

City of Milford  
Clermont County, Ohio

Regular Audit

January 1, 2007, through December 31, 2007  
Fiscal Years Audited Under GAGAS: 2007



**Balestra, Harr & Scherer, CPAs, Inc.**

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Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Milford, Clermont County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2007 through December 31, 2007. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 18, 2008

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**City of Milford**  
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For the Year Ended December 31, 2007

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# BALESTRA, HARR & SCHERER CPAs, INC.

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, Clermont County, (the City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 and budgetary comparison schedules for the General, Fire Levy, and EMS Levy Funds on pages 63 through 70 are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

City of Milford  
Clermont County  
Independent Auditor's Report  
Page 2

As described in Note 21 to the basic financial statements, the City implemented Governmental Accounting Standards Board Statement Number 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

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

Balestra, Harr & Scherer, CPAs, Inc.  
July 30, 2008



**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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The discussion and analysis of the City of Milford's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2007. While the intent of this discussion and analysis is to look at the City's financial performance as a whole, readers should also review the basic financial statements and notes to enhance their understanding of the City's fiscal performance.

**Financial Highlights**

Key highlights for 2007 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2007, by \$25,221,225 (net assets). Of this amount, \$4,300,376 (governmental unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors, and \$6,016,100 is classified as unrestricted in the Water, Wastewater and Stormwater activities.
- The City's total net assets increased by \$1,720,125, which represents a 7.32% increase from 2006.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,414,140. Of this amount \$5,115,935 is available for spending (unreserved fund balance) on behalf of its citizens.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$2,729,640 or 74.21% of total general fund expenditures.
- The other governmental major funds: Fire Levy and EMS Levy have ending fund balances of \$338,775 and \$332,638. Both of these funds recognized a net increase in fund balance over \$38,000 for 2007.

**Using this Annual Financial Report**

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

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

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**Reporting City of Milford as a Whole**

Statement of Net Assets and the Statement of Activities:

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

Fund Financial Statements

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

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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

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

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

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

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

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

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

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

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$25,221,225 (\$9,573,361 in governmental activities and \$15,647,864 in business type activities) as of December 31, 2007. The largest portion of the City's net assets (47.31%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Table 1 provides a summary of the City's statement of net assets for 2007 compared to 2006.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$9,544,090	\$8,624,971	\$6,294,233	\$5,865,204	\$15,838,323	\$14,490,175
Capital Assets	6,413,585	7,202,047	13,056,306	11,778,964	19,469,891	18,981,011
Total Assets	15,957,675	15,827,018	19,350,539	17,644,168	35,308,214	33,471,186
Long-term liabilities	3,871,195	3,921,210	3,477,335	2,223,819	7,348,530	6,145,029
Other liabilities	2,513,119	2,990,224	225,340	834,833	2,738,459	3,825,057
Total Liabilities	6,384,314	6,911,434	3,702,675	3,058,652	10,086,989	9,970,086
Nets Assets:						
Invested in capital assets, net of related debt	2,300,752	2,922,047	9,631,764	9,602,776	11,932,516	12,524,823
Restricted	2,972,233	2,616,451	0	0	2,972,233	2,616,451
Unrestricted	4,300,376	3,377,086	6,016,100	4,982,740	10,316,476	8,359,826
Total Net Assets	\$9,573,361	\$8,915,584	\$15,647,864	\$14,585,516	\$25,221,225	\$23,501,100

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represented \$2,972,233 or 11.78% of net assets. The remaining unrestricted \$10,316,476 or 40.91% of net assets may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

As of December 31, 2007, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The City saw capital assets increase as the City continued construction on the wastewater treatment plant and work on the water wellfields. The City increased long term liabilities again by 19.58% from 2006 as the City continued to drawn down on funding from OWDA and OWPC related to those projects continued. The overall unrestricted net assets increased as the City was able to increase cash through controlling expenses by almost \$700,000 along with a large estate tax receivable.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

*Statement of Activities*

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	\$345,204	\$321,213	\$2,599,615	\$2,537,579	\$2,944,819	\$2,858,792
Operating Grants and Contributions	399,330	441,285	2,483	0	401,813	441,285
Capital Grants and Contributions	0	168,401	393,252	120,870	393,252	289,271
General Revenues						
Income Taxes	2,541,689	2,669,817	0	0	2,541,689	2,669,817
Property Taxes	2,177,634	1,963,452	0	0	2,177,634	1,963,452
Other Taxes	1,181,137	689,008	0	0	1,181,137	689,008
Unrestricted Grants	749,163	530,126	0	0	749,163	530,126
Investment earnings	338,104	257,612	291,675	276,072	629,779	533,684
Other Revenues	81,870	43,721	0	0	81,870	43,721
Total Revenues	7,814,131	7,084,635	3,287,025	2,934,521	11,101,156	10,019,156
Expenses:						
Security of Persons and Property	3,686,561	3,835,074	0	0	3,686,561	3,835,074
Public Health and Welfare	500,241	556,183	0	0	500,241	556,183
Leisure Time Activities	377,140	128,298	0	0	377,140	128,298
Basic Utility Services	636,523	303,431	0	0	636,523	303,431
Transportation	335,747	354,913	0	0	335,747	354,913
General Government	1,373,930	1,494,076	0	0	1,373,930	1,494,076
Intergovernmental	27,879	0	0	0	27,879	0
Interest and Fiscal Charges	218,333	213,909	0	0	218,333	213,909
Water	0	0	1,162,977	893,406	1,162,977	893,406
Wastewater	0	0	867,574	1,040,816	867,574	1,040,816
Stormwater Management	0	0	194,126	121,047	194,126	121,047
Total Expenses	7,156,354	6,885,884	2,224,677	2,055,269	9,381,031	8,941,153
Change in Net Assets	657,777	198,751	1,062,348	879,252	1,720,125	1,078,003
Beginning Net Assets	8,915,584	8,716,833	14,585,516	13,706,264	23,501,100	22,423,097
Ending Net Assets	\$9,573,361	\$8,915,584	\$15,647,864	\$14,585,516	\$25,221,225	\$23,501,100

*Governmental Activities*

The primary focus of governmental activities is in the area of security of persons and property, which represents the police, fire and EMS services of the City. For 2007, total security of persons and property expenses were \$3.69 Million representing 51.51% of governmental activity spending yielding a reliance on general revenues to fund the program of approximately \$3.57 Million after direct support to their programs.

Despite escalating health insurance costs for governments, the City was able to control expenses in the most significant functions, security of persons and property (-3.87%) and general government (-8.04%) saw decreases from 2006. Leisure time activities and basic utility services were impacted by rising fuel costs and required improvements to the City maintained areas.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

*Business-Type Activities*

The City's business-type activities include the Water, Wastewater and Stormwater Management systems. The Wastewater and Stormwater Management systems were able to boast positive changes in net assets figures of \$764,777 and \$336,840, respectively as the Wastewater fund received over \$1.14 Million in user fees and the stormwater user fees easily covered that system's operations. Combined change in net assets totaled to \$1,062,348 with the Water fund posting a negative change in net assets of \$39,269, mainly due to the current year depreciation of \$210,166.

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

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

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

As of the end of 2007, the City's governmental funds reported combined ending fund balances of \$5.41 Million. Approximately \$5.12 Million constitutes unreserved fund balance available for spending for citizens. The remaining \$0.29 million reserved to indicate that it has been earmarked for specific purposes and not available to be spent for some purposes, most notably to liquidate contracts and purchase orders from the prior year.

The General Fund is the chief operating fund of the City. As of December 31, 2007, the unreserved general fund balance was \$2.73 Million with a total fund balance of \$2.89 Million. As a measure of liquidity, it is often useful to compare these numbers to total general fund expenditures and other financing uses. Unreserved fund balance represents approximately 63.37% of the total expenditures and other financing uses, while total fund balance represents 67.01% of that same amount.

During 2007, the City's general fund decreased by \$0.15 Million as the City transferred \$0.63 Million to the debt service fund and other City funds to cover the City's portion of the debt service requirements for the year and capital improvement fund for road improvements.

The Fire Levy major special revenue fund realized an increase in fund balance of \$0.04 Million during the year. The EMS Levy major special fund actually saw an increase of \$0.04 Million as well. The Fire and EMS levy funds were able to generate higher revenues than the cost to provide services to the citizens compared to expenditures exceeding revenues in the prior year.

**CITY OF MILFORD, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**General Fund Budgeting Highlights**

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

During the course of 2007, the City amended its total and general fund budget two times, the most significant noted below. All recommendations for the budget came from the City Manager after consultation with individual directors and the Finance Department before submission to City Council. The City Council also ministerially approves small interdepartmental budget changes that modify line items within departments within the same fund. With the General fund supporting a majority of our major activities such as public safety programs, as well as most legislative and executive activities, the General Fund is monitored closely with particular attention to possible revenue shortfalls or over spending by individual departments.

