



Dave Yost • Auditor of State

**CITY OF MILFORD
CLERMONT COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, Clermont County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, Clermont County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 21, 2012

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

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, 2010. 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 2010 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2010, by \$27,805,174 (net assets). Of this amount, \$3,715,340 (governmental unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors, and \$6,454,084 is classified as unrestricted in the Water, Wastewater and Stormwater activities.
- The City's total net assets increased by \$669,045 which represents a 2.47% increase from 2009.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$7,065,438. Of this amount \$6,928,218 is available for spending (unreserved fund balance) on behalf of its citizens.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,097,384 or 78.51% of total general fund expenditures.
- The other governmental major funds: Fire Levy, EMS Levy and Debt Service have ending fund balances of \$417,575, \$333,818 and \$1,035,386. All of these funds saw net assets increases in the current year as various tax revenues were sufficient to cover the expenditures.

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, 2010
(Unaudited)

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 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

Reporting the City of Milford's Most Significant Funds

Fund Financial Statements

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

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

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, Debt Service, Water, Wastewater and Stormwater Management funds.

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

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

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

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

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

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

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

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

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 \$27,805,174 (\$10,713,638 in governmental activities and \$17,091,536 in business type activities) as of December 31, 2010. The largest portion of the City's net assets (48.67%) 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 2010 compared to 2009.

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009 (Restated)	2010	2009 (Restated)
Current and Other Assets	\$11,176,891	\$10,680,969	\$6,616,950	\$6,121,552	\$17,793,841	\$16,802,521
Capital Assets	5,866,261	6,159,800	16,012,893	15,633,041	21,879,154	21,792,841
Total Assets	17,043,152	16,840,769	22,629,843	21,754,593	39,672,995	38,595,362
Long-term liabilities	3,208,711	3,428,341	5,446,206	5,067,202	8,654,917	8,495,543
Other liabilities	3,120,803	2,802,163	92,101	161,527	3,212,904	2,963,690
Total Liabilities	6,329,514	6,230,504	5,538,307	5,228,729	11,867,821	11,459,233
Nets Assets:						
Invested in capital assets, net of related debt	2,895,719	2,920,732	10,637,452	10,624,128	13,533,171	13,544,860
Restricted	4,102,579	3,181,135	0	0	4,102,579	3,181,135
Unrestricted	3,715,340	4,508,398	6,454,084	5,901,736	10,169,424	10,410,134
Total Net Assets	\$10,713,638	\$10,610,265	\$17,091,536	\$16,525,864	\$27,805,174	\$27,136,129

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 \$4,102,579 or 14.75% of net assets. The remaining unrestricted \$10,169,424 or 36.58% 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, 2010, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City saw capital assets increase as the City continued construction on the wastewater treatment plant, new sewer main, and work on the water wellfields. The City increased long term liabilities slightly from 2009 as the City continued to drawn down on funding from OWDA and OWPC related to those projects continued. The overall unrestricted net assets increased as the City capitalized additional construction work and was able to increase the cash balance in the General fund by controlling expenditures and debt

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

service fund through additional revenue collections on the properties in the River's Edge development area.

Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$370,819	\$349,494	\$2,394,470	\$2,345,573	\$2,765,289	\$2,695,067
Operating Grants and Contributions	413,394	382,504	0	215,566	413,394	598,070
Capital Grants	0	0	497,095	0	497,095	0
General Revenues						
Income Taxes	2,141,991	2,657,976	0	0	2,141,991	2,657,976
Property Taxes	1,987,427	2,054,820	0	0	1,987,427	2,054,820
Other Taxes	1,321,357	1,284,489	0	0	1,321,357	1,284,489
Unrestricted Grants	735,293	938,898	0	0	735,293	938,898
Investment earnings	32,375	55,900	49,136	113,494	81,511	169,394
Other Revenues	63,836	113,776	0	0	63,836	113,776
Total Revenues	7,066,492	7,837,857	2,940,701	2,674,633	10,007,193	10,512,490
Expenses:						
Security of Persons and Property	3,578,892	3,886,711	0	0	3,578,892	3,886,711
Public Health and Welfare	516,122	629,971	0	0	516,122	629,971
Leisure Time Activities	93,031	97,115	0	0	93,031	97,115
Transportation	812,311	700,591	0	0	812,311	700,591
General Government	1,657,881	1,214,359	0	0	1,657,881	1,214,359
Intergovernmental	50,000	0	0	0	50,000	0
Interest and Fiscal Charges	183,018	186,026	0	0	183,018	186,026
Water	0	0	1,055,220	997,601	1,055,220	997,601
Wastewater	0	0	1,197,984	1,039,443	1,197,984	1,039,443
Stormwater Management	0	0	193,689	218,698	193,689	218,698
Total Expenses	6,891,255	6,714,773	2,446,893	2,255,742	9,338,148	8,970,515
Transfers	(71,864)	0	71,864	0	0	0
Change in Net Assets	103,373	1,123,859	565,672	418,891	669,045	1,541,975
Beginning Net Assets	10,610,265	9,487,181	16,525,864	16,106,973	27,136,129	25,594,154
Ending Net Assets	\$10,713,638	\$10,610,265	\$17,091,536	\$16,525,864	\$27,805,174	\$27,136,129

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 2010, total security of persons and property expenses were \$3.58 million representing 51.93% of governmental activity spending yielding a reliance on general revenues to fund the program of approximately \$3.36 million after direct support to their programs.

Despite decreased governmental revenues of almost 10%, the City was able to continue providing the level of service the residents of Milford expect only increasing total expenses by 2.63%. The City saw the general government function increase significantly as there were capital outlay items that were not capitalized under the City's policy. The City incurred intergovernmental expenses during 2010 as part of the City's commitment to the Clermont County TID. Despite the reduced revenues and increased expenses, the City was able to increase the governmental net assets by just under 1%.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

Business-Type Activities

The City's business-type activities include the water, wastewater and stormwater management systems. The wastewater and stormwater management funds were able to produce an increase in net assets for 2010. Combined change in net assets totaled to \$565,672 despite depreciation of the capital assets reducing the net assets by \$808,321. The water fund saw operating revenues only increase by about \$3,000 but operating expenses increased by \$60,000, which was directly related to the increase in the current year depreciation. All three of the enterprise funds have significant unrestricted net assets to offset any operating losses during the year.

Financial Analysis of the City's Funds

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

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

As of the end of 2010, the City's governmental funds reported combined ending fund balances of \$7.07 million. Approximately \$6.93 million constitutes unreserved fund balance available for spending for citizen needs as allowed under the Ohio Revised Code guidelines. The remaining \$0.14 million reserved to indicate that it has been earmarked for specific purposes and not available to be spent for some purposes, most notably to liquidate contracts and purchase orders from the prior year.

The General Fund is the chief operating fund of the City. As of December 31, 2010, the unreserved general fund balance was \$3.09 million (a decrease of \$0.14 million) with a total fund balance of \$3.18 million. As a measure of liquidity, it is often useful to compare these numbers to total general fund expenditures and other financing uses. Unreserved fund balance represents approximately 73.10% of the total expenditures and other financing uses, while total fund balance represents 75.03% of that same amount.

During 2010, the City's general fund decreased by \$0.12 million as the City generated \$0.12 million more in revenues; however, expenditures increased by \$0.30 million from 2009. The increase in the expenditures is directly related to the reported claims that City recorded in 2010. The City recorded their respective share of the Center for Local Government's deficiency in the required reserve. The City could be responsible for their share of the deficit and therefore, the respective liability is reported by each of the entities involved in the pool insured program.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Unaudited)

The Fire Levy major special revenue fund realized an increase in fund balance of \$0.09 million during the year. The EMS Levy major special fund also saw an increase of \$0.20 million. The Fire and EMS levy funds generated less revenue than 2009 but saw their respective expenditures decrease by almost 16% as the funds worked on increasing the balances. The other major governmental fund is the Debt Service fund. The fund receives a share of income tax dollars but the majority of revenue comes from payment in lieu of taxes in the City's Rivers Edge development. Revenue collections increased over 56.6% from 2009 to \$0.92 million. The City has pledged \$175,000 through 2014 to the Clermont County TID, which will be paid from the Debt Service fund.

