

THE CITY OF MILFORD, OHIO

CLERMONT COUNTY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2016



Dave Yost • Auditor of State

City Council
City of Milford
745 Center Street
Milford, Ohio 45150

We have reviewed the *Independent Auditor's Report* of the City of Milford, Clermont County, prepared by Bastin & Company, LLC, for the audit period January 1, 2016 through December 31, 2016. 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.

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Dave Yost
Auditor of State

July 13, 2018

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**CITY OF MILFORD, OHIO
 BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Members of City Council:

Report on the Financial Statements

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, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, Clermont County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 14, 2018

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Unaudited)

The discussion and analysis of the City of Milford's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. 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 2016 are as follows:

- Total assets and deferred outflows of the City exceeded its total liabilities and deferred inflows at the close of the year ended December 31, 2016, by \$21,454,311 (net position). Of this amount, \$3,621,182 is classified as unrestricted in the Water, Wastewater and Stormwater activities. The governmental activities ending unrestricted net position is (\$269,410) although without the net pension liability and other GASB 68 related amounts it would be \$3,217,171.
- The City's total net position decreased by \$73,387 which represents a 0.34% decrease from 2015.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,345,749. Of this amount \$2,749,976 is available for spending (unassigned General Fund balance) on behalf of its citizens.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,749,976 or 56.61% of total general fund expenditures.
- The other governmental major funds: Street and Fire/EMS Levy Special Revenue Funds and Debt Service have ending fund balances of (\$271,102), \$23,399 and \$867,246. The Debt Service fund saw the fund balance increase in the current year as the City spent down some of the TIF debt service fund balance on related improvements but received a \$152,000 transfer from the General Fund. Both major special revenue funds saw their prior deficit fund balance decrease with increased revenues and controlled spending.

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.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Statement of Net Position 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.

Reporting City of Milford as a Whole

Statement of Net Position 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 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 position and the change in that position. This change in net position 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 Position 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.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Unaudited)

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.

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

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

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

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

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

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

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

Required Supplementary Information (RSI): The City is required to report the budgetary schedules for the General Fund and the Street and Fire/EMS Levy special revenue funds along with the applicable accounting policies to develop those schedules. The City also presents the pension tables as required under GASB 68 as RSI.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$21,454,311 (\$6,333,805 in governmental activities and \$15,120,506 in business type activities) as of December 31, 2016. The largest portion of the City's net position (77.82%) 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 position for 2016 compared to 2015.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$7,649,574	\$7,654,838	\$4,403,058	\$4,582,420	\$12,052,632	\$12,237,258
Capital Assets	6,438,715	6,205,080	15,809,663	16,177,214	22,248,378	22,382,294
Total Assets	14,088,289	13,859,918	20,212,721	20,759,634	34,301,010	34,619,552
Deferred Outflows of Resources	1,308,589	520,092	381,533	123,351	1,690,122	643,443
Total Assets/Deferred Outflows	15,396,878	14,380,010	20,594,254	20,882,985	35,991,132	35,262,995
Long-term liabilities	6,322,880	5,549,778	5,357,380	5,482,592	11,680,260	11,032,370
Other liabilities	302,406	332,220	70,504	53,876	372,910	386,096
Total Liabilities	6,625,286	5,881,998	5,427,884	5,536,468	12,053,170	11,418,466
Deferred Inflows of Resources	2,437,787	2,304,205	45,864	12,626	2,483,651	2,316,831
Net Position:						
Net investment in capital assets	5,197,006	4,650,065	11,499,324	11,447,569	16,696,330	16,097,634
Restricted	1,406,209	1,291,572	0	0	1,406,209	1,291,572
Unrestricted	(269,410)	252,170	3,621,182	3,886,322	3,351,772	4,138,492
Total Net Position	\$6,333,805	\$6,193,807	\$15,120,506	\$15,333,891	\$21,454,311	\$21,527,698

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During 2015, the City adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio’s statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City’s proportionate share of each plan’s collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees’ past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained

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

above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represented \$1,406,209 or 6.55% of net position. The remaining unrestricted \$3,351,772 or 15.63% of net position may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

As of December 31, 2016, the City is able to report positive balances in all three categories of net position for the City as a whole, although as a result of the net pension liability and other GASB 68 entries the unrestricted governmental net position was negative.

The City saw overall current and other assets decrease as the combined cash balance for the City went down \$185,611 or 2.2% and taxes receivable increased only \$7,787 from 2015. The City saw non-pension long term liabilities decrease from 2015 by \$611,189. The overall long term liabilities increased by 5.89% as the net pension liability for both retirement systems increased.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Unaudited)

Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$709,082	\$565,491	\$2,291,049	\$2,233,614	\$3,000,131	2,799,105
Operating Grants and Contributions	300,679	280,849	0	0	300,679	280,849
Capital Grants	0	0	202,757	355,513	202,757	355,513
General Revenues						
Income Taxes	3,615,492	3,673,043	0	0	3,615,492	3,673,043
Property Taxes	2,146,835	2,171,559	0	0	2,146,835	2,171,559
Payment in Lieu of Taxes	194,074	188,336	0	0	194,074	188,336
Other Taxes	424,078	434,933	0	0	424,078	434,933
Unrestricted Grants	368,583	398,023	0	0	368,583	398,023
Investment earnings	45,912	71,843	39,836	70,916	85,748	142,759
Other Revenues	11,251	7,172	0	0	11,251	7,172
Total Revenues	7,815,986	7,791,249	2,533,642	2,660,043	10,349,628	10,451,292
Expenses:						
Security of Persons and Property	4,455,232	3,979,769	0	0	4,455,232	3,979,769
Public Health and Welfare	392,788	425,410	0	0	392,788	425,410
Leisure Time Activities	158,960	128,321	0	0	158,960	128,321
Transportation	1,038,664	1,092,386	0	0	1,038,664	1,092,386
General Government	1,557,961	1,429,234	0	0	1,557,961	1,429,234
Intergovernmental	0	94,788	0	0	0	94,788
Interest and Fiscal Charges	72,383	82,844	0	0	72,383	82,844
Water	0	0	1,332,178	1,121,599	1,332,178	1,121,599
Wastewater	0	0	1,094,936	1,354,310	1,094,936	1,354,310
Stormwater Management	0	0	319,913	395,429	319,913	395,429
Total Expenses	7,675,988	7,232,752	2,747,027	2,871,338	10,423,015	10,104,090
Change in Net Position	139,998	558,497	(213,385)	(211,295)	(73,387)	347,202
Beginning Net Position	6,193,807	5,635,310	15,333,891	15,545,186	21,527,698	21,180,496
Ending Net Position	\$6,333,805	\$6,193,807	\$15,120,506	\$15,333,891	\$21,454,311	\$21,527,698

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 2016, total security of persons and property expenses were \$4.46 million representing 58.04% of governmental activity spending (up 3.16% from 2015) yielding a reliance on general revenues to fund the program of approximately \$4.19 million after direct support to their programs.

Governmental revenues increased approximately 0.32% as the general revenues were relatively unchanged or down slightly from the prior year. The City is mainly dependent on property and income taxes to fund operations. The City has worked to extend the income tax base by partnering with Union Township to create Joint Economic Development Districts along the Interstate 275/State Route 32 area. The City's income tax revenue is currently 4.1% derived from those districts.

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(Unaudited)

Business-Type Activities

The City's business-type activities include the water, wastewater and stormwater management systems. The wastewater fund and stormwater management fund were able to produce an increase in net position for 2016. Combined change in net position totaled to (\$213,385) mainly from depreciation of the capital assets reducing the net position by \$784,785. The charges for services increased by \$57,435 across all three funds. All three of the enterprise funds have significant unrestricted net position to offset any operating losses during the year.

Financial Analysis of the City's Funds

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

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

As of the end of 2016, the City's governmental funds reported combined ending fund balances of \$4.35 million. Approximately \$2.48 million constitutes unassigned fund balance available for spending for citizen needs as allowed under the Ohio Revised Code guidelines. A larger portion (\$1.41 million) is restricted by external sources (restricted fund balance) earmarked for specific purposes and not available to be spent for some purposes.

The General Fund is the chief operating fund of the City. As of December 31, 2016, the unassigned general fund balance was \$2.75 million with a total fund balance of \$3.21 million. As a measure of liquidity, it is often useful to compare these numbers to total general fund expenditures and other financing uses. Unassigned fund balance represents approximately 56.61% of the total expenditures and other financing uses, while total fund balance represents 66.09% of that same amount.

During 2016, the City's General fund decreased by \$0.27 million although the City generated \$0.25 million more in revenues compared to 2015 mainly in charges for services and licenses and permits. The expenditures increased by 9.47% as the City purchased and improved the main street parking lot site.

The Street fund is a major fund for 2016 as the advance is reported as a liability in the fund. The Street fund receives almost 95% of the revenue from state shared funds but the capital needs exceeded that revenue resulting in an additional interfund transfers from the General fund.

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

The Fire and EMS levy generated \$0.06 million more revenue than expended during 2016. The City contracts for these services and collects the tax levy to cover the contract. The other major governmental fund is the Debt Service fund. The majority of revenue comes from payment in lieu of taxes in the City's Rivers Edge development. Revenue collections were down \$0.01 million from 2015 as the City did not allocate any January 2016 income revenue to the fund. The City opted to increase the transfer from the General fund.

General Fund Budgeting Highlights

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

During the course of 2016, the City amended its total and general fund budget several times, the most significant noted below. All recommendations for the budget came from the City Manager after consultation with individual directors and the Finance Department before submission to City Council. The City Council also ministerially approves small interdepartmental budget changes that modify line items within departments within the same fund. With the General fund supporting a majority of our major activities such as public safety programs, as well as most legislative and executive activities, the General Fund is monitored closely with particular attention to possible revenue shortfalls or over spending by individual departments.

