

THE CITY OF MILFORD, OHIO

CLERMONT COUNTY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2019



88 East Broad Street
Columbus, Ohio 43215
IPARreport@ohioauditor.gov
(800) 282-0370

Members of 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, 2019 through December 31, 2019. 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.

Keith Faber
Auditor of State
Columbus, Ohio

October 30, 2020

This page intentionally left blank.

**CITY OF MILFORD, OHIO
 BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2019**

TABLE OF CONTENTS

Independent Auditor’s Report.....	1
Prepared by Management	
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	18
Reconciliation of the Total Governmental Fund Balances to	
Net Position of Governmental Activities	19
Statement of Revenues, Expenditures	
and Changes in Fund Balance - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position - Enterprise Funds.....	22
Statement of Revenues, Expenses and	
Changes in Fund Net Position - Enterprise Funds	24
Statement of Cash Flows - Enterprise Funds.....	25
Statement of Fiduciary Assets and Liabilities.....	27
Statement of Changes in Fiduciary Net Position	28
Notes to the Basic Financial Statements	29
Required Supplementary Information	
Schedule of the City’s Proportionate Share of the Net Pension Liability –	
Ohio Public Employees Retirement System.....	89
Schedule of the City’s Pension Contributions -	
Ohio Public Employees Retirement System.....	90
Schedule of the City’s Proportionate Share of the Net Pension Liability –	
Ohio Police and Fire Fund.....	91
Schedule of the City’s Pension Contributions -	
Ohio Police and Fire Fund.....	92
Schedule of the City’s Proportionate Share of the Net OPEB Liability –	
Ohio Public Employees Retirement System.....	93
Schedule of the City’s OPEB Contributions -	
Ohio Public Employees Retirement System.....	94
Schedule of the City’s Proportionate Share of the Net OPEB Liability –	
Ohio Police and Fire Fund.....	95
Schedule of the City’s OPEB Contributions -	
Ohio Police and Fire Fund.....	96
Schedule of Revenues, Expenditures and Changes	
in Fund Balance - Budget and Actual (Budget Basis)	
General Fund	97
Fire/EMS Levy Fund.....	100
Notes to the Required Supplementary Information.....	101

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards.....	107
Schedule of Findings.....	109
Summary Schedule of Prior Audit Findings	110

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 discretely presented component unit and remaining fund information of the City of Milford, Clermont County, Ohio (the City), as of and for the year ended December 31, 2019, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Milford, Clermont County, Ohio, as of December 31, 2019, 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.

Emphasis of Matters

As discussed in Note 15 to the financial statements, during 2019, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, as discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding these matters.

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* the required budgetary comparison schedules and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit 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 August 7, 2020, 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.



Cincinnati, Ohio
August 7, 2020

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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, 2019. 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 2019 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, 2019, by \$14,500,603 (net position). Of this amount, \$1,636,295 is classified as unrestricted in the Water, Wastewater and Stormwater activities. The governmental activities ending unrestricted net position is (\$1,068,750) although without the net pension/OPEB liabilities and other GASB 68 and GASB 75 related amounts it would be \$4,923,405.
- The City's total net position decreased by \$921,099 which represents a 5.97% decrease from 2018.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,173,749. Of this amount \$3,955,885 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 \$3,955,885 or 73.12% of total general fund expenditures.
- The other governmental major funds: Fire/EMS Levy Special Revenue Fund and Sports Complex Land Improvement Capital Projects Fund have ending fund balances of \$279,649 and \$232,936. The Sports Complex Land Improvement fund issued \$3,650,000 in special obligations bonds during the 2019 year to assist the Clermont County Port Authority with the FC Cincinnati Sports Complex financing. This transaction qualified it as a major fund for fiscal year 2019.

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
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)

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 2019?" 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, 2019
(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, Fire/EMS Levy Special Revenue Fund, Sports Complex Land Improvements Capital Projects Fund, Water, Wastewater and Stormwater Management Enterprise 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.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)

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. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

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 Fire/EMS Levy Special Revenue Fund along with the applicable accounting policies to develop those schedules. The City also presents the pension/OPEB tables as required under GASB 68 and GASB 75 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 \$14,500,603 (\$1,744,167 in governmental activities and \$12,756,436 in business type activities) as of December 31, 2019. The largest portion of the City's net position 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.

CITY OF MILFORD, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)

Table 1 provides a summary of the City’s statement of net position for 2019 compared to 2018.

	Governmental Activities		Business-Type Activities		Total	
	2019	Restated 2018	2019	Restated 2018	2019	Restated 2018
Current and Other Assets	\$12,844,006	\$8,389,896	\$3,559,766	\$3,593,015	\$16,403,772	\$11,982,911
Capital Assets	8,068,522	8,203,532	14,638,494	14,990,583	22,707,016	23,194,115
Total Assets	20,912,528	16,593,428	18,198,260	18,583,598	39,110,788	35,177,026
Deferred Outflows of Resources	3,159,994	2,308,587	575,905	364,556	3,735,899	2,673,143
Total Assets/Deferred Outflows	24,072,522	18,902,015	18,774,165	18,948,154	42,846,687	37,850,169
Long-term liabilities	15,566,997	13,126,319	5,818,917	5,416,227	21,385,914	18,542,546
Other liabilities	453,562	625,829	142,317	127,605	595,879	753,434
Total Liabilities	16,020,559	13,752,148	5,961,234	5,543,832	21,981,793	19,295,980
Deferred Inflows of Resources	6,307,796	2,842,613	56,495	289,874	6,364,291	3,132,487
Net Position:						
Net investment in capital assets	1,629,714	4,807,106	11,120,141	11,196,420	12,749,855	16,003,526
Restricted	1,183,203	899,287	0	0	1,183,203	899,287
Unrestricted	(1,068,750)	(3,399,139)	1,636,295	1,918,028	567,545	(1,481,111)
Total Net Position	\$1,744,167	\$2,307,254	\$12,756,436	\$13,114,448	\$14,500,603	\$15,421,702

In prior years, 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. The City also adopted GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pension,” which significantly revises accounting for other postemployment benefit (OPEB) 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 OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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/OPEB costs, GASB 27 and GASB 45 focused on a funding approach. This approach limited pension/OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension/net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension/OPEB accounting; however, the nature of Ohio’s statewide pension/OPEB systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and net OPEB liability to equal 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

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)

GASB notes that pension and OPEB 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/OPEB 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 Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefits recipients. The retirement systems may allocate a portion of the employer contributions to provide these OPEB benefits.

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/OPEB plan *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 retirement 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/OPEB liability. As explained above, changes in pension/OPEB benefits, contribution rates, and return on investments affect the balance of the net pension/OPEB 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/OPEB payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension/OPEB 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 and GASB 75, the City’s statements prepared on an accrual basis of accounting include an annual pension/OPEB expense for their proportionate share of each plan’s *change* in net pension liability not accounted for as deferred inflows/outflows.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)

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 \$1,183,203 of net position. The remaining unrestricted \$567,454 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, 2019, the City is able to report positive balances in all three categories of net position for the City as a whole. As a result of the net pension/OPEB liabilities and other GASB 68 and GASB 75 entries, the unrestricted governmental net position was negative.

The City saw overall current and other assets increase by \$4.4 million as the City now reports a receivable for the County's lodging tax pledge to support the sports complex special revenue obligation bonds. The cash balance did increase about \$0.3 million overall as the City continues to exercise solid fiscal management in controlling the expenses in respect to the revenues generated.

The current liabilities decreased \$0.2 million the reported as contracts and retainage payable in 2018 were not outstanding in 2019. The long-term liabilities increased by \$2.8 million with the new special obligation bond as well as changes in the net pension/OPEB liabilities for both retirement systems.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)

Statement of Activities

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$1,039,553	\$841,037	\$2,760,588	\$2,355,635	\$3,800,141	\$3,196,672
Operating Grants and Contributions	837,961	344,284	0	0	837,961	344,284
Capital Grants	0	164,200	181,461	200,900	181,461	365,190
General Revenues						
Income Taxes	4,346,575	3,955,289	0	0	4,346,575	3,955,289
Property Taxes	2,266,936	2,294,853	0	0	2,266,936	2,294,853
Other Taxes	489,344	378,489	0	0	489,344	378,489
Unrestricted Grants	274,754	482,296	0	0	274,754	482,296
Investment earnings	105,962	91,880	76,364	50,448	182,326	142,328
Other Revenues	96,783	83,666	0	0	96,783	83,666
Total Revenues	9,457,868	8,635,994	3,018,413	2,607,073	12,476,281	11,243,067
Expenses:						
Security of Persons and Property	2,431,796	4,950,414	0	0	2,431,796	4,950,414
Public Health and Welfare	497,795	519,078	0	0	497,795	519,078
Leisure Time Activities	3,823,719	250,938	0	0	3,823,719	250,938
Transportation	1,154,125	1,740,439	0	0	1,154,125	1,740,439
General Government	1,928,816	1,864,973	0	0	1,928,816	1,864,973
Intergovernmental	0	73,925	0	0	0	73,925
Interest and Fiscal Charges	250,929	109,219	0	0	250,929	109,219
Water	0	0	1,316,039	1,219,139	1,316,039	1,219,139
Wastewater	0	0	1,458,854	1,470,927	1,458,854	1,470,927
Stormwater Management	0	0	535,307	494,213	535,307	494,213
Total Expenses	10,087,180	9,508,986	3,310,200	3,184,279	13,397,380	12,693,265
Change in Net Position	(629,312)	(872,992)	(291,787)	(577,206)	(921,099)	(1,450,198)
Transfers	66,225	0	(66,225)	0	0	0
Beginning Net Position	2,307,254	3,179,334	13,114,448	13,680,241	15,421,702	16,859,575
Restatement	0	912	0	11,413	0	12,325
Ending Net Position	\$1,744,167	\$2,307,254	12,756,436	\$13,114,448	\$14,500,603	\$15,421,702

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 2019, total security of persons and property expenses were \$2.4 million representing 24.1% of governmental activity spending (it was 50.9% from 2018) required approximately \$2 million of general revenues to fund the program after program revenues. The large decrease in 2019 resulted from the OPEB changes to the Ohio Police and Fire Pension Retirement system as the total OPEB liability dropped by \$3.1 million.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)

Governmental revenues increased approximately 9.5% as the income tax revenues and charges for services were significantly higher than 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 4.55% derived from those districts.