General Fund Budgeting Highlights

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

During the course of 2010, the City amended its total and general fund budget several times, the most significant noted below. All recommendations for the budget came from the City Manager after consultation with individual directors and the Finance Department before submission to City Council. The City Council also ministerially approves small interdepartmental budget changes that modify line items within departments within the same fund. With the General fund supporting a majority of our major activities such as public safety programs, as well as most legislative and executive activities, the General Fund is monitored closely with particular attention to possible revenue shortfalls or over spending by individual departments.

The following table summarizes the major revenue sources and expenditures from original to final budget for 2010:

Description	Original Budget	Final Budget	Change
Revenues:			
Property and Other Taxes	\$638,140	\$697,494	\$59,354
Income Taxes	2,100,709	2,296,099	195,390
Intergovernmental Revenue	550,607	601,820	51,213
Other Revenues	312,551	341,621	29,070
Total Revenues	3,602,007	3,937,034	335,027
Expenditures:			
Security of Persons/Property	1,922,325	2,077,027	154,702
General Government	1,097,768	1,138,664	40,896
Other Expenditures	637,944	662,063	24,119
Total Expenditures	3,658,037	3,877,754	219,717

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Unaudited)

The City's original revenue budget was increased by 9.30% to the final budget as the original budget was created with the City's tax budget although the final budget for expenditures only increased 6.01%. The final budget was completed when the City had a better understanding of the state local government funding issues and more information related to total income tax collections. The City continued to evaluate the budgeted expenditures making several changes throughout the year although nothing of significance was changed with any of the amendments.

The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2010:

Description	Final Budget	Actual	Change
Revenues:			
Property and Other Taxes	\$697,494	\$688,440	(\$9,054)
Income Taxes	2,296,099	2,288,112	(7,987)
Intergovernmental Revenue	601,820	795,276	193,456
Other Revenues	341,621	405,663	64,042
Total Revenues	3,937,034	4,177,491	240,457
Expenditures:			
Security of Persons/Property	2,077,027	2,013,398	63,629
General Government	1,138,664	1,091,613	47,051
Other Expenditures	662,063	644,570	17,493
Total Expenditures	3,877,754	3,749,581	128,173

The City submitted their final revenue budget to the county very close to year end. The largest variance was intergovernmental revenue as the City did not anticipate receiving significant estate tax revenue during the year and received \$171,449 more than budgeted.

Despite the City's slightly increased final budget figures, the departmental staff, within the functions of the City, was successful in bringing their final expenditures in under budget for 2010 by over 3%. The City emphasized the need to evaluate all expenditures whether they were budgeted or not to ensure the City maintains a solid fiscal condition.

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets for its governmental and business type activities as of December 31, 2010, totaled \$13.53 million (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, equipment and machinery.

The City spent most of the capital asset money on construction projects for the new wastewater facility and water wellfields which are recorded as construction in progress. For more information on the governmental and business-type capital assets see Note 8 in the notes to the financial statements.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Long-term Debt: At the end of 2010, the City had general obligation bonds outstanding of \$2.93 Million in governmental activities. The City retired \$265,000 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 an estimated July 2009 population of just over 6,300, Milford is Clermont County's only city, and a focal point of new business development in the Greater Cincinnati Area. Milford has preserved the charms of its natural setting and historic downtown while creating a modern infrastructure that makes it a great place to live, work, play and grow.

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

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

The City has expanded its capacity for income tax revenue by working with Union Township and creating a Joint Economic Development District around State Route 32 and Interstate 275. With the City's boundaries being restricted, using mechanisms, such as this, will allow the City to work with the surrounding Townships to help both the City and Township generate additional revenue as other revenues like local government funding and personal property taxes are being reduced or eliminated.

Requests for Information

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

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CITY OF MILFORD, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 7,381,901	\$ 6,215,131	\$ 13,597,032
Receivables (net of allowance for doubtful accounts):			
Taxes-Real & Personal Property	2,080,351	-	2,080,351
Taxes-Municipal Income	372,066	-	372,066
Accounts	40,339	400,519	440,858
Interest	1,300	1,300	2,600
Payment in Lieu of Taxes	582,183	-	582,183
Due from Other Governments	613,040	-	613,040
Bond Issuance Costs	105,711	-	105,711
Nondepreciable Capital Assets:			
Land	1,874,087	328,914	2,203,001
Construction In Progress	61,364	216,069	277,433
Depreciable Capital Assets:			
Plant	-	6,182,808	6,182,808
Water/Sewer Lines	-	7,056,044	7,056,044
Buildings and Improvements	4,013,720	-	4,013,720
Improvements other than Buildings	1,322,399	10,344,679	11,667,078
Furniture, Equipment and Vehicles	2,161,619	1,139,964	3,301,583
Less: Accumulated Depreciation	(3,566,928)	(9,255,585)	(12,822,513)
Total Assets	17,043,152	22,629,843	39,672,995
Liabilities:			
Accounts Payable	78,910	28,626	107,536
Accrued Wages and Benefits	36,036	11,501	47,537
Due to Other Governments	174,632	51,974	226,606
Claims Payable	293,019	-	293,019
Accrued Interest Payable	20,169	-	20,169
Unearned Revenue	2,518,037	-	2,518,037
Long Term Liabilities due within 1 year	447,376	384,819	832,195
Long Term Liabilities due over 1 year	2,761,335	5,061,387	7,822,722
Total Liabilities	6,329,514	5,538,307	11,867,821
NET ASSETS			
Investment in Capital Assets, net related debt	2,895,719	10,637,452	13,533,171
Restricted:			
Transportation	550,015	-	550,015
Culture and Recreation	543,097	-	543,097
Protection of Citizens	1,008,966	-	1,008,966
Debt Service	1,035,386	-	1,035,386
Capital Improvements	965,115	-	965,115
Unrestricted	3,715,340	6,454,084	10,169,424
Total Net Assets	10,713,638	17,091,536	27,805,174
Total Net Assets and Liabilities	\$ 17,043,152	\$ 22,629,843	\$ 39,672,995

See accompanying notes to the basic financial statements

CITY OF MILFORD, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Governmental Activities	Primary Government Business-Type Activities	
		Charges for Services	Grants and Contributions		Capital Grants and Contributions	Governmental Activities
Governmental Activities:						
Security of Persons and Property	\$ (3,578,892)	\$ 207,037	\$ 12,158	\$ (3,359,697)	\$ -	\$ (3,359,697)
Public Health and Welfare	(516,122)	133,889	33,061	(349,172)	-	(349,172)
Leisure Time Activities	(93,031)	167	-	(92,864)	-	(92,864)
Transportation	(812,311)	-	368,175	(444,136)	-	(444,136)
General Government	(1,657,881)	29,726	-	(1,628,155)	-	(1,628,155)
Intergovernmental	(50,000)	-	-	(50,000)	-	(50,000)
Interest and Fiscal Charges	(183,018)	-	-	(183,018)	-	(183,018)
Total Governmental Activities	<u>(6,891,255)</u>	<u>370,819</u>	<u>413,394</u>	<u>(6,107,042)</u>	<u>-</u>	<u>(6,107,042)</u>
Business-Type Activities:						
Water	(1,055,220)	875,896	-	-	(35,583)	(35,583)
Wastewater	(1,197,984)	1,045,485	-	-	200,855	200,855
Stormwater Management	(193,689)	473,089	-	-	279,400	279,400
Total Business-Type Activities	<u>(2,446,893)</u>	<u>2,394,470</u>	<u>497,095</u>	<u>(6,107,042)</u>	<u>444,672</u>	<u>444,672</u>
Total	\$ (9,338,148)	\$ 2,765,289	\$ 413,394	(6,107,042)	\$ 444,672	(5,662,370)
General Revenues:						
Income Taxes				2,141,991	-	2,141,991
Property Taxes				1,987,427	-	1,987,427
Estate Taxes				13,689	-	13,689
Franchise Fee Taxes				89,112	-	89,112
Cinema Admissions Taxes				145,715	-	145,715
Hotel Taxes				64,626	-	64,626
Payment in Lieu of Taxes				917,878	-	917,878
Permissive Sale Taxes				90,337	-	90,337
Grants and Contributions not restricted to specific programs				735,293	-	735,293
Unrestricted investment earnings				32,375	49,136	81,511
Miscellaneous				63,836	-	63,836
Net Transfers				(71,864)	71,864	-
Total General Revenues				<u>6,210,415</u>	<u>121,000</u>	<u>6,331,415</u>
Changes in Net Assets				103,373	565,672	669,045
Net Assets-Beginning (Restated)				10,610,265	16,525,864	27,136,129
Net Assets-Ending				<u>\$ 10,713,638</u>	<u>\$ 17,091,536</u>	<u>\$ 27,805,174</u>

