**

Water	215,849
Wastewater	270,313
Total Depreciation Expense – business-type activities	<u>\$486,162</u>

NOTE 9 - DEFINED BENEFIT PENSION PLANS

**Public Employees Retirement System**

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

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

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2005, 2004, and 2003, were \$168,727, \$170,580, and \$135,934 respectively. The full amount has been contributed for 2004 and 2003. 96 percent has been contributed for 2005 with the remainder being reported as a liability within the respective funds.

**Police and Firemen's Disability and Pension Fund**

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 for police officers. Contributions are authorized by State statute. The City's required contributions to the Fund for the years ended December 31, 2005, 2004, and 2003 were \$119,767, \$117,573, and \$103,309 respectively. The full amount has been contributed for 2004 and 2003. 99 percent has been contributed for 2005 with the remainder being reported as a liability within the respective funds.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 10- POST EMPLOYMENT 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 and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) 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 based on authority granted by State statute. The 2005 employer contribution rate was 13.55 percent of covered payroll; 4 percent was the portion that was used to fund health care for 2005.

For 2005, benefits are advanced-funded on an actuarially determined basis. The Ohio Revised Code provides the statutory authority requiring public employees to fund postretirement health care through their contributions to PERS. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. As of December 31, 2004 (the latest information available), the estimated net assets available for future OPEB payments were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively. At December 31, 2005, the total number of benefit recipients eligible for OPEB through PERS was 376,109. The City's actual contributions for 2005 that were used to fund OPEB were \$56,889.

**Police and Firemen's Disability and Pension Fund**

The Police and Firemen's Disability and Pension Fund (Fund) provides postretirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such a 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 full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an OPEB as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and the Fund's Board of Trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and 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 is 19.5 percent of covered payroll, of which 7.5 percent of covered payroll is applied to the postemployment health care program. 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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 10- POST EMPLOYMENT BENEFITS (CONTINUED)

The number of state wide participants eligible to receive health care benefits as of December 31, 2004 (the latest information available) was 13,812 for police. The City's actual contributions for 2005 that were used to fund postemployment benefits were \$78,689 for police. The Fund's total health care expenses for the year ended December 31, 2004, were \$102,173,796 which was net of member contributions of \$55,665,341.

NOTE 11- EMPLOYEE BENEFITS

*Compensated Absences*

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. Upon departure from City employment, an employee (or his estate) will be paid for unused vacation leave. For the City as a whole, the total obligation for vacation accrual amounted to \$137,611.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of 3.69 hours per eighty hours of service. Sick leave is cumulative without limit. In the case of retirement, employees will be paid one-fourth of up to 960 hours for a maximum payment of up to 240 hours. For the City as a whole, the total obligation for sick leave accrual amounted to \$47,317.

Accumulated Unpaid Personal Leave

All City employees receive two personal days in January, except police union employees who receive the days on July 1. Employees can earn additional personal days for each 120 consecutive days worked without using sick leave. Employees can accumulate a maximum of 40 hours at any time. The personal leave can be carried over from year to year. Patrol officers and police clerks receive 24 hours and 16 hours, respectively, on July 1 of each year. All patrol officers in the police department may accumulate up to 60 hours of personal leave. For the City as a whole, the total obligation for personal leave accrual amounted to \$17,925.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 11- EMPLOYEE BENEFITS (CONTINUED)

***Insurance Benefits***

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

NOTE 12 - RISK MANAGEMENT

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

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

Each participant makes an annual "contribution" to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operation for the various coverages provided. Participants are also charged for a "surplus contribution" that is used to fund the activities of the pool. During 2005, the City of Milford paid premiums of \$97,378 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, 2005 generally protects the Pool against individual losses over \$75,000 and \$100,000 on property.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE 12 - RISK MANAGEMENT (CONTINUED)**

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

Coverage by the Pool in 2005 includes: General Liability, Police Professional Liability, Public Officials Liability, Property and Fire, Vehicles, Radios, Computers, Contractors Equipment and other coverage. Vehicle deductibles are \$250, while liability insurance deductibles (other than vehicle) are \$5,000. Radios, Computers and Contractor's Equipment have a \$250 deductible.

