

City of Milford

Clermont County

Regular Audit

January 1, 2004 through December 31, 2004

Fiscal Year Audited Under GAGAS: 2004

**BALESTRA, HARR & SCHERER CPAs, INC.**

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**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the City of Milford, Clermont County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004, through December 31, 2004. 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.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

August 8, 2006

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**City of Milford**  
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, Clermont County, (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

City of Milford  
Clermont County  
Independent Auditor's Report

The Management's Discussion and Analysis on pages 3 through 11 and budgetary comparison schedules for the General, Fire Levy, and EMS Levy Funds on pages 58 through 62 are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 3 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.



Balestra, Harr & Scherer, CPAs, Inc.  
May 5, 2006



**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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The discussion and analysis of the City of Milford's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. 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 2004 are as follows:

- The assets of the City exceeded its liabilities at the close of the year ended December 31, 2004, by \$21,627,250 (net assets). Of this amount, \$3,591,287 (governmental unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors, and \$4,423,611 is classified as unrestricted in the Water, Wastewater and Stormwater activities.
- The City's total net assets increased by \$1,141,187, which represents a 5.57% increase from 2003.
- At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$3,237,779. Of this amount \$2,882,134 is available for spending (unreserved fund balance) on behalf of its citizens.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,024,667 or a little more than 81.75% of total general fund expenditures and other financing uses.
- The other governmental major funds: Fire Levy, EMS Levy, Land Purchase and Beechwood Road Connector have ending fund balances of \$389,467; \$297,896; (\$2,256,706); and \$53,076, respectively. The deficit in the Land Purchase Fund was due to the short term note outstanding.

**Using this Annual Financial Report**

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

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

**CITY OF MILFORD, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Reporting City of Milford as a Whole**

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

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

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

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

Fund Financial Statements

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

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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

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

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

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

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

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

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

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$21,627,250 (\$8,291,896 in governmental activities and \$13,335,354 in business type activities) as of December 31, 2004. By far, the largest portion of the City's net assets (52.02%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Table 1 provides a summary of the City's statement of net assets for 2004 compared to 2003.

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and Other Assets	\$8,134,431	\$7,644,481	\$4,550,674	\$3,827,046	\$12,685,105	\$11,471,527
Capital Assets	8,553,633	7,835,530	9,554,993	9,752,816	18,108,626	17,588,346
Total Assets	16,688,064	15,480,011	14,105,667	13,579,862	30,793,731	29,059,873
Long-term liabilities	4,193,959	3,386,816	689,499	713,486	4,883,458	4,100,302
Other liabilities	4,202,209	4,318,143	80,814	155,365	4,283,023	4,473,508
Total Liabilities	8,396,168	7,704,959	770,313	868,851	9,166,481	8,573,810
Nets Assets:						
Invested in capital assets, net of related debt	2,338,633	2,425,530	8,911,743	9,091,104	11,250,376	11,516,634
Restricted	2,361,976	2,045,417	0	0	2,361,976	2,045,417
Unrestricted	3,591,287	3,304,105	4,423,611	3,619,907	8,014,898	6,924,012
Total Net Assets	\$8,291,896	\$7,775,052	\$13,335,354	\$12,711,011	\$21,627,250	\$20,486,063

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represented \$2,361,976 or 10.92% of net assets. The remaining unrestricted \$8,014,898 or 37.06% of net assets may be used to meet the City's ongoing obligations to its citizens and creditors and for business-type activities.

As of December 31, 2004, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

*Statement of Activities*

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for Services	\$520,149	\$2,385,830	\$2,905,979
Operating Grants and Contributions	360,204	0	360,204
Capital Grants and Contributions	0	24,472	24,472
<b>General Revenues</b>			
Income Taxes	2,605,314	0	2,605,314
Property Taxes	2,048,612	0	2,048,612
Other Taxes	296,235	0	296,235
Unrestricted Grants	586,743	0	586,743
Investment earnings	96,983	67,139	164,122
Other Revenues	192,213	0	192,213
Total Revenues	6,706,453	2,477,441	9,183,894
<b>Expenses:</b>			
Security of Persons and Property	3,267,569	0	3,267,569
Public Health and Welfare	406,401	0	406,401
Leisure Time Activities	36,998	0	36,998
Basic Utility Services	303,103	0	303,103
Transportation	796,911	0	796,911
General Government	1,145,986	0	1,145,986
Interest and Fiscal Charges	232,641	0	232,641
Water	0	961,563	961,563
Wastewater	0	787,025	787,025
Stormwater Management	0	104,510	104,510
Total Expenses	6,189,609	1,853,098	8,042,707
Change in Net Assets	516,844	624,343	1,141,187
Beginning Net Assets	7,775,052	12,711,011	20,486,063
Ending Net Assets	\$8,291,896	\$13,335,354	\$21,627,250

*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 2004, total expenses were \$3.27 Million representing 52.79% of governmental activity spending yielding a reliance on general revenues to fund the program of approximately \$3.10 Million after direct support to their programs.

Continuing escalation in health insurance costs has affected all programs of the government. A primary goal of all programs is to continually review and monitor methods to seek self-sufficiency as public safety continues to increase expenditures.

**CITY OF MILFORD, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

*Business-Type Activities*

The City's business-type activities include the Water, Wastewater and Stormwater Management systems. The Wastewater and Stormwater Management were able to boast positive change in net assets figures of \$366,861 and \$288,247, respectively. Combined change in net assets figured to \$624,343 with the water systems posting a negative change in net assets of \$30,765, due to depreciation on capital assets.

**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 2004, the City's governmental funds reported combined ending fund balances of \$3.24 Million. Approximately \$2.88 Million constitutes unreserved fund balance available for spending for citizens. The remainder of the balance is reserved to indicate that it has been spoken for already and not available to be spent for a variety of purposes, most notably to liquidate contracts and purchase orders from the prior year (\$0.38 Million).

The General Fund is the chief operating fund of the City. As of December 31, 2004, the unreserved general fund balance was \$3.02 Million with a total fund balance of \$3.08 Million. As a measure of liquidity, it is often useful to compare these numbers to total general fund expenditures and other financing uses. Unreserved fund balance represents approximately 81.75% of the total expenditures and other financing uses, while total fund balance represents 83.23% of that same amount.

During 2004, the City's general fund increased by \$0.25 Million with revenues exceeding expenditures by \$0.50 Million. This is primarily due to the general fund controlling expenditures during the fiscal 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 transaction on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

During the course of 2004, the City amended its total and general fund budget three 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 looking for possible revenue shortfalls or over spending by individual departments.

The following table summarizes the major revenue sources and expenditures from original to final budget for 2004:

Description	Original Budget	Final Budget	Change
Revenues:			
Property and Other Taxes	\$687,255	\$638,015	(\$49,240)
Income Taxes	1,948,700	1,948,700	0
Intergovernmental Revenue	455,935	771,557	315,622
Other Revenues	436,819	485,137	48,318
Total Revenues	<u>3,528,709</u>	<u>3,843,409</u>	<u>314,700</u>
Expenditures:			
Security of Persons/Property	1,673,277	1,742,195	68,918
General Government	1,247,072	1,420,299	173,227
Other Expenditures	625,183	643,205	18,022
Total Expenditures	<u>3,545,532</u>	<u>3,805,699</u>	<u>260,167</u>

The large increase in intergovernmental revenue can be explained as the state legislation changed the phase out provisions for some of the local government funding. The City was also conservative in the projections for total intergovernmental revenue.

The largest variance in the expenditures was in general government. Approximately fifty percent of the change is explained as the City created the assistant finance director's position in the fourth quarter of 2004. That position is now vacant as Mr. Steger moved into the Finance Director's position when Mr. Wagner retired at the end of 2004.

**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

The following table summarizes the major revenue sources and expenditures from final budget to actual results for 2004:

Description	Final Budget	Actual	Change
Revenues:			
Property and Other Taxes	\$638,015	\$643,964	\$5,949
Income Taxes	1,948,700	1,915,979	(32,721)
Intergovernmental Revenue	771,557	796,298	24,741
Other Revenues	485,137	516,785	31,648
Total Revenues	<u>3,843,409</u>	<u>3,873,026</u>	<u>29,617</u>
Expenditures:			
Security of Persons/Property	1,742,195	1,695,203	46,992
General Government	1,420,299	1,137,743	282,556
Other Expenditures	643,205	604,885	38,320
Total Expenditures	<u>3,805,699</u>	<u>3,437,831</u>	<u>367,868</u>

The City's final budget for revenues was within 0.76% of the actual results. The City was able to complete the fiscal year with the actual expenditures at 9.53% below the final budgeted figure. The City maintains a strong fiscal policy for expenditures on an annual basis. The differences are derived from the City's policy.