See accompanying notes to the basic financial statements

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**CITY OF MILFORD, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<u>General</u>	<u>Fire Levy</u>	<u>EMS Levy</u>	<u>Debt Service</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,476,639	\$ 418,102	\$ 335,515	\$ 1,035,386
Receivables (net of allowance for doubtful accounts):				
Taxes-Real & Personal Property	517,549	760,025	802,777	-
Taxes-Municipal Income	331,658	-	-	-
Accounts	22,111	-	-	-
Interest	1,300	-	-	-
Payment in Lieu of Taxes	-	-	-	582,183
Due from Other Governments	216,996	73,241	77,530	-
Total Assets	<u>4,566,253</u>	<u>1,251,368</u>	<u>1,215,822</u>	<u>1,617,569</u>
Liabilities:				
Accounts Payable	52,599	100	100	-
Accrued Wages and Benefits	32,069	-	-	-
Claims Payable	293,019	-	-	-
Due to Other Governments	156,080	427	1,597	-
Deferred Revenue	853,481	833,266	880,307	582,183
Total Liabilities	<u>1,387,248</u>	<u>833,793</u>	<u>882,004</u>	<u>582,183</u>
Fund Balances:				
Reserved for Encumbrances	81,621	85	85	-
Unreserved, reported in:				
General	3,097,384	-	-	-
Special Revenue	-	417,490	333,733	-
Debt Service	-	-	-	1,035,386
Capital Projects	-	-	-	-
Total Fund Balances	<u>3,179,005</u>	<u>417,575</u>	<u>333,818</u>	<u>1,035,386</u>
Total Liabilities and Fund Balances	<u>\$ 4,566,253</u>	<u>\$ 1,251,368</u>	<u>\$ 1,215,822</u>	<u>\$ 1,617,569</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, 2010

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>		
\$ 2,116,259	\$ 7,381,901	Fund Balances - Governmental Funds	\$ 7,065,438
-	2,080,351	Amounts reported for governmental activities in the statement of net assets are different because:	
40,408	372,066	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,866,261
18,228	40,339		
-	1,300	Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	905,108
-	582,183		
<u>245,273</u>	<u>613,040</u>	Issuance Costs associated with governmental debt are not financial resources and, therefore, are not reported in the funds.	105,711
<u>2,420,168</u>	<u>11,071,180</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>(3,228,880)</u>
26,111	78,910	Net Assets of governmental activities	<u>\$ 10,713,638</u>
3,967	36,036		
-	293,019		
16,528	174,632		
<u>273,908</u>	<u>3,423,145</u>		
<u>320,514</u>	<u>4,005,742</u>		
55,429	137,220		
-	3,097,384		
1,091,437	1,842,660		
-	1,035,386		
<u>952,788</u>	<u>952,788</u>		
2,099,654	7,065,438		
<u>\$ 2,420,168</u>	<u>\$ 11,071,180</u>		

CITY OF MILFORD, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Fire Levy	EMS Levy	Debt Service	Other Governmental Funds
Revenues:					
Income Taxes	\$ 2,214,565	\$ -	\$ -	\$ 65,600	\$ 217,820
Property and Other Taxes	720,903	727,734	769,032	-	-
Intergovernmental	795,394	163,810	169,285	-	445,749
Charges for Services	134,151	-	-	-	102,361
Licenses and Permits	29,726	-	-	-	167
Investment Earnings	17,216	5,372	1,472	4,471	3,844
Fines and Forfeitures	160,355	-	-	-	15,282
Payment in Lieu of Taxes	-	-	-	917,878	-
All Other Revenues	41,455	1	1	-	18,853
Total Revenues	4,113,765	896,917	939,790	987,949	804,076
Expenditures:					
Current:					
Security of Persons and Property	1,947,554	783,616	713,534	-	2,687
Public Health and Welfare	297,514	-	-	-	203,190
Leisure Time Activities	-	-	-	-	78,178
Transportation	339,014	-	-	-	424,533
General Government	1,361,266	-	-	-	2,126
Intergovernmental	-	-	-	50,000	-
Capital Outlay	-	-	-	-	168,463
Debt Service:					
Principal Retirement	-	15,000	15,000	235,000	-
Interest and Fiscal Charges	-	10,044	10,044	156,387	-
Total Expenditures	3,945,348	808,660	738,578	441,387	879,177
Excess (Deficiency) of Revenues Over (Under) Expenditures	168,417	88,257	201,212	546,562	(75,101)
Other Financing Sources (Uses):					
Sale of Capital Assets	-	-	-	-	5,873
Transfers - In	-	-	-	120,000	100,000
Transfers - Out	(291,864)	-	-	-	-
Total Other Financing Sources (Uses)	(291,864)	-	-	120,000	105,873
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(123,447)	88,257	201,212	666,562	30,772
Fund Balances at Beginning of Year	3,302,452	329,318	132,606	368,824	2,068,882
Fund Balances at End of Year	<u>\$ 3,179,005</u>	<u>\$ 417,575</u>	<u>\$ 333,818</u>	<u>\$ 1,035,386</u>	<u>\$ 2,099,654</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, 2010

Total Governmental Funds		
\$ 2,497,985	Amounts reported in governmental activities in the statement of activities are different because:	
2,217,669	Net Change in Fund Balances - total governmental funds	\$ 863,356
1,574,238		
236,512	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 depreciation exceeded capital outlays in the current period.	(293,539)
29,893		
32,375	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(679,531)
175,637		
917,878	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.	261,983
60,310		
<u>7,742,497</u>	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.	(48,896)
3,447,391		
500,704	Change in net assets of governmental activities	<u>\$ 103,373</u>
78,178		
763,547		
1,363,392		
50,000		
168,463		
265,000		
176,475		
<u>6,813,150</u>		
929,347		
5,873		
220,000		
(291,864)		
<u>(65,991)</u>		
863,356		
6,202,082		
<u>\$ 7,065,438</u>		

**STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2010**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Wastewater	Stormwater Management	Totals
Assets:				
<u>Current Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,267,158	\$ 2,795,866	\$ 1,152,107	\$ 6,215,131
Receivables (net of allowances for doubtful accounts):				
Accounts	141,559	178,534	80,426	400,519
Interest	520	520	260	1,300
Total Current Assets	<u>2,409,237</u>	<u>2,974,920</u>	<u>1,232,793</u>	<u>6,616,950</u>
<u>Nondepreciable Capital Assets:</u>				
Land	101,488	227,426	-	328,914
Construction in Progress	216,069	-	-	216,069
<u>Depreciable Capital Assets:</u>				
Improvements Other than Buildings	3,141,551	6,218,872	984,256	10,344,679
Furniture, Fixtures, Equipment	501,953	607,917	30,094	1,139,964
Water and Sewer Line	2,428,272	4,627,772	-	7,056,044
Plant	2,051,892	4,130,916	-	6,182,808
Less: Accumulated Depreciation	<u>(3,833,035)</u>	<u>(5,304,096)</u>	<u>(118,454)</u>	<u>(9,255,585)</u>
Total Capital Assets (net of (accumulated depreciation)	<u>4,608,190</u>	<u>10,508,807</u>	<u>895,896</u>	<u>16,012,893</u>
Total Assets	<u><u>7,017,427</u></u>	<u><u>13,483,727</u></u>	<u><u>2,128,689</u></u>	<u><u>22,629,843</u></u>
Liabilities				
<u>Current Liabilities:</u>				
Accounts Payable	9,312	16,831	2,483	28,626
Accrued Wages and Benefits	6,110	4,462	929	11,501
Due to Other Governments	31,196	14,845	5,933	51,974
Compensated Absences Payable - Current	27,176	16,631	6,431	50,238
Ohio Water Development				
Authority Loans Payable - Current	64,848	172,028	-	236,876
OPWC Loan Payable - Current	14,499	83,206	-	97,705
Total Current Liabilities	<u>153,141</u>	<u>308,003</u>	<u>15,776</u>	<u>476,920</u>
<u>Noncurrent Liabilities:</u>				
Compensated Absences Payable	7,162	9,853	3,512	20,527
Ohio Water Development				
Authority Loans Payable	1,273,119	2,466,580	-	3,739,699
OPWC Loans Payable	215,440	1,085,721	-	1,301,161
Total Noncurrent Liabilities	<u>1,495,721</u>	<u>3,562,154</u>	<u>3,512</u>	<u>5,061,387</u>
Total Liabilities	<u>1,648,862</u>	<u>3,870,157</u>	<u>19,288</u>	<u>5,538,307</u>
Net Assets				
Invested in capital assets, net of related debt	3,040,284	6,701,272	895,896	10,637,452
Unrestricted	2,328,281	2,912,298	1,213,505	6,454,084
Total Net Assets	<u>5,368,565</u>	<u>9,613,570</u>	<u>2,109,401</u>	<u>17,091,536</u>
Total Net Assets and Liabilities	<u><u>\$ 7,017,427</u></u>	<u><u>\$ 13,483,727</u></u>	<u><u>\$ 2,128,689</u></u>	<u><u>\$ 22,629,843</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, 2010

