

**CITY OF MIDDLETOWN, OHIO**

Schedule of Expenditures of Federal Awards  
And Other OMB Circular A-133 Reports

Year Ended December 31, 2007





Mary Taylor, CPA  
Auditor of State

City Council  
City of Middletown  
One Donham Plaza  
Middletown, Ohio 45042

We have reviewed the *Independent Auditors' Report* of the City of Middletown, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 15, 2008

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**CITY OF MIDDLETOWN, OHIO**

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**CITY OF MIDDLETOWN  
BUTLER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

| <b>FEDERAL GRANTOR</b>  | Pass Through      | Federal |                          |
|---|-------------------|---------|--------------------------|
| Pass Through Grantor  | Entity            | CFDA    |                          |
| Program Title   | Number            | Number  | Expenditures             |
| <b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>          |                   |         |                          |
| Community Development Block Grant Entitlements                          | N/A               | 14.218  | \$ 797,194               |
| Housing Assistance for Low Income Families - Section 8                  | N/A               | 14.856  | 9,645,454                |
| <i>Passed Through Butler County Department of Community Development</i> |                   |         |                          |
| Home Program - Investment Partnership Program                           | N/A               | 14.239  | 332,848                  |
| <b>Total U.S. Department of Housing and Urban Development</b>           |                   |         | <b><u>10,775,496</u></b> |
| <b><u>U.S. DEPARTMENT OF JUSTICE</u></b>                                |                   |         |                          |
| 2006 Byrne Justice Assistance Grant                                     | 2006-F2135-OH-DJ  | 16.738  | 12,614                   |
| 2007 Byrne Justice Assistance Grant                                     | 2007-DJ-BX-0629   | 16.738  | 177,343                  |
|   |                   |         | <u>189,957</u>           |
| Public Safety Partnership and Community Policing Grant (COPS)           | N/A               | 16.710  | 33,351                   |
| <b>Total U.S. Department of Justice</b>                                 |                   |         | <b><u>223,308</u></b>    |
| <b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>                         |                   |         |                          |
| Public Transportation for Urbanized Areas                               |                   |         |                          |
| Operating Assistance  | N/A               | 20.507  | 280,110                  |
| Capital Assistance  | N/A               | 20.507  | 225,246                  |
| Paratransit Grant   | N/A               | 20.507  | 108,158                  |
| Planning Grant  | N/A               | 20.507  | 27,567                   |
| Total Public Transportation of Urbanized Areas                          |                   |         | <u>641,081</u>           |
| <i>Passed through Ohio Department of Transportation</i>                 |                   |         |                          |
| Federal Aviation Administration (FAA)                                   | 03-1809           | 20.106  | 409,479                  |
| <b>Total U.S. Department of Transportation</b>                          |                   |         | <b><u>1,050,560</u></b>  |
| <b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>              |                   |         |                          |
| <i>Passed through the Ohio Department of Health</i>                     |                   |         |                          |
| <i>Passed through the City of Hamilton, Butler County</i>               |                   |         |                          |
| Immunization Action Plan  | 182-B             | 93.268  | 31,439                   |
| Public Health Infrastructure  | N/A               | 93.283  | 34,920                   |
| Block Grant Maternal and Child Health Services                          | 9-2-01-F-AI-320   | 93.994  | 258,714                  |
| <i>Passed through Butler County ESC</i>                                 |                   |         |                          |
| Help Me Grow  | 9-2-001-1-MC-04   | 93.600  | 236,322                  |
| <b>Total U.S. Department of Health and Human Services</b>               |                   |         | <b><u>561,396</u></b>    |
| <b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>                      |                   |         |                          |
| USEPA Brownfields Assessment Grant                                      | BF96597601/056034 | 66.818  | 77,357                   |
| USEPA Brownfields Assessment Grant                                      | BF96597601/056034 | 66.818  | 140,000                  |
| <b>Total U.S Environmental Protection Agency</b>                        |                   |         | <b><u>217,357</u></b>    |
| <b>TOTAL FEDERAL AWARDS EXPENDITURES</b>                                |                   |         | <b><u>12,828,116</u></b> |



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**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***

To the City Council  
City of Middletown, Ohio:

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 Middletown, Ohio (the "City") as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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



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

We consider the deficiency described and labeled as item 2007-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

#### Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*.

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

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

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
June 30, 2008



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the City Council  
City of Middletown, Ohio:

Compliance

We have audited the compliance of City of Middletown, Ohio (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 30, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
June 30, 2008

**CITY OF MIDDLETOWN, OHIO**

Schedule of Findings and Questioned Costs

Year Ended December 31, 2007

**Section I - Summary of Auditors' Results**

**Financial Statements**

|  |             |
|--|-------------|
| Type of auditors' report issued:   | unqualified |
| Internal control over financial reporting:   |             |
| • Material weakness(es) identified?  | none        |
| • Significant deficiency(ies) identified not considered to be material weaknesses? | yes         |
| Noncompliance material to financial statements noted?                              | none        |

**Federal Awards**

|  |             |
|--|-------------|
| Internal Control over major programs:  |             |
| • Material weakness(es) identified?  | none        |
| • Significant deficiency(ies) identified not considered to be material weaknesses?               | none        |
| Type of auditors' report issued on compliance for major programs:                                | unqualified |
| Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? | None        |
| Identification of major programs:  |             |
| <i>CFDA 14.856 – Housing Assistance for Low Income Families – Section 8;</i>                     |             |
| <i>CFDA 20.507 – Public Transportation for Urbanized Areas;</i>                                  |             |
| <i>CFDA 20.106 – Airport Improvement Grant.</i>  |             |
| Dollar threshold to distinguish between Type A and Type B Programs:                              | \$384,843   |
| Auditee qualified as low-risk auditee?   | yes         |

## Section II - Financial Statement Findings

### Finding 2007-1 – Audit Adjustments

During the course of our audit, we identified a material misstatement in the financial statements for the year under audit that was not initially identified by the City’s internal control. Throughout the year, the City maintains its books and records on the cash basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustment was necessary to correct errors in the City’s conversion process. A description of the adjustment follows:

- **Intergovernmental Revenue.** An audit adjustment was necessary to correct the City’s intergovernmental revenue and expenditures to include funds paid on the City’s behalf money by the Ohio Public Works Commission (OPWC) in the amount of approximately \$670,000.

*Management response: Management concurs with the finding.*

## Section III – Federal Award Findings and Questioned Costs

None

## Section IV – Summary of Prior Audit Findings and Questioned Costs

### Finding 2006-1 – Audit Adjustments

*Condition:* During the course of our audit, we identified material misstatements in the financial statements that were not initially identified by the City’s internal control over financial reporting. Throughout the year, the City maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustments were necessary to correct errors made during the City’s conversion process.

*Current Status:* Partially corrected but repeated as finding 2007-1.

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the year ended December 31, 2007**



**CITY OF MIDDLETOWN, OHIO**

**CITY OF MIDDLETOWN, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the year ended December 31, 2007**

**Prepared by  
Finance Department**

**Russell E. Carolus  
Finance Director**

**CITY OF MIDDLETOWN, OHIO  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the year ended December 31, 2007**

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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**CITY OF MIDDLETOWN, OHIO**  
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June 30, 2008

To Citizens of the City of Middletown, Ohio:

We are pleased to present this Comprehensive Annual Financial Report (CAFR) for Middletown, Ohio. This report, for the year ended December 31, 2007, contains the financial statements and other financial and statistical data that provide a complete and full disclosure of all material financial aspects of the City. The responsibility for the accuracy of all data presented its completeness and fairness of presentation rests with the City of Middletown.

The report presents the financial activity of the City in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources, and is consistent with the new reporting model as promulgated by GASB Statement No. 34.

The CAFR is organized in three sections: the Introductory Section, the Financial Section and the Statistical Section. The Introductory Section contains a table of contents, letter of transmittal, organization chart, list of elected officials and a Certificate of Achievement for Excellence in Financial Reporting for the 2006 CAFR. The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, required supplemental information, the Combining Statements for non major funds and other schedules that provide detailed information relative to the Basic Financial Statements. The Statistical Section provides selected financial, economic and demographic information which may be used to indicate trends for comparative fiscal periods.

The City of Middletown is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget's Circular A-133, Audits of State and Local Governments. Information related to this single audit, including a schedule of federal financial assistance, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Middletown's MD&A can be found immediately following the independent auditors' report.

## **MIDDLETOWN**

Situated on the banks of the Great Miami River in Southwestern Ohio, Middletown is within easy driving distance of both Cincinnati and Dayton. Middletown is a vibrant, dynamic community of approximately 52,000 people, positioned near the major metropolitan areas of Cincinnati and Dayton.

Strategically situated on Interstate-75 between Cincinnati and Dayton, a Middletown address affords companies the opportunity for service to both cities. The City's location is within 600 miles of more than 60 percent of the nation's purchasing power, making the city a magnet for companies that need access to these important markets.

More than 100 attractions are available within minutes of Middletown. They cover a wide variety of interests, from amusement parks for the whole family to Broadway quality stage shows and international festivals. Middfest International is held the first weekend of each October, celebrating a different country each year. Entertainers and diplomats travel to Middletown to perform and educate. Great ethnic food is available along with many artisans displaying their creations.

### **Recreation and Shopping**

Several golf courses are located within or near the City of Middletown. The city-owned Weatherwax Golf Course, offers championship-length play on a nationally ranked 36-hole course good enough for the pros. Additionally, several other public golf courses are located in the surrounding communities. Three private courses operate in the Middletown area: Brown's Run, Wildwood and Forest Hills Country Clubs.

Thirty-six parks throughout the City provide casual enjoyment, sports and recreation. Additionally, several state parks are within easy driving distance, including Hueston Woods, Caesar's Creek, and Germantown Dam. A bike way for the avid biker begins just north of Middletown, running almost to Dayton, a distance of approximately 20 miles.

Shoppers can browse through a variety of stores along I-75 in Middletown. Also located within close proximity to the City are several additional shopping malls, as well as numerous specialized stores.

## **Education**

The Middletown City School District is well known for its strong, comprehensive educational programs.

Curriculum improvement, instruction and support services are the focal point of the district. To maintain a contemporary educational program, the course of study for each subject area is reviewed by a committee comprising teachers and administrators who recommend revisions to the curriculum and modernized instructional resource material.

*“We have high expectations for our students in academics and behavior. Instructional delivery is one of our highest priorities. Our curriculum is extensive with an emphasis on the basic subject areas, and instructional strategies are designed to assist students in becoming successful.”* Dr. Steve Price, Superintendent of Middletown City Schools

The educational program also includes a variety of teaching methods and instructional programs and extracurricular activities to meet students’ special needs and interests: Success Academy, Central Academy (non graded school), Algebra for All, Post Secondary Education Option, Pre-School, Social Justice Class, Dual Credit Classes, Elementary Gifted and Talented Education, All Day Kindergarten in all eight elementary schools, thirteen Advanced Placement® Courses, Vocational Studies, Independent Study, Honors Courses in core subjects and Foreign Languages, Honors Diploma, Advanced Art and Music classes, Over thirty clubs and academic extracurricular activities including the award winning Marching Band, and Show Choir, and the Greater Miami Conference athletic, chess, and academic quiz teams.

The faculty stays on top of current research in the field of education by attending professional development sessions offered by the district and area universities. In-service opportunities are designed to help the staff develop and reinforce the skills necessary to meet the changing needs of their students.

*“Our staff challenges and nurtures students, maintains high expectations for students, and values life long learning as a means of developing potential.”* Dr. Steve Price

Individually, the staff and students consistently earn local and state recognition. Middletown High School graduates are accepted into the best colleges and post secondary institutions in the country.

In 2003 the Middletown community passed a \$75.8 million bond issue to replace or remodel all of Middletown’s elementary schools with state of the art school buildings. Eight elementary buildings house grades pre-school through fifth grade; two middle schools accommodate grades six through eight; and grades nine through twelve occupy Middletown High School.

These accomplishments are the result of an ongoing team effort that involves the dedication and hard work of students, administrators, teachers, support staff, and community members.

*“We work hard to build a “spirit of community” where people come together for learning experiences that develops responsible and successful world citizens.” Dr. Steve Price*

### **Post-Secondary Education**

Miami University Middletown, an integral component of our educational system, offers associate degree programs and continuing education opportunities, including custom-designed training programs for Middletown-area business and industry. A variety of post-secondary vocational opportunities are also offered at Butler County Vocational.

The Southwestern Ohio and Northern Kentucky region is home to more than ten other highly rated colleges and universities.

### **Health Care**

A range of health services including family counseling, services for the handicapped and developmentally disabled, a hospice, nursing homes and retirement centers are available throughout the community.

Atrium Medical Center, formerly Middletown Regional Hospital, opened their brand new 250-bed facility on December 9<sup>th</sup>, 2007. The Hospital is accredited at the highest possible level, and offers a full range of medical services including cardiology, surgery, comprehensive cancer care, sports medicine, pediatrics, mental health care, a family birth center, and an alcohol and drug treatment program.

### **Economic Outlook**

The City of Middletown continues to have a strong economic base in the steel and paper industries. The City’s largest employer, AK Steel, employs approximately 3,000 employees. Wausau Paper and Altivity are the city’s two largest paper manufacturers and collectively have about 500 employees.

With construction completed at its new location at SR 122 and Union Road, just east of Interstate 75, the new Medical Center will become part of the 190-acre Premier Health Campus – Middletown. The hospital expects to add nearly 1,000 jobs to the 1,900 it already employs over the next 10 years.

The City is also focused on the area immediately surrounding the new health campus and the Renaissance residential development. Middletown has engaged the services of Al Neyer, Inc., a major Cincinnati-area developer, to help master plan the 2,000 acre area know as the East End/Renaissance Area. The planning for the development of this area was highlighted in the City’s 2005-2010 Master Plan as one of nine Development Opportunity Areas. Plans for construction within the Renaissance area have been completed and are due to break ground in 2008.

In its efforts to work cooperatively with its surrounding communities, the City of Middletown entered into a Joint Economic Development District (JEDD) with Liberty Township in Butler County and the City of Mason. The Liberty Township JEDD promises additional revenue opportunities for the City as development around the proposed Cincinnati Children's Hospital facility occurs.

Development on the residential side continues as Great Midwest Development finalizes its plans for Phase II of its single-family project in the East End/Renaissance Area. With the expected completion of Renaissance Boulevard in 2008, the company will begin construction of new condominiums and business offices on the site. When completed, the site is expected to see more than 400 residential units as well as several dozen office condominiums.

### **Profile of the Government**

The City of Middletown is a home-rule municipal corporation created by the laws of the State of Ohio. The City operates under its own charter which provides for a Council-Manager form of government.

The City Council is responsible for all policy matters including enactment of ordinances and resolutions to conduct City business. The City Council adopts the annual appropriation authorizing the expenditure of all City funds.

Four of the seven-member Council are elected by voting district and three are elected City-wide. Council members serve four year terms. The Mayor is directly elected and the Vice-mayor is selected by the City Council from among its members. The City Council appoints the City Manager who is responsible for recommending all other City staff members for City Council approval. The City Manager is also responsible for implementing all City Council policies and for the day-to-day administration of the City government.

## **CITY SERVICES**

### **Present**

The City of Middletown provides traditional municipal services including police and fire protection, street maintenance, parks and recreation and a municipal court. The City also operates a thirty-six hole golf course. The City's water and sewer utilities serve the City and several townships adjacent to Middletown.

### **Property Taxes/Local Income Taxes**

The two local revenues that support most of the City's non-business type operations are the property tax and the local income tax.



The City's property tax rate is 5.90 mils or \$5.90 per \$1,000 of taxable valuation. Real property is assessed at 35% of market value. Tangible personal property (i.e. equipment and inventory) is valued at 25% of market value. Public utility property is valued at 88% of actual value. Most property tax revenues are used by the City's General Fund. Assessed values for the past five years are as follows:

| <u>Levy Year</u> | <u>Collection Year</u> | <u>Assessed Value</u> | <u>Property Tax Revenues<br/>(cash basis)</u> |
|------------------|------------------------|-----------------------|---|
| 2002             | 2003                   | \$1,040,477,065       | \$ 5,021,099                                  |
| 2003             | 2004                   | \$1,045,301,496       | \$ 5,679,391                                  |
| 2004             | 2005                   | \$1,044,098,574       | \$ 5,903,584                                  |
| 2005             | 2006                   | \$1,052,059,851       | \$ 5,919,731                                  |
| 2006             | 2007                   | \$ 919,777,172        | \$ 5,536,744                                  |

The City of Middletown also levies a 1.5% local earnings tax on all persons employed in the City of Middletown. All business operating in the City also pay a 1.5% on their earnings attributed to their Middletown facility. Local income receipts for the past five years are:

| <u>Local Income Tax Receipts (Cash Basis)</u> |              |
|---|--------------|
| 2003  | \$17,347,220 |
| 2004  | \$18,208,511 |
| 2005  | \$17,949,152 |
| 2006  | \$17,356,177 |
| 2007  | \$18,588,763 |

In November 2007, City voters passed a 1/4% additional earnings tax for public safety operations. This tax will take effect on January 1<sup>st</sup>, 2008.

## **FINANCIAL INFORMATION**

### **Accounting Controls**

The City's budgetary accounting system was designed to provide reasonable, but not absolute, assurances that:

1. The City's assets are protected against loss and unauthorized use or disposition; and
2. Reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

The concept of reasonable assurance states that internal controls should be evaluated using the following criteria:

1. The expense associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation; and
2. The evaluation of the offsetting costs and benefits involves estimates and judgment by the members of the Finance Department.

All internal control evaluations occur within this framework. It is the belief of the administrative and financial management personnel that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions.

### **Budgetary Controls**

Detailed provisions for the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and the City Charter. The City Manager, with the assistance of the Finance Director, is required to submit to Council a tax budget of estimated revenues and expenditures for all funds, except agency funds, for the succeeding fiscal year by the first council meeting in July. The budget is required to be adopted by the legislative body by July 15 and to be submitted to the County Budget Commission by July 20 of each year. City Council is required by Charter to adopt a permanent appropriation measure for the ensuing fiscal year no later than January 1st. On December 5th, 2006, City Council adopted the 2007 fiscal year permanent appropriation measure.

The City maintains budgetary control on a non-GAAP budgetary basis by division (the legal level of control). Management further monitors budgetary performance by establishing lower levels of budgetary control within each fund by department at major object levels, which include personal services, contractual services, commodities, other expenditures, capital outlay, debt service and operating transfers.

Budgetary control is maintained by an encumbrance of purchase commitment amounts prior to the release of purchase orders to vendors. Requisitions for the expenditure of monies are submitted to the Finance Director for certification of funds and preparation of a purchase order after approval of the appropriate Department Director. The purchase order is reviewed for the availability of funds and the estimate authorizes additional appropriations. Unencumbered appropriations lapse at the end of each year.

The City's Treasury Division monitors year-to-date expenditures plus encumbrances versus the original appropriations plus any additional appropriations made to date. This permits the Finance Director and other City officials to ascertain the status of each department's appropriations at any time during the year. A description of the various funds and the basis of accounting are included in Note 1 to the basic financial statements.

## **Cash Management**

Cash management is an integral component of the City's overall financial plan. The City attempts to earn a market rate of return consistent with providing the liquidity needed to pay obligations on a timely basis. The use of short-term investments allows the City to earn interest on all funds.

The City's investments comply with Section 135.14 of the Ohio Revised Code and the maximum maturity is limited to five years. Most investments mature within the current fiscal year. Interest earnings are allocated to funds based on the requirements of the Ohio Constitutions, Codified City Ordinance 165.01, the City Charter and ordinances. As required by law, all deposits are covered by eligible collateral, while investment securities (treasuries and agency/instrumentality issues) are specifically permitted by the Ohio Revised Code and the City's investment policy.

Authorized investments are described in detail in Note 3 of the footnotes to the basic financial statements included with the financial section of this comprehensive annual financial report.

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the varying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, Municipal Corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority.

The primary objectives of the City's investment program, in order of priority, are as follows:

1. Safety – The safety of principal balances is the City's foremost objective and all investments are undertaken in a manner to insure the preservation of capital.
2. Liquidity – All investments should be sufficiently liquid to meet all operating requirements that can be reasonably anticipated. Since all possible cash demands cannot be anticipated, the investment portfolio should consist of securities with active resale markets.
3. Yield – Return on investment is of least importance compared to the safety and liquidity objectives described above. Investments are limited to low risk securities with the expectation of earning market value.

## **Risk Management**

The City of Middletown is a local government in the State of Ohio and retains only limited tort immunity by statute and court decision. Beyond potential tort liabilities, the City is liable for Worker's Compensation claims as well as the risk of casualty loss to real personal property owed by the City.

The proactive approach that the administration employs in addressing its ongoing operations is reflected in the composition of the City's insurance protection package and its very favorable loss experience. The City reduces exposure to risk through several initiatives. They include insurance coverage for vehicles, general liability, inland marine, building and contents, computer insurance, public officials and law enforcement liability coverage and boiler and machinery coverage. The City maintains comprehensive insurance coverage with a local government insurance pool for the fleet and general liability coverage. The City also carries police professional and public officials' liability insurance. The City also maintains coverage through the Ohio Bureau of Worker's Compensation to mitigate job related illness and injury.

The City is self insured for medical claims by its employees. A stop loss policy pays all claims in excess of \$100,000 submitted by any person covered by the City. The policy also covers the City if total claims exceed \$4.1 million. The City Plan is administered by Anthem of Ohio.

## **Other Information**

### **Independent Audit**

The State of Ohio requires an annual audit by either the Auditor of State or by an independent public accounting firm. Clark, Schaefer, Hackett & Co. performed the City's 2007 audit. The Independent Auditors' Report on the City's basic financial statements is included in the financial section of this Comprehensive Annual Financial Report.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Middletown for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2006.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the content of which conforms to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for a certificate.

**Acknowledgements**

The 2007 Comprehensive Annual Financial Report of the City of Middletown is the result of the combined efforts of the City's Finance Department and Clark, Schaefer, Hackett & Co., which was the City's auditor.

The support of the Middletown City Council was essential in the successful preparation and issuance of this report.

Respectfully submitted,

DEPARTMENT OF FINANCE

Russell E. Carolus  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Middletown  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

**CITY OF MIDDLETOWN, OHIO**

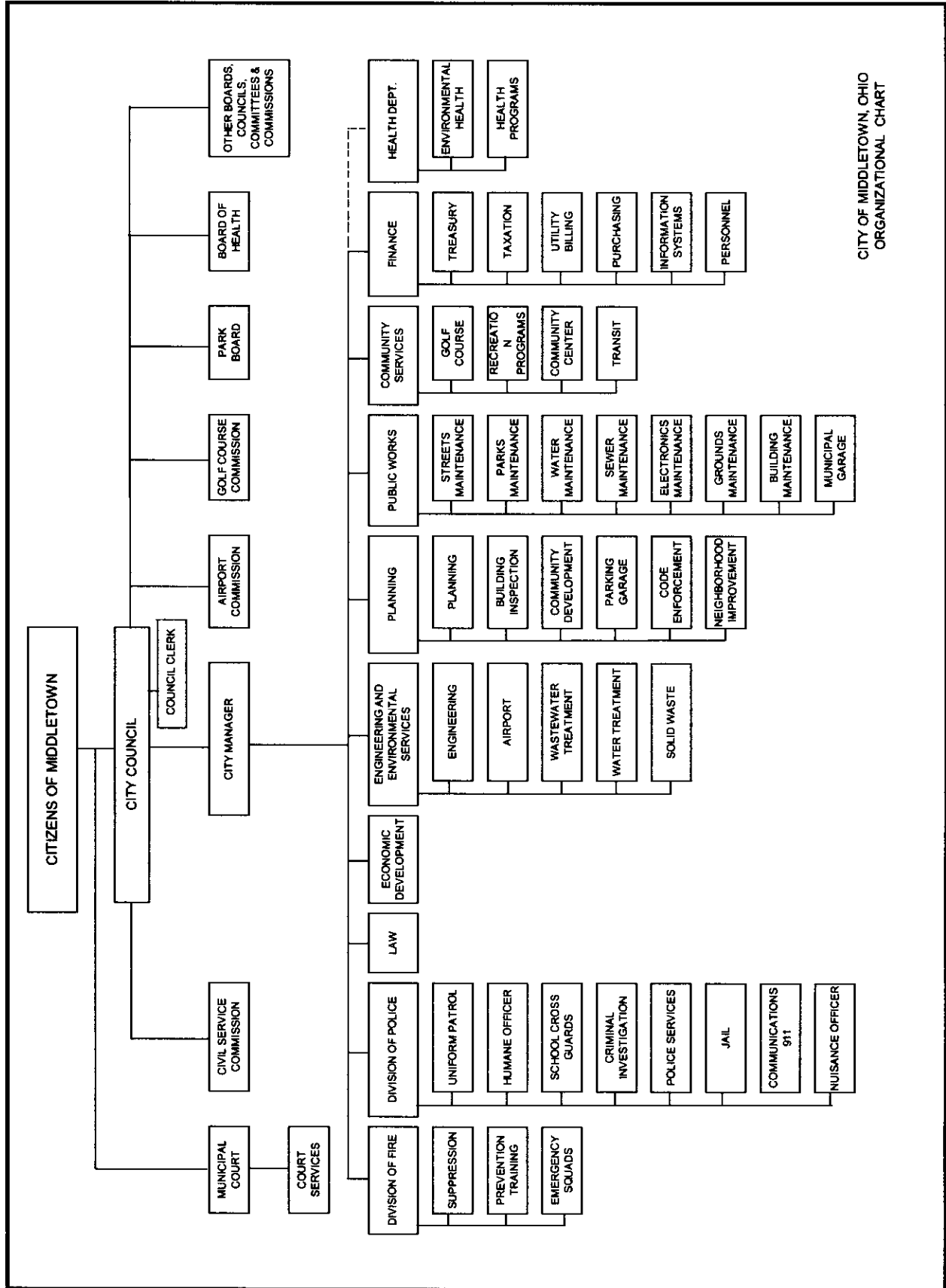
**Principal Officials  
December 31, 2007**

**Legislative**

Mayor .....David Schiavone  
Council Member..... Christopher K. Amburgey  
Council Member..... James Armbruster  
Council Member..... Lalisa Lawrence  
Council Member.....Anthony Marconi  
Council Member.....Lawrence P. Mulligan, Jr.  
Council Member..... Laura Williams

**Executive/Administrative**

City Manager.....Steve Husemann  
Chief of Police..... Gregory J. Schwarber  
Community Services Director..... Verlena L. Stewart  
Director of Court Services..... Louis A. Rossi, Jr.  
Economic Development Director ..... William P. Murphy  
Engineering & Environmental Services Director ..... David J. Duritsch, Jr.  
Finance Director ..... Russell E. Carolus  
Fire Chief ..... Steven M. Botts  
Health Commissioner ..... David Winfough  
Law Director..... Leslie S. Landen  
Planning Director ..... Martin D. Kohler  
Public Works Director..... Ginger L. Smith



CITY OF MIDDLETOWN, OHIO  
ORGANIZATIONAL CHART



## **FINANCIAL SECTION**

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**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

## **INDEPENDENT AUDITORS' REPORT**

To the City Council  
City of Middletown, Ohio:

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 Middletown, Ohio as of and for the year ended December 31, 2007, which collectively comprise the City of Middletown, Ohio's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Middletown, Ohio'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 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 of Middletown, Ohio as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2008, on our consideration of the City of Middletown, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 effectiveness of 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.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 16 and 67 through 72, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Middletown, Ohio's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clark, Schaefer, Harkitt & Co.*

Cincinnati, Ohio  
June 30, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

This discussion and analysis provides key information from management highlighting the overall financial performance of the City of Middletown for the year ended December 31, 2007. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the transmittal letter on page i, and the City's financial statements, which begin on page 18.

### I. USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements.

#### The Basic Financial Statements

Financial Statements for the City as Whole. The Statement of Net Assets and the Statement of Activities (pages 18 and 19) provide information about the activities of the City as a whole and present a longer-term view of the City's finances.

Individual Fund Financial Statements. Fund financial statements also reflect the City's operations in more detail than the government-wide financial statements by providing information about the City's major funds. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. These statements begin on page 20.

Fiduciary Financial Statements. The fiduciary statements (page 36) provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Notes to the Basic Financial Statements. The Notes provide helpful information explaining the City's significant accounting procedures and providing greater detail regarding financial statement components.

#### Required Supplementary Information

Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. Schedules (pages 68 to 72) are presented for the General Fund and major special revenue funds that compare actual results to the original and final budgets for those funds.

## Supplementary Information

Combining Financial Statements. These statements (starting on page 78) provide financial information regarding non-major individual funds, which have been aggregated in the basic financial statements.

Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. These schedules compare actual results to the original and final budgets for the major and non-major governmental funds. These schedules begin on page.

Capital Asset Schedules. Schedules (pages 152-154) showing information regarding the City's investment in capital assets.

### **A. Reporting the City as a Whole**

#### Government-wide statements

The analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in these assets. The City's net assets – the difference between assets and liabilities - is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. One should consider other nonfinancial factors; however, such as changes in the City's property tax base and the City's employment base, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

Governmental activities – City service departments reported here include the Police and Fire Divisions, the Municipal Court, the Public Works Department, the Planning Department, general government support departments and the City Health Department. Local income taxes, property taxes, and state and federal grants finance most of these activities.

Business-type activities - The City of Middletown provides water, sewer, storm water, and refuse services to its customers and charges fees to cover the costs of these operations. Other city business-type activities which are financed with fees are the City parking garage, the City airport, the Middletown transit system and Weatherwax golf course.

## B. Reporting the City's Most Significant Funds

### Fund financial statements

The City accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the fund financial statements that begin on page 20. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the City as a whole. Some funds are required to be established by State Law. However, the City Council establishes many other funds to help it control and manage money for particular purposes, like water, sewer, and solid waste activities. City Council may also establish separate funds to show that it is meeting legal responsibilities for using certain taxes, grants, or other money, like grants received for community and economic development. The City's two kinds of funds –*governmental and proprietary* - use different accounting methods.

Governmental funds - Most of the City's basic services are reported in governmental funds. The fund statements present how cash flows into and out of those funds, and show the balances remaining at year-end that are available for future spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. *Information in governmental fund statements helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.* The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The government-wide financials, as previously described, present the government funds on the whole using the full accrual accounting basis. The differences between governmental activities as reported in the government-wide financial statements and as reported in the fund statements are presented in reconciliation on the right-hand side of the fund financial statements.

Proprietary funds – There are two types of proprietary funds, enterprise funds and internal service funds. Proprietary funds are reported using the full accrual accounting basis. When the City charges customers for the services it provides with the intention that the charges will fully cover the cost of the services, these activities are reported in enterprise funds. Enterprise funds are generally reported in the same way that all activities are reported in the government-wide Statements of Net Assets and Statement of Activities. In fact, the City's enterprise funds are the same funds as we report in the combined business-type activities column in the government-wide statements. The individual fund statements for enterprise funds provide more detail and additional information, such as cash flows. Internal service funds are used to report activities within the government that are centralized for efficiency in separate funds in order to provide supplies and services to the other City programs and activities. The City has two separate funds: the Municipal Garage Fund and the Employee Benefits Fund. These internal service funds are combined and shown in a separate column in the proprietary funds statements. In the government-wide financials, their activities are consolidated into the governmental and business-type activities.

## C. The City as Fiscal Agent

### Reporting the City's Fiduciary Responsibilities

The City is responsible in a fiduciary capacity for other assets that can only be used for designated beneficiaries. The financial statements for these funds are reported beginning on page 36. The City has four agency funds. The Conservancy fund records the city property tax levy which is collected on the behalf of the Miami Conservancy District. The Payroll Clearing fund accounts for the employee payroll withholdings due to other agencies and private businesses. The Municipal Court fund accounts for the activities of the Municipal Court collections which are due to other agencies and to certain individuals. The Joint Economic Development District I records and accounts for the collection and disbursement of income tax revenue with Liberty Township and the City of Mason. The City acts as the collection agent for these separate activities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

## II. THE CITY AS A WHOLE

### A. Net assets at year-end

The following table presents a condensed summary of the City's overall financial position at December 31, 2007 (in thousands):

**Table 1**  
**Net Assets**

|   | <b>Governmental<br/>Activities</b> |                    | <b>Business-Type<br/>Activities</b> |                    | <b>Total</b>       |                    |
|---|------------------------------------|--------------------|-------------------------------------|--------------------|--------------------|--------------------|
|   | <b><u>2007</u></b>                 | <b><u>2006</u></b> | <b><u>2007</u></b>                  | <b><u>2006</u></b> | <b><u>2007</u></b> | <b><u>2006</u></b> |
| Current and other assets                | \$ 54,596                          | 54,596             | 19,452                              | 19,505             | 74,048             | 74,101             |
| Capital assets                          | <u>82,085</u>                      | <u>86,719</u>      | <u>57,111</u>                       | <u>56,986</u>      | <u>139,196</u>     | <u>143,705</u>     |
| Total assets                            | 136,681                            | 141,315            | 76,563                              | 76,491             | 213,244            | 217,806            |
| Long-term debt outstanding              | 29,006                             | 30,573             | 12,660                              | 15,342             | 41,662             | 45,915             |
| Other liabilities                       | <u>14,147</u>                      | <u>15,925</u>      | <u>5,236</u>                        | <u>3,911</u>       | <u>19,383</u>      | <u>19,836</u>      |
| Total liabilities                       | 43,153                             | 46,498             | 17,896                              | 19,253             | 61,049             | 65,751             |
| Net assets:                             |                                    |                    |                                     |                    |                    |                    |
| Invested in capital assets, net of debt | 59,870                             | 62,823             | 41,709                              | 40,483             | 101,579            | 103,306            |
| Restricted                              | 26,695                             | 27,064             | 1,255                               | 1,105              | 27,950             | 28,169             |
| Unrestricted                            | <u>6,963</u>                       | <u>4,930</u>       | <u>15,702</u>                       | <u>15,650</u>      | <u>22,665</u>      | <u>20,580</u>      |
| Total net assets                        | 93,528                             | 94,817             | 58,666                              | 57,238             | 152,194            | 152,055            |
| Beginning net assets                    | 94,817                             | 99,775             | 57,238                              | 54,381             | 152,055            | 154,156            |
| Net increase (decrease)                 | <u>(1,289)</u>                     | <u>-4,958</u>      | <u>1,428</u>                        | <u>2,857</u>       | <u>139</u>         | <u>-2,101</u>      |
| Ending net assets                       | \$ <u>93,528</u>                   | <u>94,817</u>      | <u>58,666</u>                       | <u>57,238</u>      | <u>152,194</u>     | <u>152,055</u>     |



Net assets at year end decreased by \$1,289 versus a decrease of \$4,958 in 2006 in the Governmental activities area. The result of the 2006 decrease was due to a \$5,500 reduction in capital assets. Land was donated to the new Middletown Regional Hospital, which opened its new facility in December of 2007.

Business type activities net assets grew by \$1,428 (i.e. 5.25%). Most of this increase came from the receipts collected by the new Storm Water Fund established in 2007.

## **B. Governmental and Business-type Activities during 2007**

The following table (in thousands) presents a condensed summary of the City's activities during 2007 and the resulting changes in net assets. Of the total General Government revenues of \$52,589, \$20,748 (39%) was from program revenue. This means that the government relied on tax revenues and unrestricted grants to fund 61% of its public safety, public works, and other services. Local income and property taxes totaled \$23,565,000 in 2007. This was about 45% of the City's total revenues for governmental activities.

For business type activities, total revenues decreased by \$1,667 from 2006. Charges for services for the Water and Sewer Funds were lower than expected. Although 2007 revenues were less than the previous year, so were the expenses. Total increase in net assets for 2007 was \$1,428.

**Table 2**  
**Changes in Net Assets**

|   | <u>Governmental</u> |                | <u>Business-Type</u> |               | <u>Total</u>   |                |
|---|---------------------|----------------|----------------------|---------------|----------------|----------------|
|   | <u>2007</u>         | <u>2006</u>    | <u>2007</u>          | <u>2006</u>   | <u>2007</u>    | <u>2006</u>    |
| Revenues                                |                     |                |                      |               |                |                |
| <u>Program revenues:</u>                |                     |                |                      |               |                |                |
| Charges for services                    | \$ 7,011            | 5,684          | 19,895               | 20,327        | 26,906         | 26,011         |
| Operating grants & contributions        | 11,332              | 12,241         | 1,115                | 2,639         | 12,447         | 14,880         |
| Capital grants and contributions        | <u>2,405</u>        | <u>3,047</u>   | <u>473</u>           | <u>172</u>    | <u>2,878</u>   | <u>3,219</u>   |
| Total program revenues                  | 20,748              | 20,972         | 21,483               | 23,138        | 42,231         | 44,110         |
| <u>General revenues:</u>                |                     |                |                      |               |                |                |
| Income taxes                            | 17,921              | 17,695         | 300                  | 270           | 18,221         | 17,965         |
| Property taxes                          | 5,644               | 5,920          | -                    | -             | 5,644          | 5,920          |
| Other taxes                             | 3,694               | 3,382          | -                    | -             | 3,694          | 3,382          |
| Grants and contributions not restricted | 1,014               | 807            | -                    | -             | 1,014          | 807            |
| Investment earnings                     | 2,327               | 967            | 549                  | 591           | 2,876          | 1,558          |
| Other                                   | <u>1,241</u>        | <u>3,143</u>   | <u>-</u>             | <u>-</u>      | <u>1,241</u>   | <u>3,143</u>   |
| Total general revenues                  | <u>31,841</u>       | <u>31,914</u>  | <u>849</u>           | <u>861</u>    | <u>32,690</u>  | <u>32,775</u>  |
| Total revenues                          | 52,589              | 52,886         | 22,332               | 23,999        | 74,921         | 76,885         |
| Expenses                                |                     |                |                      |               |                |                |
| Public safety                           | 23,498              | 22,691         | -                    | -             | 23,498         | 22,691         |
| Public health                           | 1,031               | 1,262          | -                    | -             | 1,031          | 1,262          |
| Leisure activities                      | 1,565               | 1,096          | -                    | -             | 1,565          | 1,096          |
| Community environment                   | 11,736              | 11,402         | -                    | -             | 11,736         | 11,402         |
| Highways and streets                    | 8,890               | 8,377          | -                    | -             | 8,890          | 8,377          |
| General government                      | 4,233               | 4,639          | -                    | -             | 4,233          | 4,639          |
| Miscellaneous                           | 1,428               | 1,410          | -                    | -             | 1,428          | 1,410          |
| Interest on long-term debt              | 1,497               | 1,522          | -                    | -             | 1,497          | 1,522          |
| Water                                   | -                   | -              | 7,510                | 8,027         | 7,510          | 8,027          |
| Sewer                                   | -                   | -              | 6,730                | 6,928         | 6,730          | 6,928          |
| Transit                                 | -                   | -              | 1,327                | 1,284         | 1,327          | 1,284          |
| Golf Course                             | -                   | -              | 1,713                | 1,653         | 1,713          | 1,653          |
| Solid Waste                             | -                   | -              | 2,748                | 2,442         | 2,748          | 2,442          |
| Other business type activities          | <u>-</u>            | <u>-</u>       | <u>876</u>           | <u>753</u>    | <u>876</u>     | <u>753</u>     |
| Total expenses                          | <u>53,878</u>       | <u>52,399</u>  | <u>20,904</u>        | <u>21,087</u> | <u>74,782</u>  | <u>73,486</u>  |
| Increase in net assets before transfers | (1,289)             | 487            | 1,428                | 2,912         | 139            | 3,399          |
| Transfers                               | -                   | 55             | -                    | (55)          | -              | -              |
| Special item                            | <u>-</u>            | <u>(5,500)</u> | <u>-</u>             | <u>-</u>      | <u>-</u>       | <u>(5,500)</u> |
| Increase in net assets                  | (1,289)             | (4,958)        | 1,428                | 2,857         | 139            | (2,101)        |
| Beginning net assets                    | 94,817              | 99,775         | 57,238               | 54,381        | 152,055        | 154,156        |
| Ending net assets                       | \$ <u>93,528</u>    | <u>94,817</u>  | <u>58,666</u>        | <u>57,238</u> | <u>152,194</u> | <u>152,055</u> |

## 1) Governmental activities during 2007

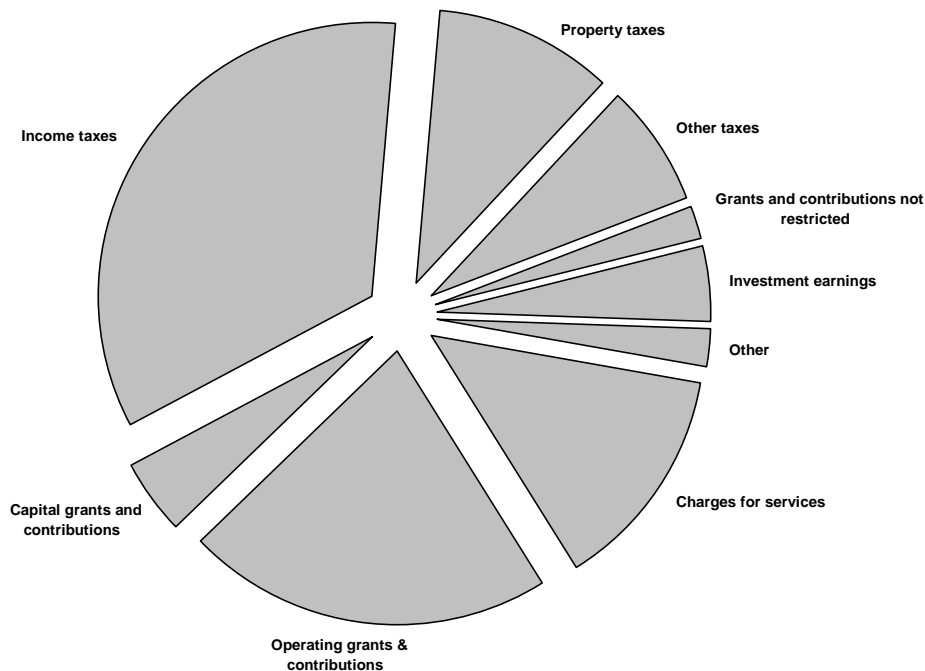
Table 3 presents the total cost of each of the government's primary services and the net cost after deducting the revenues generated by these services. The City recouped about 39% of the cost of its services with program revenues. Public safety, the City's most expensive program, covered about 18% of its costs with program revenues. Local tax receipts were used to fund the remaining costs of this service.