Overall the expenses were up 6% as the increases in the net pension liability were partially offset by the large reduction in the OPEB liability for the Ohio Police and Fire Pension fund. The leisure time activities increased with the City's contribution to the sports complex project financing through the Clermont County Port Authority. The interest and fiscal charges increased with the new special obligation bond issuance.

Business-Type Activities

The City's business-type activities include the water, wastewater and stormwater management systems. As a result of GASB 68 and GASB 75, only the stormwater management fund was able to produce an increase in net position for 2019. Combined change in net position totaled to (\$358,012) mainly from depreciation of the capital assets reducing the net position by \$968,006. The charges for services increased by \$404,953 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 2019, the City's governmental funds reported combined ending fund balances of \$5.2 million. Approximately \$4 million constitutes unassigned fund balance available for spending for citizen needs as allowed under the Ohio Revised Code guidelines. A portion (\$1.2 million) is restricted by external sources (restricted fund balance) earmarked for specific purposes and not available to be spent for some purposes.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)

The General Fund is the chief operating fund of the City. As of December 31, 2019, the unassigned general fund balance was \$3.9 million with a total fund balance of \$4 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 69.5% of the total expenditures and other financing uses, while total fund balance represents 70.0% of that same amount.

During 2019, the City's General fund increased by \$0.4 million as the City generated \$0.6 million more in revenues compared to 2018. The expenditures increased by \$0.2 million split across the security of persons and property and general government.

The Fire and EMS levy generated 2% more revenue than the prior year. The expenditures increased by 7% from the prior year. The City contracts for these services and collects the tax levy to cover the contract.

The other major governmental fund is the Sport Complex Land Improvement capital projects fund, which is a new major fund for 2019. The revenue comes from an agreement with Clermont County for a portion of the lodging tax revenue. The City issued the sports complex land special obligation bond during the year.

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 2019, 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.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)

The following table summarizes the major revenue sources and expenditures from original to final budget for 2019:

Description	Original Budget	Final Budget	Change
Revenues:			
Property and Other Taxes	\$709,515	\$709,515	\$0
Income Taxes	3,633,000	3,633,000	0
Intergovernmental Revenue	230,350	230,350	0
Other Revenues	877,901	877,901	0
Total Revenues	5,450,766	5,450,766	\$0
Expenditures:			
Security of Persons/Property	3,090,614	3,193,614	103,000
General Government	1,945,063	1,731,960	(213,103)
Other Expenditures	709,124	745,643	36,519
Total Expenditures	5,744,801	5,671,217	(73,584)

The City's original revenue budget did not change for the final budget.

The City continued to evaluate the budgeted expenditures making several changes throughout the year. The City increased other expenditures in the security of persons and property for some capital items and reduced the general government expenditures for the same reasons.

The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2019:

Description	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property and Other Taxes	\$709,515	\$715,396	\$5,881
Income Taxes	3,633,000	4,004,686	371,686
Intergovernmental Revenue	230,350	261,239	30,889
Other Revenues	877,901	869,995	(7,906)
Total Revenues	5,450,766	5,851,316	400,550
Expenditures:			
Security of Persons/Property	3,193,614	2,850,762	342,852
General Government	1,731,960	1,423,999	307,961
Other Expenditures	745,643	710,838	34,805
Total Expenditures	5,671,217	4,985,599	685,618

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)

The largest revenue variance is income tax revenue as the final budget did not pick up the additional JEDD revenues. The City was able to bring the final expenditures figure in about 12.1% 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, 2019, totaled \$12.7 million (net of accumulated depreciation and related debt). This net investment in capital assets includes land, buildings and systems, improvements, equipment and machinery.

The public works building was moved from construction in progress to buildings that impacted both governmental and business type activities. 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 2019, the City had general obligation bonds outstanding of \$6.43 million in governmental activities. The City retired \$295,000 in principal related to general obligation bonds while issuing \$3.65 million during the year. The City also has \$3.46 million in business-type debt between the water and wastewater funds. See Note 12 for further information on the City's long-term debt.

Economic Factors affecting the City

Surrounded by hills and woods, with 2017 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 has several parcels under development in 2020 that will bring additional funds into the City's general fund. 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 restaurants and 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 enjoy the increased entertainment.

CITY OF MILFORD, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Unaudited)

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 worked 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 are being reduced. In 2014, the City added a fourth JEDD to include the Mt. Carmel Brewery. The City added another JEDD in 2018 around the West Clermont School complex. The City added another JEDD in 2019 on the old high Glen Este high school site that is being redeveloped. 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.

This page intentionally left blank.

CITY OF MILFORD, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 5,178,498	\$ 3,292,518	\$ 8,471,016	\$ 18,025
Receivables (net of allowance for doubtful accounts):				
Taxes-Real & Personal Property	2,395,938	-	2,395,938	-
Taxes-Municipal Income	970,734	-	970,734	-
Accounts	229,589	258,998	488,587	-
Interest	8,251	8,250	16,501	-
Due from Other Governments	4,060,996	-	4,060,996	-
Nondepreciable Capital Assets:				
Land	2,485,838	331,414	2,817,252	-
Construction In Progress	-	103,162	103,162	-
Depreciable Capital Assets:				
Plant	-	6,182,808	6,182,808	-
Water/Sewer Lines	-	8,355,670	8,355,670	-
Buildings and Improvements	5,994,103	-	5,994,103	-
Improvements other than Buildings	2,803,580	13,911,727	16,715,307	-
Furniture, Equipment and Vehicles	2,868,449	1,631,250	4,499,699	-
Less: Accumulated Depreciation	(6,083,448)	(15,877,537)	(21,960,985)	-
Total Assets	<u>20,912,528</u>	<u>18,198,260</u>	<u>39,110,788</u>	<u>18,025</u>
Deferred Outflows of Resources:				
Pensions	2,426,255	501,843	2,928,098	-
OPEB	733,739	74,062	807,801	-
Total Deferred Outflow of Resources	<u>3,159,994</u>	<u>575,905</u>	<u>3,735,899</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 24,072,522</u>	<u>\$ 18,774,165</u>	<u>\$ 42,846,687</u>	<u>\$ 18,025</u>
Liabilities:				
Accounts Payable	98,223	22,348	120,571	-
Contracts Payable	-	59,580	59,580	-
Accrued Wages and Benefits	123,330	30,624	153,954	-
Due to Other Governments	215,831	29,765	245,596	-
Accrued Interest Payable	16,178	-	16,178	-
Long Term Liabilities due within 1 year	568,456	330,981	899,437	-
Long Term Liabilities due over 1 year				
Net Pension Liability	7,299,369	1,604,512	8,903,881	-
Net OPEB Liability	1,496,678	714,371	2,211,049	-
Other Long Term Liabilities due over 1 year	6,202,494	3,169,053	9,371,547	-
Total Liabilities	<u>16,020,559</u>	<u>5,961,234</u>	<u>21,981,793</u>	<u>-</u>
Deferred Inflows of Resources:				
Pensions	114,884	42,825	157,709	-
OPEB	241,218	13,670	254,888	-
Intergovernmental agreements	3,650,000	-	3,650,000	-
Property Tax Levy for Next Fiscal Year	2,301,694	-	2,301,694	-
Total Deferred Inflow of Resources	<u>6,307,796</u>	<u>56,495</u>	<u>6,364,291</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	1,629,714	11,120,141	12,749,855	-
Restricted:				
Transportation	59,574	-	59,574	-
Culture and Recreation	499,454	-	499,454	-
Protection of Citizens	483,562	-	483,562	-
Debt Service	5,164	-	5,164	-
Capital Improvements	135,449	-	135,449	-
Unrestricted	(1,068,750)	1,636,295	567,545	18,025
Total Net Position	<u>1,744,167</u>	<u>12,756,436</u>	<u>14,500,603</u>	<u>18,025</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 24,072,522</u>	<u>\$ 18,774,165</u>	<u>\$ 42,846,687</u>	<u>\$ 18,025</u>

See accompanying notes to the basic financial statements

CITY OF MILFORD, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Business-Type Activities			Total
						Governmental Activities	Primary Business-Type Activities		
Governmental Activities:									
Security of Persons and Property	\$ (2,431,796)	\$ 392,722	\$ 12,521	\$ -	\$ (2,026,553)	\$ -	\$ (2,026,553)	\$ -	
Public Health and Welfare	(497,795)	315,118	-	-	(182,677)	-	(182,677)	-	
Leisure Time Activities	(3,823,719)	17,063	318,602	-	(3,488,054)	-	(3,488,054)	-	
Transportation	(1,154,125)	19,655	506,838	-	(627,632)	-	(627,632)	-	
General Government	(1,928,816)	294,995	-	-	(1,633,821)	-	(1,633,821)	(1,530)	
Interest and Fiscal Charges	(250,929)	-	-	-	(250,929)	-	(250,929)	-	
Total Governmental Activities	(10,087,180)	1,039,553	837,961	-	(8,209,666)	-	(8,209,666)	(1,530)	
Business-Type Activities:									
Water	(1,316,039)	1,311,423	-	-	-	(4,616)	(4,616)	-	
Wastewater	(1,458,854)	939,188	-	-	-	(519,666)	(519,666)	-	
Stormwater Management	(535,307)	509,977	-	181,461	-	156,131	156,131	-	
Total Business-Type Activities	(3,310,200)	2,760,588	-	181,461	-	(368,151)	(368,151)	-	
Total	\$ (13,397,380)	\$ 3,800,141	\$ 837,961	\$ 181,461	(8,209,666)	(368,151)	(8,577,817)	(1,530)	
General Revenues:									
Income Taxes					4,346,575	-	4,346,575	-	
Property Taxes					2,266,936	-	2,266,936	-	
Franchise Fee Taxes					96,705	-	96,705	-	
Cinema Admissions Taxes					119,803	-	119,803	-	
Hotel Taxes					160,745	-	160,745	-	
Permissive Sale Taxes					112,091	-	112,091	-	
Grants and Contributions not restricted to specific programs					274,754	-	274,754	16,196	
Unrestricted investment earnings					105,962	76,364	182,326	-	
Miscellaneous					96,783	-	96,783	-	
Net Transfers					66,225	(66,225)	-	-	
Total General Revenues					7,646,579	10,139	7,656,718	16,196	
Changes in Net Position					(563,087)	(358,012)	(921,099)	14,666	
Net Position-Beginning (Restated)					2,307,254	13,114,448	15,421,702	3,359	
Net Position-Ending					\$ 1,744,167	\$ 12,756,436	\$ 14,500,603	\$ 18,025	