The following table summarizes the major revenue sources and expenditures from original to final budget for 2016:

Description	Original Budget	Final Budget	Change
Revenues:			
Property and Other Taxes	\$423,942	\$685,000	\$261,058
Income Taxes	3,511,000	3,426,580	(84,420)
Intergovernmental Revenue	241,330	241,330	0
Other Revenues	712,430	772,090	59,660
Total Revenues	4,888,702	5,125,000	236,298
Expenditures:			
Security of Persons/Property	2,205,989	2,505,989	300,000
General Government	1,423,491	1,916,177	492,686
Other Expenditures	644,601	744,601	100,000
Total Expenditures	4,274,081	5,166,767	892,686

The City's original revenue budget increased 4.8% to the final budget as the property taxes figure provided with the original budget comes from the tax budget and the estimate is conservative.

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

The final budget was completed when the City had a better understanding of the state and local government funding issues and more information related to total income tax collections. The City continued to evaluate the budgeted expenditures making several changes throughout the year. The City increased security of person and property expenditures for several capital purchases during the year. The other expenditures were increased for payments to the school district.

The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2016:

Description	Final Budget	Actual	Change
Revenues:			
Property and Other Taxes	\$685,000	\$671,643	(\$13,357)
Income Taxes	3,426,580	3,493,590	67,010
Intergovernmental Revenue	241,330	239,012	(2,318)
Other Revenues	772,090	726,573	(45,517)
Total Revenues	5,125,000	5,130,818	5,818
Expenditures:			
Security of Persons/Property	2,505,989	2,405,023	(100,966)
General Government	1,916,177	1,771,898	(144,279)
Other Expenditures	744,601	630,281	(114,320)
Total Expenditures	5,166,767	4,807,202	(359,565)

The largest revenue variance is income tax as the final collections came in higher than the updated estimated revenue. The City was able to bring the final expenditures figure in about 8% below the final budget through departmental control.

Capital Assets and Debt Administration

Capital Assets: The City's investment in net capital assets for its governmental and business type activities as of December 31, 2016, totaled \$16.70 million (net of accumulated depreciation and related debt). This net investment in capital assets includes land, buildings and systems, improvements, equipment and machinery.

The City's largest governmental addition was the land and improvements for the main street parking lot to add parking for the downtown area. For more information on the governmental and business-type capital assets see Note 7 in the notes to the financial statements.

Long-term Debt: At the end of 2016, the City had general obligation bonds outstanding of \$1.33 million in governmental activities. The City retired \$200,000 in principal related to general obligation bonds during the year. The City also has \$4.31 million in business-type debt between the water and wastewater funds. See Note 12 for further information on the City's long-term debt.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Unaudited)

Economic Factors affecting the City

Surrounded by hills and woods, with 2014 population of almost 6,900 (city-data.com most recent), Milford is Clermont County's only city, is 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.

As the River's Edge development has grown over the past decade, the City hosts a multitude of restaurants, Target, Wal-Mart, a top line cinema and two top class hotel accommodations. The area still has several parcels available. The City has focused on downtown (Main Street) development over the past several years with the Riverwalk development along the Little Miami River and several new or updated store fronts. With the completion of the additional parking lot located on Main Street, the City added significant parking to allow for residents and other communities to come enjoy the increased entertainment.

The City has expanded its capacity for income tax revenue by working with Union Township and creating a Joint Economic Development District (JEDD) around State Route 32 and Interstate 275. During 2012, the City and Township created another JEDD around the new Jungle Jim's market in Eastgate that started collections during the second half of 2012. During 2013, the City and Township are working on expanding to more JEDDs in the area. With the City's boundaries being restricted, using mechanisms, such as this, will allow the City to work with the surrounding Townships to help both the City and Township generate additional revenue as other revenues like local government funding and personal property taxes are being reduced or eliminated. In 2014, the City added a fourth JEDD to include the Mt. Carmel Brewery. The City continues to explore ways to increase the income tax base outside of the City limits.

Requests for Information

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

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CITY OF MILFORD, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 4,294,846	\$ 4,130,511	\$ 8,425,357
Receivables (net of allowance for doubtful accounts):			
Taxes-Real & Personal Property	2,267,865	-	2,267,865
Taxes-Municipal Income	504,590	-	504,590
Accounts	26,764	264,047	290,811
Interest	8,501	8,500	17,001
Payment in Lieu of Taxes	194,074	-	194,074
Due from Other Governments	352,934	-	352,934
Nondepreciable Capital Assets:			
Land	2,249,638	328,914	2,578,552
Depreciable Capital Assets:			
Plant	-	6,182,808	6,182,808
Water/Sewer Lines	-	8,355,670	8,355,670
Buildings and Improvements	4,018,222	-	4,018,222
Improvements other than Buildings	2,405,357	12,938,204	15,343,561
Furniture, Equipment and Vehicles	3,216,829	1,544,203	4,761,032
Less: Accumulated Depreciation	(5,451,331)	(13,540,136)	(18,991,467)
Total Assets	<u>14,088,289</u>	<u>20,212,721</u>	<u>34,301,010</u>
Deferred Outflows of Resources:			
Pensions	1,308,589	381,533	1,690,122
Total Assets and Deferred Outflows of Resources	<u>\$ 15,396,878</u>	<u>\$ 20,594,254</u>	<u>\$ 35,991,132</u>
Liabilities:			
Accounts Payable	79,205	33,273	112,478
Accrued Wages and Benefits	83,757	23,900	107,657
Due to Other Governments	133,823	13,331	147,154
Accrued Interest Payable	5,621	-	5,621
Long Term Liabilities due within 1 year	387,946	354,083	742,029
Long Term Liabilities due over 1 year			
Net Pension Liability	4,706,743	1,010,118	5,716,861
Other Long Term Liabilities due over 1 year	1,228,191	3,993,179	5,221,370
Total Liabilities	<u>6,625,286</u>	<u>5,427,884</u>	<u>12,053,170</u>
Deferred Inflows of Resources:			
Pensions	88,427	45,864	134,291
Payments in Lieu of Taxes	194,074	-	194,074
Property Tax Levy for Next Fiscal Year	2,155,286	-	2,155,286
Total Deferred Outflow of Resources	<u>2,437,787</u>	<u>45,864</u>	<u>2,483,651</u>
NET POSITION			
Net Investment in Capital Assets	5,197,006	11,499,324	16,696,330
Restricted:			
Transportation	2,495	-	2,495
Culture and Recreation	267,264	-	267,264
Protection of Citizens	225,970	-	225,970
Debt Service	867,246	-	867,246
Capital Improvements	43,234	-	43,234
Unrestricted	(269,410)	3,621,182	3,351,772
Total Net Position	<u>6,333,805</u>	<u>15,120,506</u>	<u>21,454,311</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 15,396,878</u>	<u>\$ 20,594,254</u>	<u>\$ 35,991,132</u>

See accompanying notes to the basic financial statements

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**CITY OF MILFORD, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Security of Persons and Property	\$ (4,455,232)	\$ 251,037	\$ 11,694	\$ -	\$ (4,192,501)	\$ -	\$ (4,192,501)
Public Health and Welfare	(392,788)	289,463	-	-	(103,325)	-	(103,325)
Leisure Time Activities	(158,960)	17,183	-	-	(141,777)	-	(141,777)
Transportation	(1,038,664)	23,825	288,985	-	(725,854)	-	(725,854)
General Government	(1,557,961)	127,574	-	-	(1,430,387)	-	(1,430,387)
Interest and Fiscal Charges	(72,383)	-	-	-	(72,383)	-	(72,383)
Total Governmental Activities	<u>(7,675,988)</u>	<u>709,082</u>	<u>300,679</u>	<u>-</u>	<u>(6,666,227)</u>	<u>-</u>	<u>(6,666,227)</u>
Business-Type Activities:							
Water	(1,332,178)	886,846	-	-	-	(445,332)	(445,332)
Wastewater	(1,094,936)	929,263	-	202,757	-	37,084	37,084
Stormwater Management	(319,913)	474,940	-	-	-	155,027	155,027
Total Business-Type Activities	<u>(2,747,027)</u>	<u>2,291,049</u>	<u>-</u>	<u>202,757</u>	<u>-</u>	<u>(253,221)</u>	<u>(253,221)</u>
Total	<u>\$ (10,423,015)</u>	<u>\$ 3,000,131</u>	<u>\$ 300,679</u>	<u>\$ 202,757</u>	<u>(6,666,227)</u>	<u>(253,221)</u>	<u>(6,919,448)</u>
General Revenues:							
Income Taxes					3,615,492	-	3,615,492
Property Taxes					2,146,835	-	2,146,835
Franchise Fee Taxes					92,864	-	92,864
Cinema Admissions Taxes					124,961	-	124,961
Hotel Taxes					125,947	-	125,947
Payment in Lieu of Taxes					194,074	-	194,074
Permissive Sale Taxes					80,306	-	80,306
Grants and Contributions not restricted to specific programs					368,583	-	368,583
Unrestricted investment earnings					45,912	39,836	85,748
Miscellaneous					11,251	-	11,251
Total General Revenues					<u>6,806,225</u>	<u>39,836</u>	<u>6,846,061</u>
Changes in Net Position					<u>139,998</u>	<u>(213,385)</u>	<u>(73,387)</u>
Net Position-Beginning					<u>6,193,807</u>	<u>15,333,891</u>	<u>21,527,698</u>
Net Position-Ending					<u>\$ 6,333,805</u>	<u>\$ 15,120,506</u>	<u>\$ 21,454,311</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General	Street	Fire/ EMS Levy	Debt Service	Other Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 2,865,902	\$ 26,480	\$ 23,624	\$ 867,246	\$ 511,594
Receivables (net of allowance for doubtful accounts):					
Taxes-Real & Personal Property	475,650	-	1,792,215	-	-
Taxes-Municipal Income	496,657	-	-	-	7,933
Accounts	26,764	-	-	-	-
Interest	8,501	-	-	-	-
Payment in Lieu of Taxes	-	-	-	194,074	-
Interfund Receivable	300,644	-	-	-	-
Due from Other Governments	104,714	128,383	70,611	-	49,226
Total Assets	4,278,832	154,863	1,886,450	1,061,320	568,753
Liabilities:					
Accounts Payable	67,375	10,559	225	-	1,046
Accrued Wages and Benefits	75,153	6,081	-	-	2,523
Due to Other Governments	133,738	59	-	-	26
Interfund Payable	-	300,644	-	-	-
Total Liabilities	276,266	317,343	225	-	3,595
Deferred Inflows of Resources:					
Property Tax Levy for Next Fiscal Year	415,709	-	1,739,577	-	-
Delinquent Property Taxes	12,635	-	52,638	-	-
Income Taxes	257,188	-	-	-	7,933
Payment in Lieu of Taxes	-	-	-	194,074	-
County Shared Revenues	19,770	-	70,611	-	-
State Shared Revenues	70,247	108,622	-	-	41,661
Other miscellaneous revenues	16,375	-	-	-	-
Total Deferred Inflows of Resources:	791,924	108,622	1,862,826	194,074	49,594
Fund Balances:					
Restricted	-	-	23,399	867,246	515,564
Assigned	460,666	-	-	-	-
Unassigned	2,749,976	(271,102)	-	-	-
Total Fund Balances	3,210,642	(271,102)	23,399	867,246	515,564
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,278,832	\$ 154,863	\$ 1,886,450	\$ 1,061,320	\$ 568,753