At the same time, Community Environment, which relies heavily upon federal and state grants, covered 93% of its costs with those program revenues.

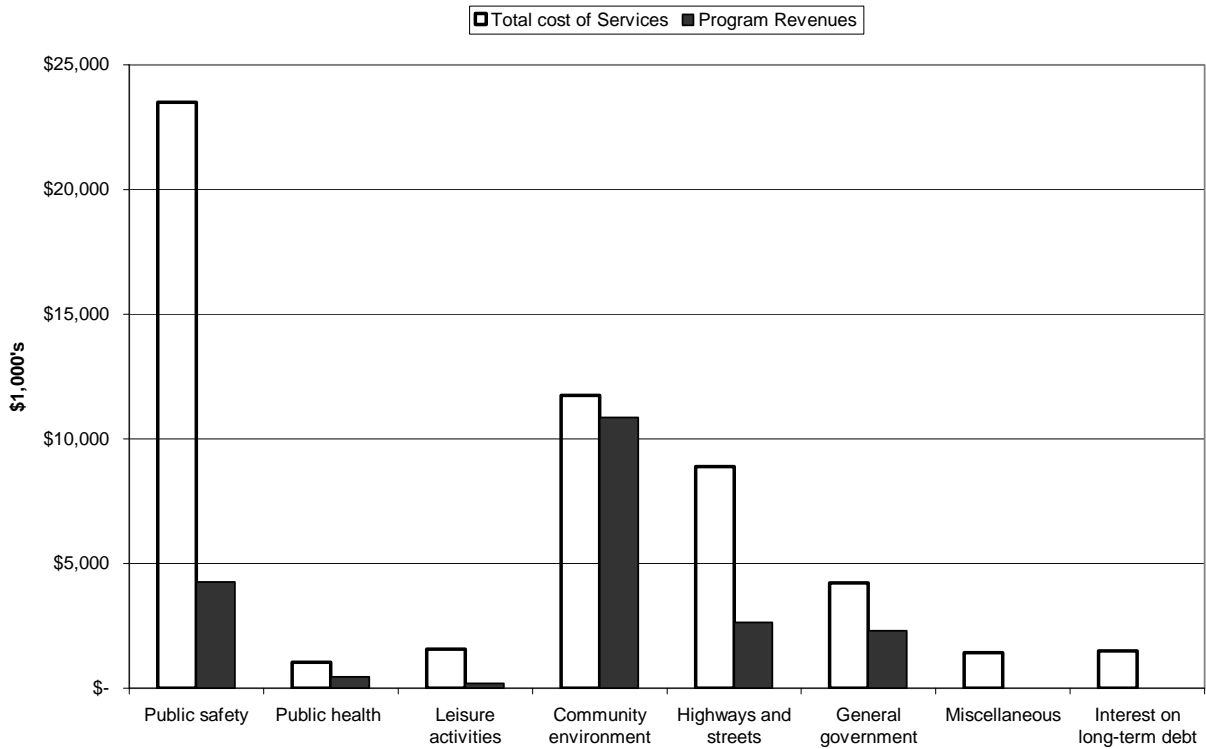
**Table 3  
Governmental Activities**

|                            | <u>Total cost of<br/>Services</u> | <u>Program<br/>Revenues</u> | <u>Revenues as<br/>a % of Total<br/>Costs</u> | <u>Net Cost of<br/>Services</u> |
|----------------------------|-----------------------------------|-----------------------------|---|---------------------------------|
| Public safety              | \$ 23,498                         | \$ 4,263                    | 18%   | \$ 19,235                       |
| Public health              | 1,031                             | 464                         | 45%   | 567                             |
| Leisure activities         | 1,565                             | 201                         | 13%   | 1,364                           |
| Community environment      | 11,736                            | 10,860                      | 93%   | 876                             |
| Highways and streets       | 8,891                             | 2,649                       | 30%   | 6,242                           |
| General government         | 4,233                             | 2,311                       | 55%   | 1,922                           |
| Miscellaneous              | 1,427                             | -                           | 0%  | 1,427                           |
| Interest on long-term debt | 1,497                             | -                           | 0%  | 1,497                           |
| Total                      | <u>\$ 53,878</u>                  | <u>\$ 20,748</u>            | 39%   | <u>\$ 33,130</u>                |

### **Revenues by Source - Governmental Activities**



**Program Revenues and Expenses - Governmental Activities**



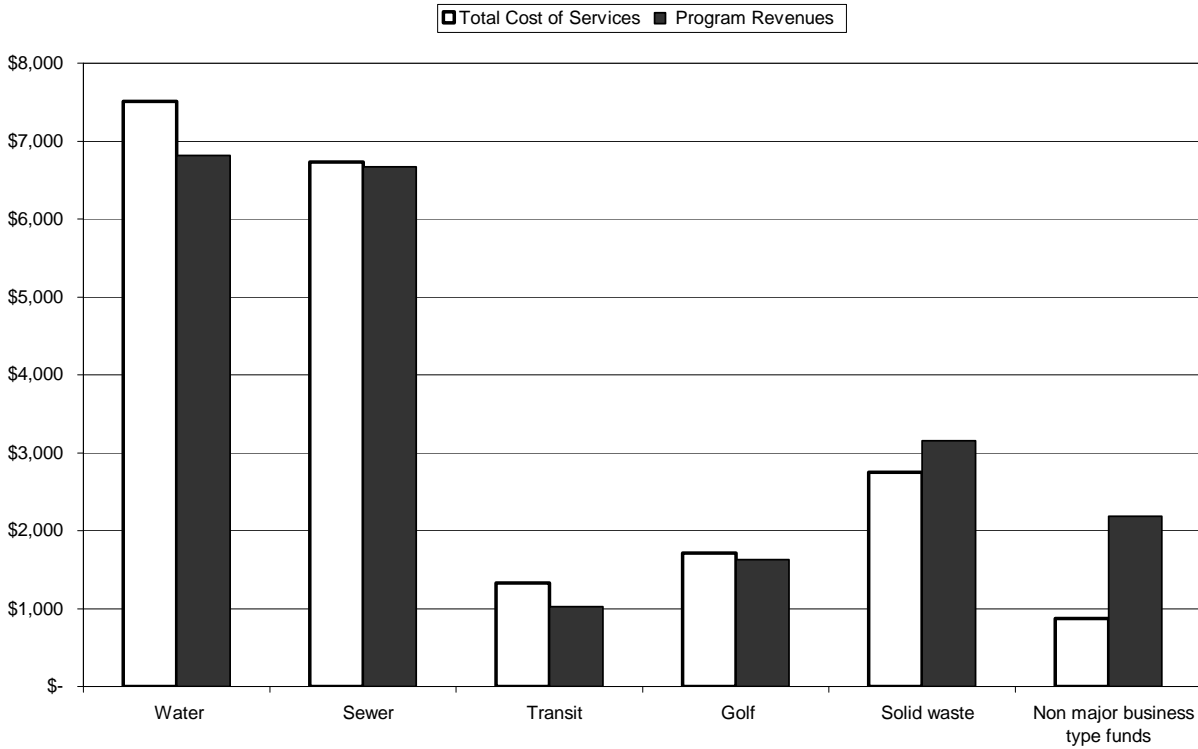
**2) Business-type activities during 2007**

The following table (in thousands) summarizes the business-type activities during 2007:

**Table 4  
Business-type Activities**

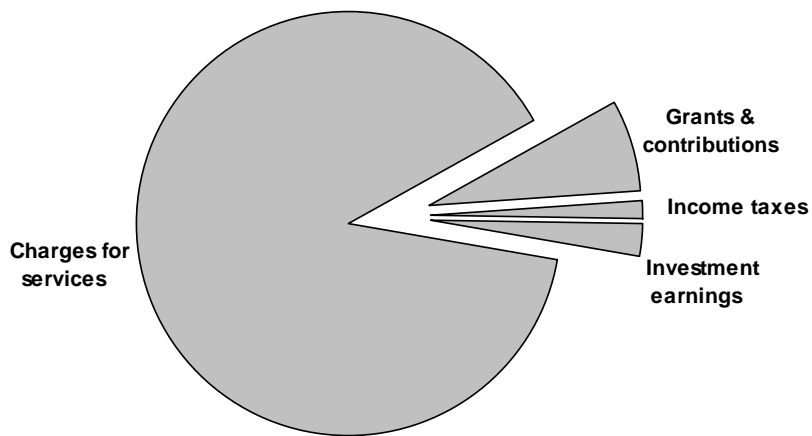
|                               | <u>Total Cost of Services</u> | <u>Program Revenues</u> | <u>Revenues as % of Total Costs</u> | <u>Net Revenue from Operations</u> |
|-------------------------------|-------------------------------|-------------------------|-------------------------------------|------------------------------------|
| Water                         | \$ 7,510                      | \$ 6,815                | 91%                                 | \$ (695)                           |
| Sewer                         | 6,730                         | 6,673                   | 99%                                 | (57)                               |
| Transit                       | 1,327                         | 1,027                   | 77%                                 | (300)                              |
| Golf                          | 1,713                         | 1,629                   | 95%                                 | (84)                               |
| Solid waste                   | 2,748                         | 3,153                   | 115%                                | 405                                |
| Non major business type funds | 876                           | 2,186                   | 251%                                | 1,310                              |
| <b>Total</b>                  | <u>\$ 20,904</u>              | <u>\$ 21,483</u>        | <u>103%</u>                         | <u>\$ 579</u>                      |

**Program Revenues and Expenses - Business-Type Activities**



The City attempts to break even on its business-type activities. The non major business funds had operating surpluses in 2007 to accumulate earnings for future capital investments. The Transit Fund deficit was covered by state and federal grants.

**Revenues by Source - Business-Type Activities**



### III. THE CITY'S INDIVIDUAL FUNDS

#### A. Governmental funds

The financial statements for the City's governmental funds, accounted for under the modified accrual basis of accounting, are presented beginning on page 20. The City has thirty-four governmental funds, four of which are considered major funds. Assets of those four funds comprise 71% of the total governmental funds' assets of \$53,447. The following table (in thousands) summarizes the activities of these four major funds.

**Table 5**  
**Financial Highlights**  
**Major Governmental Funds**

|                               | <u>General Fund</u> | <u>Housing Assistance</u> | <u>Community<br/>Development<br/>Escrow</u> | <u>Special Assessment<br/>Debt Service</u> |
|-------------------------------|---------------------|---------------------------|---|--|
| Total assets \$               | 18,416              | 12,752                    | 2,440                                       | 4,483                                      |
| Total liabilities             | <u>9,342</u>        | <u>9,239</u>              | <u>9</u>                                    | <u>4,412</u>                               |
| Fund balance                  | <u>9,074</u>        | <u>3,513</u>              | <u>2,431</u>                                | <u>71</u>                                  |
| Unreserved fund balance \$    | <u>8,864</u>        | <u>3,513</u>              | <u>768</u>                                  | <u>71</u>                                  |
| Revenues \$                   | 26,048              | 10,531                    | 36  | 491  |
| Expenditures                  | 24,636              | 9,651                     | 294   | 447  |
| Other financing sources/uses  | <u>642</u>          | <u>-</u>                  | <u>-</u>                                    | <u>-</u>                                   |
| Net change in fund balance \$ | <u>2,054</u>        | <u>880</u>                | <u>(258)</u>                                | <u>44</u>                                  |

**General Fund.** Fund balance at the end of 2007 was \$9,074 including \$8,864 of unreserved fund balance. This is 36% of 2007 expenditures. The General Fund's balance increased by \$2,054 in 2007. The unreserved fund balance is a "rainy day fund" and will be used to cover expenditures during economic downturns. The General Fund's positive net change in fund balance is due to decreased expenditures, specifically, personnel costs. A hiring freeze has been effect for several years and the City has experienced successful efforts in controlling health care costs as well. An increase in charges for services enhanced the revenues for 2007.

**Housing Assistance Fund.** This fund records the activities of the City's Section 8 Program and is funded entirely by a federal grant from the Department of Housing and Urban Development. At the end of 2007, there were 1,663 Section 8 units in the City of Middletown.

**Community Development Escrow Fund.** This fund issues home repair loans to lower income residents. At the end of 2007, the fund balance of \$768 was available for loans to qualified property owners residing in Middletown. The increase in expenditures is due to additional number of rehabilitation loans in 2007 leaving a decrease in fund balance of \$258.

**Special Assessment Debt Service Fund.** The Special Assessment Debt Service fund receives special assessment payments from Middletown property owners and passes the payments along to the owner of the City's special assessment bonds.

## B. Proprietary funds

### 1) Enterprise funds

The following table (in thousands) provides financial highlights of the City's major enterprise funds. This information does not include the consolidation of internal service fund activity.

**Table 6**  
**Financial Highlights**  
**Enterprise Funds**

|                            | <u>Water</u><br><u>Fund</u> | <u>Sewer</u><br><u>Fund</u> | <u>Transit</u><br><u>Fund</u> | <u>Golf Fund</u> | <u>Solid</u><br><u>Waste</u><br><u>Fund</u> |
|----------------------------|-----------------------------|-----------------------------|-------------------------------|------------------|---|
| Total assets               | \$ 30,464                   | 29,978                      | 1,333                         | 5,276            | 846   |
| Total liabilities          | <u>8,415</u>                | <u>4,088</u>                | <u>105</u>                    | <u>2,241</u>     | <u>1,610</u>                                |
| Total net assets           | <u>22,049</u>               | <u>25,889</u>               | <u>1,228</u>                  | <u>3,036</u>     | <u>(765)</u>                                |
| Unrestricted net assets    | <u>5,421</u>                | <u>6,604</u>                | <u>215</u>                    | <u>(440)</u>     | <u>234</u>                                  |
| Operating revenues         | 6,598                       | 6,673                       | 129                           | 1,629            | 3,153                                       |
| Operating expenses         | 7,277                       | 6,598                       | 1,327                         | 1,614            | 2,652                                       |
| Net non-operating revenues | <u>104</u>                  | <u>127</u>                  | <u>1,102</u>                  | <u>(94)</u>      | <u>(96)</u>                                 |
| Net change in net assets   | \$ <u>(575)</u>             | <u>201</u>                  | <u>(96)</u>                   | <u>(79)</u>      | <u>405</u>                                  |

**Water Fund.** The Water Fund rates are set to cover the fund's operating cost and to accumulate cash resources for future capital expenditures. The Water Fund received operating grants of \$217 from the State of Ohio in 2007 versus \$1,868 in 2006.

**Sewer Fund.** The Sewer Fund ended 2007 with a cash balance of \$6,751. This money was saved in anticipation of large capital needs in 2008.

**Transit Fund.** The Transit Fund's \$96 decrease in net assets in 2007 is a result of a reduction in federal and state grants receivable at December 31, 2007.

**Golf Fund.** The City Golf Fund lost \$79,000 in 2007. This fund owed the City's General Fund \$405 at the end of 2007 for a working capital loan. The plan is to repay this debt over the next few years.

**Solid Waste Fund.** The Solid Waste charges to Middletown customers are set to cover the cost of the refuse contract with a private hauler and the annual debt service of \$290 on a landfill closure bond. At the end of 2007, the balance owed on this 1994 bond issue was \$1,415. The Solid Waste Fund carries a \$765 fund deficit because of this large debt liability.

## **2) Internal service funds**

Net assets at year-end and 2007 activity in the City's two internal service funds, are shown on page 29.

The City's Employee Benefits Fund ended the year with net assets of \$85. The rising cost of health insurance puts a burden on the City's budget. Future budgets will allow for continuing annual cost increases.

The other City internal service fund, the Municipal Garage Fund, ended the year with net assets of \$4,351. Money is being set aside for future vehicle purchases according to a multi-year plan developed by the Municipal Garage fleet managers. The Municipal Garage Fund cash balance at the end of 2007 was \$1,801.

## **IV. BUDGETED ACTIVITY AND ACTUAL RESULTS**

The schedules comparing the City's original and final General Fund budgets to actual expenditures begin on page 68. The General Fund's original 2007 appropriation was increased during the year by \$6,677,407 and at year end. The majority of this large increase is due from one large appropriation of \$6.3 million for the Division of Fire. The original 2007 budget only appropriated three months of the Fire Division's expenses pending the outcome of possible cutbacks. The General Fund's actual expenditures on a cash basis (budget basis) were \$1,191,000 (5%) under the amended budget.

## **V. CAPITAL ASSET AND DEBT ADMINISTRATION**

### **A. Capital assets**

Detailed information on the City's capital assets is found in the notes to the Financial Statements on pages 51 and 52 and in the Supplemental Section on pages 152-154.

The City had \$139,196,000 in net capital assets ranging from fire and police vehicles and equipment to water and sewer lines.



**Table 7**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

|                        | <b>Governmental</b>  | <b>Business-</b>  |                    |
|------------------------|----------------------|-------------------|--------------------|
|                        | <b>Activities</b>    | <b>Type</b>       |                    |
|                        | <u>Activities</u>    | <u>Activities</u> | <u>Total</u>       |
| Land                   | \$ 12,462,000        | 6,841,000         | 19,303,000         |
| Land improvements      | 455,000              | 1,176,000         | 1,631,000          |
| Buildings              | 11,000,000           | 18,644,000        | 29,644,000         |
| Equipment              | 3,739,000            | 8,203,000         | 11,942,000         |
| Infrastructure         | 0                    | 22,247,000        | 22,247,000         |
| General infrastructure | <u>54,429,000</u>    | <u>0</u>          | <u>54,429,000</u>  |
| Total                  | <u>\$ 82,085,000</u> | <u>57,111,000</u> | <u>139,196,000</u> |

The major capital assets activity during 2007 included the following:

- Purchased right-of-way for Interstate 75 and State Route 122 for future development.
- Spent \$1.5 million+ for street, curb, and gutter improvements and \$1.3 million+ for other infrastructure improvements City wide.
- Approximately \$800,000 was spent for water treatment plant upgrades.
- New equipment purchases for the sum of \$935,000 were made to replace existing police cars and Public Works vehicles along with new equipment for the newly formed Storm Water Maintenance Division.

## **B. Debt**

One note for the amount of \$1,715,000 was issued for the Municipal Airport to purchase the municipal airport buildings. For more detailed information on debt, see pages 55 through 59.

## **VI. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

AK Steel, which is the city's largest employer, relocated its Middletown corporate headquarters to suburban Cincinnati in August 2007. This loss of three hundred Middletown jobs will reduce Middletown's local income tax revenues by about \$400,000 in 2008.

The City has budgeted conservatively for 2008. Revenues were forecast to decrease by about 3% for the General Fund while expenditures were expected to increase by 4%. No new programs were begun and the selective hiring freeze program, which began in 2002, was continued in 2007 and will continue in 2008.

In 2008, a Finance Sub Committee and a Street Improvements Sub Committee was initiated. One of the main goals of these committees is to recommend the direction to take for the future.

Three companies are moving to the Middletown area.

Paycheck North America, a payroll and human resource industry, announced plans that they wish to consolidate and relocate to the Middletown area in 2008. The company will relocate 177 employees to the City and hire an additional fourteen employees in the next three years.

Pac National, a leading provider of mailers, announced plans to construct a 360,000 square foot facility and bring more than two-hundred jobs to the community over the next three years.

Ventilex USA, producer of fluid bed drying and cooling systems, began construction on a new office and promises to bring twenty-four new employees to the City over the next thirty-six months.

## **VII. REQUESTS FOR ADDITIONAL INFORMATION**

This financial report is issued to provide Middletown's residents, Middletown businesses, investors and creditors with a general overview of the City's finances. The report shows where the money, which the City receives, goes. Please contact the City Finance Department at One Donham Plaza, Middletown, Ohio 45042 for additional information.

Russell E. Carolus, Jr.  
Finance Director



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

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>              |
|---|------------------------------------|-------------------------------------|---------------------------|
| <b>Assets</b>   |                                    |                                     |                           |
| Cash and equity in pooled cash,<br>deposits and investments | \$ 23,684,676                      | 15,242,031                          | 38,926,707                |
| Cash with fiscal and escrow agent                           | 1,857,876                          | -                                   | 1,857,876                 |
| Receivables (net of allowance for uncollectibles):          |                                    |                                     |                           |
| Income taxes  | 3,676,163                          | -                                   | 3,676,163                 |
| Property taxes  | 5,075,641                          | -                                   | 5,075,641                 |
| Estate taxes  | 199,634                            | -                                   | 199,634                   |
| Accounts  | 755,001                            | 1,562,352                           | 2,317,353                 |
| Loans   | 1,967,502                          | 510,513                             | 2,478,015                 |
| Special assessments   | 4,412,357                          | -                                   | 4,412,357                 |
| Due from other governments                                  | 13,122,665                         | 499,263                             | 13,621,928                |
| Inventory of supplies                                       | 730,251                            | 751,722                             | 1,481,973                 |
| Internal balances   | (885,681)                          | 885,681                             | -                         |
| Capital assets, net   |                                    |                                     |                           |
| Non-depreciable   | 12,462,365                         | 6,840,571                           | 19,302,936                |
| Depreciable   | <u>69,622,995</u>                  | <u>50,270,648</u>                   | <u>119,893,643</u>        |
| <b>Total assets</b>   | <b><u>136,681,445</u></b>          | <b><u>76,562,781</u></b>            | <b><u>213,244,226</u></b> |
| <b>Liabilities</b>  |                                    |                                     |                           |
| Accounts payable and other current liabilities              | 1,428,610                          | 879,456                             | 2,308,066                 |
| Accrued wages and benefits                                  | 1,722,243                          | 295,013                             | 2,017,256                 |
| Accrued interest payable                                    | 118,909                            | 69,427                              | 188,336                   |
| Due to other governments                                    | 14,272                             | 3,711                               | 17,983                    |
| Unearned revenue  | 5,075,641                          | 765,574                             | 5,841,215                 |
| Notes payable   | 2,550,000                          | 1,715,000                           | 4,265,000                 |
| Non current liabilities:                                    |                                    |                                     |                           |
| Due within one year   | 3,237,775                          | 1,507,512                           | 4,745,287                 |
| Due in more than one year                                   | <u>29,006,379</u>                  | <u>12,660,688</u>                   | <u>41,667,067</u>         |
| <b>Total liabilities</b>                                    | <b><u>43,153,829</u></b>           | <b><u>17,896,381</u></b>            | <b><u>61,050,210</u></b>  |
| <b>Net Assets</b>   |                                    |                                     |                           |
| Invested in capital assets, net of related debt             | 59,870,360                         | 41,709,455                          | 101,579,815               |
| Restricted for capital projects                             | 3,806,193                          | -                                   | 3,806,193                 |
| Restricted for debt service                                 | 1,932,009                          | -                                   | 1,932,009                 |
| Restricted for housing assistance                           | 12,629,353                         | -                                   | 12,629,353                |
| Restricted for community development                        | 2,430,727                          | -                                   | 2,430,727                 |
| Restricted for other purposes                               | 5,895,652                          | 1,255,248                           | 7,150,900                 |
| Unrestricted  | <u>6,963,322</u>                   | <u>15,701,697</u>                   | <u>22,665,019</u>         |
| <b>Total net assets</b>                                     | <b>\$ <u>93,527,616</u></b>        | <b><u>58,666,400</u></b>            | <b><u>152,194,016</u></b> |

See accompanying notes to the basic financial statements.

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

|  | Expenses             | Program Revenues        |  |  | Net (Expense) Revenue<br>and Changes in Net Assets |                             |                     |
|--|----------------------|-------------------------|--|--|--|-----------------------------|---------------------|
|  |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                         | Business-Type<br>Activities | Total               |
| <b>Functions/Programs</b>                                    |                      |                         |  |  |  |                             |                     |
| Governmental activities:                                     |                      |                         |  |  |  |                             |                     |
| Public safety  | \$ 23,497,908        | 3,686,078               | 493,521                                  | 83,715                                 | (19,234,594)                                       |                             | (19,234,594)        |
| Public health and welfare                                    | 1,031,292            | -                       | 464,323                                  | -                                      | (566,969)  |                             | (566,969)           |
| Leisure time activities                                      | 1,564,970            | 78,865                  | -  | 121,948                                | (1,364,157)  |                             | (1,364,157)         |
| Community environment  | 11,735,786           | 500,825                 | 10,359,323                               | -                                      | (875,638)  |                             | (875,638)           |
| Highways and streets   | 8,890,452            | 449,547                 | -  | 2,199,196                              | (6,241,709)  |                             | (6,241,709)         |
| General government   | 4,232,858            | 2,295,926               | 15,000                                   | -                                      | (1,921,932)  |                             | (1,921,932)         |
| Miscellaneous  | 1,427,497            | -                       | -  | -                                      | (1,427,497)  |                             | (1,427,497)         |
| Interest on long-term debt                                   | 1,497,226            | -                       | -  | -                                      | (1,497,226)  |                             | (1,497,226)         |
| Total governmental activities                                | <u>53,877,989</u>    | <u>7,011,241</u>        | <u>11,332,167</u>                        | <u>2,404,859</u>                       | <u>(33,129,722)</u>                                |                             | <u>(33,129,722)</u> |
| Business-type activities:                                    |                      |                         |  |  |  |                             |                     |
| Water  | 7,510,083            | 6,597,929               | 217,357                                  | -                                      |  | (694,797)                   | (694,797)           |
| Sewer  | 6,729,608            | 6,672,678               | -  | -                                      |  | (56,930)                    | (56,930)            |
| Transit  | 1,327,283            | 129,190                 | 898,097                                  | -                                      |  | (299,996)                   | (299,996)           |
| Golf Course  | 1,713,119            | 1,629,496               | -  | -                                      |  | (83,623)                    | (83,623)            |
| Solid Waste  | 2,747,970            | 3,152,681               | -  | -                                      |  | 404,711                     | 404,711             |
| Other  | 875,514              | 1,713,062               | -  | 472,533                                |  | 1,310,081                   | 1,310,081           |
| Total business-type activities                               | <u>20,903,577</u>    | <u>19,895,036</u>       | <u>1,115,454</u>                         | <u>472,533</u>                         |  | <u>579,446</u>              | <u>579,446</u>      |
| Total  | \$ <u>74,781,566</u> | <u>26,906,277</u>       | <u>12,447,621</u>                        | <u>2,877,392</u>                       | <u>(33,129,722)</u>                                | <u>579,446</u>              | <u>(32,550,276)</u> |
| General revenues:  |                      |                         |  |  |  |                             |                     |
| Taxes:   |                      |                         |  |  |  |                             |                     |
| Income taxes   |                      |                         |  |  | 17,920,891   | 300,000                     | 18,220,891          |
| Property taxes   |                      |                         |  |  | 5,643,510  | -                           | 5,643,510           |
| Other taxes  |                      |                         |  |  | 3,694,147  | -                           | 3,694,147           |
| Grants and contributions not restricted to specific programs |                      |                         |  |  | 1,014,106  | -                           | 1,014,106           |
| Investment earnings  |                      |                         |  |  | 2,326,782  | 549,435                     | 2,876,217           |
| Miscellaneous  |                      |                         |  |  | 1,241,140  | -                           | 1,241,140           |
| Total general revenues                                       |                      |                         |  |  | <u>31,840,576</u>                                  | <u>849,435</u>              | <u>32,690,011</u>   |
| Change in net assets   |                      |                         |  |  | (1,289,146)  | 1,428,881                   | 139,735             |
| Net assets beginning of year                                 |                      |                         |  |  | <u>94,816,762</u>                                  | <u>57,237,519</u>           | <u>152,054,281</u>  |
| Net assets end of year                                       |                      |                         |  |  | \$ <u>93,527,616</u>                               | <u>58,666,400</u>           | <u>152,194,016</u>  |

See accompanying notes to the basic financial statements.

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

|  | General              | Housing Assistance   |
|--|----------------------|----------------------|
| <b>ASSETS:</b>   |                      |                      |
| Cash and equity in pooled cash, deposits and investments | \$ 7,114,094         | \$ 3,585,888         |
| Cash with fiscal and escrow agent                        | 1,196,404            | -                    |
| Receivables (net of allowance for uncollectibles):       |                      |                      |
| Income taxes   | 3,676,163            | -                    |
| Property taxes   | 3,767,666            | -                    |
| Estate taxes   | 199,634              | -                    |
| Accounts   | 594,043              | -                    |
| Loans  | -                    | -                    |
| Special assessments                                      | -                    | -                    |
| Accrued interest   | -                    | -                    |
| Due from other funds                                     | 505,000              | 50,000               |
| Due from other governments                               | 1,347,330            | 9,116,293            |
| Inventory of supplies                                    | 15,893               | -                    |
| <b>Total assets</b>                                      | <b>\$ 18,416,227</b> | <b>\$ 12,752,181</b> |
| <b>LIABILITIES AND FUND BALANCES</b>                     |                      |                      |
| Liabilities:   |                      |                      |
| Accounts payable   | \$ 79,251            | \$ 5,247             |
| Accrued wages and benefits                               | 1,532,807            | -                    |
| Other accrued liabilities                                | 259,509              | -                    |
| Due to other funds                                       | 117,844              | -                    |
| Due to other governments                                 | 1,641                | -                    |
| Due to individuals                                       | 11,951               | 117,581              |
| Matured bonds and interest                               | -                    | -                    |
| Notes payable  | -                    | -                    |
| Deferred revenue   | 7,338,647            | 9,116,293            |
| <b>Total liabilities</b>                                 | <b>9,341,650</b>     | <b>9,239,121</b>     |
| Fund balances:   |                      |                      |
| Reserved for encumbrances                                | 195,113              | -                    |
| Reserved for inventory                                   | 15,893               | -                    |
| Reserved for loans                                       | -                    | -                    |
| Unreserved, reported in:                                 |                      |                      |
| General Fund   | 8,863,571            | -                    |
| Special Revenue Funds                                    | -                    | 3,513,060            |
| Debt Service Funds                                       | -                    | -                    |
| Capital Project Funds                                    | -                    | -                    |
| <b>Total fund balances</b>                               | <b>9,074,577</b>     | <b>3,513,060</b>     |
| <b>Total liabilities and fund balances</b>               | <b>\$ 18,416,227</b> | <b>\$ 12,752,181</b> |

The notes to the financial statements are an integral part of this statement.

|           | Community<br>Development Escrow | Special Assessment<br>Debt Service | Non Major<br>Governmental Funds | Total Governmental<br>Funds |
|-----------|---------------------------------|------------------------------------|---------------------------------|-----------------------------|
| \$        | 132,934                         | \$ 70,951                          | \$ 10,369,976                   | \$ 21,273,843               |
|           | 643,839                         | -                                  | 17,633                          | 1,857,876                   |
|           | -                               | -                                  | -                               | 3,676,163                   |
|           | -                               | -                                  | 1,307,975                       | 5,075,641                   |
|           | -                               | -                                  | -                               | 199,634                     |
|           | -                               | -                                  | 156,342                         | 750,385                     |
|           | 1,662,786                       | -                                  | 304,716                         | 1,967,502                   |
|           | -                               | 4,412,357                          | -                               | 4,412,357                   |
|           | -                               | -                                  | -                               | -                           |
|           | -                               | -                                  | 3,109                           | 558,109                     |
|           | -                               | -                                  | 2,659,042                       | 13,122,665                  |
|           | -                               | -                                  | 536,530                         | 552,423                     |
| <b>\$</b> | <b>2,439,559</b>                | <b>\$ 4,483,308</b>                | <b>\$ 15,355,323</b>            | <b>\$ 53,446,598</b>        |

|    |              |                  |                  |                   |
|----|--------------|------------------|------------------|-------------------|
| \$ | -            | \$ -             | \$ 205,347       | \$ 289,845        |
|    | -            | -                | 164,494          | 1,697,301         |
|    | -            | -                | 39,053           | 298,562           |
|    | -            | -                | 221,346          | 339,190           |
|    | -            | -                | 12,631           | 14,272            |
|    | 8,832        | -                | 120,580          | 258,944           |
|    | -            | -                | 17,633           | 17,633            |
|    | -            | -                | 2,550,000        | 2,550,000         |
|    | -            | 4,412,357        | 3,776,295        | 24,643,592        |
|    | <b>8,832</b> | <b>4,412,357</b> | <b>7,107,379</b> | <b>30,109,339</b> |

|           |                  |                     |                      |                      |
|-----------|------------------|---------------------|----------------------|----------------------|
|           | -                | -                   | 644,411              | 839,524              |
|           | -                | -                   | 536,530              | 552,423              |
|           | 1,662,786        | -                   | 304,716              | 1,967,502            |
|           | -                | -                   | -                    | 8,863,571            |
|           | 767,941          | -                   | 2,560,481            | 6,841,482            |
|           | -                | 70,951              | 649,419              | 720,370              |
|           | -                | -                   | 3,552,387            | 3,552,387            |
|           | <b>2,430,727</b> | <b>70,951</b>       | <b>8,247,944</b>     | <b>23,337,259</b>    |
| <b>\$</b> | <b>2,439,559</b> | <b>\$ 4,483,308</b> | <b>\$ 15,355,323</b> | <b>\$ 53,446,598</b> |

**CITY OF MIDDLETOWN, OHIO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007**

|   |                             |
|---|-----------------------------|
| <b>Total governmental fund balances</b>   | \$ 23,337,259               |
| <i>Amounts reported for governmental activities in the statement of activities are different due to the following:</i>  |                             |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   | 82,085,360                  |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:  |                             |
| Income taxes receivable   | 2,085,197                   |
| Intergovernmental and other receivables   | 17,482,754                  |
| Internal service funds are used to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | 800,940                     |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:  |                             |
| General obligation bonds  | (22,215,000)                |
| Special assessment bonds  | (3,099,442)                 |
| Compensated absences  | (4,293,611)                 |
| Pension obligation payable  | (2,554,565)                 |
| Accrued interest on long-term debt  | <u>(101,276)</u>            |
| <b>Net assets of governmental activities</b>  | <u><u>\$ 93,527,616</u></u> |





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

|   | General             | Housing Assistance  |
|---|---------------------|---------------------|
| <b>Revenues:</b>                                |                     |                     |
| Property taxes                                  | \$ 3,981,455        | \$ -                |
| Municipal income taxes                          | 12,259,011          | -                   |
| Intergovernmental revenues                      | 3,170,608           | 10,447,999          |
| Charges for services                            | 3,923,347           | -                   |
| Fees, licenses, and permits                     | 451,724             | -                   |
| Fines and forfeits                              | 125,650             | -                   |
| Special assessments                             | -                   | -                   |
| Interest earnings                               | 643,186             | 24,189              |
| Increase in investment Fair Value               | 1,196,404           | -                   |
| Miscellaneous                                   | 296,292             | 58,475              |
| <b>Total revenues</b>                           | <b>26,047,677</b>   | <b>10,530,663</b>   |
| <b>Expenditures:</b>                            |                     |                     |
| Current   |                     |                     |
| Public safety                                   | 17,720,641          | -                   |
| Public health and welfare                       | -                   | -                   |
| Leisure time activities                         | 968,327             | -                   |
| Community environment                           | 1,163,842           | 9,650,701           |
| Highways and streets                            | -                   | -                   |
| General government                              | 3,740,989           | -                   |
| Miscellaneous                                   | 1,042,361           | -                   |
| Debt service                                    |                     |                     |
| Principal retirement                            | -                   | -                   |
| Interest and fiscal charges                     | -                   | -                   |
| <b>Total expenditures</b>                       | <b>24,636,160</b>   | <b>9,650,701</b>    |
| Excess of revenues over<br>(under) expenditures | 1,411,517           | 879,962             |
| <b>Other financing sources (uses):</b>          |                     |                     |
| Transfers-in                                    | 642,431             | -                   |
| Transfers-out                                   | -                   | -                   |
| Other sources                                   | -                   | -                   |
| Other uses                                      | -                   | -                   |
| <b>Total other financing<br/>sources (uses)</b> | <b>642,431</b>      | <b>-</b>            |
| Net change in fund balances                     | 2,053,948           | 879,962             |
| Fund balance, beginning of year                 | 7,020,629           | 2,633,098           |
| <b>Fund balance, end of year</b>                | <b>\$ 9,074,577</b> | <b>\$ 3,513,060</b> |

The notes to the financial statements are an integral part of this statement.

|           | Community<br>Development Escrow | Special Assessment<br>Debt Service | Non Major<br>Governmental Funds | Total Governmental<br>Funds |
|-----------|---------------------------------|------------------------------------|---------------------------------|-----------------------------|
| \$        | -                               | \$ -                               | \$ 1,662,055                    | \$ 5,643,510                |
|           | -                               | -                                  | 5,685,562                       | 17,944,573                  |
|           | -                               | -                                  | 5,234,367                       | 18,852,974                  |
|           | -                               | -                                  | 292,389                         | 4,215,736                   |
|           | -                               | -                                  | -                               | 451,724                     |
|           | -                               | -                                  | 1,449,085                       | 1,574,735                   |
|           | -                               | 491,127                            | -                               | 491,127                     |
|           | 35,683                          | -                                  | 350,762                         | 1,053,820                   |
|           | -                               | -                                  | -                               | 1,196,404                   |
|           | -                               | -                                  | 1,590,473                       | 1,945,240                   |
|           | <b>35,683</b>                   | <b>491,127</b>                     | <b>16,264,693</b>               | <b>53,369,843</b>           |
|           | -                               | -                                  | 5,401,488                       | 23,122,129                  |
|           | -                               | -                                  | 1,023,749                       | 1,023,749                   |
|           | -                               | -                                  | 452,778                         | 1,421,105                   |
|           | -                               | -                                  | 939,388                         | 11,753,931                  |
|           | -                               | -                                  | 4,731,481                       | 4,731,481                   |
|           | -                               | -                                  | 341,753                         | 4,082,742                   |
|           | 293,572                         | -                                  | 91,564                          | 1,427,497                   |
|           | -                               | 270,818                            | 1,285,000                       | 1,555,818                   |
|           | -                               | 176,149                            | 1,326,520                       | 1,502,669                   |
|           | <b>293,572</b>                  | <b>446,967</b>                     | <b>15,593,721</b>               | <b>50,621,121</b>           |
|           | (257,889)                       | 44,160                             | 670,972                         | 2,748,722                   |
|           | -                               | -                                  | 200,000                         | 842,431                     |
|           | -                               | -                                  | (242,432)                       | (242,432)                   |
|           | -                               | -                                  | 107,830                         | 107,830                     |
|           | -                               | (620)                              | (3,686)                         | (4,306)                     |
|           | -                               | <b>(620)</b>                       | <b>61,712</b>                   | <b>703,523</b>              |
|           | (257,889)                       | 43,540                             | 732,684                         | 3,452,245                   |
|           | 2,688,616                       | 27,411                             | 7,515,260                       | 19,885,014                  |
| <b>\$</b> | <b>2,430,727</b>                | <b>\$ 70,951</b>                   | <b>\$ 8,247,944</b>             | <b>\$ 23,337,259</b>        |