**Capital Assets and Debt Administration**

*Capital Assets:* The City's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to \$11.25 Million (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, equipment and machinery.

Note 9 (Capital Assets) provides capital asset activity during 2004. The City has had extremely limited funding to provide for capital asset acquisition and construction. The City did continue with the capital improvement plan by increasing construction in progress by \$872,888 in governmental funds. The majority of that increase can be attributed to the Beechwood Road Connector. For more information on the governmental and business-type capital assets see Note 9 in the notes to the financial statements.

*Long-term Debt:* At the end of 2004, the City had general obligation bonds outstanding of \$3.97 Million in governmental activities. The City did issue \$910,000 for the Beechwood Road Connector and another \$51,732 of Ohio Public Works Commission Loans in the Wastewater Fund. This additional loan increased the business type activity debt outstanding to \$643,250. See Note 14 for further information on the City's long-term debt.



**CITY OF MILFORD, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**Economic Factors affecting the City**

Surrounded by hills and woods, with a population of just over 6,000, Milford is Clermont County's only city, and a focal point of new and high-tech 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 high-tech businesses. The Milford commerce park offers a unique blend of industrial and recreational development. With a scenic location on the East Fork of the Little Miami River and a direct connection to I-275, the Park promises to be the "best business address" in Greater Cincinnati.

With the opening of River's Edge development in the past several years, the City now hosts a multitude of restaurants, a top line cinema and soon to be two top class hotel accommodations. Milford continues to provide more and more opportunities for its residents to find everything they need right at home.

**Requests for Information**

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

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**CITY OF MILFORD, OHIO**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2004**

	Governmental Type	Business Type	Total
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 5,111,690	\$ 4,039,004	\$ 9,150,694
Receivables (net of allowance for doubtful accounts):			
Taxes-Real & Personal Property	1,816,683	-	1,816,683
Taxes-Municipal Income	631,741	-	631,741
Accounts	19,543	418,722	438,265
Interest	10,852	9,736	20,588
Internal Balances	(93)	93	-
Due from Other Governments	446,565	-	446,565
Inventory of Supplies at Cost	47,930	59,288	107,218
Prepaid Items	49,520	23,831	73,351
Nondepreciable Capital Assets:			
Land	3,962,813	140,260	4,103,073
Construction In Progress	932,306	319,382	1,251,688
Depreciable Capital Assets:			
Plant	-	6,182,808	6,182,808
Water/Sewer Lines	-	6,448,470	6,448,470
Buildings and Improvements	3,887,885	-	3,887,885
Improvements other than Buildings	295,220	1,808,696	2,103,916
Furniture, Equipment and Vehicles	1,740,200	823,513	2,563,713
Less: Accumulated Depreciation	(2,264,791)	(6,168,136)	(8,432,927)
<b>Total Assets</b>	<b>16,688,064</b>	<b>14,105,667</b>	<b>30,793,731</b>
<b>Liabilities:</b>			
Accounts Payable	32,865	17,609	50,474
Accrued Wages and Benefits	69,769	28,104	97,873
Due to Other Governments	80,205	35,101	115,306
General Obligation Notes Payable	2,250,000	-	2,250,000
Accrued Interest Payable	45,036	-	45,036
Deferred Revenue	1,724,334	-	1,724,334
Long Term Liabilities due within 1 year	238,283	111,355	349,638
Long Term Liabilities due over 1 year	3,955,676	578,144	4,533,820
<b>Total Liabilities</b>	<b>8,396,168</b>	<b>770,313</b>	<b>9,166,481</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, net related debt	2,338,633	8,911,743	11,250,376
Restricted:			
Transportation	376,286	-	376,286
Culture and Recreation	297,378	-	297,378
Protection of Citizens	771,749	-	771,749
Debt Service	99,825	-	99,825
Capital Improvements	816,738	-	816,738
Unrestricted	3,591,287	4,423,611	8,014,898
<b>Total Net Assets</b>	<b>8,291,896</b>	<b>13,335,354</b>	<b>21,627,250</b>
<b>Total Net Assets and Liabilities</b>	<b>\$ 16,688,064</b>	<b>\$ 14,105,667</b>	<b>\$ 30,793,731</b>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Security of Persons and Property	\$ (3,267,569)	\$ 163,017	\$ -	\$ -	\$ (3,104,552)	\$ -	\$ (3,104,552)
Public Health and Welfare	(406,401)	110,178	4,908	-	(291,315)	-	(291,315)
Leisure Time Activities	(36,998)	1,428	-	-	(35,570)	-	(35,570)
Basic Utility Services	(303,103)	3,251	56,038	-	(243,814)	-	(243,814)
Transportation	(796,911)	-	299,258	-	(497,653)	-	(497,653)
General Government	(1,145,986)	242,275	-	-	(903,711)	-	(903,711)
Interest and Fiscal Charges	(232,641)	-	-	-	(232,641)	-	(232,641)
Total Governmental Activities	(6,189,609)	520,149	360,204	-	(5,309,256)	-	(5,309,256)
<b>Business-Type Activities:</b>							
Water	(961,563)	885,597	-	17,074	-	(58,892)	(58,892)
Wastewater	(787,025)	1,110,294	-	7,398	-	330,667	330,667
Stormwater/Management	(104,510)	389,939	-	-	-	285,429	285,429
Total Business-Type Activities	(1,853,098)	2,385,830	-	24,472	-	557,204	557,204
Total	\$ (8,042,707)	\$ 2,905,979	\$ 360,204	\$ 24,472	(5,309,256)	557,204	(4,752,052)
<b>General Revenues:</b>							
Income Taxes					2,605,314	-	2,605,314
Property Taxes					2,048,612	-	2,048,612
Estate Taxes					59,366	-	59,366
Franchise Fee Taxes					96,734	-	96,734
Permissive Sale Taxes					140,135	-	140,135
Grants and Contributions not restricted to specific programs					586,743	-	586,743
Unrestricted investment earnings					96,983	67,139	164,122
Miscellaneous					184,109	-	184,109
Gain on Sale of Capital Assets					8,104	-	8,104
Total General Revenues					5,826,100	67,139	5,893,239
Changes in Net Assets					516,844	624,343	1,141,187
Net Assets-Beginning (Restated)					7,775,052	12,711,011	20,486,063
Net Assets-Ending					\$ 8,291,896	\$ 13,335,354	\$ 21,627,250

See accompanying notes to the basic financial statements

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**CITY OF MILFORD, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	General	Fire Levy	EMS Levy	Land Purchase	Beechwood Road Connector
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,791,791	\$ 371,898	\$ 281,056	\$ 8,253	\$ 53,076
Receivables (net of allowance for doubtful accounts):					
Taxes-Real & Personal Property	459,861	672,071	684,751	-	-
Taxes-Municipal Income	598,268	-	-	-	-
Accounts	15,908	-	-	-	-
Interest	10,852	-	-	-	-
Due from Other Funds	51	-	-	-	-
Due from Other Governments	254,430	-	-	-	-
Prepaid Items	42,436	535	535	-	-
Materials and Supplies Inventory	13,336	-	-	-	-
<b>Total Assets</b>	<b><u>4,186,933</u></b>	<b><u>1,044,504</u></b>	<b><u>966,342</u></b>	<b><u>8,253</u></b>	<b><u>53,076</u></b>
<b>Liabilities:</b>					
Accounts Payable	24,672	400	400	-	-
Accrued Wages and Benefits	65,470	-	-	-	-
Due to Other Funds	588	-	-	-	-
Due to Other Governments	70,463	336	1,400	-	-
Accrued Interest Payable	-	-	-	14,959	-
Deferred Revenue	924,718	654,301	666,646	-	-
General Obligation Notes Payable	-	-	-	2,250,000	-
Matured Leave Payable	21,589	-	-	-	-
<b>Total Liabilities</b>	<b><u>1,107,500</u></b>	<b><u>655,037</u></b>	<b><u>668,446</u></b>	<b><u>2,264,959</u></b>	<b><u>-</u></b>
<b>Fund Balances:</b>					
Reserved for Encumbrances	41,430	238	112	14,019	-
Reserved for Inventory	13,336	-	-	-	-
Unreserved, reported in:					
General	3,024,667	-	-	-	-
Special Revenue	-	389,229	297,784	-	-
Debt Service	-	-	-	-	-
Capital Projects (Deficit)	-	-	-	(2,270,725)	53,076
<b>Total Fund Balances (Deficit)</b>	<b><u>3,079,433</u></b>	<b><u>389,467</u></b>	<b><u>297,896</u></b>	<b><u>(2,256,706)</u></b>	<b><u>53,076</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 4,186,933</u></b>	<b><u>\$ 1,044,504</u></b>	<b><u>\$ 966,342</u></b>	<b><u>\$ 8,253</u></b>	<b><u>\$ 53,076</u></b>