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

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

Performance bonds for employees are protected by the Ohio Casualty Insurance Company and range from \$10,000 to \$100,000 with specific bonds for the Finance Director, Tax Commissioner and City Manager.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of Salaries. This rate is calculated based on accident history and administrative cost. The rate for 2005 paid in 2006 was .042582.

**NOTE 13 - LONG-TERM OBLIGATIONS**

Issue Date	Interest Rate	Description	December 31, 2004	Additions	Reductions	December 31, 2005	Due Within One Year
<b>Governmental activities:</b>							
Bonds payable:							
General Obligation Bonds:							
2004	2.80% - 4.30%	Beechwood Connector	\$910,000	\$0	\$0	\$910,000	\$0
2000	4.40% - 5.75%	Capital Facility	1,910,000	0	55,000	1,855,000	55,000
1997	4.90% - 6.25%	Milford Parkway	595,000	0	30,000	565,000	35,000
1999	4.50% - 5.20%	Firehouse/Trailer Park	550,000	0	25,000	525,000	25,000
Total Bonds Payable			3,965,000	0	110,000	3,855,000	115,000
Tax Abatement			45,000	0	15,000	30,000	15,000
Compensated absences			183,959	117,927	146,162	155,724	101,658
Total Governmental Activities			4,193,959	117,927	271,162	4,040,724	231,658
<b>Business – Type Activities:</b>							
1994	2.00%	OWDA Loans	472,994	0	68,850	404,144	70,234
2003	0.00%	OPWC Loans	118,524	0	13,170	105,354	13,169
2004	0.00%	OPWC Loans	51,732	0	3,449	48,283	3,449
Compensated absences			46,249	30,715	29,835	47,129	32,376
Total Business – Type Activities			689,499	30,715	115,304	604,910	119,228
All FUNDS			\$4,883,458	\$148,642	\$386,466	\$4,645,634	\$350,886

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 13 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

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

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

The Ohio Water Development Authority loan is for the expansion of the City's Wastewater Treatment Plant. The loan will be repaid from the sewer fund's operating revenues. The bonds will mature on July 1, 2011.

In 2002, the City was approved for a \$131,694 loan from the Ohio Public Works Commission for the Miami Woods Lift Station replacement. The loan will be retired in January 2014 from the wastewater fund's operating revenues.

During 2004, the City was approved for another loan from the Ohio Public Works Commission for the Edgecombe Tank Rehabilitation for \$51,732. The loan will be retired in December 2019 from the wastewater fund's operating revenues.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 13 - LONG-TERM OBLIGATIONS (CONTINUED)

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

As of December 31, 2005, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$13,303,722, and the unvoted legal debt margin was \$5,132,902.

A summary of the City's long-term debt funding requirements as of December 31, 2004 is represented in the following schedules. Principal, interest and total debt service is provided for General Obligation Bonds, Ohio Water Development Authority Loans, and Ohio Public Works Commission Loans.

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

<b>GOVERNMENTAL ACTIVITIES</b>			
<u>General Obligation Bonds</u>			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$115,000	\$194,611	\$309,611
2007	170,000	188,845	358,845
2008	210,000	181,482	391,482
2009	250,000	172,527	422,527
2010	265,000	161,682	426,682
2011-2015	1,360,000	610,022	1,970,022
2016-2020	825,000	309,447	1,134,447
2021-2025	660,000	117,588	777,588
Totals	<u>\$3,855,000</u>	<u>\$1,936,204</u>	<u>\$5,791,204</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 13 - LONG-TERM OBLIGATIONS (CONTINUED)

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

<b>BUSINESS – TYPE ACTIVITIES</b>			
Ohio Water Development Authority Loans			
Years	Principal	Interest	Total
2006	\$70,234	\$7,733	\$77,967
2007	71,646	6,322	77,968
2008	73,086	4,882	77,968
2009	74,555	3,413	77,968
2010	76,053	1,914	77,967
2011-2013	38,570	414	38,984
Totals	<u>\$404,144</u>	<u>\$24,678</u>	<u>\$428,822</u>