**CITY OF MIDDLETOWN, OHIO  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2007**

|  |                              |
|--|------------------------------|
| <b>Net change in fund balances - total governmental funds</b>  | <b>\$ 3,452,245</b>          |
| <i>Amounts reported for governmental activities in the statement of activities are different due to the following:</i>   |                              |
| 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 as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period. |                              |
| Capital outlay   | 2,311,616                    |
| Depreciation expense   | (6,601,921)                  |
| Revenue in the statement of activities that do not provide current financial resources are to reported as revenues in the funds:   |                              |
| Income taxes   | (23,682)                     |
| Intergovernmental and other revenue  | (1,562,749)                  |
| Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.   |                              |
|  | 1,555,818                    |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.   |                              |
|  | 5,443                        |
| Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  |                              |
|  | (40,005)                     |
| Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue (expenses) of the internal service funds is reported with governmental activities.  |                              |
|  | <u>(385,911)</u>             |
| <b>Change in net assets of governmental activities</b>   | <b><u>\$ (1,289,146)</u></b> |



**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2007**

**Business Type Activities - Enterprise Funds**

|   | Water                | Sewer                | Transit System      |
|---|----------------------|----------------------|---------------------|
| <b>Assets:</b>                                  |                      |                      |                     |
| <b>Current assets</b>                           |                      |                      |                     |
| Equity in pooled cash and investments           | \$ 5,894,924         | \$ 6,751,175         | \$ 74,161           |
| Receivables                                     |                      |                      |                     |
| Accounts  | 639,746              | 560,832              | -                   |
| Loans   | 510,513              | -                    | -                   |
| Due from other funds                            | -                    | -                    | 1,485               |
| Intergovernmental                               | 177,643              | -                    | 244,202             |
| Inventory of supplies                           | 562,308              | 129,470              | -                   |
| <b>Total current assets</b>                     | <b>7,785,134</b>     | <b>7,441,477</b>     | <b>319,848</b>      |
| <b>Capital assets:</b>                          |                      |                      |                     |
| Land  | 1,152,665            | 152,500              | -                   |
| Land Improvements                               | 5,875                | -                    | -                   |
| Infrastructure assets                           | 25,088,841           | 28,324,468           | -                   |
| Buildings                                       | 12,127,138           | 12,246,408           | 1,227,000           |
| Equipment                                       | 5,329,600            | 9,727,759            | 1,682,786           |
| Less: Accumulated depreciation                  | (21,025,705)         | (27,914,777)         | (1,897,007)         |
| <b>Net capital assets</b>                       | <b>22,678,414</b>    | <b>22,536,358</b>    | <b>1,012,779</b>    |
| <b>Total assets</b>                             | <b>30,463,548</b>    | <b>29,977,835</b>    | <b>1,332,627</b>    |
| <b>Liabilities</b>                              |                      |                      |                     |
| <b>Current liabilities</b>                      |                      |                      |                     |
| Accounts payable                                | 207,243              | 18,287               | -                   |
| Accrued wages and benefits                      | 100,928              | 115,438              | 38,221              |
| Other accrued liabilities                       | 24,544               | 27,572               | 9,119               |
| Accrued interest payable                        | 14,956               | -                    | -                   |
| Due to other funds                              | 14,514               | 10,416               | 24,204              |
| Due to other governments                        | 676                  | -                    | -                   |
| Due to individuals                              | 368,535              | -                    | -                   |
| General obligation bonds payable                | 295,000              | -                    | -                   |
| Lease obligation payable                        | 348,669              | 348,669              | -                   |
| Unearned Revenue                                | 688,156              | -                    | -                   |
| Notes payable                                   | -                    | -                    | -                   |
| Compensated absences (short term portion)       | 57,575               | 63,172               | 11,365              |
| <b>Total current liabilities</b>                | <b>2,120,796</b>     | <b>583,554</b>       | <b>82,909</b>       |
| <b>Long-term liabilities</b>                    |                      |                      |                     |
| General obligation bonds payable                | 2,800,000            | -                    | -                   |
| Lease obligation                                | 3,382,213            | 3,382,213            | -                   |
| Compensated absences                            | 111,762              | 122,628              | 22,062              |
| <b>Total long-term liabilities</b>              | <b>6,293,975</b>     | <b>3,504,841</b>     | <b>22,062</b>       |
| <b>Total liabilities</b>                        | <b>8,414,771</b>     | <b>4,088,395</b>     | <b>104,971</b>      |
| <b>Net Assets</b>                               |                      |                      |                     |
| Invested in capital assets, net of related debt | 15,852,532           | 18,805,476           | 1,012,779           |
| Restricted for debt service                     | 775,124              | 480,124              | -                   |
| Unrestricted                                    | 5,421,121            | 6,603,840            | 214,877             |
| <b>Total net assets</b>                         | <b>\$ 22,048,777</b> | <b>\$ 25,889,440</b> | <b>\$ 1,227,656</b> |

The notes to the financial statements are an integral part of this statement.

|   |                                 |   |                      |                                       | <b>Governmental<br/>Activities -</b> |  |
|---|---------------------------------|---|----------------------|---------------------------------------|--------------------------------------|--|
| <b>Golf<br/>Course</b>  | <b>Solid Waste<br/>Disposal</b> | <b>Non Major<br/>Enterprise<br/>Funds</b> | <b>Totals</b>        | <b>Internal<br/>Service<br/>Funds</b> |                                      |  |
| \$ 15,792   | \$ 178,283                      | \$ 2,327,696                              | \$ 15,242,031        | \$ 2,410,833                          |                                      |  |
| -   | 251,466                         | 110,308                                   | 1,562,352            | 4,616                                 |                                      |  |
| -   | -                               | -   | 510,513              | -                                     |                                      |  |
| -   | -                               | -   | 1,485                | 244,507                               |                                      |  |
| -   | -                               | 77,418                                    | 499,263              | -                                     |                                      |  |
| 59,944  | -                               | -   | 751,722              | 177,828                               |                                      |  |
| <b>75,736</b>   | <b>429,749</b>                  | <b>2,515,422</b>                          | <b>18,567,366</b>    | <b>2,837,784</b>                      |                                      |  |
| 3,611,550   | 382,600                         | 1,541,256                                 | 6,840,571            | 195,750                               |                                      |  |
| 2,483,945   | -                               | 257,211                                   | 2,747,031            | -                                     |                                      |  |
| -   | -                               | 605,012                                   | 54,018,321           | -                                     |                                      |  |
| 710,031   | 74,652                          | 4,541,785                                 | 30,927,014           | 363,139                               |                                      |  |
| 283,124   | -                               | 1,075,329                                 | 18,098,598           | 9,100,743                             |                                      |  |
| (1,888,192)   | (41,474)                        | (2,753,161)                               | (55,520,316)         | (7,367,750)                           |                                      |  |
| <b>5,200,458</b>  | <b>415,778</b>                  | <b>5,267,432</b>                          | <b>57,111,219</b>    | <b>2,291,882</b>                      |                                      |  |
| <b>5,276,194</b>  | <b>845,527</b>                  | <b>7,782,854</b>                          | <b>75,678,585</b>    | <b>5,129,666</b>                      |                                      |  |
| -   | 188,158                         | 21,497                                    | 435,185              | 574,350                               |                                      |  |
| 30,200  | -                               | 10,226                                    | 295,013              | 24,942                                |                                      |  |
| 10,829  | -                               | 1,872                                     | 73,936               | 6,909                                 |                                      |  |
| 2,571   | 7,152                           | 34,748                                    | 59,427               | -                                     |                                      |  |
| 405,000   | -                               | 6,183                                     | 460,317              | 4,594                                 |                                      |  |
| 3,035   | -                               | -   | 3,711                | -                                     |                                      |  |
| -   | -                               | 1,800                                     | 370,335              | -                                     |                                      |  |
| 150,000   | 205,000                         | -   | 650,000              | -                                     |                                      |  |
| -   | -                               | -   | 697,338              | -                                     |                                      |  |
| -   | -                               | 77,418                                    | 765,574              | -                                     |                                      |  |
| -   | -                               | 1,715,000                                 | 1,715,000            | -                                     |                                      |  |
| 21,748  | -                               | 6,314                                     | 160,174              | -                                     |                                      |  |
| <b>623,383</b>  | <b>400,310</b>                  | <b>1,875,058</b>                          | <b>5,686,010</b>     | <b>610,795</b>                        |                                      |  |
| 1,575,000   | 1,210,000                       | -   | 5,585,000            | -                                     |                                      |  |
| -   | -                               | -   | 6,764,426            | -                                     |                                      |  |
| 42,217  | -                               | 12,593                                    | 311,262              | 81,536                                |                                      |  |
| <b>1,617,217</b>  | <b>1,210,000</b>                | <b>12,593</b>                             | <b>12,660,688</b>    | <b>81,536</b>                         |                                      |  |
| <b>2,240,600</b>  | <b>1,610,310</b>                | <b>1,887,651</b>                          | <b>18,346,698</b>    | <b>692,331</b>                        |                                      |  |
| 3,475,458   | (999,222)                       | 3,552,432                                 | 41,699,455           | 2,291,882                             |                                      |  |
| -   | -                               | -   | 1,255,248            | -                                     |                                      |  |
| (439,864)   | 234,439                         | 2,342,771                                 | 14,377,184           | 2,145,453                             |                                      |  |
| <b>\$ 3,035,594</b>   | <b>\$ (764,783)</b>             | <b>\$ 5,895,203</b>                       | <b>\$ 57,331,887</b> | <b>\$ 4,437,335</b>                   |                                      |  |
| Adjustment to reflect the consolidation of internal service fund activities |                                 |   | 1,334,513            |                                       |                                      |  |
| Total net assets from above   |                                 |   | 57,331,887           |                                       |                                      |  |
| Net assets of business-type activities                                      |                                 |   | \$ 58,666,400        |                                       |                                      |  |

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES OF NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

| <b>Business Type Activities - Enterprise Funds</b>  |                      |                      |                           |
|---|----------------------|----------------------|---------------------------|
|   | <b>Water</b>         | <b>Sewer</b>         | <b>Transit<br/>System</b> |
| <b>Operating revenues:</b>                          |                      |                      |                           |
| Charges for services                                | \$ 6,557,446         | \$ 6,663,127         | \$ 127,806                |
| Other operating revenue                             | 40,483               | 9,551                | 1,384                     |
| <b>Total operating revenues</b>                     | <b>6,597,929</b>     | <b>6,672,678</b>     | <b>129,190</b>            |
| <b>Operating expenses:</b>                          |                      |                      |                           |
| Personal services                                   | 1,936,392            | 2,103,363            | 675,608                   |
| Contractual services                                | 2,573,323            | 2,515,730            | 339,927                   |
| Commodities   | 332,905              | 335,249              | 3,256                     |
| Depreciation  | 1,131,071            | 1,238,332            | 308,492                   |
| Other operating expenses                            | 1,303,248            | 405,372              | -                         |
| <b>Total operating expenses</b>                     | <b>7,276,939</b>     | <b>6,598,046</b>     | <b>1,327,283</b>          |
| Operating income (loss)                             | (679,010)            | 74,632               | (1,198,093)               |
| <b>Non-operating revenues (expenses):</b>           |                      |                      |                           |
| Interest revenue                                    | 211,060              | 258,251              | -                         |
| Interest expense and fiscal charges                 | (324,896)            | (131,562)            | -                         |
| Operating grants                                    | 217,357              | -                    | 898,097                   |
| Income taxes  | -                    | -                    | 204,000                   |
| Loss on sale or disposal<br>of capital assets       | -                    | -                    | -                         |
| <b>Total non-operating<br/>revenues (expenses)</b>  | <b>103,521</b>       | <b>126,689</b>       | <b>1,102,097</b>          |
| Income (loss) before contributions and<br>transfers | (575,489)            | 201,321              | (95,996)                  |
| Transfers-out                                       | -                    | -                    | -                         |
| <b>Change in net assets</b>                         | <b>(575,489)</b>     | <b>201,321</b>       | <b>(95,996)</b>           |
| Total net assets,<br>beginning of year              | 22,624,266           | 25,688,119           | 1,323,652                 |
| <b>Total net assets, end of year</b>                | <b>\$ 22,048,777</b> | <b>\$ 25,889,440</b> | <b>\$ 1,227,656</b>       |

The notes to the financial statements are an integral part of this statement.



| Business Type Activities - Enterprise Funds                                  |                      |                            |                      | Governmental Activities - |  |
|--|----------------------|----------------------------|----------------------|---------------------------|--|
| Golf Course  | Solid Waste Disposal | Non Major Enterprise Funds | Totals               | Internal Service Funds    |  |
| \$ 1,621,902   | \$ 3,135,788         | \$ 1,711,245               | \$ 19,817,314        | \$ 7,046,076              |  |
| 7,594  | 16,893               | 1,817                      | 77,722               | 49,189                    |  |
| <b>1,629,496</b>   | <b>3,152,681</b>     | <b>1,713,062</b>           | <b>19,895,036</b>    | <b>7,095,265</b>          |  |
| 771,461  | -                    | 187,280                    | 5,674,104            | 567,307                   |  |
| 194,106  | 2,494,427            | 298,591                    | 8,416,104            | 4,674,990                 |  |
| 465,475  | -                    | 25,459                     | 1,162,344            | 844,750                   |  |
| 169,036  | 1,659                | 252,993                    | 3,101,583            | 656,079                   |  |
| 14,336   | 155,822              | 34,695                     | 1,913,473            | 58,203                    |  |
| <b>1,614,414</b>   | <b>2,651,908</b>     | <b>799,018</b>             | <b>20,267,608</b>    | <b>6,801,329</b>          |  |
| 15,082   | 500,773              | 914,044                    | (372,572)            | 293,936                   |  |
| -  | -                    | 80,124                     | 549,435              | 76,558                    |  |
| (93,705)   | (96,062)             | (71,496)                   | (717,721)            | -                         |  |
| -  | -                    | 472,533                    | 1,587,987            | -                         |  |
| -  | -                    | 96,000                     | 300,000              | -                         |  |
| -  | -                    | -                          | -                    | (64,653)                  |  |
| <b>(93,705)</b>  | <b>(96,062)</b>      | <b>577,161</b>             | <b>1,719,701</b>     | <b>11,905</b>             |  |
| (78,623)   | 404,711              | 1,491,205                  | 1,347,129            | 305,841                   |  |
| -  | -                    | -                          | -                    | (600,000)                 |  |
| <b>(78,623)</b>  | <b>404,711</b>       | <b>1,491,205</b>           | <b>1,347,129</b>     | <b>(294,159)</b>          |  |
| 3,114,217  | (1,169,494)          | 4,403,998                  | 55,984,758           | 4,731,494                 |  |
| <b>\$ 3,035,594</b>  | <b>\$ (764,783)</b>  | <b>\$ 5,895,203</b>        | <b>\$ 57,331,887</b> | <b>\$ 4,437,335</b>       |  |
| Adjustment to reflect the consolidation of Internal Service Funds activities |                      |                            | \$ 81,752            |                           |  |
| Changes in net assets of business-type activities from above                 |                      |                            | 1,347,129            |                           |  |
| Changes in net assets of business-type activities                            |                      |                            | \$ 1,428,881         |                           |  |

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR YEAR ENDED DECEMBER 31, 2007**

**Business Type Activities - Enterprise Funds**

|   | Water               | Sewer               | Transit<br>System |
|---|---------------------|---------------------|-------------------|
| <b>Cash flows from operating activities:</b>                        |                     |                     |                   |
| Cash received from customers  | \$ 6,832,108        | \$ 6,903,039        | \$ 127,806        |
| Cash payments to suppliers for goods and services                   | (2,888,585)         | (2,285,307)         | (33,913)          |
| Cash payments to employees for services                             | (1,678,318)         | (1,830,347)         | (619,670)         |
| Miscellaneous revenues  | 67,142              | -                   | 1,384             |
| Cash received from interfund services provided                      | -                   | -                   | -                 |
| Cash payments for interfund services used                           | (1,315,287)         | (1,262,721)         | (384,152)         |
| Deposits and collections for other governments                      | 41,226              | -                   | -                 |
| <b>Net cash provided (used) by operating activities</b>             | <b>1,058,286</b>    | <b>1,524,664</b>    | <b>(908,545)</b>  |
| <b>Cash flows from non-capital financing activities:</b>            |                     |                     |                   |
| Operating grants  | 578,904             | -                   | 750,940           |
| Interfund loan receipts/payments                                    | -                   | -                   | -                 |
| Transfers-out to other funds  | -                   | -                   | -                 |
| Income taxes received   | -                   | -                   | 204,000           |
| <b>Net cash provided (used) by non-capital financing activities</b> | <b>578,904</b>      | <b>0</b>            | <b>954,940</b>    |
| <b>Cash flows from capital and related financing activities:</b>    |                     |                     |                   |
| Sale of capital assets  | -                   | -                   | -                 |
| Purchase of capital assets  | (1,090,467)         | (1,045,578)         | (68,993)          |
| Interest expense  | (326,156)           | (131,562)           | -                 |
| Repayment of debt principal   | (560,929)           | (280,930)           | -                 |
| Note proceeds   | -                   | -                   | -                 |
| <b>Net cash used by capital and related financing activities</b>    | <b>(1,977,552)</b>  | <b>(1,458,070)</b>  | <b>(68,993)</b>   |
| <b>Cash flows from investing activities:</b>                        |                     |                     |                   |
| Interest income   | 211,060             | 258,251             | -                 |
| <b>Net cash provided by investing activities</b>                    | <b>211,060</b>      | <b>258,251</b>      | <b>-</b>          |
| Net change in cash and cash equivalents                             | (129,302)           | 324,845             | (22,598)          |
| Cash and pooled investments, beginning of year                      | 6,024,226           | 6,426,330           | 96,759            |
| <b>Cash and pooled investments, end of year</b>                     | <b>\$ 5,894,924</b> | <b>\$ 6,751,175</b> | <b>\$ 74,161</b>  |

| <b>Business Type Activities - Enterprise Funds</b> |                             |                                   |                      | <b>Governmental Activities -</b> |  |
|--|-----------------------------|-----------------------------------|----------------------|----------------------------------|--|
| <b>Golf Course</b>                                 | <b>Solid Waste Disposal</b> | <b>Non Major Enterprise Funds</b> | <b>Totals</b>        | <b>Internal Service Funds</b>    |  |
| \$ 1,626,419                                       | \$ 2,748,581                | \$ 1,776,480                      | \$ 20,014,433        | \$ -                             |  |
| (681,496)  | (2,333,830)                 | (353,452)                         | (8,576,583)          | (5,589,827)                      |  |
| (735,427)  | -                           | (137,721)                         | (5,001,483)          | (476,509)                        |  |
| 8,785  | -                           | 3,617                             | 80,928               | 126,247                          |  |
| -  | -                           | (52,264)                          | (52,264)             | 6,943,946                        |  |
| (42,712)   | -                           | -                                 | (3,004,872)          | (101,556)                        |  |
| 56   | -                           | -                                 | 41,282               | -                                |  |
| <b>175,625</b>                                     | <b>414,751</b>              | <b>1,236,660</b>                  | <b>3,501,441</b>     | <b>902,301</b>                   |  |
| -  | -                           | 472,533                           | 1,802,377            | -                                |  |
| 55,000   | -                           | -                                 | 55,000               | -                                |  |
| -  | -                           | -                                 | -                    | (600,000)                        |  |
| -  | -                           | 96,000                            | 300,000              | -                                |  |
| <b>55,000</b>                                      | <b>-</b>                    | <b>568,533</b>                    | <b>2,157,377</b>     | <b>(600,000)</b>                 |  |
| -  | -                           | -                                 | -                    | 63,354                           |  |
| -  | -                           | (1,021,691)                       | (3,226,729)          | (440,935)                        |  |
| (94,273)   | (96,993)                    | (78,146)                          | (727,130)            | -                                |  |
| (140,000)  | (195,000)                   | (1,630,000)                       | (2,806,859)          | -                                |  |
| -  | -                           | 1,717,378                         | 1,717,378            | -                                |  |
| <b>(234,273)</b>                                   | <b>(291,993)</b>            | <b>(1,012,459)</b>                | <b>(5,043,340)</b>   | <b>(377,581)</b>                 |  |
| -  | -                           | 77,746                            | 547,057              | 76,558                           |  |
| -  | -                           | <b>77,746</b>                     | <b>547,057</b>       | <b>76,558</b>                    |  |
| (3,648)  | 122,758                     | 870,480                           | 1,162,535            | 1,278                            |  |
| 19,440   | 55,525                      | 1,457,216                         | 14,079,496           | 2,409,555                        |  |
| <b>\$ 15,792</b>                                   | <b>\$ 178,283</b>           | <b>\$ 2,327,696</b>               | <b>\$ 15,242,031</b> | <b>\$ 2,410,833</b>              |  |

continued

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2007**

**Business Type Activities - Enterprise Funds**

|  | <b>Water</b>        | <b>Sewer</b>        | <b>Transit<br/>System</b> |
|--|---------------------|---------------------|---------------------------|
| Reconciliation of operating income to net cash provided (used) by operating activities:                  |                     |                     |                           |
| Operating income (loss)  | \$ (679,010)        | \$ 74,632           | \$ (1,198,093)            |
| Adjustments to reconcile operating income (loss)<br>to net cash provided (used) by operating activities: |                     |                     |                           |
| Depreciation   | 1,131,071           | 1,238,332           | 308,492                   |
| Changes in assets and liabilities:   |                     |                     |                           |
| Decrease (increase) in accounts receivable (net)   | 717,721             | 617,541             | -                         |
| Decrease (increase) in inventory of supplies   | (264,759)           | 7,623               | -                         |
| Increase (decrease) in accounts payable  | 156,918             | (389,541)           | (5,696)                   |
| Increase (decrease) in accrued wages and benefits  | (29,211)            | (32,713)            | 2,516                     |
| Increase (decrease) in other accrued liabilities   | (6,691)             | (4,636)             | (2,076)                   |
| Increase (decrease) in due to other funds  | 2,560               | 1,567               | 1,270                     |
| Increase (decrease) in compensated absences payable  | (11,539)            | 11,859              | (14,958)                  |
| Increase (decrease) in due to other governments  | 148                 | -                   | -                         |
| Increase (decrease) in due to individuals  | 41,078              | -                   | -                         |
| <b>Total adjustments</b>   | <b>1,737,296</b>    | <b>1,450,032</b>    | <b>289,548</b>            |
| <b>Net cash provided (used) by operating activities</b>  | <b>\$ 1,058,286</b> | <b>\$ 1,524,664</b> | <b>\$ (908,545)</b>       |

The notes to the financial statements are an integral part of this statement.

| <b>Business Type Activities - Enterprise Funds</b> |                             |                                   |                     | <b>Governmental</b>           |
|--|-----------------------------|-----------------------------------|---------------------|-------------------------------|
| <b>Golf Course</b>                                 | <b>Solid Waste Disposal</b> | <b>Non Major Enterprise Funds</b> | <b>Totals</b>       | <b>Internal Service Funds</b> |
| \$ 15,082  | \$ 500,773                  | \$ 914,044                        | \$ (372,572)        | \$ 293,936                    |
| 169,036  | 1,659                       | 252,993                           | 3,101,583           | 656,079                       |
| 5,708  | (248,278)                   | 71,307                            | 1,163,999           | 18,149                        |
| (1,480)  | -                           | -                                 | (258,616)           | 1,956                         |
| (4,181)  | 160,597                     | (36,485)                          | (118,388)           | (22,967)                      |
| 209  | -                           | 8,216                             | (50,983)            | (784)                         |
| (8,738)  | -                           | 1,268                             | (20,873)            | (3,218)                       |
| -  | -                           | 5,261                             | 10,658              | (43,221)                      |
| (67)   | -                           | 18,256                            | 3,551               | 2,371                         |
| 56   | -                           | -                                 | 204                 | -                             |
| -  | -                           | 1,800                             | 42,878              | -                             |
| <b>160,543</b>                                     | <b>(86,022)</b>             | <b>322,616</b>                    | <b>3,874,013</b>    | <b>\$ 608,365</b>             |
| <b>\$ 175,625</b>                                  | <b>\$ 414,751</b>           | <b>\$ 1,236,660</b>               | <b>\$ 3,501,441</b> | <b>\$ 902,301</b>             |

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2007**

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|  | <b>Total<br/>Agency<br/>Funds</b> |
|--|-----------------------------------|
| <b>Assets:</b>   |                                   |
| Cash and equity in pooled cash, deposits and investments | \$ 73,074                         |
| Cash with fiscal and escrow agent                        | 295,532                           |
| Property taxes receivable                                | 144,093                           |
| <b>Total assets</b>                                      | <b><u>\$ 512,699</u></b>          |
| <b>Liabilities:</b>                                      |                                   |
| Due to other governments                                 | \$ 371,007                        |
| Due to individuals                                       | 22,540                            |
| Unapportioned monies                                     | 119,152                           |
| <b>Total liabilities</b>                                 | <b><u>\$ 512,699</u></b>          |

The notes to the financial statements are an integral part of this statement.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Middletown, Ohio, was incorporated as a City in 1837 under the laws of the State of Ohio. The City operates under a Council-Manager form of government and provides the following services as authorized by its Charter: Public Safety (police and fire), Human Resources (social services), Planning and Development, Public Works (maintenance and construction of public improvements), Recreation (swimming pools and golf course), Public Utilities (water and sewer service) Public Health Services, Municipal Court Services, and General Government Services. The financial statements of the City of Middletown, Ohio, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City follows Financial Accounting Standards Board (FASB) standards of accounting and financial reporting issued on or before November 30, 1989 in its government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict GASB guidance. The City has elected not to follow subsequent FASB guidance. The significant accounting policies used in the preparation of these financial statements are summarized below.

**A. REPORTING ENTITY**

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board, the financial reporting entity consists of the primary government (The City of Middletown as legally defined). Potential component units were considered for inclusion in the financial reporting entity. Component units are separate organizations for which the elected officials of the primary government would be financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will be by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. A component unit which is fiscally dependent upon the primary government even when the primary government does not have a voting majority of the component unit's board is also to be included in the statements of the primary government.

**Blended Component Unit**

This component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate funds.

**Discretely Presented Component Units**

Discretely presented component units are entities that are legally separate from the City, but for which the City is financially accountable, or whose relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

The City of Middletown does not have any component units to be included in its financial report.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

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Related Organization

The City is associated with the Middletown Public Library, which is a related organization. The library is presented in Note 17 to the basic financial statements.

Included within the reporting entity:

Among activities and services provided by the City are a police force, a fire-fighting force, a municipal court system, a sewage treatment plant, a water treatment plant, an airport, a street maintenance force, a park and recreation system, and a staff to provide the necessary support to these service providers. Each of these activities and services is under the direct control of the City Council, which appropriates for and finances its operation and is not legally separable. Each is, therefore, included as part of the reporting entity.

**B. BASIS OF PRESENTATION**

*Government-wide Financial Statements*

The statement of net assets and the statement of activities display information about the City as a whole. The statements distinguish between those activities that are governmental in nature, which are normally supported by taxes and intergovernmental revenues; and business-type activities, which rely to a significant extent upon fees and charges for support. Interfund and internal service fund activities are generally eliminated to avoid the "doubling-up" effect on revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of expenses with program revenues identifies the extent to which each governmental function or business-type segment is self-financing or relies upon general revenues of the City.

The caption "Capital assets, net of related debt" consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net assets are reported as restricted when constraints placed upon their use are either: 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or



**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

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regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restriction on their net asset use. When both restricted and non-restricted resources are available for use, it is the City's policy to use non-restricted resources first, and then restricted resources, as they are needed.

***Fund Financial Statements***

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All other funds are aggregated and reported as non-major governmental or non-major proprietary funds. The effect of inter-fund activity has been eliminated from the government-wide financial statements.

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**Governmental funds** are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's major governmental funds:

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

***Housing Assistance Fund*** - To account for monies received from the Department of Housing and Urban Development for the City's Section 8 Housing Program.

***Community Development Act Escrow Fund*** - To account for federal monies received through the City's Community Development block grants for providing low interest rehabilitation loans to property owners in targeted areas.

***Special Assessment Debt Service Fund*** - To accumulate special assessment revenues collected by the County and remitted to the City for the payment of special assessment bonds.

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**Proprietary funds** are used to account for the City's ongoing activities that are similar to those found in the private sector where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. The following are the City's major enterprise funds:

***Water Fund*** - Accounts for the provision of water treatment and distribution to the residents and commercial users of the City.

***Sewer Fund*** - Accounts for the City's provision of sanitary sewer services to the residents and commercial users of the City.

***Transit System*** - Accounts for the operation of the City's public bus line system.

***Golf Course*** - Accounts for the operation of the City's public golf course.

***Solid Waste Disposal Fund*** - Accounts for the City's refuse pickup charges and the cost of the City's refuse hauling contract. The annual principal and interest payments on the \$3.3 million 1994 bond issue in connection with the closing of the City landfill are made by this fund.

***Internal Service Funds*** - Accounts for employee health benefits costs and for vehicle purchases and maintenance costs to other departments of the City on a cost-reimbursement basis.

**Fiduciary Funds.** The City's only fiduciary funds are agency funds which are custodial and account for assets held on behalf of others.

**C. BASIS OF ACCOUNTING**

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

All governmental fund types are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The available period for the City is thirty-one days after year-end. Expenditures are generally recognized in the accounting period in which the related

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fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest earnings, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, grants, and municipal income tax.

The City reports deferred revenues on its governmental funds' balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Current and delinquent property taxes measurable as of December 31, 2007, whose availability is indeterminable and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside the available period, the entire amount has been deferred.

Since governmental funds' financial statements use a different measurement focus and basis of accounting than the government-wide statements, governmental funds' financial statements include reconciliations to the government-wide statements.

***Proprietary Funds.*** All proprietary funds - enterprise funds and internal service funds - are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accrual basis of accounting is utilized by the proprietary fund types. Under this method, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred.

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***Fiduciary Funds.*** The City's only fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds are accounted for using the accrual basis of accounting.

**D. CASH, DEPOSITS, AND INVESTMENTS**

Cash resources of individual funds, except for petty cash and specific accounts used to administer various activities are combined to form a pool of cash, deposits, and investments which is managed by the City Treasurer. Deposits and investments in the pool consist of certificates of deposit, investments in the State of Ohio STAROhio Investment Pool, purchases of the City's notes and special assessment bonds, U. S. Treasury and agency securities, and money market funds containing only U. S. Treasury and agency securities. Investments in bonds, U.S. Treasury and agency securities, and money market funds are reported at fair value, which is based on quoted market prices. Interest earned on pooled cash, deposits, and investments is distributed to the City's General Fund except as stipulated by ordinance or statute.

STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2007.

For purposes of the statements of cash flows, the City of Middletown considers the Proprietary Fund types equity in pooled cash, deposits, and investments to be highly liquid because those funds are able to withdraw (expend) cash at any time without prior notice or penalty. Restricted cash is not considered to be cash equivalents because these investments have a maturity of over three months when purchased.

**E. CASH WITH FISCAL AND ESCROW AGENT**

Money held on behalf of the City by a fiscal or escrow agent represents either money earmarked for the payment of debt, payroll withholdings, or retained by agents administering loan programs.

**F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables and short-term interfund loans are classified as "due from other funds" or "due to other funds" on the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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**G. INVENTORY OF SUPPLIES**

Inventory is recorded at cost (first-in, first-out). Inventory in the Governmental Funds consists of expendable items and is recorded on a consumption basis. "Consumption basis" means that the expenditure is recorded when the inventory is consumed. Recorded inventories in the Governmental Fund types are offset equally by fund balance reserves, which indicate that they do not constitute "available spendable resources."

**H. CAPITAL ASSETS**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Also included in capital assets are infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, drainage systems and similar items) constructed or acquired on or after January 1, 1980.

The City defines capital assets as those with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received. Interest on constructed capital assets is capitalized for business-type activities.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Depreciation is determined by allocating the cost of capital assets over the estimated useful lives of the assets on a straight-line basis. The estimated lives are as follows:

|                       |               |
|-----------------------|---------------|
| Equipment             | 6 to 20 Years |
| Land Improvements     | 20 Years      |
| Infrastructure Assets | 45 Years      |
| Buildings             | 45 Years      |
| Streets and Highways  | 20 Years      |

**I. CAPITALIZATION OF INTEREST**

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 construction project and the interest earned from the temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2007, interest costs incurred on construction projects were not material.

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**J. RESERVATIONS AND DESIGNATIONS OF FUND EQUITY**

Reserves and designations 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 or designated for inventory of supplies and materials, encumbrances, and loans.

**K. INTERFUND TRANSACTIONS**

During the normal course of operations, the City has numerous transactions between funds. These transactions include charges for services provided by an Internal Service Fund to other funds, interfund reimbursements, and interfund transfers.

During the year, the City records local income tax receipts and the subsequent distribution of these receipts to the appropriate City funds in the City Income Tax Fund. The income tax distributions are made by the Income Tax Fund based upon the City's appropriation resolutions and are recorded as transfers. On the year-end financial statements, all transfers of income tax revenues are classified as municipal income revenue of the appropriate funds and, therefore, do not appear in this report as transfers. Funds receiving municipal income tax revenue are the General Fund, the Auto & Gas Tax Fund, the Termination Pay Fund, the Municipal Court Fund, the Health Fund, the Police Pension Fund, the Fire Pension Fund, the General Obligation Debt Service Fund, the Transit Fund, and the Parking Fund.

The Internal Service Fund records charges for services to all City funds, departments and other governmental units as operating revenue. Both Governmental and Proprietary Funds record these payments to the Internal Service Fund as operating expenditures/expenses.

Transactions that constitute reimbursements of a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses, as appropriate, in the reimbursing fund and as reductions of the expenditure/expense in the fund that is reimbursed.

Transfers represent transfers of resources from a fund receiving revenue to a fund through which those resources will be expended. They are recorded as other financing sources (uses) in Governmental Funds and as transfers-in (out) in Proprietary Funds. A summary of transfers by fund type follows:

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**INTERFUND TRANSFERS**

| Governmental Funds           | Transfers In   | Transfers Out  |
|------------------------------|----------------|----------------|
| General Fund                 | \$ 642,431     | \$ 0           |
| Internal Service Funds       | 0              | 600,000        |
| Non Major Governmental Funds | <u>200,000</u> | <u>242,431</u> |
| Total                        | \$ 842,431     | \$ 842,431     |

The General Fund received (\$600,000) from the internal service funds. This is due to reimbursements made for overpayments made by the General Fund. The General Fund also received \$42,431 from the Civic Development fund to help cover the labor costs associated with special events held during the year.

The City's non-major governmental funds received \$200,000 in 2007. This was a transfer for debt service from the Capital Improvements Fund.

**L. INTERGOVERNMENTAL REVENUES**

In Governmental Funds, Federal grants awarded on non-reimbursement basis, and Federal entitlements are recorded as intergovernmental receivables and revenues when entitlement occurs. Federal grants awarded on a reimbursement basis are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

**M. COMPENSATED ABSENCES**

The City's sick leave liability was calculated using the vesting method.

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance. The City accrues unused portions of vacation pay in the period earned.

Accumulated Unpaid Sick Leave

All City employees (except firefighters), earn sick leave at the rate of ten hours per calendar month of service. Firefighters earn sick leave at the rate of thirteen and one-half hours per calendar month of service. Sick leave usage is recorded for all employees at the time it is used.

Upon retirement from the City, non-fire employees with twenty-five years of service are paid for one-half their accumulated unused sick leave up to a maximum of 424 hours. Employees who are eligible to retire, but do not have twenty-five years of service, are paid for one-third of their sick

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leave up to a maximum of 264 hours. All other employees who leave City employment receive payment for one-third of the accumulated sick leave over 280 hours up to a maximum of 264 hours.

Firefighters are paid for their accumulated sick leave upon retirement according to the IAFF labor contract with the City. The contract specifies a maximum accumulated sick leave retirement payment of 500 hours.

At December 31, 2007, the total liability of the City for compensated absences was \$4,846,583.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

An annual appropriation budget is prepared on the cash basis for all funds of the City except Agency Funds. The following are the procedures used by the City for establishing the budgetary data reported in the basic financial statements. The procedures are listed in the order in which they occur during each fiscal year as required by the State of Ohio. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

**BUDGETARY PROCEDURES**

**Budget**

A tax budget of estimated revenues and expenditures for all funds other than Agency Funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**Estimated Resources**

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized tax rates and reviews revenue estimates. The Budget Commission certifies its action 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 stated in the Certificate of Estimated Resources. On or about January 1, the certificate is amended to include any unencumbered balances from the preceding year. The revised budget then serves as the basis for the appropriation measure. The Certificate of Estimated Resources may be further amended during the year if a new source of revenue is identified or actual revenue exceeds current estimates. The amounts reported on the budgetary statement reflect the amounts in the final Amended Certificate of Estimated Resources issued for 2007.

**Appropriations**

An appropriation measure to control expenditures is enacted before January 1 of each year for the period from January 1 to December 31. The appropriation resolution may be adjusted and/or supplemented during the year by action of City Council as new information becomes available, but fund appropriations



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may not exceed estimated resources. Supplemental appropriation measures enacted during 2007 increased the original 2007 Appropriation Resolution by \$15,465,378 for all budgeted funds. The majority of these supplemental appropriations are due to two major factors. Additional funds for the amount of \$5,481,000 were appropriated for capital projects in the Water and Sewer Funds and \$6,340,000 to complete the annual Fire Division budget. The original budget only covered the Fire Division for three months.

*Budgeted Level of Expenditures*

Appropriations are made by fund and department. The legal level of control is the department within each fund. City Council may alter amounts allocated to various funds during the year as the need arises by adopting modification to the appropriation measure. Management may make appropriation transfers within individual departments. Amounts shown in the budgetary financial statements represent the final amounts appropriated for 2007, including all supplemental appropriations and modifications.

*Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control.

*Lapsing of Appropriations*

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. However, the budgetary statements for funds that had outstanding encumbrances at December 31, 2006, reflect an "Appropriation for prior year encumbrances."

**NOTE 3 - CASH AND EQUITY IN POOLED CASH, DEPOSITS AND INVESTMENTS,  
CASH WITH FISCAL AGENTS AND RESTRICTED CASH AND INVESTMENTS**

The City follows the practice of pooling cash and investments with the City Treasurer except for the cash of certain accounts maintained by the Municipal Court Fund, Housing Assistance Fund, and the Community Development Escrow Fund.

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Cash deposits and investments of the City as of December 31, 2007, are comprised of the following:

|                                  |                     |
|----------------------------------|---------------------|
| <b>Deposits</b>                  |                     |
| Petty Cash                       | \$ 5,700            |
| Demand deposit accounts          | 5,101,825           |
| Subtotal deposits                | \$5,107,525         |
| <br><b>Investments</b>           |                     |
| Money Market Funds               | 1,431,581           |
| U.S. Gov't and Agency Securities | 30,586,909          |
| STAR Ohio                        | 4,027,174           |
| Subtotal investments             | \$36,045,664        |
| <b>Total</b>                     | <b>\$41,153,189</b> |

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures"

Deposits

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year-end, \$4,719,918 of the City's bank balance of \$5,219,918 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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Investments

The City's investments at December 31, 2007 are as summarized as follows:

|                       | <u>Fair Value</u>    | <u>Average<br/>Maturity<br/>Years</u> |
|-----------------------|----------------------|---------------------------------------|
| US Treasury Bills     | 2,846,272            | 0.21                                  |
| US Treasury Notes     | 27,740,638           | 1.61                                  |
| Star Ohio             | 4,027,174            | n/a                                   |
| US Money Market Funds | <u>1,431,581</u>     | n/a                                   |
|                       | \$ <u>36,045,665</u> |                                       |

*Credit Risk*

It is the City's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top two ratings by nationally recognized statistical rating organizations. The City's investments in the U.S. Money Market Funds were rated AAA by Standard & Poor's. Investments in STAR Ohio were rated AAA by Standard & Poor's.

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City is required to disclose the amount of investments with any one issuer that represent five percent or more of total investments. Investments issued by the U.S. government, and investments in external investment pools are excluded from this requirement. At December 31, 2007, over 96% of the City's investments are in these excluded categories.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment securities are registered in the name of the City.

*Interest Rate Risk*

In accordance with the investment policy, the City manages its exposure to declines in fair value by limiting the maximum maturity of investments in its portfolio to five years.

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**NOTE 4 - FUND BALANCE/NET ASSETS DEFICITS**

At December 31, 2007, the following funds had fund balance/net assets deficits:

**Enterprise Funds**

*Solid Waste Fund*

The \$764,783 deficit in this fund is the result of a 1994 bond issue to finance the closure of the City landfill. The deficit will be corrected when the bonds are fully retired.

**NOTE 5 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible (used in business) property located in the City. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 per cent of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50 per cent of cost). Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 per cent of true value. The assessed value upon which the 2007 taxes were collected was \$919,777,172. The full tax rate for all City operations for the fiscal year ended December 31, 2007, was \$5.90 per \$1,000 of assessed valuation.

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

Tangible personal property taxes are also payable 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 by October 9. Multi-county corporations may pay the entire tax due in one payment by October 9.

The County Treasurer collects property tax on behalf of all taxing districts within Butler County and Warren County. The auditor periodically remits these property tax receipts to the City.

Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies that are measurable as of December 31, 2007. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2007 operations. The receivable is therefore offset by a credit to deferred revenue.

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**NOTE 6 - INCOME TAX**

The City levies an income tax of 1.50 percent on substantially all earned income arising from employment, residency, or business activities inside the City. Employers within the City are required to withhold income tax on employee compensation and remit it to the City at least quarterly. Corporations and certain individual taxpayers are required to pay quarterly estimates with the largest corporations remitting monthly.

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2007 was as follows:

| <b>GOVERNMENTAL ACTIVITIES</b>  |                          |                      |                    |                       |
|---------------------------------|--------------------------|----------------------|--------------------|-----------------------|
| <u>Capital Asset</u>            | <u>Beginning Balance</u> | <u>Increase</u>      | <u>Decrease</u>    | <u>Ending Balance</u> |
| Land                            | \$11,862,365             | \$ 600,000           | \$ 0               | \$12,462,365          |
| Land improvements               | 749,923                  | 0                    | 0                  | 749,923               |
| Buildings                       | 23,894,819               | 31,894               | 0                  | 23,926,713            |
| Equipment                       | 15,866,002               | 593,446              | (565,035)          | 15,894,413            |
| General infrastructure          | <u>150,513,065</u>       | <u>1,527,231</u>     | <u>0</u>           | <u>152,040,296</u>    |
| <b>Total at Historical Cost</b> | <b>202,886,174</b>       | <b>2,752,571</b>     | <b>(565,035)</b>   | <b>205,073,710</b>    |
| Less accumulated depreciation:  |                          |                      |                    |                       |
| Land improvements               | 259,411                  | 35,237               | 0                  | 294,648               |
| Buildings                       | 12,351,104               | 575,537              | 0                  | 12,926,641            |
| Equipment                       | 11,584,759               | 1,007,905            | (437,008)          | 12,155,656            |
| General infrastructure          | <u>91,972,084</u>        | <u>5,639,321</u>     | <u>0</u>           | <u>97,611,405</u>     |
| <b>Total depreciation</b>       | <b>116,167,358</b>       | <b>7,258,000</b>     | <b>(437,008)</b>   | <b>122,988,350</b>    |
| Capital Assets, Net             | <b>\$ 86,718,816</b>     | <b>\$(4,505,429)</b> | <b>\$(128,027)</b> | <b>\$ 82,085,360</b>  |

Depreciation was charged to governmental functions as follows:

|                           |                  |
|---------------------------|------------------|
| General government        | \$ 1,004,874     |
| Leisure                   | 147,732          |
| Public health and welfare | 38,873           |
| Community environment     | 0                |
| Public safety             | 443,763          |
| Streets and highways      | <u>5,622,758</u> |
| Total                     | \$7,258,000      |

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| <b><i>BUSINESS-TYPE ACTIVITIES</i></b>                     |                                 |                         |                        |                              |
|--|---------------------------------|-------------------------|------------------------|------------------------------|
| <u><i>Capital Asset</i></u>                                | <u><i>Beginning Balance</i></u> | <u><i>Increase</i></u>  | <u><i>Decrease</i></u> | <u><i>Ending Balance</i></u> |
| Capital assets, not being depreciated:                     |                                 |                         |                        |                              |
| <i>Land</i>  | \$6,840,571                     | \$0                     | \$0                    | \$6,840,571                  |
| Capital assets, being depreciated:                         |                                 |                         |                        |                              |
| Land improvements  | 2,737,344                       | 9,687                   | 0                      | 2,747,031                    |
| Buildings  | 30,058,093                      | 868,921                 | 0                      | 30,927,014                   |
| Equipment  | 17,028,962                      | 1,069,636               | 0                      | 18,098,598                   |
| Infrastructure   | <u>52,739,836</u>               | <u>1,278,485</u>        | <u>0</u>               | <u>54,018,321</u>            |
| <i>Total capital asset, being depreciated</i>              | <i>102,564,235</i>              | <i>3,226,729</i>        | <i>0</i>               | <i>105,790,964</i>           |
| <b><i>Totals at Historical Cost</i></b>                    | <b><i>109,404,806</i></b>       | <b><i>3,226,729</i></b> | <b><i>0</i></b>        | <b><i>112,631,535</i></b>    |
| Less accumulated depreciation:                             |                                 |                         |                        |                              |
| Land improvements  | 1,417,418                       | 153,619                 | 0                      | 1,571,037                    |
| Buildings  | 11,444,203                      | 838,689                 | 0                      | 12,282,892                   |
| Equipment  | 8,637,041                       | 1,258,122               | 0                      | 9,895,163                    |
| General infrastructure                                     | <u>30,920,071</u>               | <u>851,153</u>          | <u>0</u>               | <u>31,771,224</u>            |
| <i>Total depreciation</i>                                  | <i>52,418,733</i>               | <i>3,101,583</i>        | <i>0</i>               | <i>55,520,316</i>            |
| <b><i>Total capital assets, being depreciated, net</i></b> | <b><i>50,145,502</i></b>        | <b><i>125,146</i></b>   | <b><i>0</i></b>        | <b><i>50,270,648</i></b>     |
| <b>Capital Assets, Net</b>                                 | <b>\$ 56,986,073</b>            | <b>\$ 125,146</b>       | <b>\$ 0</b>            | <b>\$ 57,111,219</b>         |

Depreciation was charged to business-type activities as follows:

|                 |                |
|-----------------|----------------|
| Water           | \$ 1,131,071   |
| Sewer           | 1,238,332      |
| Transit         | 308,492        |
| Golf            | 169,036        |
| Solid Waste     | 1,659          |
| Non major funds | <u>252,993</u> |
| Total           | \$3,101,583    |

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 - PENSION PLANS**

Eligible employees of the City of Middletown are covered by either the Ohio Public Employees Retirement System (OPERS) of Ohio or the Police and Firemen's Disability and Pension Fund (PFDPF) of the State of Ohio.

**A. Public Employees Retirement System of Ohio**

Ohio Public Employees Retirement System of Ohio (OPERS) administers three separate pension plans as described below:

- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
- 2) 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.
- 3) 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.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code.

The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701, or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for employees other than law enforcement is 9.5%. For 2007, member and employer contributions were consistent across all three plans. Separate divisions for law enforcement and public safety exist only with the traditional pension plan. The 2007 employer contribution rate for local government employer units was 13.85% of covered payroll. The City of Middletown's contribution to OPERS for the years ending December 31, 2005, 2006, and 2007 were \$1,729,334, \$1,714,160, and \$1,669,700 respectively, equal to the required contributions billed to the City by OPERS.

**CITY OF MIDDLETOWN  
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**B. The Police and Firemen's Disability and Pension Fund**

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. Middletown's contributions for the years ending December 31, 2005, 2006, and 2007 were \$2,264,891, \$2,298,262, and \$2,266,374 respectively, equal to the required contribution for each year.

**NOTE 9 - INCURRED BUT NOT REPORTED CLAIMS - HEALTH PLAN**

The City of Middletown has a self-insured health plan that is accounted for in the Employee Benefits Fund. All full-time employees of the City are eligible to enroll in this plan which is administered by an independent Third Party Plan Administration Company. Claims incurred but not reported as of December 31, 2007, were calculated by the Plan Administrator based upon the City's claims experience over the past twelve months. The accounts payable liability recorded in the Employee Benefits Fund at year-end for claims incurred but not reported was \$523,646.

| Year | Beginning of<br>Fiscal Year<br>Liability | Current Year<br>Claims & Changes<br>In Estimate | Claims<br>Payments | Balance At<br>Fiscal<br>Year End |
|------|--|---|--------------------|----------------------------------|
| 2006 | \$599,794                                | \$4,193,558                                     | \$4,209,067        | \$584,285                        |
| 2007 | \$584,285                                | \$4,250,089                                     | \$4,310,728        | \$523,646                        |



**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS**

Long-term obligation of the City as of December, 31, 2007, are as follows:

**A. GOVERNMENTAL ACTIVITIES**

|                                       | Balance,<br>Beginning<br>of Year | Additions | Reductions     | Balance,<br>End of<br>Year | Due Within<br>One Year |
|---------------------------------------|----------------------------------|-----------|----------------|----------------------------|------------------------|
| <i>Special Assessment Bonds:</i>      |                                  |           |                |                            |                        |
| 1988 Street Improvements              | 6,000                            | 0         | 3,000          | 3,000                      | 3,000                  |
| 1990 Street Improvements              | 48,000                           | 0         | 12,000         | 36,000                     | 12,000                 |
| 1991 Street Improvements              | 105,000                          | 0         | 20,000         | 85,000                     | 20,000                 |
| 1992 Street Improvements              | 12,000                           | 0         | 2,000          | 10,000                     | 2,000                  |
| 1993 Street Improvements              | 49,000                           | 0         | 7,000          | 42,000                     | 7,000                  |
| 1994 Street Improvements              | 40,000                           | 0         | 5,000          | 35,000                     | 5,000                  |
| 1995-1 Street Improvements            | 95,000                           | 0         | 10,000         | 85,000                     | 10,000                 |
| 1995-2 Street Improvements            | 60,000                           | 0         | 5,000          | 55,000                     | 5,000                  |
| 1996 Street Improvements              | 125,000                          | 0         | 10,000         | 115,000                    | 10,000                 |
| 1996 Sewer Imp.-Dick's Creek          | 99,858                           | 0         | 9,078          | 90,780                     | 9,078                  |
| 1996 Sewer Imp.-Cin/Dayton Rd.        | 10,142                           | 0         | 922            | 9,220                      | 922                    |
| 1997 Sophie Street Improvements       | 150,000                          | 0         | 10,000         | 140,000                    | 10,000                 |
| 1997 Dix Road Improvements            | 130,000                          | 0         | 10,000         | 120,000                    | 10,000                 |
| 1998 Lewis Street Improvements        | 58,000                           | 0         | 4,000          | 54,000                     | 4,000                  |
| 1999 Marshall Road Improvements       | 340,000                          | 0         | 20,000         | 320,000                    | 20,000                 |
| 2000 Burbank Street Improvements      | 155,000                          | 0         | 5,000          | 150,000                    | 10,000                 |
| 2001 Illinois/Longfellow Improve.     | 176,358                          | 0         | 8,139          | 168,219                    | 8,139                  |
| 2001 Dick's Creek                     | 91,458                           | 0         | 4,221          | 87,237                     | 4,221                  |
| 2001 Oxford State Rd Water Line       | 57,189                           | 0         | 2,639          | 54,550                     | 2,639                  |
| 2001 Oxford State Rd Intersection     | 50,000                           | 0         | 3,000          | 47,000                     | 3,000                  |
| 2001 Sidewalk, Curb                   | 45,000                           | 0         | 0              | 45,000                     | 0                      |
| 2002 Sidewalk, Curb                   | 90,000                           | 0         | 45,000         | 45,000                     | 45,000                 |
| 2003 Sidewalk, Curb                   | 90,000                           | 0         | 30,000         | 60,000                     | 30,000                 |
| 2006 Roosevelt Ave. Improvements      | 545,000                          | 0         | 20,000         | 525,000                    | 20,000                 |
| 2006 Towne Blvd. Improvements         | 530,000                          | 0         | 10,000         | 520,000                    | 10,000                 |
| 2007 Breiel/Fiesta Sidewalk, Curb     | 52,637                           | 0         | 9,637          | 43,000                     | 9,900                  |
| 2007 Cincinnati Dayton Rd Sewer       | 153,681                          | 0         | 4,681          | 149,000                    | 5,000                  |
| 2007 Fiesta Storm Sewer               | 5,943                            | 0         | 500            | 5,443                      | 500                    |
| <b>Total Special Assessment Bonds</b> | <b>3,370,266</b>                 | <b>0</b>  | <b>270,824</b> | <b>3,099,442</b>           | <b>276,399</b>         |

**CITY OF MIDDLETOWN  
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Note: Adjustments were made to 2001 Sidewalk Curb bond. The principal of \$45,000 was added due to an error discovered in the amortization schedule.

|                                       | Balance,<br>Beginning<br>of Year | Additions       | Reductions         | Balance,<br>End of Year | Due<br>Within<br>One Year |
|---------------------------------------|----------------------------------|-----------------|--------------------|-------------------------|---------------------------|
| <i>General Obligation Bonds:</i>      |                                  |                 |                    |                         |                           |
| 1994 Transportation                   | 1,840,000                        | 0               | 225,000            | 1,615,000               | 235,000                   |
| 1994 Recreation                       | 315,000                          | 0               | 40,000             | 275,000                 | 40,000                    |
| 1996 Street Improvements              | 1,300,000                        | 0               | 100,000            | 1,200,000               | 105,000                   |
| 1999 Downtown Improvements            | 7,960,000                        | 0               | 440,000            | 7,520,000               | 460,000                   |
| 2003 Court of Appeals                 | 3,560,000                        | 0               | 160,000            | 3,400,000               | 165,000                   |
| 2004 MRH Land                         | 4,880,000                        | 0               | 125,000            | 4,755,000               | 225,000                   |
| 2006 Towne Blvd. Extension            | 3,645,000                        | 0               | 195,000            | 3,450,000               | 170,000                   |
| <b>Total General Obligation Bonds</b> | <b>23,500,000</b>                | <b>0</b>        | <b>1,285,000</b>   | <b>22,215,000</b>       | <b>1,400,000</b>          |
| Compensated Absences                  | 4,280,024                        | 95,123          | 0                  | 4,375,147               | 1,463,635                 |
| Police & Fire Pension                 |                                  |                 |                    |                         |                           |
| Unfunded Accrued Liability            | 2,652,306                        | 0               | 97,741             | 2,554,565               | 97,741                    |
| <b>Total Governmental Activities</b>  | <b>\$33,802,596</b>              | <b>\$95,123</b> | <b>\$1,718,558</b> | <b>\$32,244,154</b>     | <b>\$3,237,775</b>        |

**B. BUSINESS TYPE ACTIVITIES**

|   | Balance,<br>Beginning<br>of Year | Additions      | Reductions         | Balance,<br>End of Year | Due<br>Within<br>One Year |
|---|----------------------------------|----------------|--------------------|-------------------------|---------------------------|
| <i>General Obligation Bonds:</i>  |                                  |                |                    |                         |                           |
| 1994 Landfill "A"   | \$1,455,000                      | \$0            | \$175,000          | \$1,280,000             | \$185,000                 |
| 1994 Landfill "B"   | 155,000                          | 0              | 20,000             | 135,000                 | 20,000                    |
| 1994 Water  | 1,455,000                        | 0              | 175,000            | 1,280,000               | 185,000                   |
| 1996 Golf Course  | 1,455,000                        | 0              | 115,000            | 1,340,000               | 120,000                   |
| 1999 Water  | 1,920,000                        | 0              | 105,000            | 1,815,000               | 110,000                   |
| 2003 Golf   | 410,000                          | 0              | 25,000             | 385,000                 | 30,000                    |
| <b>Total General Obligation Bonds<br/>Payable by Business Type Activities</b> | <b>6,850,000</b>                 | <b>0</b>       | <b>615,000</b>     | <b>6,235,000</b>        | <b>650,000</b>            |
| Lease Obligation  | 8,023,623                        | 0              | 561,859            | 7,461,764               | 697,338                   |
| Compensated Absences  | 467,884                          | 3,552          | 0                  | 471,436                 | 160,174                   |
| <b>Total Business Type Activities</b>   | <b>\$15,341,507</b>              | <b>\$3,552</b> | <b>\$1,176,859</b> | <b>\$14,168,200</b>     | <b>\$1,507,512</b>        |

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Business type activity bonds payable are General Obligation Bonds paid from revenues of the enterprise operation for which the improvements were made. All other General Obligation Bond Issues will be paid through the Debt Service Fund from income and property tax revenues.

**LEASE OBLIGATION**

The City entered into a \$8,023,623 eleven-year lease obligation in February 2006. The lease proceeds were used to replace almost all of the 18,000 commercial and residential water meters in Middletown. The monthly lease payments due are split evenly between the City's Water and Sewer Funds. The Lease agreement requires the City to pay interest only for the first twelve months of the lease period with principal payments beginning in March 2007. The interest rate on this lease is 3.68%.

The City's legal debt margin was approximately \$96,576,603 at December 31, 2007. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2007 are as follows:

| <b>Police and Fire Pension Debt Schedule – 12/31/07</b> |                     |                     |                     |
|---|---------------------|---------------------|---------------------|
|   | <u>Police</u>       | <u>Fire</u>         | <u>Total</u>        |
| 2008  | 52,217              | 45,524              | 97,741              |
| 2009  | 52,217              | 45,524              | 97,741              |
| 2010  | 52,217              | 45,524              | 97,741              |
| 2011  | 52,217              | 45,524              | 97,741              |
| 2012  | 52,217              | 45,524              | 97,741              |
| 2013-2017   | 261,085             | 227,620             | 488,705             |
| 2018-2022   | 261,085             | 227,620             | 488,705             |
| 2023-2027   | 261,085             | 227,620             | 488,705             |
| 2028-2032   | 261,085             | 227,620             | 488,705             |
| 2033-2035   | 59,366              | 51,674              | 111,040             |
| <b>Total</b>  | <b>\$ 1,364,791</b> | <b>\$ 1,189,774</b> | <b>\$ 2,554,565</b> |

| <b>General Obligation and Assessment Bonds Schedule – 12/31/07</b> |                                 |                    |                      |                         |                     |                     |
|--|---------------------------------|--------------------|----------------------|-------------------------|---------------------|---------------------|
|  | <u>General Obligation Bonds</u> |                    |                      | <u>Assessment Bonds</u> |                     |                     |
|  | <u>Principal</u>                | <u>Interest</u>    | <u>Total</u>         | <u>Principal</u>        | <u>Interest</u>     | <u>Total</u>        |
| 2008   | 1,400,000                       | 1,051,074          | 2,451,074            | 276,399                 | 164,228             | 440,627             |
| 2009   | 1,470,000                       | 990,926            | 2,460,926            | 229,899                 | 151,016             | 380,915             |
| 2010   | 1,530,000                       | 921,427            | 2,451,427            | 248,499                 | 137,991             | 386,490             |
| 2011   | 1,595,000                       | 851,474            | 2,446,474            | 217,300                 | 123,688             | 340,988             |
| 2012   | 1,670,000                       | 777,178            | 2,447,178            | 190,600                 | 112,515             | 303,115             |
| 2013-2017  | 7,800,000                       | 2,690,302          | 10,490,302           | 934,745                 | 404,763             | 1,339,508           |
| 2018-2022  | 5,915,000                       | 878,307            | 6,793,307            | 570,000                 | 180,394             | 750,394             |
| 2023-2026  | 835,000                         | 43,378             | 878,378              | 432,000                 | 38,308              | 470,308             |
| <b>Total</b>   | <b>\$22,215,000</b>             | <b>\$8,204,066</b> | <b>\$ 30,419,066</b> | <b>\$ 3,099,442</b>     | <b>\$ 1,312,903</b> | <b>\$ 4,412,345</b> |

**CITY OF MIDDLETOWN  
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| <b>BUSINESS TYPE FUNDS – General Obligation Bonds Schedule<br/>12/31/07</b> |                    |                    |                    |
|---|--------------------|--------------------|--------------------|
|   | <u>Principal</u>   | <u>Interest</u>    | <u>Total</u>       |
| 2008  | 650,000            | 356,139            | 1,006,139          |
| 2009  | 680,000            | 319,790            | 999,790            |
| 2010  | 720,000            | 280,374            | 1,000,374          |
| 2011  | 765,000            | 239,317            | 1,004,317          |
| 2012  | 800,000            | 195,389            | 995,389            |
| 2013-2017   | 2,185,000          | 421,252            | 2,606,252          |
| 2018-2019   | 435,000            | 35,825             | 470,825            |
| <b>Total</b>  | <b>\$6,235,000</b> | <b>\$1,848,084</b> | <b>\$8,083,084</b> |

| <b>BUSINESS TYPE FUNDS – Lease Obligation Schedule 12/31/07</b> |                    |                    |                    |
|---|--------------------|--------------------|--------------------|
|   | <u>Principal</u>   | <u>Interest</u>    | <u>Total</u>       |
| 2008  | 697,338            | 262,909            | 960,247            |
| 2009  | 723,438            | 236,810            | 960,248            |
| 2010  | 750,514            | 209,734            | 960,248            |
| 2011  | 778,603            | 181,644            | 960,247            |
| 2012  | 807,744            | 152,503            | 960,247            |
| 2013-2017   | 3,704,127          | 296,903            | 4,001,030          |
| <b>Total</b>  | <b>\$7,461,764</b> | <b>\$1,340,503</b> | <b>\$8,802,267</b> |

The Ohio Revised Code specifies that all special assessment debt is general obligation debt. All special assessment bond issues are, therefore, backed by the full faith and credit of the City.

The primary responsibility for the annual payments to special assessment bondholders is with the property owners on whose behalf the City has issued special assessment debt. The special assessments, which cover both principal and interest due, are collected by the Butler County Treasurer each year with the property owners' property tax payments. The collections are then sent to the City, which pays the principal and interest due. In the event of default, a lien is put on the property and it is eventually sold by the county at a tax sale. The City is then reimbursed for any special assessment bond payments it made.

The City, therefore, does not maintain a reserve or sinking fund to meet its special assessment bond obligations. The police and fire pension unfunded accrued liability represents the City's portion of the unfunded prior service cost of the fund which existed at the time the fund was established in 1967 as determined by actuarial evaluation. This accrued liability has and will continue to be paid over a term of sixty-seven years in annual installments which began in 1969 and which will end in 2036. The police and fire pension liability is paid through the police pension and fire pension Special Revenue Funds using unvoted general property tax revenue and income tax revenues.

**CITY OF MIDDLETOWN  
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**NOTE 11 - SHORT-TERM OBLIGATIONS**

Short-term obligation of the City consists of the following:

- a) A \$1,715,000 note bearing an interest rate of 4.25% for the purchase of the Municipal Airport buildings was outstanding on December 31, 2007. The note matures on June 4, 2008.
- b) A three-year \$2,550,000 note for land purchase bearing interest equal to the sum of the LIBOR rate for a Three-Month LIBOR Period multiplied by 0.76 plus 0.50% per year.

**General Obligation Notes**

| <i>Issue</i>            | <i>Beginning<br/>Balance 1/1/07</i> | <i>Note<br/>Retirement</i> | <i>Note Issue</i>   | <i>Ending Balance<br/>12/31/07</i> |
|-------------------------|-------------------------------------|----------------------------|---------------------|------------------------------------|
| Airport Facilities      | \$ 1,630,000                        | \$1,630,000                | \$1,715,000         | \$ 1,715,000                       |
| Land Purchase Note      | \$ 2,550,000                        | 0                          | 0                   | \$ 2,550,000                       |
| Union Road Improvements | \$ 1,265,000                        | \$1,265,000                | 0                   | 0                                  |
| <b>Total</b>            | <b>\$ 5,445,000</b>                 | <b>\$ 2,895,000</b>        | <b>\$ 1,715,000</b> | <b>\$ 4,265,000</b>                |

**NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES**

The City's interfund receivables and payables at the end of 2007 were comprised of operating advances from the General Fund to other operating funds (\$505,000); payments to the Municipal Garage Fund by the City operating funds for December 2007 services (\$244,507); payments due to operating funds by the Municipal Garage Fund for overpayments (\$4,594); and operating advances from the Housing Assistance Fund to the Home Fund (\$50,000).

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Inter-fund receivables and payables balances as of December 31, 2007, follow:

| <b>Fund</b>   | <b>Receivables</b> | <b>Payables</b>  |
|---|--------------------|------------------|
| <b>Governmental Funds:</b>                              |                    |                  |
| General fund  | \$505,000          | \$117,844        |
| Housing assistance                                      | 50,000             | 0                |
| Non major government funds                              | <u>3,109</u>       | <u>221,346</u>   |
| <b>Total governmental funds</b>                         | <b>558,109</b>     | <b>339,190</b>   |
| <b>Business-type Activities:</b>                        |                    |                  |
| Water   | 0                  | 14,514           |
| Sewer   | 0                  | 10,416           |
| Transit   | 1,485              | 24,204           |
| Golf  | 0                  | 405,000          |
| Non major business type activities                      | <u>0</u>           | <u>6,183</u>     |
| <b>Total business-type activities</b>                   | <b>1,485</b>       | <b>460,317</b>   |
| <b>Governmental Activities - Internal Service Funds</b> |                    |                  |
| Internal service funds                                  | <u>244,507</u>     | <u>4,594</u>     |
| <b>Total internal service funds</b>                     | <b>244,507</b>     | <b>4,594</b>     |
| <b>Total all funds</b>                                  | <b>\$804,101</b>   | <b>\$804,101</b> |

**NOTE 13 - CONTINGENT LIABILITY**

The City is a defendant in a number of claims and lawsuits in the normal course of operations. The impact of the claims and lawsuits cannot presently be determined; however, City management is of the opinion the ultimate settlement of these claims will not result in a material adverse effect on the City's financial position.

**NOTE 14 - POST EMPLOYMENT BENEFITS**

The City provides death benefits to its employees who retire voluntarily or who are forced to retire due to a disability. A life insurance policy with a face value of \$5,000 is paid for by the City for all employees who retire. As of December 31, 2007, the City had 277 policies with a total value of \$1,385,000 in force for its retired employees.

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The City records its monthly premium expenditures for these policies as a current General Fund expenditure in the general government category. The approximate cost of these policies in 2007 was \$19,163.

**PUBLIC EMPLOYEES RETIREMENT SYSTEM**

- A. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.85% of covered payroll. The portion of employer contributions, for all employers, allocated to health care was 5.0% from January 1 through June 30 and 6% from July 1 through December 31, 2007.

- B. The Ohio Revised Code provides the statutory authority to require public employers to fund post retirement health care through their contributions to OPERS.
- C. Summary of Assumptions:

Actuarial Review. The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2006.

Funding Method. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are

**CITY OF MIDDLETOWN  
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adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return. The investment assumption rate for 2006 was 6.5%.

Active Employee Total Payroll. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.50% to 6.30%.

Health Care. Health care costs were assumed to increase annually at the projected wage inflation rate plus an additional factor ranging from 0.5% to 5% for the next eight years. In subsequent years (nine and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

D. OPEB's are advance-funded on an actuarially determined basis.

1. The Traditional Pension and combined plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130.
2. The rates stated in Section A, above, are the actuarially determined contribution requirements for OPERS. The portion of the City's contribution that was used to fund health care benefits was \$692,043.
3. The amount of \$11.1 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006.
4. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2005, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at \$31.3 billion and \$20.2 billion, respectively.

E. OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.



**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

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**OP & F**

- A. OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a 2/3 basis. The healthcare coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that healthcare cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.
- B. The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to offer healthcare coverage to all eligible individuals.
- C. Healthcare funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree healthcare expenses. The Board defined allocation was 7.75% of covered payroll in 2006 and 6.75% of covered payroll in 2007. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their healthcare coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly healthcare contributions.
- D. The following OPEB disclosures are required:
  - 1) The number of participants eligible to receive healthcare benefits as of 12/31/06, the date of the last actuarial valuation available, is 14,120 for Police and 10,563 for Firefighters.
  - 2) For the year ended December 31, 2007, the city's contribution to fund OPEB was \$328,421 for police and \$325,252 for firefighters.
  - 3) OP&F's total healthcare expense for the year ending 12/31/06, the date of the last actuarial valuation available, was \$120,373,722, which was net of member contributions of \$58,532,848.

**NOTE 15 - RISK MANAGEMENT**

The City/Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

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**Casualty Coverage**

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 or \$3,000,000 as noted above.

**Property Coverage**

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

| <u>Casualty &amp; Property Coverage</u> | <u>2007</u>         | <u>2006</u>         |
|---|---------------------|---------------------|
| Assets                                  | \$37,560,071        | \$36,123,194        |
| Liabilities                             | <u>(17,340,825)</u> | <u>(16,738,904)</u> |
| Retained earnings                       | <u>\$20,219,246</u> | <u>\$19,384,290</u> |

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$15.0 million and \$14.4 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for \$922,000. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

| Contributions to PEP |           |
|----------------------|-----------|
| 2005                 | \$460,735 |
| 2006                 | \$460,084 |
| 2007                 | \$454,763 |

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

The City purchases commercial insurance for all other risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 16 - SIGNIFICANT CONTRACTUAL OBLIGATIONS**

As of December 31, 2007, the City of Middletown has entered into the following contracts to be paid from the City's Capital Project and Enterprise Funds:

| Vendor                     | Purpose                        | Amount Remaining    |
|----------------------------|--------------------------------|---------------------|
| Building Crafts Inc..      | Sludge management              | \$13,329,766        |
| SRW Environmental Svcs.    | Aeronca project                | \$632,312           |
| Sunesis Construction Co.   | Cincinnati-Dayton Rd. widening | \$458,732           |
| Malcolm Pirnie Inc.        | Brownfields assessment         | 156,644             |
| Camp Dresser & McKee, Inc. | Construction administration    | 129,000             |
| ME Companies               | Yankee Road project            | <u>127,662</u>      |
|                            | Total                          | <u>\$14,834,116</u> |

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

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**NOTE 17 - RELATED ORGANIZATION**

The Middletown Public Library is a distinct political subdivision of the State of Ohio created under the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the City of Middletown. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the City for operational subsidies. Although the City does serve as the taxing authority and has issued tax-related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Middletown Public Library at 125 South Broad Street, Middletown, Ohio 45044.

**NOTE 18 – LOAN RECEIVABLE**

The City of Middletown entered into an agreement in 1997 with the City of Monroe to share the cost of a 1.5 million gallon water storage tank that would deliver water to the residents of both cities. Upon completion of the tank construction, the City of Monroe was to pay one third of the cost of construction to Middletown over a twenty-year period. Construction of the tank was completed in late 2001. Monroe is paying \$675,908 to Middletown over a twenty-year period at an interest rate of 5.09%.

**NOTE 19 – CONDUIT DEBT**

The City of Middletown authorized the issuance of \$80,000,000 in hospital facilities revenue bonds in late November 2006. These bonds were used to finance the construction and the equipping of the new Middletown Regional Hospital. The hospital opened in late 2008. Middletown Regional Hospital will repay this debt; the City of Middletown is not obligated for this debt.

City of Middletown conduit debt issues outstanding at December 31, 2007 include:

- \$12,250,000 demand revenue bonds issued on behalf of Fenwick High School in 2003,
- \$85,000,000 hospital facilities revenue bonds issued on behalf of Middletown Regional Hospital in 2006, and
- \$80,000,000 hospital facilities bonds issued on behalf of Middletown Regional Hospital in 2007.

**CITY OF MIDDLETOWN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2007**

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**BUDGETARY ACCOUNTING**

The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual (Non-GAAP Basis) for the General Fund, Housing Assistance Fund, and CD Escrow Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- i) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- ii) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- iii) Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- iv) Receipt and payment of year-end interfund loans are treated as other sources or uses (budget basis) rather than an increase or decrease in an asset or liability account (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budgetary (cash) basis for the General Fund and major Special Revenue Funds are as follows:

|   | <b>General<br/>Fund</b> | <b>Housing<br/>Assistance</b> | <b>CD<br/>Escrow</b> |
|---|-------------------------|-------------------------------|----------------------|
| GAAP basis (as reported)                          | \$2,053,948             | \$879,962                     | \$(257,889)          |
| Adjustments: revenue and other source accruals    | (579,890)               | 1                             | 58,577               |
| Expenditures, encumbrances and other use accruals | (256,470)               | 5,247                         | (146,131)            |
| <b>Budget basis</b>                               | <b>\$1,217,588</b>      | <b>\$885,210</b>              | <b>\$(345,443)</b>   |

**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GENERAL FUND  
FOR YEAR ENDED DECEMBER 31, 2007**

|                                   | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>From Final<br>Budget |
|-----------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| Revenues:                         |                    |                   |                   |                                  |
| Property taxes                    | \$ 4,062,938       | \$ 4,062,938      | \$ 3,985,749      | \$ (77,189)                      |
| Municipal income taxes            | 13,023,619         | 12,440,019        | 12,603,201        | 163,182                          |
| Intergovernmental revenue         | 2,978,220          | 2,978,220         | 3,491,057         | 512,837                          |
| Charges for services              | 3,663,566          | 3,663,566         | 3,337,378         | (326,188)                        |
| Fees, licenses, and permits       | 351,960            | 351,960           | 381,841           | 29,881                           |
| Fines and forfeits                | 118,320            | 118,320           | 134,525           | 16,205                           |
| Interest earnings                 | 300,000            | 300,000           | 643,185           | 343,185                          |
| Miscellaneous                     | 856,400            | 869,400           | 879,652           | 10,252                           |
| <b>Total revenues</b>             | <b>25,355,023</b>  | <b>24,784,423</b> | <b>25,456,588</b> | <b>672,165</b>                   |
| Expenditures:                     |                    |                   |                   |                                  |
| Current                           |                    |                   |                   |                                  |
| Public Safety                     |                    |                   |                   |                                  |
| Fire administration               | 70,748             | 282,989           | 206,900           | 76,089                           |
| Fire operations                   | 1,646,969          | 6,565,060         | 6,442,590         | 122,470                          |
| Fire prevention/training          | 86,740             | 340,962           | 290,557           | 50,405                           |
| Police administration             | 292,438            | 292,438           | 211,450           | 80,988                           |
| Criminal investigation            | 1,442,070          | 1,472,070         | 1,445,893         | 26,177                           |
| Uniform patrol                    | 5,182,042          | 5,290,712         | 5,271,585         | 19,127                           |
| Police services                   | 511,712            | 511,052           | 417,750           | 93,302                           |
| Police and fire dispatch          | 1,070,330          | 1,070,330         | 1,046,746         | 23,584                           |
| Humane officer                    | 97,713             | 97,713            | 92,739            | 4,974                            |
| Jail management                   | 1,115,546          | 1,115,546         | 1,063,698         | 51,848                           |
| School crossing guards            | 36,151             | 36,151            | 24,107            | 12,044                           |
| Citizen service center            | 272,158            | 272,138           | 186,896           | 85,242                           |
| Building inspection and services  | 421,524            | 430,524           | 430,517           | 7                                |
| Building maintenance              | 696,382            | 726,262           | 719,883           | 6,379                            |
| <b>Total public safety</b>        | <b>11,872,193</b>  | <b>18,503,947</b> | <b>17,851,311</b> | <b>629,052</b>                   |
| Leisure Activities                |                    |                   |                   |                                  |
| Community services administration | 159,466            | 159,001           | 131,878           | 27,123                           |
| Community center                  | 178,279            | 178,083           | 163,150           | 14,933                           |
| Recreation                        | 150,050            | 185,310           | 170,281           | 15,029                           |
| Parks maintenance                 | 512,977            | 512,952           | 503,047           | 9,905                            |
| <b>Total leisure activities</b>   | <b>1,000,772</b>   | <b>1,035,346</b>  | <b>968,356</b>    | <b>66,990</b>                    |

continued

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CITY OF MIDDLETOWN, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**GENERAL FUND**  
**FOR YEAR ENDED DECEMBER 31, 2007**

|                                    | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>From Final<br>Budget |
|------------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| <b>Community Environment</b>       |                    |                   |                   |                                  |
| Planning administration            | 172,449            | 172,449           | 168,431           | 4,018                            |
| Community development              | 417,172            | 418,672           | 415,769           | 2,903                            |
| Street lighting                    | 583,237            | 582,624           | 580,500           | 2,124                            |
| <b>Total community environment</b> | <b>1,172,858</b>   | <b>1,173,745</b>  | <b>1,164,700</b>  | <b>9,045</b>                     |
| <b>General Government</b>          |                    |                   |                   |                                  |
| City council                       | 159,556            | 159,556           | 156,841           | 2,715                            |
| City manager                       | 233,863            | 233,863           | 208,111           | 25,752                           |
| Finance administration             | 197,566            | 197,566           | 181,187           | 16,379                           |
| Treasurer                          | 223,477            | 223,000           | 208,793           | 14,207                           |
| Taxation                           | 465,619            | 480,019           | 474,691           | 5,328                            |
| Information systems                | 851,157            | 836,325           | 745,949           | 90,376                           |
| Personnel                          | 391,409            | 391,409           | 325,492           | 65,917                           |
| Law                                | 524,592            | 524,592           | 469,299           | 55,293                           |
| Purchasing                         | 83,947             | 83,908            | 64,035            | 19,873                           |
| Planning                           | 294,807            | 294,807           | 185,075           | 109,732                          |
| Economic development               | 149,727            | 149,727           | 145,472           |                                  |
| Engineering                        | 734,390            | 723,892           | 673,330           | 50,562                           |
| <b>Total general government</b>    | <b>4,310,110</b>   | <b>4,298,664</b>  | <b>3,838,275</b>  | <b>456,134</b>                   |
| <b>Miscellaneous</b>               |                    |                   |                   |                                  |
| Non-departmental                   | 995,573            | 1,017,211         | 1,014,989         | 2,222                            |
| <b>Total miscellaneous</b>         | <b>995,573</b>     | <b>1,017,211</b>  | <b>1,014,989</b>  | <b>2,222</b>                     |
| <b>Total expenditures</b>          | <b>19,351,506</b>  | <b>26,028,913</b> | <b>24,837,631</b> | <b>1,191,282</b>                 |

continued

**REQUIRED SUPPLEMENTARY INFORMATION**  
**CITY OF MIDDLETOWN, OHIO**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**GENERAL FUND**  
**FOR YEAR ENDED DECEMBER 31, 2007**

|   | Original<br>Budget   | Final<br>Budget     | Actual              | Variance<br>From Final<br>Budget |
|---|----------------------|---------------------|---------------------|----------------------------------|
| Excess of revenues over (under) expenditures  | 6,003,517            | (1,244,490)         | 618,957             | 1,863,447                        |
| Other financing sources (uses)  |                      |                     |                     |                                  |
| Transfers-in  | 42,432               | 642,432             | 642,432             | -                                |
| Loans to other funds  |                      |                     | (55,000)            |                                  |
| Other sources   | -                    | -                   | 11,199              | 11,199                           |
| <b>Total other financing sources (uses)</b>   | <b>42,432</b>        | <b>642,432</b>      | <b>598,631</b>      | <b>-</b>                         |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | 6,045,949            | (602,058)           | 1,217,588           | 1,863,447                        |
| Fund balance, beginning of year   | 5,622,729            | 5,622,729           | 5,622,729           | -                                |
| Appropriation for prior year encumbrances   | 299,545              | 299,545             | 299,545             | -                                |
| <b>Fund balance, end of the year</b>  | <b>\$ 11,968,223</b> | <b>\$ 5,320,216</b> | <b>\$ 7,139,862</b> | <b>\$ 1,863,447</b>              |



**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
HOUSING ASSISTANCE FUND  
FOR YEAR ENDED DECEMBER 31, 2007**

|   | Original<br>Budget  | Final<br>Budget     | Actual              | Variance<br>From Final<br>Budget |
|---|---------------------|---------------------|---------------------|----------------------------------|
| Revenues:   |                     |                     |                     |                                  |
| Intergovernmental revenue   | \$ 11,580,000       | \$ 11,580,000       | \$ 10,447,032       | \$ (1,132,968)                   |
| Interest earnings   | 8,000               | 8,000               | 24,189              | 16,189                           |
| Miscellaneous   | 67,000              | 67,000              | 58,476              | (8,524)                          |
| <b>Total revenues</b>   | <b>11,655,000</b>   | <b>11,655,000</b>   | <b>10,529,697</b>   | <b>(1,125,303)</b>               |
| Expenditures:   |                     |                     |                     |                                  |
| Current   |                     |                     |                     |                                  |
| Community Environment   | 11,641,572          | 11,636,423          | 9,645,454           | 1,990,969                        |
| <b>Total expenditures</b>   | <b>11,641,572</b>   | <b>11,636,423</b>   | <b>9,645,454</b>    | <b>1,990,969</b>                 |
| Excess of revenues over (under) expenditures  | 13,428              | 18,577              | 884,243             | 865,666                          |
| Other financing sources (uses):   |                     |                     |                     |                                  |
| Other sources   | -                   | -                   | 967                 | 967                              |
| <b>Total other financing sources</b>  | <b>-</b>            | <b>-</b>            | <b>967</b>          | <b>967</b>                       |
| Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses) | 13,428              | 18,577              | 885,210             | 866,633                          |
| Fund balance, beginning of the year   | 2,695,531           | 2,695,531           | 2,695,531           | -                                |
| Appropriation for prior year encumbrances   | 5,149               | 5,149               | 5,149               | -                                |
| <b>Fund balance, end of the year</b>  | <b>\$ 2,714,108</b> | <b>\$ 2,719,257</b> | <b>\$ 3,585,890</b> | <b>\$ 866,633</b>                |

**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
COMMUNITY DEVELOPMENT ESCROW  
FOR YEAR ENDED DECEMBER 31, 2007**

|   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>From Final<br/>Budget</b> |
|---|----------------------------|-------------------------|-------------------|---|
| Revenues:   |                            |                         |                   |   |
| Interest earnings   | \$ 29,369                  | \$ 29,369               | \$ 35,683         | \$ 6,314                                  |
| Miscellaneous   | 182,133                    | 182,133                 | 58,577            | (123,556)                                 |
| <b>Total revenues</b>   | <b>211,502</b>             | <b>211,502</b>          | <b>94,260</b>     | <b>(117,242)</b>                          |
| Expenditures:   |                            |                         |                   |   |
| Current   |                            |                         |                   |   |
| Community Environment   | -                          | -                       | -                 | -   |
| <b>Total expenditures</b>   | <b>-</b>                   | <b>-</b>                | <b>-</b>          | <b>-</b>                                  |
| Excess of revenues over (under) expenditures  | 211,502                    | 211,502                 | 94,260            | (117,242)                                 |
| Other financing sources (uses):   |                            |                         |                   |   |
| Other uses  | (360,000)                  | (380,000)               | (439,703)         | (59,703)                                  |
| <b>Total other financing uses</b>   | <b>(360,000)</b>           | <b>(380,000)</b>        | <b>(439,703)</b>  | <b>(59,703)</b>                           |
| Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses) | (148,498)                  | (168,498)               | (345,443)         | (176,945)                                 |
| Fund balance, beginning of the year   | 1,122,217                  | 1,122,217               | 1,122,217         | -   |
| <b>Fund balance, end of the year</b>  | <b>\$ 973,719</b>          | <b>\$ 953,719</b>       | <b>\$ 776,774</b> | <b>\$ (176,945)</b>                       |

## **SUPPLEMENTAL SECTION**

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## **SPECIAL REVENUE FUNDS**

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Special Revenues Funds account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted for specific purposes.