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater Management</u>	<u>Totals</u>
<u>Operating Revenues:</u>				
Charges for Services	\$ 864,528	\$ 1,039,846	\$ 472,627	\$ 2,377,001
Other Operating Revenues	11,368	5,639	462	17,469
Total Operating Revenues	<u>875,896</u>	<u>1,045,485</u>	<u>473,089</u>	<u>2,394,470</u>
<u>Operating Expenses:</u>				
Personal Services	464,486	323,599	105,405	893,490
Materials and Supplies	70,847	171,340	5,462	247,649
Contractual Services	200,954	208,840	29,685	439,479
Other Operating Expenses	4,205	2,487	366	7,058
Depreciation	290,198	465,352	52,771	808,321
Total Operating Expenses	<u>1,030,690</u>	<u>1,171,618</u>	<u>193,689</u>	<u>2,395,997</u>
Operating Income (Loss)	(154,794)	(126,133)	279,400	(1,527)
<u>Non-Operating Revenues (Expenses):</u>				
Investment Earnings	17,814	24,838	6,484	49,136
Interest and Fiscal Charges	(25,031)	(26,366)	-	(51,397)
Grants	143,741	353,354	-	497,095
Gain on Disposal of Capital Assets	501	-	-	501
Total Non-Operating Revenues (Expenses)	<u>137,025</u>	<u>351,826</u>	<u>6,484</u>	<u>495,335</u>
Income (Loss) Before Transfers	(17,769)	225,693	285,884	493,808
<u>Transfers:</u>				
Transfers In	-	71,864	-	71,864
Total Transfers	<u>-</u>	<u>71,864</u>	<u>-</u>	<u>71,864</u>
Change in Net Assets	(17,769)	297,557	285,884	565,672
Total net assets - Beginning (Restated)	<u>5,386,334</u>	<u>9,316,013</u>	<u>1,823,517</u>	<u>16,525,864</u>
Total net assets - Ending	<u>\$ 5,368,565</u>	<u>\$ 9,613,570</u>	<u>\$ 2,109,401</u>	<u>\$ 17,091,536</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, 2010**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Wastewater	Stormwater Management	Totals
Increase in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$ 857,162	\$ 1,033,100	\$ 473,744	\$ 2,364,006
Cash Paid for Employee Services and Benefits	(454,697)	(329,228)	(106,047)	(889,972)
Cash Paid to Suppliers for Goods and Services	(319,156)	(391,854)	(36,586)	(747,596)
Other Operating Revenues	10,518	5,239	462	16,219
Other Operating Expenses	(4,205)	(2,487)	(366)	(7,058)
Net Cash Provided by Operating Activities	89,622	314,770	331,207	735,599
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers-in from Other Funds	-	71,864	-	71,864
Net Cash Provided for Noncapital Financing Activities	-	71,864	-	71,864
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Capital Grant Contributions	137,485	353,355	-	490,840
Face Value from the Sale of Debt	216,565	576,489	-	793,054
Proceeds from Sale of Assets	501	-	-	501
Acquisition and Construction of Assets	(282,639)	(829,337)	(76,197)	(1,188,173)
Principal Paid on Loans Payable	(152,516)	(273,999)	-	(426,515)
Interest Paid on All Debt	(25,032)	(20,121)	-	(45,153)
Net Cash (Used for) Capital and Related Financing Activities	(105,636)	(193,613)	(76,197)	(375,446)
<u>Cash Flows from Investing Activities:</u>				
Interest	21,044	28,068	8,099	57,211
Net Cash Provided By Investing Activities	21,044	28,068	8,099	57,211
Net Increase in Cash and Cash Equivalents	5,030	221,089	263,109	489,228
Cash and Cash Equivalents at Beginning of Year	2,262,128	2,574,777	888,998	5,725,903
Cash and Cash Equivalents at End of Year	<u>\$ 2,267,158</u>	<u>\$ 2,795,866</u>	<u>\$ 1,152,107</u>	<u>\$ 6,215,131</u>

**CITY OF MILFORD, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater Management</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (154,794)	\$ (126,133)	\$ 279,400	\$ (1,527)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	290,198	465,352	52,771	808,321
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(8,216)	(7,146)	1,117	(14,245)
(Decrease) in Due to Other Governments	(170)	(2,188)	(1,251)	(3,609)
(Decrease) in Accounts Payables	(6,817)	(12,324)	(1,538)	(20,679)
(Decrease) in Contracts Payables	(41,213)	-	-	(41,213)
(Decrease) in Accrued Wages and Benefits	(1,041)	(2,283)	(551)	(3,875)
Increase (Decrease) in Compensated Absences Payable	11,675	(508)	1,259	12,426
Total Adjustments	<u>244,416</u>	<u>440,903</u>	<u>51,807</u>	<u>737,126</u>
Net Cash Provided by Operating Activities	<u>\$ 89,622</u>	<u>\$ 314,770</u>	<u>\$ 331,207</u>	<u>\$ 735,599</u>

See accompanying notes to the basic financial statements

CITY OF MILFORD, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2010

	<u>Totals</u>
Assets:	
Cash and Cash Equivalents	\$ 109,891
Cash and Cash Equivalents in Segregated Accounts	<u>57,614</u>
Total Assets	<u><u>167,505</u></u>
Liabilities:	
Due to Other Governments	11,126
Due to Others	<u>156,379</u>
Total Liabilities	<u><u>\$ 167,505</u></u>

See accompanying notes to the basic financial statements

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1-REPORTING ENTITY AND BASIS OF ACCOUNTING

A. Reporting Entity

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

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

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization’s budget, the issuance of its debt or the levying of its taxes. The City has no component units.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

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

The City is associated with the Ohio Municipal League that provides one related service: a risk sharing pool. The organization's service is presented in Note 12 to the basic financial statements. The City is also associated with four jointly governed organizations: The Center for Local Government, the Ohio-Kentucky-Indiana Regional Council of Governments, City of Milford-Union Township Joint Economic Development District and Clermont County Transportation Improvement District, which are presented in Note 15 to the basic financial statements.

B. Basis of Presentation – Fund Accounting

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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, 2010

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.

Debt Service Fund

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

The City reports the following major enterprise funds:

Water Fund

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

Wastewater Fund

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

Stormwater Management Fund

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the City reports the following fund types:

Fiduciary Funds:

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

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

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

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Cash and Cash Equivalents

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

During 2010, 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, 2010.