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO
RECONCILIATION OF THE TOTAL GOVERNMENTAL
FUND BALANCES TO NET POSITION
OF GOVERNMENTAL ACTIVITIES**

DECEMBER 31, 2016

Total Governmental Funds		
\$ 4,294,846	Fund Balances - Governmental Funds	\$ 4,345,749
2,267,865	Amounts reported for governmental activities in the statement of net position is different because:	
504,590		
26,764	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,438,715
8,501		
194,074		
300,644	Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	657,680
352,934		
7,950,218	The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reporting in governmental funds.	
79,205	Deferred Outflows - Pension	1,308,589
83,757	Deferred Inflows - Pension	(88,427)
133,823	Net Pension Liability	(3,486,581)
300,644		
597,429	Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(1,621,758)
	Net Position of governmental activities	\$ 6,333,805
2,155,286		
65,273		
265,121		
194,074		
90,381		
220,530		
16,375		
3,007,040		
1,406,209		
460,666		
2,478,874		
4,345,749		
\$ 7,950,218		

CITY OF MILFORD, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Street	Fire/ EMS Levy	Debt Service	Other Governmental Funds
Revenues:					
Income Taxes	\$ 3,506,296	\$ -	\$ -	\$ -	\$ 128,428
Property and Other Taxes	714,739	-	1,735,844	-	-
Intergovernmental	238,470	261,951	146,480	-	101,107
Charges for Services	290,055	-	-	-	121,216
Licenses and Permits	115,285	-	-	-	-
Investment Earnings	38,560	-	945	31	6,377
Fines and Forfeitures	202,667	-	-	-	29,337
Payment in Lieu of Taxes	-	-	-	194,074	-
All Other Revenues	34,289	14,142	-	5,452	3,644
Total Revenues	5,140,361	276,093	1,883,269	199,557	390,109
Expenditures:					
Current:					
Security of Persons and Property	2,353,198	-	1,767,266	-	3,903
Public Health and Welfare	219,477	-	-	1,055	157,324
Leisure Time Activities	123,494	-	-	-	-
Transportation	369,239	408,580	-	-	140,683
General Government	1,788,879	-	-	-	18,571
Capital Outlay	-	-	-	101,038	122,043
Debt Service:					
Principal Retirement	3,645	-	45,000	155,000	-
Interest and Fiscal Charges	195	-	8,618	64,670	-
Total Expenditures	4,858,127	408,580	1,820,884	321,763	442,524
Excess (Deficiency) of Revenues Over (Under) Expenditures	282,234	(132,487)	62,385	(122,206)	(52,415)
Other Financing Sources (Uses):					
Transfers - In	-	250,000	-	152,000	150,000
Transfers - Out	(552,000)	-	-	-	-
Total Other Financing Sources (Uses)	(552,000)	250,000	-	152,000	150,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(269,766)	117,513	62,385	29,794	97,585
Fund Balances at Beginning of Year	3,480,408	(388,615)	(38,986)	837,452	417,979
Fund Balances at End of Year	\$ 3,210,642	\$ (271,102)	\$ 23,399	\$ 867,246	\$ 515,564

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, 2016

Total Governmental Funds			
\$ 3,634,724	Amounts reported in governmental activities in the statement of activities are different because:		
2,450,583	Net Change in Fund Balances - total governmental funds	\$	37,511
748,008			
411,271	Governmental funds report capital outlays as expenditures. However, in the statement of activities		
115,285	the cost of those assets is allocated over their estimated useful lives and reported as depreciation		
45,913	expense. This is the amount by which capital outlays exceeded depreciation in the current period.	249,267	
232,004			
194,074	The proceeds from the sale of capital assets are reported as revenue in the governmental funds.		
57,527	However, the cost of capital assets is removed from the capital asset account in the Statement of		
7,889,389	Net Position and offset against the proceeds from the sale of capital assets resulting in a loss on the		
	sale of capital assets in the Statement of Activities:	(15,632)	
	Revenues in the statement of activities that do not provide current financial resources are not reported		
	as revenues in the funds.	(76,929)	
4,124,367	The issuance of long-term debt provides current financial resources to governmental funds, while the		
377,856	repayment of the principal of long-term debt consumes the current financial resources of governmental		
123,494	funds. Neither transaction however, has any affect of net position. This amount is the net effect of		
918,502	of these differences in the treatment of long-term debt and related items.	208,271	
1,807,450			
223,081	Contractually required contributions are reported as expenditures in governmental funds; however,		
	the statement of activities reports these amounts as deferred outflows.	364,175	
203,645			
73,483	Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are		
7,851,878	reported as pension expense in the statement of activities.	(614,055)	
	Some items reported in the statement of activities do not require the use of current financial		
	current financial resources and, therefore, are not reported as expenditures in governmental funds.	(12,610)	
37,511			
	Change in net position of governmental activities	<u>\$</u>	<u>139,998</u>
552,000			
(552,000)			
-			
37,511			
4,308,238			
\$ 4,345,749			

**CITY OF MILFORD, OHIO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2016**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Wastewater	Stormwater Management	Totals
Assets:				
<u>Current Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 409,025	\$ 2,384,784	\$ 1,336,702	\$ 4,130,511
Receivables (net of allowances for doubtful accounts):				
Accounts	93,636	109,995	60,416	264,047
Interest	3,400	3,400	1,700	8,500
Total Current Assets	<u>506,061</u>	<u>2,498,179</u>	<u>1,398,818</u>	<u>4,403,058</u>
<u>Nondepreciable Capital Assets:</u>				
Land	101,488	227,426	-	328,914
<u>Depreciable Capital Assets:</u>				
Improvements Other than Buildings	4,249,044	6,410,738	2,278,422	12,938,204
Furniture, Fixtures, Equipment	778,659	704,536	61,008	1,544,203
Water and Sewer Line	3,727,898	4,627,772	-	8,355,670
Plant	2,051,892	4,130,916	-	6,182,808
Less: Accumulated Depreciation	<u>(5,153,491)</u>	<u>(7,694,253)</u>	<u>(692,392)</u>	<u>(13,540,136)</u>
Total Capital Assets (net of (accumulated depreciation)	<u>5,755,490</u>	<u>8,407,135</u>	<u>1,647,038</u>	<u>15,809,663</u>
Total Assets	<u>6,261,551</u>	<u>10,905,314</u>	<u>3,045,856</u>	<u>20,212,721</u>
Deferred Outflows of Resources:				
Pensions	<u>175,239</u>	<u>149,153</u>	<u>57,141</u>	<u>381,533</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,436,790</u>	<u>\$ 11,054,467</u>	<u>\$ 3,102,997</u>	<u>\$ 20,594,254</u>

**CITY OF MILFORD, OHIO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2016**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Wastewater	Stormwater Management	Totals
Liabilities				
<u>Current Liabilities:</u>				
Accounts Payable	\$ 18,398	\$ 14,475	\$ 400	\$ 33,273
Accrued Wages and Benefits	11,532	10,854	1,514	23,900
Due to Other Governments	5,183	6,624	1,524	13,331
Compensated Absences Payable - Current	17,930	12,330	1,972	32,232
Ohio Water Development Authority Loans Payable - Current	94,641	148,470	-	243,111
OPWC Loan Payable - Current	14,498	64,242	-	78,740
Total Current Liabilities	<u>162,182</u>	<u>256,995</u>	<u>5,410</u>	<u>424,587</u>
<u>Noncurrent Liabilities:</u>				
Compensated Absences Payable	2,378	2,313	-	4,691
Ohio Water Development Authority Loans Payable	1,464,546	1,668,450	-	3,132,996
OPWC Loans Payable	135,701	719,791	-	855,492
Net Pension Liability	463,949	394,886	151,283	1,010,118
Total Noncurrent Liabilities	<u>2,066,574</u>	<u>2,785,440</u>	<u>151,283</u>	<u>5,003,297</u>
Total Liabilities	<u>2,228,756</u>	<u>3,042,435</u>	<u>156,693</u>	<u>5,427,884</u>
Deferred Inflows of Resources:				
Pensions	20,825	17,851	7,188	45,864
Net Position				
Net Investment in Capital Assets	4,046,104	5,806,182	1,647,038	11,499,324
Unrestricted	141,105	2,187,999	1,292,078	3,621,182
Total Net Position	<u>4,187,209</u>	<u>7,994,181</u>	<u>2,939,116</u>	<u>15,120,506</u>
Total Liabilities, Deferred Outflows and Net Pension	<u>\$ 6,436,790</u>	<u>\$ 11,054,467</u>	<u>\$ 3,102,997</u>	<u>\$ 20,594,254</u>