### **Non Major Special Revenue Funds:**

#### **AUTO AND GAS TAX FUND**

To account for state-levied and controlled gasoline tax and county vehicle license fees, which are remitted to the City for routine street maintenance and traffic control.

#### **ACQUISITION FOR PARKS FUND**

To account for monies received for split-lot fees charged in local subdivisions.

#### **HEALTH FUND**

To account for grant money received from the State for the City's public health subsidy, and to account for the activities of the City Health Department.

#### **EMERGENCY MEDICAL SERVICES FUND (EMS)**

To account for a portion of the City's ambulance service revenues. Fire capital needs are paid for by this fund.

#### **URBAN DEVELOPMENT ACTION GRANT (UDAG) FUND**

To account for the Urban Development Action Grant loans to local businesses.

#### **COURT COMPUTERIZATION FUND**

To accumulate funds for computer equipment and software for the Municipal Court.

#### **LAW ENFORCEMENT FUND**

To account for revenues resulting from the sale of property seized by the Middletown Police Division in the course of its criminal investigations.

#### **MANDATORY DRUG FINE FUND**

To account for drug fines received from the Court of Common Pleas and police division drug investigation expenditures.

#### **PROBATION SERVICES FUND**

To account for probation fees levied by the Middletown Municipal Court.

#### **TERMINATION PAY FUND**

To account for the expenditures resulting from the retirement or resignation of City employees.

#### **INDIGENT DRIVER ALCOHOL TREATMENT FUND**

To account for fines collected by the Municipal Court to be used for treatment of indigent drivers convicted of driving under the influence.

#### **ENFORCEMENT/EDUCATION FUND**

To account for fines collected by the Municipal Court to be used by the Court and Police for traffic education and enforcement.

**CIVIC DEVELOPMENT FUND**

To account for the City lodging tax receipts which are to be used for civic development purposes.

**MUNICIPAL COURT FUND**

To account for fines and court costs levied by the City's Municipal Court, and to account for the operations of the Middletown Municipal Court.

**POLICE GRANT FUND**

To account for Federal grant money awarded to the Police Division.

**COURT SPECIAL PROJECTS FUND**

To accumulate funds for projects designated by the Municipal Court.

**POOL FUND**

To account for monies received for the maintenance and upkeep of Sunset Pool.

**HOME PROGRAM FUND**

To account for funds received from the Department of Housing and Urban Development for home purchase assistance.

**COMMUNITY DEVELOPMENT FUND**

To account for monies received from the Department of Housing and Urban Development for the City's community development block grant.

**POLICE PENSION FUND**

To accumulate property taxes levied for the partial payment of the current and accrued liability for police disability and pension.

**FIRE PENSION FUND**

To accumulate property taxes levied for the partial payment of the current and accrued liability for fire disability and pension.

## **DEBT SERVICE FUNDS**

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Debt Service Funds account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

### **Major Debt Service Fund:**

#### **SPECIAL ASSESSMENT DEBT SERVICE FUND**

To accumulate special assessment revenues collected by the county and remitted to the City for the payment of special assessment bonds.

### **Non Major Debt Service Funds:**

#### **GENERAL OBLIGATION DEBT SERVICE FUND**

To account for the accumulation of resources for, and the payment of general long-term debt principal and interest. Revenues are comprised of transfers from other funds and expenditures are for annual bond principal and interest payments due.

#### **TOWNE BOULEVARD TAX INCREMENT FINANCING DISTRICT FUND**

To account for the tax increment payments used to retire debt on the Towne Boulevard Extension project. The Towne Boulevard Tax Increment Financing District was established in 2001 and expires in 2021.

#### **DOWNTOWN TAX INCREMENT FINANCING DISTRICT FUND**

To account for the tax increment payments used to retire debt for the removal of the City Centre Mall in the downtown area. The Downtown Tax Increment Financing District was established in 2000 and expires in 2020.

#### **AERONCA TAX INCREMENT FINANCING DISTRICT FUND**

To account for the tax increment payments used to retire debt associated with the redevelopment of this district. The Aeronca Tax Increment Financing District was established in 2006 and expires in 2036.

## **CAPITAL PROJECT FUNDS**

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Capital Project Funds account for financial resources to be used for the construction or acquisition of major capital facilities.

### **Non Major Capital Project Funds:**

#### **CAPITAL IMPROVEMENTS FUND**

To accumulate construction costs for the City's self-funded capital projects.

#### **EAST END DEVELOPMENT FUND**

To accumulate costs for improvements in the City's recently annexed East End area adjacent to Interstate 75.

#### **DOWNTOWN IMPROVEMENTS FUND**

To account for improvement projects in the downtown area.

#### **COMPUTER REPLACEMENT FUND**

To accumulate funds for the future purchase of a new mainframe computer for the City.

#### **PROPERTY DEVELOPMENT FUND**

To account for operating and development costs associated with property owned by the City.

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2007**

|  | <b>Non Major<br/>Special Revenue<br/>Funds</b> | <b>Non Major Debt<br/>Service Funds</b> | <b>Non Major<br/>Capital Project<br/>Funds</b> | <b>Total Non Major<br/>Governmental<br/>Funds</b> |
|--|--|---|--|---|
| <b>Assets:</b>   |  |   |  |   |
| Cash and equity in pooled cash, deposits and investments | \$ 3,198,462                                   | \$ 649,419                              | \$ 6,522,095                                   | \$ 10,369,976                                     |
| Cash with fiscal and escrow agent                        | -  | 17,633                                  | -  | 17,633  |
| Receivables (net of allowance for uncollectibles):       |  |   |  |   |
| Property taxes   | 517,096  | -                                       | 790,879  | 1,307,975   |
| Accounts   | 156,342  | -                                       | -  | 156,342   |
| Loans  | 304,716  | -                                       | -  | 304,716   |
| Due from other funds                                     | 3,109  | -                                       | -  | 3,109   |
| Due from other governments                               | 2,659,042                                      | -                                       | -  | 2,659,042   |
| Inventory of supplies                                    | 536,530  | -                                       | -  | 536,530   |
| <b>Total assets</b>                                      | <b>7,375,297</b>                               | <b>667,052</b>                          | <b>7,312,974</b>                               | <b>15,355,323</b>                                 |
| <b>Liabilities:</b>                                      |  |   |  |   |
| Accounts payable   | 160,025  | -                                       | 45,322   | 205,347   |
| Accrued wages and benefits                               | 164,494  | -                                       | -  | 164,494   |
| Other accrued liabilities                                | 39,053   | -                                       | -  | 39,053  |
| Due to other funds                                       | 221,346  | -                                       | -  | 221,346   |
| Due to other governments                                 | 12,631   | -                                       | -  | 12,631  |
| Due to individuals                                       | -  | -                                       | 120,580  | 120,580   |
| Matured bonds and interest                               | -  | 17,633                                  | -  | 17,633  |
| Notes payable  | -  | -                                       | 2,550,000                                      | 2,550,000   |
| Deferred revenue   | 2,985,416                                      | -                                       | 790,879  | 3,776,295   |
| <b>Total liabilities</b>                                 | <b>3,582,965</b>                               | <b>17,633</b>                           | <b>3,506,781</b>                               | <b>7,107,379</b>                                  |
| <b>Fund balances:</b>                                    |  |   |  |   |
| Reserved for encumbrances                                | 390,605  | -                                       | 253,806  | 644,411   |
| Reserved for inventory                                   | 536,530  | -                                       | -  | 536,530   |
| Reserved for loans                                       | 304,716  | -                                       | -  | 304,716   |
| Unreserved and undesignated                              | 2,560,481                                      | 649,419                                 | 3,552,387                                      | 6,762,287   |
| <b>Total fund balances</b>                               | <b>3,792,332</b>                               | <b>649,419</b>                          | <b>3,806,193</b>                               | <b>8,247,944</b>                                  |
| <b>Total liabilities and fund balances</b>               | <b>\$ 7,375,297</b>                            | <b>\$ 667,052</b>                       | <b>\$ 7,312,974</b>                            | <b>\$ 15,355,323</b>                              |



**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

|   | Non Major<br>Special Revenue<br>Funds | Non Major Debt<br>Service Funds | Non Major<br>Capital Project<br>Funds | Total Non Major<br>Governmental<br>Funds |
|---|---------------------------------------|---------------------------------|---------------------------------------|--|
| Revenues:                                       |                                       |                                 |                                       |  |
| Property taxes                                  | \$ 531,654                            | \$ 309,602                      | \$ 820,799                            | \$ 1,662,055                             |
| Municipal income taxes                          | 3,804,700                             | 1,880,862                       | -                                     | 5,685,562                                |
| Intergovernmental revenues                      | 4,228,752                             | -                               | 1,005,615                             | 5,234,367                                |
| Charges for services                            | 238,735                               | -                               | 53,654                                | 292,389                                  |
| Fines and forfeits                              | 1,449,085                             | -                               | -                                     | 1,449,085                                |
| Interest earnings                               | 46,875                                | -                               | 303,887                               | 350,762                                  |
| Miscellaneous                                   | 522,445                               | 287,038                         | 780,990                               | 1,590,473                                |
| <b>Total revenues</b>                           | <b>10,822,246</b>                     | <b>2,477,502</b>                | <b>2,964,945</b>                      | <b>\$ 16,264,693</b>                     |
| Expenditures:                                   |                                       |                                 |                                       |  |
| Current   |                                       |                                 |                                       |  |
| Public safety                                   | 5,397,138                             | -                               | 4,350                                 | 5,401,488                                |
| Public health and welfare                       | 1,023,749                             | -                               | -                                     | 1,023,749                                |
| Leisure time activities                         | 440,014                               | -                               | 12,764                                | 452,778                                  |
| Community environment                           | 803,110                               | -                               | 136,278                               | 939,388                                  |
| Highways and streets                            | 1,999,437                             | -                               | 2,732,044                             | 4,731,481                                |
| General government                              | 117,141                               | -                               | 224,612                               | 341,753                                  |
| Miscellaneous                                   | 77,878                                | -                               | 13,686                                | 91,564                                   |
| Debt service                                    |                                       |                                 |                                       |  |
| Principal retirement                            | -                                     | 1,285,000                       | -                                     | 1,285,000                                |
| Interest and fiscal charges                     | -                                     | 1,175,183                       | 151,337                               | 1,326,520                                |
| <b>Total expenditures</b>                       | <b>9,858,467</b>                      | <b>2,460,183</b>                | <b>3,275,071</b>                      | <b>15,593,721</b>                        |
| Excess of revenues over<br>(under) expenditures | 963,779                               | 17,319                          | (310,126)                             | 670,972                                  |
| Other financing sources (uses):                 |                                       |                                 |                                       |  |
| Transfers-in                                    | -                                     | 200,000                         | -                                     | 200,000                                  |
| Transfers-out                                   | (42,432)                              | -                               | (200,000)                             | (242,432)                                |
| Other sources                                   | 20,476                                | -                               | 87,354                                | 107,830                                  |
| Other uses                                      | -                                     | (3,686)                         | -                                     | (3,686)                                  |
| <b>Total other financing<br/>sources (uses)</b> | <b>(21,956)</b>                       | <b>196,314</b>                  | <b>(112,646)</b>                      | <b>61,712</b>                            |
| Net change in fund balances                     | 941,823                               | 213,633                         | (422,772)                             | 732,684                                  |
| Fund balance, beginning of year                 | 2,850,509                             | 435,786                         | 4,228,965                             | 7,515,260                                |
| <b>Fund balance, end of the year</b>            | <b>\$ 3,792,332</b>                   | <b>\$ 649,419</b>               | <b>\$ 3,806,193</b>                   | <b>\$ 8,247,944</b>                      |

**CITY OF MIDDLETOWN, OHIO  
COMBINING BALANCE SHEET  
NON MAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2007**

|   | Auto & Gas<br>Tax   | Acquisition<br>for Parks | Health Fund       | Emergency<br>Medical<br>Services |
|---|---------------------|--------------------------|-------------------|----------------------------------|
| <b>Assets:</b>  |                     |                          |                   |                                  |
| Cash and equity in pooled cash,<br>deposits and investments | \$ 1,017,095        | \$ 107,492               | \$ 107,618        | \$ 541,651                       |
| Receivables (net of allowance<br>for uncollectibles):       |                     |                          |                   |                                  |
| Property taxes  | -                   | -                        | -                 | -                                |
| Accounts  | -                   | -                        | -                 | -                                |
| Loans   | -                   | -                        | -                 | -                                |
| Due from other funds  | -                   | -                        | 3,109             | -                                |
| Due from other governments                                  | 1,198,001           | -                        | 324,982           | -                                |
| Inventory of supplies                                       | 536,530             | -                        | -                 | -                                |
| <b>Total assets</b>   | <b>2,751,626</b>    | <b>107,492</b>           | <b>435,709</b>    | <b>541,651</b>                   |
| <b>Liabilities:</b>   |                     |                          |                   |                                  |
| Accounts payable  | 82,898              | -                        | 10,076            | -                                |
| Accrued wages and benefits                                  | 52,842              | -                        | 36,158            | -                                |
| Other accrued liabilities                                   | 12,390              | -                        | 10,464            | -                                |
| Due to other funds  | 69,205              | -                        | 1,106             | -                                |
| Due to other governments                                    | -                   | -                        | 12,631            | -                                |
| Deferred revenue  | 1,007,279           | -                        | 324,982           | -                                |
| <b>Total liabilities</b>                                    | <b>1,224,614</b>    | <b>-</b>                 | <b>395,417</b>    | <b>-</b>                         |
| <b>Fund balances:</b>                                       |                     |                          |                   |                                  |
| Reserved for encumbrances                                   | 42,861              | -                        | -                 | 309,034                          |
| Reserved for inventory                                      | 536,530             | -                        | -                 | -                                |
| Reserved for loans  | -                   | -                        | -                 | -                                |
| Unreserved and undesignated                                 | 947,621             | 107,492                  | 40,292            | 232,617                          |
| <b>Total fund balances</b>                                  | <b>1,527,012</b>    | <b>107,492</b>           | <b>40,292</b>     | <b>541,651</b>                   |
| <b>Total liabilities and<br/>fund balances</b>              | <b>\$ 2,751,626</b> | <b>\$ 107,492</b>        | <b>\$ 435,709</b> | <b>\$ 541,651</b>                |

| <b>Urban<br/>Development<br/>Action Grant</b> | <b>Court<br/>Computer-<br/>ization</b> | <b>Law<br/>Enforcement<br/>Trust</b> | <b>Mandatory<br/>Drug Fine</b> | <b>Probation<br/>Services</b> | <b>Termination<br/>Pay</b> | <b>Indigent<br/>Driver<br/>Alcohol<br/>Treatment</b> |
|---|--|--------------------------------------|--------------------------------|-------------------------------|----------------------------|--|
| \$ 288,381                                    | \$ 11,122                              | \$ 175,290                           | \$ 36,192                      | \$ 149,737                    | \$ 173,009                 | \$ 7,981   |
| -   | -                                      | -                                    | -                              | -                             | -                          | -  |
| -   | 1,490                                  | 2,025                                | -                              | -                             | -                          | -  |
| 202,654                                       | -                                      | -                                    | -                              | -                             | -                          | -  |
| -   | -                                      | -                                    | -                              | -                             | -                          | -  |
| -   | -                                      | -                                    | -                              | -                             | -                          | -  |
| -   | -                                      | -                                    | -                              | -                             | -                          | -  |
| <b>491,035</b>                                | <b>12,612</b>                          | <b>177,315</b>                       | <b>36,192</b>                  | <b>149,737</b>                | <b>173,009</b>             | <b>7,981</b>   |
| -   | -                                      | -                                    | -                              | -                             | -                          | -  |
| -   | -                                      | -                                    | -                              | 3,175                         | -                          | -  |
| -   | -                                      | -                                    | -                              | 686                           | -                          | -  |
| -   | -                                      | -                                    | -                              | -                             | -                          | -  |
| -   | -                                      | -                                    | -                              | -                             | -                          | -  |
| -   | -                                      | -                                    | -                              | -                             | -                          | -  |
| -   | -                                      | -                                    | -                              | <b>3,861</b>                  | -                          | -  |
| -   | -                                      | 17,925                               | -                              | -                             | -                          | -  |
| -   | -                                      | -                                    | -                              | -                             | -                          | -  |
| 202,654                                       | -                                      | -                                    | -                              | -                             | -                          | -  |
| 288,381                                       | 12,612                                 | 159,390                              | 36,192                         | 145,876                       | 173,009                    | 7,981  |
| <b>491,035</b>                                | <b>12,612</b>                          | <b>177,315</b>                       | <b>36,192</b>                  | <b>145,876</b>                | <b>173,009</b>             | <b>7,981</b>   |
| <b>\$ 491,035</b>                             | <b>\$ 12,612</b>                       | <b>\$ 177,315</b>                    | <b>\$ 36,192</b>               | <b>\$ 149,737</b>             | <b>\$ 173,009</b>          | <b>\$ 7,981</b>                                      |

(continued)

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2007**

|   | <b>Enforcement<br/>Education</b> | <b>Civic Develop-<br/>ment</b> | <b>Municipal<br/>Court</b> | <b>Police Grant</b> | <b>Court<br/>Special<br/>Projects</b> |
|---|----------------------------------|--------------------------------|----------------------------|---------------------|---------------------------------------|
| <b>Assets:</b>  |                                  |                                |                            |                     |                                       |
| Cash and equity in pooled cash,<br>deposits and investments | \$ 21,009                        | \$ 74,025                      | \$ 16,441                  | \$ 56,720           | \$ 123,538                            |
| Receivables (net of allowance<br>for uncollectibles):       |                                  |                                |                            |                     |                                       |
| Property taxes  | -                                | -                              | -                          | -                   | -                                     |
| Accounts  | -                                | 46,393                         | 96,401                     | -                   | 10,033                                |
| Loans   | -                                | -                              | -                          | -                   | -                                     |
| Due from other funds  | -                                | -                              | -                          | -                   | -                                     |
| Due from other governments                                  | -                                | -                              | -                          | 177,343             | -                                     |
| Inventory of supplies                                       | -                                | -                              | -                          | -                   | -                                     |
| <b>Total assets</b>   | <b>21,009</b>                    | <b>120,418</b>                 | <b>112,842</b>             | <b>234,063</b>      | <b>133,571</b>                        |
| <b>Liabilities:</b>   |                                  |                                |                            |                     |                                       |
| Accounts payable  | -                                | -                              | -                          | -                   | -                                     |
| Accrued wages and benefits                                  | -                                | -                              | 68,449                     | -                   | 3,870                                 |
| Other accrued liabilities                                   | -                                | -                              | 14,673                     | -                   | 840                                   |
| Due to other funds  | -                                | -                              | 1,035                      | -                   | -                                     |
| Due to other governments                                    | -                                | -                              | -                          | -                   | -                                     |
| Deferred revenue  | -                                | -                              | -                          | 177,343             | -                                     |
| <b>Total liabilities</b>                                    | <b>-</b>                         | <b>-</b>                       | <b>84,157</b>              | <b>177,343</b>      | <b>4,710</b>                          |
| <b>Fund balances:</b>                                       |                                  |                                |                            |                     |                                       |
| Reserved for encumbrances                                   | -                                | -                              | -                          | 12,735              | -                                     |
| Reserved for inventory                                      | -                                | -                              | -                          | -                   | -                                     |
| Reserved for loans  | -                                | -                              | -                          | -                   | -                                     |
| Unreserved and undesignated                                 | 21,009                           | 120,418                        | 28,685                     | 43,985              | 128,861                               |
| <b>Total fund balances</b>                                  | <b>21,009</b>                    | <b>120,418</b>                 | <b>28,685</b>              | <b>56,720</b>       | <b>128,861</b>                        |
| <b>Total liabilities and<br/>fund balances</b>              | <b>\$ 21,009</b>                 | <b>\$ 120,418</b>              | <b>\$ 112,842</b>          | <b>\$ 234,063</b>   | <b>\$ 133,571</b>                     |

| <b>Pool Fund</b> | <b>Home Program</b> | <b>Community Development</b> | <b>Police Pension</b> | <b>Fire Pension</b> | <b>Totals</b>       |
|------------------|---------------------|------------------------------|-----------------------|---------------------|---------------------|
| \$ 162           | \$ 139,760          | \$ 36,144                    | \$ 59,283             | \$ 55,812           | \$ 3,198,462        |
| -                | -                   | -                            | 258,548               | 258,548             | 517,096             |
| -                | -                   | -                            | -                     | -                   | 156,342             |
| -                | -                   | 102,062                      | -                     | -                   | 304,716             |
| -                | -                   | -                            | -                     | -                   | 3,109               |
| -                | 667,158             | 291,558                      | -                     | -                   | 2,659,042           |
| -                | -                   | -                            | -                     | -                   | 536,530             |
| <b>162</b>       | <b>806,918</b>      | <b>429,764</b>               | <b>317,831</b>        | <b>314,360</b>      | <b>7,375,297</b>    |
| -                | 45,347              | 21,704                       | -                     | -                   | 160,025             |
| -                | -                   | -                            | -                     | -                   | 164,494             |
| -                | -                   | -                            | -                     | -                   | 39,053              |
| -                | 50,000              | 100,000                      | -                     | -                   | 221,346             |
| -                | -                   | -                            | -                     | -                   | 12,631              |
| -                | 667,158             | 291,558                      | 258,548               | 258,548             | 2,985,416           |
| <b>-</b>         | <b>762,505</b>      | <b>413,262</b>               | <b>258,548</b>        | <b>258,548</b>      | <b>3,582,965</b>    |
| -                | -                   | 8,050                        | -                     | -                   | 390,605             |
| -                | -                   | -                            | -                     | -                   | 536,530             |
| -                | -                   | 102,062                      | -                     | -                   | 304,716             |
| 162              | 44,413              | (93,610)                     | 59,283                | 55,812              | 2,560,481           |
| <b>162</b>       | <b>44,413</b>       | <b>16,502</b>                | <b>59,283</b>         | <b>55,812</b>       | <b>3,792,332</b>    |
| <b>\$ 162</b>    | <b>\$ 806,918</b>   | <b>\$ 429,764</b>            | <b>\$ 317,831</b>     | <b>\$ 314,360</b>   | <b>\$ 7,375,297</b> |

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

|   | Auto & Gas Tax      | Acquisition for<br>Parks | Health Fund      | Emergency<br>Medical<br>Services |
|---|---------------------|--------------------------|------------------|----------------------------------|
| <b>Revenues:</b>                                |                     |                          |                  |                                  |
| Property taxes                                  | \$ -                | \$ -                     | \$ -             | \$ -                             |
| Municipal income taxes                          | 716,700             | -                        | 238,000          | -                                |
| Intergovernmental revenues                      | 2,376,241           | -                        | 402,579          | -                                |
| Charges for services                            | -                   | 45,200                   | 193,535          | -                                |
| Fines and forfeits                              | -                   | -                        | -                | -                                |
| Interest earnings                               | 31,367              | -                        | -                | -                                |
| Miscellaneous                                   | 137,765             | -                        | -                | -                                |
| <b>Total revenues</b>                           | <b>3,262,073</b>    | <b>45,200</b>            | <b>834,114</b>   | <b>-</b>                         |
| <b>Expenditures:</b>                            |                     |                          |                  |                                  |
| Current   |                     |                          |                  |                                  |
| Public safety                                   | 639,280             | -                        | -                | 17,045                           |
| Public health and welfare                       | -                   | -                        | 1,015,075        | -                                |
| Leisure time activities                         | -                   | -                        | -                | -                                |
| Community environment                           | -                   | -                        | -                | -                                |
| Highways and streets                            | 1,978,107           | -                        | -                | -                                |
| General government                              | -                   | -                        | -                | -                                |
| Miscellaneous                                   | -                   | -                        | -                | -                                |
| <b>Total expenditures</b>                       | <b>2,617,387</b>    | <b>-</b>                 | <b>1,015,075</b> | <b>17,045</b>                    |
| Excess of revenues over<br>(under) expenditures | 644,686             | 45,200                   | (180,961)        | (17,045)                         |
| <b>Other financing sources (uses):</b>          |                     |                          |                  |                                  |
| Transfers-out                                   | -                   | -                        | -                | -                                |
| Other sources                                   | -                   | -                        | 20,476           | -                                |
| <b>Total other financing<br/>sources (uses)</b> | <b>-</b>            | <b>-</b>                 | <b>20,476</b>    | <b>-</b>                         |
| Net change in fund balances                     | 644,686             | 45,200                   | (160,485)        | (17,045)                         |
| Fund balance, beginning of year                 | 882,326             | 62,292                   | 200,777          | 558,696                          |
| <b>Fund balance, end of the year</b>            | <b>\$ 1,527,012</b> | <b>\$ 107,492</b>        | <b>\$ 40,292</b> | <b>\$ 541,651</b>                |

| Urban<br>Development<br>Action Grant | Court<br>Computer-<br>ization | Law<br>Enforcement<br>Trust | Mandatory<br>Drug Fine | Probation<br>Services | Termination<br>Pay | Indigent<br>Driver<br>Alcohol<br>Treatment |
|--------------------------------------|-------------------------------|-----------------------------|------------------------|-----------------------|--------------------|--|
| \$ -                                 | \$ -                          | \$ -                        | \$ -                   | \$ -                  | \$ -               | \$ -                                       |
| -                                    | -                             | -                           | -                      | -                     | 940,000            | -  |
| -                                    | -                             | -                           | -                      | -                     | -                  | -  |
| -                                    | -                             | -                           | -                      | -                     | -                  | -  |
| -                                    | 12,612                        | 127,667                     | 39,576                 | 123,632               | -                  | 15,956                                     |
| 12,444                               | -                             | -                           | -                      | -                     | -                  | -  |
| 9,401                                | -                             | 18,054                      | -                      | -                     | -                  | -  |
| <b>21,845</b>                        | <b>12,612</b>                 | <b>145,721</b>              | <b>39,576</b>          | <b>123,632</b>        | <b>940,000</b>     | <b>15,956</b>                              |
| -                                    | -                             | 88,470                      | 45,000                 | 81,169                | 647,441            | 21,193                                     |
| -                                    | -                             | -                           | -                      | -                     | 8,674              | -  |
| -                                    | -                             | -                           | -                      | -                     | 1,014              | -  |
| 9,898                                | -                             | -                           | -                      | -                     | 10,558             | -  |
| -                                    | -                             | -                           | -                      | -                     | 21,330             | -  |
| -                                    | -                             | -                           | -                      | -                     | 117,141            | -  |
| -                                    | -                             | -                           | -                      | -                     | -                  | -  |
| <b>9,898</b>                         | <b>-</b>                      | <b>88,470</b>               | <b>45,000</b>          | <b>81,169</b>         | <b>806,158</b>     | <b>21,193</b>                              |
| 11,947                               | 12,612                        | 57,251                      | (5,424)                | 42,463                | 133,842            | (5,237)                                    |
| -                                    | -                             | -                           | -                      | -                     | -                  | -  |
| -                                    | -                             | -                           | -                      | -                     | -                  | -  |
| -                                    | -                             | -                           | -                      | -                     | -                  | -  |
| 11,947                               | 12,612                        | 57,251                      | (5,424)                | 42,463                | 133,842            | (5,237)                                    |
| 479,088                              | -                             | 120,064                     | 41,616                 | 103,413               | 39,167             | 13,218                                     |
| <b>\$ 491,035</b>                    | <b>\$ 12,612</b>              | <b>\$ 177,315</b>           | <b>\$ 36,192</b>       | <b>\$ 145,876</b>     | <b>\$ 173,009</b>  | <b>\$ 7,981</b>                            |

(continued)

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

|   | Enforcement<br>Education | Civic Develop-<br>ment | Municipal<br>Court | Police Grant     |
|---|--------------------------|------------------------|--------------------|------------------|
| Revenues:                                       |                          |                        |                    |                  |
| Property taxes                                  | \$ -                     | \$ -                   | \$ -               | \$ -             |
| Municipal income taxes                          | -                        | -                      | 348,000            | -                |
| Intergovernmental revenues                      | -                        | -                      | -                  | 223,308          |
| Charges for services                            | -                        | -                      | -                  | -                |
| Fines and forfeits                              | 5,059                    | -                      | 986,443            | -                |
| Interest earnings                               | -                        | -                      | -                  | 2,745            |
| Miscellaneous                                   | -                        | 205,573                | 5,493              | -                |
| <b>Total revenues</b>                           | <b>5,059</b>             | <b>205,573</b>         | <b>1,339,936</b>   | <b>226,053</b>   |
| Expenditures:                                   |                          |                        |                    |                  |
| Current   |                          |                        |                    |                  |
| Public safety                                   | 750                      | -                      | 1,308,963          | 231,683          |
| Public health and welfare                       | -                        | -                      | -                  | -                |
| Leisure time activities                         | -                        | -                      | -                  | -                |
| Community environment                           | -                        | -                      | -                  | -                |
| Highways and streets                            | -                        | -                      | -                  | -                |
| General government                              | -                        | -                      | -                  | -                |
| Miscellaneous                                   | -                        | 77,878                 | -                  | -                |
| <b>Total expenditures</b>                       | <b>750</b>               | <b>77,878</b>          | <b>1,308,963</b>   | <b>231,683</b>   |
| Excess of revenues over<br>(under) expenditures | 4,309                    | 127,695                | 30,973             | (5,630)          |
| Other financing sources (uses):                 |                          |                        |                    |                  |
| Transfers-out                                   | -                        | (42,432)               | -                  | -                |
| Other uses                                      | -                        | -                      | -                  | -                |
| <b>Total other financing<br/>sources (uses)</b> | <b>-</b>                 | <b>(42,432)</b>        | <b>-</b>           | <b>-</b>         |
| Net change in fund balances                     | 4,309                    | 85,263                 | 30,973             | (5,630)          |
| Fund balance, beginning of year                 | 16,700                   | 35,155                 | (2,288)            | 62,350           |
| <b>Fund balance, end of the year</b>            | <b>\$ 21,009</b>         | <b>\$ 120,418</b>      | <b>\$ 28,685</b>   | <b>\$ 56,720</b> |



| Court<br>Special<br>Projects | Pool Fund     | Home<br>Program  | Community<br>Development | Police<br>Pension | Fire<br>Pension  | Totals               |
|------------------------------|---------------|------------------|--------------------------|-------------------|------------------|----------------------|
| \$ -                         | \$ -          | \$ -             | \$ -                     | \$ 265,827        | \$ 265,827       | \$ 531,654           |
| -                            | 8,000         | -                | -                        | 676,000           | 878,000          | 3,804,700            |
| -                            | -             | 330,576          | 775,544                  | 60,252            | 60,252           | 4,228,752            |
| -                            | -             | -                | -                        | -                 | -                | 238,735              |
| 138,140                      | -             | -                | -                        | -                 | -                | 1,449,085            |
| -                            | -             | -                | 319                      | -                 | -                | 46,875               |
| -                            | 68,000        | 75,735           | 2,424                    | -                 | -                | 522,445              |
| <b>138,140</b>               | <b>76,000</b> | <b>406,311</b>   | <b>778,287</b>           | <b>1,002,079</b>  | <b>1,204,079</b> | <b>\$ 10,822,246</b> |
| 103,517                      | -             | -                | -                        | 1,005,518         | 1,207,109        | 5,397,138            |
| -                            | -             | -                | -                        | -                 | -                | 1,023,749            |
| -                            | 75,838        | 363,162          | -                        | -                 | -                | 440,014              |
| -                            | -             | -                | 782,654                  | -                 | -                | 803,110              |
| -                            | -             | -                | -                        | -                 | -                | 1,999,437            |
| -                            | -             | -                | -                        | -                 | -                | 117,141              |
| -                            | -             | -                | -                        | -                 | -                | 77,878               |
| <b>103,517</b>               | <b>75,838</b> | <b>363,162</b>   | <b>782,654</b>           | <b>1,005,518</b>  | <b>1,207,109</b> | <b>9,858,467</b>     |
| 34,623                       | 162           | 43,149           | (4,367)                  | (3,439)           | (3,030)          | 963,779              |
| -                            | -             | -                | -                        | -                 | -                | (42,432)             |
| -                            | -             | -                | -                        | -                 | -                | 20,476               |
| -                            | -             | -                | -                        | -                 | -                | <b>(21,956)</b>      |
| 34,623                       | 162           | 43,149           | (4,367)                  | (3,439)           | (3,030)          | 941,823              |
| 94,238                       | -             | 1,264            | 20,869                   | 62,722            | 58,842           | 2,850,509            |
| <b>\$ 128,861</b>            | <b>\$ 162</b> | <b>\$ 44,413</b> | <b>\$ 16,502</b>         | <b>\$ 59,283</b>  | <b>\$ 55,812</b> | <b>\$ 3,792,332</b>  |

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
AUTO AND GAS TAX FUND  
FOR YEAR ENDED DECEMBER 31, 2007**

|  | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>From Final<br>Budget |
|--|--------------------|-------------------|-------------------|----------------------------------|
| Revenues:                                    |                    |                   |                   |                                  |
| Municipal income tax                         | \$ 716,700         | \$ 716,700        | \$ 716,700        | \$ -                             |
| Intergovernmental revenue                    | 2,059,290          | 2,059,290         | 2,348,357         | 289,067                          |
| Interest earnings                            | -                  | -                 | 31,367            | 31,367                           |
| Miscellaneous                                | 242,037            | 242,037           | 137,765           | (104,272)                        |
| <b>Total revenues</b>                        | <b>3,018,027</b>   | <b>3,018,027</b>  | <b>3,234,189</b>  | <b>216,162</b>                   |
| Expenditures:                                |                    |                   |                   |                                  |
| Current                                      |                    |                   |                   |                                  |
| Public safety:                               |                    |                   |                   |                                  |
| Electronic Maintenance                       | 651,831            | 637,431           | 621,353           | 16,078                           |
| <b>Total public safety</b>                   | <b>651,831</b>     | <b>637,431</b>    | <b>621,353</b>    | <b>16,078</b>                    |
| Highways and streets:                        |                    |                   |                   |                                  |
| Street Maintenance                           | 1,838,287          | 1,831,776         | 1,508,084         | 323,692                          |
| Grounds Maintenance                          | 634,138            | 634,138           | 502,349           | 131,789                          |
| <b>Total highways and streets</b>            | <b>2,472,425</b>   | <b>2,465,914</b>  | <b>2,010,433</b>  | <b>455,481</b>                   |
| <b>Total expenditures</b>                    | <b>3,124,256</b>   | <b>3,103,345</b>  | <b>2,631,786</b>  | <b>471,559</b>                   |
| Excess of revenues over (under) expenditures | (106,229)          | (85,318)          | 602,403           | 687,721                          |
| Fund balance, beginning of the year          | 106,442            | 106,442           | 106,442           | -                                |
| Appropriation for prior year encumbrances    | 183,614            | 183,614           | 183,614           | -                                |
| <b>Fund balance, end of the year</b>         | <b>\$ 183,827</b>  | <b>\$ 204,738</b> | <b>\$ 892,459</b> | <b>\$ 687,721</b>                |

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

|   | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>From Final<br>Budget |
|---|--------------------|-------------------|-------------------|----------------------------------|
| Revenues:                               |                    |                   |                   |                                  |
| Charges for services                    | \$ 15,000          | \$ 45,000         | \$ 45,200         | \$ 200                           |
| <b>Total revenues</b>                   | <b>15,000</b>      | <b>45,000</b>     | <b>45,200</b>     | <b>200</b>                       |
| Expenditures:                           |                    |                   |                   |                                  |
| Current                                 |                    |                   |                   |                                  |
| Leisure activities                      | -                  | -                 | -                 | -                                |
| <b>Total expenditures</b>               | <b>-</b>           | <b>-</b>          | <b>-</b>          | <b>-</b>                         |
| Excess of revenues over<br>expenditures | 15,000             | 45,000            | 45,200            | 200                              |
| Fund balance, beginning of the year     | 62,295             | 62,295            | 62,295            | -                                |
| <b>Fund balance, end of the year</b>    | <b>\$ 77,295</b>   | <b>\$ 107,295</b> | <b>\$ 107,495</b> | <b>\$ 200</b>                    |

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

|  | Original<br>Budget | Final<br>Budget  | Actual            | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|-------------------|----------------------------------|
| Revenues:  |                    |                  |                   |                                  |
| Municipal income taxes   | \$ 238,000         | \$ 238,000       | \$ 238,000        | \$ -                             |
| Intergovernmental revenue  | 735,349            | 735,349          | 577,045           | (158,304)                        |
| Charges for services   | 206,800            | 206,800          | 193,534           | (13,266)                         |
| <b>Total revenues</b>  | <b>1,180,149</b>   | <b>1,180,149</b> | <b>1,008,579</b>  | <b>(171,570)</b>                 |
| Expenditures:  |                    |                  |                   |                                  |
| Current  |                    |                  |                   |                                  |
| Public health and welfare:   |                    |                  |                   |                                  |
| Health State Subsidy   | 15,726             | 16,226           | 15,828            | 398                              |
| Immunization Action Plan   | 41,919             | 41,919           | 41,919            | -                                |
| Public Health Infranstructure  | 32,635             | 32,635           | 26,356            | 6,279                            |
| Child & Family Services  | 177,827            | 177,827          | 173,807           | 4,020                            |
| Help Me Grow   | 312,022            | 312,022          | 199,045           | 112,977                          |
| OIMRI Grant Program  | 149,220            | 149,220          | 84,699            | 64,521                           |
| Health/Evironment Admin.   | 497,473            | 503,473          | 497,030           | 6,443                            |
| <b>Total expenditures</b>  | <b>1,226,822</b>   | <b>1,233,322</b> | <b>1,038,684</b>  | <b>194,638</b>                   |
| Excess of revenues under expenditures  | (46,673)           | (53,173)         | (30,105)          | 23,068                           |
| Other financing sources uses:  |                    |                  |                   |                                  |
| Other uses   | -                  | -                | (2,514)           | (2,514)                          |
| <b>Total other financing uses</b>  | <b>-</b>           | <b>-</b>         | <b>(2,514)</b>    | <b>(2,514)</b>                   |
| Excess of revenues and other financing sources under expenditures and other financing uses | (46,673)           | (53,173)         | (32,619)          | 20,554                           |
| Fund balance, beginning of the year  | 137,577            | 137,577          | 137,577           | -                                |
| Appropriation for prior year encumbrances  | 2,660              | 2,660            | 2,660             | -                                |
| <b>Fund balance, end of the year</b>   | <b>\$ 93,564</b>   | <b>\$ 87,064</b> | <b>\$ 107,618</b> | <b>\$ 20,554</b>                 |