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

Interest income is distributed to the funds according to ordinance as directed by the City's charter. Interest revenue credited to the general fund during 2010 amounted to \$17,216, which includes \$6,573 assigned from other funds. The fire levy special revenue, EMS levy special revenue, debt service, cemetery, street construction, state highway and permissive tax special revenue funds, water enterprise, wastewater enterprise, and stormwater enterprise funds also received interest of \$5,372; \$1,472; \$4,471; \$2,525; \$989; \$107; \$223; \$17,814; \$24,838; and \$6,484, respectively.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Inventories of Supplies

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

D. Prepaid Assets

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. The City had no prepaid items that were material to the financial statements at December 31, 2010.

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. The City reported no interfund receivables or payable at December 31, 2010.

F. Capital Assets and Depreciation

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

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

G. Capitalization of Interest

Interest is capitalized on enterprise fund assets acquired with tax-exempt debt. The City’s policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until the completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2010, no net interest expense was incurred on enterprise fund construction projects.

H. Compensated Absences

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

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

I. Accrued Liabilities and Other Long-Term Obligations

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

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

J. Reservations of Fund Balance

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

K. Interfund Transactions

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

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. None of the City's \$4,102,579 restricted net assets are restricted by enabling legislation.

M. Deferred Revenues/Unearned Revenues

Deferred or unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

N. Exchange/Non-Exchange Transactions

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

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Estimates

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

P. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$3,228,880) difference are as follows:

General Obligation Bonds	(\$2,930,000)
Premium on General Obligations Bonds	(40,542)
Accrued Interest Payable	(20,169)
Compensated Absences	(238,169)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$3,228,880)

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 \$5,866,261 difference are as follows:

Capital Assets	\$9,433,189
Accumulated Depreciation	(3,566,928)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$5,866,261

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Another element of that reconciliation states that “Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.” The details of this (\$293,539) are as follows:

Current capital additions	\$6,156
Depreciation Expense	<u>(299,695)</u>
Net Adjustment - capital assets to increase <i>fund balance</i> - total <i>governmental funds</i> to arrive at <i>net assets</i> - <i>governmental activities</i>	<u><u>(\$293,539)</u></u>

An element of that reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any affect of net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$261,983 are as follows:

Principal paid on Long Term Debt	\$265,000
Amortization of Bond Premium Cost and Issuance Costs	(5,666)
Change in Interest Payable	<u>2,649</u>
Net Adjustment - current financial resources focus to increase <i>fund balance</i> – total <i>governmental funds</i> to arrive at <i>net assets</i> – <i>governmental activities</i>	<u><u>\$261,983</u></u>

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For 2010, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets*”. GASB Statement No. 51 addresses how the City should report roadway easements, internally created computer software, as well as other items. The City has elected to not retrospectively report the effect of this statement; therefore, it has no impact on the financial statements.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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, 2010

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, 2010

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. The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. At fiscal year-end, the carrying value of the City's deposits was \$6,641,390 and the bank balance was \$6,658,644. \$636,633 of the City's deposits was insured by federal depository insurance. The remaining \$6,022,011 of the City's \$6,658,644 was collateralized with securities held by the pledging financial institution's trust department or agent in the manner described above.

Investments

As of December 31, 2010, the City had the following investments.

	<u>Carrying and Fair Value</u>	<u>Less Than One Year</u>	<u>More Than One Year</u>
Federal National Mortgage Association Bonds	\$1,547,617	\$750,202	\$797,415
Federal Home Loan Bank Bonds	2,882,558	1,373,817	1,508,741
Federal Home Loan Mortgage Corporation Bonds	1,566,013	1,212,050	353,963
Federal Farm Credit Bureau Bonds	1,099,197	0	1,099,197
Money Market Mutual Fund	9,762	9,762	0
STAR Ohio	18,000	18,000	0
Total Investments	<u>\$7,123,147</u>	<u>\$3,363,831</u>	<u>\$3,759,316</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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer. The City's investment in Federal National Mortgage Association Bonds represents 21.73% of the City's total investments, Federal Home Loan Bank Bonds represents 40.47% of the City's total investments, Federal Farm Credit Bank Bonds represents 15.43% of the City's total investments and Federal Home Loan Mortgage Corporation Bonds represents 21.98% of the City's total investments. The City's investment in STAR Ohio and money market mutual funds Cash Portfolio Fund represents 0.39% 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	\$13,764,537	\$0
Investments:		
Federal National Mortgage Association Bonds	(1,547,617)	1,547,617
Federal Home Loan Bank Bonds	(2,882,558)	2,882,558
Federal Home Loan Mortgage Corporation Bonds	(1,566,013)	1,566,013
Federal Farm Credit Bureau Bonds	(1,099,197)	1,099,197
Money Market Mutual Fund	(9,762)	9,762
STAR Ohio	(18,000)	18,000
GASB Statement No. 3	<u>\$6,641,390</u>	<u>\$7,123,147</u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 2010 for real and public utility property taxes represents collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010 on the assessed value as of January 1, 2010 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

2010 tangible personal property taxes are levied after October 1, 2009, on the value as of December 31, 2010. Collections are made in 2010. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory. The personal property taxes have been phased out at two percent increments with 2010 being the final year.

The full tax rate for all City operations for the year ended December 31, 2010, was \$3.00 per \$1,000 of assessed value for inside millage. Additionally, voted levies were \$10.50 per \$1,000 of assessed value for fire and emergency medical service. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Category (Clermont County Only)</u>	<u>Assessed Value</u>
Real Property	\$160,518,930
Tangible Personal Property	249,533
Public Utility Tangible Personal Property	5,668,840
Total Property Tax	\$166,437,303

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

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 5 - PROPERTY TAXES (CONTINUED)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Milford. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010, 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 2010 operations. The receivable is offset by deferred revenue.

NOTE 6 - INCOME TAX

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

Income tax proceeds are to be used to pay the cost of administering the tax. After these costs are recovered the proceeds are allocated to the General Fund, the Parks and Recreation Special Revenue Fund, the Debt Service Fund and the Capital Improvement Capital Projects Fund. Income tax revenue (net of refunds) for 2010 was \$2,497,985.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2010, consisted primarily of property taxes, income taxes, accounts, interfund, interest on investments, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 7 – RECEIVABLES (CONTINUED)

A summary of intergovernmental receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
MAJOR FUNDS	
<i>General Fund:</i>	
Local Government	\$162,884
Estate Tax	4,336
Homestead/Rollback	43,988
Personal Property Exemptions	5,488
Ohio Attorney General – CPT Reimbursement	300
Total General Fund	<u>216,996</u>
 <i>Fire Levy</i>	
Homestead/Rollback	67,798
Personal Property Exemptions	5,443
Total Fire Levy	<u>73,241</u>
 <i>EMS Levy</i>	
Homestead/Rollback	72,548
Personal Property Exemptions	4,982
Total EMS Levy	<u>77,530</u>
 NONMAJOR FUNDS	
<i>Street Fund</i>	
Gasoline Excise Tax	110,770
Motor Vehicle License Tax	62,326
Total Street Fund	<u>173,096</u>
 <i>State Highway Fund</i>	
Ohio Department of Transportation Share	11,036
Gasoline Excise Tax	8,981
Motor Vehicle License Tax	5,052
Total State Highway Fund	<u>25,069</u>
 <i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	<u>47,108</u>
Total All Funds	<u><u>\$613,040</u></u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 8 – CAPITAL ASSETS

	Balance 12/31/09	Increases	Decreases	Balance 12/31/10
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$1,874,087	\$0	\$0	\$1,874,087
Construction in Progress	61,364	0	0	61,364
Total capital assets, not being depreciated	<u>1,935,451</u>	<u>0</u>	<u>0</u>	<u>1,935,451</u>
Capital Assets, being depreciated:				
Buildings	4,013,720	0	0	4,013,720
Improvements other than Buildings	1,322,399	0	0	1,322,399
Vehicles, Furniture and Equipment	2,257,211	6,156	(101,748)	2,161,619
Total capital assets being depreciated	<u>7,593,330</u>	<u>6,156</u>	<u>(101,748)</u>	<u>7,497,738</u>
Less Accumulated Depreciation For:				
Buildings	(1,689,258)	(133,722)	0	(1,822,980)
Improvements other than Buildings	(257,802)	(33,016)	0	(290,818)
Vehicles, Furniture and Equipment	(1,421,921)	(132,957)	101,748	(1,453,130)
Total Accumulated Depreciation	<u>(3,368,981)</u>	<u>(299,695)</u>	<u>101,748</u>	<u>(3,566,928)</u>
Total capital assets, being depreciated, net	<u>4,224,349</u>	<u>(293,539)</u>	<u>0</u>	<u>3,930,810</u>
Governmental Activities - Capital Assets, Net	<u>\$6,159,800</u>	<u>(\$293,539)</u>	<u>\$0</u>	<u>\$5,866,261</u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 8 – CAPITAL ASSETS (CONTINUED)