See accompanying notes to the basic financial statements

CITY OF MILFORD, OHIO

RECONCILIATION OF TOTAL  
GOVERNMENTAL FUND BALANCES TO  
THE STATEMENT OF NET ASSETS

DECEMBER 31, 2004

Other Governmental Funds	Total Governmental Funds		
\$ 1,605,616	\$ 5,111,690	Fund Balances - Governmental Funds	\$ 3,237,779
-	1,816,683	Amounts reported for governmental activities in the statement of net assets are different because:	
33,473	631,741	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,553,633
3,635	19,543		
-	10,852	Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	702,931
684	735		
192,135	446,565	Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(4,202,447)
6,014	49,520		
34,594	47,930		
<u>1,876,151</u>	<u>8,135,259</u>	Net Assets of governmental activities	<u>\$ 8,291,896</u>
7,393	32,865		
4,299	69,769		
240	828		
8,006	80,205		
-	14,959		
181,600	2,427,265		
-	2,250,000		
-	21,589		
<u>201,538</u>	<u>4,897,480</u>		
251,916	307,715		
34,594	47,930		
-	3,024,667		
607,002	1,294,015		
99,825	99,825		
681,276	(1,536,373)		
<u>1,674,613</u>	<u>3,237,779</u>		
<u>\$ 1,876,151</u>	<u>\$ 8,135,259</u>		

**CITY OF MILFORD, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Fire Levy	EMS Levy	Land Purchase	Beechwood Road Connector
<b>Revenues:</b>					
Income Taxes	\$ 1,978,492	\$ -	\$ -	\$ -	\$ -
Property and Other Taxes	692,070	710,275	723,677	-	-
Intergovernmental	755,569	88,369	88,626	-	-
Charges for Services	165,544	-	-	52,332	-
Licenses and Permits	76,224	-	-	-	-
Investment Earnings	75,149	6,634	2,354	257	950
Change in Fair Value of Investments	(600)	-	-	-	-
Fines and Forfeitures	169,507	-	-	-	-
All Other Revenues	39,414	-	-	-	-
<b>Total Revenues</b>	<b>3,951,369</b>	<b>805,278</b>	<b>814,657</b>	<b>52,589</b>	<b>950</b>
<b>Expenditures:</b>					
Current:					
Security of Persons and Property	1,703,742	714,212	734,113	-	-
Public Health and Welfare	317,788	-	-	-	-
Leisure Time Activities	-	-	-	-	-
Basic Utility Services	303,103	-	-	-	-
Transportation	-	-	-	761	-
General Government	1,124,250	-	-	-	-
Capital Outlay	-	-	-	14,962	789,124
Debt Service:					
Principal Retirement	-	12,500	12,500	-	-
Interest and Fiscal Charges	-	13,978	13,978	40,632	-
<b>Total Expenditures</b>	<b>3,448,883</b>	<b>740,690</b>	<b>760,591</b>	<b>56,355</b>	<b>789,124</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	502,486	64,588	54,066	(3,766)	(788,174)
<b>Other Financing Sources (Uses):</b>					
Face Value of Issued Debt	-	-	-	-	841,250
Sale of Capital Assets	-	-	-	-	-
Transfers - In	-	-	-	-	-
Transfers - Out	(250,715)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(250,715)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>841,250</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	251,771	64,588	54,066	(3,766)	53,076
Fund Balances (Deficit) at Beginning of Year -Restated	2,827,662	324,879	243,830	(2,252,940)	-
Fund Balances (Deficit) at End of Year	<u>\$ 3,079,433</u>	<u>\$ 389,467</u>	<u>\$ 297,896</u>	<u>\$ (2,256,706)</u>	<u>\$ 53,076</u>

See accompanying notes to the basic financial statements



**CITY OF MILFORD, OHIO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

Other Governmental Funds	Total Governmental Funds		
\$ 483,489	\$ 2,461,981	Amounts reported in governmental activities in the statement of activities are different because:	
-	2,126,022	Net Change in Fund Balances - total governmental funds	\$ 617,640
439,248	1,371,812	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 exceed depreciation in the current period.	718,103
107,940	325,816	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(14,157)
1,428	77,652	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 on net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(826,459)
8,606	93,950	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.	21,717
375	(225)	Change in net assets of governmental activities	<u>\$ 516,844</u>
29,402	198,909		
17,175	56,589		
<u>1,087,663</u>	<u>6,712,506</u>		
22,346	3,174,413		
162,734	480,522		
84,333	84,333		
-	303,103		
288,948	289,709		
12,702	1,136,952		
426,187	1,230,273		
80,000	105,000		
142,594	211,182		
<u>1,219,844</u>	<u>7,015,487</u>		
(132,181)	(302,981)		
68,750	910,000		
10,621	10,621		
288,965	288,965		
(38,250)	(288,965)		
<u>330,086</u>	<u>920,621</u>		
197,905	617,640		
1,476,708	2,620,139		
<u>\$ 1,674,613</u>	<u>\$ 3,237,779</u>		

**CITY OF MILFORD, OHIO**  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
**DECEMBER 31, 2004**

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

	Water	Wastewater	Nonmajor Enterprise Funds	Totals
<b>Assets:</b>				
<b>Current Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,522,661	\$ 2,309,217	\$ 207,126	\$ 4,039,004
Receivables (net of allowances for doubtful accounts)				
Accounts	134,123	190,642	93,957	418,722
Interest	4,118	4,118	1,500	9,736
Due from Other Funds	1,367	257	502	2,126
Inventory of Supplies at Cost	49,695	9,593	-	59,288
Prepaid Items	14,539	9,036	256	23,831
Total Current Assets	<u>1,726,503</u>	<u>2,522,863</u>	<u>303,341</u>	<u>4,552,707</u>
<b>Nondepreciable Capital Assets:</b>				
Land	101,488	38,772	-	140,260
Construction in Progress	168,559	150,823	-	319,382
<b>Depreciable Capital Assets:</b>				
Improvements Other than Buildings	947,207	861,489	-	1,808,696
Furniture, Fixtures, Equipment	421,728	401,785	-	823,513
Water and Sewer Line	2,364,532	4,083,938	-	6,448,470
Plant	2,051,893	4,130,915	-	6,182,808
Less: Accumulated Depreciation	<u>(2,508,255)</u>	<u>(3,659,881)</u>	<u>-</u>	<u>(6,168,136)</u>
Total Capital Assets (net of (accumulated depreciation))	<u>3,547,152</u>	<u>6,007,841</u>	<u>-</u>	<u>9,554,993</u>
Total Noncurrent Assets	<u>3,547,152</u>	<u>6,007,841</u>	<u>-</u>	<u>9,554,993</u>
Total Assets	<u><u>5,273,655</u></u>	<u><u>8,530,704</u></u>	<u><u>303,341</u></u>	<u><u>14,107,700</u></u>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable	6,600	11,009	-	17,609
Accrued Wages and Benefits	9,360	10,398	8,346	28,104
Due to Other Funds	138	1,160	735	2,033
Due to Other Governments	16,257	14,821	4,023	35,101
Compensated Absences Payable - Current	11,788	12,967	1,133	25,888
Ohio Water Development Authority Loans Payable - Current	-	68,850	-	68,850
OPWC Loan Payable - Current	3,448	13,169	-	16,617
Total Current Liabilities	<u>47,591</u>	<u>132,374</u>	<u>14,237</u>	<u>194,202</u>
<b>Noncurrent Liabilities:</b>				
Compensated Absences Payable	9,288	10,216	857	20,361
Ohio Water Development Authority Loans Payable	-	404,144	-	404,144
OPWC Loans Payable	48,284	105,355	-	153,639
Total Noncurrent Liabilities	<u>57,572</u>	<u>519,715</u>	<u>857</u>	<u>578,144</u>
Total Liabilities	<u>105,163</u>	<u>652,089</u>	<u>15,094</u>	<u>772,346</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	3,495,420	5,416,323	-	8,911,743
Unrestricted	<u>1,673,072</u>	<u>2,462,292</u>	<u>288,247</u>	<u>4,423,611</u>
Total Net Assets	<u>5,168,492</u>	<u>7,878,615</u>	<u>288,247</u>	<u>13,335,354</u>
Total Net Assets and Liabilities	<u><u>\$ 5,273,655</u></u>	<u><u>\$ 8,530,704</u></u>	<u><u>\$ 303,341</u></u>	<u><u>\$ 14,107,700</u></u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

	BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS			
	Water	Wastewater	Nonmajor Enterprise Funds	Totals
<u>Operating Revenues:</u>				
Charges for Services	\$ 881,495	\$ 1,102,676	\$ 388,982	\$ 2,373,153
Other Operating Revenues	850	950	-	1,800
<b>Total Operating Revenues</b>	<b>882,345</b>	<b>1,103,626</b>	<b>388,982</b>	<b>2,374,953</b>
<u>Operating Expenses:</u>				
Personal Services	365,879	326,767	83,522	776,168
Materials and Supplies	93,764	81,241	804	175,809
Contractual Services	278,709	71,042	12,997	362,748
Other Operating Expenses	-	-	7,187	7,187
Depreciation	221,221	276,651	-	497,872
<b>Total Operating Expenses</b>	<b>959,573</b>	<b>755,701</b>	<b>104,510</b>	<b>1,819,784</b>
Operating Income (Loss)	(77,228)	347,925	284,472	555,169
<u>Non-Operating Revenues (Expenses):</u>				
Investment Earnings	28,127	36,194	2,818	67,139
Other Non-Operating Revenues	3,252	6,668	957	10,877
Other Non-Operating Expenses	(1,990)	(3,394)	-	(5,384)
Interest and Fiscal Charges	-	(10,474)	-	(10,474)
Grants	17,074	7,398	-	24,472
Loss on Disposal of Capital Assets	-	(17,456)	-	(17,456)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>46,463</b>	<b>18,936</b>	<b>3,775</b>	<b>69,174</b>
Change in Net Assets	(30,765)	366,861	288,247	624,343
Total net assets - Beginning (Restated)	5,199,257	7,511,754	-	12,711,011
<b>Total net assets - Ending</b>	<b>\$ 5,168,492</b>	<b>\$ 7,878,615</b>	<b>\$ 288,247</b>	<b>\$ 13,335,354</b>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS</u>				
	Water	Wastewater	Nonmajor Enterprise Funds	Totals
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$ 847,204	\$ 1,060,774	\$ 295,258	\$ 2,203,236
Cash Paid for Employee Services and Benefits	(363,408)	(318,383)	(80,864)	(762,655)
Cash Paid to Suppliers for Goods and Services	(372,412)	(248,957)	(9,543)	(630,912)
Other Operating Revenues	850	950	-	1,800
Other Non-Operating Revenues	3,252	6,896	957	11,105
Other Non-Operating Expenses	(1,990)	(3,394)	-	(5,384)
<b>Net Cash Provided by Operating Activities</b>	<b>113,496</b>	<b>497,886</b>	<b>205,808</b>	<b>817,190</b>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Cash repaid for Long Term Loan	-	(20,000)	-	(20,000)
<b>Net Cash Used for Noncapital Financing Activities</b>	<b>-</b>	<b>(20,000)</b>	<b>-</b>	<b>(20,000)</b>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Capital Grant Contributions	17,074	49,505	-	66,579
Face Value from the Sale of Debt	51,732	10,469	-	62,201
Proceeds from Sale of Assets	-	2,201	-	2,201
Acquisition and Construction of Assets	(207,207)	(112,006)	-	(319,213)
Principal Paid on Loans Payable	-	(80,663)	-	(80,663)
Interest Paid on All Debt	-	(10,474)	-	(10,474)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(138,401)</b>	<b>(140,968)</b>	<b>-</b>	<b>(279,369)</b>
<u>Cash Flows from Investing Activities:</u>				
Interest	25,953	34,020	1,318	61,291
<b>Net Cash Provided By Investing Activities</b>	<b>25,953</b>	<b>34,020</b>	<b>1,318</b>	<b>61,291</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,048</b>	<b>370,938</b>	<b>207,126</b>	<b>579,112</b>
Cash and Cash Equivalents at Beginning of Year	1,521,613	1,938,279	-	3,459,892
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,522,661</b>	<b>\$ 2,309,217</b>	<b>\$ 207,126</b>	<b>\$ 4,039,004</b>

**CITY OF MILFORD, OHIO  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	<u>Water</u>	<u>Wastewater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (77,228)	\$ 347,925	\$ 284,472	\$ 555,169
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	221,221	276,651	-	497,872
Other Non-Operating Revenues	3,252	6,896	957	11,105
Other Non-Operating Expenses	(1,990)	(3,394)	-	(5,384)
Change in Assets and Liabilities:				
(Increase) in Accounts Receivable	(31,070)	(41,938)	(93,957)	(166,965)
(Increase) Decrease in Due From Other Funds	(497)	36	(502)	(963)
(Increase) Decrease in Prepaid Items	3,289	2,535	(256)	5,568
Increase in Due to Other Governments	309	2,282	4,023	6,614
Increase (Decrease) in Accounts Payables	(2,213)	657	8,346	6,790
(Decrease) in Contracts Payables	-	(49,950)	-	(49,950)
(Decrease) in Retainage Payable	-	(41,159)	-	(41,159)
Increase in Accrued Wages and Benefits	574	2,948	-	3,522
Increase (Decrease) in Compensated Absences Payable	435	(6,087)	1,990	(3,662)
Increase in Due to Other Funds	138	484	735	1,357
(Decrease) in Deferred Revenue	(2,724)	-	-	(2,724)
Total Adjustments	<u>190,724</u>	<u>149,961</u>	<u>(78,664)</u>	<u>262,021</u>
Net Cash Provided by Operating Activities	<u>\$ 113,496</u>	<u>\$ 497,886</u>	<u>\$ 205,808</u>	<u>\$ 817,190</u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2004**

	<u>Totals</u>
<b>Assets:</b>	
Cash and Cash Equivalents in Segregated Accounts	<u>\$ 15,847</u>
Total Assets	<u><u>15,847</u></u>
<b>Liabilities:</b>	
Accounts Payable	7,765
Due to Other Governments	1,296
Due to Others	<u>6,786</u>
Total Liabilities	<u><u>\$ 15,847</u></u>

See accompanying notes to the basic financial statements

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

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, an income tax department and a staff to provide essential support to these service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the administration of the City Manager. All are responsible to the citizens of Milford and are included as part of the reporting entity.

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

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

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

The City is associated with the Ohio Municipal League that provides one related service: a risk sharing pool. The organization's service is presented in Note 13 to the basic financial statements. The City is also associated with two jointly governed organizations: The Center for Local Governments and the Ohio-Kentucky-Indiana Regional Council of Governments, which are presented in Note 18 to the basic financial statements.

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

*Fund Accounting*

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

*Governmental Funds*

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental funds:

**General Fund**

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

**Fire Levy Special Revenue Fund**

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

**EMS Levy Special Revenue Fund**

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

**Land Purchase Capital Projects Fund**

The land purchase fund accounts for the purchase of 151 acres. The City has a contract with the Valleyview Foundation to sell 69 acres in August 2005. The City anticipates using the remaining acreage for future expansion of the wastewater treatment plant and possible future purchase by the Valleyview Foundation.

**Beechwood Road Connector Capital Projects Fund**

The Beechwood Road Connector fund accounts for the road connection from Chamber Drive in the River's Edge development to Roundbottom Road including a railroad crossing. This is a joint project between the City, Union Township and Clermont County.