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

|  | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>From Final<br>Budget |
|--|--------------------|-------------------|-------------------|----------------------------------|
| Revenues:                                    |                    |                   |                   |                                  |
| Miscellaneous                                | \$ -               | \$ -              | \$ -              | \$ -                             |
| <b>Total revenues</b>                        | <b>-</b>           | <b>-</b>          | <b>-</b>          | <b>-</b>                         |
| Expenditures:                                |                    |                   |                   |                                  |
| Current                                      |                    |                   |                   |                                  |
| Public safety                                | 337,045            | 332,995           | 332,475           | 520                              |
| <b>Total expenditures</b>                    | <b>337,045</b>     | <b>332,995</b>    | <b>332,475</b>    | <b>520</b>                       |
| Excess of revenues over (under) expenditures | (337,045)          | (332,995)         | (332,475)         | 520                              |
| Fund balance, beginning of the year          | 554,648            | 554,648           | 554,648           | -                                |
| Appropriation for prior year encumbrances    | 10,445             | 10,445            | 10,445            | -                                |
| <b>Fund balance, end of the year</b>         | <b>\$ 228,048</b>  | <b>\$ 232,098</b> | <b>\$ 232,618</b> | <b>\$ 520</b>                    |

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
URBAN DEVELOPMENT ACTION GRANT FUND  
FOR YEAR ENDED DECEMBER 31, 2007**

|  | Original<br>Budget | Final<br>Budget  | Actual            | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|-------------------|----------------------------------|
| Revenues:                                |                    |                  |                   |                                  |
| Interest earnings                        | \$ 10,800          | \$ 25,000        | \$ 12,444         | \$ (12,556)                      |
| Miscellaneous                            | 19,300             | -                | 20,427            | 20,427                           |
| <b>Total revenues</b>                    | <b>30,100</b>      | <b>25,000</b>    | <b>32,871</b>     | <b>7,871</b>                     |
| Expenditures:                            |                    |                  |                   |                                  |
| Current                                  |                    |                  |                   |                                  |
| Community environment:                   | 284,212            | 290,000          | 28,696            | 261,304                          |
| <b>Total expenditures</b>                | <b>284,212</b>     | <b>290,000</b>   | <b>28,696</b>     | <b>261,304</b>                   |
| Excess of revenues under<br>expenditures | (254,112)          | (265,000)        | 4,175             | 269,175                          |
| Fund balance, beginning of the year      | 284,208            | 284,208          | 284,208           | -                                |
| <b>Fund balance, end of the year</b>     | <b>\$ 30,096</b>   | <b>\$ 19,208</b> | <b>\$ 288,383</b> | <b>\$ 269,175</b>                |

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

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| Revenues:                                |                    |                  |                  |                                  |
| Fines and forfeitures                    | \$ -               | \$ 70,000        | \$ 11,122        | \$ (58,878)                      |
| <b>Total revenues</b>                    | <b>-</b>           | <b>70,000</b>    | <b>11,122</b>    | <b>(58,878)</b>                  |
| Expenditures:                            |                    |                  |                  |                                  |
| Current                                  |                    |                  |                  |                                  |
| Miscellaneous                            | -                  | -                | -                | -                                |
| <b>Total expenditures</b>                | <b>-</b>           | <b>-</b>         | <b>-</b>         | <b>-</b>                         |
| Excess of revenues under<br>expenditures | -                  | 70,000           | 11,122           | (58,878)                         |
| Fund balance, beginning of the year      | -                  | -                | -                | -                                |
| <b>Fund balance, end of the year</b>     | <b>\$ -</b>        | <b>\$ 70,000</b> | <b>\$ 11,122</b> | <b>\$ (58,878)</b>               |

CITY OF MIDDLETOWN, OHIO  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
 LAW ENFORCEMENT FUND  
 FOR YEAR ENDED DECEMBER 31, 2007

|  | Original<br>Budget | Final<br>Budget  | Actual            | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|-------------------|----------------------------------|
| Revenues:                                |                    |                  |                   |                                  |
| Fines and forfeits                       | \$ 51,500          | \$ 51,500        | \$ 125,642        | \$ 74,142                        |
| <b>Total revenues</b>                    | <b>51,500</b>      | <b>51,500</b>    | <b>143,696</b>    | <b>92,196</b>                    |
| Expenditures:                            |                    |                  |                   |                                  |
| Current                                  |                    |                  |                   |                                  |
| Public safety:                           | 90,000             | 117,000          | 108,663           | 8,337                            |
| <b>Total expenditures</b>                | <b>90,000</b>      | <b>117,000</b>   | <b>108,663</b>    | <b>8,337</b>                     |
| Excess of revenues under<br>expenditures | (38,500)           | (65,500)         | 35,033            | 100,533                          |
| Fund balance, beginning of the year      | 120,306            | 120,306          | 120,306           | -                                |
| <b>Fund balance, end of the year</b>     | <b>\$ 81,806</b>   | <b>\$ 54,806</b> | <b>\$ 155,339</b> | <b>\$ 100,533</b>                |



CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
MANDATORY DRUG FINE FUND  
FOR YEAR ENDED DECEMBER 31, 2007

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| Revenues:                                    |                    |                  |                  |                                  |
| Fines and forfeits                           | \$ 15,000          | \$ 15,000        | \$ 25,348        | \$ 10,348                        |
| Intergovernmental revenue                    | 35,000             | 35,000           | 16,601           | (18,399)                         |
| <b>Total revenues</b>                        | <b>50,000</b>      | <b>50,000</b>    | <b>41,949</b>    | <b>(8,051)</b>                   |
| Expenditures:                                |                    |                  |                  |                                  |
| Current                                      |                    |                  |                  |                                  |
| Public safety:                               | 45,000             | 45,000           | 45,000           | -                                |
| <b>Total expenditures</b>                    | <b>45,000</b>      | <b>45,000</b>    | <b>45,000</b>    | <b>-</b>                         |
| Excess of revenues over (under) expenditures | 5,000              | 5,000            | (3,051)          | (8,051)                          |
| Fund balance, beginning of the year          | 39,244             | 39,244           | 39,244           | -                                |
| <b>Fund balance, end of the year</b>         | <b>\$ 44,244</b>   | <b>\$ 44,244</b> | <b>\$ 36,193</b> | <b>\$ (8,051)</b>                |

CITY OF MIDDLETOWN, OHIO  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
 PROBATION SERVICES FUND  
 FOR YEAR ENDED DECEMBER 31, 2007

|   | Original<br>Budget | Final<br>Budget  | Actual            | Variance<br>From Final<br>Budget |
|---|--------------------|------------------|-------------------|----------------------------------|
| Revenues:                               |                    |                  |                   |                                  |
| Fines and forfeits                      | \$ 120,000         | \$ 120,000       | \$ 129,682        | \$ 9,682                         |
| <b>Total revenues</b>                   | <b>120,000</b>     | <b>120,000</b>   | <b>129,682</b>    | <b>9,682</b>                     |
| Expenditures:                           |                    |                  |                   |                                  |
| Current                                 |                    |                  |                   |                                  |
| Public safety                           | 120,000            | 120,000          | 79,323            | 40,677                           |
| <b>Total expenditures</b>               | <b>120,000</b>     | <b>120,000</b>   | <b>79,323</b>     | <b>40,677</b>                    |
| Excess of revenues over<br>expenditures | -                  | -                | 50,359            | 50,359                           |
| Fund balance, beginning of the year     | 99,377             | 99,377           | 99,377            | -                                |
| <b>Fund balance, end of the year</b>    | <b>\$ 99,377</b>   | <b>\$ 99,377</b> | <b>\$ 149,736</b> | <b>\$ 50,359</b>                 |

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

|                                      | Original<br>Budget | Final<br>Budget  | Actual            | Variance<br>From Final<br>Budget |
|--------------------------------------|--------------------|------------------|-------------------|----------------------------------|
| Revenues:                            |                    |                  |                   |                                  |
| Municipal income Tax                 | \$ 350,000         | \$ 940,000       | \$ 940,000        | \$ -                             |
| <b>Total revenues</b>                | <b>350,000</b>     | <b>940,000</b>   | <b>940,000</b>    | <b>-</b>                         |
| Expenditures:                        |                    |                  |                   |                                  |
| Current                              |                    |                  |                   |                                  |
| Personal services:                   |                    |                  |                   |                                  |
| Public safety                        | 270,000            | 700,000          | 647,441           | 52,559                           |
| Public health & welfare              | 5,000              | 15,000           | 8,674             | 6,326                            |
| Leisure time activities              | 20,000             | 10,000           | 1,014             | 8,986                            |
| Community environment                | -                  | 25,000           | 10,558            | 14,442                           |
| General government                   | 20,000             | 140,000          | 117,141           | 22,859                           |
| Highways & streets                   | 35,000             | 50,000           | 21,330            | 28,670                           |
| <b>Total expenditures</b>            | <b>350,000</b>     | <b>940,000</b>   | <b>806,158</b>    | <b>133,842</b>                   |
| Excess of revenues over expenditures | -                  | -                | 133,842           | 133,842                          |
| Fund balance, beginning of the year  | 39,169             | 39,169           | 39,169            | -                                |
| <b>Fund balance, end of the year</b> | <b>\$ 39,169</b>   | <b>\$ 39,169</b> | <b>\$ 173,011</b> | <b>\$ 133,842</b>                |

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
INDIGENT DRIVER ALCOHOL TREATMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2007

|  | Original<br>Budget | Final<br>Budget  | Actual          | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|-----------------|----------------------------------|
| Revenues:                                |                    |                  |                 |                                  |
| Fines and forfeits                       | \$ 25,000          | \$ 25,000        | \$ 16,555       | \$ (8,445)                       |
| <b>Total revenues</b>                    | <b>25,000</b>      | <b>25,000</b>    | <b>16,555</b>   | <b>(8,445)</b>                   |
| Expenditures:                            |                    |                  |                 |                                  |
| Current                                  |                    |                  |                 |                                  |
| Public safety                            | 25,000             | 25,000           | 21,193          | 3,807                            |
| <b>Total expenditures</b>                | <b>25,000</b>      | <b>25,000</b>    | <b>21,193</b>   | <b>3,807</b>                     |
| Excess of revenues under<br>expenditures | -                  | -                | (4,638)         | (4,638)                          |
| Fund balance, beginning of the year      | 12,616             | 12,616           | 12,616          | -                                |
| <b>Fund balance, end of the year</b>     | <b>\$ 12,616</b>   | <b>\$ 12,616</b> | <b>\$ 7,978</b> | <b>\$ (4,638)</b>                |

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
ENFORCEMENT/EDUCATION FUND  
FOR YEAR ENDED DECEMBER 31, 2007

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| Revenues:                                    |                    |                  |                  |                                  |
| Fines and forfeits                           | \$ 14,000          | \$ 14,000        | \$ 5,424         | \$ (8,576)                       |
| <b>Total revenues</b>                        | <b>14,000</b>      | <b>14,000</b>    | <b>5,424</b>     | <b>(8,576)</b>                   |
| Expenditures:                                |                    |                  |                  |                                  |
| Current                                      |                    |                  |                  |                                  |
| Public Safety                                | 12,000             | 12,000           | 750              | 11,250                           |
| <b>Total expenditures</b>                    | <b>12,000</b>      | <b>12,000</b>    | <b>750</b>       | <b>11,250</b>                    |
| Excess of revenues over (under) expenditures | 2,000              | 2,000            | 4,674            | 2,674                            |
| Fund balance, beginning of year              | 16,339             | 16,339           | 16,339           | -                                |
| <b>Fund balance, end of the year</b>         | <b>\$ 18,339</b>   | <b>\$ 18,339</b> | <b>\$ 21,013</b> | <b>\$ 2,674</b>                  |

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
CIVIC DEVELOPMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2007

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| Revenues:  |                    |                  |                  |                                  |
| Miscellaneous  | \$ 163,216         | \$ 163,216       | \$ 194,788       | \$ 31,572                        |
| <b>Total revenues</b>  | <b>163,216</b>     | <b>163,216</b>   | <b>194,788</b>   | <b>31,572</b>                    |
| Expenditures:  |                    |                  |                  |                                  |
| Current  |                    |                  |                  |                                  |
| Miscellaneous  | 120,784            | 120,784          | 120,000          | 784                              |
| <b>Total expenditures</b>  | <b>120,784</b>     | <b>120,784</b>   | <b>120,000</b>   | <b>784</b>                       |
| Excess of revenues under<br>expenditures   | 42,432             | 42,432           | 74,788           | 32,356                           |
| Other financing sources (uses):  |                    |                  |                  |                                  |
| Transfers-out  | (42,432)           | (42,432)         | (42,432)         | -                                |
| <b>Total other financing<br/>sources (uses)</b>  | <b>(42,432)</b>    | <b>(42,432)</b>  | <b>(42,432)</b>  | <b>-</b>                         |
| Excess of revenues and other<br>financing sources over (under)<br>expenditures and other<br>financing sources (uses) | -                  | -                | 32,356           | 32,356                           |
| Fund balance, beginning of the year  | 41,669             | 41,669           | 41,669           | -                                |
| <b>Fund balance, end of the year</b>   | <b>\$ 41,669</b>   | <b>\$ 41,669</b> | <b>\$ 74,025</b> | <b>\$ 32,356</b>                 |

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
MUNICIPAL COURT FUND  
FOR YEAR ENDED DECEMBER 31, 2007

|                                      | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>From Final<br>Budget |
|--------------------------------------|--------------------|------------------|------------------|----------------------------------|
| Revenues:                            |                    |                  |                  |                                  |
| Municipal income tax                 | \$ 348,000         | \$ 348,000       | \$ 348,000       | \$ -                             |
| Fines and forfeits                   | 987,000            | 987,000          | 960,995          | (26,005)                         |
| Miscellaneous                        | 8,354              | 8,354            | 5,494            | (2,860)                          |
| <b>Total revenues</b>                | <b>1,343,354</b>   | <b>1,343,354</b> | <b>1,314,489</b> | <b>(28,865)</b>                  |
| Expenditures:                        |                    |                  |                  |                                  |
| Current                              |                    |                  |                  |                                  |
| Public safety:                       | 1,331,498          | 1,331,498        | 1,316,947        | 14,551                           |
| <b>Total expenditures</b>            | <b>1,331,498</b>   | <b>1,331,498</b> | <b>1,316,947</b> | <b>14,551</b>                    |
| Excess of revenues over expenditures | 11,856             | 11,856           | (2,458)          | (14,314)                         |
| Fund balance, beginning of the year  | 18,722             | 18,722           | 18,722           | -                                |
| <b>Fund balance, end of the year</b> | <b>\$ 30,578</b>   | <b>\$ 30,578</b> | <b>\$ 16,264</b> | <b>\$ (14,314)</b>               |

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

|   | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>From Final<br>Budget |
|---|--------------------|------------------|------------------|----------------------------------|
| Revenues:   |                    |                  |                  |                                  |
| Intergovernmental revenue   | \$ 15,000          | \$ 214,393       | \$ 223,308       | \$ 8,915                         |
| Interest earnings   | 1,000              | 1,000            | 2,745            | 1,745                            |
| <b>Total revenues</b>   | <b>16,000</b>      | <b>215,393</b>   | <b>226,053</b>   | <b>10,660</b>                    |
| Expenditures:   |                    |                  |                  |                                  |
| Current   |                    |                  |                  |                                  |
| Public safety:  |                    |                  |                  |                                  |
| Dare Grant  | -                  | -                | 106              | (106)                            |
| E911 System Upgrade Grant   | 23,214             | 23,214           | 23,214           | -                                |
| 2002 Cops More Grant  | 21,922             | 32,873           | 34,235           | (1,362)                          |
| 2004 Federal Block Grant  | 14,940             | 14,940           | 12,024           | 2,916                            |
| Safety Council Grant  | -                  | 18,664           | 18,430           | 234                              |
| <b>Total expenditures</b>   | <b>60,076</b>      | <b>89,691</b>    | <b>88,009</b>    | <b>1,682</b>                     |
| Excess of revenues under expenditures   | (44,076)           | 125,702          | 138,044          | 12,342                           |
| Other financing sources (uses):   |                    |                  |                  |                                  |
| Other uses  | -                  | (158,679)        | (158,679)        | -                                |
| <b>Total other financing sources (uses)</b>   | <b>-</b>           | <b>(158,679)</b> | <b>(158,679)</b> | <b>-</b>                         |
| Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses) | (44,076)           | (32,977)         | (20,635)         | 12,342                           |
| Fund balance, beginning of the year   | 19,484             | 19,484           | 19,484           | -                                |
| Appropriation for prior year encumbrances   | 45,136             | 45,136           | 45,136           | -                                |
| <b>Fund balance, end of the year</b>  | <b>\$ 20,544</b>   | <b>\$ 31,643</b> | <b>\$ 43,985</b> | <b>\$ 12,342</b>                 |



CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
COURT SPECIAL PROJECTS FUND  
FOR YEAR ENDED DECEMBER 31, 2007

|  | Original<br>Budget | Final<br>Budget  | Actual            | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|-------------------|----------------------------------|
| Revenues:                                |                    |                  |                   |                                  |
| Fines & forfeits                         | \$ 220,000         | \$ 220,000       | \$ 137,440        | \$ (82,560)                      |
| <b>Total revenues</b>                    | <b>220,000</b>     | <b>220,000</b>   | <b>137,440</b>    | <b>(82,560)</b>                  |
| Expenditures:                            |                    |                  |                   |                                  |
| Current                                  |                    |                  |                   |                                  |
| Public safety:                           | 220,000            | 220,000          | 106,783           | 113,217                          |
| <b>Total expenditures</b>                | <b>220,000</b>     | <b>220,000</b>   | <b>106,783</b>    | <b>113,217</b>                   |
| Excess of revenues under<br>expenditures | -                  | -                | 30,657            | 30,657                           |
| Fund balance, beginning of the year      | 92,880             | 92,880           | 92,880            | -                                |
| <b>Fund balance, end of the year</b>     | <b>\$ 92,880</b>   | <b>\$ 92,880</b> | <b>\$ 123,537</b> | <b>\$ 30,657</b>                 |

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
HOME PROGRAM FUND  
FOR YEAR ENDED DECEMBER 31, 2007

|  | Original<br>Budget | Final<br>Budget  | Actual            | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|-------------------|----------------------------------|
| Revenues:                                    |                    |                  |                   |                                  |
| Intergovernmental revenue                    | \$ 721,000         | \$ 721,000       | \$ 345,210        | \$ (375,790)                     |
| Miscellaneous                                | -                  | -                | 75,735            | 75,735                           |
| <b>Total revenues</b>                        | <b>721,000</b>     | <b>721,000</b>   | <b>420,945</b>    | <b>(300,055)</b>                 |
| Expenditures:                                |                    |                  |                   |                                  |
| Current                                      |                    |                  |                   |                                  |
| Community environment:                       | 721,000            | 721,000          | 332,847           | 388,153                          |
| <b>Total expenditures</b>                    | <b>721,000</b>     | <b>721,000</b>   | <b>332,847</b>    | <b>388,153</b>                   |
| Excess of revenues over (under) expenditures | -                  | -                | 88,098            | 88,098                           |
| Fund balance, beginning of the year          | 51,663             | 51,663           | 51,663            | -                                |
| <b>Fund balance, end of the year</b>         | <b>\$ 51,663</b>   | <b>\$ 51,663</b> | <b>\$ 139,761</b> | <b>\$ 88,098</b>                 |

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

|  | Original<br>Budget | Final<br>Budget | Actual        | Variance<br>From Final<br>Budget |
|--|--------------------|-----------------|---------------|----------------------------------|
| Revenues:                                    |                    |                 |               |                                  |
| Miscellaneous revenue                        | \$ -               | \$ 82,000       | \$ 68,000     | \$ (14,000)                      |
| Municipal income tax                         | -                  | 8,000           | 8,000         | -                                |
| <b>Total revenues</b>                        | <b>-</b>           | <b>90,000</b>   | <b>76,000</b> | <b>(14,000)</b>                  |
| Expenditures:                                |                    |                 |               |                                  |
| Current                                      |                    |                 |               |                                  |
| Community environment:                       | -                  | 90,000          | 75,838        | 14,162                           |
| <b>Total expenditures</b>                    | <b>-</b>           | <b>90,000</b>   | <b>75,838</b> | <b>14,162</b>                    |
| Excess of revenues over (under) expenditures | -                  | -               | 162           | 162                              |
| Fund balance, beginning of the year          | -                  | -               | -             | -                                |
| <b>Fund balance, end of the year</b>         | <b>\$ -</b>        | <b>\$ -</b>     | <b>\$ 162</b> | <b>\$ 162</b>                    |

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

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| Revenues:                                    |                    |                  |                  |                                  |
| Intergovernmental revenue                    | \$ 897,421         | \$ 897,421       | \$ 775,543       | \$ (121,878)                     |
| Interest earnings                            | 1,000              | 1,000            | 319              | (681)                            |
| Rentals & leases                             | 2,500              | 2,500            | -                | (2,500)                          |
| Miscellaneous                                | 87,000             | 87,000           | 23,323           | (63,677)                         |
| <b>Total revenues</b>                        | <b>987,921</b>     | <b>987,921</b>   | <b>799,185</b>   | <b>(188,736)</b>                 |
| Expenditures:                                |                    |                  |                  |                                  |
| Current                                      |                    |                  |                  |                                  |
| Community environment:                       | 986,921            | 986,921          | 805,244          | 181,677                          |
| <b>Total expenditures</b>                    | <b>986,921</b>     | <b>986,921</b>   | <b>805,244</b>   | <b>181,677</b>                   |
| Excess of revenues over (under) expenditures | 1,000              | 1,000            | (6,059)          | (7,059)                          |
| Fund balance, beginning of the year          | 34,153             | 34,153           | 34,153           | -                                |
| <b>Fund balance, end of the year</b>         | <b>\$ 35,153</b>   | <b>\$ 35,153</b> | <b>\$ 28,094</b> | <b>\$ (7,059)</b>                |

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

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| Revenues:                                    |                    |                  |                  |                                  |
| Property taxes                               | \$ 305,267         | \$ 305,267       | \$ 265,828       | \$ (39,439)                      |
| Intergovernmental revenue                    | 26,250             | 26,250           | 60,252           | 34,002                           |
| Municipal income taxes                       | 676,000            | 676,000          | 676,000          | -                                |
| <b>Total revenues</b>                        | <b>1,007,517</b>   | <b>1,007,517</b> | <b>1,002,080</b> | <b>(5,437)</b>                   |
| Expenditures:                                |                    |                  |                  |                                  |
| Current                                      |                    |                  |                  |                                  |
| Public safety:                               | 1,036,513          | 1,036,513        | 1,005,518        | 30,995                           |
| <b>Total expenditures</b>                    | <b>1,036,513</b>   | <b>1,036,513</b> | <b>1,005,518</b> | <b>30,995</b>                    |
| Excess of revenues over (under) expenditures | (28,996)           | (28,996)         | (3,438)          | 25,558                           |
| Fund balance, beginning of the year          | 62,711             | 62,711           | 62,711           | -                                |
| <b>Fund balance, end of the year</b>         | <b>\$ 33,715</b>   | <b>\$ 33,715</b> | <b>\$ 59,273</b> | <b>\$ 25,558</b>                 |

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FIRE PENSION FUND  
FOR YEAR ENDED DECEMBER 31, 2007

|  | Original<br>Budget | Final<br>Budget   | Actual           | Variance<br>From Final<br>Budget |
|--|--------------------|-------------------|------------------|----------------------------------|
| Revenues:                                    |                    |                   |                  |                                  |
| Property taxes                               | \$ 305,267         | \$ 305,267        | \$ 265,827       | \$ (39,440)                      |
| Intergovernmental revenue                    | 93,250             | 93,250            | 60,252           | (32,998)                         |
| Municipal income taxes                       | 878,000            | 878,000           | 878,000          | -                                |
| <b>Total revenues</b>                        | <b>1,276,517</b>   | <b>1,276,517</b>  | <b>1,204,079</b> | <b>(72,438)</b>                  |
| Expenditures:                                |                    |                   |                  |                                  |
| Current                                      |                    |                   |                  |                                  |
| Public safety:                               | 1,209,612          | 1,209,612         | 1,207,109        | 2,503                            |
| <b>Total expenditures</b>                    | <b>1,209,612</b>   | <b>1,209,612</b>  | <b>1,207,109</b> | <b>2,503</b>                     |
| Excess of revenues over (under) expenditures | 66,905             | 66,905            | (3,030)          | (69,935)                         |
| Fund balance, beginning of the year          | 58,838             | 58,838            | 58,838           | -                                |
| <b>Fund balance, end of the year</b>         | <b>\$ 125,743</b>  | <b>\$ 125,743</b> | <b>\$ 55,808</b> | <b>\$ (69,935)</b>               |

CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR DEBT SERVICE FUNDS  
 DECEMBER 31, 2007

|   | General<br>Obligation<br>Debt Service | Towne<br>Boulevard<br>Tax<br>Increment<br>Financing<br>District | Downtown<br>Tax<br>Increment<br>Financing<br>District | Aeronca Tax<br>Increment<br>Financing<br>District | Totals            |
|---|---------------------------------------|---|---|---|-------------------|
| Assets  |                                       |   |   |   |                   |
| Cash and equity in pooled cash,<br>deposits and investments | \$ 345,915                            | \$ 228,631  | \$ 73,725   | \$ 1,148  | \$ 649,419        |
| Cash with fiscal and escrow agent                           | 17,633                                | -   | -   | -   | 17,633            |
| <b>Total assets</b>   | <b>363,548</b>                        | <b>228,631</b>  | <b>73,725</b>   | <b>1,148</b>                                      | <b>667,052</b>    |
| Liabilities   |                                       |   |   |   |                   |
| Matured bonds and interest                                  | 17,633                                | -   | -   | -   | 17,633            |
| <b>Total liabilities</b>                                    | <b>17,633</b>                         | <b>-</b>  | <b>-</b>  | <b>-</b>  | <b>17,633</b>     |
| Fund balance:   |                                       |   |   |   |                   |
| Unreserved and undesignated                                 | 345,915                               | 228,631   | 73,725  | 1,148   | 649,419           |
| <b>Total fund balance</b>                                   | <b>345,915</b>                        | <b>228,631</b>  | <b>73,725</b>   | <b>1,148</b>                                      | <b>649,419</b>    |
| <b>Total liabilities and fund balance</b>                   | <b>\$ 363,548</b>                     | <b>\$ 228,631</b>   | <b>\$ 73,725</b>                                      | <b>\$ 1,148</b>                                   | <b>\$ 667,052</b> |

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NON MAJOR DEBT SERVICE FUNDS  
FOR YEAR ENDED DECEMBER 31, 2007**

|   | <b>General<br/>Obligation<br/>Debt Service</b> | <b>Towne<br/>Boulevard Tax<br/>Increment<br/>Financing<br/>District</b> | <b>Downtown<br/>Tax<br/>Increment<br/>Financing<br/>District</b> | <b>Aeronca Tax<br/>Increment<br/>Financing<br/>District</b> | <b>Totals</b>     |
|---|--|---|--|---|-------------------|
| <b>Revenues</b>                                 |  |   |  |   |                   |
| Municipal income taxes                          | \$ 1,880,862                                   | \$ -  | \$ -   | \$ -  | \$ 1,880,862      |
| Property taxes                                  | -  | 286,332   | 22,122   | 1,148   | 309,602           |
| Miscellaneous revenues                          | 287,038  | -   | -  | -   | 287,038           |
| <b>Total revenues</b>                           | <b>2,167,900</b>                               | <b>286,332</b>  | <b>22,122</b>  | <b>1,148</b>  | <b>2,477,502</b>  |
| <b>Expenditures</b>                             |  |   |  |   |                   |
| Debt service                                    |  |   |  |   |                   |
| Principal retirement                            | 1,090,000                                      | 195,000   | -  | -   | 1,285,000         |
| Interest and fiscal charges                     | 1,070,183                                      | 105,000   | -  | -   | 1,175,183         |
| <b>Total expenditures</b>                       | <b>2,160,183</b>                               | <b>300,000</b>  | <b>-</b>   | <b>-</b>  | <b>2,460,183</b>  |
| Excess of revenues over<br>(under) expenditures | 7,717  | (13,668)  | 22,122   | 1,148   | 17,319            |
| <b>Other financing sources (uses)</b>           |  |   |  |   |                   |
| Transfers-in                                    | 200,000  | -   | -  | -   | 200,000           |
| Other uses                                      | -  | (3,686)   | -  | -   | (3,686)           |
| <b>Total other financing<br/>sources (uses)</b> | <b>200,000</b>                                 | <b>(3,686)</b>  | <b>-</b>   | <b>-</b>  | <b>196,314</b>    |
| Net change in fund balance                      | 207,717  | (17,354)  | 22,122   | 1,148   | 213,633           |
| Fund balance, beginning of the year             | 138,198  | 245,985   | 51,603   | -   | 435,786           |
| <b>Fund balance, end of the year</b>            | <b>\$ 345,915</b>                              | <b>\$ 228,631</b>   | <b>\$ 73,725</b>   | <b>\$ 1,148</b>   | <b>\$ 649,419</b> |



CITY OF MIDDLETOWN, OHIO  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
 SPECIAL ASSESSMENT DEBT SERVICE FUND  
 FOR YEAR ENDED DECEMBER 31, 2007

|   | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>From Final<br>Budget |
|---|--------------------|------------------|------------------|----------------------------------|
| Revenues:                                       |                    |                  |                  |                                  |
| Property and other taxes                        | \$ 450,000         | \$ 450,000       | \$ 449,548       | \$ (452)                         |
| Miscellaneous                                   | -                  | -                | 41,579           | 41,579                           |
| <b>Total revenues</b>                           | <b>450,000</b>     | <b>450,000</b>   | <b>491,127</b>   | <b>41,127</b>                    |
| Expenditures:                                   |                    |                  |                  |                                  |
| Debt service                                    | 450,544            | 450,544          | 447,587          | 2,957                            |
| <b>Total expenditures</b>                       | <b>450,544</b>     | <b>450,544</b>   | <b>447,587</b>   | <b>2,957</b>                     |
| Excess of revenues over (under)<br>expenditures | (544)              | (544)            | 43,540           | 44,084                           |
| Fund balance, beginning of the year             | 27,411             | 27,411           | 27,411           | -                                |
| <b>Fund balance, end of the year</b>            | <b>\$ 26,867</b>   | <b>\$ 26,867</b> | <b>\$ 70,951</b> | <b>\$ 44,084</b>                 |

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GENERAL OBLIGATION DEBT SERVICE FUND  
FOR YEAR ENDED DECEMBER 31, 2007**

|  | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>From Final<br>Budget |
|--|--------------------|-------------------|-------------------|----------------------------------|
| Revenues:  |                    |                   |                   |                                  |
| Municipal income taxes   | \$ 1,880,862       | \$ 1,880,862      | \$ 1,880,862      | \$ -                             |
| Miscellaneous  | 287,038            | 287,038           | 287,038           | -                                |
| <b>Total revenues</b>  | <b>2,167,900</b>   | <b>2,167,900</b>  | <b>2,167,900</b>  | <b>-</b>                         |
| Expenditures:  |                    |                   |                   |                                  |
| Debt service   | 2,405,900          | 2,405,900         | 2,160,182         | 245,718                          |
| <b>Total expenditures</b>  | <b>2,405,900</b>   | <b>2,405,900</b>  | <b>2,160,182</b>  | <b>245,718</b>                   |
| Excess of revenues under<br>expenditures                                       | (238,000)          | (238,000)         | 7,718             | 245,718                          |
| Other financing sources:   |                    |                   |                   |                                  |
| Transfers-in   | 200,000            | 200,000           | 200,000           | -                                |
| <b>Total other financing<br/>sources</b>                                       | <b>200,000</b>     | <b>200,000</b>    | <b>200,000</b>    | <b>-</b>                         |
| Excess of revenues and other<br>financing sources over (under)<br>expenditures | (38,000)           | (38,000)          | 207,718           | 245,718                          |
| Fund balance, beginning of the year  | 138,197            | 138,197           | 138,197           | -                                |
| <b>Fund balance, end of the year</b>   | <b>\$ 100,197</b>  | <b>\$ 100,197</b> | <b>\$ 345,915</b> | <b>\$ 245,718</b>                |

CITY OF MIDDLETOWN, OHIO  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
 TOWNE BLVD TAX INCREMENT FINANCING FUND  
 FOR YEAR ENDED DECEMBER 31, 2007

|   | Original<br>Budget | Final<br>Budget  | Actual            | Variance<br>From Final<br>Budget |
|---|--------------------|------------------|-------------------|----------------------------------|
| Revenues:                               |                    |                  |                   |                                  |
| Property and other taxes                | \$ 80,000          | \$ 100,000       | \$ 286,332        | \$ 186,332                       |
| <b>Total revenues</b>                   | <b>80,000</b>      | <b>100,000</b>   | <b>286,332</b>    | <b>186,332</b>                   |
| Expenditures:                           |                    |                  |                   |                                  |
| Current                                 |                    |                  |                   |                                  |
| Debt service                            | 54,000             | 304,000          | 303,687           | 313                              |
| <b>Total expenditures</b>               | <b>54,000</b>      | <b>304,000</b>   | <b>303,687</b>    | <b>313</b>                       |
| Excess of revenues over<br>expenditures | 26,000             | (204,000)        | (17,355)          | 186,645                          |
| Fund balance, beginning of the year     | 245,986            | 245,986          | 245,986           | -                                |
| <b>Fund balance, end of the year</b>    | <b>\$ 271,986</b>  | <b>\$ 41,986</b> | <b>\$ 228,631</b> | <b>\$ 186,645</b>                |

CITY OF MIDDLETOWN, OHIO  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
 DOWNTOWN TAX INCREMENT FINANCING FUND  
 FOR YEAR ENDED DECEMBER 31, 2007

|   | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>From Final<br>Budget |
|---|--------------------|------------------|------------------|----------------------------------|
| Revenues:                               |                    |                  |                  |                                  |
| Property and other taxes                | \$ -               | \$ 12,000        | \$ 22,123        | \$ 10,123                        |
| <b>Total revenues</b>                   | <b>-</b>           | <b>12,000</b>    | <b>22,123</b>    | <b>10,123</b>                    |
| Expenditures:                           |                    |                  |                  |                                  |
| Current                                 |                    |                  |                  |                                  |
| Debt service                            | -                  | -                | -                | -                                |
| <b>Total expenditures</b>               | <b>-</b>           | <b>-</b>         | <b>-</b>         | <b>-</b>                         |
| Excess of revenues over<br>expenditures | -                  | 12,000           | 22,123           | 10,123                           |
| Fund balance, beginning of the year     | 51,603             | 51,603           | 51,603           | -                                |
| <b>Fund balance, end of the year</b>    | <b>\$ 51,603</b>   | <b>\$ 63,603</b> | <b>\$ 73,726</b> | <b>\$ 10,123</b>                 |

CITY OF MIDDLETOWN, OHIO  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
 AERONCA TAX INCREMENT FINANCING FUND  
 FOR YEAR ENDED DECEMBER 31, 2007

|   | Original<br>Budget | Final<br>Budget | Actual          | Variance<br>From Final<br>Budget |
|---|--------------------|-----------------|-----------------|----------------------------------|
| Revenues:                               |                    |                 |                 |                                  |
| Property and other taxes                | \$ -               | \$ -            | \$ 1,148        | \$ 1,148                         |
| <b>Total revenues</b>                   | <b>-</b>           | <b>-</b>        | <b>1,148</b>    | <b>1,148</b>                     |
| Expenditures:                           |                    |                 |                 |                                  |
| Current                                 |                    |                 |                 |                                  |
| Debt service                            | -                  | -               | -               | -                                |
| <b>Total expenditures</b>               | <b>-</b>           | <b>-</b>        | <b>-</b>        | <b>-</b>                         |
| Excess of revenues over<br>expenditures | -                  | -               | 1,148           | 1,148                            |
| Fund balance, beginning of the year     | -                  | -               | -               | -                                |
| <b>Fund balance, end of the year</b>    | <b>\$ -</b>        | <b>\$ -</b>     | <b>\$ 1,148</b> | <b>\$ 1,148</b>                  |

CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR CAPITAL PROJECTS FUNDS  
 DECEMBER 31, 2007

|   | Capital<br>Improvements | East End<br>Development |
|---|-------------------------|-------------------------|
| <b>Assets</b>   |                         |                         |
| Cash and equity in pooled cash,<br>deposits and investments | \$ 910,466              | \$ 589,050              |
| Receivables (net of allowance<br>for uncollectibles):       |                         |                         |
| Property taxes  | 790,879                 | -                       |
| <b>Total assets</b>   | <b>1,701,345</b>        | <b>589,050</b>          |
| <b>Liabilities</b>  |                         |                         |
| Accounts payable  | 45,322                  | -                       |
| Notes payable   | -                       | -                       |
| Due to individuals  | 120,580                 | -                       |
| Deferred revenue  | 790,879                 | -                       |
| <b>Total liabilities</b>                                    | <b>956,781</b>          | <b>-</b>                |
| <b>Fund balances:</b>                                       |                         |                         |
| Reserved for encumbrances                                   | 252,720                 | -                       |
| Unreserved and undesignated                                 | 491,844                 | 589,050                 |
| <b>Total fund balances</b>                                  | <b>744,564</b>          | <b>589,050</b>          |
| <b>Total liabilities and<br/>fund balances</b>              | <b>\$ 1,701,345</b>     | <b>\$ 589,050</b>       |

| <b>Downtown<br/>Improvements</b> | <b>Computer<br/>Replacement</b> | <b>Property<br/>Development</b> | <b>Totals</b>       |
|----------------------------------|---------------------------------|---------------------------------|---------------------|
| \$ 2,582,691                     | \$ 1,274,682                    | \$ 1,165,206                    | \$ 6,522,095        |
| -                                | -                               | -                               | 790,879             |
| <b>2,582,691</b>                 | <b>1,274,682</b>                | <b>1,165,206</b>                | <b>7,312,974</b>    |
| -                                | -                               | -                               | 45,322              |
| 2,550,000                        | -                               | -                               | 2,550,000           |
| -                                | -                               | -                               | 120,580             |
| -                                | -                               | -                               | 790,879             |
| <b>2,550,000</b>                 | <b>-</b>                        | <b>-</b>                        | <b>3,506,781</b>    |
| 1,086                            | -                               | -                               | 253,806             |
| 31,605                           | 1,274,682                       | 1,165,206                       | 3,552,387           |
| <b>32,691</b>                    | <b>1,274,682</b>                | <b>1,165,206</b>                | <b>3,806,193</b>    |
| <b>\$ 2,582,691</b>              | <b>\$ 1,274,682</b>             | <b>\$ 1,165,206</b>             | <b>\$ 7,312,974</b> |

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NON MAJOR CAPITAL PROJECT FUNDS  
FOR YEAR ENDED DECEMBER 31, 2007**

|  | <b>Capital<br/>Improvements</b> | <b>East End<br/>Development</b> |
|--|---------------------------------|---------------------------------|
| <b>Revenues</b>                              |                                 |                                 |
| Property taxes                               | \$ 820,799                      | \$ -                            |
| Intergovernmental revenues                   | 985,272                         | 20,343                          |
| Charges for services                         | 53,654                          | -                               |
| Interest earnings                            | 67,116                          | 74,865                          |
| Miscellaneous                                | 1,000                           | 66                              |
| <b>Total revenues</b>                        | <b>1,927,841</b>                | <b>95,274</b>                   |
| <b>Expenditures</b>                          |                                 |                                 |
| Current                                      |                                 |                                 |
| Public safety                                | 4,350                           | -                               |
| Leisure time activities                      | 12,764                          | -                               |
| Community environment                        | 25,837                          | 6,022                           |
| Highways & streets                           | 2,393,767                       | 338,277                         |
| General government                           | 139,974                         | -                               |
| Miscellaneous                                | 13,686                          | -                               |
| Debt service                                 |                                 |                                 |
| Interest and fiscal charges                  | -                               | 45,512                          |
| <b>Total expenditures</b>                    | <b>2,590,378</b>                | <b>389,811</b>                  |
| Excess of revenues over (under) expenditures | (662,537)                       | (294,537)                       |
| Other financing sources (uses)               |                                 |                                 |
| Transfers-out                                | (200,000)                       | -                               |
| Other Sources                                | 87,354                          | -                               |
| <b>Total other financing sources (uses)</b>  | <b>(112,646)</b>                | <b>-</b>                        |
| Net change in fund balances                  | (775,183)                       | (294,537)                       |
| Fund balance, beginning of year              | 1,519,747                       | 883,587                         |
| <b>Fund balance, end of the year</b>         | <b>\$ 744,564</b>               | <b>\$ 589,050</b>               |



|           | <b>Downtown<br/>Improvements</b> | <b>Computer<br/>Replacement</b> | <b>Property<br/>Development</b> | <b>Totals</b>       |
|-----------|----------------------------------|---------------------------------|---------------------------------|---------------------|
| \$        | -                                | \$ -                            | \$ -                            | 820,799             |
|           | -                                | -                               | -                               | 1,005,615           |
|           | -                                | -                               | -                               | 53,654              |
|           | 110,608                          | 51,298                          | -                               | 303,887             |
|           | -                                | 134,875                         | 645,049                         | 780,990             |
|           | <b>110,608</b>                   | <b>186,173</b>                  | <b>645,049</b>                  | <b>2,964,945</b>    |
|           | -                                | -                               | -                               | 4,350               |
|           | -                                | -                               | -                               | 12,764              |
|           | 26,996                           | -                               | 77,423                          | 136,278             |
|           | -                                | -                               | -                               | 2,732,044           |
|           | -                                | 84,638                          | -                               | 224,612             |
|           | -                                | -                               | -                               | 13,686              |
|           | 105,825                          | -                               | -                               | 151,337             |
|           | <b>132,821</b>                   | <b>84,638</b>                   | <b>77,423</b>                   | <b>3,275,071</b>    |
|           | (22,213)                         | 101,535                         | 567,626                         | (310,126)           |
|           | -                                | -                               | -                               | (200,000)           |
|           | -                                | -                               | -                               | 87,354              |
|           | -                                | -                               | -                               | <b>(112,646)</b>    |
|           | (22,213)                         | 101,535                         | 567,626                         | (422,772)           |
|           | 54,904                           | 1,173,147                       | 597,580                         | 4,228,965           |
| <b>\$</b> | <b>32,691</b>                    | <b>\$ 1,274,682</b>             | <b>\$ 1,165,206</b>             | <b>\$ 3,806,193</b> |