See accompanying notes to the basic financial statements

CITY OF MILFORD, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Wastewater	Stormwater Management	Totals
<u>Operating Revenues:</u>				
Charges for Services	\$ 859,704	\$ 920,225	\$ 473,613	\$ 2,253,542
Other Operating Revenues	27,142	9,038	1,327	37,507
Total Operating Revenues	<u>886,846</u>	<u>929,263</u>	<u>474,940</u>	<u>2,291,049</u>
<u>Operating Expenses:</u>				
Personal Services	508,741	404,519	144,164	1,057,424
Materials and Supplies	265,336	70,355	11,058	346,749
Contractual Services	252,803	207,088	32,823	492,714
Other Operating Expenses	20,152	6,212	2,616	28,980
Depreciation	266,749	388,784	129,252	784,785
Total Operating Expenses	<u>1,313,781</u>	<u>1,076,958</u>	<u>319,913</u>	<u>2,710,652</u>
Operating Income (Loss)	(426,935)	(147,695)	155,027	(419,603)
<u>Non-Operating Revenues (Expenses):</u>				
Investment Earnings	(12,461)	35,618	16,679	39,836
Interest and Fiscal Charges	(18,397)	(17,978)	-	(36,375)
Grants	202,757	-	-	202,757
Total Non-Operating Revenues (Expenses)	<u>171,899</u>	<u>17,640</u>	<u>16,679</u>	<u>206,218</u>
Change in Net Position	(255,036)	(130,055)	171,706	(213,385)
Total Net Position - Beginning	<u>4,442,245</u>	<u>8,124,236</u>	<u>2,767,410</u>	<u>15,333,891</u>
Total Net Position - Ending	<u>\$ 4,187,209</u>	<u>\$ 7,994,181</u>	<u>\$ 2,939,116</u>	<u>\$ 15,120,506</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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	\$ 853,960	\$ 921,202	\$ 476,438	\$ 2,251,600
Cash Paid for Employee Services and Benefits	(473,591)	(380,105)	(139,701)	(993,397)
Cash Paid to Suppliers for Goods and Services	(513,155)	(266,128)	(43,807)	(823,090)
Other Operating Revenues	26,942	8,338	1,320	36,600
Other Operating Expenses	(13,458)	(7,520)	(2,616)	(23,594)
Net Cash Provided by (Used for) Operating Activities	<u>(119,302)</u>	<u>275,787</u>	<u>291,634</u>	<u>448,119</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Capital Grant Contributions	198,757	-	-	198,757
Face Value from the Sale of Debt	17,402	-	-	17,402
Proceeds from Sale of Assets	-	-	-	-
Acquisition and Construction of Assets	(153,594)	(212,264)	(51,376)	(417,234)
Principal Paid on Loans Payable	(225,748)	(210,961)	-	(436,709)
Interest Paid on All Debt	(18,397)	(17,978)	-	(36,375)
Net Cash (Used for) Capital and Related Financing Activities	<u>(181,580)</u>	<u>(441,203)</u>	<u>(51,376)</u>	<u>(674,159)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest	(14,393)	33,686	15,713	35,006
Net Cash Provided By Investing Activities	<u>(14,393)</u>	<u>33,686</u>	<u>15,713</u>	<u>35,006</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(315,275)	(131,730)	255,971	(191,034)
Cash and Cash Equivalents at Beginning of Year	724,300	2,516,514	1,080,731	4,321,545
Cash and Cash Equivalents at End of Year	<u>\$ 409,025</u>	<u>\$ 2,384,784</u>	<u>\$ 1,336,702</u>	<u>\$ 4,130,511</u>

**CITY OF MILFORD, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater Management</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ (426,935)	\$ (147,695)	\$ 155,027	\$ (419,603)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation Expense	266,749	388,784	129,252	784,785
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(9,944)	277	2,825	(6,842)
Increase (Decrease) in Due to Other Governments	433	(5,358)	(1,001)	(5,926)
Increase in Accounts Payables	11,528	12,150	67	23,745
Increase in Accrued Wages and Benefits	826	1,502	481	2,809
Increase (Decrease) in Compensated Absences Payable	4,629	(3,584)	1,634	2,679
Net Increase in GASB 68 Pension Items	33,412	29,711	3,349	66,472
Total Adjustments	<u>307,633</u>	<u>423,482</u>	<u>136,607</u>	<u>867,722</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (119,302)</u>	<u>\$ 275,787</u>	<u>\$ 291,634</u>	<u>\$ 448,119</u>

See accompanying notes to the basic financial statements

CITY OF MILFORD, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2016

	Totals
Assets:	
Cash and Cash Equivalents	\$ 6,371
Cash and Cash Equivalents in Segregated Accounts	165,341
Total Assets	171,712
Liabilities:	
Due to Other Governments	573
Due to Others	171,139
Total Liabilities	\$ 171,712

See accompanying notes to the basic financial statements

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CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016

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 four jointly governed organizations: The Center for Local Government, the Ohio-Kentucky-Indiana Regional Council of Governments, City of Milford-Union Township Joint Economic Development District and Clermont County Transportation Improvement District, which are presented in Note 15 to the basic financial statements.

B. Basis of Presentation – Fund Accounting

The government-wide financial statements (i.e., the statement of net position 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, 2016

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 and payment in lieu of 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, liabilities and deferred inflows of resources is reported as fund balance.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

Street Special Revenue Fund

The street fund accounts for shared revenues received for gas taxes and auto license fees. Although no longer it is considered a major fund in 2016, the City has elected to report it as such for consistency with the prior year.

Fire/EMS Levy Special Revenue Fund

The Fire/EMS levy fund accounts for collection of the City's Fire and EMS levies. The proceeds are collected by the City and the City contracts with the Milford Community Fire Department for safety services. The services were split in prior years but the City has decided in fiscal year 2012 to report them in a new fund.

Debt Service Fund

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

The City reports the following major enterprise funds:

Water Fund

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

Wastewater Fund

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

Stormwater Management Fund

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the City reports the following fund types:

Fiduciary Funds:

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

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

B. *Cash and Cash Equivalents*

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

During 2016, investments were limited to U.S. Governmental Agency Obligations, U.S. Treasury Notes, and Money Market Mutual funds. 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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2016 amounted to \$38,560, which includes \$3,480 assigned from other funds. The fire/EMS levy special revenue fund, debt service, state highway, cemetery and permissive tax special revenue funds, wastewater enterprise, and stormwater enterprise funds also received interest of \$945; \$31; \$43; \$175; \$6,159; \$35,618; and \$16,679 respectively.

C. Capital Assets and Depreciation

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

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

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

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

D. 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 2016, no net interest expense was incurred on enterprise fund construction projects.

E. Compensated Absences

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount normally due for payment during the current year. 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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. *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, capital leases, compensated absences and general obligation bonds payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be expected to be liquidated with expendable, available financial resources. In prior years, the City reported a liability for the required reserve shortage from the Center for Local Government insurance pool. For fiscal year 2016, the pool has a surplus and no liability is associated with the City. Long-term debt and other obligations financed by enterprise funds are reported as liabilities in the appropriate enterprise fund.

G. *Fund Balance*

The City reports the following categories of fund balance:

- Restricted fund balances related to grants, other restricted revenue sources like state shared revenues or charges for specific services are reported as restricted in the fund receiving those resources.

- Assigned fund balances are balances for which the City administration has specified the future use such as encumbrances or certified estimated revenues over appropriations for the next fiscal year in the General Fund.

- Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first then assigned resources when expenditures are incurred for purposes for which either restricted, assigned or unassigned amounts are available.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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.

The City reports an interfund receivable and payable for reporting advances between governmental funds.

I. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources in the statement of net position. Net position of net investment in capital assets is 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 position is 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 \$1,406,209 restricted net position is restricted by enabling legislation.

J. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The City reports deferred outflows of resources on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Inflows of Resources

Deferred inflows of resources arise 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, 2016, but which were levied to finance fiscal year 2017 operations, have been recorded as deferred inflows of resources. Payment in lieu of taxes, grants and entitlements received before the eligibility requirements are met are also recorded as deferred inflows of resources. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (see Note 8.)

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources.

K. 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 4). 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, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

M. 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.

N. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. 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 (\$1,621,758) difference are as follows:

General Obligation Bonds	(\$1,325,000)
Premium on General Obligations Bonds	(19,386)
Capital Leases Payable	(3,458)
Accrued Interest Payable	(5,621)
Compensated Absences	(268,293)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	(\$1,621,758)

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$6,438,715 difference are as follows:

Capital Assets	\$11,890,046
Accumulated Depreciation	<u>(5,451,331)</u>
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$6,438,715</u></u>

The governmental statement of revenues, expenditures and changes in fund balance includes a reconciliation between *net change in fund balance – total governmental funds* and *change in net position of governmental activities* as reported in the government wide statement of position.