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Fire/ EMS Levy	Sports Complex Land Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 4,021,369	\$ 280,387	\$ 232,936	\$ 643,806	\$ 5,178,498
Receivables (net of allowance for doubtful accounts):					
Taxes-Real & Personal Property	541,140	1,854,798	-	-	2,395,938
Taxes-Municipal Income	944,614	-	-	26,120	970,734
Accounts	227,211	-	-	2,378	229,589
Interest	8,251	-	-	-	8,251
Due from Other Governments	99,971	66,947	3,650,000	244,078	4,060,996
Total Assets	5,842,556	2,202,132	3,882,936	916,382	12,844,006
Liabilities:					
Accounts Payable	92,417	738	-	5,068	98,223
Accrued Wages and Benefits	113,835	-	-	9,495	123,330
Due to Other Governments	212,754	-	-	3,077	215,831
Total Liabilities	419,006	738	-	17,640	437,384
Deferred Inflows of Resources:					
Property Tax Levy for Next Fiscal Year	480,559	1,821,135	-	-	2,301,694
Delinquent Property Taxes	8,962	33,663	-	-	42,625
Income Taxes	626,892	-	-	26,120	653,012
County Shared Revenues	21,410	66,947	3,650,000	-	3,738,357
State Shared Revenues	63,668	-	-	200,572	264,240
Other miscellaneous revenues	231,512	-	-	1,433	232,945
Total Deferred Inflows of Resources:	1,433,003	1,921,745	3,650,000	228,125	7,232,873
Fund Balances:					
Restricted	-	279,649	232,936	670,617	1,183,202
Assigned	34,662	-	-	-	34,662
Unassigned	3,955,885	-	-	-	3,955,885
Total Fund Balances	3,990,547	279,649	232,936	670,617	5,173,749
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,842,556	\$ 2,202,132	\$ 3,882,936	\$ 916,382	\$ 12,844,006

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, 2019

Fund Balances - Governmental Funds		\$ 5,173,749
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		8,068,522
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,281,179
The net pension/OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reporting in governmental funds.		
Deferred Outflows - Pension/OPEB	3,159,994	
Deferred Inflows - Pension/OPEB	(356,102)	
Net Pension/OPEB Liability	(8,796,047)	(5,992,155)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.		(6,787,128)
Net Position of governmental activities		\$ 1,744,167

CITY OF MILFORD, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Fire/ EMS Levy	Sports Complex Land Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income Taxes	\$ 4,129,320	\$ -	\$ -	\$ 148,030	\$ 4,277,350
Property and Other Taxes	721,403	1,840,551	-	-	2,561,954
Intergovernmental	351,141	136,999	230,602	459,173	1,177,915
Charges for Services	346,536	-	-	113,270	459,806
Licenses and Permits	80,888	-	-	-	80,888
Investment Earnings	93,893	5,084	-	6,986	105,963
Fines and Forfeitures	241,191	-	-	88,781	329,972
All Other Revenues	143,443	-	-	21,518	164,961
Total Revenues	6,107,815	1,982,634	230,602	837,758	9,158,809
Expenditures:					
Current:					
Security of Persons and Property	2,856,453	1,894,461	-	5,718	4,756,632
Public Health and Welfare	271,648	-	-	156,179	427,827
Leisure Time Activities	294,138	-	-	-	294,138
Transportation	448,792	-	-	447,529	896,321
General Government	1,539,009	-	-	106,488	1,645,497
Capital Outlay	-	-	3,500,000	175,918	3,675,918
Debt Service:					
Principal Retirement	-	50,000	-	245,000	295,000
Interest and Fiscal Charges	-	1,300	114,045	127,346	242,691
Total Expenditures	5,410,040	1,945,761	3,614,045	1,264,178	12,234,024
Excess (Deficiency) of Revenues Over (Under) Expenditures	697,775	36,873	(3,383,443)	(426,420)	(3,075,215)
Other Financing Sources (Uses):					
Face Value of Issued Debt	-	-	3,650,000	-	3,650,000
Sale of Capital Assets	4,717	-	-	12,964	17,681
Transfers - In	-	-	-	405,147	405,147
Transfers - Out	(283,225)	-	(33,622)	(22,075)	(338,922)
Total Other Financing Sources (Uses)	(278,508)	-	3,616,378	396,036	3,733,906
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	419,267	36,873	232,935	(30,384)	658,691
Fund Balances at Beginning of Year - Restated	3,571,280	242,776	1	701,001	4,515,058
Fund Balances at End of Year	\$ 3,990,547	\$ 279,649	\$ 232,936	\$ 670,617	\$ 5,173,749

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, 2019

Amounts reported in governmental activities in the statement of activities are different because:

Net Change in Fund Balances - total governmental funds	\$ 658,691
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(152,691)
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital asset account in the Statement of Net Position and offset against the proceeds from the sale of capital assets resulting in a gain on the sale of capital assets in the Statement of Activities:	17,681
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	295,533
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 of these differences in the treatment of long-term debt and related items.	(3,359,712)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	603,964
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	1,357,377
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.	16,070
Change in net position of governmental activities	<u>\$ (563,087)</u>

CITY OF MILFORD, OHIO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2019

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Wastewater	Stormwater Management	Totals
Assets:				
<u>Current Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 568,198	\$ 1,490,583	\$ 1,233,737	\$ 3,292,518
Receivables (net of allowances for doubtful accounts):				
Accounts	86,560	105,612	66,826	258,998
Interest	3,300	3,300	1,650	8,250
	<u>658,058</u>	<u>1,599,495</u>	<u>1,302,213</u>	<u>3,559,766</u>
<u>Nondepreciable Capital Assets:</u>				
Land	103,988	227,426	-	331,414
Construction in Progress	43,582	-	59,580	103,162
<u>Depreciable Capital Assets:</u>				
Improvements Other than Buildings	4,260,368	6,834,820	2,816,539	13,911,727
Furniture, Fixtures, Equipment	724,318	818,751	88,181	1,631,250
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	(5,821,604)	(8,941,655)	(1,114,278)	(15,877,537)
Total Capital Assets (net of (accumulated depreciation)	<u>5,090,442</u>	<u>7,698,030</u>	<u>1,850,022</u>	<u>14,638,494</u>
Total Assets	<u>5,748,500</u>	<u>9,297,525</u>	<u>3,152,235</u>	<u>18,198,260</u>
Deferred Outflows of Resources:				
Pensions	191,851	213,320	96,672	501,843
OPEB	28,431	31,453	14,178	74,062
Total Deferred Outflows of Resources	<u>220,282</u>	<u>244,773</u>	<u>110,850</u>	<u>575,905</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 5,968,782</u>	<u>\$ 9,542,298</u>	<u>\$ 3,263,085</u>	<u>\$ 18,774,165</u>

CITY OF MILFORD, OHIO
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2019

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Wastewater	Stormwater Management	Totals
Liabilities				
<u>Current Liabilities:</u>				
Accounts Payable	\$ 10,983	\$ 9,686	\$ 1,679	\$ 22,348
Contracts Payable	-	-	59,580	59,580
Accrued Wages and Benefits	15,699	13,099	1,826	30,624
Due to Other Governments	16,805	10,292	2,668	29,765
Compensated Absences Payable - Current	22,025	10,147	2,962	35,134
Ohio Water Development Authority Loans Payable - Current	100,780	152,261	-	253,041
OPWC Loan Payable - Current	10,686	32,120	-	42,806
Total Current Liabilities	<u>176,978</u>	<u>227,605</u>	<u>68,715</u>	<u>473,298</u>
<u>Noncurrent Liabilities:</u>				
Compensated Absences Payable	3,964	1,547	616	6,127
Ohio Water Development Authority Loans Payable	1,161,009	1,216,258	-	2,377,267
OPWC Loans Payable	226,471	559,188	-	785,659
Net Pension Liability	613,393	682,037	309,082	1,604,512
Net OPEB Liability	271,179	304,122	139,070	714,371
Total Noncurrent Liabilities	<u>2,276,016</u>	<u>2,763,152</u>	<u>448,768</u>	<u>5,487,936</u>
Total Liabilities	<u>2,452,994</u>	<u>2,990,757</u>	<u>517,483</u>	<u>5,961,234</u>
Deferred Inflows of Resources:				
Pensions	16,372	18,204	8,249	42,825
OPEB	5,820	5,668	2,182	13,670
Total Liabilities	<u>22,192</u>	<u>23,872</u>	<u>10,431</u>	<u>56,495</u>
Net Position				
Net Investment in Capital Assets	3,591,496	5,738,203	1,790,442	11,120,141
Unrestricted	(97,900)	789,466	944,729	1,636,295
Total Net Position	<u>3,493,596</u>	<u>6,527,669</u>	<u>2,735,171</u>	<u>12,756,436</u>
Total Liabilities, Deferred Outflows and Net Position	<u>\$ 5,968,782</u>	<u>\$ 9,542,298</u>	<u>\$ 3,263,085</u>	<u>\$ 18,774,165</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, 2019