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

|  | Original<br>Budget | Final<br>Budget  | Actual            | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|-------------------|----------------------------------|
| <b>Revenues:</b>   |                    |                  |                   |                                  |
| Property taxes   | \$ 914,800         | \$ 914,800       | \$ 820,799        | \$ (94,001)                      |
| Intergovernmental revenue  | 380,000            | 80,000           | 197,463           | 117,463                          |
| Charges for services   | 30,000             | 30,000           | 53,654            | 23,654                           |
| Interest earnings  | 60,000             | 60,000           | 67,116            | 7,116                            |
| Miscellaneous  | 334,170            | 434,170          | 138,810           | (296,360)                        |
| <b>Total revenues</b>  | <b>1,718,970</b>   | <b>1,518,970</b> | <b>1,277,842</b>  | <b>(242,128)</b>                 |
| <b>Expenditures:</b>   |                    |                  |                   |                                  |
| Current  |                    |                  |                   |                                  |
| Public safety  | 59,279             | 59,279           | 57,784            | 1,495                            |
| Leisure time activities  | 10,000             | 10,000           | 9,987             | 13                               |
| Community environment  | 37,488             | 18,735           | 18,683            | 52                               |
| Highways and streets   | 2,482,732          | 2,750,130        | 2,019,173         | 730,957                          |
| General government   | 46,081             | 40,704           | 60,954            | (20,250)                         |
| <b>Total expenditures</b>  | <b>2,635,580</b>   | <b>2,878,848</b> | <b>2,166,581</b>  | <b>712,267</b>                   |
| Excess of revenues over (under) expenditures                             | (916,610)          | (1,359,878)      | (888,739)         | 470,139                          |
| Other financing sources (uses):  |                    |                  |                   |                                  |
| Transfers-out  | (200,000)          | (200,000)        | (200,000)         | -                                |
| Other sources  | -                  | -                | 95,350            | 95,350                           |
| <b>Total other financing sources (uses)</b>                              | <b>(200,000)</b>   | <b>(200,000)</b> | <b>(104,650)</b>  | <b>95,350</b>                    |
| Excess of revenues and other financing sources over (under) expenditures | (1,116,610)        | (1,559,878)      | (993,389)         | 565,489                          |
| Fund balance, beginning of the year                                      | 690,569            | 690,569          | 690,569           | -                                |
| Appropriation for prior year encumbrances                                | 930,754            | 930,754          | 930,754           | -                                |
| <b>Fund balance, end of the year</b>                                     | <b>\$ 504,713</b>  | <b>\$ 61,445</b> | <b>\$ 627,934</b> | <b>\$ 565,489</b>                |

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
EAST END DEVELOPMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2007**

|   | Original<br>Budget | Final<br>Budget     | Actual            | Variance<br>From Final<br>Budget |
|---|--------------------|---------------------|-------------------|----------------------------------|
| Revenues:   |                    |                     |                   |                                  |
| Interest earnings   | \$ 72,000          | \$ 72,000           | \$ 74,865         | \$ 2,865                         |
| Miscellaneous revenue   | -                  | -                   | 66                | 66                               |
| <b>Total revenues</b>   | <b>72,000</b>      | <b>72,000</b>       | <b>74,931</b>     | <b>2,931</b>                     |
| Expenditures:   |                    |                     |                   |                                  |
| Current   |                    |                     |                   |                                  |
| Highways and streets  | 1,477,341          | 418,940             | 329,193           | 89,747                           |
| Debt Service  |                    |                     |                   |                                  |
| Principal retirement  | 1,277,850          | 1,271,425           | 1,271,425         | -                                |
| Interest expense  | 67,000             | 67,000              | 53,613            | 13,387                           |
| <b>Total expenditures</b>   | <b>2,822,191</b>   | <b>1,757,365</b>    | <b>1,654,231</b>  | <b>103,134</b>                   |
| Excess of revenues under expenditures                             | (2,750,191)        | (1,685,365)         | (1,579,300)       | 106,065                          |
| Other financing sources:  |                    |                     |                   |                                  |
| Proceeds from notes   | 1,400,000          | 1,400,000           | -                 | (1,400,000)                      |
| <b>Total other financing sources</b>                              | <b>1,400,000</b>   | <b>1,400,000</b>    | <b>-</b>          | <b>(1,400,000)</b>               |
| Excess of revenues and other financing sources under expenditures | (1,350,191)        | (285,365)           | (1,579,300)       | (1,293,935)                      |
| Fund balance, beginning of the year                               | 678,160            | 678,160             | 678,160           | -                                |
| Appropriation for prior year encumbrances                         | 1,490,191          | 1,490,191           | 1,490,191         | -                                |
| <b>Fund balance, end of the year</b>                              | <b>\$ 818,160</b>  | <b>\$ 1,882,986</b> | <b>\$ 589,051</b> | <b>\$ (1,293,935)</b>            |

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

|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance<br>From Final<br>Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| Revenues:                                    |                     |                     |                     |                                  |
| Interest earnings                            | \$ 82,109           | \$ 82,109           | \$ 110,608          | \$ 28,499                        |
| <b>Total revenues</b>                        | <b>82,109</b>       | <b>82,109</b>       | <b>110,608</b>      | <b>28,499</b>                    |
| Expenditures:                                |                     |                     |                     |                                  |
| Current                                      |                     |                     |                     |                                  |
| Community environment                        | 91,532              | 90,082              | 28,082              | 62,000                           |
| Debt Service                                 |                     |                     |                     |                                  |
| Interest expense                             | 115,000             | 115,000             | 116,033             | (1,033)                          |
| <b>Total expenditures</b>                    | <b>91,532</b>       | <b>205,082</b>      | <b>144,115</b>      | <b>60,967</b>                    |
| Excess of revenues under<br>expenditures     | (9,423)             | (122,973)           | (33,507)            | 89,466                           |
| Fund balance, beginning of the year          | 2,600,580           | 2,600,580           | 2,600,580           | -                                |
| Appropriation for prior year<br>encumbrances | 14,532              | 14,532              | 14,532              | -                                |
| <b>Fund balance, end of the year</b>         | <b>\$ 2,605,689</b> | <b>\$ 2,492,139</b> | <b>\$ 2,581,605</b> | <b>\$ 89,466</b>                 |

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

|  | Original<br>Budget | Final<br>Budget   | Actual              | Variance<br>From Final<br>Budget |
|--|--------------------|-------------------|---------------------|----------------------------------|
| Revenues:                                    |                    |                   |                     |                                  |
| Interest earnings                            | \$ 21,681          | \$ 29,500         | \$ 51,298           | \$ 21,798                        |
| Miscellaneous                                | 45,500             | 45,500            | 134,875             | 89,375                           |
| <b>Total revenues</b>                        | <b>67,181</b>      | <b>75,000</b>     | <b>186,173</b>      | <b>111,173</b>                   |
| Expenditures:                                |                    |                   |                     |                                  |
| Current                                      |                    |                   |                     |                                  |
| General government                           | 302,591            | 271,547           | 84,640              | 186,907                          |
| <b>Total expenditures</b>                    | <b>302,591</b>     | <b>271,547</b>    | <b>84,640</b>       | <b>186,907</b>                   |
| Excess of revenues under<br>expenditures     | (235,410)          | (196,547)         | 101,533             | 298,080                          |
| Fund balance, beginning of the year          | 1,120,554          | 1,120,554         | 1,120,554           | -                                |
| Appropriation for prior year<br>encumbrances | 52,591             | 52,591            | 52,591              | -                                |
| <b>Fund balance, end of the year</b>         | <b>\$ 937,735</b>  | <b>\$ 976,598</b> | <b>\$ 1,274,678</b> | <b>\$ 298,080</b>                |

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
PROPERTY DEVELOPMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2007

|  | Original<br>Budget | Final<br>Budget     | Actual              | Variance<br>From Final<br>Budget |
|--|--------------------|---------------------|---------------------|----------------------------------|
| Revenues:                                    |                    |                     |                     |                                  |
| Miscellaneous                                | \$ 18,000          | \$ 618,590          | \$ 645,049          | \$ 26,459                        |
| <b>Total revenues</b>                        | <b>18,000</b>      | <b>618,590</b>      | <b>645,049</b>      | <b>26,459</b>                    |
| Expenditures:                                |                    |                     |                     |                                  |
| Current                                      |                    |                     |                     |                                  |
| Community environment                        | 36,750             | 106,000             | 77,423              | 28,577                           |
| <b>Total expenditures</b>                    | <b>36,750</b>      | <b>106,000</b>      | <b>77,423</b>       | <b>28,577</b>                    |
| Excess of revenues under<br>expenditures     | (18,750)           | 512,590             | 567,626             | 55,036                           |
| Fund balance, beginning of the year          | 596,831            | 596,831             | 596,831             | -                                |
| Appropriation for prior year<br>encumbrances | 750                | 750                 | 750                 | -                                |
| <b>Fund balance, end of the year</b>         | <b>\$ 578,831</b>  | <b>\$ 1,110,171</b> | <b>\$ 1,165,207</b> | <b>\$ 55,036</b>                 |

## **ENTERPRISE FUNDS**

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To account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recorded primarily through user charges; or (b) where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

### **WATER**

To account for the provision of water treatment and distribution to the residents and commercial users of the City.

### **SEWER**

To account for the City's provision of sanitary sewer services to the residents and commercial users of the City.

### **TRANSIT SYSTEM**

To account for the operation of the City's public bus line system.

### **GOLF COURSE**

To account for the operation of the City's public golf course.

### **SOLID WASTE DISPOSAL**

To account for the City's refuse pickup charges and the cost of the City's refuse hauling contract. The annual principal and interest payments on the \$3.3 million 1994 bond issue in connection with the closing of the City landfill are made by this fund.

### **PARKING GARAGE**

To account for the operation of the City's downtown parking garage and parking lot facilities.

### **AIRPORT**

To account for the operation of the City's airport facility.

### **STORM SEWER**

To account for the City's provision of storm sewer services to the residents and commercial users of the City.

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF NET ASSETS  
 NON MAJOR ENTERPRISE FUNDS  
 DECEMBER 31, 2007**

**Business Type Activities - Enterprise Funds**

|  | <b>Parking<br/>Garage</b> | <b>Airport</b>      | <b>Storm Water</b>  | <b>Totals</b>       |
|--|---------------------------|---------------------|---------------------|---------------------|
| <b>Assets:</b>                                     |                           |                     |                     |                     |
| Current assets                                     |                           |                     |                     |                     |
| Equity in pooled cash, deposits and investments    | \$ 40,760                 | \$ 198,379          | \$ 2,088,557        | \$ 2,327,696        |
| Receivables (net of allowance for uncollectibles): |                           |                     |                     |                     |
| Accounts   | -                         | -                   | 110,308             | 110,308             |
| Due from other governments                         | -                         | 77,418              | -                   | 77,418              |
| <b>Total current assets</b>                        | <b>40,760</b>             | <b>275,797</b>      | <b>2,198,865</b>    | <b>2,515,422</b>    |
| Capital assets:                                    |                           |                     |                     |                     |
| Land   | 16,900                    | 1,524,356           | -                   | 1,541,256           |
| Land Improvements                                  | -                         | 257,211             | -                   | 257,211             |
| Infrastructure assets                              | -                         | 353,510             | 251,502             | 605,012             |
| Buildings  | 2,738,763                 | 1,803,022           | -                   | 4,541,785           |
| Equipment  | 12,120                    | 632,440             | 430,769             | 1,075,329           |
| Less: Accumulated depreciation                     | (1,909,403)               | (786,143)           | (57,615)            | (2,753,161)         |
| <b>Net capital assets</b>                          | <b>858,380</b>            | <b>3,784,396</b>    | <b>624,656</b>      | <b>5,267,432</b>    |
| <b>Total assets</b>                                | <b>899,140</b>            | <b>4,060,193</b>    | <b>2,823,521</b>    | <b>7,782,854</b>    |
| <b>Liabilities:</b>                                |                           |                     |                     |                     |
| Current liabilities                                |                           |                     |                     |                     |
| Accounts payable                                   | -                         | -                   | 21,497              | 21,497              |
| Accrued wages and benefits                         | 2,159                     | -                   | 8,067               | 10,226              |
| Other accrued liabilities                          | 312                       | -                   | 1,560               | 1,872               |
| Accrued interest payable                           | -                         | 34,748              | -                   | 34,748              |
| Due to other funds                                 | 618                       | 1,942               | 3,623               | 6,183               |
| Due to individuals                                 | -                         | 1,800               | -                   | 1,800               |
| Deferred Revenue                                   | -                         | 77,418              | -                   | 77,418              |
| Notes payable                                      | -                         | 1,715,000           | -                   | 1,715,000           |
| Compensated absences (short term portion)          | -                         | -                   | 6,314               | 6,314               |
| <b>Total current liabilities</b>                   | <b>3,089</b>              | <b>1,830,908</b>    | <b>41,061</b>       | <b>1,875,058</b>    |
| Long-term liabilities:                             |                           |                     |                     |                     |
| Compensated absences payable                       | 335                       | -                   | 12,258              | 12,593              |
| <b>Total long-term liabilities</b>                 | <b>335</b>                | <b>-</b>            | <b>12,258</b>       | <b>12,593</b>       |
| <b>Total liabilities</b>                           | <b>3,424</b>              | <b>1,830,908</b>    | <b>53,319</b>       | <b>1,887,651</b>    |
| <b>Net Assets:</b>                                 |                           |                     |                     |                     |
| Invested in capital assests, net of related debt   | 858,380                   | 2,069,396           | 624,656             | 3,552,432           |
| Unrestricted                                       | 37,336                    | 159,889             | 2,145,546           | 2,342,771           |
| <b>Total net assets</b>                            | <b>\$ 895,716</b>         | <b>\$ 2,229,285</b> | <b>\$ 2,770,202</b> | <b>\$ 5,895,203</b> |



**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET ASSETS  
 NON MAJOR ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

**Business Type Activities - Enterprise Funds**

|  | <b>Parking<br/>Garage</b> | <b>Airport</b>      | <b>Storm Water</b>  | <b>Totals</b>       |
|--|---------------------------|---------------------|---------------------|---------------------|
| Operating revenues:                                |                           |                     |                     |                     |
| Charges for services                               | \$ 30,591                 | \$ 223,217          | \$ 1,457,437        | \$ 1,711,245        |
| Other operating revenue                            | 1,817                     | -                   | -                   | 1,817               |
| <b>Total operating revenues</b>                    | <b>32,408</b>             | <b>223,217</b>      | <b>1,457,437</b>    | <b>1,713,062</b>    |
| Operating expenses:                                |                           |                     |                     |                     |
| Personal services                                  | 30,998                    | -                   | 156,282             | 187,280             |
| Contractual services                               | 77,420                    | 160,670             | 60,501              | 298,591             |
| Commodities  | -                         | 4,000               | 21,459              | 25,459              |
| Depreciation                                       | 61,669                    | 137,080             | 54,244              | 252,993             |
| Other operating expenses                           | 1,753                     | 1,949               | 30,993              | 34,695              |
| <b>Total operating expenses</b>                    | <b>171,840</b>            | <b>303,699</b>      | <b>323,479</b>      | <b>799,018</b>      |
| Operating income (loss)                            | (139,432)                 | (80,482)            | 1,133,958           | 914,044             |
| Non-operating revenues (expenses):                 |                           |                     |                     |                     |
| Interest revenue                                   | -                         | 2,378               | 77,746              | 80,124              |
| Interest expense and fiscal charges                | -                         | (71,496)            | -                   | (71,496)            |
| Operating grants                                   | -                         | 472,533             | -                   | 472,533             |
| Income taxes                                       | 96,000                    | -                   | -                   | 96,000              |
| <b>Total non-operating<br/>revenues (expenses)</b> | <b>96,000</b>             | <b>403,415</b>      | <b>77,746</b>       | <b>577,161</b>      |
| Change in net assets                               | (43,432)                  | 322,933             | 1,211,704           | 1,491,205           |
| Total net assets,<br>beginning of year             | 939,148                   | 1,906,352           | 1,558,498           | 4,403,998           |
| <b>Total net assets, end of year</b>               | <b>\$ 895,716</b>         | <b>\$ 2,229,285</b> | <b>\$ 2,770,202</b> | <b>\$ 5,895,203</b> |

CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 NON MAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007

**Business Type Activities - Enterprise Funds**

|  | Parking<br>Garage | Airport           | Storm Water         | Totals              |
|--|-------------------|-------------------|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>                         |                   |                   |                     |                     |
| Cash received from customers   | \$ 30,591         | \$ 223,217        | \$ 1,522,672        | \$ 1,776,480        |
| Cash payments to suppliers for goods and services                    | (82,169)          | (219,967)         | (51,316)            | (353,452)           |
| Cash payments to employees for services                              | (31,457)          | -                 | (106,264)           | (137,721)           |
| Miscellaneous revenues   | 1,817             | 1,800             | -                   | 3,617               |
| Cash payments for interfund services used                            | -                 | -                 | (52,264)            | (52,264)            |
| <b>Net cash provided by operating activities</b>                     | <b>(81,218)</b>   | <b>5,050</b>      | <b>1,312,828</b>    | <b>1,236,660</b>    |
| <b>Cash flows from non-capital financing activities:</b>             |                   |                   |                     |                     |
| Operating grants   | -                 | 472,533           | -                   | 472,533             |
| Income taxes received  | 96,000            | -                 | -                   | 96,000              |
| <b>Net cash provided by non-capital financing activities</b>         | <b>96,000</b>     | <b>472,533</b>    | <b>-</b>            | <b>568,533</b>      |
| <b>Cash flows from capital and related financing activities:</b>     |                   |                   |                     |                     |
| Purchase of capital assets   | -                 | (406,830)         | (614,861)           | (1,021,691)         |
| Interest expense   | -                 | (78,146)          | -                   | (78,146)            |
| Repayment of debt principal  | -                 | (1,630,000)       | -                   | (1,630,000)         |
| Note proceeds  | -                 | 1,717,378         | -                   | 1,717,378           |
| <b>Net cash provided by capital and related financing activities</b> | <b>-</b>          | <b>(397,598)</b>  | <b>(614,861)</b>    | <b>(1,012,459)</b>  |
| <b>Cash flows from investing activities:</b>                         |                   |                   |                     |                     |
| Interest income  | -                 | -                 | 77,746              | 77,746              |
| <b>Net cash provided by investing activities</b>                     | <b>-</b>          | <b>-</b>          | <b>77,746</b>       | <b>77,746</b>       |
| Net increase in cash and cash equivalents                            | 14,782            | 79,985            | 775,713             | 870,480             |
| Cash and cash equivalents,<br>beginning of year                      | 25,978            | 118,394           | 1,312,844           | 1,457,216           |
| <b>Cash and cash equivalents, end of year</b>                        | <b>\$ 40,760</b>  | <b>\$ 198,379</b> | <b>\$ 2,088,557</b> | <b>\$ 2,327,696</b> |

continued

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 NON MAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

| <b>(continued)</b>  | <b>Parking<br/>Garage</b> | <b>Airport</b>  | <b>Storm Water</b>  | <b>Totals</b>       |
|---|---------------------------|-----------------|---------------------|---------------------|
| Reconciliation of operating income to net cash provided by operating activities:        |                           |                 |                     |                     |
| Operating income (loss)   | \$ (139,432)              | \$ (80,482)     | \$ 1,133,958        | \$ 914,044          |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                           |                 |                     |                     |
| Depreciation  | 61,669                    | 137,080         | 54,244              | 252,993             |
| Changes in assets and liabilities:  |                           |                 |                     |                     |
| Increase (decrease) in accounts receivable (net)  | -                         | -               | 71,307              | 71,307              |
| Decrease (increase) in accounts payable   | (3,464)                   | (54,518)        | 21,497              | (36,485)            |
| Increase (decrease) in accrued wages and benefits                                       | 149                       | -               | 8,067               | 8,216               |
| Increase (decrease) in other accrued liabilities  | (292)                     | -               | 1,560               | 1,268               |
| Increase (decrease) in due to other funds   | 468                       | 1,170           | 3,623               | 5,261               |
| Increase (decrease) in compensated absences payable                                     | (316)                     | -               | 18,572              | 18,256              |
| Increase (Decrease) in due to individuals   | -                         | 1,800           | -                   | 1,800               |
| <b>Total adjustments</b>  | <b>58,214</b>             | <b>85,532</b>   | <b>178,870</b>      | <b>322,616</b>      |
| <b>Net cash provided (used) by operating activities</b>                                 | <b>\$ (81,218)</b>        | <b>\$ 5,050</b> | <b>\$ 1,312,828</b> | <b>\$ 1,236,660</b> |

**CITY OF MIDDLETOWN, OHIO**  
**SCHEDULE OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**WATER FUND**  
**FOR YEAR ENDED DECEMBER 31, 2007**

|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance<br>From Final<br>Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| Operating revenues                                 |                     |                     |                     |                                  |
| Charges for services                               | \$ 6,835,957        | \$ 6,995,957        | \$ 6,858,682        | \$ (137,275)                     |
| Other operating revenues                           | 16,225              | 16,225              | 67,142              | 50,917                           |
| <b>Total operating revenues</b>                    | <b>6,852,182</b>    | <b>7,012,182</b>    | <b>6,925,824</b>    | <b>(86,358)</b>                  |
| Operating expenses                                 |                     |                     |                     |                                  |
| Water Administration                               | 364,062             | 364,062             | 352,620             | 11,442                           |
| Water Treatment                                    | 2,180,544           | 2,153,367           | 2,084,129           | 69,238                           |
| Water Maintenance                                  | 1,514,422           | 1,549,219           | 1,493,162           | 56,057                           |
| Administrative Support                             | 822,899             | 822,899             | 822,899             | -                                |
| Water Capital Reserve                              | 2,100,842           | 2,533,772           | 2,237,723           | 296,049                          |
| Wellfield Protection                               | 1,470,581           | 1,470,581           | 1,463,523           | 7,058                            |
| <b>Total operating expenses</b>                    | <b>8,453,350</b>    | <b>8,893,900</b>    | <b>8,454,056</b>    | <b>439,844</b>                   |
| Operating income (loss)                            | (1,601,168)         | (1,881,718)         | (1,528,232)         | 353,486                          |
| Non-operating revenues (expenses)                  |                     |                     |                     |                                  |
| Interest revenue                                   | 86,232              | 86,232              | 184,401             | 98,169                           |
| Interest expenses & fiscal charges                 | (338,375)           | (338,375)           | (326,157)           | 12,218                           |
| Debt retirement                                    | (560,930)           | (560,930)           | (560,844)           | 86                               |
| Operating grants                                   | -                   | 480,000             | 578,904             | 98,904                           |
| Other sources                                      | -                   | -                   | 40,599              | 40,599                           |
| <b>Total non-operating<br/>revenues (expenses)</b> | <b>(813,073)</b>    | <b>(333,073)</b>    | <b>(83,097)</b>     | <b>249,976</b>                   |
| Net income (loss)                                  | (2,414,241)         | (2,214,791)         | (1,611,329)         | 603,462                          |
| Retained earnings, beginning of the year           | 3,763,922           | 3,763,922           | 3,763,922           | -                                |
| Appropriation for prior year encumbrances          | 2,260,935           | 2,260,935           | 2,260,935           | -                                |
| <b>Retained earnings, end of the year</b>          | <b>\$ 3,610,616</b> | <b>\$ 3,810,066</b> | <b>\$ 4,413,528</b> | <b>\$ 603,462</b>                |

**CITY OF MIDDLETOWN, OHIO**  
**SCHEDULE OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**SEWER FUND**  
**FOR YEAR ENDED DECEMBER 31, 2007**

|  | Original<br>Budget | Final<br>Budget       | Actual                | Variance<br>From Final<br>Budget |
|--|--------------------|-----------------------|-----------------------|----------------------------------|
| Operating revenues                                 |                    |                       |                       |                                  |
| Charges for services                               | \$ 6,548,920       | \$ 6,548,920          | \$ 6,893,490          | \$ 344,570                       |
| Other operating revenues                           | -                  | -                     | 9,551                 | 9,551                            |
| <b>Total operating revenues</b>                    | <b>6,548,920</b>   | <b>6,548,920</b>      | <b>6,903,041</b>      | <b>354,121</b>                   |
| Operating expenses                                 |                    |                       |                       |                                  |
| Sewer Administration                               | 264,562            | 274,562               | 270,750               | 3,812                            |
| Sewer Treatment                                    | 3,019,092          | 3,003,564             | 2,847,909             | 155,655                          |
| Sewer Maintenance                                  | 1,004,254          | 1,003,753             | 950,942               | 52,811                           |
| Environmental Services Administration              | 196,481            | 196,481               | 188,075               | 8,406                            |
| Administrative Support                             | 822,899            | 822,899               | 822,899               | -                                |
| Sewer Capital Reserve                              | 11,648,619         | 16,619,156            | 15,074,201            | 1,544,955                        |
| <b>Total operating expenses</b>                    | <b>16,955,907</b>  | <b>21,920,415</b>     | <b>20,154,776</b>     | <b>1,765,639</b>                 |
| Operating income (loss)                            | (10,406,987)       | (15,371,495)          | (13,251,735)          | 2,119,760                        |
| Non-operating revenues (expenses)                  |                    |                       |                       |                                  |
| Interest revenue                                   | 186,516            | 186,516               | 258,251               | 71,735                           |
| Interest expenses & fiscal charges                 | (143,780)          | (143,780)             | (131,562)             | 12,218                           |
| Debt retirement                                    | (280,930)          | (280,930)             | (280,844)             | 86                               |
| Proceeds from notes                                | 5,000,000          | 5,000,000             | -                     | (5,000,000)                      |
| <b>Total non-operating<br/>revenues (expenses)</b> | <b>4,761,806</b>   | <b>4,761,806</b>      | <b>(154,155)</b>      | <b>(4,915,961)</b>               |
| Net income (loss)                                  | (5,645,181)        | (10,609,689)          | (13,405,891)          | (2,796,202)                      |
| Retained earnings, beginning of the year           | 5,190,104          | 5,190,104             | 5,190,104             | -                                |
| Appropriation for prior year encumbrances          | 1,236,229          | 1,236,229             | 1,236,229             | -                                |
| <b>Retained earnings, end of the year</b>          | <b>\$ 781,152</b>  | <b>\$ (4,183,356)</b> | <b>\$ (6,979,558)</b> | <b>\$ (2,796,202)</b>            |

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
TRANSIT SYSTEM FUND  
FOR YEAR ENDED DECEMBER 31, 2007**

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| Operating revenues                                 |                    |                  |                  |                                  |
| Charges for services                               | \$ 115,000         | \$ 115,000       | \$ 127,806       | \$ 12,806                        |
| Other operating revenues                           | 10,000             | 10,000           | 1,380            | (8,620)                          |
| <b>Total operating revenues</b>                    | <b>125,000</b>     | <b>125,000</b>   | <b>129,186</b>   | <b>4,186</b>                     |
| Operating expenses                                 | 1,063,246          | 1,160,025        | 1,107,918        | 52,107                           |
| <b>Total operating expenses</b>                    | <b>1,063,246</b>   | <b>1,160,025</b> | <b>1,107,918</b> | <b>52,107</b>                    |
| Operating income (loss)                            | (938,246)          | (1,035,025)      | (978,732)        | 56,293                           |
| Non-operating revenues (expenses)                  |                    |                  |                  |                                  |
| Operating grants                                   | 644,018            | 817,818          | 750,940          | (66,878)                         |
| Income tax   | 204,000            | 204,000          | 204,000          | -                                |
| <b>Total non-operating<br/>revenues (expenses)</b> | <b>848,018</b>     | <b>1,021,818</b> | <b>954,940</b>   | <b>(66,878)</b>                  |
| Net income (loss)                                  | (90,228)           | (13,207)         | (23,792)         | (10,585)                         |
| Retained earnings, beginning of the year           | 27,547             | 27,547           | 27,547           | -                                |
| Appropriation for prior year encumbrances          | 69,214             | 69,214           | 69,214           | -                                |
| <b>Retained earnings, end of the year</b>          | <b>\$ 6,533</b>    | <b>\$ 83,554</b> | <b>\$ 72,969</b> | <b>\$ (10,585)</b>               |

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GOLF COURSE FUND  
FOR YEAR ENDED DECEMBER 31, 2007**

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| Operating revenues                                 |                    |                  |                  |                                  |
| Charges for services                               | \$ 1,896,000       | \$ 1,896,000     | \$ 1,626,418     | \$ (269,582)                     |
| Other operating revenues                           | 4,000              | 4,000            | 8,785            | 4,785                            |
| <b>Total operating revenues</b>                    | <b>1,900,000</b>   | <b>1,900,000</b> | <b>1,635,203</b> | <b>(264,797)</b>                 |
| Operating expenses                                 |                    |                  |                  |                                  |
| Golf Maintenance                                   | 866,436            | 866,436          | 804,095          | 62,341                           |
| Golf Clubhouse                                     | 726,836            | 726,836          | 655,540          | 71,296                           |
| <b>Total operating expenses</b>                    | <b>1,593,272</b>   | <b>1,593,272</b> | <b>1,459,635</b> | <b>133,637</b>                   |
| Operating income (loss)                            | 306,728            | 306,728          | 175,568          | (131,160)                        |
| Non-operating revenues (expenses)                  |                    |                  |                  |                                  |
| Interest expenses & fiscal charges                 | (97,671)           | (97,671)         | (94,273)         | 3,399                            |
| Debt retirement                                    | (145,000)          | (145,000)        | (140,000)        | 5,000                            |
| Other sources                                      | -                  | -                | 55,191           | 55,191                           |
| Other uses   | (75,000)           | -                | -                | -                                |
| <b>Total non-operating<br/>revenues (expenses)</b> | <b>(317,671)</b>   | <b>(242,671)</b> | <b>(179,082)</b> | <b>63,590</b>                    |
| Net income (loss)                                  | (10,943)           | 64,057           | (3,514)          | (67,571)                         |
| Retained earnings, beginning of the year           | 19,308             | 19,308           | 19,308           | -                                |
| <b>Retained earnings, end of the year</b>          | <b>\$ 8,365</b>    | <b>\$ 83,365</b> | <b>\$ 15,795</b> | <b>\$ (67,571)</b>               |

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
SOLID WASTE DISPOSAL FUND  
FOR YEAR ENDED DECEMBER 31, 2007**

|   | Original<br>Budget | Final<br>Budget  | Actual             | Variance<br>From Final<br>Budget |
|---|--------------------|------------------|--------------------|----------------------------------|
| Operating revenues                        |                    |                  |                    |                                  |
| Charges for services                      | \$ 2,828,520       | \$ 2,864,520     | \$ 2,730,992       | \$ (133,528)                     |
| Other operating revenues                  | 10,800             | 10,800           | 17,589             | 6,789                            |
| <b>Total operating revenues</b>           | <b>2,839,320</b>   | <b>2,875,320</b> | <b>2,748,581</b>   | <b>(126,739)</b>                 |
| Operating expenses                        | 2,560,915          | 2,560,915        | 2,560,909          | 6                                |
| Administrative Support                    | 20,000             | 20,000           | 20,000             | -                                |
| <b>Total operating expenses</b>           | <b>2,580,915</b>   | <b>2,580,915</b> | <b>2,580,909</b>   | <b>6</b>                         |
| Operating income (loss)                   | 258,405            | 294,405          | 167,672            | (126,733)                        |
| Non-operating expenses                    |                    |                  |                    |                                  |
| Interest expenses & fiscal charges        | (96,993)           | (96,993)         | (96,993)           | -                                |
| Debt retirement                           | (195,000)          | (195,000)        | (195,000)          | -                                |
| <b>Total non-operating expenses</b>       | <b>(291,993)</b>   | <b>(291,993)</b> | <b>(291,993)</b>   | <b>-</b>                         |
| Net income (loss)                         | (33,588)           | 2,412            | (124,321)          | (126,733)                        |
| Retained earnings, beginning of the year  | 3,114              | 3,114            | 3,114              | -                                |
| Appropriation for prior year encumbrances | 52,412             | 52,412           | 52,412             | -                                |
| <b>Retained earnings, end of the year</b> | <b>\$ 21,938</b>   | <b>\$ 57,938</b> | <b>\$ (68,795)</b> | <b>\$ (126,733)</b>              |



CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
PARKING GARAGE FUND  
FOR YEAR ENDED DECEMBER 31, 2007

|  | Original<br>Budget | Final<br>Budget  | Actual           | Variance<br>From Final<br>Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| Operating revenues                                 |                    |                  |                  |                                  |
| Charges for services                               | \$ 32,898          | \$ 32,898        | \$ 30,591        | \$ (2,307)                       |
| Fines and forfeits                                 | 5,306              | 5,306            | 1,818            | (3,488)                          |
| <b>Total operating revenues</b>                    | <b>38,204</b>      | <b>38,204</b>    | <b>32,409</b>    | <b>(5,795)</b>                   |
| Operating expenses                                 |                    |                  |                  |                                  |
| Parking Enforcement                                | 34,391             | 34,391           | 34,389           | 2                                |
| Parking Garage                                     | 85,050             | 85,050           | 79,237           | 5,813                            |
| <b>Total operating expenses</b>                    | <b>119,441</b>     | <b>119,441</b>   | <b>113,626</b>   | <b>5,815</b>                     |
| Operating income (loss)                            | (81,237)           | (81,237)         | (81,217)         | 20                               |
| Non-operating revenues (expenses)                  |                    |                  |                  |                                  |
| Income taxes                                       | 96,000             | 96,000           | 96,000           | -                                |
| <b>Total non-operating<br/>revenues (expenses)</b> | <b>96,000</b>      | <b>96,000</b>    | <b>96,000</b>    | <b>-</b>                         |
| Net income (loss)                                  | 14,763             | 14,763           | 14,783           | 20                               |
| Retained earnings, beginning of the year           | 25,975             | 25,975           | 25,975           | -                                |
| <b>Retained earnings, end of the year</b>          | <b>\$ 40,738</b>   | <b>\$ 40,738</b> | <b>\$ 40,758</b> | <b>\$ 20</b>                     |

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
AIRPORT FUND  
FOR YEAR ENDED DECEMBER 31, 2007**

|   | Original<br>Budget | Final<br>Budget  | Actual            | Variance<br>From Final<br>Budget |
|---|--------------------|------------------|-------------------|----------------------------------|
| Operating revenues                        |                    |                  |                   |                                  |
| Charges for services                      | \$ 212,000         | \$ 212,000       | \$ 223,219        | \$ 11,219                        |
| <b>Total operating revenues</b>           | <b>212,000</b>     | <b>212,000</b>   | <b>223,219</b>    | <b>11,219</b>                    |
| Operating expenses                        |                    |                  |                   |                                  |
| Airport Improvements                      | 252,105            | 573,060          | 486,257           | 86,803                           |
| Airport                                   | 1,909,750          | 1,934,750        | 1,921,356         | 13,394                           |
| <b>Total operating expenses</b>           | <b>2,161,855</b>   | <b>2,507,810</b> | <b>2,407,613</b>  | <b>100,197</b>                   |
| Operating income (loss)                   | (1,949,855)        | (2,295,810)      | (2,184,394)       | 111,416                          |
| Non-operating revenues                    |                    |                  |                   |                                  |
| Proceeds from notes                       | 1,730,000          | 1,730,000        | 1,712,378         | (17,622)                         |
| Operating grants                          | 151,000            | 485,000          | 472,533           | (12,467)                         |
| Other sources                             | -                  | -                | 1,830             | 1,830                            |
| <b>Total non-operating revenues</b>       | <b>1,881,000</b>   | <b>2,215,000</b> | <b>2,186,741</b>  | <b>(28,259)</b>                  |
| Net income (loss)                         | (68,855)           | (80,810)         | 2,347             | 83,157                           |
| Retained earnings, beginning of the year  | 26,285             | 26,285           | 26,285            | -                                |
| Appropriation for prior year encumbrances | 92,105             | 92,105           | 92,105            | -                                |
| <b>Retained earnings, end of the year</b> | <b>\$ 49,535</b>   | <b>\$ 37,580</b> | <b>\$ 120,737</b> | <b>\$ 83,157</b>                 |

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
STORM SEWER FUND  
FOR YEAR ENDED DECEMBER 31, 2007**

|  | Original<br>Budget  | Final<br>Budget   | Actual              | Variance<br>From Final<br>Budget |
|--|---------------------|-------------------|---------------------|----------------------------------|
| Operating revenues                                 |                     |                   |                     |                                  |
| Charges for services                               | \$ 1,500,000        | \$ 1,500,000      | \$ 1,522,672        | \$ 22,672                        |
| <b>Total operating revenues</b>                    | <b>1,500,000</b>    | <b>1,500,000</b>  | <b>1,522,672</b>    | <b>22,672</b>                    |
| Operating expenses                                 |                     |                   |                     |                                  |
| Storm Sewer Maint                                  | -                   | 878,104           | 720,388             | 157,716                          |
| Sewer Capital Reserve                              | 988,439             | 986,424           | 398,642             | 587,782                          |
| <b>Total operating expenses</b>                    | <b>988,439</b>      | <b>1,864,528</b>  | <b>1,119,030</b>    | <b>745,498</b>                   |
| Operating income (loss)                            | 511,561             | (364,528)         | 403,642             | 768,170                          |
| Non-operating revenues (expenses)                  |                     |                   |                     |                                  |
| Interest revenue                                   | 9,572               | 9,572             | 77,747              | 68,175                           |
| <b>Total non-operating<br/>revenues (expenses)</b> | <b>9,572</b>        | <b>9,572</b>      | <b>77,747</b>       | <b>68,175</b>                    |
| Net income (loss)                                  | 521,133             | (354,956)         | 481,388             | 836,344                          |
| Retained earnings, beginning of the year           | 1,074,405           | 1,074,405         | 1,074,405           | -                                |
| Appropriation for prior year encumbrances          | 238,439             | 238,439           | 238,439             | -                                |
| <b>Retained earnings, end of the year</b>          | <b>\$ 1,833,977</b> | <b>\$ 957,888</b> | <b>\$ 1,794,232</b> | <b>\$ 836,344</b>                |

## **INTERNAL SERVICE FUNDS**

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To account for the financing of goods or services provided by one department for the other departments within the City.

### **MUNICIPAL GARAGE**

To account for the operations of the municipal garage for the purchase, sale and repair of vehicles for all departments within the City.

### **EMPLOYEE BENEFITS**

To account for the operation of the City's self-funded health insurance program. The expenses of this fund are comprised of medical, dental, and prescription drug claims approved by the City's Third Party Administrator.