The following table summarizes the major revenue sources and expenditures from original to final budget for 2007:

<u>Description</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>
Revenues:			
Property and Other Taxes	\$676,550	\$787,050	\$110,500
Income Taxes	2,504,078	2,520,078	16,000
Intergovernmental Revenue	526,350	647,850	121,500
Other Revenues	<u>460,050</u>	<u>516,050</u>	<u>56,000</u>
Total Revenues	<u>4,167,028</u>	<u>4,471,028</u>	<u>304,000</u>
Expenditures:			
Security of Persons/Property	2,002,700	2,039,966	37,266
General Government	1,261,107	1,358,966	97,859
Other Expenditures	<u>726,240</u>	<u>774,199</u>	<u>47,959</u>
Total Expenditures	<u>3,990,047</u>	<u>4,173,131</u>	<u>183,084</u>

The City's original revenue budget was increased by 7.29% to the final budget as the original budget was created with the City's tax budget although the final budget for expenditures only increased 4.59%. The final budget was completed when the City had a better understanding of the state local government funding issues and more information related to total income tax collections.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2007:

Description	Final Budget	Actual	Change
Revenues:			
Property and Other Taxes	\$787,050	\$785,881	(\$1,169)
Income Taxes	2,520,078	1,935,829	(584,249)
Intergovernmental Revenue	647,850	597,499	(50,351)
Other Revenues	516,050	643,839	127,789
Total Revenues	<u>4,471,028</u>	<u>3,963,048</u>	<u>(507,980)</u>
Expenditures:			
Security of Persons/Property	2,039,966	1,948,318	91,648
General Government	1,358,966	1,248,833	110,133
Other Expenditures	774,199	656,446	117,753
Total Expenditures	<u>4,173,131</u>	<u>3,853,597</u>	<u>319,534</u>

The City's largest variance in final revenues was in income tax revenue. The City's receipt of revenue was delayed a month more than normal as it switched over to the Regional Income Tax Authority during 2007.

Despite the City's increased final budget figures, the departmental staff within the functions of the City was successful in bringing their final expenditures in under budget for 2007.

### **Capital Assets and Debt Administration**

*Capital Assets:* The City's investment in capital assets for its governmental and business type activities as of December 31, 2007, totaled \$11.93 Million (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, equipment and machinery.

Note 9 (Capital Assets) provides capital asset activity during 2007. The City spent most of the capital asset money on construction projects for the new wastewater facility and water wellfields which are recorded as construction in progress. For more information on the governmental and business-type capital assets see Note 9 in the notes to the financial statements.



**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

*Long-term Debt:* At the end of 2007, the City had general obligation bonds outstanding of \$3.65 Million in governmental activities. The City retired \$1,874,864 in principal related to all debt during the year, which includes \$1,555,000 of general obligation bonds being refunded through issuance of \$1,640,000 in general obligation bonds. See Note 14 for further information on the City's long-term debt.

**Economic Factors affecting the City**

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

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

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

**Requests for Information**

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

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**CITY OF MILFORD, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2007**

	Governmental Type	Business Type	Total
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 5,433,964	\$ 5,706,270	\$ 11,140,234
Receivables (net of allowance for doubtful accounts):			
Taxes-Real & Personal Property	2,303,599	-	2,303,599
Taxes-Municipal Income	683,314	-	683,314
Accounts	3,395	375,305	378,700
Interest	34,212	34,212	68,424
Internal Balances	(1,318)	1,318	-
Notes Receivable	40,000		40,000
Due from Other Governments	890,815	158,111	1,048,926
Prepaid Items	22,822	19,017	41,839
Bond Issuance Costs	133,287	-	133,287
Nondepreciable Capital Assets:			
Land	1,874,087	328,914	2,203,001
Construction In Progress	61,364	4,523,574	4,584,938
Depreciable Capital Assets:			
Plant	-	6,182,808	6,182,808
Water/Sewer Lines	-	6,448,470	6,448,470
Buildings and Improvements	4,014,348	-	4,014,348
Improvements other than Buildings	1,322,399	2,203,804	3,526,203
Furniture, Equipment and Vehicles	2,317,681	981,037	3,298,718
Less: Accumulated Depreciation	(3,176,294)	(7,612,301)	(10,788,595)
<b>Total Assets</b>	<b>15,957,675</b>	<b>19,350,539</b>	<b>35,308,214</b>
<b>Liabilities:</b>			
Accounts Payable	99,889	26,359	126,248
Contracts Payable	-	121,930	121,930
Accrued Wages and Benefits	79,923	25,263	105,186
Due to Other Governments	174,909	51,788	226,697
Accrued Interest Payable	27,698	-	27,698
Unearned Revenue	2,130,700	-	2,130,700
Long Term Liabilities due within 1 year	308,242	260,742	568,984
Long Term Liabilities due over 1 year	3,562,953	3,216,593	6,779,546
<b>Total Liabilities</b>	<b>6,384,314</b>	<b>3,702,675</b>	<b>10,086,989</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, net related debt	2,300,752	9,631,764	11,932,516
Restricted:			
Transportation	622,147	-	622,147
Culture and Recreation	537,567	-	537,567
Protection of Citizens	880,402	-	880,402
Capital Improvements	932,117	-	932,117
Unrestricted	4,300,376	6,016,100	10,316,476
<b>Total Net Assets</b>	<b>9,573,361</b>	<b>15,647,864</b>	<b>25,221,225</b>
<b>Total Net Assets and Liabilities</b>	<b>\$ 15,957,675</b>	<b>\$ 19,350,539</b>	<b>\$ 35,308,214</b>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Function/Programs	Program Revenues			Capital		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Governmental Activities:</b>								
Security of Persons and Property	\$ (3,686,561)	\$ 115,095	\$ -	\$ -	\$ (3,571,466)	\$ -	\$ (3,571,466)	
Public Health and Welfare	(500,241)	109,085	323	-	(390,833)	-	(390,833)	
Leisure Time Activities	(377,140)	233	-	-	(376,907)	-	(376,907)	
Basic Utility Services	(636,523)	3,517	-	-	(633,006)	-	(633,006)	
Transportation	(335,747)	-	392,524	-	56,777	-	56,777	
General Government	(1,373,930)	117,274	6,483	-	(1,250,173)	-	(1,250,173)	
Intergovernmental	(27,879)	-	-	-	(27,879)	-	(27,879)	
Interest and Fiscal Charges	(218,333)	-	-	-	(218,333)	-	(218,333)	
Total Governmental Activities	<u>(7,156,354)</u>	<u>345,204</u>	<u>399,330</u>	<u>-</u>	<u>(6,411,820)</u>	<u>-</u>	<u>(6,411,820)</u>	
<b>Business-Type Activities:</b>								
Water	(1,162,977)	980,732	2,308	29,086	-	(150,851)	(150,851)	
Wastewater	(867,574)	1,139,809	-	364,166	-	636,401	636,401	
Stormwater Management	(194,126)	479,074	175	-	-	285,123	285,123	
Total Business-Type Activities	<u>(2,224,677)</u>	<u>2,599,615</u>	<u>2,483</u>	<u>393,252</u>	<u>-</u>	<u>770,673</u>	<u>770,673</u>	
Total	<u>\$ (9,381,031)</u>	<u>\$ 2,944,819</u>	<u>\$ 401,813</u>	<u>\$ 393,252</u>	<u>(6,411,820)</u>	<u>770,673</u>	<u>(5,641,147)</u>	
<b>General Revenues:</b>								
Income Taxes					2,541,689	-	2,541,689	
Property Taxes					2,177,634	-	2,177,634	
Estate Taxes					540,335	-	540,335	
Franchise Fee Taxes					100,551	-	100,551	
Cinema Admissions Taxes					181,233	-	181,233	
Hotel Taxes					100,595	-	100,595	
Payment in Lieu of Taxes					182,061	-	182,061	
Permissive Sale Taxes					76,362	-	76,362	
Grants and Contributions not restricted to specific programs					749,163	-	749,163	
Unrestricted investment earnings					338,104	291,675	629,779	
Miscellaneous					81,870	-	81,870	
Total General Revenues					<u>7,069,597</u>	<u>291,675</u>	<u>7,361,272</u>	
Changes in Net Assets					<u>657,777</u>	<u>1,062,348</u>	<u>1,720,125</u>	
Net Assets-Beginning					<u>8,915,584</u>	<u>14,585,516</u>	<u>23,501,100</u>	
Net Assets-Ending					<u>\$ 9,573,361</u>	<u>\$ 15,647,864</u>	<u>\$ 25,221,225</u>	

See accompanying notes to the basic financial statements

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**CITY OF MILFORD, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	General	Fire Levy	EMS Levy	Other Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,717,884	\$ 338,473	\$ 333,428	\$ 2,044,179
Receivables (net of allowance for doubtful accounts):				
Taxes-Real & Personal Property	577,419	841,732	884,448	-
Taxes-Municipal Income	576,835	-	-	106,479
Accounts	2,172	-	-	1,223
Interest	34,212	-	-	-
Notes Receivable	-	-	-	40,000
Interfund Receivable	192,291	-	-	-
Due from Other Governments	621,940	5,508	5,045	258,322
Prepaid Items	17,750	568	568	3,936
<b>Total Assets</b>	<b>4,740,503</b>	<b>1,186,281</b>	<b>1,223,489</b>	<b>2,454,139</b>
<b>Liabilities:</b>				
Accounts Payable	42,053	-	-	57,836
Accrued Wages and Benefits	75,653	-	-	4,270
Due to Other Funds	267	-	-	1,051
Due to Other Governments	162,215	266	1,358	11,070
Interfund Payable	-	-	-	192,291
Deferred Revenue	1,573,563	847,240	889,493	331,646
<b>Total Liabilities</b>	<b>1,853,751</b>	<b>847,506</b>	<b>890,851</b>	<b>598,164</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	157,112	-	-	141,093
Unreserved, reported in:				
General	2,729,640	-	-	-
Special Revenue	-	338,775	332,638	1,028,554
Debt Service	-	-	-	(192,291)
Capital Projects	-	-	-	878,619
<b>Total Fund Balances</b>	<b>2,886,752</b>	<b>338,775</b>	<b>332,638</b>	<b>1,855,975</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,740,503</b>	<b>\$ 1,186,281</b>	<b>\$ 1,223,489</b>	<b>\$ 2,454,139</b>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**