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Water	Wastewater	Stormwater Management	Totals
<u>Operating Revenues:</u>				
Charges for Services	\$ 1,271,103	\$ 914,916	\$ 503,270	\$ 2,689,289
Other Operating Revenues	40,320	24,272	6,707	71,299
Total Operating Revenues	<u>1,311,423</u>	<u>939,188</u>	<u>509,977</u>	<u>2,760,588</u>
<u>Operating Expenses:</u>				
Personal Services	587,363	625,084	295,560	1,508,007
Materials and Supplies	112,688	23,890	44,078	180,656
Contractual Services	255,895	288,376	37,970	582,241
Other Operating Expenses	14,321	12,844	5,099	32,264
Depreciation	320,588	494,818	152,600	968,006
Total Operating Expenses	<u>1,290,855</u>	<u>1,445,012</u>	<u>535,307</u>	<u>3,271,174</u>
Operating Income (Loss)	20,568	(505,824)	(25,330)	(510,586)
<u>Non-Operating Revenues (Expenses):</u>				
Investment Earnings	14,047	37,880	24,437	76,364
Interest and Fiscal Charges	(25,184)	(13,842)	-	(39,026)
Grants	-	-	181,461	181,461
Total Non-Operating Revenues (Expenses)	<u>(11,137)</u>	<u>24,038</u>	<u>205,898</u>	<u>218,799</u>
Income (Loss) Before Transfers	9,431	(481,786)	180,568	(291,787)
Transfers Out	<u>(22,075)</u>	<u>(22,075)</u>	<u>(22,075)</u>	<u>(66,225)</u>
Change in Net Position	(12,644)	(503,861)	158,493	(358,012)
Total Net Position - Beginning (Restated)	<u>3,506,240</u>	<u>7,031,530</u>	<u>2,576,678</u>	<u>13,114,448</u>
Total Net Position - Ending	<u>\$ 3,493,596</u>	<u>\$ 6,527,669</u>	<u>\$ 2,735,171</u>	<u>\$ 12,756,436</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, 2019**

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	\$ 1,275,340	\$ 923,619	\$ 490,628	\$ 2,689,587
Cash Paid for Employee Services and Benefits	(470,568)	(514,226)	(233,944)	(1,218,738)
Cash Paid to Suppliers for Goods and Services	(384,109)	(317,239)	(81,297)	(782,645)
Other Operating Revenues	42,655	21,830	5,523	70,008
Other Operating Expenses	(19,370)	(12,833)	(5,077)	(37,280)
Net Cash Provided by Operating Activities	<u>443,948</u>	<u>101,151</u>	<u>175,833</u>	<u>720,932</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers-out to Other Funds	(22,075)	(22,075)	(22,075)	(66,225)
Net Cash (Used for) Noncapital Financing Activities	<u>(22,075)</u>	<u>(22,075)</u>	<u>(22,075)</u>	<u>(66,225)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Capital Grant Contributions	-	-	181,461	181,461
Acquisition and Construction of Assets	(16,551)	(204,765)	(356,283)	(577,599)
Principal Paid on Loans Payable	(120,294)	(215,096)	-	(335,390)
Interest Paid on All Debt	(25,184)	(13,842)	-	(39,026)
Net Cash (Used for) Capital and Related Financing Activities	<u>(162,029)</u>	<u>(433,703)</u>	<u>(174,822)</u>	<u>(770,554)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest	13,897	37,732	24,364	75,993
Net Cash Provided By Investing Activities	<u>13,897</u>	<u>37,732</u>	<u>24,364</u>	<u>75,993</u>
Net Increase (Decrease) in Cash and Cash Equivalents	273,741	(316,895)	3,300	(39,854)
Cash and Cash Equivalents at Beginning of Year (Restated)	<u>294,457</u>	<u>1,807,478</u>	<u>1,230,437</u>	<u>3,332,372</u>
Cash and Cash Equivalents at End of Year	<u>\$ 568,198</u>	<u>\$ 1,490,583</u>	<u>\$ 1,233,737</u>	<u>\$ 3,292,518</u>

**CITY OF MILFORD, OHIO
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	<u>Water</u>	<u>Wastewater</u>	<u>Stormwater Management</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 20,568	\$ (505,824)	\$ (25,330)	\$ (510,586)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	320,588	494,818	152,600	968,006
Change in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	1,330	6,261	(13,826)	(6,235)
Increase (Decrease) in Due to Other Governments	2,482	(1,000)	(7)	1,475
Increase (Decrease) in Accounts Payables	(19,383)	(7,006)	19,984	(6,405)
(Decrease) in Contracts Payables	-	-	(19,210)	(19,210)
Increase (Decrease) in Accrued Wages and Benefits	1,173	(173)	(466)	534
Increase (Decrease) in Compensated Absences Payable	(2,204)	(20,631)	105	(22,730)
Net Increase in GASB 75 OPEB Items	28,168	33,273	16,018	77,459
Net Increase in GASB 68 Pension Items	91,226	101,433	45,965	238,624
Total Adjustments	<u>423,380</u>	<u>606,975</u>	<u>201,163</u>	<u>1,231,518</u>
Net Cash Provided by Operating Activities	<u>\$ 443,948</u>	<u>\$ 101,151</u>	<u>\$ 175,833</u>	<u>\$ 720,932</u>

Non-cash disclosure:

The City reported \$19,210 of construction in progress that is included in accounts payable at 2018 year end in the Stormwater Management fund and \$2,052 of construction in progress in the Wastewater fund. The City reported \$59,850 of construction in progress that is included in accounts payable at 2019 year end in the Stormwater Management fund.

See accompanying notes to the basic financial statements

CITY OF MILFORD, OHIO
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
DECEMBER 31, 2019

	<u>Joint Economic Development Districts</u>
Assets:	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 80,535</u>
Total Assets	<u><u>80,535</u></u>
Liabilities:	
Total Liabilities	<u>-</u>
Net Position	
Restricted - Governmental Agreements	<u>80,535</u>
Total Net Position	<u><u>\$ 80,535</u></u>

See accompanying notes to the basic financial statements

CITY OF MILFORD, OHIO
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
FOR THE YEAR FISCAL YEAR ENDED DECEMBER 31, 2019

	Joint Economic Development Districts
<u>Additions:</u>	
Income Tax Collections	\$ 1,335,985
Releas Prior Year Retainer	19,203
Interest Earnings	362
Miscellaneous	2,146
Total Additions	1,357,696
<u>Deductions:</u>	
City of Milford	195,784
Union Township	1,111,826
Administrative costs	41,198
Total Deductions	1,348,808
Net Increase in Fiduciary Net Position	8,888
Beginning Net Position	71,647
Ending Net Position	\$ 80,535

See accompanying notes to the basic financial statements

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 reports one component unit described below.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

The Mayor's Court has been included in the City's financial statements under evaluation of GASB 84, *Fiduciary Activities*. The Mayor is the City official who has fiduciary responsibility for the collection and distribution of the court fees and fines. The funds are ultimately held for the benefit of the City with monthly distributions being sent to the City's various funds but mainly the General Fund.

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 14 to the basic financial statements.

B. Discretely Presented Component Unit

The component unit column in the government-wide financial statements includes the financial data of the City's component unit. It is reported in a separate column to emphasize that it is legally separate from the City. The following is included as legally separate, discretely presented component of the City:

Community Improvement Corporation of Milford (CIC): The CIC is responsible for advancing, encouraging, and promoting the industrial, economic, commercial, and civic development of the City of Milford. The City Council appoints the voting majority of the board and there is a financial benefit/burden relationship between the CIC and the City. Copies of the CIC financial report are on file at the City's Finance Department.

C. 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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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.

A. Measurement Focus Basis of Accounting and Financial Statement Presentation

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

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The City reports the following major governmental funds:

General Fund

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

Fire/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.

Sports Complex Land Improvement Fund

Sports Complex Land Improvement fund accounts for the acquisition of the land where the FC Soccer training facility and Mercy Health Plex building are located. Clermont County pledged to collect a lodging tax to support the fund. The fund then pays any debt service obligation on the land by way of this intergovernmental revenue stream.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major enterprise funds:

Water Fund

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

Wastewater Fund

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

Stormwater Management Fund

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

Additionally, the City reports the following fund types:

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 custodial funds. The City maintains one fiduciary agency fund. The City's agency fund is custodial in nature and do not involve the measurement of results of operations. The City is serving as fiscal agent for the Joint Economic Development Districts between Union Township and the City. These monies are maintained in a custodial fund until distributed to the two governments.

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

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Cash and Cash Equivalents

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

During 2019, investments were limited to U.S. Governmental Agency Obligations, U.S. Treasury Bills, and Money Market funds. Investments are reported at fair value which is based on quoted market prices. The fair value of open-end money market funds is based on the current share price.

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 2019 amounted to \$93,893, which includes \$17,597 assigned from other funds. The fire/EMS levy special revenue fund, debt service, street, state highway, permissive tax, and cemetery special revenue funds, water, wastewater, and stormwater enterprise funds also received interest of \$5,084; \$1,519; \$367; \$75; \$598; \$4,427; \$14,047; \$37,880; and \$24,437 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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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 2019, 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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 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 2019, 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.
- 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 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, 2019

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.

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 \$1,183,203 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/other post employment benefits (OPEB). The deferred outflows of resources related to pension/OPEB are explained in Notes 8 and 9.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019, but which were levied to finance fiscal year 2020 operations, have been recorded as deferred inflows of resources. 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/OPEB are reported on the government-wide statement of net position (see Notes 8 and 9.) The City also reports a deferred inflow for the Clermont County lodging tax revenue pledged to pay on the sports complex land bond obligation purchase. The reported amount matches the remaining principal balance owed.

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, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Pensions/OPEB

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB 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 (\$6,787,128) difference are as follows:

General Obligation Bonds	(\$6,430,000)
Premium on General Obligations Bonds	(8,808)
Accrued Interest Payable	(16,178)
Compensated Absences	<u>(332,142)</u>
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>(\$6,787,128)</u></u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 \$8,068,522 difference are as follows:

Capital Assets	\$14,151,970
Accumulated Depreciation	<u>(6,083,448)</u>
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$8,068,522</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 over under depreciation in the current period.” The details of this (\$152,691) are as follows:

Current Capital Additions	\$344,224
Depreciation Expense	<u>(496,915)</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>(\$152,691)</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 (\$3,359,712) are as follows:

Face Value from Sale of Bonds	(\$3,650,000)
Principal paid on Long Term Debt	295,000
Amortization of Bond Premium Cost	3,526
Change in Interest Payable	<u>(8,238)</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>(\$3,359,712)</u></u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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, 2019

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, 2019

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 \$3,521,499 and the bank balance was \$3,589,510. \$2,146,693 of the City's deposits was insured by federal depository insurance. At December 31, 2019, the \$1,442,817 of the City's remaining bank balance of \$3,589,510 was exposed to custodial credit risk.

Investments

As of December 31, 2019, the City had the following investments.