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

<b>BUSINESS-TYPE ACTIVITIES</b>			
Ohio Public Works Commission Loans			
Years	Principal	Interest	Total
2006	\$16,618	\$0	\$16,618
2007	16,618	0	16,618
2008	16,618	0	16,618
2009	16,618	0	16,618
2010	16,618	0	16,618
2011-2015	56,751	0	56,751
2016	13,795	0	13,795
Totals	<u>\$153,637</u>	<u>0</u>	<u>\$153,637</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 14 - NOTE OBLIGATIONS

A summary of the note transactions for the year ended December 31, 2005, follows:

Fund	Balance December 31, 2004	Increases	Decreases	Balance December 31, 2005
Capital Projects	\$2,250,000	\$540,000	\$2,250,000	\$540,000

The note is issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the City and mature within one year. The notes were issued on September 1, 2005 at a 3.2 percent interest rate.

NOTE 15 – INTEFUND TRANSACTIONS

Following is a summary of transfers in and out for all funds for 2005:

Fund	Transfers In	Transfers Out
<b>MAJOR FUNDS</b>		
General	\$0	\$268,415
Land Purchase Capital Projects Fund	\$1,755,000	45,000
Non-Major Governmental Funds	313,415	1,755,000
<b>Total All Funds</b>	<b>\$2,068,415</b>	<b>\$2,068,415</b>

The transfers out in the land purchase capital projects fund and nonmajor governmental funds relate to debt service on the related obligations that were paid during 2005. The other transfers are considered cash payments for various services.

The composition of interfund balances as of December 31, 2005, is as follows:

Fund	Interfund Receivable	Interfund Payable
General	\$360,178	\$0
Non-Major Governmental Funds	0	360,178
<b>Total All Funds</b>	<b>\$360,178</b>	<b>\$360,178</b>

The interfund balances at December 31, 2005, related the City's general fund portion of the debt service related to the short term bond anticipation notes for the land purchase. The City expects to use that land in later years but the payment was made from the debt service fund and the general fund advances their portion of the debt service payment during 2005.

***CITY OF MILFORD, OHIO***  
***NOTES TO THE BASIC FINANCIAL STATEMENTS***  
***DECEMBER 31, 2005***

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

The Center for Local Governments, a jointly governed organization, was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Board of Trustees consists of eight members made up of elected representatives from the participating governments. The City does not have any financial interest in or responsibility for the Center. The City made no financial contribution during 2004. Information can be obtained from the Center by writing to Director of the Center for Local Governments, 9600 Colerain Avenue, Cincinnati, Ohio 45251.

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

OKI contracts periodically for local funds and other support with the governing board of each of the governments who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each City and municipal corporation, one individual selected by each City planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member City. This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI. The City made no financial contribution during 2004. To obtain financial information, write to Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 920 Pete Rose Way Suite 420, Cincinnati, Ohio, 45202.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

NOTE 17 - CONTINGENT LIABILITIES

LITIGATION

The City is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City. The City had no pending litigation at December 31, 2005.

STATE GRANTS

For the period January 1, 2005, to December 31, 2005, the City received State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 18 – CONTRACTUAL COMMITMENTS

As of December 31, 2005, the City had contractual commitments related to property, plant and equipment improvements and additions, as well as various other contracts and agreements to provide or receive services related to the operations of the City. The list below reflects the major contracts that comprise commitments at December 31, 2005:

Description	Amount
Lila Avenue @ Mohawk Signal Replacement	\$35,379
New well field development	220,940
Wastewater Treatment Plant Phase Two	3,217,609
12" Water line replacement	340,202
	\$3,814,130

NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2005, the City was required to implement GASB 40, "Deposit and Investment Risk Disclosures". The statement requires additional disclosures for credit risk, concentration risk and interest rate risk in relation to the City's investments. The City implemented GASB 42, "Accounting for Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." Neither statement had an impact on the City's financial statements.