	Balance 12/31/09	Increases	Decreases	Balance 12/31/10
Business Type Activities				
Capital Assets, not being depreciated				
Land	\$328,914	0	0	\$328,914
Construction in Progress	0	216,069	0	216,069
Total capital assets, not being depreciated	<u>328,914</u>	<u>216,069</u>	<u>0</u>	<u>544,983</u>
Capital Assets, being depreciated				
Improvements other than Buildings	9,989,592	355,087	0	10,344,679
Plant	6,182,808	0	0	6,182,808
Machinery and Equipment	1,130,521	9,443	0	1,139,964
Sewer and Water Lines	6,448,470	607,574	0	7,056,044
Total capital assets, being depreciated	<u>23,751,391</u>	<u>972,104</u>	<u>0</u>	<u>24,723,495</u>
Less Accumulated Depreciation For:				
Improvements other than Buildings	(1,294,509)	(402,814)	0	(1,697,323)
Plant	(3,082,772)	(215,561)	0	(3,298,333)
Machinery and Equipment	(632,984)	(55,317)	0	(688,301)
Sewer and Water Lines	(3,436,999)	(134,629)	0	(3,571,628)
Total Accumulated Depreciation	<u>(8,447,264)</u>	<u>(808,321)</u>	<u>0</u>	<u>(9,255,585)</u>
Total capital assets, being depreciated, net	<u>15,304,127</u>	<u>163,783</u>	<u>0</u>	<u>15,467,910</u>
Business Type Activities - Capital Assets, Net	<u>\$15,633,041</u>	<u>\$379,852</u>	<u>\$0</u>	<u>\$16,012,893</u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 8 – CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

Security of Persons and Property	\$107,147
Public Health and Welfare	13,948
Leisure Time Activities	14,808
Transportation	60,628
General Government	103,164
Total Depreciation Expense - governmental activities	<u><u>\$299,695</u></u>

Business Type Activities:

Water	\$290,198
Wastewater	465,352
Stormwater Management	52,771
Total Depreciation Expense – business-type activities	<u><u>\$808,321</u></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).

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, 2010

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.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10%. The employer contribution rate was 14% from January 1 to February 28, 2010 8.5% was used to fund the pension and then from March 1 to December 31, 2010 9% was used to fund the pension fund. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the OPERS for the years ending December 31, 2010, 2009, and 2008 were \$145,708, \$114,253, and \$96,830, respectively, 95 percent has contributed for fiscal year 2010 and 100 has been contributed for fiscal years 2009 and 2008.

Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 for police officers. Contributions are authorized by State statute. The City's required contributions to the Fund for the years ended December 31, 2010, 2009, and 2008 were \$130,696, \$125,129, and \$123,007, respectively. The full amount has been contributed for 2009 and 2008. 99 percent has been contributed for 2010 with the remainder being reported as a liability within the respective funds.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 10- POST EMPLOYMENT BENEFITS

Public Employees Retirement System (OPERS)

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14% of covered payroll, and public safety and law enforcement employers contributed at 17.63%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to the health care plan was 5.5% from January 1 through February 28, 2010 and 5% from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual contributions for 2010, 2009, and 2008 that were used to fund OPEB were \$76,311, \$114,253, and \$101,616, respectively.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 10- POST EMPLOYMENT BENEFITS (CONTINUED)

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

Ohio Police and Fire Pension Fund

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered amount. The amount of the employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provision of Section 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of dependents and the coverage selected. The City's contributions for December 31, 2010, 2009, and 2008 were \$69,191, \$64,833, and \$65,136 respectively.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 11- EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

Full time City employees earn vacation leave at varying rates based upon length of service. Upon departure from City employment, an employee (or his estate) will be paid for unused vacation leave. For the City as a whole, the total obligation for vacation accrual amounted to \$181,047.

Accumulated Unpaid Sick Leave

Full time City employees earn sick leave at the rate of 3.70 hours per eighty hours of service. Sick leave is cumulative without limit. In the case of retirement, employees with ten (10) or more years of service will be paid twenty-five percent (25%) of accrued but unused sick leave, up to a maximum of 240 hours. For the City as a whole, the total obligation for sick leave accrual amounted to \$103,601.

Accumulated Unpaid Personal Leave

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

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

For the City as a whole, the total obligation for personal leave accrual amounted to \$24,286.

Insurance Benefits

Full time employees are provided health, dental, and life insurance. The City elected to provide employee medical and hospitalization benefits through the Center for Local Government Benefit Pool (CLGBP) OME-RESA for health insurance starting during 2010. All employees share the cost of the monthly premium with the City. The City provided life insurance and AD&D insurance to Mutual of Omaha. Dental insurance is provided by the City through Dental Care Plus. In addition, the City provides Health Reimbursement Accounts for all full time employees based on their medical coverage election. The annual reimbursement for Single Coverage is \$1,000.00 and the annual reimbursement for all other elections is \$2,000.00.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 12 - RISK MANAGEMENT

For 2010, the City contracted with GAU, Inc. for general commercial coverage. The City had a general aggregate limit of \$3,000,000; personal injury limit of \$1,000,000.

Settled claims have not exceeded the City's coverage in any of the past three years. There was no significant decline in the level of coverage from the prior year. Performance bonds for employees are protected by the Ohio Casualty Insurance Company and range from \$10,000 to \$100,000 with specific bonds for the Finance Director, Tax Commissioner and City Manager.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of Salaries. This rate is calculated based on accident history and administrative cost. The rate for 2010 paid in 2011 was .048183.

NOTE 13 - LONG-TERM OBLIGATIONS

Issue Date	Interest Rate	Description	Restated December 31, 2009	Additions	Reductions	December 31, 2010	Due Within One Year
Governmental activities:							
Bonds payable:							
General Obligation Bonds:							
2004	2.80% - 4.30%	Beechwood Connector	\$660,000	\$0	\$130,000	\$530,000	\$130,000
2000	4.40% - 5.75%	Capital Facility	65,000	0	65,000	0	0
2007		Refunded Capital Facility	1,640,000	0	0	1,640,000	80,000
1997	4.90% - 6.25%	Milford Parkway	420,000	0	40,000	380,000	45,000
1999	4.50% - 5.20%	Firehouse/Trailer Park	410,000	0	30,000	380,000	35,000
		Total Bonds Payable	3,195,000	0	265,000	2,930,000	290,000
2007		Premium on Refunded GO Bonds	44,068	0	3,526	40,542	0
		Net Bonds Payable	3,239,068	0	268,526	2,970,542	290,000
		Compensated absences	189,273	298,990	250,094	238,169	157,376
		Total Governmental Activities	3,428,341	298,990	518,620	3,208,711	447,376
Business – Type Activities:							
1994	2.00%	OWDA Loans	114,625	0	76,053	38,572	38,572
2005	0.90%	OWDA Loans	1,852,793	0	75,450	1,777,343	100,385
2007	2.00%	OWDA Loans	1,265,676	0	57,158	1,208,518	58,308
2008	1.00%	OWDA Loans	386,993	0	22,418	364,575	11,682
2010	1.00%	OWDA Loans	0	468,733	10,615	458,118	21,389
2010	0.00%	OWDA Loans	0	216,565	87,116	129,449	6,540
2003	0.00%	OPWC Loans	52,677	0	13,169	39,508	13,169
2004	0.00%	OPWC Loans	34,488	0	3,449	31,039	3,449
2006	0.00%	OPWC Loans	1,091,700	0	60,650	1,031,050	60,650
2009	0.00%	OPWC Loans	209,950	0	11,050	198,900	11,050
2010	0.00%	OPWC Loans	0	81,998	2,733	79,265	2,733
2010	0.00%	OPWC Loans	0	25,758	6,654	19,104	6,654
		Compensated absences	58,341	69,710	57,286	70,765	50,238
		Total Business – Type Activities	5,067,243	862,764	483,801	5,446,206	384,819
		All FUNDS	\$8,495,584	\$1,161,754	\$1,002,421	\$8,654,917	\$832,195

The unvoted general obligation bond issues will be paid through the Special Revenue Funds and Debt Service Fund from property taxes and income taxes. Compensated absences obligation was paid from the funds from which the employees' salaries are paid.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 13 - LONG-TERM OBLIGATIONS (CONTINUED)

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 issued 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.