Categorized Investments	Fair Value	Weighted Average Maturity (Years)	Fair Value Measuring Unit	Credit Rating	Concentration Percentage
Federal Home Loan Mortgage Corporation Notes	\$1,295,869	1.91	Level 2	NA	25.76%
Federal Home Loan Bank Notes	800,488	2.15	Level 2	NA	15.91%
Federal Farm Credit Bank Notes	723,790	2.45	Level 2	NA	14.39%
Federal National Mortgage Notes	199,719	0.57	Level 2	NA	3.97%
US Treasury Notes	49,885	0.84	Level 1	NA	0.99%
Commercial Paper	1,950,587	0.27	Level 1	Aa1/P-1	38.79%
Money Market Funds	9,714	0.16	Level 1	S& P - AAAM	0.19%
Total	<u>\$5,030,052</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, 2019

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, Federal Farm Credit Bank Loans 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 2019 for real and public utility property taxes represents collections of 2018 taxes. Property tax payments received during 2019 for tangible personal property (other than public utility property) are for 2019 taxes.

2019 real property taxes are levied after October 1, 2018 on the assessed value as of January 1, 2019 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2019.

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. 2019 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 - PROPERTY TAXES (CONTINUED)

The full tax rate for all City operations for the year ended December 31, 2019, 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 2019 property tax receipts were based are as follows:

<u>Category (Clermont County Only)</u>	<u>Assessed Value</u>
Real Property	\$164,933,600
Public Utility Tangible Personal Property	9,907,000
Total Property Tax	\$174,840,600

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, 2019, 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 2019 operations. The receivable is offset by unearned revenue.

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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 - INCOME TAX (CONTINUED)

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 2019 was \$4,277,350.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2019, 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	\$75,888
Homestead/Rollback	21,410
Police grant reimbursements	2,673
Total General Fund	<u>99,971</u>
<i>Fire/EMS Levy</i>	
Homestead/Rollback	<u>66,947</u>
<i>Sports Complex Land Improvement</i>	
County Pledged Revenues	<u>3,650,000</u>
<u>NONMAJOR FUNDS</u>	
<i>Street Fund</i>	
Gasoline Excise Tax	167,128
Motor Vehicle License Tax	23,482
Total Street Fund	<u>190,610</u>
<i>State Highway Fund</i>	
Gasoline Excise Tax	13,551
Motor Vehicle License Tax	1,904
Total State Highway Fund	<u>15,455</u>
<i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	<u>38,013</u>
Total All Funds	<u><u>\$4,060,996</u></u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 – CAPITAL ASSETS

	Balance 12/31/18	Increases	Decreases	Balance 12/31/19
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$2,461,838	\$24,000	\$0	\$2,485,838
Construction in Progress	1,868,110	0	(1,868,110)	0
Total capital assets, not being depreciated	<u>4,329,948</u>	<u>24,000</u>	<u>(1,868,110)</u>	<u>2,485,838</u>
Capital Assets, being depreciated:				
Buildings	4,014,052	1,980,051	0	5,994,103
Improvements other than Buildings	2,658,076	145,504	0	2,803,580
Vehicles, Furniture and Equipment	2,870,847	80,460	(82,858)	2,868,449
Total capital assets being depreciated	<u>9,542,975</u>	<u>2,206,015</u>	<u>(82,858)</u>	<u>11,666,132</u>
Less Accumulated Depreciation For:				
Buildings	(2,784,799)	(195,113)	0	(2,979,912)
Improvements other than Buildings	(764,979)	(94,815)	0	(859,794)
Vehicles, Furniture and Equipment	(2,119,613)	(206,987)	82,858	(2,243,742)
Total Accumulated Depreciation	<u>(5,669,391)</u>	<u>(496,915)</u>	<u>82,858</u>	<u>(6,083,448)</u>
Total capital assets, being depreciated, net	<u>3,873,584</u>	<u>1,709,100</u>	<u>0</u>	<u>5,582,684</u>
Governmental Activities - Capital Assets, Net	<u>\$8,203,532</u>	<u>\$1,733,100</u>	<u>(\$1,868,110)</u>	<u>\$11,568,522</u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 – CAPITAL ASSETS (CONTINUED)

	Balance 12/31/18	Increases	Decreases	Balance 12/31/19
Business Type Activities				
Capital Assets, not being depreciated				
Land	\$331,414	\$0	\$0	\$331,414
Construction in Progress	574,286	59,580	(530,704)	103,162
Total capital assets, not being depreciated	<u>905,700</u>	<u>59,580</u>	<u>(530,704)</u>	<u>434,576</u>
Capital Assets, being depreciated				
Improvements other than Buildings	12,970,869	1,018,858	(78,000)	13,911,727
Plant	6,182,808	0	0	6,182,808
Machinery and Equipment	1,605,125	68,183	(42,058)	1,631,250
Sewer and Water Lines	8,355,670	0	0	8,355,670
Total capital assets, being depreciated	<u>29,114,472</u>	<u>1,087,041</u>	<u>(120,058)</u>	<u>30,081,455</u>
Less Accumulated Depreciation For:				
Improvements other than Buildings	(4,591,540)	(533,919)	0	(5,125,459)
Plant	(4,621,533)	(175,983)	0	(4,797,516)
Machinery and Equipment	(1,071,222)	(120,603)	120,058	(1,071,767)
Sewer and Water Lines	(4,745,294)	(137,501)	0	(4,882,795)
Total Accumulated Depreciation	<u>(15,029,589)</u>	<u>(968,006)</u>	<u>120,058</u>	<u>(15,877,537)</u>
Total capital assets, being depreciated, net	<u>14,084,883</u>	<u>119,035</u>	<u>0</u>	<u>14,203,918</u>
Business Type Activities - Capital Assets, Net	<u>\$14,990,583</u>	<u>\$178,615</u>	<u>(\$530,704)</u>	<u>\$14,638,494</u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 – CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

Security of Persons and Property	\$110,062
Public Health and Welfare	20,751
Leisure Time Activities	22,849
Transportation	239,016
General Government	104,237
Total Depreciation Expense - governmental activities	<u>\$496,915</u>

Business Type Activities:

Water	\$320,588
Wastewater	494,818
Stormwater Management	152,600
Total Depreciation Expense – business-type activities	<u>\$968,006</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, 2019

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 *due to other governments* 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, 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 (District 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, 2019

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):

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
Age and Service Requirements:		
Age 60 with 60 months of service credit; or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit; or Age 60 with 5 years of service credit; or	Age 55 with 25 years or service credit; or Age 62 with 5 years of service credit
Formula:		
2.2% of FAS multiplied by years of service credit for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service credit for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service credit for the first 30 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.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years or service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS' Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or loss resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed plan consist of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2019 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
	14.0 %
Total Employer	14.0 %
 Employee	 10.0 %

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$263,424 for the year ending December 31, 2019. Of this amount, \$31,010 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.

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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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
2019 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	12.25 %
 2019 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50 %
Total Employer	19.50 %
 Employee:	 12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$331,808 for 2019. Of this amount \$39,683 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, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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:

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net Pension Liability - Prior Measurement Year	0.013806%	0.0651030%	
Proportion of the Net Pension Liability - Current Measurement Year	<u>0.013403%</u>	<u>0.0641100%</u>	
Change in proportion	<u>-0.000403%</u>	<u>-0.000993%</u>	
Proportionate Share of the Net Pension Liability	\$3,670,811	\$5,233,070	\$8,903,881
Pension Expense	\$545,918	\$473,692	\$1,019,610

At December 31, 2019, 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	\$498,232	\$644,709	\$1,142,941
Changes in proportion and differences	66,757	449,722	516,479
Differences between expected and actual experience	154	215,006	215,160
Change in assumptions	319,551	138,735	458,286
City contributions subsequent to the measurement date	<u>263,424</u>	<u>331,808</u>	<u>595,232</u>
Total Deferred Outflows of Resources	<u>\$1,148,118</u>	<u>\$1,779,980</u>	<u>\$2,928,098</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$48,200	\$4,887	\$53,087
Changes in proportion and differences	<u>49,773</u>	<u>54,849</u>	<u>104,622</u>
Total Deferred Inflows of Resources	<u>\$97,973</u>	<u>\$59,736</u>	<u>\$157,709</u>

\$595,232 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2020	\$369,835	\$413,890	\$783,725
2021	138,949	272,912	411,861
2022	46,221	302,146	348,367
2023	231,716	365,257	596,973
2024	0	34,231	34,231
Total	<u>\$786,721</u>	<u>\$1,388,436</u>	<u>\$2,175,157</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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 was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.5% down to 7.2%, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Wage Inflation	3.25 percent
Projected Salary Increases	3.25 percent to 10.75 percent (Includes wage inflation 3.25%)
COLA or Ad Hoc COLA	Pre 1/7/2013 Retirees: 3 percent Simple Post 1/7/13 Retirees: 3% simple through 2018, then 2.15% simple
Investment Rate of Return	7.25 percent
Actuarial Cost Method	Individual Entry Age

The most recent experience study was completed for the five-year period ended December 31, 2015.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The long-term expected 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
 Total	 <u>100.00 %</u>	 <u>5.95 %</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.2 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.

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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$5,422,854	\$3,670,811	\$2,214,846

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, 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, 2018, are presented below:

Valuation Date	January 1, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8 percent
Projected Salary Increases	3.75 percent to 10.50 percent
	Inflation rate of 2.75 percent plus productivity
Payroll Increases	increase rate of 0.5 percent
	3 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3
Cost of Living Adjustments	percent.

For the January 1, 2018 valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Age	Police
67 or less	77%
68-77	105%
78 and up	115%

For the January 1, 2018 valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police
59 or less	35%
60-69	60%
70-79	75%
80 and up	100%

The most recent experience study was completed for the five year period ending December 31, 2016, the prior experience study was completed December 31, 2011.

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, 2018 are summarized below:

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	<u>12.00</u>	6.10
 Total	 <u>120.00 %</u>	 Note: 10 year rate

Note: Assumptions are geometric

* levered 2x

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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Discount Rate The total pension liability was calculated using the discount rate of 8.0 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 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 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 percent), or one percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's proportionate share of the net pension liability	\$6,878,510	\$5,233,070	\$2,695,157

NOTE 9 – NET OPEB LIABILITY

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates annually.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET OPEB LIABILITY (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 OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB 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 - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET OPEB LIABILITY (CONTINUED)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board 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 0 percent during calendar year 2018. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2019 remained at 0 percent for both plans. The OPERS 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 into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2019.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET OPEB LIABILITY (CONTINUED)

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement 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 Government Accounting Standards Board (GASB) Statement No. 75.