The City also implemented GASB Technical Bulletin No. 2004-2 "Recognition of Pension and Other Postemployment Benefit Expenditure/Expense and Liabilities by Cost-Sharing Employers." The implementation of this bulletin had no impact on beginning fund balance or net assets.

**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**GENERAL FUND**

	Budget		Actual	Variance Postive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 669,674	\$ 669,674	\$ 643,151	\$ (26,523)
Income Taxes	1,941,485	1,941,485	2,019,586	78,101
Intergovernmental	566,139	566,139	562,648	(3,491)
Charges for Services	160,938	160,938	156,652	(4,286)
Licenses and Permits	67,258	67,258	51,478	(15,780)
Investment Earnings	93,255	93,255	137,929	44,674
Fines and Forfeitures	167,903	167,903	114,067	(53,836)
Other All Revenue	8,577	8,577	34,612	26,035
Total Revenue	<u>3,675,229</u>	<u>3,675,229</u>	<u>3,720,123</u>	<u>44,894</u>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property:				
Police				
Personal Services	1,391,811	1,391,622	1,396,125	(4,503)
Other	363,280	387,317	322,155	65,162
Total Police	<u>1,755,090</u>	<u>1,778,939</u>	<u>1,718,280</u>	<u>60,659</u>
Fire				
Other	3,300	4,000	3,929	71
Total Fire	<u>3,300</u>	<u>4,000</u>	<u>3,929</u>	<u>71</u>
Building Inspection				
Other	45,840	56,599	53,238	3,361
Total Building Inspection	<u>45,840</u>	<u>56,599</u>	<u>53,238</u>	<u>3,361</u>
Total Security of Persons and Property	<u>1,804,230</u>	<u>1,839,538</u>	<u>1,775,447</u>	<u>64,091</u>
Public Health and Welfare Services:				
Health				
Other	-	-	24,333	(24,333)
Total Health	<u>-</u>	<u>-</u>	<u>24,333</u>	<u>(24,333)</u>
Grounds and Facilities				
Personal Services	240,362	240,284	203,950	36,334
Other	104,443	104,188	76,976	27,212
Total Grounds and Facilities	<u>344,805</u>	<u>344,472</u>	<u>280,926</u>	<u>63,546</u>
Total Public Health and Welfare	<u>344,805</u>	<u>344,472</u>	<u>305,259</u>	<u>39,213</u>
Basic Utility Services				
Public Works - Administration				
Other	263,653	266,653	260,318	6,335
Total Basic Utility Services	<u>263,653</u>	<u>266,653</u>	<u>260,318</u>	<u>6,335</u>
Leisure Time Activities				
Other	-	-	830	(830)
Total Leisure Time Activities	<u>-</u>	<u>-</u>	<u>830</u>	<u>(830)</u>
General Government				
Mayor's Court				
Personal Services	57,422	57,422	55,661	1,761
Other	23,860	23,730	23,936	(206)
Total Mayor's Court	<u>81,282</u>	<u>81,152</u>	<u>79,597</u>	<u>1,555</u>

(continued)