One element of that reconciliation states that “Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.” The details of this \$249,267 are as follows:

Current Capital Additions	\$676,913
Depreciation Expense	<u>(427,646)</u>
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$249,267</u></u>

Another 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 position. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$208,271 are as follows:

Principal paid on Long Term Debt	\$200,000
Principal paid on Capital Leases Payable	3,645
Amortization of Bond Premium Cost	3,526
Change in Interest Payable	<u>1,100</u>
Net Adjustment - current financial resources focus to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$208,271</u></u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. At fiscal year-end, the carrying value of the City's deposits was \$2,032,851 and the bank balance was \$2,154,496. \$1,858,556 of the City's deposits was insured by federal depository insurance. The remaining \$295,940 of the City's \$2,154,496 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, 2016, the City had the following investments.

<u>Categorized Investments</u>	<u>Fair Value Under One Year</u>	<u>Fair Value Measuring Unit</u>	<u>Credit Rating</u>	<u>Concentration Percentage</u>
Federal National Mortgage Notes	\$1,755,746	Level 1	AAA	26.75%
Federal Home Loan Mortgage Corporation Notes	3,760,494	Level 1	AAA Moody's	57.29%
Commercial Paper	405,699	Level 1	Aa1/P-1	6.18%
Money Market Mutual Funds	642,279	Level 1	S&P - AAAM	9.78%
Total	<u>\$6,564,218</u>			

Fair Value Measurement

Fair value as defined by GASB Statement No. 72 requires the City to apply valuation techniques that best represent fair value in the circumstances-market approach, cost approach and income approach. The following are the levels for which inputs can be measured. Level 1 – quoted prices (unadjusted) in active markets for identical assets/liabilities (most reliable); Level 2 – quoted prices for similar assets/liabilities, quoted price for identical assets/liabilities or similar assets/liabilities in markets that are not active, or other quoted prices that are observable; and Level 3 – unobservable inputs (least reliable).

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Credit Risk - The 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 and Federal Home Loan Mortgage Corporation 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.

NOTE 4 - 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 2016 for real and public utility property taxes represents collections of 2015 taxes. Property tax payments received during 2016 for tangible personal property (other than public utility property) are for 2016 taxes.

2016 real property taxes are levied after October 1, 2015 on the assessed value as of January 1, 2016 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2016.

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. 2016 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 - PROPERTY TAXES (CONTINUED)

The full tax rate for all City operations for the year ended December 31, 2016, was \$3.00 per \$1,000 of assessed value for inside millage. Additionally, voted levies were \$12.50 per \$1,000 of assessed value for fire and emergency medical service. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

Category (Clermont County Only)	Assessed Value
Real Property	\$142,830,920
Public Utility Tangible Personal Property	8,551,680
Total Property Tax	\$151,382,600

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Milford. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2016, 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 2016 operations. The receivable is offset by unearned revenue.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 - 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 Fund and the Capital Improvement Capital Projects Fund. Income tax revenue (net of refunds) for 2016 was \$3,634,724.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2016, consisted primarily of property taxes, income taxes, accounts, interfund, interest on investments, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered fully collectible.

A summary of intergovernmental receivables follows:

<u>Fund/Description</u>	<u>Amount</u>
<u>MAJOR FUNDS</u>	
<i>General Fund:</i>	
Local Government	\$84,054
Clermont County DUI task force	890
Homestead/Rollback	19,770
Total General Fund	<u>104,714</u>
<i>Fire/EMS Levy</i>	
Homestead/Rollback	<u>70,611</u>
<i>Street Fund</i>	
Gasoline Excise Tax	103,599
Motor Vehicle License Tax	24,824
Total Street Fund	<u>128,383</u>
<u>NONMAJOR FUNDS</u>	
<i>State Highway Fund</i>	
Gasoline Excise Tax	8,395
Motor Vehicle License Tax	2,011
Total State Highway Fund	<u>10,406</u>
<i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	38,820
Total All Funds	<u>\$352,934</u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – CAPITAL ASSETS

	Balance 12/31/15	Increases	Decreases	Balance 12/31/16
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$1,845,024	\$404,614	\$0	\$2,249,638
Total capital assets, not being depreciated	<u>1,845,024</u>	<u>404,614</u>	<u>0</u>	<u>2,249,638</u>
Capital Assets, being depreciated:				
Buildings	4,013,720	4,502	0	4,018,222
Improvements other than Buildings	2,331,146	74,211	0	2,405,357
Vehicles, Furniture and Equipment	3,159,408	193,586	(136,165)	3,216,829
Total capital assets being depreciated	<u>9,504,274</u>	<u>272,299</u>	<u>(136,165)</u>	<u>9,640,408</u>
Less Accumulated Depreciation For:				
Buildings	(2,447,919)	(129,262)	0	(2,577,181)
Improvements other than Buildings	(500,428)	(77,220)	0	(577,648)
Vehicles, Furniture and Equipment	(2,195,871)	(221,164)	120,533	(2,296,502)
Total Accumulated Depreciation	<u>(5,144,218)</u>	<u>(427,646)</u>	<u>120,533</u>	<u>(5,451,331)</u>
Total capital assets, being depreciated, net	4,360,056	(155,347)	(15,632)	4,189,077
Governmental Activities - Capital Assets, Net	<u>\$6,205,080</u>	<u>\$249,267</u>	<u>(\$15,632)</u>	<u>\$6,438,715</u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – CAPITAL ASSETS (CONTINUED)

	Balance 12/31/15	Increases	Decreases	Balance 12/31/16
Business Type Activities				
Capital Assets, not being depreciated				
Land	\$328,914	\$0	\$0	\$328,914
Total capital assets, not being depreciated	328,914	0	0	328,914
Capital Assets, being depreciated				
Improvements other than Buildings	12,582,070	356,134	0	12,938,204
Plant	6,182,808	0	0	6,182,808
Machinery and Equipment	1,483,103	61,100	0	1,544,203
Sewer and Water Lines	8,355,670	0	0	8,355,670
Total capital assets, being depreciated	28,603,651	417,234	0	29,020,885
Less Accumulated Depreciation For:				
Improvements other than Buildings	(3,423,037)	(339,276)	0	(3,762,313)
Plant	(4,173,084)	(145,471)	0	(4,318,555)
Machinery and Equipment	(883,454)	(133,164)	0	(1,016,618)
Sewer and Water Lines	(4,275,776)	(166,874)	0	(4,442,650)
Total Accumulated Depreciation	(12,755,351)	(784,785)	0	(13,540,136)
Total capital assets, being depreciated, net	15,848,300	(367,551)	0	15,480,749
Business Type Activities - Capital Assets, Net	\$16,177,214	(\$367,551)	\$0	\$15,809,663

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 – CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
Security of Persons and Property	\$138,010
Public Health and Welfare	14,734
Leisure Time Activities	28,183
Transportation	124,949
General Government	121,770
Total Depreciation Expense - governmental activities	<u>\$427,646</u>
 Business Type Activities:	
Water	\$266,749
Wastewater	388,784
Stormwater Management	129,252
Total Depreciation Expense – business-type activities	<u>\$784,785</u>

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police officers, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
 Total Employer	 14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$193,146 for 2016. Of this amount, \$26,842 is reported as due to other governments.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member’s average annual salary. The following discussion of the pension formula relates to normal service retirement.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police
2016 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	12.25 %
 2016 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
 Total Employer	 19.50 %
 Employee:	 12.25 %

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$254,082 for 2016. Of this amount \$31,791 is reported as due to other governments.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,349,109	\$3,367,752	\$5,716,861
Proportion of the Net Pension Liability	0.013562%	0.0523510%	
Pension Expense	\$330,071	\$359,351	\$689,422

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$694,141	\$548,753	\$1,242,894
City contributions subsequent to the measurement date	<u>193,146</u>	<u>254,082</u>	<u>447,228</u>
Total Deferred Outflows of Resources	<u>\$887,287</u>	<u>\$802,835</u>	<u>\$1,690,122</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$46,250	\$9,457	\$55,707
Changes in proportion and differences	<u>62,428</u>	<u>16,156</u>	<u>78,584</u>
Total Deferred Inflows of Resources	<u>\$108,678</u>	<u>\$25,613</u>	<u>\$134,291</u>

\$447,228 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2016	\$122,690	\$139,609	\$262,299
2017	134,346	139,609	273,955
2018	172,166	139,609	311,775
2019	156,261	110,185	266,446
2020	<u>0</u>	<u>(5,872)</u>	<u>(5,872)</u>
Total	<u>\$585,463</u>	<u>\$523,140</u>	<u>\$1,108,603</u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$3,742,760	\$2,349,109	\$1,173,669

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent simple

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalent	- %	- %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	Note: 10 year rate

* levered 2x

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$4,441,614	\$3,367,752	\$2,458,085

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9- POST EMPLOYMENT BENEFITS

Public Employees Retirement System (OPERS)

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

In order to qualify for post-retirement health care coverage, age-and-service retirees under the Tradition Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefits is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2016. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016, state and local employers contributed at a rate of 14% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9- POST EMPLOYMENT BENEFITS (CONTINUED)

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2016 was 4.5%.

The City's actual contributions for health care to OPERS for the years ending December 31, 2016, 2015, and 2014 were \$32,191, \$35,205, and \$16,548 respectively. The full amount has been contributed for 2015 and 2014. 88 percent has been contributed for 2016 with the remainder being reported as a liability within the respective funds.

Ohio Police and Fire Pension Fund

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

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

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9- POST EMPLOYMENT BENEFITS (CONTINUED)

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2016, the employer contribution allocated to the health care plan was 0.50% of covered amount. The amount of the employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provision of Section 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of dependents and the coverage selected.