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 is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F 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.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET OPEB LIABILITY (CONTINUED)

The Board of Trustees is authorized to allocate a portion of the total employer contributions 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 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of 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 provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also 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 covered dependents and the coverage selected. The City's contractually required contribution to OP&F was \$8,732 for 2019. Of this amount, \$1,044 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.012481%	0.0641100%	
Prior Measurement Date	<u>0.012880%</u>	<u>0.0651030%</u>	
Change in Proportionate Share	<u>-0.0003990%</u>	<u>-0.0009930%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,627,229	\$583,820	\$2,211,049
OPEB Expense	\$171,863	(\$2,836,734)	(\$2,664,871)

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET OPEB LIABILITY (CONTINUED)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$551	\$0	\$551
Changes of assumptions	52,464	302,624	355,088
Net difference between projected and actual earnings on pension plan investments	74,598	19,763	94,361
Changes in proportion and differences between City contributions and proportionate share of contributions	42,262	306,807	349,069
City contributions subsequent to the measurement date	<u>0</u>	<u>8,732</u>	<u>8,732</u>
Total Deferred Outflows of Resources	<u>\$169,875</u>	<u>\$637,926</u>	<u>\$807,801</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$4,417	\$15,642	\$20,059
Changes of assumptions	0	161,629	161,629
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>29,058</u>	<u>44,142</u>	<u>73,200</u>
Total Deferred Inflows of Resources	<u>\$33,475</u>	<u>\$221,413</u>	<u>\$254,888</u>

\$8,732 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET OPEB LIABILITY (CONTINUED)

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2020	\$82,727	\$71,167	\$153,894
2021	4,242	71,167	75,409
2022	11,851	71,167	83,018
2023	37,580	77,145	114,725
2024	0	67,721	67,721
Thereafter	<u>0</u>	<u>49,414</u>	<u>49,414</u>
Total	<u>\$136,400</u>	<u>\$407,781</u>	<u>\$544,181</u>

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET OPEB LIABILITY (CONTINUED)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET OPEB LIABILITY (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	<u>17.00</u>	<u>5.57</u>
Total	<u>100.00 %</u>	<u>5.16 %</u>

Discount Rate

A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET OPEB LIABILITY (CONTINUED)

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$2,081,831	\$1,627,229	\$1,265,698

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$1,564,119	\$1,627,229	\$1,699,912

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET OPEB LIABILITY (CONTINUED)

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	4.66 percent
Prior measurement date	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET OPEB LIABILITY (CONTINUED)

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB 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 expected. 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 OP&F's target asset allocation as of December 31, 2018, are summarized below:

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET OPEB LIABILITY (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Core Fixed Income *	23.00	2.60
Private Credit	5.00	7.50
High Yield Fixed Income	7.00	4.80
Private Real Estate	12.00	6.10
Private Markets	8.00	7.50
Real Assets	8.00	7.00
U.S Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Total	<u>120.00 %</u>	

Note: Assumptions on geometric

* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F'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 the 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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – NET OPEB LIABILITY (CONTINUED)

Discount Rate

The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	\$711,252	\$583,820	\$476,852

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 \$197,143.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 - EMPLOYEE BENEFITS (CONTINUED)

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 \$146,325.

Accumulated Unpaid Personal Leave

All full time City employees receive two personal days in January, except police officers and police clerks who receive 48 hours and 32 hours, respectively, per their FOP contracts. All full-time employees can earn up to two (2) additional personal days for each 120 consecutive days worked without using sick leave. AFSCME employees can earn up to three (3) additional personal days for each 120 consecutive days worked without using sick leave per the union contract.

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 \$29,934.

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 2019. 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 one employee that is 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, 2019

NOTE 11 - RISK MANAGEMENT

For 2019, 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 2019 paid in 2020 was .026292 employees/.146773 for volunteers.

NOTE 12 - LONG-TERM OBLIGATIONS

Issue Date	Interest Rate	Description	December 31, 2018	Additions	Reductions	December 31, 2019	Due Within One Year
Governmental activities:							
2007	4.25% - 5.75%	Refunded Capital Facility	\$905,000	\$0	\$115,000	\$790,000	\$120,000
1999	4.50% - 5.20%	Firehouse/Trailer Park	50,000	0	50,000	0	0
2017	2.50%	Public Works Building	2,120,000	0	130,000	1,990,000	130,000
2019	2.70%-3.50%	Sports Complex Land	0	3,650,000	0	3,650,000	140,000
		Total Bonds Payable	3,075,000	3,650,000	295,000	6,430,000	390,000
2007		Premium on Refunded GO Bonds	12,334	0	3,526	8,808	0
		Net Bonds Payable	3,087,334	3,650,000	298,526	6,438,808	390,000
		Net Pension Liability					
		Public Employees Retirement System	1,219,182	847,117	0	2,066,299	0
		Ohio Police and Fire Pension	3,995,650	1,237,420	0	5,233,070	0
		Net OPEB Liability					
		Public Employees Retirement System	787,313	125,545	0	912,858	0
		Ohio Police and Fire Pension	3,688,628	0	3,104,808	583,820	0
		Compensated absences	348,212	299,461	315,531	332,142	178,456
		Total Governmental Activities	13,126,319	6,159,543	3,718,865	15,566,997	568,456

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 - LONG-TERM OBLIGATIONS (CONTINUED)

Issue Date	Interest Rate	Description	December 31, 2018	Additions	Reductions	December 31, 2019	Due Within One Year
Business – Type Activities:							
2005	0.90%	OWDA Loans	1,002,018	0	107,379	894,639	108,347
2007	2.00%	OWDA Loans	741,565	0	67,693	673,872	69,054
2008	1.00%	OWDA Loans	224,978	0	20,425	204,553	20,631
2010	1.00%	OWDA Loans	292,377	0	23,050	269,327	23,282
2010	0.00%	OWDA Loans	78,527	0	6,828	71,699	6,828
2014	2.00%	OWDA Loans	160,662	0	4,765	155,897	4,861
2015	2.00%	OWDA Loans	379,964	0	19,643	360,321	20,038
2004	0.00%	OPWC Loans	5,176	0	3,449	1,727	1,727
2006	0.00%	OPWC Loans	576,175	0	60,650	515,525	30,325
2009	0.00%	OPWC Loans	116,025	0	11,050	104,975	5,525
2010	0.00%	OPWC Loans	58,767	0	2,733	56,034	1,367
2010	0.00%	OPWC Loans	20,609	0	859	19,750	429
2018	0.00%	OPWC Loans	137,321	0	6,866	130,455	3,433
Net Pension Liability							
		Public Employees Retirement System	946,712	657,800	0	1,604,512	0
Net OPEB Liability							
		Public Employees Retirement System	611,361	103,010	0	714,371	0
		Compensated absences	63,991	57,483	80,214	41,260	35,134
Total Business – Type Activities			<u>5,416,228</u>	<u>818,293</u>	<u>415,604</u>	<u>5,818,917</u>	<u>330,981</u>
All FUNDS			<u>\$18,542,547</u>	<u>\$6,977,836</u>	<u>\$4,134,469</u>	<u>\$21,385,914</u>	<u>\$899,437</u>

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 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 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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 - LONG-TERM OBLIGATIONS (CONTINUED)

In July 2017, the City issued \$2,245,000 general obligation bonds for Public Works facility. The bonds were issued at a 2.5% rate and will mature on December 1, 2032. The bonds will be paid from the debt service fund.

In August 2019, the City issued \$3,650,000 special obligation nontax revenue bonds for Sport Complex Land project. The bonds were issued at an average 3.28% rate and will mature on December 1, 2039. The bonds will be paid from the debt service 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.

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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 - LONG-TERM OBLIGATIONS (CONTINUED)

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 #CJ20F was approved in 2004 for a total of \$51,732 for the Edgecombe 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. The January 2020 was deferred until the end of the amortization schedule.

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. The January 2020 was deferred until the end of the amortization schedule.

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. The January 2020 was deferred until the end of the amortization schedule.

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. The January 2020 was deferred until the end of the amortization schedule.

OPWC loan #CJ13S 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 January 2020 was deferred until the end of the amortization schedule.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 - LONG-TERM OBLIGATIONS (CONTINUED)

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 \$1,669,366 and from the Wastewater Fund is \$2,014,660 which equal the outstanding principal and interest obligations on the related debt.

As of December 31, 2019, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$15,731,032, and the unvoted legal debt margin was \$6,918,714.

A summary of the City's long-term debt funding requirements as of December 31, 2019 is represented in the following schedules. Principal, interest and total debt service is provided for General Obligation Bonds, Ohio Water Development Authority Loans, and Ohio Public Works Commission Loans.

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

GOVERNMENTAL ACTIVITIES			
<u>General Obligation Bonds</u>			
<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$390,000	\$197,371	\$587,371
2021	400,000	185,542	585,542
2022	415,000	173,323	588,323
2023	420,000	160,565	580,565
2024	440,000	147,615	587,615
2025-2029	1,755,000	561,958	2,316,958
2030-2034	1,475,000	323,158	1,798,158
2035-2039	1,135,000	122,150	1,257,150
Total	<u>\$6,430,000</u>	<u>\$1,871,682</u>	<u>\$8,301,682</u>

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 - LONG-TERM OBLIGATIONS (CONTINUED)

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
2020	\$253,041	\$34,728	\$287,769
2021	257,407	31,410	288,817
2022	260,776	28,538	289,314
2023	264,196	24,622	288,818
2024	267,671	21,148	288,819
2025-2029	1,050,857	55,627	1,106,484
2030-2034	183,877	19,835	203,712
2035-2039	63,558	6,772	70,330
2040-2043	28,975	2,572	31,497
Totals	\$2,630,308	\$225,252	\$2,855,560

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
2020	\$42,806	\$0	\$42,806
2021	82,158	0	82,158
2022	82,158	0	82,158
2023	82,158	0	82,158
2024	82,158	0	82,158
2025-2029	314,290	0	314,290
2030-2034	52,289	0	52,289
2035-2039	45,423	0	45,423
2040-2042	45,026	0	45,026
Totals	\$828,466	\$0	\$828,466

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 13 – INTERFUND TRANSACTIONS

Following is a summary of transfers in and out for all funds for 2019:

Fund	Transfers	
	In	Out
MAJOR FUNDS		
General	\$0	\$283,225
Sports Complex Land Improvement	0	33,622
Water	0	22,075
Wastewater	0	22,075
Stormwater Management	0	22,075
Non-Major Governmental Funds	405,147	22,075
Total All Funds	\$405,147	\$405,147

The transfers out in the General fund to the nonmajor funds was related to principal and interest payments related to the City’s general obligation debt and to the street construction fund for the resurfacing project. The Sports Complex Land Improvement fund transferred amounts needed to retire the sports complex land bond. The water, wastewater, stormwater management, and non-major governmental funds transferred to the debt service fund for payment of a portion of the Public Works Building that each fund utilizes.