**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**GENERAL FUND**

	Initial	Budget Final	Actual	Variance Positive (Negative)
City Council				
Personal Services	\$ 43,054	\$ 43,054	\$ 43,392	\$ (338)
Other	43,378	43,273	36,148	7,125
Total City Council	<u>86,432</u>	<u>86,327</u>	<u>79,540</u>	<u>6,787</u>
Five Points Building				
Other	263,613	263,257	101,648	161,609
Total City Clerk	<u>263,613</u>	<u>263,257</u>	<u>101,648</u>	<u>161,609</u>
Civil Defense				
Other	570	570	115	455
Total Team Hamilton	<u>570</u>	<u>570</u>	<u>115</u>	<u>455</u>
City Manager				
Personal Services	186,787	186,787	160,492	26,295
Other	64,526	84,175	94,401	(10,226)
Total City Manager	<u>251,313</u>	<u>270,962</u>	<u>254,893</u>	<u>16,069</u>
Law Director				
Personal Services	62,172	62,172	62,468	(296)
Other	4,596	5,596	4,585	1,011
Total Department of Law	<u>66,768</u>	<u>67,768</u>	<u>67,053</u>	<u>715</u>
Department of Civil Service				
Personal Services	605	605	100	505
Other	4,720	4,720	1,815	2,905
Total Department of Civil Service	<u>5,325</u>	<u>5,325</u>	<u>1,915</u>	<u>3,410</u>
Finance and Accounting				
Personal Services	88,451	88,451	101,252	(12,801)
Other	46,799	45,528	32,298	13,230
Total Finance - Administration	<u>135,250</u>	<u>133,979</u>	<u>133,550</u>	<u>429</u>
Administration				
Other	100,510	100,510	68,472	32,038
Total Finance - Administration	<u>100,510</u>	<u>100,510</u>	<u>68,472</u>	<u>32,038</u>
Engineering				
Other	60,250	60,250	11,659	48,591
Total Finance - Purchasing	<u>60,250</u>	<u>60,250</u>	<u>11,659</u>	<u>48,591</u>
Development				
Personal Services	44,121	44,121	45,351	(1,230)
Other	75,235	75,176	29,934	45,242
Total Finance - Building Services	<u>119,356</u>	<u>119,297</u>	<u>75,285</u>	<u>44,012</u>
Income Tax				
Personal Services	207,336	207,336	207,355	(19)
Other	119,406	118,492	26,995	91,497
Total Finance - Income Tax	<u>326,742</u>	<u>325,828</u>	<u>234,350</u>	<u>91,478</u>
Total General Government	<u>1,497,411</u>	<u>1,515,225</u>	<u>1,108,077</u>	<u>407,148</u>
Intergovernmental	<u>-</u>	<u>15,000</u>	<u>18,500</u>	<u>(3,500)</u>
Total Expenditures	<u>3,910,099</u>	<u>3,980,888</u>	<u>3,468,431</u>	<u>512,457</u>

(continued)

**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**GENERAL FUND**

	Initial	Budget Final	Actual	Variance Positive (Negative)
Excess of Revenues Over (Under) Expenditures	\$ (234,870)	\$ (305,659)	\$ 251,692	\$ 557,351
<u>Other Financing Uses:</u>				
Income Tax Refunds	-	(60,000)	(53,991)	(6,009)
Advances Out	-	-	(360,178)	(360,178)
Transfers - Out	-	(191,415)	(268,415)	(77,000)
Total Other Financing Uses	-	(251,415)	(682,584)	(431,169)
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(234,870)	(557,074)	(430,892)	126,182
Fund Balances at Beginning of Year	2,726,282	2,726,282	2,726,282	-
Prior Year Encumbrances	70,765	70,765	70,765	-
Fund Balances at End of Year	<u>\$ 2,562,177</u>	<u>\$ 2,239,973</u>	<u>\$ 2,366,155</u>	<u>\$ 126,182</u>

See accompanying notes to the required supplementary information

**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**FIRE LEVY FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 705,243	\$ 707,460	\$ 707,535	\$ 75
Intergovernmental	92,377	92,667	96,313	3,646
Investment Earnings	4,486	4,500	4,597	97
Total Revenue	<u>802,105</u>	<u>804,627</u>	<u>808,445</u>	<u>3,818</u>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property:				
Fire Department				
Other	790,044	840,464	811,956	28,508
Total Fire Department	<u>790,044</u>	<u>840,464</u>	<u>811,956</u>	<u>28,508</u>
Debt Service:				
Principal Retirement	-	-	12,500	(12,500)
Interest and Fiscal Charges	-	-	13,412	(13,412)
Total Debt Service	<u>-</u>	<u>-</u>	<u>25,912</u>	<u>(25,912)</u>
Total Expenditures	<u>790,044</u>	<u>840,464</u>	<u>837,868</u>	<u>2,596</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,061	(35,837)	(29,423)	6,414
Fund Balances at Beginning of Year	371,090	371,090	371,090	-
Prior Year Encumbrances Appropriated	806	806	806	-
Fund Balances at End of Year	<u>\$ 383,957</u>	<u>\$ 336,059</u>	<u>\$ 342,473</u>	<u>\$ 6,414</u>

See accompanying notes to the required supplementary information

**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

**EMS LEVY FUND**

	Budget		Actual	Variance
	Initial	Final		Positive (Negative)
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 715,033	\$ 720,643	\$ 720,891	\$ 248
Intergovernmental	92,476	93,202	96,719	3,517
Investment Earnings	1,885	1,900	2,026	126
<b>Total Revenue</b>	<b>809,395</b>	<b>815,745</b>	<b>819,636</b>	<b>3,891</b>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property:				
Fire Department				
Other	792,484	845,904	815,255	30,649
<b>Total Fire Department</b>	<b>792,484</b>	<b>845,904</b>	<b>815,255</b>	<b>30,649</b>
Debt Service:				
Principal Retirement	-	-	12,500	(12,500)
Interest and Fiscal Charges	-	-	13,412	(13,412)
<b>Total Debt Service</b>	<b>-</b>	<b>-</b>	<b>25,912</b>	<b>(25,912)</b>
<b>Total Expenditures</b>	<b>792,484</b>	<b>845,904</b>	<b>841,167</b>	<b>4,737</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,911	(30,159)	(21,531)	8,628
Fund Balances at Beginning of Year	279,145	279,145	279,145	-
Prior Year Encumbrances Appropriated	1,912	1,912	1,912	-
<b>Fund Balances at End of Year</b>	<b>\$ 297,968</b>	<b>\$ 250,898</b>	<b>\$ 259,526</b>	<b>\$ 8,628</b>

See accompanying notes to the required supplementary information

**CITY OF MILFORD, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2005**

NOTE 1 – BUDGETARY PROCESS

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

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

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

Tax Budget

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

Estimated Resources

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2005**

NOTE 1 – BUDGETARY PROCESS (CONTINUED)

Appropriations

An appropriation ordinance (the appropriation budget) to control the level of expenditures for all funds, except agency funds, must be legally enacted on or before January 1. Appropriations may not exceed estimated resources as established in the official amended certificate of estimated resources. Supplemental appropriations may be adopted by Council action. Several supplemental appropriations were legally enacted during 2005 by Council.

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

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

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

Budgeted Level of Expenditures

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

Encumbrances

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2005**

NOTE 1 – BUDGETARY PROCESS (CONTINUED)

Lapsing of Appropriations

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

NOTE 2 - BUDGET TO GAAP RECONCILIATION

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

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) – General Fund and Major Special Revenue Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

	<u>General Fund</u>	<u>Fire Levy Fund</u>	<u>EMS Levy Fund</u>
GAAP Basis	(\$45,451)	(\$33,360)	(\$29,145)
Adjustments:			
Revenue Accruals	87,300	4,283	5,830
Expenditure Accruals	45,497	408	4,300
Advances	(360,178)	0	0
Encumbrances	(158,060)	(754)	(2,516)
Budget Basis	<u>(\$430,892)</u>	<u>(\$29,423)</u>	<u>(\$21,531)</u>

# BALESTRA, HARR & SCHERER CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

---

Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

City of Milford  
Clermont County  
745 Center Street, Suite 200  
Milford, Ohio 45150

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, Clermont County, (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 5, 2006, wherein we noted that the City implemented Governmental Accounting Standards Board (GASB) Statements Number 40 and 42 and GASB Technical Bulletin 2004-2. 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.

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

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing opinions on the basic financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the City in a separate letter dated May 5, 2006.

City of Milford  
Clermont County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters 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 management and members of City Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Balestra, Harr & Scherer, CPAs, Inc.

May 5, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
AUGUST 22, 2006**