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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the City reports the following fund types:

*Fiduciary Funds:*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: private purpose trust funds, pension trust funds, investment trust funds and agency funds. The City maintains two fiduciary agency funds. The City's agency fund is custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

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

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

***B. Cash and Cash Equivalents***

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

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

During 2004, investments were limited to Federal Farm Credit Bank Bonds, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, U.S. Treasury Notes, and STAR Ohio. Investments are reported at fair value which is based on quoted market prices. The fair value of open-end mutual funds is based on the current share price.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004.

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 Ohio constitutional and statutory requirements. Interest revenue credited to the general fund during 2004 amounted to \$75,149. The City allocates interest to each fund during the month if the fund has a positive cash balance. The fire levy special revenue, EMS levy special revenue, land purchase capital projects, Beechwood Road Connector capital projects, water enterprise and wastewater enterprise major funds also received interest of \$6,634; \$2,354; \$257; \$950; \$28,127 and \$36,194, respectively.

***C. Inventories of Supplies***

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

***D. Prepaid Assets***

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “Due From other Funds” or “Due To other Funds” on the fund balance sheet. Other than balances between governmental and business-type activities which are shown as “internal balances”, these amounts are eliminated from the consolidated columns on the statement of net assets.

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

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

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

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.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**G.     *Capitalization of Interest***

Interest is capitalized on enterprise fund assets acquired with tax-exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until the completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2004, no net interest expense was incurred on enterprise fund construction projects.

**H.     *Compensated Absences***

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

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

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

***K. Interfund Transactions***

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

Transfers are reported as “Other Financing Sources and Uses” in the governmental funds, as “Transfers In” by the recipient fund and “Transfers Out” by the disbursing fund on the fund financial statements. These transfers are consolidated within the governmental and business-type activities columns, and also from the “total” column on the statement of activities.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City.

***L. Net Assets***

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are calculated, net of accumulated depreciation and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**M.     *Deferred Revenues***

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the year the income was earned; property taxes are recognized in the year for which the taxes are levied (See Note 6). 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.

**O.     *Estimates***

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



**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$4,202,447) difference are as follows:

General Obligation Bonds	(\$3,965,000)
Tax Abatement	(45,000)
Accrued Interest Payable	(30,077)
Compensated Absences	(162,370)
Net Adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	(\$4,202,447)

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 \$8,553,633 difference are as follows:

Capital Assets	\$10,818,424
Accumulated Depreciation	(2,264,791)
Net Adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$8,553,633

Another element of that reconciliation states that “Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.” The details of this \$718,103 are as follows:

Current capital additions	\$1,020,743
Loss on disposal of capital assets	(2,516)
Depreciation Expense	(300,124)
Net Adjustment - capital assets to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$718,103

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An element of that reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any affect of net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this (\$826,459) are as follows:

Proceeds from Issuance of Long Term Debt	(\$910,000)
Principal paid on Long Term Debt	105,000
Change in Interest Payable	(21,459)
Net Adjustment - current financial resources focus to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	(\$826,459)

NOTE 3 – BASIC FINANCIAL STATEMENT PRESENTATION

For fiscal year 2004, the City has implemented the following GASB Statements:

- GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.*”
- GASB Statement No. 37, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus.*”
- GASB Statement No. 38, “*Certain Financial Statement Note Disclosures.*”
- GASB Statement No. 46, “*Net Assets Restricted by Enabling Legislation*”
- GASB Statement No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*”

GASB Statements No. 34, No. 37, No. 38 and No. 46 create and amend new basic financial statements and note disclosure for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 3 – BASIC FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Implementation had the following effect of the City's various fund balances and net assets for fiscal year ended December 31, 2003:

	General	Enterprise	Governmental Activities
12/31/03 Fund Balance/Net Assets	\$2,825,391	\$12,674,611	\$2,617,868
Correction of Capital Asset Balances	0	36,400	0
Revenue recognized	0	0	717,088
Long Term Debt Obligations	0	0	(3,160,000)
Long Term Liabilities Allocated		0	(235,434)
Capital Asset, net depreciation		0	7,835,530
GASB Int. No. 6 Adjustments	2,271	0	0
Restated 12/31/03 Fund Balance/Net Assets	<u>\$2,827,662</u>	<u>\$12,711,011</u>	<u>\$7,775,052</u>

NOTE 4 - ACCOUNTABILITY

The Land Purchase Capital Projects Fund had a deficit fund balance of \$2,256,706 at December 31, 2004. This deficit resulted from the issuance of bond anticipation notes which are used to finance projects until bonds are issued. The deficit will be eliminated when long-term bonds are issued.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of 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, 2004**

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

DEPOSITS

At year-end, the carrying amount of the City's deposits was \$1,196,602 and the bank balance was \$1,364,853. Of the bank balance, \$100,000 was covered by federal deposit insurance. The remaining amounts were uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

INVESTMENTS

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

	<u>Category 2</u>	<u>Unclassified</u>	<u>Fair Value</u>
Federal Farm Credit Bank Bonds	\$70,007	\$0	\$70,007
Federal Home Loan Bank Bonds	3,102,294	0	3,102,294
Federal National Mortgage Association Bonds	49,585	0	49,585
U.S. Treasury Notes	49,812	0	49,812
Money Market Mutual Funds	228,241	0	228,241
STAR Ohio	0	4,470,000	4,470,000
Total Investments	<u>\$3,499,939</u>	<u>\$4,470,000</u>	<u>\$7,969,939</u>

The classification of cash and cash equivalents on the basic financial statements is based on criteria set forth in GASB No. 9, "Reporting Cash Flows of Enterprise and Nonexpendable Trust Funds and Governmental Entities that Use Enterprise Fund Accounting." Cash and cash equivalents are defined as investments with original maturities of three months or less and funds held as part of the City's cash management pool.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 5 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

	Cash and Cash Equivalents	Investments
Cash and Cash Equivalents – Financial Statements	\$9,166,541	\$0
Investments:		
Federal Farm Credit Bank Bonds	(70,007)	70,007
Federal Home Loan Bank Bonds	(3,102,294)	3,102,294
Federal National Mortgage Association Bonds	(49,585)	49,585
U.S. Treasury Notes	(49,812)	49,812
Money Market Mutual Funds	(228,241)	228,241
STAR Ohio	(4,470,000)	4,470,000
GASB Statement No. 3	<u>\$1,196,602</u>	<u>\$7,969,939</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004 on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

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. 2004 public utility property taxes became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 6- PROPERTY TAXES (CONTINUED)

The full tax rate for all City operations for the year ended December 31, 2004, was \$3.00 per \$1,000 of assessed value for inside millage. Additionally, voted levies were \$10.70 per \$1,000 of assessed value for fire and emergency medical service. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Category (Clermont County Only)	Assessed Value
Real Property	\$139,815,760
Tangible Personal Property	17,003,064
Public Utility Tangible Personal Property	6,597,580
Total Property Tax	\$163,416,404

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, 2004, 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 2004 operations. The receivable is offset by deferred revenue.

NOTE 7 - INCOME TAX

The City levies a municipal income tax of 1.0% on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.



**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 7 - 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 Special Revenue Fund, the Debt Service Fund and the Capital Improvement Capital Projects Fund. Income tax revenue (net of refunds) for 2004 was \$2,461,981.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2004, 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>
<b>MAJOR FUNDS</b>	
<i>General Fund:</i>	
Local Government	\$180,719
Estate Tax	73,711
Total General Fund	<u>254,430</u>
<b>NONMAJOR FUNDS</b>	
<i>Enforcement and Education</i>	
DUI Funds	<u>45</u>
<i>Street Fund</i>	
Gasoline Excise Tax	113,306
Motor Vehicle License Tax	20,216
Total Street Fund	<u>133,522</u>
<i>State Highway Fund</i>	
Gasoline Excise Tax	9,188
Motor Vehicle License Tax	1,638
Total State Highway Fund	<u>10,826</u>
<i>Permissive Motor Vehicle License Fund</i>	
Permissive Tax	<u>47,742</u>
Total All Funds	<u><u>\$446,565</u></u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 9 – CAPITAL ASSETS