NOTE 14 – 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 a \$3,865 financial contribution during 2019 for membership. 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.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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

OKI contracts periodically for local funds and other support with the governing board of each of the governments who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each City and municipal corporation, one individual selected by each City planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member City. This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI to be effective two years after receipt of the notice by OKI. The City made no financial contribution during 2019. 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. During 2018, a JEDD between the City of Milford and Union Township was approved by Union Township Trustees that encompasses the new West Clermont school campus including the medical facilities on site. During 2019, a JEDD between the City of Milford and Union Township was approved by Union Township Trustees that encompasses former Glen Este high school site that is being redeveloped into a commercial development.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

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 the JEDDs averaged over \$111,332 per month between both the City and Township. For more information related to the financial results of the JEDD please contact the City’s Income Tax Department.

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

The TID contracts with local governments within Clermont County to assist in infrastructure projects. The City contracted with the TID in 2009 for a traffic study at the U.S 50/S.R.131 intersection. The City pledged \$175,000 to the TID in 2010 to pay for the study with payments through 2014. During 2018, 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 15 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2019, the City implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 84 “Fiduciary Activities”. The Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial report purposes and how those activities should be reported. The implementation of this pronouncement has the following effect on net position as reported December 31, 2018:

	Governmental-Type Activities	Non-Major Governmental Funds
Net Position/Fund Balance at December 31, 2018	\$2,306,342	\$700,089
Adjustments:		
Mayor’s Court reported as a special revenue fund	912	912
Restated Net Position/Fund Balance at December 31, 2018	\$2,307,254	\$701,001

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

	Business-Type Activities	Water	Wastewater
Net Position at December 31, 2018	\$13,103,035	\$3,499,620	\$7,026,737
Adjustments:			
Special deposit fund into utilities	11,413	6,620	4,793
Restated Net Position at December 31, 2018	<u>\$13,114,448</u>	<u>\$3,506,240</u>	<u>\$7,031,530</u>

NOTE 16 – 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 - 2019, the plan was running a surplus net position.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 17 – 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 is outline below:

Fund Balance	Sports			
	General	Fire/EMS Levy	Complex Land Improvement	Other Governmental
Restricted:				
Debt Service	\$0	\$0	\$0	\$5,164
Public Safety	0	279,649	0	104,047
Cemetery Service	0	0	0	266,518
Transportation	0	0	0	159,440
Capital Improvements	0	0	232,936	135,448
Assigned:				
Parks and Recreation	34,662	0	0	0
Unassigned	3,955,885	0	0	0
Total Fund Balance	<u>\$3,990,457</u>	<u>\$279,649</u>	<u>\$232,936</u>	<u>\$670,617</u>

NOTE 18 - CONTINGENT LIABILITIES

LITIGATION

The City is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City. The City had pending litigation as of December 31, 2019 but as of December 31, 2019 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, 2019 to December 31, 2019, the City received State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

CITY OF MILFORD, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 19 – CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for construction projects. The following amounts remain on these contracts as of December 31, 2019:

Project	Outstanding Balance
US 50 Urban Paving	\$885,010
US 50 Concrete and Catch Basins	216,498
State Route 129 Urban Paving	94,456

NOTE 20 – SUBSEQUENT EVENTS

The United State and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues and recovery from emergency funding, either federal or state, cannot be estimated.

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 SIX FISCAL YEARS (1)

	2019	2018	2017	2016	2015	2014
The City's Proportion of the Net Pension Liability	0.013403%	0.013806%	0.012503%	0.013562%	0.014318%	0.014318%
The City's Proportion Share of the Net Pension Liability	\$ 3,670,811	\$ 2,165,894	\$ 2,839,219	\$ 2,349,109	\$ 1,726,961	\$ 1,687,954
The City's Covered Payroll	\$ 1,804,286	\$ 1,743,162	\$ 1,609,550	\$ 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 Payroll	203.45%	124.25%	176.40%	133.48%	87.02%	125.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

∞ (1) Information prior to 2014 is not available

∞ (2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contributions	\$ 263,424	\$ 252,600	\$ 226,611	\$ 193,146	\$ 211,195	\$ 238,149	\$ 174,505	\$ 172,132	\$ 158,972	\$ 145,708
Contributions in Relation to the Contractually Required Contribution	<u>(263,424)</u>	<u>(252,600)</u>	<u>(226,611)</u>	<u>(193,146)</u>	<u>(211,195)</u>	<u>(238,149)</u>	<u>(174,505)</u>	<u>(172,132)</u>	<u>(158,972)</u>	<u>(145,708)</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The City Covered Payroll	\$ 1,881,600	\$ 1,804,286	\$ 1,743,162	\$ 1,609,550	\$ 1,759,958	\$ 1,984,575	\$ 1,342,346	\$ 1,721,320	\$ 1,589,720	\$ 1,678,664
Contributions as a Percentage of Covered-Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	8.68%

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016	2015	2014
The City's Proportion of the Net Pension Liability	0.064110%	0.065103%	0.056426%	0.052351%	0.052714%	0.052714%
The City's Proportion Share of the Net Pension Liability	\$ 5,233,070	\$ 3,995,650	\$ 3,573,969	\$ 3,367,752	\$ 2,730,822	\$ 2,567,353
The City's Covered Payroll	\$ 1,638,937	\$ 1,500,021	\$ 1,337,274	\$ 1,170,558	\$ 796,388	\$ 1,248,502
The City's Proportion Share of the Net Pension Liability as a Percentage of its Covered Payroll	319.30%	266.37%	267.26%	287.70%	342.90%	205.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contributions	\$ 331,808	\$ 311,398	\$ 285,004	\$ 254,082	\$ 222,406	\$ 141,996	\$ 159,184	\$ 135,766	\$ 124,466	\$ 130,696
Contributions in Relation to the Contractually Required Contribution	<u>(331,808)</u>	<u>(311,398)</u>	<u>(285,004)</u>	<u>(254,082)</u>	<u>(222,406)</u>	<u>(141,996)</u>	<u>(159,184)</u>	<u>(135,766)</u>	<u>(124,466)</u>	<u>(130,696)</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The City Covered Payroll	\$ 1,746,358	\$ 1,638,937	\$ 1,500,021	\$ 1,337,274	\$ 1,170,558	\$ 796,388	\$ 1,248,502	\$ 1,064,831	\$ 976,204	\$ 1,025,067
Contributions as a Percentage of Covered Payroll	19.00%	19.00%	19.00%	19.00%	19.00%	17.83%	12.75%	12.75%	12.75%	12.75%

See accompanying notes to the required supplementary information

CITY OF MILFORD, OHIO
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PENSION PLAN
LAST THREE FISCAL YEARS (1) (2)

	2019	2018	2017
The City's Proportion of the Net OPEB Liability	0.012481%	0.012880%	0.011695%
The City's Proportion Share of the Net OPEB Liability	\$ 1,627,229	\$ 1,398,673	\$ 1,181,238
The City's Covered Payroll	\$ 1,804,286	\$ 1,743,162	\$ 1,609,550
The City's Proportion Share of the Net OPEB Liability as a Percentage of its Covered Payroll	90.19%	80.24%	73.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.50%

(1) Information prior to 2017 is not available

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

CITY OF MILFORD, OHIO
 SCHEDULE OF CITY'S OPEB CONTRIBUTIONS
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PENSION PLAN
 LAST TEN FISCAL YEARS

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contributions	\$ -	\$ -	\$ 17,432	\$ 32,191	\$ 35,199	\$ 19,846	\$ 13,423	\$ 68,853	\$ 79,486	\$ 109,113
Contributions in Relation to the Contractually Required Contribution	-	-	(17,432)	(32,191)	(35,199)	(19,846)	(13,423)	(68,853)	(79,486)	(109,113)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The City Covered Payroll	\$ 1,881,600	\$ 1,804,286	\$ 1,743,162	\$ 1,609,550	\$ 1,759,958	\$ 1,984,575	\$ 1,342,346	\$ 1,721,320	\$ 1,589,720	\$ 1,678,664
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	1.00%	2.00%	2.00%	1.00%	1.00%	4.00%	5.00%	6.50%

See accompanying notes to the required supplementary information

CITY OF MILFORD, OHIO
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO POLICE AND FIRE FUND
LAST THREE FISCAL YEARS (1) (2)

	2019	2018	2017
The City's Proportion of the Net OPEB Liability	0.064110%	0.065103%	0.056426%
The City's Proportion Share of the Net OPEB Liability	\$ 583,820	\$ 3,688,629	\$ 2,678,418
The City's Covered Payroll	\$ 1,638,937	\$ 1,500,021	\$ 1,337,274
The City's Proportion Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35.62%	245.91%	200.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) Information prior to 2017 is not available

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contributions	\$ 8,732	\$ 8,195	\$ 7,500	\$ 6,686	\$ 5,853	\$ 49,137	\$ 84,274	\$ 71,876	\$ 65,894	\$ 69,192
Contributions in Relation to the Contractually Required Contribution	(8,732)	(8,195)	(7,500)	(6,686)	(5,853)	(49,137)	(84,274)	(71,876)	(65,894)	(69,192)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The City Covered Payroll	\$ 1,746,358	\$ 1,638,937	\$ 1,500,021	\$ 1,337,274	\$ 1,170,558	\$ 796,388	\$ 1,248,502	\$ 1,064,831	\$ 976,204	\$ 1,025,067
Contributions as a Percentage of Employee Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	6.17%	6.75%	6.75%	6.75%	6.75%

Note: The percentages shown are only the police portion since the firefighters do not contribute to OPF.