The City's contributions for health care to OP&F for the years ending December 31, 2016, 2015, and 2014 were \$6,686, \$8,147, and \$77,552 respectively. The full amount has been contributed for 2015 and 2014. 88 percent has been contributed for 2016 with the remainder being reported as a liability within the respective funds.

NOTE 10 - EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation

Full time City employees earn vacation leave at varying rates based upon length of service. Upon departure from City employment, an employee (or his estate) will be paid for unused vacation leave. For the City as a whole, the total obligation for vacation accrual amounted to \$189,552.

Accumulated Unpaid Sick Leave

Full time City employees earn sick leave at the rate of 3.70 hours per eighty hours of service. Sick leave is cumulative without limit. In the case of retirement, employees with ten (10) or more years of service will be paid twenty-five percent (25%) of accrued but unused sick leave, up to a maximum of 240 hours. For the City as a whole, the total obligation for sick leave accrual amounted to \$91,054.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 - EMPLOYEE BENEFITS (CONTINUED)

Accumulated Unpaid Personal Leave

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

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

For the City as a whole, the total obligation for personal leave accrual amounted to \$24,610.

Insurance Benefits

Full time employees are provided health, dental, and life insurance. The City elected to provide employee medical and hospitalization benefits through the Center for Local Government Benefit Pool (CLGBP) OME-RESA for health insurance during 2016. All employees share the cost of the monthly premium with the City. The City provided life insurance and AD&D insurance through Reliance Standard Life Insurance Company. Dental insurance is provided by the City through Dental Care Plus. In addition, the City provides Health Savings Accounts for all full time employees based on their medical coverage election. The City provides a Health Retirement Accounts for two employees since they are over 65. The annual reimbursement for Single Coverage is \$1,000 and the annual reimbursement for all other elections is \$2,000.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 11 - RISK MANAGEMENT

For 2016, the City contracted with McGowan Governmental Underwriters for general commercial coverage. The City had a general aggregate limit of \$3,000,000; personal injury limit of \$1,000,000.

Settled claims have not exceeded the City's coverage in any of the past three years. There was no significant decline in the level of coverage from the prior year. Performance bonds for employees are protected by the McGowan Governmental Underwriters 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 2016 paid in 2017 was 0.01034.

NOTE 12 - LONG-TERM OBLIGATIONS

Issue Date	Interest Rate	Description	December 31, 2015	Additions	Reductions	December 31, 2016	Due Within One Year
Governmental activities:							
2007	4.25% - 5.75%	Refunded Capital Facility	\$1,210,000	\$0	95,000	\$1,115,000	100,000
1997	4.90% - 6.25%	Milford Parkway	125,000	0	60,000	65,000	65,000
1999	4.50% - 5.20%	Firehouse/Trailer Park	190,000	0	45,000	145,000	45,000
		Total Bonds Payable	1,525,000	0	200,000	1,325,000	210,000
2007		Premium on Refunded GO Bonds	22,912	0	3,526	19,386	0
		Net Bonds Payable	1,547,912	0	203,526	1,344,386	210,000
		Capital leases	7,103	0	3,645	3,458	3,458
		Net Pension Liability					
		Public Employees Retirement System	1,008,258	330,734	0	1,338,992	0
		Ohio Police and Fire Pension	2,730,822	636,929	0	3,367,751	0
		Compensated absences	255,683	213,634	201,024	268,293	174,488
		Total Governmental Activities	5,549,778	1,181,297	408,195	6,322,880	387,946
Business – Type Activities:							
2005	0.90%	OWDA Loans	1,318,427	0	104,524	1,213,903	105,467
2007	2.00%	OWDA Loans	936,748	0	63,771	872,977	65,052
2008	1.00%	OWDA Loans	285,047	0	19,824	265,223	20,022
2010	1.00%	OWDA Loans	360,165	0	22,371	337,794	22,595
2010	0.00%	OWDA Loans	99,011	0	6,828	92,183	6,828
2014	2.00%	OWDA Loans	186,203	0	16,291	169,912	4,965
2015	2.00%	OWDA Loans	428,216	17,402	21,503	424,115	18,182
2004	0.00%	OPWC Loans	15,522	0	3,448	12,074	3,448
2006	0.00%	OPWC Loans	758,125	0	60,650	697,475	60,650
2009	0.00%	OPWC Loans	149,175	0	11,050	138,125	11,050
2010	0.00%	OPWC Loans	66,966	0	2,733	64,233	2,733
2010	0.00%	OPWC Loans	23,183	0	858	22,325	859
2014	0.00%	OPWC Loans	102,857	0	102,857	0	0
		Net Pension Liability					
		Public Employees Retirement System	718,703	291,415	0	1,010,118	0
		Compensated absences	34,244	54,498	51,819	36,923	32,232
		Total Business – Type Activities	5,482,592	363,315	488,527	5,357,380	354,083
		All FUNDS	\$11,032,370	\$1,544,612	\$896,722	\$11,680,260	\$742,029

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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 fund over the next 20 years. \$200,000 was issued for the trailer park purchase and was paid off in 2001.

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 matured on August 1, 2014. The bonds were retired from TIF funds and paid from the Debt Service Fund.

In September 2000, \$2,100,000 of general obligation bonds were issued for the Five Points Building project. In August 2007, the City refunded the remaining balance of \$1,555,000 through the issuance of \$1,640,000 of 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 City has also obtained the following loans from the Ohio Water Development Authority (OWDA) for the expansion and improvements of the City's water and wastewater treatment plants.

OWDA loan #4331 was approved in 2005 for a total of \$2,121,674 for the Wastewater Treatment Plant Improvement project. Repayment is scheduled over twenty years at a .90% interest rate with a final payment due July 2027. Payments are made from the Wastewater Fund's operating revenues.

OWDA loan #4795 was approved in 2007 for a total of \$1,349,311 for the Clearwell and Water Storage project. Repayment is scheduled over twenty years at a 2.00% interest rate with a final payment due July 2028. Payments are made from the Water Fund's operating revenues.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 - LONG-TERM OBLIGATIONS (CONTINUED)

OWDA loan #4984 was approved in 2008 for a total of \$409,191 for the CSO Phase II-Garfield Force Main project. Repayment is scheduled over twenty years at a 1.00% interest rate with a final payment due July 2029. Payments are made from the Wastewater Fund's operating revenues.

OWDA loan #5341 was approved in 2009 for a total of \$468,732 for the Garfield Avenue Force Main project. Repayment is scheduled over twenty years at a 1.00% interest rate with a final payment due July 2030. Payments are made from the Wastewater Fund's operating revenues.

OWDA loan #5370 was approved in 2009 for a total of \$136,565 for the Lime Silo Rehabilitation project. Repayment is scheduled over twenty years at a 0.00% interest rate with a final payment due January 2030. Payments are made from the Water Fund's operating revenues.

OWDA loan #6752 was approved in 2014 for a total of \$178,802 for the Oakcrest and Valley View Water main replacements. Repayment is scheduled over thirty years at a 2.00% interest rate with a final payment due January 2044. Payments are made from the Water Fund's operating revenues.

OWDA loan #6756 was approved in 2015 for a total of \$489,534 for the Main and High streets water main replacements. Repayment is scheduled over twenty years at a 2.00% interest rate with a final payment due January 2035. Payments are made from the Water Fund's operating revenues.

The City has also obtained the following non interest bearing loans from the Ohio Public Works Commission (OPWC) for the expansion and improvements of the City's water and wastewater treatment plants.

OPWC loan #CJ16E was approved in 2003 for a total of \$131,694 for the Miami Woods Lift Station Replacement project. Repayment is scheduled over ten years with a final payment due January 2014. Payments are made from the Wastewater Fund's operating revenues.

OPWC loan #CJ20F was approved in 2004 for a total of \$51,732 for the Edgcombe Tank Rehabilitation project. Repayment is scheduled over fifteen years with a final payment due January 2020. Payments are made from the Water Fund's operating revenues.

OPWC loan #CJ12G was approved in 2006 for a total of \$1,213,000 for the Wastewater Treatment Plant Repair and Replacement - Phase II project. Repayment is scheduled over twenty years with a final payment due January 2028. Payments are made from the Wastewater Fund's operating revenues.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 - LONG-TERM OBLIGATIONS (CONTINUED)

OPWC loan #CJ09I was approved in 2009 for a total of \$221,000 for the Clearwell/WTP Storage project. Repayment is scheduled over twenty years with a final payment due January 2029. Payments are made from the Water Fund's operating revenues.

OPWC loan #CJ09L was approved in 2010 for a total of \$81,998 for the 54 Inch Combined Sewer Overflow project. Repayment is scheduled over thirty years with a final payment due January 2040. Payments are made from the Wastewater Fund's operating revenues.

OPWC loan #CJ04M was approved in 2010 for a total of \$25,758 for the Garfield Force Main project. Repayment is scheduled over thirty years with a final payment due January 2042. Payments are made from the Wastewater Fund's operating revenues.

OPWC loan #CJ08R was approved in 2014 for a total of \$252,000 for the Main Street water main project. Repayment is scheduled over thirty years with a final payment due January 2044. Payments are made from the Waste 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 \$1,726,001 and from the Wastewater Fund is \$2,933,177, which equal the outstanding principal and interest obligations on the related debt.

As of December 31, 2016, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$15,437,419, and the unvoted legal debt margin was \$7,868,289.