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

The Ohio Water Development Authority loans are for the expansion of the City's Wastewater Treatment Plant. The loans will be repaid from the sewer fund's operating revenues. The 1994 bonds will mature on July 1, 2011 and the 2006 bonds will mature on July 1, 2027. The City has drawn \$2,329,879 on the 2006 bond authorization as of December 31, 2010.

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 Edgcombe Tank Rehabilitation for \$51,732. The loan will be retired in December 2019 from the water fund's operating revenues. During 2006, the City was approved for another loan from the Ohio Public Works Commission for the wastewater treatment plant replacement and improvement for \$1,213,000. The loan will be retired in January 2028 from the wastewater fund's operating revenues.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 13 - LONG-TERM OBLIGATIONS (CONTINUED)

In 2009, the City was approved for two OWDA wastewater system improvements to the Garfield Forced Main project. The loans were approved for twenty years at a 1% interest rate that will be retired in January 2029 from wastewater fund's operating revenues. Also the City received a loan from OPWC at no interest for Clearwell storage in the water system. The loan will be retired from water fund's operating revenues in 2028. The City drew down the remaining \$216,585 during 2010 on the OWDA loans with \$80,000 being paid through the ARRA program.

For 2010, the City received an OWDA loan for the Limo Slaker construction work that bears a zero percent interest rate. The loan will be retired from the water fund's operating revenue in 2029. The City also received two OPWC loans. One loan was for combined sewer option (CSO) 54" construction and the other was for the Garfield Force Main project. The loans will be retired from the sewer's fund operating revenue in 2029 for the CSO project and 2040 for the Garfield Force Main project although the loans were finalized at December 31, 2010.

The City has pledged a portion of future water and wastewater revenues to repay the OWDA and OPWC loans through final maturity on each debt obligation. The amount of future pledged revenues from the water fund is \$1,803,448 and from the wastewater fund is \$4,476,467 which are equal to the outstanding principal and interest obligations on the related debt.

As of December 31, 2010, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$15,581,303, and the unvoted legal debt margin was \$6,744,438.

A summary of the City's long-term debt funding requirements as of December 31, 2010 is represented in the following schedules. Principal, interest and total debt service is provided for General Obligation Bonds, Ohio Water Development Authority Loans, and Ohio Public Works Commission Loans.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 13 - LONG-TERM OBLIGATIONS (CONTINUED)

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

GOVERNMENTAL ACTIVITIES			
General Obligation Bonds			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$290,000	\$138,597	\$428,597
2012	300,000	129,122	429,122
2013	305,000	112,025	417,025
2014	325,000	97,948	422,948
2015	185,000	82,689	267,689
2016-2020	855,000	255,235	1,110,235
2021-2025	670,000	92,700	762,700
	<u>\$2,930,000</u>	<u>\$908,316</u>	<u>\$3,838,316</u>

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

BUSINESS-TYPE ACTIVITIES			
Ohio Water Development Authority Loans			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$236,876	\$47,897	\$284,773
2012	208,057	45,368	253,425
2013	210,574	42,850	253,424
2014	213,128	40,296	253,424
2015	215,719	37,705	253,424
2016-2020	1,118,800	148,325	1,267,125
2021-2025	1,189,484	77,640	1,267,124
2026-2030	583,937	11,615	595,552
Totals	<u>\$3,976,575</u>	<u>\$451,696</u>	<u>\$4,428,271</u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 13 - LONG-TERM OBLIGATIONS (CONTINUED)

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

BUSINESS-TYPE ACTIVITIES			
Ohio Public Works			
Commission Loans			
Years	Principal	Interest	Total
2011	\$97,705	\$0	\$97,705
2012	97,705	0	97,705
2013	97,705	0	97,705
2014	91,118	0	91,118
2015	84,535	0	84,535
2016-2020	420,948	0	420,948
2021-2025	405,340	0	405,340
2026-2030	103,810	0	103,810
Totals	<u>\$1,398,866</u>	<u>\$0</u>	<u>\$1,398,866</u>

NOTE 14 – INTERFUND TRANSACTIONS

Following is a summary of transfers in and out for all funds for 2010:

Fund	Transfers In	Transfers Out
MAJOR FUNDS		
General	\$0	\$291,864
Debt Retirement	120,000	0
Wastewater	71,864	0
Non-Major Governmental Funds	<u>100,000</u>	<u>0</u>
 Total All Funds	 <u>\$291,864</u>	 <u>\$291,864</u>

The transfers out in the General fund to the nonmajor funds was related to covered costs associated with the cemetery activities for the City. The City also transferred additional funds into the debt retirement for the Clermont County TID obligation. The transfer from the General fund to Wastewater fund was the City’s portion of the OWDA Garfield Force Main project.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

The Center for Local Government, a jointly governed organization, was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Board of Trustees consists of five members made up of elected representatives from the participating governments. The City does not have any financial interest in or responsibility for the Center. The City made no financial contribution during 2010. Information can be obtained from the Center by writing to Director of the Center for Local Government, 10945 Reed Hartman Highway, Suite 303, Cincinnati, Ohio 45242.

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

OKI contracts periodically for local funds and other support with the governing board of each of the governments who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each City and municipal corporation, one individual selected by each City planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member City. This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI. The City made no financial contribution during 2010. 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, 2010

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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

Due to this JEDD's location around the interchange of State Route 32 and the Interstate 275, additional commercial development is expected to continue at this location into the future. The deposits of income tax revenues exceeded \$40,000 per month between both the City and Township. For more information related to the financial results of the JEDD please contact the City's Income Tax Department.

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

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

NOTE 16 - CONTINGENT LIABILITIES

LITIGATION

The City is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City. The City had no pending litigation as of December 31, 2010.

STATE GRANTS

For the period January 1, 2010, to December 31, 2010, the City received State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 17 – CLAIMS PAYABLE

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

All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The OME-RESA’s independent third-party administrator has actuarially determined that \$293,019 is a good and sufficient provision for incurred but not reported claims as of December 31, 2010. This amount is non-discounted and is based upon historical claims experience.

The claims liability of \$293,019 reported in the General fund at June 30, 2011, is based on an estimate provided by Self Funded Plans, Inc. (the third party administrator) and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims. Changes in the fund's claims liability amount in 2010 were:

	<u>Claims Balance</u> <u>Beginning of Year</u>	<u>Claims and Changes in</u> <u>Claims Estimates</u>	<u>Claims</u> <u>Payments</u>	<u>Claims Balance</u> <u>at Year End</u>
2009	\$0	\$612,644	(\$612,644)	\$0
2010	0	680,717	(387,698)	293,019

NOTE 18 – RESTATEMENT OF NET ASSETS

The City had reported the balances for the OWDA and OPWC balances incorrectly between the Water and Sewer funds and overstated the loan payables by reporting grant balances as loans payable. The correction to the loan balances required the following restatement of net assets as of December 31, 2009:

	<u>Business-Type</u> <u>Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Net Assets December 31, 2009	\$15,957,164	\$5,142,838	\$8,990,809
Restatement of Loans Payable	568,700	243,496	325,204
Restated Net Assets December 31, 2009	<u>\$16,525,864</u>	<u>\$5,386,334</u>	<u>\$9,316,013</u>