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)
FOR THE YEAR ENDED DECEMBER 31, 2019

GENERAL FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
Revenues:				
Property and Other Local Taxes	\$ 709,515	\$ 709,515	\$ 715,396	\$ 5,881
Income Taxes	3,633,000	3,633,000	4,004,686	371,686
Intergovernmental	230,350	230,350	261,239	30,889
Charges for Services	301,169	301,169	340,610	39,441
Licenses and Permits	237,562	237,562	80,053	(157,509)
Investment Earnings	40,000	40,000	73,488	33,488
Fines and Forfeitures	223,330	223,330	241,191	17,861
Other All Revenue	75,840	75,840	134,653	58,813
Total Revenue	5,450,766	5,450,766	5,851,316	400,550
Expenditures:				
Current:				
Security of Persons and Property:				
Police				
Personal Services	2,490,853	2,529,320	2,485,510	43,810
Other	376,736	441,269	305,678	135,591
Total Police	2,867,589	2,970,589	2,791,188	179,401
Building Inspection				
Other	223,025	223,025	59,574	163,451
Total Building Inspection	223,025	223,025	59,574	163,451
Total Security of Persons and Property	3,090,614	3,193,614	2,850,762	342,852
Public Health and Welfare Services:				
Health				
Other	28,000	28,400	28,230	170
Total Health	28,000	28,400	28,230	170
Grounds and Facilities				
Personal Services	200,042	205,042	194,269	10,773
Other	43,382	48,382	39,726	8,656
Total Grounds and Facilities	243,424	253,424	233,995	19,429
Total Public Health and Welfare	271,424	281,824	262,225	19,599
Transportation				
Public Works - Administration				
Other	437,700	463,819	448,613	15,206
Total Transportation	437,700	463,819	448,613	15,206
General Government				
Mayor's Court				
Personal Services	87,909	88,509	84,153	4,356
Other	24,800	24,200	18,293	5,907
Total Mayor's Court	112,709	112,709	102,446	10,263
City Council				
Personal Services	38,700	39,400	38,137	1,263
Other	39,830	38,430	30,040	8,390
Total City Council	78,530	77,830	68,177	9,653
Five Points Building				
Other	102,300	105,148	80,873	24,275
Total Five Points Building	102,300	105,148	80,873	24,275
Civil Defense				
Other	2,100	2,600	2,515	85
Total Civil Defense	2,100	2,600	2,515	85

(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, 2019

	GENERAL FUND			Variance Positive (Negative)
	Initial	Budget Final	Actual	
City Manager				
Personal Services	\$ 290,943	\$ 291,543	\$ 273,639	\$ 17,904
Other	116,132	119,782	109,430	10,352
Total City Manager	<u>407,075</u>	<u>411,325</u>	<u>383,069</u>	<u>28,256</u>
Law Director				
Personal Services	108,265	108,415	105,611	2,804
Other	209,900	209,750	65,017	144,733
Total Law Director	<u>318,165</u>	<u>318,165</u>	<u>170,628</u>	<u>147,537</u>
Department of Civil Service				
Personal Services	-	200	-	200
Other	7,600	7,400	307	7,093
Total Department of Civil Service	<u>7,600</u>	<u>7,600</u>	<u>307</u>	<u>7,293</u>
Finance and Accounting				
Personal Services	144,959	145,309	140,439	4,870
Other	48,850	48,500	36,827	11,673
Total Finance and Accounting	<u>193,809</u>	<u>193,809</u>	<u>177,266</u>	<u>16,543</u>
Administration				
Personal Services	-	-	-	-
Other	74,000	74,000	60,385	13,615
Total Administration	<u>74,000</u>	<u>74,000</u>	<u>60,385</u>	<u>13,615</u>
Engineering				
Personal Services	71,127	71,227	68,636	2,591
Other	11,420	11,320	4,050	7,270
Total Engineering	<u>82,547</u>	<u>82,547</u>	<u>72,686</u>	<u>9,861</u>
Development				
Personal Services	80,058	80,358	74,688	5,670
Other	29,028	28,728	16,810	11,918
Total Development	<u>109,086</u>	<u>109,086</u>	<u>91,498</u>	<u>17,588</u>
Income Tax				
Personal Services	95,991	96,091	83,470	12,621
Other	361,150	141,050	130,679	10,371
Total Income Tax	<u>457,141</u>	<u>237,141</u>	<u>214,149</u>	<u>22,992</u>
Total General Government	<u>1,945,063</u>	<u>1,731,960</u>	<u>1,423,999</u>	<u>307,961</u>
Total Expenditures	<u>5,744,801</u>	<u>5,671,217</u>	<u>4,985,599</u>	<u>685,618</u>
Excess of Revenues Over (Under) Expenditures	(294,035)	(220,451)	865,717	1,086,168 (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, 2019

	GENERAL FUND			Variance Positive (Negative)
	Initial	Budget Final	Actual	
<u>Other Financing Sources (Uses):</u>				
Income Tax Refunds	\$ -	\$ (120,000)	\$ (123,105)	\$ 3,105
Sale of Capital Assets	-	-	1,851	1,851
Transfers - Out	<u>(516,725)</u>	<u>(780,430)</u>	<u>(283,225)</u>	<u>497,205</u>
Total Other Financing Sources (Uses)	<u>(516,725)</u>	<u>(900,430)</u>	<u>(404,479)</u>	<u>495,951</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(810,760)	(1,120,881)	461,238	1,582,119
Fund Balances at Beginning of Year	<u>2,722,439</u>	<u>2,722,439</u>	<u>2,722,439</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 1,911,679</u>	<u>\$ 1,601,558</u>	<u>\$ 3,183,677</u>	<u>\$ 1,582,119</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, 2019

Fire/EMS LEVY FUND

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
Revenues:				
Property and Other Local Taxes	\$ 1,813,508	\$ 1,813,508	\$ 1,840,551	\$ 27,043
Intergovernmental	137,000	137,000	136,999	(1)
Investment Earnings	1,800	1,800	5,084	3,284
Total Revenue	1,952,308	1,952,308	1,982,634	30,326
Expenditures:				
Current:				
Security of Persons and Property:				
Fire/EMS Department				
Other	1,903,932	1,903,932	1,893,729	10,203
Total Fire/EMS Department	1,903,932	1,903,932	1,893,729	10,203
Debt Service:				
Principal Retirement	50,000	50,000	50,000	-
Interest and Fiscal Charges	1,300	1,300	1,300	-
Total Debt Service	51,300	51,300	51,300	-
Total Expenditures	1,955,232	1,955,232	1,945,029	10,203
Change in Fund Balances	(2,924)	(2,924)	37,605	40,529
Fund Balances at Beginning of Year	242,784	242,784	242,784	-
Fund Balances at End of Year	\$ 239,860	\$ 239,860	\$ 280,389	\$ 40,529

See accompanying notes to the required supplementary information

CITY OF MILFORD, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

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, 2019

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 2019 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, 2019

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. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

	General Fund	Fire/EMS Levy Fund
GAAP Basis	\$419,267	\$36,873
Adjustments:		
Revenue Accruals	(99,453)	0
Expenditure Accruals	130,303	732
GASB 54 funds	11,121	0
Budget Basis	\$461,238	\$37,605

CITY OF MILFORD, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 3 - NET PENSION LIABILITY – COST SHARING PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms:

There were no changes in benefit terms for the period 2014-2019.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%
- Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Health Annuitant Mortality table.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: The following were the most significant changes of assumptions that affect the total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

There were no changes in benefit terms for the period 2014-2019.

Changes in assumptions:

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

CITY OF MILFORD, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 3 - NET PENSION LIABILITY – COST SHARING PLANS (CONTINUED)

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from a range of 3.75% to 3.25%.
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%
- For January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Health Annuitant Mortality tables rolled back to 2006.
- For January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality tables rolled back to 2006.

2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

NOTE 4 - NET OPEB LIABILITY – COST SHARING PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms:

There were no changes in benefit terms for the periods 2018-2019.

Changes in assumptions:

For 2018, the single discount rate changed from 4.23% to 3.85%.

For 2019, the following were the most significant changes of assumptions that affected total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%.
- Change in health care cost trend rate from 7.50% to 10%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

For 2018, there were no changes in benefit terms.

For 2019, the retiree health care model and the current self-insured health care plan were replaced with a stipend-based health care model.

CITY OF MILFORD, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

NOTE 4 - NET OPEB LIABILITY – COST SHARING PLANS (CONTINUED)

Changes in assumptions:

For 2018, the single discount rate changed from 3.79% to 3.24%.

For 2019, the following were the most significant changes of assumptions that affected total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.24% to 4.66%.
- Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%.

This page intentionally left blank.

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 discretely presented component unit and remaining fund information of the City of Milford, Clermont County, (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 7, 2020, wherein we noted as discussed in Note 15, the City adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Furthermore, as discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-01 to be a material weakness.

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*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

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 report 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
August 7, 2020

City of Milford
Clermont County
Schedule of Findings
December 31, 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

Finding Number 2019-01 – Audit Adjustments

Material Weakness - Financial Reporting

For the year ended December 31, 2019, the City’s initial draft of the financial statements presented for audit required adjustments that were not initially identified by the City's internal control. The City's financial statements and footnotes have been adjusted to reflect the following adjustments.

- Land purchased as part of the sports complex project, with a value of \$3,500,000, was initially reported as a capital asset owned by the City within the City's governmental activity on the statement of net position. The terms of the financing arrangement required the land to be transferred to the Clermont County Port Authority. An adjustment to remove the capital asset that is no longer owned by the City, has been made.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the City implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes.

City’s Response

The sports complex transaction involved the issuance of bonds for the acquisition of the land where the FC Soccer training facility and Mercy Health Plex building are located. The bonds are funded and secured by a County hotel tax and the land was transferred to the Clermont County Port Authority who in turn, leases the land to the soccer team. During the GAAP conversion process, the transfer of the land was not considered. The financial statement have been corrected.

City of Milford
Clermont County
Summary Schedule of Prior Audit Findings
December 31, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-01	Audit Adjustments	Not corrected	Current year condition included as finding number 2019-01

OHIO AUDITOR OF STATE KEITH FABER



**CITY OF MILFORD
CLERMONT COUNTY**

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/17/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov