

**City of Milford
Clermont County**

**General Purpose Financial Statements
For the Year Ended December 31, 1999**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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To The City Council of the City of Milford

We have reviewed the Independent Auditor's Report of the City of Milford, Clermont County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 1999 to December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Milford is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

August 9, 2000

PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS
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June 29, 2000

To The City Council of the City of Milford, Ohio

REPORT OF INDEPENDENT ACCOUNTANTS

We have audited the accompanying general purpose financial statements of the City of Milford, Ohio, (the City) as of and for the year ended December 31, 1999. These general purpose financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City, as of December 31, 1999, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2000 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 grants.

Plattenburg & Associates, Inc.
Certified Public Accountants

**City of Milford
 Combined Balance Sheet
 All Fund Types and Account Groups
 December 31, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits</u>				
<i>Assets:</i>				
Equity in Pooled Cash and Investments	\$1,611,572	\$933,550	\$24,468	\$884,992
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0
<i>Receivables:</i>				
Property Taxes	321,899	979,799	0	0
Income Taxes	141,625	0	0	0
Accounts	15,041	0	0	0
Interfund	184,000	0	0	0
Accrued Interest	38,342	540	0	0
Due From Other Governments	107,151	48,144	0	0
Due From Other Funds	9,976	1,445	0	0
Materials and Supplies Inventory	14,514	18,360	0	0
Prepaid Items	38,168	6,904	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<i>Other Debits:</i>				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$2,482,288	\$1,988,742	\$24,468	\$884,992

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$2,993,037	\$17,769	\$0	\$0	\$6,465,388
0	13,516	0	0	13,516
1,094	0	0	0	1,094
0	0	0	0	1,301,698
0	0	0	0	141,625
230,565	0	0	0	245,606
0	0	0	0	184,000
24,238	0	0	0	63,120
0	0	0	0	155,295
1,948	0	0	0	13,369
32,043	0	0	0	64,917
21,932	0	0	0	67,004
6,652,512	0	6,544,301	0	13,196,813
0	0	0	24,468	24,468
0	0	0	1,787,489	1,787,489
<u>\$9,957,369</u>	<u>\$31,285</u>	<u>\$6,544,301</u>	<u>\$1,811,957</u>	<u>\$23,725,402</u>

(Continued)

**City of Milford
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1999
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities, Fund Equity and Other Credits</u>				
<i>Liabilities:</i>				
Accounts Payable	\$17,749	\$4,969	\$0	\$0
Accrued Wages and Benefits	19,510	3,156	0	0
Contracts Payable	0	0	0	35,919
Retainage Payable	0	7,500	0	16,011
Due to Other Funds	375	0	0	0
Due to Other Governments	25,599	1,912	0	0
Interfund Payable	0	104,000	0	0
Deposits Held and Due to Others	0	0	0	0
Deferred Revenue	321,899	979,799	0	0
Compensated Absences Payable	9,837	0	0	0
Accrued Interest Payable	0	0	0	11,001
Notes Payable	0	0	0	2,060,000
Matured Interest Payable	0	0	0	0
Matured Bonds Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	394,969	1,101,336	0	2,122,931
<i>Fund Equity and Other Credits:</i>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	46,793	103,463	0	197,828
Reserved for Inventory	14,514	18,360	0	0
Undesignated (Deficit)	2,026,012	765,583	24,468	(1,435,767)
Total Fund Equity (Deficit) and Other Credits	2,087,319	887,406	24,468	(1,237,939)
Total Liabilities, Fund Equity and Other Credits	\$2,482,288	\$1,988,742	\$24,468	\$884,992

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$17,454	\$0	\$0	\$0	\$40,172
8,077	0	0	0	30,743
42,405	0	0	0	78,324
1,082	0	0	0	24,593
1,573	11,421	0	0	13,369
11,777	2,095	0	123,743	165,126
80,000	0	0	0	184,000
0	17,769	0	0	17,769
0	0	0	0	1,301,698
32,456	0	0	88,214	130,507
2,140	0	0	0	13,141
145,000	0	0	0	2,205,000
94	0	0	0	94
1,000	0	0	0	1,000
797,421	0	0	0	797,421
8,000	0	0	1,600,000	1,608,000
1,148,479	31,285	0	1,811,957	6,610,957
0	0	6,544,301	0	6,544,301
4,774,734	0	0	0	4,774,734
4,034,156	0	0	0	4,034,156
0	0	0	0	348,084
0	0	0	0	32,874
0	0	0	0	1,380,296
8,808,890	0	6,544,301	0	17,114,445
\$9,957,369	\$31,285	\$6,544,301	\$1,811,957	\$23,725,402

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City of Milford, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 1999

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Revenues:					
Income Taxes	\$1,541,810	\$79,555	\$68,000	\$238,666	\$1,928,031
Property Taxes	322,018	1,107,572	0	0	1,429,590
Charges for Services	75,783	155,212	0	0	230,995
Fines, Licenses and Permits	173,344	27,399	0	1,600	202,343
Intergovernmental	631,221	538,464	0	0	1,169,685
Interest	169,624	25,645	1,064	18,960	215,293
Net Decrease in Fair Value of Investments	(4,499)	0	0	0	(4,499)
Other	4,309	29,912	0	0	34,221
Total Revenues	2,913,610	1,963,759	69,064	259,226	5,205,659
Expenditures:					
Current					
Security of Persons and Property	1,143,816	1,171,812	0	0	2,315,628
Public Health Services	20,534	129,651	0	0	150,185
Leisure Time Activities	0	49,871	0	0	49,871
Community Environment	348,881	322,574	0	0	671,455
Basic Utility Services	202,320	0	0	0	202,320
Transportation	186,484	384,522	0	0	571,006
General Government	941,173	122,413	0	0	1,063,586
Capital Outlay	0	0	0	429,427	429,427
Debt Service:					
Principal Retirement	0	0	25,000	0	25,000
Interest and Fiscal Charges	0	0	43,451	64,884	108,335
Total Expenditures	2,843,208	2,180,843	68,451	494,311	5,586,813
Excess of Revenues Over (Under) Expenditures	70,402	(217,084)	613	(235,085)	(381,154)
Other Financing Sources (Uses):					
Sale of Fixed Assets	8,341	1,898	0	1,655	11,894
Proceeds From Sale of Bonds	0	0	0	870,000	870,000
Operating Transfers - In	0	111,000	0	297,622	408,622
Operating Transfers - Out	(303,835)	(104,787)	0	0	(408,622)
Total Other Financing Sources (Uses)	(295,494)	8,111	0	1,169,277	881,894
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(225,092)	(208,973)	613	934,192	500,740
Fund Balances (Deficit) at Beginning of Year	2,311,439	1,094,654	23,855	(2,172,131)	1,257,817
Increase in Reserve for Inventory	972	1,725	0	0	2,697
Fund Balances (Deficit) at End of Year	\$2,087,319	\$887,406	\$24,468	(\$1,237,939)	\$1,761,254

See accompanying notes to the general purpose financial statements

City of Milford, Ohio
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types
For the Year Ended December 31, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Income Taxes	\$1,478,845	\$1,488,929	\$10,084	\$77,050	\$79,555	\$2,505
Property Taxes	323,113	322,018	(1,095)	1,092,185	1,103,031	10,846
Charges for Services	52,650	60,845	8,195	153,200	155,212	2,012
Fines, Licenses and Permits	157,425	170,696	13,271	24,116	27,958	3,842
Intergovernmental	654,353	663,803	9,450	796,678	538,514	(258,164)
Interest	150,000	153,044	3,044	32,419	25,385	(7,034)
Other	13,800	17,889	4,089	1,392	30,170	28,778
Total Revenues	<u>2,830,186</u>	<u>2,877,224</u>	<u>47,038</u>	<u>2,177,040</u>	<u>1,959,825</u>	<u>(217,215)</u>
Expenditures:						
Current						
Security of Persons and Property	1,159,117	1,146,131	12,986	1,398,650	1,350,190	48,460
Public Health Services	20,534	20,534	0	151,140	133,349	17,791
Leisure Time Activities	0	0	0	96,608	71,446	25,162
Community Environment	401,736	374,940	26,796	521,814	359,098	162,716
Basic Utility Services	226,738	211,251	15,487	0	0	0
Transportation	206,990	187,314	19,676	452,315	409,503	42,812
General Government	1,060,453	949,487	110,966	139,940	129,951	9,989
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	115,000	115,000	0	30,000	30,000	0
Interest and Fiscal Charges	11,202	11,202	0	74,787	74,787	0
Total Expenditures	<u>3,201,770</u>	<u>3,015,859</u>	<u>185,911</u>	<u>2,865,254</u>	<u>2,558,324</u>	<u>306,930</u>
Excess of Revenues Over (Under) Expenditures	<u>(371,584)</u>	<u>(138,635)</u>	<u>232,949</u>	<u>(688,214)</u>	<u>(598,499)</u>	<u>89,715</u>
Other Financing Sources (Uses):						
Sale of Fixed Assets	0	8,341	8,341	1,896	1,898	2
Proceeds From Sale of Bonds	0	0	0	0	0	0
Proceeds From Sale of Notes	0	0	0	0	0	0
Advances-In	0	48,000	48,000	0	104,000	104,000
Advances-Out	0	(184,000)	(184,000)	0	(37,000)	(37,000)
Operating Transfers-In	0	0	0	111,000	111,000	0
Operating Transfers-Out	(179,523)	(177,633)	1,890	0	0	0
Total Other Financing Sources (Uses)	<u>(179,523)</u>	<u>(305,292)</u>	<u>(125,769)</u>	<u>112,896</u>	<u>179,898</u>	<u>67,002</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(551,107)</u>	<u>(443,927)</u>	<u>107,180</u>	<u>(575,318)</u>	<u>(418,601)</u>	<u>156,717</u>
Fund Balances at Beginning of Year	1,882,182	1,882,182	0	951,549	951,549	0
Prior Year Encumbrances Appropriated	<u>113,877</u>	<u>113,877</u>	<u>0</u>	<u>281,315</u>	<u>281,315</u>	<u>0</u>
Fund Balances at End of Year	<u>\$1,444,952</u>	<u>\$1,552,132</u>	<u>\$107,180</u>	<u>\$657,546</u>	<u>\$814,263</u>	<u>\$156,717</u>

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$68,000	\$68,000	\$0	\$229,495	\$238,666	\$9,171
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,500	1,600	100
0	0	0	0	0	0
900	1,064	164	12,726	16,966	4,240
2,000	1,995	(5)	106,000	106,000	0
<u>70,900</u>	<u>71,059</u>	<u>159</u>	<u>349,721</u>	<u>363,232</u>	<u>13,511</u>
0	0	0	176,228	108,353	67,875
0	0	0	6,500	6,499	1
0	0	0	82,495	77,482	5,013
0	0	0	149,000	148,815	185
0	0	0	15,000	0	15,000
0	0	0	290,000	163,663	126,337
0	0	0	532,234	471,041	61,193
0	0	0	0	0	0
2,700,000	2,700,000	0	0	0	0
45,446	45,446	0	18,782	18,782	0
<u>2,745,446</u>	<u>2,745,446</u>	<u>0</u>	<u>1,270,239</u>	<u>994,635</u>	<u>275,604</u>
(2,674,546)	(2,674,387)	159	(920,518)	(631,403)	289,115
0	0	0	1,655	1,655	0
870,000	870,000	0	0	0	0
1,805,000	1,805,000	0	400,000	400,000	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	66,633	66,633	0
0	0	0	0	0	0
<u>2,675,000</u>	<u>2,675,000</u>	<u>0</u>	<u>468,288</u>	<u>468,288</u>	<u>0</u>
454	613	159	(452,230)	(163,115)	289,115
23,855	23,855	0	463,457	463,457	0
0	0	0	92,294	92,294	0
<u>\$24,309</u>	<u>\$24,468</u>	<u>\$159</u>	<u>\$103,521</u>	<u>\$392,636</u>	<u>\$289,115</u>

City of Milford, Ohio
Combined Statement of Revenues, Expenses and
Changes in Fund Equity
All Enterprise Funds
For the Year Ended December 31, 1999

Operating Revenues:	<u>Enterprise</u>
Charges for Services	\$2,115,302
Other	4,110
Total Operating Revenues	<u>2,119,412</u>
Operating Expenses:	
Personal Services	546,835
Contractual Services	392,318
Materials and Supplies	86,273
Travel and Education	5,854
Depreciation	<u>376,262</u>
Total Operating Expenses	<u>1,407,542</u>
Operating Income	<u>711,870</u>
Non-Operating Revenues (Expenses):	
Interest	137,237
Net Decrease in Fair Value of Investments	(2,998)
Interest and Fiscal Charges	(24,634)
Grants	4,718
Other Non-Operating Revenues	31,877
Other Non-Operating Expenses	(4,888)
Gain on Disposal of Fixed Asset	<u>8,447</u>
Total Non-Operating Revenues (Expenses)	<u>149,759</u>
Net Income	861,629
Retained Earnings at Beginning of Year	<u>3,172,527</u>
Retained Earnings at End of Year	<u>4,034,156</u>
Contributed Capital at Beginning of Year	4,643,909
Contributions During the Year:	
Developers	<u>130,825</u>
Contributed Capital at End of Year	<u>4,774,734</u>
Total Fund Equity at End of Year	<u><u>\$8,808,890</u></u>

See accompanying notes to the general purpose financial statements

City of Milford, Ohio
Combined Statement of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Budget Basis)
All Enterprise Funds
For the Year Ended December 31, 1999

	Revised Budget	Actual	Favorable (Unfavorable)
Revenues:			
Charges for Services	\$2,051,453	\$2,098,219	\$46,766
Interest	564,000	127,507	(436,493)
Grants	278,000	4,718	(273,282)
Other	33,603	35,897	2,294
Total Revenues	<u>2,927,056</u>	<u>2,266,341</u>	<u>(660,715)</u>
Expenses:			
Personal Services	551,656	552,062	(406)
Travel and Education	11,200	5,854	5,346
Contractual Services	560,926	473,764	87,162
Materials and Supplies	100,242	93,214	7,028
Other Expenses	4,200	4,888	(688)
Capital Outlay	1,765,558	1,296,951	468,607
Debt Service:			
Principal Retirement	118,101	118,101	0
Interest and Fiscal Charges	25,357	25,357	0
Total Expenses	<u>3,137,240</u>	<u>2,570,191</u>	<u>567,049</u>
Excess of Revenues Under Expenses	(210,184)	(303,850)	(93,666)
Advances - In	57,000	80,000	23,000
Advances - Out	<u>(10,000)</u>	<u>(11,000)</u>	<u>(1,000)</u>
Excess of Revenues and Advances Under Expenses	(163,184)	(234,850)	(71,666)
Fund Equity Beginning of Year	2,064,183	2,064,183	0
Prior Year Encumbrances Appropriated	<u>94,805</u>	<u>94,805</u>	<u>0</u>
Fund Equity at End of Year	<u>\$1,995,804</u>	<u>\$1,924,138</u>	<u>(\$71,666)</u>

See accompanying notes to the general purpose financial statements

City of Milford, Ohio
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 1999

Increase (Decrease) in Cash and Cash Equivalents:

<u>Cash Flows from Operating Activities:</u>	<u>Enterprise</u>
Cash Received from Customers	\$2,102,239
Cash Payments to Employees for Services and Benefits	(552,062)
Cash Payments to Suppliers for Goods and Services	(442,237)
Other Non-Operating Revenues	31,877
Other Non-Operating Expenses	<u>(4,888)</u>
Net Cash Provided by Operating Activities	<u>1,134,929</u>
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Advances-In	80,000
Advances- out	(11,000)
Operating Grants	<u>4,718</u>
Net Cash Provided by Noncapital Financing Activities	<u>73,718</u>
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Aquisition of Capital Assets	(357,523)
Proceeds from Sale of General Obligation Notes	145,000
Principal Paid on General Obligation Bonds	(7,000)
Interest Paid on General Obligation Bonds	(2,951)
Principal Paid on General Obligation Notes	(195,000)
Interest Paid on General Obligation Notes	(7,778)
Principal Paid on Ohio Water Development Authority Loans	(61,101)
Interest Paid on Ohio Water Development Authority Loans	<u>(16,866)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(503,219)</u>
 <u>Cash Flows from Investing Activities:</u>	
Decrease in Fair Value of Cash Equivalents	(2,998)
Interest on Investments	<u>127,507</u>
Net Cash Provided by Investing Activities	<u>124,509</u>
Net Increase in Cash and Cash Equivalents	829,937
Cash and Cash Equivalents Beginning of Year	<u>2,164,194</u>
Cash and Cash Equivalents End of Year	<u><u>\$2,994,131</u></u>

See accompanying notes to the general purpose financial statements (Continued)

City of Milford, Ohio
Combined Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 1999
(Continued)

Reconciliation of Operating Income to Net

<u>Cash Provided by Operating Activities:</u>	<u>Enterprise</u>
Operating Income	\$711,870
 <i>Adjustments to Reconcile Operating Income to Net</i>	
<i>Cash Provided by Operating Activities:</i>	
Depreciation	376,262
Other Non-Operating Expenses	(4,888)
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(5,283)
Decrease in Due from Other Funds	2,205
Decrease in Inventory	1,039
Increase in Prepaid Items	(9,521)
Increase in Accounts Payable	368
Increase in Contracts Payable	34,405
Increase in Retainage Payable	1,082
Increase in Accrued Wages and Benefits	2,122
Increase in Compensated Absences Payable	4,446
Decrease in Due to Other Funds	(1,279)
Decrease in Due to Other Governments	(7,927)
Decrease in Deferred Revenue	(1,849)
Total Adjustments	423,059
 Net Cash Provided by Operating Activities	 \$1,134,929

Non-Cash Transactions: Developers during the year donated fixed assets for the water and sewer enterprise funds in the amounts of \$46,985 and \$83,840, respectively.

See accountant's compilation report
See accompanying notes to the general purpose financial statements

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 1 - REPORTING ENTITY

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

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

THE REPORTING ENTITY

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

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

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

The City is associated with the Ohio Municipal League that provides two related services. One service is a risk sharing pool and the other is an insurance purchasing pool. The organization's services are presented in Notes 13 and 19 to the general purpose financial statements.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City of Milford have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

BASIS OF PRESENTATION - FUND ACCOUNTING

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

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

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

GOVERNMENTAL FUNDS

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

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

The modified accrual basis of accounting is used for reporting purposes by the governmental fund types and agency funds. Under this method of accounting, the City recognizes revenue when it becomes both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be thirty-one days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recognized as expenditures when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues accrued at the end of the year included income taxes withheld by employers, interest on investments, intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance), fines and forfeitures, and reimbursements due federal and state funded projects for which corresponding expenditures have been made.

Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received because they are generally not measurable until actually received.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1999, whose availability is indeterminate and which are not intended to finance current period obligations, have also been recorded as deferred revenue as further discussed in Note 6.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and become measurable and expenses are recognized at the time liabilities are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

BUDGETARY PROCESS

The City follows these procedures in establishing the budgetary data reported in the combined financial statements:

Tax Budget

A tax budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted. 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 the full amount of authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by October 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund.

On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31. The certificate may be further amended during the year if a new source of revenue is received or actual receipts exceed current estimates and the Commission find the revised estimates to be reasonable. The amounts set forth in the financial statements represents the estimates in the final amended certificate issued for 1999.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Appropriations

An appropriation ordinance (the appropriation budget) to control the level of expenditures for all funds except agency funds must be legally enacted on or before January 1. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations. Several supplemental appropriations were adopted during 1999 by Council.

The Appropriated Budget

For all funds, except agency funds, council appropriations (the legal level of control) are made for personal services, supplies and materials, contractual and other services, and capital outlay within each department, and also debt principal/interest payments, and transfers-out. 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. The appropriations set by Council must remain fixed unless amended by Council ordinance. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within Council's appropriated amount.

Encumbrances

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

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled and invested in short-term investments in order to provide improved cash management. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During 1999, investments were limited to STAR Ohio, Certificates of Deposit, U.S. Treasury Notes, Federal Home Loan Bank Bonds, Federal Farm Credit Bank Bonds, Federal Home Loan Mortgage Notes, Federal National Mortgage Association Bonds and Money Market Mutual Funds. Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. Fair value of open-end mutual funds is based on current share price. Non-participating investment contracts such as nonnegotiable certificates of deposit are reported at cost or amortized cost.

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, 1999.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with original maturities of three months or less and funds within the cash management pool are considered to be cash and cash equivalents. The City's Municipal Court has its own checking accounts for collection and distribution of court fines and forfeitures which are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts." The City utilizes financial institutions to service bonded debt as principal and interest payments come due and is presented on the combined balances sheet as "Cash and Cash Equivalents with Fiscal Agents."

Interest revenue credited to the general fund, special revenue funds, debt service fund, capital project funds, and the enterprise funds during fiscal year 1999 amounted to \$169,624, \$25,645, \$1,064, \$18,960, \$137,237 respectively. The general fund receipt includes \$51,367 assigned from other City funds.

INVENTORY OF SUPPLIES

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

expendable resources even though it is a component of net current assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond December 31, 1999 are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the same time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INTERFUND ASSETS/LIABILITIES

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due From Other Funds" or "Due To Other Funds" on the balance sheet. Short-term interfund loans or the short-term portion of advances are classified as "Interfund Receivables" or "Interfund Payables"(See Note 17).

FIXED ASSETS AND DEPRECIATION

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

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

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

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Plant	40 years
Improvements other than buildings	15 - 50 years
Equipment	4 - 15 years
Sewer Lines/Water Lines	40 years

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

CAPITALIZATION OF INTEREST

The City's policy is to capitalize net interest on proprietary fund construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 1999, interest costs incurred on construction projects in proprietary funds were not material.

COMPENSATED ABSENCES

The City accrued a liability for compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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. 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.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. This amount is recorded as a fund liability, while the balance of the liability is recorded in the general long-term obligations account group. In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCRUED LIABILITIES AND OTHER LONG-TERM OBLIGATIONS

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

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

Obligation	Fund
Due to Other Governments	
(Tax agreement with School District)	General Fund
(Pension Obligation)	Will be paid by the fund from which the employee's salary is paid.
Compensated Absences	Will be paid by the fund from which the employee's salary is paid.
General Obligation Bonds	Debt Service Fund and applicable Enterprise Funds
OWDA Loans Payable	Sewer Fund

CONTRIBUTED CAPITAL

Contributed capital represents resources from other funds, federal and state grants, other governments, and private sources provided to the City's proprietary funds which are not subject to repayment.

Because the City has not prepared its financial statements in accordance with generally accepted accounting principles in years prior to 1990, the exact amount of contributed capital at December 31, 1999, cannot be determined. Only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to the proprietary funds are classified as retained earnings. During 1999, there were \$130,825 in additions to contributed capital from developers.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RESERVATIONS OF FUND EQUITY

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances and inventories of supplies and materials.

ACCOUNTING 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.

INTERGOVERNMENTAL REVENUES

In governmental funds, federal and state grants awarded on a non-reimbursement basis, state shared revenues, and federal entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursable grants are recorded as intergovernmental receivables and revenues when the related liabilities are incurred.

Grants received for proprietary fund operations are recognized as revenues when measurable and earned. Such resources restricted for the construction of capital assets are recorded as contributed capital.

INTERFUND TRANSACTIONS

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

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

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

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

NOTE 3 - BUDGET TO GAAP RECONCILIATION

BUDGETARY BASIS OF ACCOUNTING

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

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

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 3 - BUDGET TO GAAP RECONCILIATION (Continued)

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GAAP Basis	(\$225,092)	(\$208,973)	\$613	\$934,192
Adjustments:				
Revenue Accruals	(36,386)	(3,934)	1,995	104,006
Expenditure Accruals	3,476	(228,194)	(1,995)	(7,968)
Encumbrances	(61,127)	(119,287)	0	(492,356)
Debt Principal	(115,000)	(30,000)	(2,675,000)	0
Debt Proceeds	0	0	2,675,000	(470,000)
Advances	(136,000)	67,000	0	0
Operating Transfers	126,202	104,787	0	(230,989)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Budget Basis	<u>(\$443,927)</u>	<u>(\$418,601)</u>	<u>\$613</u>	<u>(\$163,115)</u>

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

	<u>Enterprise</u>
GAAP basis	\$861,629
Adjustments:	
Revenue Accruals	(26,903)
Expense Accruals	36,258
Encumbrances	(1,070,023)
Principal Retirement	(118,101)
Advances	69,000
Fixed Asset Acquisitions	(357,523)
Gain on Disposal of Fixed Assets	(8,447)
Decrease in Fair Value of Cash Equivalentents	2,998
Depreciation	<u>376,262</u>

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Budget Basis (\$234,850)

NOTE 4 - COMPLIANCE

STATUTORY COMPLIANCE

The following appropriation accounts had an excess of expenditures plus encumbrances over appropriations for the year ended December 31, 1999:

Enterprise Fund	
<u>Water</u>	
Personal Service	\$1,246
Materials and Supplies	48,661
Other	313
<u>Sewer</u>	
Other	375

FUND DEFICITS

Fund Type/Name	Fund Deficit
Special Revenue Funds	
Clermont County CDBG	\$36,196
Downtown Improvement	7,792
Capital Projects Funds	
Five Points Renovation	179,922
Building Purchase	1,660,000

The deficits in the special revenue funds are a result of the application of general accepted accounting principles. If the deficit balance continues, the General Fund will be responsible for transferring cash to cover the deficit. The General Fund provides transfers when cash is needed rather than when accruals occur. The deficits in the capital project funds are the result of the issuance of short-term bond anticipation notes which are used to finance these projects. Once the bonds are issued and the notes are retired, the deficit will be eliminated.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS

POLICIES AND PROCEDURES

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies 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 noted, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the 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 GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 5 - 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 taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

DEPOSITS

At year end, the carrying amount of the City's deposits was \$3,816,387 and the bank balance was \$4,557,041. Of the bank balance, \$200,000 was covered by federal deposit insurance. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

INVESTMENTS

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

	<u>Category 2</u>	<u>Unclassified</u>	<u>Fair Value/ Carrying Value</u>
U.S. Treasury Notes	\$98,657		\$98,657
Federal Farm Credit Banks Bonds	49,605		49,605
Federal Home Loan Mortgage Notes	271,287		271,287
Federal Home Loan Bank Bonds	223,715		223,715
Federal National Mortgage Association Bonds	346,615		346,615
Unclassified Investments:			
STAR Ohio		1,399,157	1,399,157
Money Market Mutual Funds		274,575	274,575
Total	\$989,879	\$1,673,723	\$2,663,611

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

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

	<u>Cash & Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$5,490,119	\$989,879
Investments:		
STAR Ohio	(1,399,157)	1,399,157
Money Market Mutual Funds	(274,575)	274,575
GASB Statement No. 3	\$3,816,387	\$2,663,611

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 6 - 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 1999 for real and public utility property taxes represents collections of 1998 taxes. Property tax payments received during 1999 for tangible personal property (other than public utility property) is for 1999 taxes.

1999 real property taxes are levied after October 1, 1999 on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 1999 real property taxes are collected in and intended to finance 2000.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 1999 public utility property taxes become a lien December 31, 1998, are levied after October 1, 1999, and are collected in 1999 with real property taxes.

1999 tangible personal property taxes are levied after October 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 1999 was \$3.0 per \$1,000 of assessed value for inside millage. Additionally, voted levies were \$8.93 per \$1,000 of assessed value for fire and emergency medical service. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Property Tax	\$97,556,420
Tangible Personal Property	10,297,850
Public Utility Tangible Personal Property	8,274,020
Total	\$116,128,290

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 GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 6 - 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 collected. Property taxes receivable represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 1999. Although total property tax collections for the next fiscal 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 1999 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 7 - 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 Bond Retirement Debt Service Fund, and Capital Improvement Capital Project Fund. Income tax revenue for 1999 was \$1,928,031.

NOTE 8 - RECEIVABLES

Receivables at December 31, 1999 consisted primarily of property taxes, interfund, income taxes, intergovernmental receivables arising from grants, entitlements and shared revenues, interest on investments, and accounts. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

<u>GENERAL FUND</u>	
Local Government	\$27,543
COPS Grant	1,394
Recycling Grant	10,740
Estate Taxes	63,635
Local Government Revenue Assistance	<u>3,839</u>
Total General Fund	<u>107,151</u>

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 8 - RECEIVABLES (Continued)

SPECIAL REVENUE FUNDS

Street Fund

Gas Tax	11,584
Motor Vehicle License Tax	<u>2,717</u>
Total Street Fund	<u>14,301</u>

State Highway Fund

Gas Tax	939
Motor Vehicle License Tax	<u>221</u>
Total State Highway Fund	<u>1,160</u>

Permissive Tax Fund

Permissive Tax	<u>5,683</u>
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Downtown Improvement Fund

Community Development Block Grant	<u>27,000</u>
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Total Special Revenue Funds	<u>48,144</u>
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Total All Funds	<u><u>\$155,295</u></u>
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NOTE 9 - FIXED ASSETS

Changes in general fixed assets during the year ended December 31, 1999 were as follows:

Class	Balance 12/31/98	Additions	Deletion s	Balance 12/31/99
Land	\$1,420,125	\$57,008	\$5,850	\$1,471,283
Buildings	2,587,898	903,130	20,152	3,470,876
Improvements Other Than Buildings	272,476	31,128	18,451	285,153
Vehicles, Furniture and Equipment	1,044,882	126,768	69,880	1,101,770
Construction in Progress	<u>784,967</u>	<u>207,067</u>	<u>776,815</u>	<u>215,219</u>
Totals	<u><u>\$6,110,348</u></u>	<u><u>\$1,325,101</u></u>	<u><u>\$891,148</u></u>	<u><u>\$6,544,301</u></u>

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 9 - FIXED ASSETS (Continued)

Fixed asset balances for Enterprise Funds as of December 31, 1999 were as follows:

Class	Sewer	Water	Total
Land	\$38,772	\$101,488	\$140,260
Improvements Other Than Buildings	559,795	896,230	1,456,025
Plant	2,041,388	1,545,100	3,586,488
Equipment	305,330	284,082	589,412
Sewer and Water Lines	3,465,065	1,753,708	5,218,773
Construction in Progress	<u>87,641</u>	<u>41,442</u>	<u>129,083</u>
Total	6,497,991	4,622,050	11,120,041
Less: Accumulated Depreciation	<u>(2,817,008)</u>	<u>(1,650,521)</u>	<u>(4,467,529)</u>
Net Fixed Assets	<u><u>\$3,680,983</u></u>	<u><u>\$2,971,529</u></u>	<u><u>\$6,652,512</u></u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The City of Milford 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, disability, and survivor benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377).

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the City of Milford is required to contribute 9.35 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City of Milford's required contributions to PERS for the years ended December 31, 1999, 1998, and 1997 were \$108,702, \$93,498, and \$87,805, respectively. The full amount has been contributed for 1998 and 1997. 98.04 percent has been contributed for 1999 with the remainder being reported as a liability within the respective funds and the general long-term obligations account group.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. POLICE AND FIREMEN'S DISABILITY AND PENSION FUND

The City of Milford contributes to the Police and Firemen's Disability and Pension Fund of Ohio (the "Fund"), a cost-sharing multiple employer public employee retirement system administered by the Fund's Board of Trustees. The Fund provides retirement benefits, annual cost-of-living adjustments, and disability to qualified participants and survivor and death benefits to qualified spouses, children and dependent parents. Benefits are based on eligible service credit. Benefits are established 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.

Police are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City of Milford is required to contribute 13 percent for police. The City has no firefighters. Contributions are authorized by State statute. The City of Milford's contributions to the Fund for the years ended December 31, 1999, 1998, and 1997 were \$71,445, \$79,114, and \$65,163, respectively. The full amount has been contributed for 1998 and 1997. 98.6 percent has been contributed for 1999 with the remainder being reported as a liability within the general long-term obligations account group.

NOTE 11 - OTHER EMPLOYEE BENEFITS

COMPENSATED ABSENCES

Accumulated Unpaid Vacation

City employees earn vacation leave and personal 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 \$76,314.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of 4.62 hours per eighty hours of service. Sick leave is cumulative without limit. In the case of death or retirement, employees will be paid one sixth of the value of up to 180 days up to a maximum payment. The total obligation for sick leave accrual for the City as a whole as of December 31, 1999, was \$47,099.