	Restated Balance 12/31/03	Increases	Decreases	Balance 12/31/04
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$3,962,813	\$0	\$0	\$3,962,813
Construction in Progress	59,418	872,888	0	932,306
Total capital assets, not being depreciated	4,022,231	872,888	0	4,895,119
Capital Assets, being depreciated:				
Buildings	3,887,885	0	0	3,887,885
Improvements other than Buildings	295,220	0	0	295,220
Vehicles, Furniture and Equipment	1,616,814	147,855	(24,470)	1,740,200
Total capital assets being depreciated	5,799,919	147,855	(24,470)	5,923,305
Less Accumulated Depreciation For:				
Buildings	(899,560)	(129,596)	0	(1,029,156)
Improvements other than Buildings	(105,187)	(11,452)	0	(116,639)
Vehicles, Furniture and Equipment	(981,873)	(159,076)	21,953	(1,118,996)
Total Accumulated Depreciation	(1,986,620)	(300,124)	21,953	(2,264,791)
Total capital assets, being depreciated, net	3,813,299	(152,269)	(2,517)	3,658,514
Governmental Activities - Capital Assets, Net	\$7,835,530	\$720,619	(\$2,517)	\$8,553,633

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 9 – CAPITAL ASSETS (CONTINUED)**

	Restated Balance 12/31/03	Increases	Decreases	Balance 12/31/04
<b>Business Type Activities</b>				
Capital Assets, not being depreciated				
Land	\$140,260	\$0	\$0	\$140,260
Construction in Progress	185,540	242,537	(108,695)	319,382
Total capital assets, not being depreciated	325,800	242,537	(108,695)	459,642
Capital Assets, being depreciated				
Improvements other than Buildings	1,808,696	0	0	1,808,696
Plant	6,214,181	0	(31,373)	6,182,808
Machinery and Equipment	825,780	7,461	(9,728)	823,513
Sewer and Water Lines	6,271,053	177,417	0	6,448,470
Total capital assets, being depreciated	15,119,710	184,878	(41,101)	15,263,487
Less Accumulated Depreciation For:				
Improvements other than Buildings	(795,684)	(83,797)	0	(879,481)
Plant	(1,763,474)	(226,961)	13,390	(1,977,045)
Machinery and Equipment	(504,468)	(55,825)	9,040	(551,253)
Sewer and Water Lines	(2,629,068)	(131,289)	0	(2,760,357)
Total Accumulated Depreciation	(5,692,694)	(497,872)	22,430	(6,168,136)
Total capital assets, being depreciated, net	9,427,016	(312,994)	(18,671)	9,095,351
Business Type Activities - Capital Assets, Net	\$9,752,816	(\$70,457)	(\$127,366)	\$9,554,993

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 9 – CAPITAL ASSETS (CONTINUED)

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

**Governmental Activities:**

Security of Persons and Property	\$131,041
Public Health and Welfare	6,893
Leisure Time Activities	15,334
Transportation	48,372
General Government	98,484
Total Depreciation Expense - governmental activities	<u>300,124</u>

**Business Type Activities:**

Water	221,221
Wastewater	276,651
Total Depreciation Expense – business-type activities	<u>\$497,872</u>

NOTE 10- DEFINED BENEFIT PENSION PLANS

**Public Employees Retirement System**

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

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

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 10- DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2004, 2003, and 2002 were \$170,580, \$135,934, and \$124,438 respectively. The full amount has been contributed for 2003 and 2002. 96 percent has been contributed for 2004 with the remainder being reported as a liability within the respective funds.

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

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 19.5 for police officers. Contributions are authorized by State statute. The City's required contributions to the Fund for the years ended December 31, 2004, 2003, and 2002 were \$117,573, \$103,309, and \$92,553 respectively. The full amount has been contributed for 2003 and 2002. 99 percent has been contributed for 2004 with the remainder being reported as a liability within the respective funds.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 11- POST EMPLOYMENT BENEFITS

**Public Employees Retirement System (PERS)**

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 employer contribution rate was 13.55 percent of covered payroll; 4 percent was the portion that was used to fund health care for 2004.

For 2004, benefits are advanced-funded on an actuarially determined basis. The Ohio Revised Code provides the statutory authority requiring public employees to fund postretirement health care through their contributions to PERS. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. As of December 31, 2004, the unaudited estimated net assets available for future OPEB payments were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively. At December 31, 2004, the total number of benefit recipients eligible for OPEB through PERS was 369,885. The City's actual contributions for 2004 that were used to fund OPEB were \$59,903.

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

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

The health care coverage provided by the retirement system is considered an OPEB as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and the Fund's Board of Trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll, of which 7.5 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 11- POST EMPLOYMENT BENEFITS (CONTINUED)

The number of state wide participants eligible to receive health care benefits as of December 31, 2003. (the latest information available) was 13,662 for police. The City's actual contributions for 2004 that were used to fund postemployment benefits were \$77,234 for police. The Fund's total health care expenses for the year ended December 31, 2003, were \$150,853,148, which was net of member contributions of \$17,207,506.

NOTE 12- EMPLOYEE BENEFITS

*Compensated Absences*

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. Upon departure from City employment, an employee (or his estate) will be paid for unused vacation leave. For the City as a whole, the total obligation for vacation accrual amounted to \$138,873.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of 3.69 hours per eighty hours of service. Sick leave is cumulative without limit. In the case of retirement, employees will be paid one-fourth of up to 960 hours for a maximum payment of up to 240 hours. For the City as a whole, the total obligation for sick leave accrual amounted to \$76,289.

Accumulated Unpaid Personal Leave

All City employees receive two personal days in January, except police union employees who receive the days on July 1. Employees can earn additional personal days for each 120 consecutive days worked without using sick leave. Employees can accumulate a maximum of 40 hours at any time. The personal leave can be carried over from year to year. Patrol officers and police clerks receive 24 hours and 16 hours, respectively, on July 1 of each year. All patrol officers in the police department may accumulate up to 60 hours of personal leave. For the City as a whole, the total obligation for personal leave accrual amounted to \$15,046.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 12- EMPLOYEE BENEFITS (CONTINUED)

***Insurance Benefits***

Full time employees are provided health, dental and life insurance. The City has elected to provide employee medical and hospitalization benefits through Humana Choice Care through September 1, 2004. On October 1, 2004, the City changed coverage to Anthem Blue Cross and Blue Shield. Employees with family plans share the cost of the monthly premium with the City. The City provides life insurance and accidental death and dismemberment insurance through the Standard Life Insurance Company. Dental and vision insurance is provided by the City through Dental Care Plus.

NOTE 13 - RISK MANAGEMENT

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

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

Each participant makes an annual "contribution" to the Pool for the coverage they are provided, based on rates established by the Pool, using anticipated and actual results of operation for the various coverages provided. Participants are also charged for a "surplus contribution" that is used to fund the activities of the pool. During 2004, the City of Milford paid premiums of \$90,100 to the pool.

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

Treaty basis casualty excess of loss contracts in force at December 31, 2004 generally protects the Pool against individual losses over \$75,000 and \$100,000 on property.



**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 13 - RISK MANAGEMENT (CONTINUED)**

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

Coverage by the Pool in 2004 includes: General Liability, Police Professional Liability, Public Officials Liability, Property and Fire, Vehicles, Radios, Computers, Contractors Equipment and other coverage. Vehicle deductibles are \$250, while liability insurance deductibles (other than vehicle) are \$5,000. Radios, Computers and Contractor's Equipment have a \$250 deductible.

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

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

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

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of Salaries. This rate is calculated based on accident history and administrative cost. The rate for 2004 paid in 2005 was .041699.

**NOTE 14 - LONG-TERM OBLIGATIONS**

Issue Date	Interest Rate	Description	December 31, 2003	Additions	Reductions	December 31, 2004	Due Within One Year
<b>Governmental activities:</b>							
Bonds payable:							
General Obligation Bonds:							
2004	2.80% - 4.30%	Beechwood Connector	\$0	\$910,000	\$0	\$910,000	\$0
2000	4.40% - 5.75%	Capital Facility	1,960,000	0	\$50,000	\$1,910,000	55,000
1997	4.90% - 6.25%	Milford Parkway	625,000	0	30,000	595,000	30,000
1999	4.50% - 5.20%	Firehouse/Trailer Park	575,000	0	25,000	550,000	25,000
Total Bonds Payable			3,160,000	910,000	105,000	3,965,000	110,000
Pension Obligation			8,738	0	8,738	0	0
Tax Abatement			60,000	0	15,000	45,000	15,000
Compensated absences			158,078	131,787	105,906	183,959	113,283
Total Governmental Activities			3,386,816	1,041,787	234,644	4,193,959	238,283
<b>Business – Type Activities:</b>							
1994	2.00%	OWDA Loans	540,487	0	67,493	472,994	68,850
2003	0.00%	OPWC Loans	121,225	10,469	13,170	118,524	13,169
2004	0.00%	OPWC Loans	0	51,732	0	51,732	3,448
Pension Obligation			1,863	0	1,863	0	0
Compensated absences			49,911	20,700	24,362	46,249	25,888
Total Business – Type Activities			713,486	82,901	106,888	689,499	111,355
All FUNDS			\$4,100,302	\$1,124,688	\$341,532	\$4,883,458	\$349,638

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 14 - LONG-TERM OBLIGATIONS (CONTINUED)

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

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

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

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

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

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

The Ohio Water Development Authority loan is for the expansion of the City's Wastewater Treatment Plant. The loan will be repaid from the sewer fund's operating revenues. The bonds will mature on July 1, 2011.

In 2002, the City was approved for a \$131,694 loan from the Ohio Public Works Commission for the Miami Woods Lift Station replacement. The loan will be retired in January 2014 from the wastewater fund's operating revenues.

During 2004, the City was approved for another loan from the Ohio Public Works Commission for the Edgcombe Tank Rehabilitation for \$51,732. The loan will be retired in December 2019 from the wastewater fund's operating revenues.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

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

During 1998, the City entered into a municipal income tax revenue sharing agreement with Milford Exempted Village School District. The City is allowed to grant an exemption from taxation for real or tangible personal property improvements. Pursuant to Section 5709.82 of the Ohio Revised Code, the City may negotiate and enter into an agreement with the School to compensate the School for tax revenue the School would have received had the property comprising a project not been exempted from taxation by the City. During 2000, the City granted New Creative Enterprise, Inc. a tax exemption. The City shall pay the School \$15,000 annually over the next ten years under this agreement.

As of December 31, 2004, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$13,293,547, and the unvoted legal debt margin was \$5,344,623.

A summary of the City's long-term debt funding requirements as of December 31, 2004 is represented in the following schedules. Principal, interest and total debt service is provided for General Obligation Bonds, Ohio Water Development Authority Loans, and Ohio Public Works Commission Loans.

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

<b>GOVERNMENTAL ACTIVITIES</b>			
General Obligation Bonds			
Years	Principal	Interest	Total
2005	\$110,000	\$199,918	\$309,918
2006	115,000	194,611	309,611
2007	170,000	188,845	358,845
2008	210,000	181,482	391,482
2009	250,000	172,527	422,527
2010-2014	1,445,000	634,356	2,079,356
2015-2019	890,000	357,740	1,247,740
2020-2024	630,000	153,525	783,525
2025	145,000	8,338	153,338
Totals	<u>\$3,965,000</u>	<u>\$2,091,342</u>	<u>\$6,056,342</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

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

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

<b>BUSINESS – TYPE ACTIVITIES</b>			
Ohio Water Development Authority Loans			
Years	Principal	Interest	Total
2005	\$68,850	\$9,117	\$77,967
2006	70,234	7,733	77,967
2007	71,646	6,322	77,968
2008	73,086	4,882	77,968
2009	74,555	3,413	77,968
2010-2013	114,623	2,325	116,948
Totals	<u>\$472,994</u>	<u>\$33,792</u>	<u>\$506,786</u>

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

<b>BUSINESS-TYPE ACTIVITIES</b>			
Ohio Public Works Commission Loans			
Years	Principal	Interest	Total
2005	\$16,617	\$0	\$16,617
2006	16,618	0	16,618
2007	16,618	0	16,618
2008	16,618	0	16,618
2009	16,618	0	16,618
2010-2014	69,920	0	69,920
2015	17,247	0	17,247
Totals	<u>\$170,256</u>	<u>\$0</u>	<u>\$170,256</u>

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 15 - NOTE OBLIGATIONS

A summary of the note transactions for the year ended December 31, 2004, follows:

Fund	Balance December 31, 2003	Increases	Decreases	Balance December 31, 2004
Capital Projects	\$2,250,000	\$2,250,000	\$2,250,000	\$2,250,000

The note is issued in anticipation of long-term bond financing and will be refinanced until such bonds are issued. They are backed by the full faith and credit of the City and mature within one year. The notes were issued on September 1, 2004 at a two percent interest rate.

NOTE 16 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2004:

Fund	Transfers In	Transfers Out
<b>MAJOR FUNDS</b>		
General	\$0	\$250,715
Non-Major Governmental Funds	288,965	38,250
Total All Funds	<u>\$288,965</u>	<u>\$288,965</u>

The transfers are considered cash payments for various services performed in the normal course of business for the City.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 17 – INTERFUND TRANSACTIONS**

The composition of inter-fund balances as of December 31, 2004, is as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<b>Major Funds</b>		
General Fund	\$51	\$588
Water	1,367	138
Wastewater	257	1,160
Total Major Funds	<u>1675</u>	<u>1,886</u>
Nonmajor Governmental Funds	684	240
Nonmajor Enterprise Funds	502	735
Total Nonmajor Funds	<u>1,186</u>	<u>975</u>
Total All Funds	<u><u>\$2,861</u></u>	<u><u>\$2,861</u></u>

The due to other funds relates to various charges the utilities charge each other and the general fund.

**NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS**

The Center for Local Governments, 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 eight members made up of elected representatives from the participating governments. The City does not have any financial interest in or responsibility for the Center. The City made no financial contribution during 2004. Information can be obtained from the Center by writing to Director of the Center for Local Governments, 9600 Colerain Avenue, Cincinnati, Ohio 45251.

**CITY OF MILFORD, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

NOTE 18 – 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 2004. 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.

NOTE 19 - CONTINGENT LIABILITIES

LITIGATION

The City is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the City. The City had no pending litigation at December 31, 2004.

STATE GRANTS

For the period January 1, 2004, to December 31, 2004, 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, 2004**

NOTE 20 – CONTRACTUAL COMMITMENTS

As of December 31, 2004, the City had contractual commitments related to property, plant and equipment improvements and additions, as well as various other contracts and agreements to provide or receive services related to the operations of the City. The list below reflects the major contracts that comprise commitments at December 31, 2004:

<u>Description</u>	<u>Amount</u>
Quest Engineering - Stormwater	\$55,507
Quest Engineering – Water Works Plant	14,210
Quest Engineering – New Well	103,900
Quest Engineering – Wastewater Expansion	14,916
	<u>\$188,533</u>



**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**GENERAL FUND**

	Budget		Actual	Variance
	Initial	Final		Positive (Negative)
<b>Revenues:</b>				
Property and Other Local Taxes	\$ 687,255	\$ 638,015	\$ 643,964	\$ 5,949
Income Taxes	1,948,700	1,948,700	1,915,979	(32,721)
Intergovernmental	455,935	771,557	796,298	24,741
Charges for Services	150,419	166,037	165,947	(90)
Licenses and Permits	35,750	65,850	76,224	10,374
Investment Earnings	49,000	49,000	65,114	16,114
Fines and Forfeitures	195,250	197,850	178,202	(19,648)
Other All Revenue	6,400	6,400	31,298	24,898
Total Revenue	3,528,709	3,843,409	3,873,026	29,617
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Security of Persons and Property:</b>				
<b>Police</b>				
Personal Services	1,332,472	1,364,270	1,338,355	25,915
Other	293,188	327,895	308,710	19,185
Total Police	1,625,660	1,692,165	1,647,065	45,100
<b>Fire</b>				
Other	3,300	3,300	3,115	185
Total Fire	3,300	3,300	3,115	185
<b>Building Inspection</b>				
Other	44,317	46,730	45,023	1,707
Total Building Inspection	44,317	46,730	45,023	1,707
Total Security of Persons and Property	1,673,277	1,742,195	1,695,203	46,992
<b>Public Health and Welfare Services:</b>				
<b>Health</b>				
Other	23,856	23,856	23,856	-
Total Health	23,856	23,856	23,856	-
<b>Grounds and Facilities</b>				
Personal Services	226,823	228,573	209,125	19,448
Other	68,515	67,061	68,026	(965)
Total Grounds and Facilities	295,338	295,634	277,151	18,483
Total Public Health and Welfare	319,194	319,490	301,007	18,483
<b>Basic Utility Services</b>				
<b>Public Works - Administration</b>				
Other	305,989	321,735	303,878	17,857
Total Basic Utility Services	305,989	321,735	303,878	17,857
<b>General Government</b>				
<b>Mayor's Court</b>				
Personal Services	55,119	55,869	55,614	255
Other	26,758	26,174	21,253	4,921
Total Mayor's Court	81,877	82,043	76,867	5,176

(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, 2004**

**GENERAL FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
City Council				
Personal Services	\$ 42,358	\$ 42,358	\$ 42,225	\$ 133
Other	37,354	42,354	37,897	4,457
Total City Council	<u>79,712</u>	<u>84,712</u>	<u>80,122</u>	<u>4,590</u>
Five Points Building				
Other	106,956	112,256	108,922	3,334
Total City Clerk	<u>106,956</u>	<u>112,256</u>	<u>108,922</u>	<u>3,334</u>
Civil Defense				
Other	570	570	143	427
Total Team Hamilton	<u>570</u>	<u>570</u>	<u>143</u>	<u>427</u>
City Manager				
Personal Services	181,451	181,451	178,958	2,493
Other	49,323	49,663	43,238	6,425
Total City Manager	<u>230,774</u>	<u>231,114</u>	<u>222,196</u>	<u>8,918</u>
Law Director				
Personal Services	61,999	61,999	61,476	523
Other	7,546	7,546	4,303	3,243
Total Department of Law	<u>69,545</u>	<u>69,545</u>	<u>65,779</u>	<u>3,766</u>
Department of Civil Service				
Personal Services	705	705	190	515
Other	6,720	6,720	1,626	5,094
Total Department of Civil Service	<u>7,425</u>	<u>7,425</u>	<u>1,816</u>	<u>5,609</u>
Finance and Accounting				
Personal Services	135,973	135,973	123,374	12,599
Other	37,487	37,910	34,679	3,231
Total Finance - Administration	<u>173,460</u>	<u>173,883</u>	<u>158,053</u>	<u>15,830</u>
Administration				
Other	55,440	83,330	62,519	20,811
Total Finance - Administration	<u>55,440</u>	<u>83,330</u>	<u>62,519</u>	<u>20,811</u>
Engineering				
Other	77,279	126,349	39,797	86,552
Total Finance - Purchasing	<u>77,279</u>	<u>126,349</u>	<u>39,797</u>	<u>86,552</u>
Development				
Personal Services	43,379	43,379	42,453	926
Other	17,550	82,374	31,895	50,479
Total Finance - Building Services	<u>60,929</u>	<u>125,753</u>	<u>74,348</u>	<u>51,405</u>
Income Tax				
Personal Services	201,969	201,969	196,981	4,988
Other	101,136	121,350	50,200	71,150
Total Finance - Income Tax	<u>303,105</u>	<u>323,319</u>	<u>247,181</u>	<u>76,138</u>
Total General Government	<u>1,247,072</u>	<u>1,420,299</u>	<u>1,137,743</u>	<u>282,556</u>
Capital Outlay	<u>-</u>	<u>1,980</u>	<u>-</u>	<u>1,980</u>
Total Expenditures	<u>3,545,532</u>	<u>3,805,699</u>	<u>3,437,831</u>	<u>367,868</u>

(continued)

**THE CITY OF MILFORD, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2004**

**GENERAL FUND**

	Budget		Actual	Variance Positive (Negative)
	Initial	Final		
Excess of Revenues Over (Under) Expenditures	\$ (16,823)	\$ 37,710	\$ 435,195	\$ 397,485
<u>Other Financing Sources (Uses):</u>				
Advances In	-	-	20,000	20,000
Transfers - In	-	125,300	-	(125,300)
Transfers - Out	<u>(270,715)</u>	<u>(270,715)</u>	<u>(250,715)</u>	<u>20,000</u>
Total Other Financing Sources (Uses)	(270,715)	(145,415)	(230,715)	(85,300)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(287,538)	(107,705)	204,480	312,185
Fund Balances at Beginning of Year	2,434,468	2,434,468	2,434,468	-
Prior Year Encumbrances	<u>87,334</u>	<u>87,334</u>	<u>87,334</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 2,234,264</u>	<u>\$ 2,414,097</u>	<u>\$ 2,726,282</u>	<u>\$ 312,185</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, 2004**

**FIRE LEVY FUND**

	Budget		Actual	Variance
	Initial	Final		Postive (Negative)
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 673,955	\$ 692,375	\$ 692,505	\$ 130
Intergovernmental	91,422	93,002	88,559	(4,443)
Investment Earnings	5,800	5,800	6,634	834
	<u>771,177</u>	<u>791,177</u>	<u>787,698</u>	<u>(3,479)</u>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property:				
Fire Department				
Other	715,074	715,663	714,498	1,165
Total Fire Department	<u>715,074</u>	<u>715,663</u>	<u>714,498</u>	<u>1,165</u>
Debt Service:				
Principal Retirement	12,500	12,500	12,500	-
Interest and Fiscal Charges	13,978	13,978	13,978	-
Total Debt Service	<u>26,478</u>	<u>26,478</u>	<u>26,478</u>	<u>-</u>
Total Expenditures	<u>741,552</u>	<u>742,141</u>	<u>740,976</u>	<u>1,165</u>
Excess of Revenues over Expenditures	29,625	49,036	46,722	(2,314)
Fund Balances at Beginning of Year	30,005	323,990	323,990	-
Prior Year Encumbrances Appropriated	<u>-</u>	<u>378</u>	<u>378</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 59,630</u>	<u>\$ 373,404</u>	<u>\$ 371,090</u>	<u>\$ (2,314)</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, 2004**

**EMS LEVY FUND**

	Budget		Actual	Variance Postive (Negative)
	Initial	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$ 686,656	\$ 704,687	\$ 705,572	\$ 885
Intergovernmental	91,770	93,339	88,819	(4,520)
Investment Earnings	2,200	2,200	2,354	154
<b>Total Revenue</b>	<b>780,626</b>	<b>800,226</b>	<b>796,745</b>	<b>(3,481)</b>
<u>Expenditures:</u>				
Current:				
Security of Persons and Property:				
Fire Department				
Other	736,135	738,796	735,561	3,235
<b>Total Fire Department</b>	<b>736,135</b>	<b>738,796</b>	<b>735,561</b>	<b>3,235</b>
Debt Service:				
Principal Retirement	12,500	12,500	12,500	-
Interest and Fiscal Charges	13,978	13,978	13,978	-
<b>Total Debt Service</b>	<b>26,478</b>	<b>26,478</b>	<b>26,478</b>	<b>-</b>
<b>Total Expenditures</b>	<b>762,613</b>	<b>765,274</b>	<b>762,039</b>	<b>3,235</b>
<b>Excess of Revenues over Expenditures</b>	<b>18,013</b>	<b>34,952</b>	<b>34,706</b>	<b>(246)</b>
Fund Balances at Beginning of Year	30,005	243,109	243,109	-
Prior Year Encumbrances Appropriated	-	1,330	1,330	-
<b>Fund Balances at End of Year</b>	<b>\$ 48,018</b>	<b>\$ 279,391</b>	<b>\$ 279,145</b>	<b>\$ (246)</b>

See accompanying notes to the required supplementary information

**CITY OF MILFORD, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2004**

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, 2004**

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 2004 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 department levels. The appropriations set by Council remain fixed unless amended by Council ordinance.

Encumbrances

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

**CITY OF MILFORD, OHIO**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2004**

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 is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

	General Fund	Fire Levy Fund	EMS Levy Fund
GAAP Basis	\$251,771	\$64,588	\$54,066
Adjustments:			
Revenue Accruals	(78,342)	(17,580)	(17,912)
Expenditure Accruals	81,817	520	464
Advances	20,000	0	0
Encumbrances	(70,765)	(806)	(1,912)
Budget Basis	<u>\$204,481</u>	<u>\$46,722</u>	<u>\$34,706</u>



# BALESTRA, HARR & SCHERER CPAs, INC.

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Ohio Society of Certified Public Accountants

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, Clermont County, (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 5, 2006, wherein we indicated The City implemented GASB Statements No. 34,37,38, 46 and Interpretation 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to the management of the City in a separate letter dated May 5, 2006.

City of Milford  
Clermont County  
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of management and members of City Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Balestra, Harr & Scherer, CPAs, Inc.  
May 5, 2006



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**CITY OF MILFORD  
CLERMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 22, 2006**