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

**DECEMBER 31, 2007**

<u>Total Governmental Funds</u>		
<p>\$ 5,433,964</p> <p>2,303,599</p> <p>683,314</p> <p>3,395</p> <p>34,212</p> <p>40,000</p> <p>192,291</p> <p>890,815</p> <p>22,822</p> <hr/> <p>9,604,412</p> <hr/> <p>99,889</p> <p>79,923</p> <p>1,318</p> <p>174,909</p> <p>192,291</p> <p>3,641,942</p> <hr/> <p>4,190,272</p> <hr/> <p>298,205</p> <p>2,729,640</p> <p>1,699,967</p> <p>(192,291)</p> <p>878,619</p> <hr/> <p>5,414,140</p> <hr/> <p>\$ 9,604,412</p>	<p>Fund Balances - Governmental Funds</p> <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p> <p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p> <p>Issuance Costs associated with governmental debt are not financial resources and, therefore, are not reported in the funds</p> <p>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.</p> <p>Net Assets of governmental activities</p>	<p>\$ 5,414,140</p> <p>6,413,585</p> <p>1,511,242</p> <p>133,287</p> <p>(3,898,893)</p> <p><u>\$ 9,573,361</u></p>

**CITY OF MILFORD, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Fire Levy	EMS Levy	Other Governmental Funds
<u>Revenues:</u>				
Income Taxes	\$ 1,924,750	\$ -	\$ -	\$ 545,100
Property and Other Taxes	748,797	835,419	872,435	-
Intergovernmental	578,789	55,021	58,882	469,123
Charges for Services	112,114	-	-	118,761
Licenses and Permits	49,375	-	-	232
Investment Earnings	273,766	8,817	3,821	12,078
Change in Fair Value of Investments	39,622	-	-	-
Fines and Forfeitures	150,949	-	-	23,435
Payment in Lieu of Taxes	-	-	-	182,061
All Other Revenues	89,032	-	-	16,407
<b>Total Revenues</b>	<b>3,967,194</b>	<b>899,257</b>	<b>935,138</b>	<b>1,367,197</b>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property	1,898,503	834,047	869,080	2,126
Public Health and Welfare	338,146	-	-	167,777
Leisure Time Activities	-	-	-	402,873
Basic Utility Services	262,591	-	-	373,932
Transportation	-	-	-	-
General Government	1,151,183	-	-	5,861
Intergovernmental	27,879	-	-	-
Capital Outlay	-	-	-	388,314
Debt Service:				
Principal Retirement	-	15,000	15,000	140,000
Interest and Fiscal Charges	-	12,204	12,204	239,930
<b>Total Expenditures</b>	<b>3,678,302</b>	<b>861,251</b>	<b>896,284</b>	<b>1,720,813</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	288,892	38,006	38,854	(353,616)
<u>Other Financing Sources (Uses):</u>				
Premium on Sale of Debt	-	-	-	52,883
Face Value of Issued Debt	-	-	-	1,640,000
Payment to Escrow Agent	-	-	-	(1,643,663)
Sale of Capital Assets	188,654	-	-	429,257
Transfers - In	-	-	-	1,163,275
Transfers - Out	(623,275)	-	-	(540,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(434,621)</b>	<b>-</b>	<b>-</b>	<b>1,101,752</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(145,729)	38,006	38,854	748,136
Fund Balances at Beginning of Year	3,045,807	300,769	293,784	1,135,587
Decrease in Inventory	(13,326)	-	-	(27,748)
<b>Fund Balances at End of Year</b>	<b>\$ 2,886,752</b>	<b>\$ 338,775</b>	<b>\$ 332,638</b>	<b>\$ 1,855,975</b>

See accompanying notes to the basic financial statements



**CITY OF MILFORD, OHIO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	Total Governmental Funds			
\$	2,469,850	Amounts reported in governmental activities in the statement of activities are different because:		
	2,456,651	Net Change in Fund Balances - total governmental funds	\$	679,267
	1,161,815			
	230,875	Governmental funds report capital outlays as expenditures. However, in the statement of activities		
	49,607	the cost of those assets is allocated over their estimated useful lives and reported as depreciation		
	298,482	expense. This is the amount by which capital outlays exceed depreciation in the current period.	(788,462)	
	39,622			
	174,384	Revenues in the statement of activities that do not provide current financial resources		
	182,061	are not reported as revenues in the funds.	602,508	
	105,439			
	<u>7,168,786</u>	The issuance of long-term debt provides current financial resources to governmental funds, while the		
		repayment of the principal of long-term debt consumes the current financial resources of governmental		
		funds. Neither transaction however, has any affect of net assets. Also, governmental funds		
		report the effect of issuance costs and similar items when debt is first issued, whereas		
		these amounts are deferred and amortized in the statement of activities. This amount is		
		the net effect of these differences in the treatment of long-term debt and related items.	168,548	
	3,603,756			
	505,923	Some items reported in the statement of activities do not require the use of current financial		
	402,873	current financial resources and, therefore, are not reported as expenditures in governmental funds.	(4,084)	
	636,523			
	-			
	1,157,044	Change in net assets of governmental activities	\$	<u>657,777</u>
	27,879			
	388,314			
	170,000			
	<u>264,338</u>			
	<u>7,156,650</u>			
	12,136			
	52,883			
	1,640,000			
	(1,643,663)			
	617,911			
	1,163,275			
	<u>(1,163,275)</u>			
	<u>667,131</u>			
	679,267			
	4,775,947			
	<u>(41,074)</u>			
\$	<u>5,414,140</u>			

**CITY OF MILFORD, OHIO  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
DECEMBER 31, 2007**

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

	Water	Wastewater	Stormwater Management	Totals
<b>Assets:</b>				
<b>Current Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,165,304	\$ 2,741,428	\$ 799,538	\$ 5,706,270
Receivables (net of allowances for doubtful accounts)				
Accounts	128,810	168,690	77,805	375,305
Interest	13,685	13,685	6,842	34,212
Due from Other Funds	2,639	818	-	3,457
Due from Other Governments	1,223	156,713	175	158,111
Prepaid Items	10,439	8,306	272	19,017
Total Current Assets	<u>2,322,100</u>	<u>3,089,640</u>	<u>884,632</u>	<u>6,296,372</u>
<b>Nondepreciable Capital Assets:</b>				
Land	101,488	227,426	-	328,914
Construction in Progress	288,443	4,235,131	-	4,523,574
<b>Depreciable Capital Assets:</b>				
Improvements Other than Buildings	947,207	861,489	395,108	2,203,804
Furniture, Fixtures, Equipment	476,529	474,414	30,094	981,037
Water and Sewer Line	2,364,532	4,083,938	-	6,448,470
Plant	2,051,892	4,130,916	-	6,182,808
Less: Accumulated Depreciation	<u>(3,121,609)</u>	<u>(4,470,737)</u>	<u>(19,955)</u>	<u>(7,612,301)</u>
Total Capital Assets (net of accumulated depreciation)	<u>3,108,482</u>	<u>9,542,577</u>	<u>405,247</u>	<u>13,056,306</u>
Total Assets	<u>5,430,582</u>	<u>12,632,217</u>	<u>1,289,879</u>	<u>19,352,678</u>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable	9,821	15,561	977	26,359
Contracts Payable	-	121,930	-	121,930
Accrued Wages and Benefits	12,858	11,302	1,103	25,263
Due to Other Funds	159	1,980	-	2,139
Due to Other Governments	28,621	21,239	1,928	51,788
Compensated Absences Payable - Current	7,155	13,491	2,117	22,763
Ohio Water Development Authority Loans Payable - Current	-	160,709	-	160,709
OPWC Loan Payable - Current	3,450	73,820	-	77,270
Total Current Liabilities	<u>62,064</u>	<u>420,032</u>	<u>6,125</u>	<u>488,221</u>
<b>Noncurrent Liabilities:</b>				
Compensated Absences Payable	14,979	11,871	3,180	30,030
Ohio Water Development Authority Loans Payable	-	2,024,777	-	2,024,777
OPWC Loans Payable	37,936	1,123,850	-	1,161,786
Total Noncurrent Liabilities	<u>52,915</u>	<u>3,160,498</u>	<u>3,180</u>	<u>3,216,593</u>
Total Liabilities	<u>114,979</u>	<u>3,580,530</u>	<u>9,305</u>	<u>3,704,814</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	3,067,096	6,159,421	405,247	9,631,764
Unrestricted	2,248,507	2,892,266	875,327	6,016,100
Total Net Assets	<u>5,315,603</u>	<u>9,051,687</u>	<u>1,280,574</u>	<u>15,647,864</u>
Total Net Assets and Liabilities	<u>\$ 5,430,582</u>	<u>\$ 12,632,217</u>	<u>\$ 1,289,879</u>	<u>\$ 19,352,678</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Wastewater	Stormwater Management	Totals
<u>Operating Revenues:</u>				
Charges for Services	\$ 965,249	\$ 1,131,271	\$ 478,710	\$ 2,575,230
Other Operating Revenues	17,791	8,538	539	26,868
<b>Total Operating Revenues</b>	<b>983,040</b>	<b>1,139,809</b>	<b>479,249</b>	<b>2,602,098</b>
<u>Operating Expenses:</u>				
Personal Services	409,765	372,490	47,165	829,420
Materials and Supplies	304,923	86,094	32,071	423,088
Contractual Services	235,354	115,455	94,635	445,444
Other Operating Expenses	2,769	1,042	300	4,111
Depreciation	210,166	268,806	19,955	498,927
<b>Total Operating Expenses</b>	<b>1,162,977</b>	<b>843,887</b>	<b>194,126</b>	<b>2,200,990</b>
<b>Operating Income (Loss)</b>	<b>(179,937)</b>	<b>295,922</b>	<b>285,123</b>	<b>401,108</b>
<u>Non-Operating Revenues (Expenses):</u>				
Investment Earnings	111,582	128,376	51,717	291,675
Interest and Fiscal Charges	-	(23,687)	-	(23,687)
Grants	29,086	364,166	-	393,252
<b>Total Non-Operating Revenues (Expenses)</b>	<b>140,668</b>	<b>468,855</b>	<b>51,717</b>	<b>661,240</b>
<b>Change in Net Assets</b>	<b>(39,269)</b>	<b>764,777</b>	<b>336,840</b>	<b>1,062,348</b>
<b>Total net assets - Beginning</b>	<b>5,354,872</b>	<b>8,286,910</b>	<b>943,734</b>	<b>14,585,516</b>
<b>Total net assets - Ending</b>	<b>\$ 5,315,603</b>	<b>\$ 9,051,687</b>	<b>\$ 1,280,574</b>	<b>\$ 15,647,864</b>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Wastewater	Stormwater Management	Totals
Increase (Decrease) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$ 980,595	\$ 1,155,642	\$ 470,477	\$ 2,606,714
Cash Paid for Employee Services and Benefits	(413,608)	(364,329)	(43,398)	(821,335)
Cash Paid to Suppliers for Goods and Services	(476,730)	(893,529)	(137,319)	(1,507,578)
Other Operating Revenues	16,429	7,453	364	24,246
Other Operating Expenses	(2,769)	(1,042)	(300)	(4,111)
Net Cash Provided by (Used for) Operating Activities	<u>103,917</u>	<u>(95,805)</u>	<u>289,824</u>	<u>297,936</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Capital Grant Contributions	29,086	364,166	-	393,252
Face Value from the Sale of Debt		1,398,218	-	1,398,218
Acquisition and Construction of Assets	(14,592)	(1,772,805)	(29,094)	(1,816,491)
Principal Paid on Loans Payable	(5,173)	(144,691)	-	(149,864)
Interest Paid on All Debt	-	(17,163)	-	(17,163)
Net Cash Used for Capital and Related Financing Activities	<u>9,321</u>	<u>(172,275)</u>	<u>(29,094)</u>	<u>(192,048)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest	109,817	126,611	50,835	287,263
Net Cash Provided By Investing Activities	<u>109,817</u>	<u>126,611</u>	<u>50,835</u>	<u>287,263</u>
Net Increase (Decrease) in Cash and Cash Equivalents	223,055	(141,469)	311,565	393,151
Cash and Cash Equivalents at Beginning of Year	1,942,249	2,882,897	487,973	5,313,119
Cash and Cash Equivalents at End of Year	<u>\$ 2,165,304</u>	<u>\$ 2,741,428</u>	<u>\$ 799,538</u>	<u>\$ 5,706,270</u>

**CITY OF MILFORD, OHIO  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Wastewater	Stormwater Management	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ (179,937)	\$ 295,922	\$ 285,123	\$ 401,108
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation Expense	210,166	268,806	19,955	498,927
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	15,257	24,601	(8,233)	31,625
(Increase) in Due From Other Funds	(50)	(230)	-	(280)
(Increase) in Due From Other Governments	(1,223)	(1,085)	(175)	(2,483)
Decrease in Materials and Supplies Inventories	76,287	13,540	554	90,381
Decrease in Prepaid Items	924	4,024	42	4,990
Increase in Due to Other Governments	3,502	134	195	3,831
Increase (Decrease) in Accounts Payables	(5,037)	4,365	29	(643)
(Decrease) in Contracts Payables	(16,178)	(714,138)	(11,238)	(741,554)
Increase in Accrued Wages and Benefits	2,418	3,901	624	6,943
Increase (Decrease) in Compensated Absences Payable	(2,267)	4,481	2,948	5,162
Increase (Decrease) in Due to Other Funds	55	(126)	-	(71)
Total Adjustments	<u>283,854</u>	<u>(391,727)</u>	<u>4,701</u>	<u>(103,172)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 103,917</u>	<u>\$ (95,805)</u>	<u>\$ 289,824</u>	<u>\$ 297,936</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2007**

	<u>Totals</u>
<b>Assets:</b>	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 22,262</u>
 Total Assets	 <u><u>22,262</u></u>
<b>Liabilities:</b>	
Due to Other Governments	17,456
Due to Others	<u>4,806</u>
 Total Liabilities	 <u><u>\$ 22,262</u></u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 1-REPORTING ENTITY AND BASIS OF ACCOUNTING

**A. Reporting Entity**

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

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

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

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

The City is associated with the Ohio Municipal League that provides one related service: a risk sharing pool. The organization's service is presented in Note 13 to the basic financial statements. The City is also associated with two jointly governed organizations: The Center for Local Government, the Ohio-Kentucky-Indiana Regional Council of Governments and City of Milford-Union Township Joint Economic Development District, which are presented in Note 17 to the basic financial statements.

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

*Fund Accounting*

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

*Governmental Funds*

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental funds:

**General Fund**

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

**Fire Levy Special Revenue Fund**

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

**EMS Levy Special Revenue Fund**

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

The City reports the following major enterprise funds:

**Water Fund**

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

**Wastewater Fund**

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

**Stormwater Management Fund**

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

Additionally, the City reports the following fund types:

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: private purpose trust funds, pension trust funds, investment trust funds and agency funds. The City maintains three fiduciary agency funds. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Starting in 2007, the City is serving as fiscal agent for the Joint Economic Development District between Union Township and the City. These monies are maintained in an agency fund until distributed to the two governments. The City also maintains a Mayor's Court agency fund, which accounts for funds that flow through the municipal court office. Another agency fund is Special Deposit fund that is similar to unclaimed funds.

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**B. Cash and Cash Equivalents**

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

During 2007, investments were limited to U.S. Governmental Agency Obligations, U.S. Treasury Notes, and STAR Ohio. Investments are reported at fair value which is based on quoted market prices. The fair value of open-end mutual funds is based on the current share price.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2007.

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

Interest income is distributed to the funds according to ordinance as directed by the City's charter. Interest revenue credited to the general fund during 2007 amounted to \$273,766, which includes \$76,533 assigned from other funds. The fire levy special revenue, EMS levy special revenue, cemetery special revenue, debt service, capital improvement, land purchase, and Beechwood Road Connector capital projects, water enterprise, wastewater enterprise, and stormwater enterprise funds also received interest of \$8,817; \$3,821; \$3,516; \$4,209; \$3,300; \$319; \$734; \$111,582; \$128,376; and \$51,717 respectively.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. *Inventories of Supplies***

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

**D. *Prepaid Assets***

Payments made to vendors for services that will benefit periods beyond December 31, 2007, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

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

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

**G. Capitalization of Interest**

Interest is capitalized on enterprise fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until the completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2007, no net interest expense was incurred on enterprise fund construction projects.

**H. Compensated Absences**

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

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

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

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

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

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

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

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

***K. Interfund Transactions***

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**L. Net Assets**

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. None of the City's \$2,972,233 restricted net assets are restricted by enabling legislation.

**M. Deferred Revenues/Unearned Revenues**

Deferred or unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

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



**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**O. Estimates**

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$3,898,893) difference are as follows:

General Obligation Bonds	(\$3,655,000)
Premium on General Obligations Bonds	(51,120)
Accrued Interest Payable	(27,698)
Compensated Absences	(165,075)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$3,898,893)

Another element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of \$6,413,585 difference are as follows:

Capital Assets	\$9,589,879
Accumulated Depreciation	(3,176,294)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$6,413,585

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Another element of that reconciliation states that “Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. Governmental funds report proceeds from sale of capital assets as revenue, but in the statement of activities a gain or loss is reported in the governmental funds.” The details of this (\$788,462) are as follows:

Current capital additions	\$289,960
Loss on disposal of capital assets	(120,993)
Proceeds from sale of capital assets	(617,911)
Depreciation Expense	<u>(339,518)</u>
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>(\$788,462)</u></u>

An element of that reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any affect of net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$168,548 are as follows:

Principal paid on Long Term Debt	\$170,000
Amortization of Bond Premium Costs	(2,833)
Change in Interest Payable	<u>1,381</u>
Net Adjustment - current financial resources focus to increae <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$168,548</u></u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

**A. Statutory Compliance**

Contrary to Ohio Revised Code Section 5705.41 (D), the City did not always obtain prior certification of the fiscal officer prior to obligation funds. Contrary to Ohio Revised Code Section 5705.39, the water and wastewater funds had appropriations in excess of total estimated resources.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

**B.     *Accountability***

The Debt Service Fund had a deficit fund balance of \$192,291 at December 31, 2007. The deficit resulted from the issuance of bond anticipation notes which are used to finance projects until bonds are issued. The deficits will be eliminated when long-term bonds are issued.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. At fiscal year-end, the carrying value of the City's deposits was \$3,776,564 and the bank balance was \$3,763,608. \$100,000 of the City's deposits was insured by federal depository insurance. The remaining \$3,663,608 of the City's \$3,763,608 was collateralized with securities held by the pledging financial institution's trust department or agent in the manner described above.

Investments

As of December 31, 2007, the City had the following investments.

	<u>Carrying and Fair Value</u>	<u>Less Than One Year</u>	<u>More Than One Year</u>
Federal National Mortgage Association Bonds	\$2,157,462	\$184,883	\$1,972,579
Federal Home Loan Bank Bonds	1,892,051	249,610	1,642,441
Federal Home Loan Mortgage Corporation Bonds	2,376,904	94,714	2,282,190
Federal Farm Credit Bureau Bonds	200,000	0	200,000
Bank Acceptances	99,586	0	99,586
Money Market Mutual Fund	511,929	511,929	0
STAR Ohio	148,000	148,000	0
Total Investments	<u>\$7,385,932</u>	<u>\$1,189,136</u>	<u>\$6,196,796</u>

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

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

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

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

*Concentration of Credit Risk* - The City places no limit on the amount it may invest in any one issuer. The City's investment in Federal Home Loan Mortgage Corporation Bonds represents 32.18% of the City's total investments, Federal National Mortgage Association Bonds represents 29.21% of the City's total investments and Federal Home Loan Bank Bonds represents 25.62% of the City's total investments. The City's investment in Smith Barney Money Funds Cash Portfolio Fund represents 6.93% of the City's total investments.

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Cash and Cash Equivalents – Financial Statements	\$11,162,496	\$0
Investments:		
Federal National Mortgage Association Bonds	(2,157,462)	2,157,462
Federal Home Loan Bank Bonds	(1,892,051)	1,892,051
Federal Home Loan Mortgage Corporation Bonds	(2,376,904)	2,376,904
Federal Farm Credit Bureau Bonds	(200,000)	200,000
Bank Acceptances	(99,586)	99,586
Money Market Mutual Fund	(511,929)	511,929
STAR Ohio	(148,000)	148,000
GASB Statement No. 3	<u>\$3,776,564</u>	<u>\$7,385,932</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2007 for real and public utility property taxes represents collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007 on the assessed value as of January 1, 2007 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2007, was \$3.00 per \$1,000 of assessed value for inside millage. Additionally, voted levies were \$10.50 per \$1,000 of assessed value for fire and emergency medical service. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

<u>Category (Clermont County Only)</u>	<u>Assessed Value</u>
Real Property	\$157,630,840
Tangible Personal Property	7,267,249
Public Utility Tangible Personal Property	5,314,110
Total Property Tax	\$170,212,199

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 5 - PROPERTY TAXES (CONTINUED)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Milford. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2007 operations. The receivable is offset by deferred revenue.

NOTE 6 - INCOME TAX

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

Income tax proceeds are to be used to pay the cost of administering the tax. After these costs are recovered the proceeds are allocated to the General Fund, the Parks and Recreation Special Revenue Fund, the Debt Service Fund and the Capital Improvement Capital Projects Fund. Income tax revenue (net of refunds) for 2007 was \$2,469,850.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2007, consisted primarily of property taxes, income taxes, accounts, interfund, interest on investments, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.



**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 7 – RECEIVABLES (CONTINUED)

A summary of intergovernmental receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>MAJOR FUNDS</u>	
<i>General Fund:</i>	
Local Government	\$170,677
Estate Tax	437,164
State of Ohio – Liquor Control	2,757
Senate Bill 3 Reimbursements	4,843
Hamilton County Personal Property Reimb	16
Bureau of Worker Compensation Refund	6,483
Total General Fund	<u>621,940</u>
 <i>Fire Levy</i>	
Senate Bill 3 Reimbursements	5,443
Personal Property Exemptions	65
Total Fire Levy	<u>5,508</u>
 <i>EMS Levy</i>	
Senate Bill 3 Reimbursements	4,982
Personal Property Exemptions	63
Total EMS Levy	<u>5,045</u>
 <i>Water Fund</i>	
Bureau of Worker Compensation Refund	<u>1,223</u>
 <i>Wastewater Fund</i>	
Bureau of Worker Compensation Refund	1,085
OPWC Grant	75,423
OWDA Grant	80,205
Total Wastewater Fund	<u>156,713</u>
 <i>Stormwater Management Fund</i>	
Bureau of Worker Compensation Refund	<u>175</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 7 – RECEIVABLES (CONTINUED)

NONMAJOR FUNDS

*Street Fund*

Bureau of Worker Compensation Refund	\$441
Gasoline Excise Tax	124,933
Motor Vehicle License Tax	72,931
Total Street Fund	198,305

*State Highway Fund*

Gasoline Excise Tax	10,130
Motor Vehicle License Tax	5,913
Total State Highway Fund	16,043

*Permissive Motor Vehicle License Fund*

Permissive Tax	43,974
Total All Funds	\$1,048,926

NOTE 8 – NOTES RECEIVABLE

On February 27, 2003, the City and Brailey Ventures, LLC, (“Brailey”) entered into an agreement whereby the City assigned property rights to Brailey at 18 Main Street, 19 High Street and 29 High Street, Milford, Ohio. Brailey entered in a promissory note with the City for \$50,000 with interest charged on the principal balance at nine percent (9%) per year. Installments of \$375 interest only was payable from March 2003 through March 2008.

On February 1, 2007, the City and Brailey Ventures renegotiated the promissory note when Brailey paid \$10,000 on the prior outstanding balance. The terms of the new note receivable was monthly interest of \$300 paid from February 2007 to March 2008.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 9 – CAPITAL ASSETS

	Balance 12/31/06	Increases	Decreases	Balance 12/31/07
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$2,612,991	\$0	\$738,904	\$1,874,087
Construction in Progress	61,364	0	0	61,364
Total capital assets, not being depreciated	<u>2,674,355</u>	<u>0</u>	<u>738,904</u>	<u>1,935,451</u>
Capital Assets, being depreciated:				
Buildings	4,014,348	0	0	4,014,348
Improvements other than Buildings	1,279,418	42,981	0	1,322,399
Vehicles, Furniture and Equipment	2,070,702	246,979	0	2,317,681
Total capital assets being depreciated	<u>7,364,468</u>	<u>289,960</u>	<u>0</u>	<u>7,654,428</u>
Less Accumulated Depreciation For:				
Buildings	(1,283,391)	(142,202)	0	(1,425,593)
Improvements other than Buildings	(159,307)	(32,051)	0	(191,358)
Vehicles, Furniture and Equipment	(1,394,078)	(165,265)	0	(1,559,343)
Total Accumulated Depreciation	<u>(2,836,776)</u>	<u>(339,518)</u>	<u>0</u>	<u>(3,176,294)</u>
Total capital assets, being depreciated, net	<u>4,527,692</u>	<u>(49,558)</u>	<u>0</u>	<u>4,478,134</u>
Governmental Activities - Capital Assets, Net	<u>\$7,202,047</u>	<u>(\$49,558)</u>	<u>\$738,904</u>	<u>\$6,413,585</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 9 – CAPITAL ASSETS (CONTINUED)

	Balance 12/31/06	Increases	Decreases	Balance 12/31/07
<b>Business Type Activities</b>				
Capital Assets, not being depreciated				
Land	\$140,260	\$188,654	\$0	\$328,914
Construction in Progress	3,002,504	1,521,070	0	4,523,574
Total capital assets, not being depreciated	<u>3,142,764</u>	<u>1,709,724</u>	<u>0</u>	<u>4,852,488</u>
Capital Assets, being depreciated				
Improvements other than Buildings	2,203,804	0	0	2,203,804
Plant	6,182,808	0	0	6,182,808
Machinery and Equipment	914,492	66,545	0	981,037
Sewer and Water Lines	6,448,470	0	0	6,448,470
Total capital assets, being depreciated	<u>15,749,574</u>	<u>66,545</u>	<u>0</u>	<u>15,816,119</u>
Less Accumulated Depreciation For:				
Improvements other than Buildings	(1,037,229)	(97,834)	0	(1,135,063)
Plant	(2,425,396)	(220,579)	0	(2,645,975)
Machinery and Equipment	(619,589)	(45,220)	0	(664,809)
Sewer and Water Lines	(3,031,160)	(135,294)	0	(3,166,454)
Total Accumulated Depreciation	<u>(7,113,374)</u>	<u>(498,927)</u>	<u>0</u>	<u>(7,612,301)</u>
Total capital assets, being depreciated, net	<u>8,636,200</u>	<u>(432,382)</u>	<u>0</u>	<u>8,203,818</u>
Business Type Activities - Capital Assets, Net	<u>\$11,778,964</u>	<u>\$1,277,342</u>	<u>\$0</u>	<u>\$13,056,306</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 9 – CAPITAL ASSETS (CONTINUED)

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

**Governmental Activities:**

Security of Persons and Property	\$129,063
Public Health and Welfare	13,833
Leisure Time Activities	17,862
Transportation	80,745
General Government	98,015
Total Depreciation Expense - governmental activities	<u>\$339,518</u>

**Business Type Activities:**

Water	\$210,166
Wastewater	268,806
Stormwater Management	19,955
Total Depreciation Expense – business-type activities	<u>\$498,927</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

**Public Employees Retirement System**

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 10- DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Plan members are required to contribute 9.5 percent of their annual covered salary to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2007, 2006, and 2005, were \$149,039, \$168,602, and \$168,727, respectively. The full amount has been contributed for 2006 and 2005. 85 percent has been contributed for 2007 with the remainder being reported as a liability within the respective funds.

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

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 for police officers. Contributions are authorized by State statute. The City's required contributions to the Fund for the years ended December 31, 2007, 2006, and 2005, were \$137,539, \$110,768, and \$119,767, respectively. The full amount has been contributed for 2006 and 2005. 88 percent has been contributed for 2007 with the remainder being reported as a liability within the respective funds.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 11- POST EMPLOYMENT BENEFITS**

**Public Employees Retirement System (PERS)**

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care from January 1 through June 30, 2007 and 6.00 percent from July 1 2007 through December 31, 2007

Benefits are advance-funded using an entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERs's latest actuarial review performed December 31, 2006 include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

As of December 31, 2006 (latest information available), the actuarial value net assets available for future OPEB payments were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively. At December 31, 2007, the total number of benefit recipients eligible for OPEB through PERS was 362,130. The City's actual contributions for 2007 that were used to fund OPEB were \$90,768.

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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NOTE 11- POST EMPLOYMENT BENEFITS (CONTINUED)

The health care coverage provided by the retirement system is considered an OPEB as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and the Fund's Board of Trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll, of which 6.75 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.

The City's actual contributions for 2007 that were used to fund postemployment benefits were \$74,711 for police. The OP&F's total health care expenses for the year ended December 31, 2006, (the latest information available) were \$120,373,722, which was net of members contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 for firefighters.

NOTE 12- EMPLOYEE BENEFITS

***Compensated Absences***

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. Upon departure from City employment, an employee (or his estate) will be paid for unused vacation leave. For the City as a whole, the total obligation for vacation accrual amounted to \$116,092.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of 3.69 hours per eighty hours of service. Sick leave is cumulative without limit. In the case of retirement, employees will be paid one-fourth of up to 960 hours for a maximum payment of up to 240 hours. For the City as a whole, the total obligation for sick leave accrual amounted to \$89,594.



**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 12- EMPLOYEE BENEFITS (CONTINUED)

Accumulated Unpaid Personal Leave

All City employees receive two personal days in January, except police union employees who receive the days on July 1. Employees can earn additional personal days for each 120 consecutive days worked without using sick leave. Employees can accumulate a maximum of 48 hours at any time. The personal leave can be carried over from year to year. Patrol officers and police clerks receive 24 hours and 16 hours, respectively, on July 1 of each year. All patrol officers in the police department may accumulate up to 60 hours of personal leave. For the City as a whole, the total obligation for personal leave accrual amounted to \$12,182.

***Insurance Benefits***

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

NOTE 13 - RISK MANAGEMENT

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

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

Each participant makes an annual "contribution" to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operation for the various coverages provided. Participants are also charged for a "surplus contribution" that is used to fund the activities of the pool. During 2007, the City of Milford paid premiums of \$84,483 to the pool.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 13 - RISK MANAGEMENT (CONTINUED)

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, 2007 generally protects the Pool against individual losses over \$75,000 and \$100,000 on property.

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

Coverage by the Pool in 2007 includes: General Liability, Police Professional Liability, Public Officials Liability, Property and Fire, Vehicles, Radios, Computers, Contractors Equipment and other coverage. Vehicle deductibles are \$250, while liability insurance deductibles (other than vehicle) are \$5,000. Radios, Computers and Contractor's Equipment have a \$250 deductible.

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

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

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

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of Salaries. This rate is calculated based on accident history and administrative cost. The rate for 2007 paid in 2008 was .043735.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 14 - LONG-TERM OBLIGATIONS**

Issue Date	Interest Rate	Description	December 31, 2006	Additions	Reductions	December 31, 2007	Due Within One Year
<b>Governmental activities:</b>							
Bonds payable:							
General Obligation Bonds:							
2004	2.80% - 4.30%	Beechwood Connector	\$910,000	\$0	\$50,000	\$860,000	\$85,000
2000	4.40% - 5.75%	Capital Facility	1,800,000	0	1,610,000	190,000	60,000
2007		Refunded Capital Facility	0	1,640,000	0	1,640,000	0
1997	4.90% - 6.25%	Milford Parkway	530,000	0	35,000	495,000	35,000
1999	4.50% - 5.20%	Firehouse/Trailer Park	500,000	0	30,000	470,000	30,000
		<b>Total Bonds Payable</b>	<b>3,740,000</b>	<b>1,640,000</b>	<b>1,725,000</b>	<b>3,655,000</b>	<b>210,000</b>
2007		Premium on Refunded GO Bonds	0	52,883	1,763	51,120	0
		<b>Net Bonds Payable</b>	<b>3,740,000</b>	<b>1,692,883</b>	<b>1,726,763</b>	<b>3,706,120</b>	<b>210,000</b>
		Tax Abatement	15,000	0	15,000	0	0
		Compensated absences	166,210	109,014	110,149	165,075	98,242
		<b>Total Governmental Activities</b>	<b>3,921,210</b>	<b>1,801,897</b>	<b>1,851,912</b>	<b>3,871,195</b>	<b>308,242</b>
<b>Business – Type Activities:</b>							
1994	2.00%	OWDA Loans	333,910	0	71,644	262,266	53,645
2006	0.90%	OWDA Loans	1,160,295	816,218	53,293	1,923,220	107,064
2003	0.00%	OPWC Loans	98,769	0	19,754	79,015	13,170
2004	0.00%	OPWC Loans	46,559	0	5,173	41,386	3,450
2006	0.00%	OPWC Loans	536,655	582,000	0	1,118,655	60,650
		Compensated absences	47,631	40,389	35,227	52,793	22,763
		<b>Total Business – Type Activities</b>	<b>2,223,819</b>	<b>1,438,607</b>	<b>185,091</b>	<b>3,477,335</b>	<b>260,742</b>
		<b>All FUNDS</b>	<b>\$6,145,029</b>	<b>\$3,240,504</b>	<b>\$2,037,003</b>	<b>\$7,348,530</b>	<b>\$568,984</b>

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

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

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 14 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

The Ohio Water Development Authority loans are for the expansion of the City's Wastewater Treatment Plant. The loans will be repaid from the sewer fund's operating revenues. The 1994 bonds will mature on July 1, 2011 and the 2006 bonds will mature on July 1, 2027. The City has only drawn \$1,976,513 of the \$2,329,879 2006 bond authorization as of December 31, 2007.

In 2002, the City was approved for a \$131,694 loan from the Ohio Public Works Commission for the Miami Woods Lift Station replacement. The loan will be retired in January 2014 from the wastewater fund's operating revenues. During 2004, the City was approved for another loan from the Ohio Public Works Commission for the Edgecombe Tank Rehabilitation for \$51,732. The loan will be retired in December 2019 from the water fund's operating revenues. During 2006, the City was approved for another loan from the Ohio Public Works Commission for the wastewater treatment plant replacement and improvement for \$1,213,000, although only \$1,118,655 was drawn as of December 31, 2007. The loan will be retired in January 2028 from the wastewater fund's operating revenues.

The City has pledged a portion of future water and wastewater revenues to repay the OWDA and OPWC loans through final maturity on each debt obligation. The amount of future pledged revenues from the water fund is \$41,386 and from the wastewater fund is \$3,614,118 which are equal to the outstanding principal and interest obligations on the related debt.

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 1996, the City granted New Creative Enterprise, Inc. a tax exemption. The City paid the School \$15,000 annually over ten years under this agreement with 2007 being the final year of the agreement.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 14 - LONG-TERM OBLIGATIONS (CONTINUED)**

As of December 31, 2007, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$14,302,281, and the unvoted legal debt margin was \$5,791,671.

A summary of the City's long-term debt funding requirements as of December 31, 2007 is represented in the following schedules. Principal, interest and total debt service is provided for General Obligation Bonds, Ohio Water Development Authority Loans, and Ohio Public Works Commission Loans.

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

<b>GOVERNMENTAL ACTIVITIES</b>			
General Obligation Bonds			
Years	Principal	Interest	Total
2008	\$210,000	\$256,644	\$466,644
2009	250,000	247,689	497,689
2010	265,000	236,844	501,844
2011	290,000	138,597	428,597
2012	300,000	129,122	429,122
2012-2017	1,225,000	427,759	1,652,759
2018-2022	700,000	181,813	881,813
2023-2025	415,000	38,024	453,024
Totals	<u>\$3,655,000</u>	<u>\$1,656,492</u>	<u>\$5,311,492</u>

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

<b>BUSINESS – TYPE ACTIVITIES</b>			
Ohio Water Development Authority Loans -1994			
Years	Principal	Interest	Total
2008	\$53,645	\$4,882	\$58,527
2009	74,555	3,413	77,968
2010	76,053	1,914	77,967
2011	58,013	411	58,424
Totals	<u>\$262,266</u>	<u>\$10,620</u>	<u>\$272,886</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 14 - LONG-TERM OBLIGATIONS (CONTINUED)

Ohio Water Development Authority Loans – 2006*			
Years	Principal	Interest	Total
2008	\$107,064	\$20,729	\$127,793
2009	107,788	19,766	127,554
2010	108,760	18,794	127,554
2011	109,742	17,812	127,554
2012-2016	563,836	74,031	637,867
2017-2021	589,624	48,144	637,768
2022-2026	336,406	21,066	357,472
Totals	<u>\$1,923,220</u>	<u>\$220,342</u>	<u>\$2,143,562</u>

\* Amortization schedule will be finalized once all available funding is disbursed related to the loan agreement.

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

<b>BUSINESS-TYPE ACTIVITIES</b>			
Ohio Public Works Commission Loans - 2003/2004			
Years	Principal	Interest	Total
2008	\$16,620	\$0	\$16,620
2009	16,618	0	16,618
2010	16,618	0	16,618
2011	16,618	0	16,618
2012	16,618	0	16,618
2013-2017	30,412	0	30,412
2018-2019	6,897	0	6,897
Totals	<u>\$120,401</u>	<u>\$0</u>	<u>\$120,401</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 14 - LONG-TERM OBLIGATIONS (CONTINUED)

Years	Ohio Public Works Commission Loan – 2006*		
	Principal	Interest	Total
2008	\$60,650	\$0	\$60,650
2009	60,650	0	60,650
2010	60,650	0	60,650
2011	60,650	0	60,650
2012-2016	303,250	0	303,250
2017-2021	303,250	0	303,250
2022-2026	269,555	0	269,555
Totals	\$1,118,655	\$0	\$1,118,655

\* Amortization schedule will be finalized once all available funding is disbursed related to the loan agreement.

NOTE 15 - NOTE OBLIGATIONS

A summary of the note transactions for the year ended December 31, 2007, follows:

Fund	Balance December 31, 2006	Increases	Decreases	Balance December 31, 2007
Capital Projects	\$540,000	\$0	\$540,000	\$0

The note was issued in anticipation of long-term bond financing and was refinanced as part of the general obligation bond refunding in August 2007. The notes were originally issued on August 29, 2006 at a 3.2 percent interest rate.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 16 – INTERFUND TRANSACTIONS

Following is a summary of transfers in and out for all funds for 2007:

Fund	Transfers In	Transfers Out
<b>MAJOR FUNDS</b>		
General	\$0	\$623,275
Non-Major Governmental Funds	1,163,275	540,000
 Total All Funds	 \$1,163,275	 \$1,163,275

The transfers out in the nonmajor governmental funds relate to debt service payment on the short term note that was retired in the land purchase fund during 2007. The other transfers are considered cash payments for various services.

The composition of interfund balances as of December 31, 2007, is as follows:

Fund	Interfund Receivable	Interfund Payable
General	\$192,291	\$0
Non-Major Governmental Funds	0	192,291
 Total All Funds	 \$192,291	 \$192,291

The interfund balances at December 31, 2007, related the City's general fund portion of the debt service related to the bond payments for the land purchase.



**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

The Center for Local Government, a jointly governed organization, was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Board of Trustees consists of five members made up of elected representatives from the participating governments. The City does not have any financial interest in or responsibility for the Center. The City made no financial contribution during 2007. Information can be obtained from the Center by writing to Director of the Center for Local Government, 10979 Reed Hartman Highway, Suite 239, Cincinnati, Ohio 45242.

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

OKI contracts periodically for local funds and other support with the governing board of each of the governments who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each City and municipal corporation, one individual selected by each City planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member City. This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI. The City made no financial contribution during 2007. To obtain financial information, write to Director of Finance and Administration of the Ohio-Kentucky-Indiana Regional Council of Governments at 920 Pete Rose Way Suite 420, Cincinnati, Ohio, 45202.

***CITY OF MILFORD, OHIO***  
***NOTES TO THE BASIC FINANCIAL STATEMENTS***  
***DECEMBER 31, 2007***

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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

Due to this JEDD's location around the interchange of State Route 32 and the Interstate 275, additional commercial development is expected to continue at this location into the future. The distribution of income tax revenues exceeds \$30,000 average per month. For more information related to the financial results of the JEDD please contact the City's Income Tax Department.

NOTE 18 - CONTINGENT LIABILITIES

*LITIGATION*

The City is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City. The City had no pending litigation as of December 31, 2007.

*STATE GRANTS*

For the period January 1, 2007, to December 31, 2007, the City received State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 19 – CONTRACTUAL COMMITMENTS**

As of December 31, 2007, the City had contractual commitments related to property, plant and equipment improvements and additions, as well as various other contracts and agreements to provide or receive services related to the operations of the City. The list below reflects the major contracts that comprise commitments at December 31, 2007:

<u>Description</u>	<u>Amount</u>
Perkins/Carmack Construction – Clearwell	\$1,546,940
Broshear Contractors – E. Milford Storm Project	522,742
Queen City Electric - Clearwell	232,995
DER Construction – Critchell Park Erosion	79,884
Rawdon Myers – Scada System for lift station	52,500
Building Crafts – Clearwell	41,061
Winelco	27,000
Rouch Excavating, Inc	26,722
Total	<u><u>\$2,529,844</u></u>

**NOTE 20 – SUBSEQUENT EVENTS**

On January 22, 2008, the Brailey Ventures paid the principal balance due on the promissory note. The City transferred ownership of the parcels and building at this time of the note receivable being paid by Brailey Ventures.

**NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLE**

During 2007, the City implemented GASB 48, *“Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.”* The City does have several enterprise debt obligations that are subject to note disclosure required with the implementation of this GASB Statement. The City has outstanding OWPC and OWDA loans that have pledged operating revenue to pay the debt service (see Note 14).

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**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**GENERAL FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 676,550	\$ 787,050	\$ 785,881	\$ (1,169)
Income Taxes	2,504,078	2,520,078	1,935,829	(584,249)
Intergovernmental	526,350	647,850	597,499	(50,351)
Charges for Services	113,850	113,850	113,814	(36)
Licenses and Permits	47,750	47,750	49,375	1,625
Investment Earnings	200,000	200,000	239,830	39,830
Fines and Forfeitures	94,450	150,450	150,949	499
Other All Revenue	4,000	4,000	89,871	85,871
Total Revenue	<u>4,167,028</u>	<u>4,471,028</u>	<u>3,963,048</u>	<u>(507,980)</u>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property:				
Police				
Personal Services	1,607,609	1,678,026	1,555,954	122,072
Other	340,042	306,740	339,792	(33,052)
Total Police	<u>1,947,651</u>	<u>1,984,766</u>	<u>1,895,746</u>	<u>89,020</u>
Fire				
Other	2,000	2,000	238	1,762
Total Fire	<u>2,000</u>	<u>2,000</u>	<u>238</u>	<u>1,762</u>
Building Inspection				
Other	53,049	53,200	52,334	866
Total Building Inspection	<u>53,049</u>	<u>53,200</u>	<u>52,334</u>	<u>866</u>
Total Security of Persons and Property	<u>2,002,700</u>	<u>2,039,966</u>	<u>1,948,318</u>	<u>91,648</u>
Public Health and Welfare Services:				
Health				
Other	25,840	25,840	25,840	-
Total Health	<u>25,840</u>	<u>25,840</u>	<u>25,840</u>	<u>-</u>
Grounds and Facilities				
Personal Services	251,262	278,692	261,534	17,158
Other	85,744	91,386	78,133	13,253
Total Grounds and Facilities	<u>337,006</u>	<u>370,078</u>	<u>339,667</u>	<u>30,411</u>
Total Public Health and Welfare	<u>362,846</u>	<u>395,918</u>	<u>365,507</u>	<u>30,411</u>
Basic Utility Services				
Public Works - Administration				
Other	343,394	358,281	240,916	117,365
Total Basic Utility Services	<u>343,394</u>	<u>358,281</u>	<u>240,916</u>	<u>117,365</u>
Leisure Time Activities				
Other	-	-	22,144	(22,144)
Total Leisure Time Activities	<u>-</u>	<u>-</u>	<u>22,144</u>	<u>(22,144)</u>
General Government				
Mayor's Court				
Personal Services	68,637	69,815	63,946	5,869
Other	22,491	23,251	24,071	(820)
Total Mayor's Court	<u>91,128</u>	<u>93,066</u>	<u>88,017</u>	<u>5,049</u>

(continued)

**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**GENERAL FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
City Council				
Personal Services	\$ 45,216	\$ 45,785	\$ 45,205	\$ 580
Other	55,707	59,095	45,333	13,762
Total City Council	<u>100,923</u>	<u>104,880</u>	<u>90,538</u>	<u>14,342</u>
Five Points Building				
Other	115,652	116,443	109,326	7,117
Total City Clerk	<u>115,652</u>	<u>116,443</u>	<u>109,326</u>	<u>7,117</u>
Civil Defense				
Other	400	600	255	345
Total Team Hamilton	<u>400</u>	<u>600</u>	<u>255</u>	<u>345</u>
City Manager				
Personal Services	7,785	7,785	-	7,785
Other	276,020	284,265	271,111	13,154
Total City Manager	<u>283,805</u>	<u>292,050</u>	<u>271,111</u>	<u>20,939</u>
Law Director				
Personal Services	73,353	72,051	70,522	1,529
Other	4,448	8,698	6,650	2,048
Total Department of Law	<u>77,801</u>	<u>80,749</u>	<u>77,172</u>	<u>3,577</u>
Department of Civil Service				
Personal Services	480	480	302	178
Other	5,112	6,504	3,879	2,625
Total Department of Civil Service	<u>5,592</u>	<u>6,984</u>	<u>4,181</u>	<u>2,803</u>
Finance and Accounting				
Personal Services	3,894	3,894	-	3,894
Other	145,869	148,697	136,300	12,397
Total Finance - Administration	<u>149,763</u>	<u>152,591</u>	<u>136,300</u>	<u>16,291</u>
Administration				
Other	73,901	138,567	127,730	10,837
Total Finance - Administration	<u>73,901</u>	<u>138,567</u>	<u>127,730</u>	<u>10,837</u>
Engineering				
Other	60,517	60,534	59,454	1,080
Total Finance - Purchasing	<u>60,517</u>	<u>60,534</u>	<u>59,454</u>	<u>1,080</u>
Development				
Personal Services	43,623	43,792	44,840	(1,048)
Other	64,066	67,690	43,040	24,650
Total Finance - Building Services	<u>107,689</u>	<u>111,482</u>	<u>87,880</u>	<u>23,602</u>
Income Tax				
Personal Services	104,223	107,918	104,980	2,938
Other	89,714	93,103	91,889	1,214
Total Finance - Income Tax	<u>193,937</u>	<u>201,021</u>	<u>196,869</u>	<u>4,152</u>
Total General Government	<u>1,261,108</u>	<u>1,358,967</u>	<u>1,248,833</u>	<u>110,134</u>
Intergovernmental	<u>20,000</u>	<u>20,000</u>	<u>27,879</u>	<u>(7,879)</u>
Total Expenditures	<u>3,990,048</u>	<u>4,173,132</u>	<u>3,853,597</u>	<u>319,535</u>

(continued)

**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**GENERAL FUND**

	Initial	Budget Final	Actual	Variance Positive (Negative)
Excess of Revenues Over (Under) Expenditures	\$ 176,980	\$ 297,896	\$ 109,451	\$ (188,445)
<u>Other Financing Sources (Uses):</u>				
Income Tax Refunds	(60,000)	(65,874)	(6,094)	59,780
Sale of Capital Assets	-	188,654	188,654	-
Transfers - Out	(223,275)	(623,275)	(623,275)	-
Total Other Financing Sources (Uses)	(283,275)	(500,495)	(440,715)	59,780
Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(106,295)	(202,599)	(331,264)	(128,665)
Fund Balances at Beginning of Year	2,326,387	2,326,387	2,326,387	-
Prior Year Encumbrances	295,086	295,086	295,086	-
Fund Balances at End of Year	<u>\$ 2,515,178</u>	<u>\$ 2,418,874</u>	<u>\$ 2,290,209</u>	<u>\$ (128,665)</u>

See accompanying notes to the required supplementary information

**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**FIRE LEVY FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 808,710	\$ 818,710	\$ 805,314	\$ (13,396)
Intergovernmental	83,609	117,609	110,224	(7,385)
Investment Earnings	10,000	10,000	8,817	(1,183)
<b>Total Revenue</b>	<b>902,319</b>	<b>946,319</b>	<b>924,355</b>	<b>(21,964)</b>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property:				
Fire Department				
Other	868,488	841,568	834,827	6,741
<b>Total Fire Department</b>	<b>868,488</b>	<b>841,568</b>	<b>834,827</b>	<b>6,741</b>
Debt Service:				
Principal Retirement	-	15,000	15,000	-
Interest and Fiscal Charges	-	12,204	12,204	-
<b>Total Debt Service</b>	<b>-</b>	<b>27,204</b>	<b>27,204</b>	<b>-</b>
<b>Total Expenditures</b>	<b>868,488</b>	<b>868,772</b>	<b>862,031</b>	<b>6,741</b>
Excess of Revenues Over Expenditures	33,831	77,547	62,324	(15,223)
Fund Balances at Beginning of Year	275,139	275,139	275,139	-
Prior Year Encumbrances Appropriated	284	284	284	-
<b>Fund Balances at End of Year</b>	<b>\$ 309,254</b>	<b>\$ 352,970</b>	<b>\$ 337,747</b>	<b>\$ (15,223)</b>

See accompanying notes to the required supplementary information



**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**MAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

**EMS LEVY FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 833,545	\$ 857,710	\$ 844,227	\$ (13,483)
Intergovernmental	74,455	114,355	113,719	(636)
Investment Earnings	7,000	7,000	3,821	(3,179)
<b>Total Revenue</b>	<b>915,000</b>	<b>979,065</b>	<b>961,767</b>	<b>(17,298)</b>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property:				
Fire Department				
Other	911,812	885,716	870,962	14,754
<b>Total Fire Department</b>	<b>911,812</b>	<b>885,716</b>	<b>870,962</b>	<b>14,754</b>
Debt Service:				
Principal Retirement	-	15,000	15,000	-
Interest and Fiscal Charges	-	12,204	12,204	-
<b>Total Debt Service</b>	<b>-</b>	<b>27,204</b>	<b>27,204</b>	<b>-</b>
<b>Total Expenditures</b>	<b>911,812</b>	<b>912,920</b>	<b>898,166</b>	<b>14,754</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,188	66,145	63,601	(2,544)
Fund Balances at Beginning of Year	266,782	266,782	266,782	-
Prior Year Encumbrances Appropriated	1,108	1,108	1,108	-
<b>Fund Balances at End of Year</b>	<b>\$ 271,078</b>	<b>\$ 334,035</b>	<b>\$ 331,491</b>	<b>\$ (2,544)</b>

See accompanying notes to the required supplementary information

**CITY OF MILFORD, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2007**

NOTE 1 – BUDGETARY PROCESS

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

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

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

Tax Budget

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

Estimated Resources

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2007**

NOTE 1 – BUDGETARY PROCESS (CONTINUED)

Appropriations

An appropriation ordinance (the appropriation budget) to control the level of expenditures for all funds, except agency funds, must be legally enacted on or before January 1. Appropriations may not exceed estimated resources as established in the official amended certificate of estimated resources. Supplemental appropriations may be adopted by Council action. Several supplemental appropriations were legally enacted during 2006 by Council.

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

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

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

Budgeted Level of Expenditures

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

Encumbrances

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2007**

NOTE 1 – BUDGETARY PROCESS (CONTINUED)

Lapsing of Appropriations

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

NOTE 2 - BUDGET TO GAAP RECONCILIATION

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

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

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

	General Fund	Fire Levy Fund	EMS Levy Fund
GAAP Basis	(\$145,729)	\$38,006	\$38,854
Adjustments:			
Revenue Accruals	(10,240)	25,098	26,629
Expenditure Accruals	15,939	(56)	56
Encumbrances	(191,234)	(724)	(1,938)
Budget Basis	<u>(\$331,264)</u>	<u>\$62,324</u>	<u>\$63,601</u>

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Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of the City of Milford, Ohio (the City), as of and for the year ended December 31, 2007 and have issued our report thereon dated July 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the deficiencies described in the accompanying schedule of findings as items 2007-001 and 2007-002 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above we consider both findings number 2007-001 and 2007-002 to be material weaknesses.

City of Milford

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

Page 2

We also noted a certain internal control matter that we reported to the City's management in a separate letter dated July 30, 2008.

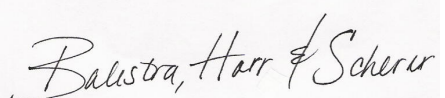
#### **Compliance and Other Matters**

As part of obtaining reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-003 and 2007-004.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated July 30, 2008.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

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



Balestra, Harr & Scherer, CPAs, Inc.  
July 30, 2008

**CITY OF MILFORD  
CLERMONT COUNTY**

***SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2007***

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2007-001**

***Material Weakness – Bank Reconciliations***

The City did not prepare bank reconciliations for the payroll, JEDD or medical reimbursement accounts during 2007. Also, the general account had immaterial unreconciled differences that were unexplained.

The City should reconcile all accounts on a monthly basis and timely investigate and resolve all unreconciled.

**Client Response:**

We have settled the issue of the immaterial difference in the general account as of July, 2008 and have made the appropriate adjustment. We are currently reconciling the JEDD account as we are the fiscal agent for the JEDD. The medical reimbursement and payroll accounts are in the process of being reconciled as of this writing.

**Finding Number 2007-002**

***Material Weakness – Internal Control Over Financial Reporting***

During the course of the audit, the following misstatements were identified that should have been prevented or detected by the City’s internal controls over financial reporting:

- Debt proceeds were incorrectly recorded as intergovernmental revenue. Consequently, the corresponding liabilities and capital assets were not booked.
- Intergovernmental receivables were incorrectly recorded
- Several revenue reclassifications were necessary.

Additionally, the City did not report the stormwater management fund as a major fund in 2007.

The accompanying financial statements were adjusted to reflect material misstatements identified. The City should implement additional application and monitoring controls over financial reporting to ensure that all financial statement transactions and funds are accurately and completely reported.

**Client Response:**

The City has been working closely with the outside accountant to ensure appropriate reporting of transactions. All questionable items are now being communicated to the outside accountant for comment prior to implementation. Additionally, the City will be meeting with the outside accountant to review the internally generated financial statements to ensure all transactions and funds are accurately and completely reported.

**CITY OF MILFORD  
CLERMONT COUNTY**

***SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)***

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2007-003**

***Noncompliance – Ohio Revised Code 5705.41B***

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The following exception applies:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority. [Section 5705.41(D)].

The City needs to ensure prior certification occurs or a then and now certificate is properly completed.

**Client Response:**

The City is in the process of reviewing the purchasing procedure to ensure compliance with ORC Section 5705.41(D).

**Finding Number 2007-004**

***Noncompliance – Ohio Revised Code 5705.39***

Ohio Revised Code Section 5705.39 states that total appropriations shall not exceed total estimated resources. The City's appropriations were in excess of total estimated resources at December 31, 2007, in the Water and Wastewater funds. This could cause the City to appropriate and spend more than the amounts available in each fund, which could lead to negative fund balances.

The Finance Director should ensure that appropriations do not exceed estimated resources at any time throughout the audit period.

**Client Response:**

The Director of Finance will ensure that appropriations do not exceed estimated resources throughout the fiscal year by monthly monitoring of funds.



**CITY OF MILFORD  
CLERMONT COUNTY**

***SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2007***

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2006-001	Material Weakness – Bank Reconciliations	No	Reissued as Finding Number 2007-001
2006-002	Material Weakness – Internal Control Over Financial Reporting	No	Reissued as Finding Number 2007-002
2006-003	Noncompliance Citation – Ohio Revised Code Section 5705.41B	No	Reissued as Finding Number 2007-003





**Mary Taylor, CPA**  
Auditor of State

**CITY OF MILFORD**

**CLERMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 30, 2008**