A summary of the City's long-term debt funding requirements as of December 31, 2016 is represented in the following schedules. Principal, interest and total debt service is provided for General Obligation Bonds, Ohio Water Development Authority Loans, and Ohio Public Works Commission Loans.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 - LONG-TERM OBLIGATIONS (CONTINUED)

Annual debt service requirements to maturity for General Obligation Bonds are as follows:

GOVERNMENTAL ACTIVITIES			
General Obligation Bonds			
Years	Principal	Interest	Total
2017	\$210,000	\$61,810	\$271,810
2018	160,000	49,563	209,563
2019	165,000	42,025	207,025
2020	120,000	35,550	155,550
2021	125,000	30,150	155,150
2022-2025	545,000	62,550	607,550
Total	<u>\$1,325,000</u>	<u>\$281,648</u>	<u>\$1,606,648</u>

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

BUSINESS-TYPE ACTIVITIES			
Ohio Water Development Authority Loans			
Years	Principal	Interest	Total
2017	\$243,111	\$44,381	\$287,492
2018	247,605	41,211	288,816
2019	250,824	37,994	288,818
2020	254,090	34,728	288,818
2021	257,407	31,410	288,817
2022-2026	1,338,622	105,965	1,444,587
2027-2031	590,704	33,788	624,492
2032-2036	144,469	13,475	157,944
2037-2041	38,395	4,762	43,157
2042-2044	10,880	1,125	12,005
Totals	<u>\$3,376,107</u>	<u>\$348,839</u>	<u>\$3,724,946</u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 - LONG-TERM OBLIGATIONS (CONTINUED)

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

BUSINESS-TYPE ACTIVITIES			
Ohio Public Works			
Commission Loans			
Years	Principal	Interest	Total
2017	\$78,741	\$0	\$78,741
2018	78,741	0	78,741
2019	78,741	0	78,741
2020	77,017	0	77,017
2021	75,292	0	75,292
2022-2026	376,460	0	376,460
2027-2031	136,560	0	136,560
2032-2036	17,960	0	17,960
2037-2041	13,861	0	13,861
2042	859	0	859
Totals	<u>\$934,232</u>	<u>\$0</u>	<u>\$934,232</u>

NOTE 13 – CAPITAL LEASES PAYABLE

The City entered into a capital lease for copiers totaling \$17,556 in prior years. The terms of the one agreement provides an option to purchase the equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments in fiscal year 2016 totaled \$3,645 and interest payments of \$195.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2016:

Fiscal Year Ending June 30, 2017	\$3,520
Less: Amount Representing Interest	<u>(62)</u>
Present Value of Net	
Minimum Lease Payments	<u><u>\$3,458</u></u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 14 – INTERFUND TRANSACTIONS

Following is a summary of transfers in and out for all funds for 2016:

Fund	Transfers		Interfund	
	In	Out	Receivable	Payable
MAJOR FUNDS				
General	\$0	\$552,000	\$300,644	\$0
Street	250,000	0	0	300,644
Debt Retirement	152,000	0	0	0
Non-Major Governmental Funds	150,000	0	0	0
Total All Funds	<u>\$552,000</u>	<u>\$552,000</u>	<u>\$300,644</u>	<u>\$300,644</u>

The transfers out in the General fund to the nonmajor funds was related to covered costs associated with the cemetery activities for the City. In prior years, the City advanced funds to the Street Special Revenue fund.

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

The Center for Local Government, a jointly governed organization, was established to improve public service delivery by the cities, townships and villages in the Greater Cincinnati metropolitan area, especially among its member jurisdictions, through improved information exchange, cost reductions, shared resources, interjurisdictional collaboration, and new approaches to capital equipment and skills acquisition. The Board of Trustees consists of five members made up of elected representatives from the participating governments. The City does not have any financial interest in or responsibility for the Center. The City made no financial contribution during 2016. Information can be obtained from the Center by writing to Director of the Center for Local Government, 10945 Reed Hartman Highway, Suite 303, Cincinnati, Ohio 45242.

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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 2016. 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.

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. In 2012, a Joint Economic Development District (JEDD) between the City of Milford and Union Township was approved by Union Township Trustees. It encompassed the new Jungle Jim's areas along State Route 32. In 2014, a Joint Economic Development District (JEDD) between the City of Milford and Union Township was approved by Union Township Trustees. It encompassed the Mt. Carmel Brewery off Old State 74.

Due to this JEDDs' location around the interchange of State Route 32 and the Interstate 275, additional commercial development is expected to continue at this location into the future. The deposits of income tax revenues for both JEDDs averaged over \$85,000 per month between both the City and Township. For more information related to the financial results of the JEDD please contact the City's Income Tax Department.

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

The TID contracts with local governments within Clermont County to assist in infrastructure projects. The City contracted with the TID in 2009 for a traffic study at the U.S 50/S.R.131 intersection. The City pledged \$175,000 to the TID in 2010 to pay for the study with payments through 2014. During 2016, the City paid \$0 to the TID. Copies of the TID's financial report are on file at the Clermont County Transportation Improvement District, 2381 Chamber Center Drive, Batavia, Ohio 45103.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2016, the City implemented the following Governmental Accounting Standards Board (GASB) Statements that no impact of the beginning net position:

- GASB Statement No. 75, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 77, *Tax Abatements Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units— an amendment of GASB Statement No. 14*

NOTE 17 – CLAIMS PAYABLE

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

All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The plan changed the bylaws during fiscal year 2015 that allows for a participant to leave the plan without any claims following them. Also for fiscal years 2015 and 2016, the plan was running a surplus net position.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 17 – CLAIMS PAYABLE (CONTINUED)

The claims liability of \$0 reported in the General fund at December 31, 2016, was based on an estimate provided by Self Funded Plans, Inc. (the third party administrator) and the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims, changes in the fund’s claims liability amount in 2016 were:

	<u>Claims Balance Beginning of Year</u>	<u>Claims and Changes in Claims Estimates</u>	<u>Claims Payments</u>	<u>Claims Balance at Year End</u>
2015	\$22,659	\$0	(\$22,659)	\$0
2016	0	0	(0)	0

NOTE 18 – FUND BALANCE ALLOCATION

The City has chosen to present the consolidated summary of fund balance classification on the financial statements. The detail of those fund balance classifications are outline below:

<u>Fund Balance</u>	<u>General</u>	<u>Street</u>	<u>Fire/EMS Levy</u>	<u>Debt Service</u>	<u>Other Governmental</u>
Restricted:					
Debt Service	\$0	\$0	\$0	\$867,246	\$0
Public Safety	0	0	23,399	0	180,515
Cemetery Service	0	0	0	0	267,264
Capital Improvements	0	0	0	0	67,785
Assigned:					
Budget Appropriation	337,120				
Parks and Recreation	45,080	0	0	0	0
Encumbrances	78,466	0	0	0	0
Unassigned	<u>2,749,976</u>	<u>(271,102)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>\$3,210,642</u>	<u>(\$271,102)</u>	<u>\$23,399</u>	<u>\$867,246</u>	<u>\$515,564</u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 19 - 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 pending litigation as of December 31, 2016 but as of December 31, 2016 it was not determined if the litigation would be resolved and what financial impact, if any, there would be to the City.

STATE GRANTS

For the period January 1, 2016, to December 31, 2016, the City received State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 20 – ACCOUNTABILITY

At December 31, 2016, the Street Fund had a deficit fund balance of \$271,102. The deficit fund balance arises from the recognition of revenues and expenditures on the modified accrual basis. The deficit does not exist under the budgetary/cash basis of accounting. The General Fund provides operating transfers or advances when cash is required, not when accruals occur.

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, 2016

GENERAL FUND

	Budget		Actual	Variance
	Initial	Final		Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$ 423,942	\$ 685,000	\$ 671,643	\$ (13,357)
Income Taxes	3,511,000	3,426,580	3,493,590	67,010
Intergovernmental	241,330	241,330	239,012	(2,318)
Charges for Services	273,940	273,940	285,019	11,079
Licenses and Permits	68,290	117,950	112,336	(5,614)
Investment Earnings	100,000	100,000	97,449	(2,551)
Fines and Forfeitures	194,200	204,200	202,667	(1,533)
Other All Revenue	76,000	76,000	29,102	(46,898)
Total Revenue	4,888,702	5,125,000	5,130,818	5,818
Expenditures:				
Current:				
Security of Persons and Property:				
Police				
Personal Services	2,090,116	2,090,116	2,060,245	29,871
Other	77,686	377,686	280,284	97,402
Total Police	2,167,802	2,467,802	2,340,529	127,273
Building Inspection				
Personal Services	-	-	385	(385)
Other	38,187	38,187	64,109	(25,922)
Total Building Inspection	38,187	38,187	64,494	(26,307)
Total Security of Persons and Property	2,205,989	2,505,989	2,405,023	100,966
Public Health and Welfare Services:				
Health				
Other	28,530	28,530	27,168	1,362
Total Health	28,530	28,530	27,168	1,362
Grounds and Facilities				
Personal Services	198,878	198,878	189,234	9,644
Other	38,970	38,970	39,020	(50)
Total Grounds and Facilities	237,848	237,848	228,254	9,594
Total Public Health and Welfare	266,378	266,378	255,422	10,956
Transportation				
Public Works - Administration				
Other	378,223	378,223	374,859	3,364
Total Transportation	378,223	378,223	374,859	3,364
General Government				
Mayor's Court				
Personal Services	81,420	81,420	78,328	3,092
Other	20,508	20,508	18,097	2,411
Total Mayor's Court	101,928	101,928	96,425	5,503
City Council				
Personal Services	39,960	39,960	37,765	2,195
Other	38,998	38,998	56,959	(17,961)
Total City Council	78,958	78,958	94,724	(15,766)
Five Points Building				
Other	102,844	102,844	87,308	15,536
Total Five Points Building	102,844	102,844	87,308	15,536
Civil Defense				
Other	2,300	2,300	2,277	23
Total Civil Defense	2,300	2,300	2,277	23

(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, 2016

	GENERAL FUND			Variance Positive (Negative)
	Initial	Budget Final	Actual	
City Manager				
Personal Services	\$ 291,110	\$ 291,110	\$ 232,252	\$ 58,858
Other	44,660	537,347	494,018	43,329
Total City Manager	335,770	828,457	726,270	102,187
Law Director				
Personal Services	109,856	109,856	103,073	6,783
Other	10,164	10,164	34,636	(24,472)
Total Law Director	120,020	120,020	137,709	(17,689)
Department of Civil Service				
Personal Services	410	410	3,963	(3,553)
Other	7,910	7,910	-	7,910
Total Department of Civil Service	8,320	8,320	3,963	4,357
Finance and Accounting				
Personal Services	139,793	139,793	126,057	13,736
Other	47,312	47,312	38,203	9,109
Total Finance and Accounting	187,105	187,105	164,260	22,845
Administration				
Other	87,834	87,834	89,920	(2,086)
Total Administration	87,834	87,834	89,920	(2,086)
Engineering				
Personal Services	-	-	385	(385)
Other	72,668	72,668	48,872	23,796
Total Engineering	72,668	72,668	49,257	23,411
Development				
Personal Services	81,054	81,054	78,319	2,735
Other	52,467	52,467	28,798	23,669
Total Development	133,521	133,521	107,117	26,404
Income Tax				
Personal Services	86,002	86,002	85,049	953
Other	106,220	106,220	127,619	(21,399)
Total Income Tax	192,222	192,222	212,668	(20,446)
Total General Government	1,423,491	1,916,177	1,771,898	144,279
Intergovernmental	-	100,000	-	100,000
Total Expenditures	4,274,081	5,166,767	4,807,202	359,565
Excess of Revenues Over (Under) Expenditures	614,621	(41,767)	323,616	365,383 (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, 2016

	GENERAL FUND			Variance Positive (Negative)
	Initial	Budget Final	Actual	
<u>Other Financing Sources (Uses):</u>				
Income Tax Refunds	\$ (90,000)	\$ (90,000)	\$ (90,322)	\$ 322
Advances In	-	-	55,000	55,000
Transfers - Out	-	(227,000)	(552,000)	(325,000)
Total Other Financing Sources (Uses)	(90,000)	(317,000)	(587,322)	(270,322)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	524,621	(358,767)	(263,706)	95,061
Fund Balances at Beginning of Year	2,898,628	2,898,628	2,898,628	-
Prior Year Encumbrances	105,535	105,535	105,535	-
Fund Balances at End of Year	<u>\$ 3,528,784</u>	<u>\$ 2,645,396</u>	<u>\$ 2,740,457</u>	<u>\$ 95,061</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, 2016

STREET FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Intergovernmental	\$ 270,000	\$ 255,200	\$ 257,320	\$ 2,120
Investment Earnings	100	100	-	(100)
Other All Revenue	700	700	14,142	13,442
Total Revenue	270,800	256,000	271,462	15,462
<u>Expenditures:</u>				
Current:				
Transportation				
Personal Services	100,000	183,088	176,803	6,285
Other	66,000	305,420	238,843	66,577
Total Transportation	166,000	488,508	415,646	72,862
Total Expenditures	166,000	488,508	415,646	72,862
Excess of Revenues Over Expenditures	104,800	(232,508)	(144,184)	88,324
<u>Other Financing Sources:</u>				
Transfer In	-	250,000	250,000	-
Total Other Financing Sources	-	250,000	250,000	-
Change in Fund Balances	104,800	17,492	105,816	88,324
Fund Balances at Beginning of Year	(95,336)	(95,336)	(95,336)	-
Prior Year Encumbrances Appropriated	3,721	3,721	3,721	-
Fund Balances (Deficit) at End of Year	\$ 13,185	\$ (74,123)	\$ 14,201	\$ 88,324

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, 2016

Fire/EMS LEVY FUND

	Budget		Actual	Variance
	Initial	Final		Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$ 1,700,000	\$ 1,700,000	\$ 1,735,844	\$ 35,844
Intergovernmental	182,500	182,500	146,480	(36,020)
Investment Earnings	400	400	945	545
Total Revenue	1,882,900	1,882,900	1,883,269	369
Expenditures:				
Current:				
Security of Persons and Property:				
Fire/EMS Department				
Other	1,600,000	1,770,139	1,767,383	2,756
Total Fire/EMS Department	1,600,000	1,770,139	1,767,383	2,756
Debt Service:				
Principal Retirement	40,000	45,000	45,000	-
Interest and Fiscal Charges	12,815	8,620	8,618	2
Total Debt Service	52,815	53,620	53,618	2
Total Expenditures	1,652,815	1,823,759	1,821,001	2,758
Excess of Revenues Over Expenditures	230,085	59,141	62,268	3,127
Other Financing Uses:				
Advances - Out	-	(55,000)	(55,000)	-
Total Other Financing Uses	-	(55,000)	(55,000)	-
Excess of Revenues Under Expenditures and Other Financing Uses	230,085	4,141	7,268	3,127
Fund Balances at Beginning of Year	8,298	8,298	8,298	-
Prior Year Encumbrances Appropriated	7,808	7,808	7,808	-
Fund Balances at End of Year	\$ 246,191	\$ 20,247	\$ 23,374	\$ 3,127

See accompanying notes to the required supplementary information

CITY OF MILFORD, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

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, 2016

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 2016 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 assigned fund balance for subsequent-year expenditures for the general fund on the basic financial statements while the other funds have the amount reported within the current higher classification.

CITY OF MILFORD, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

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).
4. Advances are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

CITY OF MILFORD, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

NOTE 2 - BUDGET TO GAAP RECONCILIATION (CONTINUED)

	General Fund	Street Fund	Fire/EMS Levy Fund
GAAP Basis	(\$269,766)	\$117,513	\$62,385
Adjustments:			
Revenue Accruals	65,254	(4,631)	0
Expenditure Accruals	15,907	5,213	133
Advances	55,000	0	(55,000)
GASB 54 funds	(41,625)	0	0
Encumbrances	(88,476)	(12,279)	(250)
Budget Basis	<u>(\$263,706)</u>	<u>\$105,816</u>	<u>\$7,268</u>

CITY OF MILFORD, OHIO
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PENSION PLAN
LAST THREE FISCAL YEARS (1)

	2015	2014	2013
The City's Proportion of the Net Pension Liability	0.013562%	0.014318%	0.014318%
The City's Proportion Share of the Net Pension Liability	\$ 2,349,109	\$ 1,726,961	\$ 1,687,954
The City's Covered-Employee Payroll	\$ 1,759,958	\$ 1,984,575	\$ 1,342,346
The City's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	133.48%	87.02%	125.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available

CITY OF MILFORD, OHIO
 SCHEDULE OF CITY'S CONTRIBUTIONS
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contributions	\$ 193,146	\$ 211,195	\$ 238,149	\$ 174,505	\$ 172,132	\$ 158,972	\$ 145,708	\$ 114,253	\$ 96,830	\$ 149,039
Contributions in Relation to the Contractually Required Contribution	(193,146)	(211,195)	(238,149)	(174,505)	(172,132)	(158,972)	(145,708)	(114,253)	(96,830)	(149,039)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The City Covered-Employee Payroll	\$ 1,609,550	\$ 1,759,958	\$ 1,984,575	\$ 1,342,346	\$ 1,721,320	\$ 1,589,720	\$ 1,678,664	\$ 1,406,191	\$ 1,383,286	\$ 1,753,400
Contributions as a Percentage of Covered- Employee Payroll	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.68%	8.13%	7.00%	8.50%

CITY OF MILFORD, OHIO
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO POLICE AND FIRE FUND
LAST THREE FISCAL YEARS (1)

	2015	2014	2013
The City's Proportion of the Net Pension Liability	0.052351%	0.052714%	0.052714%
The City's Proportion Share of the Net Pension Liability	\$ 3,367,752	\$ 2,730,822	\$ 2,567,353
The City's Covered-Employee Payroll	\$ 1,170,558	\$ 796,388	\$ 1,248,502
The City's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	287.70%	342.90%	205.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.77%	72.20%	73.00%

(1) Information prior to 2013 is not available

CITY OF MILFORD, OHIO
 SCHEDULE OF CITY'S CONTRIBUTIONS
 OHIO POLICE AND FIRE FUND
 LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contributions	\$ 254,082	\$ 222,406	\$ 141,996	\$ 159,184	\$ 135,766	\$ 124,466	\$ 130,696	\$ 125,129	\$ 123,007	\$ 137,539
Contributions in Relation to the Contractually Required Contribution	(254,082)	(222,406)	(141,996)	(159,184)	(135,766)	(124,466)	(130,696)	(125,129)	(123,007)	(137,539)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The City Covered-Employee Payroll	\$ 1,337,274	\$ 1,170,558	\$ 796,388	\$ 1,248,502	\$ 1,064,831	\$ 976,204	\$ 1,025,067	\$ 981,404	\$ 964,761	\$ 1,170,545
Contributions as a Percentage of Covered- Employee Payroll	19.00%	19.00%	17.83%	12.75%	12.75%	12.75%	12.75%	12.75%	12.75%	11.75%

Bastin & Company, LLC

Certified Public Accountants

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

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

To the Members of City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, Clermont County, (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 14, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 14, 2018

City of Milford, Ohio
Clermont County
Summary Schedule of Prior Audit Findings
December 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-01	Deficit cash balance	Corrected	N/A

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Dave Yost • Auditor of State

CITY OF MILFORD

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 26, 2018