Accumulated Unpaid Personal Leave

City employees receive two personal days in January for all employees, except police employees which earn the days on July 1. Employees can earn additional personal days for each 120 consecutive days period without using sick leave. Employees can accumulate a maximum of 40 hours at any time. The personal leave can be carried over from year to year. For the City as a whole, the total obligation for personal accrual amounted to \$7,094.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 12 - POSTEMPLOYMENT BENEFITS

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post employment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care based on authority granted by State statute. The 1999 employer contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care for 1999.

For 1999, benefits are funded on a pay-as-you-go basis. The Ohio Revised Code provides the statutory authority requiring public employees to fund postretirement health care through their contributions to PERS. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The City's actual contributions for 1999 which were used to fund OPEB were \$59,408.

POLICE AND FIREMEN'S DISABILITY AND PENSION FUND

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which the board defined 7 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Milford has no fire personnel; therefore, the Fund covers police personnel only.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

The number of participants eligible to receive health care benefits as of December 31, 1998 (the latest information available), was 11,424 for police and 9,186 for firefighters. The City's actual contributions for 1999 that were used to fund postemployment benefits were \$37,151 for police. The Fund's total health care expenses for the year ended December 31, 1998, were \$78,596,790, which was net of member contributions of \$5,331,515.

NOTE 13 - RISK MANAGEMENT

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

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

Each participant makes an annual "contribution" to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operation for the various coverages provided. Participants are also charged for a "surplus contribution" that is used to fund the activities of the pool. During 1999, the City of Milford made contributions of \$47,238 to the pool. The required surplus contribution was \$5,494 for 1999.

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

Treaty basis casualty excess of loss contracts in force at December 31, 1999, (the latest information available) generally protect the Pool against individual losses over \$150,000 and \$50,000 on property.

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

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 13 - RISK MANAGEMENT (Continued)

The City obtained insurance coverage from the pool for losses related to general liability, property and fire in 1999 and 1998.

The City carried commercial insurance coverage for all other risks, including public officials' bonds in 1999 and 1998. Boiler and machinery hold a \$1,000 deductible. Vehicle deductibles are \$250 while property deductibles are \$1,000 and general liability deductible is \$1,000. The City carries a \$1,000 deductible for police and a \$1,000 deductible for professional liability insurance. Settled claims have not exceeded this commercial coverage in any of the past four years. There was no significant decline in the level of coverage from the prior year.

Professional liability is protected by the Ohio Casualty Insurance Company. Performance bonds for employees range from \$10,000 to \$25,000 with specific bonds for the finance director and tax commissioner and city manager.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative cost. The rate for 1998 paid in 1999 is .261337.

NOTE 14 - LONG-TERM OBLIGATIONS

Long-term obligations at December 31, 1999 were as follows:

General Long-Term Obligations

	Balance December 31, 1998	Increase	Decrease	Balance December 31, 1999
General Obligation Bonds (Unvoted)				
Milford Parkway 4.9% - 6.25% 1998	\$755,000	\$0	\$25,000	\$730,000
Firehouse/Trailer Park 4.5% - 5.2% 1999	0	870,000	0	870,000
Pension Obligation	68,237	3,743	68,237	3,743
Tax Abatement	135,000	0	15,000	120,000
Compensated Absences	82,688	5,526	0	88,214
TOTAL - General Long- Term Obligations	\$1,040,925	\$879,269	\$108,237	\$1,811,957

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Enterprise Long-Term Obligations

	Balance December 31, 1998	Increase	Decrease	Balance December 31, 1999
General Obligation Bonds				
Sewer Bonds				
4.75% - 1971	\$15,000	\$0	\$7,000	\$8,000
OWDA Loans	858,522	0	61,101	797,421
Pension Obligation	19,702	11,777	19,702	11,777
Compensated Absences	28,010	4,446	0	32,456
TOTAL - Enterprise Funds	921,234	16,223	87,803	849,654
TOTAL - All Types	\$1,962,159	\$895,492	\$196,040	\$2,661,611

The unvoted general obligation bond issues will be paid through the Debt Service Fund from property taxes. The General Obligation Sewer Bonds will be paid from sewer revenues.

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

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

The OWDA loan debt of \$797,421 has a 2% interest rate and principal and interest payments are due every six months on July 1 and January 1. The loan will be repaid from the water fund's operating revenues.

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

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

As of December 31, 1999, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$8,557,938. Principal and interest requirements to retire the City's long-term obligations outstanding at December 31, 1999 are:

<u>Year</u>	Governmental General Obligation Bonds	Enterprise General Obligation Bonds	Enterprise Ohio Water Development Authority Loans
2000	\$231,206	\$8,380	\$77,967
2001	224,331	0	77,967
2002	114,807	0	77,967
2003	122,519	0	77,967
2004	119,834	0	77,967
2005-2009	594,988	0	389,837
2010-2014	604,633	0	116,928
2015-2019	463,950	0	0
TOTAL	\$2,476,268	\$8,380	\$896,600

NOTE 15 - NOTE OBLIGATIONS

A summary of the note transactions for the year ended December 31, 1999 follows:

Fund	Balance December 31, 1998	Increase	Decrease	Balance December 31, 1999
Capital Projects	\$2,675,000	\$2,060,000	\$2,675,000	\$2,060,000
Enterprise	195,000	145,000	195,000	145,000
Total	\$2,870,000	\$2,205,000	\$2,870,000	\$2,205,000

Notes outstanding at year end consisted of the following issues:

Issue			
Building Purchase	\$2,060,000	3.30%	March 1, 2000
Water System Improvement	145,000	4.00%	August 17, 2000
Total	\$2,205,000		

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 15 - NOTE OBLIGATIONS (Continued)

The Building Purchase notes are issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the City and mature within one year.

The Wastewater System Improvement note of \$145,000 will be paid from revenue derived by the City from water operations.

NOTE 16 - DEFEASANCE OF GENERAL OBLIGATION BONDS

Effective June 5, 1984 the City entered into an Escrow Trust Agreement with Provident Bank. The agreement provides for the deposit by the City of \$516,000 into an irrevocable trust with the bank for the payment to final maturity of outstanding Sewer Revenue Bonds. The funds deposited, together with interest earned thereon, shall be sufficient to pay annual bond principal and semiannual interest payments, thus providing an in-substance defeasance. The remaining \$16,000 in debt principal that was outstanding at December 31, 1998, was paid off during 1999.

NOTE 17 - DUE FROM/TO OTHER FUNDS AND INTERFUND RECEIVABLE/PAYABLE

Interfund asset and liability balances at December 31, 1999 were as follows:

	<u>Due From/To Other Funds</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	<u>\$9,976</u>	<u>\$375</u>	<u>\$184,000</u>	<u>\$0</u>
<u>Special Revenue Funds</u>				
Drug Law Enforcement Fund	435	0	0	0
Mayor's Court Computer Fund	1,010	0	0	0
Downtown Retaliation Fund	0	0	0	21,000
Clermont County CDBG Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>83,000</u>
Total Special Revenue Funds	<u>1,445</u>	<u>0</u>	<u>0</u>	<u>104,000</u>
<u>Enterprise Funds</u>				
Water Fund	1,757		0	23,000
Sewer Fund	<u>191</u>	<u>1,573</u>	<u>0</u>	<u>57,000</u>
Total Enterprise Funds	<u>1,948</u>	<u>1,573</u>	<u>0</u>	<u>80,000</u>
<u>Agency Fund</u>				
Municipal Court Fund	<u>0</u>	<u>11,421</u>	<u>0</u>	<u>0</u>
Totals	<u><u>\$13,369</u></u>	<u><u>\$13,369</u></u>	<u><u>\$184,000</u></u>	<u><u>\$184,000</u></u>

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 18 - SEGMENT INFORMATION

The City's enterprise funds account for the provision of sewer and water services. Key financial information as of and for the year ended December 31, 1999 for each enterprise fund is as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues	\$974,481	\$1,144,931	\$2,119,412
Depreciation Expense	170,864	205,398	376,262
Operating Income	251,728	460,142	711,870
Operating Grants	4,718	0	4,718
Net Income	301,391	560,238	861,629
Fixed Assets Additions	203,148	154,375	357,523
Capital Contributions	46,985	83,840	130,825
Net Working Capital	1,162,790	1,843,242	3,006,032
Total Assets	4,361,664	5,595,705	9,957,369
Long-Term Liabilities Payable from Revenue	23,327	826,327	849,654
Total Equity	4,110,992	4,697,898	8,808,890
Encumbrances at 12/31/99	(403,569)	(666,454)	(1,070,023)

NOTE 19 - INSURANCE PURCHASING POOL

For 1999, the City participated in the Ohio Municipal League of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through its information. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to cities that can meet the Plan's selection criteria. The firm of Gates McDonald provides administrative, cost control and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

CITY OF MILFORD, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 19 - INSURANCE PURCHASING POOL (Continued)

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

NOTE 20 - 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.

STATE GRANTS

For the period January 1, 1999 to December 31, 1999 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.

PLATTENBURG & ASSOCIATES, INC./CERTIFIED PUBLIC ACCOUNTANTS

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2211 SOUTH DIXIE AVENUE/ DAYTON, OH 45409 • (937) 294-1505 • FAX (937) 294-1507

**Report on compliance and on internal control over financial reporting
based on an audit of financial statements performed in accordance with
*Government Auditing Standards***

June 29, 2000

To The City Council of the City of Milford, Ohio

We have audited the general purpose financial statements of the City of Milford, Ohio (the City), as of and for the year ended December 31, 1999, and have issued our report thereon dated June 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be

material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Auditor of State, City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plattenburg & Associates, Inc.
Certified Public Accountants

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Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB *Circular A-133*

June 29, 2000

To The City Council of the City of Milford, Ohio

Compliance

We have audited the compliance of the City with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The City's major federal program is identified in the summary of auditor's results portion of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards Expenditures

We have audited the general purpose financial statements of the City as of and for the year ended December 31, 1999, and have issued our report thereon dated June 29, 2000. Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the City taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of management, City Council, the Auditor of State, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plattensburg & Associates, Inc.
Certified Public Accountants

CITY OF MILFORD, OHIO

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Federal Grantor/Pass - Through Grantor, Program Title</u>	<u>Pass Through Entity Number</u>	<u>CFDA</u>	<u>Disbursements</u>
<u>United States Department of Justice- Office of Justice Program</u>			
Crime Prevention Grant	N/A	16.592	\$19,868
Subtotal - Department of Justice			<u>\$19,868</u>
<u>United States Department of HUD</u>			
Passed Through State Department of Development:			
Community Development Block Grant Formula Program	N/A	14.228	\$323,503
Subtotal - Department of HUD			<u>\$323,503</u>
TOTALS			<u><u>\$343,371</u></u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

**CITY OF MILFORD, OHIO
December 31, 1999**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were the any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under Section .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Community Development Block Grant Formula Program
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None Noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted

**CITY OF MILFORD, OHIO
DECEMBER 31, 1999**

**SCHEDULE OF PRIOR AUDIT AND QUESTIONED COSTS
*OMB CIRCULAR A-133***

The City had no prior audit findings or questioned costs.



STATE OF OHIO
OFFICE OF THE AUDITOR

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CITY OF MILFORD

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 22, 2000