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, 2010

GENERAL FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
Revenues:				
Property and Other Local Taxes	\$ 638,140	\$ 697,494	\$ 688,440	\$ (9,054)
Income Taxes	2,100,709	2,296,099	2,288,112	(7,987)
Intergovernmental	550,607	601,820	795,276	193,456
Charges for Services	112,629	123,105	135,096	11,991
Licenses and Permits	21,089	23,050	29,726	6,676
Investment Earnings	31,432	34,355	38,023	3,668
Fines and Forfeitures	133,073	145,450	160,355	14,905
Other All Revenue	14,328	15,661	42,463	26,802
Total Revenue	3,602,007	3,937,034	4,177,491	240,457
Expenditures:				
Current:				
Security of Persons and Property:				
Police				
Personal Services	1,529,821	1,734,841	1,670,643	64,198
Other	342,129	290,876	296,846	(5,970)
Total Police	1,871,950	2,025,717	1,967,489	58,228
Building Inspection				
Personal Services	43,414	44,130	42,530	1,600
Other	6,961	7,180	3,379	3,801
Total Building Inspection	50,375	51,310	45,909	5,401
Total Security of Persons and Property	1,922,325	2,077,027	2,013,398	63,629
Public Health and Welfare Services:				
Health				
Other	31,644	31,644	31,644	-
Total Health	31,644	31,644	31,644	-
Grounds and Facilities				
Personal Services	185,546	206,899	204,963	1,936
Other	44,647	47,414	39,779	7,635
Total Grounds and Facilities	230,193	254,313	244,742	9,571
Total Public Health and Welfare	261,837	285,957	276,386	9,571
Transportation				
Public Works - Administration				
Other	376,107	376,106	368,184	7,922
Total Transportation	376,107	376,106	368,184	7,922
General Government				
Mayor's Court				
Personal Services	70,969	71,759	71,691	68
Other	17,711	20,678	18,984	1,694
Total Mayor's Court	88,680	92,437	90,675	1,762
City Council				
Personal Services	44,507	47,542	45,216	2,326
Other	29,251	29,101	26,002	3,099
Total City Council	73,758	76,643	71,218	5,425
Five Points Building				
Other	110,419	118,326	111,334	6,992
Total Five Points Building	110,419	118,326	111,334	6,992
Civil Defense				
Other	8,128	8,128	5,116	3,012
Total Civil Defense	8,128	8,128	5,116	3,012

(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, 2010

	GENERAL FUND			Variance Positive (Negative)
	Initial	Budget Final	Actual	
City Manager				
Personal Services	\$ 214,712	\$ 216,865	\$ 208,628	\$ 8,237
Other	26,818	27,226	25,575	1,651
Total City Manager	<u>241,530</u>	<u>244,091</u>	<u>234,203</u>	<u>9,888</u>
Law Director				
Personal Services	73,755	74,291	73,863	428
Other	2,853	14,180	10,527	3,653
Total Law Director	<u>76,608</u>	<u>88,471</u>	<u>84,390</u>	<u>4,081</u>
Department of Civil Service				
Personal Services	298	298	11	287
Other	1,688	1,687	263	1,424
Total Department of Civil Service	<u>1,986</u>	<u>1,985</u>	<u>274</u>	<u>1,711</u>
Finance and Accounting				
Personal Services	121,535	123,225	117,747	5,478
Other	40,866	44,511	43,249	1,262
Total Finance and Accounting	<u>162,401</u>	<u>167,736</u>	<u>160,996</u>	<u>6,740</u>
Administration				
Other	81,630	82,137	76,263	5,874
Total Administration	<u>81,630</u>	<u>82,137</u>	<u>76,263</u>	<u>5,874</u>
Engineering				
Personal Services	32,889	32,888	32,172	716
Other	9,332	9,333	6,724	2,609
Total Engineering	<u>42,221</u>	<u>42,221</u>	<u>38,896</u>	<u>3,325</u>
Development				
Personal Services	50,115	50,488	50,294	194
Other	13,230	13,285	9,913	3,372
Total Development	<u>63,345</u>	<u>63,773</u>	<u>60,207</u>	<u>3,566</u>
Income Tax				
Personal Services	64,571	65,008	71,914	(6,906)
Other	82,491	87,708	86,127	1,581
Total Income Tax	<u>147,062</u>	<u>152,716</u>	<u>158,041</u>	<u>(5,325)</u>
Total General Government	<u>1,097,768</u>	<u>1,138,664</u>	<u>1,091,613</u>	<u>47,051</u>
Total Expenditures	<u>3,658,037</u>	<u>3,877,754</u>	<u>3,749,581</u>	<u>128,173</u>
Excess of Revenues Over (Under) Expenditures	(56,030)	59,280	427,910	368,630
Other Financing Uses:				
Income Tax Refunds	(60,000)	(90,000)	(81,423)	(8,577)
Transfers - Out	(220,000)	(220,000)	(291,864)	(71,864)
Total Other Financing Uses	<u>(280,000)</u>	<u>(309,000)</u>	<u>(373,287)</u>	<u>(64,287)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Uses	(336,030)	(249,720)	54,623	304,343
Fund Balances at Beginning of Year	<u>2,928,748</u>	<u>2,928,748</u>	<u>2,928,748</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 2,592,718</u>	<u>\$ 2,679,028</u>	<u>\$ 2,983,371</u>	<u>\$ 304,343</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, 2010

FIRE LEVY FUND

	Budget		Actual	Variance Postive (Negative)
	Initial	Final		
Revenues:				
Property and Other Local Taxes	\$ 740,235	\$ 740,235	\$ 727,734	\$ (12,501)
Intergovernmental	159,156	159,156	163,810	4,654
Investment Earnings	7,164	7,164	5,372	(1,792)
Other All Revenue	-	-	1	1
Total Revenue	906,555	906,555	896,917	(9,638)
Expenditures:				
Current:				
Security of Persons and Property:				
Fire Department				
Other	785,109	788,109	784,031	4,078
Total Fire Department	785,109	788,109	784,031	4,078
Debt Service:				
Principal Retirement	15,000	15,000	15,000	-
Interest and Fiscal Charges	10,044	10,044	10,044	-
Total Debt Service	25,044	25,044	25,044	-
Total Expenditures	810,153	813,153	809,075	4,078
Excess of Revenues Over Expenditures	96,402	93,402	87,842	(5,560)
Fund Balances at Beginning of Year	330,075	330,075	330,075	-
Fund Balances at End of Year	\$ 426,477	\$ 423,477	\$ 417,917	\$ (5,560)

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, 2010

EMS LEVY FUND

	Budget		Actual	Variance
	Initial	Final		Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$ 781,832	\$ 781,832	\$ 769,032	\$ (12,800)
Intergovernmental	164,575	164,575	169,285	4,710
Investment Earnings	1,186	1,186	1,472	286
Other All Revenue	-	-	1	1
Total Revenue	947,593	947,593	939,790	(7,803)
Expenditures:				
Current:				
Security of Persons and Property:				
Fire Department				
Other	716,931	721,931	714,627	7,304
Total Fire Department	716,931	721,931	714,627	7,304
Debt Service:				
Principal Retirement	15,000	15,000	15,000	-
Interest and Fiscal Charges	10,044	10,044	10,044	-
Total Debt Service	25,044	25,044	25,044	-
Total Expenditures	741,975	746,975	739,671	7,304
Excess of Revenues Over Expenditures	205,618	200,618	200,119	(499)
Fund Balances at Beginning of Year	135,213	135,213	135,213	-
Fund Balances at End of Year	\$ 340,831	\$ 335,831	\$ 335,332	\$ (499)

See accompanying notes to the required supplementary information

CITY OF MILFORD, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010

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, 2010

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 2010 by Council.

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

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

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

Budgeted Level of Expenditures

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

Encumbrances

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

CITY OF MILFORD, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010

NOTE 1 – BUDGETARY PROCESS (CONTINUED)

Lapsing of Appropriations

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

NOTE 2 - BUDGET TO GAAP RECONCILIATION

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

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

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

	General Fund	Fire Levy Fund	EMS Levy Fund
GAAP Basis	(\$123,447)	\$88,257	\$201,212
Adjustments:			
Revenue Accruals	(17,697)	0	0
Expenditure Accruals	311,063	(230)	(908)
Encumbrances	(115,296)	(185)	(185)
Budget Basis	<u>\$54,623</u>	<u>\$87,842</u>	<u>\$200,119</u>

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, Clermont County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 21, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 21, 2012



Dave Yost • Auditor of State

CITY OF MILFORD

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2012**