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
DECEMBER 31, 2007**

|  | <b>Municipal<br/>Garage</b> | <b>Employee<br/>Benefits Fund</b> | <b>Totals</b>       |
|--|-----------------------------|-----------------------------------|---------------------|
| <b>Assets:</b>                                     |                             |                                   |                     |
| <b>Current assets:</b>                             |                             |                                   |                     |
| Equity in pooled cash, deposits and investments    | \$ 1,801,353                | \$ 609,480                        | \$ 2,410,833        |
| Receivables (net of allowance for uncollectibles): |                             |                                   |                     |
| Accounts   | 4,616                       | -                                 | 4,616               |
| Due from other funds                               | 244,507                     | -                                 | 244,507             |
| Inventory of supplies                              | 177,828                     | -                                 | 177,828             |
| <b>Total current assets</b>                        | <b>2,228,304</b>            | <b>609,480</b>                    | <b>2,837,784</b>    |
| <b>Capital assets:</b>                             |                             |                                   |                     |
| Land   | 195,750                     | -                                 | 195,750             |
| Buildings  | 363,139                     | -                                 | 363,139             |
| Equipment  | 9,100,743                   | -                                 | 9,100,743           |
| Less: Accumulated depreciation                     | (7,367,750)                 | -                                 | (7,367,750)         |
| <b>Net capital assets</b>                          | <b>2,291,882</b>            | <b>-</b>                          | <b>2,291,882</b>    |
| <b>Total assets</b>                                | <b>4,520,186</b>            | <b>609,480</b>                    | <b>5,129,666</b>    |
| <b>Liabilities:</b>                                |                             |                                   |                     |
| <b>Current liabilities:</b>                        |                             |                                   |                     |
| Accounts payable                                   | 50,704                      | 523,646                           | 574,350             |
| Accrued wages and benefits                         | 24,942                      | -                                 | 24,942              |
| Other accrued liabilities                          | 6,909                       | -                                 | 6,909               |
| Due to other funds                                 | 4,594                       | -                                 | 4,594               |
| <b>Total current liabilities</b>                   | <b>87,149</b>               | <b>523,646</b>                    | <b>610,795</b>      |
| <b>Long-term liabilities:</b>                      |                             |                                   |                     |
| Compensated absences payable                       | 81,536                      | -                                 | 81,536              |
| <b>Total long-term liabilities</b>                 | <b>81,536</b>               | <b>-</b>                          | <b>81,536</b>       |
| <b>Total liabilities</b>                           | <b>168,685</b>              | <b>523,646</b>                    | <b>692,331</b>      |
| <b>Net assets:</b>                                 |                             |                                   |                     |
| Invested in capital assets, net of related debt    | 2,291,882                   | -                                 | 2,291,882           |
| Unrestricted                                       | 2,059,619                   | 85,834                            | 2,145,453           |
| <b>Total net assets</b>                            | <b>\$ 4,351,501</b>         | <b>\$ 85,834</b>                  | <b>\$ 4,437,335</b> |

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

|  | <b>Municipal Garage</b> | <b>Employee<br/>Benefits Fund</b> | <b>Totals</b>       |
|--|-------------------------|-----------------------------------|---------------------|
| Operating revenues:                                |                         |                                   |                     |
| Charges for services                               | \$ 2,723,365            | \$ 4,322,711                      | \$ 7,046,076        |
| Other operating revenues                           | 40,643                  | 8,546                             | 49,189              |
| <b>Total operating revenues</b>                    | <b>2,764,008</b>        | <b>4,331,257</b>                  | <b>7,095,265</b>    |
| Operating expenses:                                |                         |                                   |                     |
| Personal services                                  | 567,307                 | -                                 | 567,307             |
| Contractual services                               | 424,901                 | 4,250,089                         | 4,674,990           |
| Commodities  | 844,750                 | -                                 | 844,750             |
| Depreciation                                       | 656,079                 | -                                 | 656,079             |
| Other operating expenses                           | 58,203                  | -                                 | 58,203              |
| <b>Total operating expenses</b>                    | <b>2,551,240</b>        | <b>4,250,089</b>                  | <b>6,801,329</b>    |
| Operating income (loss)                            | 212,768                 | 81,168                            | 293,936             |
| Non-operating revenues (expenses):                 |                         |                                   |                     |
| Interest revenue                                   | 76,558                  | -                                 | 76,558              |
| Loss on sale of equipment                          | (64,653)                | -                                 | (64,653)            |
| <b>Total non-operating<br/>revenues (expenses)</b> | <b>11,905</b>           | <b>-</b>                          | <b>11,905</b>       |
| Change in net assets                               | 224,673                 | 81,168                            | 305,841             |
| Transfers out                                      | (300,000)               | (300,000)                         | (600,000)           |
| Total net assets, beginning of the year            | 4,426,828               | 304,666                           | 4,731,494           |
| <b>Total net assets, end of the year</b>           | <b>\$ 4,351,501</b>     | <b>\$ 85,834</b>                  | <b>\$ 4,437,335</b> |

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

|  | <b>Municipal Garage</b> | <b>Employee<br/>Benefits Fund</b> | <b>Totals</b>       |
|--|-------------------------|-----------------------------------|---------------------|
| <b>Cash flows from operating activities:</b>                         |                         |                                   |                     |
| Cash payments to suppliers<br>for goods and services                 | \$ (1,279,099)          | \$ (4,310,728)                    | \$ (5,589,827)      |
| Cash payments to employees<br>for services                           | (476,509)               | -                                 | (476,509)           |
| Miscellaneous revenue  | 117,701                 | 8,546                             | 126,247             |
| Cash received from quasi-external<br>operating activities            | 2,616,790               | 4,327,156                         | 6,943,946           |
| Cash payments for quasi-external<br>operating activities             | (101,556)               | -                                 | (101,556)           |
| <b>Net cash provided by operating activities</b>                     | <b>877,327</b>          | <b>24,974</b>                     | <b>902,301</b>      |
| <b>Cash flows from non-capital<br/>financing activities:</b>         |                         |                                   |                     |
| Transfers out  | (300,000)               | (300,000)                         | (600,000)           |
| <b>Net cash used by non-capital<br/>financing activities</b>         | <b>(300,000)</b>        | <b>(300,000)</b>                  | <b>(600,000)</b>    |
| <b>Cash flows from capital and related<br/>financing activities:</b> |                         |                                   |                     |
| Sale of capital assets   | 63,354                  | -                                 | 63,354              |
| Purchase of capital assets   | (440,935)               | -                                 | (440,935)           |
| <b>Net cash used by capital and related<br/>financing activities</b> | <b>(377,581)</b>        | <b>-</b>                          | <b>(377,581)</b>    |
| <b>Cash flows from investing activities:</b>                         |                         |                                   |                     |
| Interest income  | 76,558                  | -                                 | 76,558              |
| <b>Net cash provided by investing<br/>activities</b>                 | <b>76,558</b>           | <b>-</b>                          | <b>76,558</b>       |
| Net increase (decrease) in cash and cash<br>equivalents              | 276,304                 | (275,026)                         | 1,278               |
| Cash and cash equivalents,<br>beginning of year                      | 1,525,049               | 884,506                           | 2,409,555           |
| <b>Cash and cash equivalents, end of year</b>                        | <b>\$ 1,801,353</b>     | <b>\$ 609,480</b>                 | <b>\$ 2,410,833</b> |

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2007**

| <b>(continued)</b>  | <b>Municipal Garage</b> | <b>Employee<br/>Benefits Fund</b> | <b>Totals</b>     |
|---|-------------------------|-----------------------------------|-------------------|
| Reconciliation of operating income to net cash provided by operating activities:        |                         |                                   |                   |
| Operating income  | \$ 212,768              | \$ 81,168                         | \$ 293,936        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                         |                                   |                   |
| Depreciation  | 656,079                 | -                                 | 656,079           |
| Changes in assets and liabilities:  |                         |                                   |                   |
| Increase (decrease) in accounts receivable  | 13,704                  | 4,445                             | 18,149            |
| Decrease (increase) in due from other funds   | (43,221)                |                                   | (43,221)          |
| Increase (decrease) in supplies inventory   | 1,956                   | -                                 | 1,956             |
| Decrease (increase) in accounts payable   | 37,672                  | (60,639)                          | (22,967)          |
| Decrease (increase) in accrued wages  | (784)                   | -                                 | (784)             |
| Decrease (increase) in accrued liabilities  | (3,218)                 | -                                 | (3,218)           |
| Increase (decrease) in compensated absences   | 2,371                   | -                                 | 2,371             |
| <b>Total adjustments</b>  | <b>664,559</b>          | <b>(56,194)</b>                   | <b>608,365</b>    |
| <b>Net cash provided by operating activities</b>  | <b>\$ 877,327</b>       | <b>\$ 24,974</b>                  | <b>\$ 902,301</b> |



**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
MUNICIPAL GARAGE FUND  
FOR YEAR ENDED DECEMBER 31, 2007**

|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance<br>From Final<br>Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| Operating revenues                                 |                     |                     |                     |                                  |
| Charges for services                               | \$ 2,719,571        | \$ 2,719,571        | \$ 2,797,845        | \$ 78,274                        |
| <b>Total operating revenues</b>                    | <b>2,719,571</b>    | <b>2,719,571</b>    | <b>2,797,845</b>    | <b>78,274</b>                    |
| Operating expenses                                 |                     |                     |                     |                                  |
| Personal services                                  | 651,580             | 651,580             | 568,938             | 82,642                           |
| Contractual services                               | 309,162             | 309,162             | 438,097             | (128,935)                        |
| Commodities  | 723,131             | 722,000             | 821,087             | (99,087)                         |
| Other operating expenses                           | 1,300,462           | 1,273,048           | 868,352             | 404,696                          |
| <b>Total operating expenses</b>                    | <b>2,984,335</b>    | <b>2,955,790</b>    | <b>2,696,474</b>    | <b>259,316</b>                   |
| Operating income (loss)                            | (264,764)           | (236,219)           | 101,371             | 337,590                          |
| Non-operating revenues (expenses)                  |                     |                     |                     |                                  |
| Interest revenue                                   | 30,605              | 30,605              | 76,558              | 45,953                           |
| <b>Total non-operating<br/>revenues (expenses)</b> | <b>30,605</b>       | <b>30,605</b>       | <b>76,558</b>       | <b>45,953</b>                    |
| Income (loss) before<br>operating transfers        | (234,159)           | (205,614)           | 177,929             | 383,543                          |
| <b>Operating transfers-out</b>                     | <b>-</b>            | <b>(300,000)</b>    | <b>(300,000)</b>    | <b>-</b>                         |
| Net income   | (234,159)           | (505,614)           | (122,071)           | 383,543                          |
| Retained earnings, beginning<br>of the year        | 1,315,779           | 1,315,779           | 1,315,779           | -                                |
| Appropriation for prior year<br>encumbrances       | 209,266             | 209,266             | 209,266             | -                                |
| <b>Retained earnings, end<br/>of the year</b>      | <b>\$ 1,290,886</b> | <b>\$ 1,019,431</b> | <b>\$ 1,402,974</b> | <b>\$ 383,543</b>                |

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
EMPLOYEE BENEFITS FUND  
FOR YEAR ENDED DECEMBER 31, 2007

|   | Original<br>Budget | Final<br>Budget   | Actual            | Variance<br>From Final<br>Budget |
|---|--------------------|-------------------|-------------------|----------------------------------|
| Operating revenues                            |                    |                   |                   |                                  |
| Charges for services                          | \$ 4,437,370       | \$ 4,437,370      | \$ 4,335,702      | \$ (101,668)                     |
| <b>Total operating revenues</b>               | <b>4,437,370</b>   | <b>4,437,370</b>  | <b>4,335,702</b>  | <b>(101,668)</b>                 |
| Operating expenses                            |                    |                   |                   |                                  |
| Contractual services                          | 4,598,595          | 4,598,595         | 4,310,728         | 287,867                          |
| <b>Total operating expenses</b>               | <b>4,598,595</b>   | <b>4,598,595</b>  | <b>4,310,728</b>  | <b>287,867</b>                   |
| Income (loss) before<br>operating transfers   | (161,225)          | (161,225)         | 24,974            | 186,199                          |
| <b>Operating transfers-out</b>                | <b>-</b>           | <b>(300,000)</b>  | <b>(300,000)</b>  | <b>-</b>                         |
| Net income                                    | (161,225)          | (461,225)         | (275,026)         | 186,199                          |
| Retained earnings, beginning<br>of the year   | 884,506            | 884,506           | 884,506           | -                                |
| <b>Retained earnings, end<br/>of the year</b> | <b>\$ 723,281</b>  | <b>\$ 423,281</b> | <b>\$ 609,480</b> | <b>\$ 186,199</b>                |

## **AGENCY FUNDS**

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The City is responsible in a fiduciary capacity for other assets that can only be used for designated beneficiaries. The City has four agency funds. The City acts as the collection agent for these separate activities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

### **CONSERVANCY**

The Conservancy fund records the city property tax levy which is collected on the behalf of the Miami Conservancy District.

### **PAYROLL CLEARING**

The Payroll Clearing fund accounts for the employee payroll withholdings due to other agencies and privates businesses.

### **MUNICIPAL COURT**

The Municipal Court fund accounts for the activities of the Municipal Court collections which are due to other agencies and to certain individuals.

### **JOINT ECONOMIC DEVELOPMENT DISTRICT I**

The Joint Economic Development District fund records and accounts for the collection and disbursements of income tax revenue with Liberty Township and the City of Mason.

CITY OF MIDDLETOWN, OHIO  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2007

|  | Conser-<br>vancy  | Payroll<br>Clearing | Municipal<br>Court | Joint<br>Economic<br>Development<br>District I | Totals            |
|--|-------------------|---------------------|--------------------|--|-------------------|
| Assets:  |                   |                     |                    |  |                   |
| Cash and equity in<br>pooled cash, deposits<br>and investments | \$ 7,148          | \$ -                | \$ 65,525          | \$ 401   | \$ 73,074         |
| Cash with fiscal and<br>escrow agent                           | -                 | 295,532             | -                  | -  | 295,532           |
| Property taxes receivable                                      | 144,093           | -                   | -                  | -  | 144,093           |
| <b>Total assets</b>  | <b>151,241</b>    | <b>295,532</b>      | <b>65,525</b>      | <b>401</b>                                     | <b>512,699</b>    |
| Liabilities:   |                   |                     |                    |  |                   |
| Due to other governments                                       | 151,241           | 219,365             | -                  | 401  | 371,007           |
| Due to individuals   | -                 | 470                 | 22,070             | -  | 22,540            |
| Unapportioned monies   | -                 | 75,697              | 43,455             | -  | 119,152           |
| <b>Total liabilities</b>                                       | <b>\$ 151,241</b> | <b>\$ 295,532</b>   | <b>\$ 65,525</b>   | <b>\$ 401</b>                                  | <b>\$ 512,699</b> |

CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

| CONSERVANCY  |                                 |                   |                   |                           |
|--|---------------------------------|-------------------|-------------------|---------------------------|
|  | Balance<br>Beginning of<br>Year | Additions         | Deductions        | Balance<br>End of<br>Year |
| Assets:  |                                 |                   |                   |                           |
| Cash and equity in<br>pooled cash, deposits<br>and investments | \$ 3,319                        | \$ 147,782        | \$ 143,953        | \$ 7,148                  |
| Property taxes receivable                                      | 154,375                         | 137,500           | 147,782           | 144,093                   |
| <b>Total assets</b>  | <b>157,694</b>                  | <b>285,282</b>    | <b>291,735</b>    | <b>151,241</b>            |
| Liabilities:   |                                 |                   |                   |                           |
| Due to other<br>governments                                    | 157,694                         | 285,282           | 291,735           | 151,241                   |
| <b>Total liabilities</b>                                       | <b>\$ 157,694</b>               | <b>\$ 285,282</b> | <b>\$ 291,735</b> | <b>\$ 151,241</b>         |

CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

| PAYROLL CLEARING                     |                                 |                      |                      |                           |
|--------------------------------------|---------------------------------|----------------------|----------------------|---------------------------|
|                                      | Balance<br>Beginning of<br>Year | Additions            | Deductions           | Balance<br>End of<br>Year |
| Assets:                              |                                 |                      |                      |                           |
| Cash with fiscal and<br>escrow agent | \$ 202,185                      | \$ 18,037,350        | \$ 17,944,003        | \$ 295,532                |
| <b>Total assets</b>                  | <b>202,185</b>                  | <b>18,037,350</b>    | <b>17,944,003</b>    | <b>295,532</b>            |
|                                      |                                 |                      |                      |                           |
| Liabilities:                         |                                 |                      |                      |                           |
| Due to other<br>governments          | 186,834                         | 5,589,240            | 5,556,709            | 219,365                   |
| Due to<br>individuals                | 73                              | 11,808,248           | 11,807,851           | 470                       |
| Unapportioned monies                 | 15,278                          | 639,862              | 579,443              | 75,697                    |
| <b>Total liabilities</b>             | <b>\$ 202,185</b>               | <b>\$ 18,037,350</b> | <b>\$ 17,944,003</b> | <b>\$ 295,532</b>         |

CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

| MUNICIPAL COURT  |                                 |                     |                     |                           |
|--|---------------------------------|---------------------|---------------------|---------------------------|
|  | Balance<br>Beginning of<br>Year | Additions           | Deductions          | Balance<br>End of<br>Year |
| Assets:  |                                 |                     |                     |                           |
| Cash and equity in<br>pooled cash, deposits<br>and investments | \$ 71,474                       | \$ 3,441,175        | \$ 3,447,124        | \$ 65,525                 |
| <b>Total assets</b>  | <b>71,474</b>                   | <b>3,441,175</b>    | <b>3,447,124</b>    | <b>65,525</b>             |
| Liabilities:   |                                 |                     |                     |                           |
| Due to other<br>governments                                    | -                               | 522,970             | 522,970             | -                         |
| Due to<br>individuals  | 28,131                          | 1,124,487           | 1,130,548           | 22,070                    |
| Unapportioned monies   | 43,343                          | 1,793,718           | 1,793,606           | 43,455                    |
| <b>Total liabilities</b>                                       | <b>\$ 71,474</b>                | <b>\$ 3,441,175</b> | <b>\$ 3,447,124</b> | <b>\$ 65,525</b>          |

CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007

JOINT ECONOMIC DEVELOPMENT DISTRICT I

|  | Balance<br>Beginning of<br>Year | Additions         | Deductions        | Balance<br>End of<br>Year |
|--|---------------------------------|-------------------|-------------------|---------------------------|
| Assets:  |                                 |                   |                   |                           |
| Cash and equity in<br>pooled cash, deposits<br>and investments | \$ 14,421                       | \$ 229,857        | \$ 243,877        | \$ 401                    |
| Income taxes receivable  | -                               | 236,753           | 236,753           | -                         |
| <b>Total assets</b>  | <b>14,421</b>                   | <b>466,610</b>    | <b>480,630</b>    | <b>\$ 401</b>             |
| Liabilities:   |                                 |                   |                   |                           |
| Due to other<br>governments                                    | 14,421                          | 466,610           | 480,630           | \$ 401                    |
| <b>Total liabilities</b>                                       | <b>\$ 14,421</b>                | <b>\$ 466,610</b> | <b>\$ 480,630</b> | <b>\$ 401</b>             |



**CAPITAL ASSETS**  
**USED IN THE OPERATION**  
**OF GOVERNMENTAL FUNDS**

**CITY OF MIDDLETOWN  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULES BY SOURCES  
DECEMBER 31, 2007 AND 2006**

|   | <u>2007</u>           | <u>2006</u>           |
|---|-----------------------|-----------------------|
| Governmental funds capital assets:                          |                       |                       |
| Land and land improvements                                  | \$ 12,951,228         | \$ 12,351,228         |
| Buildings   | 23,563,574            | 23,531,680            |
| Infrastructure  | 152,105,296           | 150,578,065           |
| Machinery and equipment                                     | 6,661,247             | 6,508,736             |
| Total governmental funds capital assets                     | <u>\$ 195,281,345</u> | <u>\$ 192,969,709</u> |
| Investments in governmental funds capital assets by source: |                       |                       |
| General fund  | \$ 17,878,968         | \$ 17,753,432         |
| Special revenue funds                                       | 4,974,367             | 4,974,367             |
| Capital project funds                                       | 172,428,010           | 170,241,910           |
| Total governmental funds capital assets                     | <u>\$ 195,281,345</u> | <u>\$ 192,969,709</u> |

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF MIDDLETOWN**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**DECEMBER 31, 2007**

| Function and Activity                              | Machinery<br>and<br>Equipment | Land and<br>Land<br>Improvements | Buildings                   | Infrastructure               | Total                        |
|--|-------------------------------|----------------------------------|-----------------------------|------------------------------|------------------------------|
| <b>General Government:</b>                         |                               |                                  |                             |                              |                              |
| City Manager/City Council                          | \$ 163,506                    | \$ -                             | \$ -                        | \$ -                         | \$ 163,506                   |
| Finance  | 1,643,954                     | 277,050                          | -                           | -                            | 1,921,004                    |
| Law  | 11,500                        | -                                | -                           | -                            | 11,500                       |
| Planning/Economic Development                      | 20,082                        | 3,667,182                        | -                           | -                            | 3,687,264                    |
| Bldg. Maint.                                       | 124,650                       | -                                | 9,856                       | -                            | 134,506                      |
| Engineering  | 77,914                        | -                                | -                           | -                            | 77,914                       |
| Income Tax   | 13,792                        | -                                | -                           | -                            | 13,792                       |
| Miami Conservancy                                  | -                             | -                                | 7,660                       | -                            | 7,660                        |
| City Building/Library                              | -                             | -                                | 12,825,916                  | -                            | 12,825,916                   |
| <b>Leisure:</b>                                    |                               |                                  |                             |                              |                              |
| Douglass Park                                      | -                             | 95,850                           | 6,365                       | -                            | 102,215                      |
| Parks Maintenance                                  | 426,514                       | -                                | -                           | -                            | 426,514                      |
| Recreation/Community Center                        | 372,297                       | 123,050                          | 1,558,454                   | -                            | 2,053,801                    |
| Smith Park   | 91,456                        | -                                | 58,116                      | 17,328                       | 149,572                      |
| Sunset Park  | -                             | 310,400                          | 1,053,214                   | -                            | 1,363,614                    |
| Other Parks  | 6,550                         | 4,089,936                        | 518,810                     | 349,802                      | 4,965,098                    |
| <b>Public health:</b>                              |                               |                                  |                             |                              |                              |
| Health & Environment                               | 6,200                         | -                                | -                           | -                            | 6,200                        |
| Social Health                                      | 107,237                       | 8,100                            | 483,262                     | -                            | 598,599                      |
| Senior Citizens Center & Cemetery                  | -                             | 1,643,250                        | 1,037,961                   | -                            | 2,681,211                    |
| <b>Public safety:</b>                              |                               |                                  |                             |                              |                              |
| Fire   | 1,269,080                     | 205,750                          | 861,168                     | -                            | 2,335,998                    |
| Police   | 1,711,246                     | 5,950                            | 592,688                     | -                            | 2,309,884                    |
| Electronic Maintenance                             | 318,543                       | -                                | 427,865                     | -                            | 746,408                      |
| Municipal Court                                    | 71,027                        | -                                | 292,447                     | -                            | 363,474                      |
| Police Grants                                      | 33,858                        | -                                | -                           | -                            | 33,858                       |
| 12th District Court                                | -                             | -                                | 3,542,930                   | -                            | 3,542,930                    |
| <b>Streets and highways:</b>                       |                               |                                  |                             |                              |                              |
| Street Maintenance                                 | 191,841                       | -                                | 286,862                     | -                            | 478,703                      |
| Street system                                      | -                             | 2,524,710                        | -                           | 151,738,166                  | 154,262,876                  |
| <b>Total governmental funds<br/>capital assets</b> | <b><u>\$ 6,661,247</u></b>    | <b><u>\$ 12,951,228</u></b>      | <b><u>\$ 23,563,574</u></b> | <b><u>\$ 152,105,296</u></b> | <b><u>\$ 195,281,345</u></b> |

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**CITY OF MIDDLETOWN  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

| Function and Activity                              | Governmental<br>Funds Capital<br>Assets<br>January 1, 2007 | Additions           | Deductions  | Governmental<br>Funds Capital<br>Assets<br>December 31, 2007 |
|--|--|---------------------|-------------|--|
| <b>General Government:</b>                         |  |                     |             |  |
| City Manager/City Council                          | \$ 163,506   | \$ -                | \$ -        | \$ 163,506   |
| Finance  | 1,862,515  | 58,489              | -           | 1,921,004  |
| Law  | 11,500   | -                   | -           | 11,500   |
| Planning/Economic Development                      | 3,687,264  | -                   | -           | 3,687,264  |
| Bldg. Maint.                                       | 134,506  | -                   | -           | 134,506  |
| Engineering  | 50,939   | 26,975              | -           | 77,914   |
| Income Tax   | 13,792   | -                   | -           | 13,792   |
| Miami Conservancy                                  | 7,660  | -                   | -           | 7,660  |
| City Building/Library                              | 12,825,916   | -                   | -           | 12,825,916   |
| <b>Leisure:</b>                                    |  |                     |             |  |
| Recreation & Community Center                      | 2,053,801  | -                   | -           | 2,053,801  |
| Parks Maintenance                                  | 426,514  | -                   | -           | 426,514  |
| Sunset Park  | 1,363,614  | -                   | -           | 1,363,614  |
| Douglass Park                                      | 102,215  | -                   | -           | 102,215  |
| Smith Park   | 149,572  | 17,328              | -           | 166,900  |
| Other Parks  | 4,965,098  | -                   | -           | 4,965,098  |
| <b>Public health:</b>                              |  |                     |             |  |
| Health & Environment                               | 6,200  | -                   | -           | 6,200  |
| Social Health                                      | 598,599  | -                   | -           | 598,599  |
| Senior Citizens Center                             | 2,681,211  | -                   | -           | 2,681,211  |
| <b>Public safety:</b>                              |  |                     |             |  |
| Fire   | 2,335,998  | -                   | -           | 2,335,998  |
| Police   | 2,210,943  | 98,941              | -           | 2,309,884  |
| Electronic Maintenance                             | 746,408  | -                   | -           | 746,408  |
| Municipal Court                                    | 363,474  | -                   | -           | 363,474  |
| Police Grants                                      | 33,858   | -                   | -           | 33,858   |
| 12th District Court                                | 3,542,930  | -                   | -           | 3,542,930  |
| <b>Streets and highways:</b>                       |  |                     |             |  |
| Street Maintenance                                 | 478,703  | -                   | -           | 478,703  |
| Street system                                      | 152,152,973  | 2,109,903           | -           | 154,262,876  |
| <b>Total governmental funds<br/>capital assets</b> | <b>\$ 192,969,709</b>                                      | <b>\$ 2,311,636</b> | <b>\$ -</b> | <b>\$ 195,281,345</b>  |

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

## **STATISCAL SECTION**

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# STATISTICAL SECTION

This part of the City of Middletown’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

| CONTENTS   | PAGE       |
|--|------------|
| <b>Financial Trends</b><br>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.   | <b>156</b> |
| <b>Revenue Capacity</b><br>These schedules contain information to help the reader assess one of the government’s most significant local revenue source, the property tax.  | <b>163</b> |
| <b>Debt Capacity</b><br>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.                            | <b>167</b> |
| <b>Demographic and Economic Information</b><br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.  | <b>172</b> |
| <b>Operating Information</b><br>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs. | <b>174</b> |

**CITY OF MIDDLETOWN, OHIO**  
**Net Assets by Component**  
**Last Six Years**  
**(Accrual Basis of Accounting)**  
**(amounts expressed in thousands)**  
**Table 1**

|  | <b>2007</b>      | <b>2006</b>   | <b>2005</b>   | <b>2004</b>   | <b>2003</b>   | <b>2002</b>   |
|--|------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Governmental Activities</b>                             |                  |               |               |               |               |               |
| Invested in Capital Assets,<br>Net of Related Debt         | \$ 59,871        | 62,823        | 68,722        | 22,142        | 21,613        | 18,601        |
| <b>Restricted:</b>   |                  |               |               |               |               |               |
| Capital Projects   | 3,806            | 4,229         | 5,838         | 5,402         | 3,703         | -             |
| Debt Service   | 1,932            | 2,466         | 2,483         | 2,700         | 1,768         | 443           |
| Housing Assistance   | 12,629           | 12,608        | 10,625        | -             | -             | -             |
| Community Development                                      | 2,431            | 2,689         | 2,689         | -             | -             | -             |
| Other Purposes   | 5,896            | 5,072         | 5,813         | 16,329        | 15,413        | 5,463         |
| Unrestricted   | 6,963            | 4,930         | 3,605         | 2,267         | 4,239         | 21,526        |
| <b>Total Governmental Activities</b><br><b>Net Assets</b>  | <b>\$ 93,528</b> | <b>94,817</b> | <b>99,775</b> | <b>48,840</b> | <b>46,736</b> | <b>46,033</b> |
| <b>Business-Type Activities</b>                            |                  |               |               |               |               |               |
| Invested in Capital Assets,<br>Net of Related Debt         | \$ 41,709        | 40,483        | 41,012        | 39,549        | 38,968        | 36,568        |
| <b>Restricted:</b>   |                  |               |               |               |               |               |
| Other Purposes   | 1,255            | 1,105         | 711           | 711           | 716           | 712           |
| Unrestricted   | 15,702           | 15,650        | 12,658        | 13,204        | 12,239        | 13,145        |
| <b>Total Business-Type Activities</b><br><b>Net Assets</b> | <b>\$ 58,666</b> | <b>57,238</b> | <b>54,381</b> | <b>53,464</b> | <b>51,923</b> | <b>50,425</b> |

The year 2002 was the first year to report all activities using the accrual basis of accounting.

**CITY OF MIDDLETOWN, OHIO**  
**Changes in Net Assets**  
**Last Six Years**  
**(Accrual Basis of Accounting)**  
**(amounts expressed in thousands)**  
**Table 2**

|   | 2007             | 2006          | 2005          | 2004          | 2003          | 2002          |
|---|------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Expenses</b>                               |                  |               |               |               |               |               |
| Governmental activities:                      |                  |               |               |               |               |               |
| Community environment                         | \$ 11,736        | 11,402        | 11,022        | 13,033        | 12,476        | 10,981        |
| General government                            | 4,233            | 4,639         | 4,674         | 4,389         | 4,248         | 5,625         |
| Leisure                                       | 1,565            | 1,096         | 1,661         | 877           | 1,146         | 1,315         |
| Public health                                 | 1,031            | 1,262         | 1,247         | 1,471         | 1,859         | 1,991         |
| Public safety                                 | 23,498           | 22,691        | 22,420        | 22,544        | 22,128        | 22,174        |
| Highways and streets                          | 8,890            | 8,377         | 2,560         | 3,614         | 1,405         | 3,161         |
| Miscellaneous                                 | 1,428            | 1,410         | 1,636         | 1,832         | 2,080         | 1,371         |
| Interest on long-term debt                    | 1,497            | 1,522         | 1,506         | 1,375         | 1,215         | 1,197         |
| Total governmental activities expenses        | <u>53,878</u>    | <u>52,399</u> | <u>46,726</u> | <u>49,135</u> | <u>46,557</u> | <u>47,815</u> |
| Business-type activities:                     |                  |               |               |               |               |               |
| Water   | 7,510            | 8,027         | 6,002         | 5,265         | 5,397         | 5,625         |
| Sanitary Sewer                                | 6,730            | 6,928         | 5,640         | 5,505         | 5,734         | 5,627         |
| Transit                                       | 1,327            | 1,284         | 1,256         | 1,066         | 1,048         | 1,008         |
| Golf  | 1,713            | 1,653         | 1,881         | 1,727         | 1,879         | 1,869         |
| Solid Waste                                   | 2,748            | 2,442         | 2,280         | 2,236         | 2,290         | 1,939         |
| Non major enterprise funds                    | 876              | 753           | 554           | 895           | 273           | 888           |
| Total business-type activities expenses       | <u>20,904</u>    | <u>21,087</u> | <u>17,613</u> | <u>16,694</u> | <u>16,621</u> | <u>16,956</u> |
| Total primary government expenses             | <u>\$ 74,782</u> | <u>73,486</u> | <u>64,339</u> | <u>65,829</u> | <u>63,178</u> | <u>64,771</u> |
| <b>Program Revenue</b>                        |                  |               |               |               |               |               |
| Governmental activities:                      |                  |               |               |               |               |               |
| Charges for services:                         |                  |               |               |               |               |               |
| Community environment                         | \$ 501           | 896           | 777           | 447           | 16            | 651           |
| General government                            | 2,296            | 1,744         | 644           | 1,589         | 1,528         | 1,478         |
| Highways and streets                          | 449              | 498           | -             | 18            | -             | -             |
| Leisure                                       | 79               | 45            | 18            | 23            | 34            | 38            |
| Public health                                 | -                | 204           | 205           | 200           | 329           | 637           |
| Public safety                                 | 3,686            | 2,297         | 2,836         | 1,793         | 2,422         | 2,445         |
| Miscellaneous                                 | -                | -             | 1,685         | -             | -             | -             |
| Operating grants & contributions              | 11,332           | 12,241        | 14,421        | 6,895         | 10,007        | 11,713        |
| Capital grants & contributions                | 2,405            | 3,047         | 1,560         | 9,125         | 1,985         | 115           |
| Total governmental activities program revenue | <u>\$ 20,748</u> | <u>20,972</u> | <u>22,146</u> | <u>20,090</u> | <u>16,321</u> | <u>17,077</u> |

The year 2002 was the first year to report all activities using the accrual basis of accounting.

continued



**CITY OF MIDDLETOWN, OHIO**  
**Changes in Net Assets**  
**Last Six Years**  
**(Accrual Basis of Accounting)**  
**(amounts expressed in thousands)**  
**Table 2**

|   | 2007             | 2006            | 2005            | 2004            | 2003            | 2002            |
|---|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Business-type activities:</b>                        |                  |                 |                 |                 |                 |                 |
| Charges for services:                                   |                  |                 |                 |                 |                 |                 |
| Water   | \$ 6,598         | 6,980           | 6,655           | 6,711           | 6,228           | 5,433           |
| Sanitary Sewer  | 6,673            | 7,122           | 5,574           | 5,791           | 5,460           | 5,546           |
| Transit   | 129              | 125             | 132             | 89              | 86              | 85              |
| Golf course   | 1,629            | 1,635           | 1,716           | 1,765           | 1,668           | 1,799           |
| Solid Waste   | 3,153            | 2,596           | 2,454           | 2,423           | 2,330           | 2,021           |
| Other business-type activities                          | 1,713            | 1,869           | 135             | 112             | 120             | 130             |
| Operating grants & contributions                        | 1,115            | 2,639           | 1,139           | 184             | 31              | 417             |
| Capital grants & contributions                          | 473              | 172             | 151             | 654             | 1,985           | 2,150           |
| Total business-type activities program revenue          | <u>21,483</u>    | <u>23,138</u>   | <u>17,956</u>   | <u>17,729</u>   | <u>17,908</u>   | <u>17,581</u>   |
| Total primary government program revenue                | <u>\$ 42,231</u> | <u>44,110</u>   | <u>40,102</u>   | <u>37,819</u>   | <u>34,229</u>   | <u>34,658</u>   |
| <b>Net (Expense)/Revenue</b>                            |                  |                 |                 |                 |                 |                 |
| Governmental activities                                 | \$ (33,130)      | (31,427)        | (24,580)        | (29,045)        | (30,236)        | (30,738)        |
| Business-type activities                                | 579              | 2,051           | 343             | 1,035           | 1,287           | 625             |
| Total primary government net expense                    | <u>(32,551)</u>  | <u>(29,376)</u> | <u>(24,237)</u> | <u>(28,010)</u> | <u>(28,949)</u> | <u>(30,113)</u> |
| <b>General Revenues and Other Changes in Net Assets</b> |                  |                 |                 |                 |                 |                 |
| Governmental activities:                                |                  |                 |                 |                 |                 |                 |
| Income taxes  | \$ 17,921        | 17,695          | 18,009          | 17,960          | 16,417          | 17,764          |
| Property taxes  | 5,644            | 5,920           | 5,941           | 5,654           | 5,588           | 5,042           |
| Other taxes   | 3,694            | 3,382           | 3,046           | 3,445           | 3,849           | 3,436           |
| Grants/contributions not restricted                     | 1,014            | 807             | 6               | 69              | 2,300           | 4,366           |
| Investment earnings                                     | 2,327            | 967             | 485             | 529             | 1,006           | 1,101           |
| Miscellaneous   | 1,241            | 3,143           | 3,196           | 3,560           | 1,445           | 49              |
| Transfers   | -                | 55              | 56              | (67)            | 334             | 1,868           |
| Total governmental activities general revenues          | <u>31,841</u>    | <u>31,969</u>   | <u>30,739</u>   | <u>31,150</u>   | <u>30,939</u>   | <u>33,626</u>   |
| Business-type activities:                               |                  |                 |                 |                 |                 |                 |
| Income taxes  | \$ 300           | 270             | 338             | 238             | 245             | 230             |
| Grants/contributions not restricted                     | -                | -               | -               | 201             | 245             | 216             |
| Investment earnings                                     | 549              | 591             | 291             | -               | -               | 377             |
| Transfers   | -                | (55)            | (56)            | 67              | (279)           | (49)            |
| Miscellaneous   | -                | -               | -               | -               | -               | 116             |
| Total business type activities general revenues         | <u>849</u>       | <u>806</u>      | <u>573</u>      | <u>506</u>      | <u>211</u>      | <u>890</u>      |
| Total primary government general revenues               | <u>\$ 32,690</u> | <u>32,775</u>   | <u>31,312</u>   | <u>31,656</u>   | <u>31,150</u>   | <u>34,516</u>   |
| Special item  | \$ -             | (5,500)         | -               | -               | -               | -               |
| <b>Changes in Net Assets</b>                            |                  |                 |                 |                 |                 |                 |
| Governmental activities                                 | \$ (1,289)       | (4,958)         | 6,159           | 2,105           | 703             | 2,888           |
| Business-type activities                                | 1,428            | 2,857           | 916             | 1,541           | 1,498           | 1,515           |
| Total primary government                                | <u>\$ 139</u>    | <u>(2,101)</u>  | <u>7,075</u>    | <u>3,646</u>    | <u>2,201</u>    | <u>4,403</u>    |

**CITY OF MIDDLETOWN, OHIO**  
**Governmental Activities Tax Revenues By Source**  
**Last Six Years**  
**(Accrual Basis of Accounting)**  
**(amounts expressed in thousands)**  
**Table 3**

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| <b>Fiscal<br/>Year</b> | <b>Income<br/>Tax</b> | <b>Property<br/>Tax</b> | <b>Other<br/>Taxes</b> | <b>Total</b> |
|------------------------|-----------------------|-------------------------|------------------------|--------------|
| 2007                   | \$ 18,221             | \$ 5,644                | \$ 3,694               | \$ 27,559    |
| 2006                   | \$ 17,966             | \$ 5,920                | \$ 3,382               | \$ 27,268    |
| 2005                   | \$ 18,009             | \$ 5,941                | \$ 3,046               | \$ 26,996    |
| 2004                   | \$ 17,960             | \$ 5,654                | \$ 3,445               | \$ 27,059    |
| 2003                   | \$ 16,417             | \$ 5,588                | \$ 3,849               | \$ 25,854    |
| 2002                   | \$ 17,764             | \$ 5,042                | \$ 3,436               | \$ 26,242    |

The year 2002 was the first year to report all activities using the accrual basis of accounting.

**CITY OF MIDDLETOWN, OHIO**  
**Fund Balances of Governmental Funds**  
**Last Ten Years**  
**(Modified Accrual Basis of Accounting)**  
**(amounts expressed in thousands)**  
**Table 4**

|   | <b>2007</b>      | <b>2006</b>   | <b>2005</b>   | <b>2004</b>   | <b>2003</b>   | <b>2002</b>   | <b>2001</b>   | <b>2000</b>   | <b>1999</b>   | <b>1998</b>   |
|---|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>General Fund</b>                           |                  |               |               |               |               |               |               |               |               |               |
| Reserved                                      | \$ 211           | 229           | 732           | 355           | 509           | 417           | 221           | 469           | 462           | 63            |
| Unreserved                                    | 8,864            | 6,792         | 6,527         | 6,007         | 7,119         | 10,938        | 10,193        | 9,959         | 11,370        | 8,739         |
| <b>Total General Fund</b>                     | <b>\$ 9,075</b>  | <b>7,021</b>  | <b>7,259</b>  | <b>6,362</b>  | <b>7,628</b>  | <b>11,355</b> | <b>10,414</b> | <b>10,428</b> | <b>11,832</b> | <b>8,802</b>  |
| <b>All Other Governmental Funds</b>           |                  |               |               |               |               |               |               |               |               |               |
| Reserved                                      | \$ 3,148         | 5,138         | 4,457         | 5,225         | 9,197         | 8,608         | (221)         | 8,564         | 4,559         | 1,111         |
| Unreserved, undesignated,<br>reported in:     |                  |               |               |               |               |               |               |               |               |               |
| Capital project funds                         | 3,552            | 1,823         | 4,258         | 2,541         | (1,091)       | 6,709         | 6,709         | 7,386         | 9,964         | 1,750         |
| Debt service funds                            | 720              | 317           | 327           | 124           | 443           | 649           | 650           | 885           | 372           | 147           |
| Special revenue funds                         | 6,842            | 5,440         | 4,117         | 4,169         | 3,852         | 4,184         | 4,184         | 3,501         | 3,627         | 3,136         |
| <b>Total All Other Governmental<br/>Funds</b> | <b>14,262</b>    | <b>12,718</b> | <b>13,159</b> | <b>12,059</b> | <b>12,401</b> | <b>20,152</b> | <b>11,322</b> | <b>20,336</b> | <b>18,522</b> | <b>6,144</b>  |
| <b>Total Governmental Funds</b>               | <b>\$ 23,337</b> | <b>19,739</b> | <b>20,418</b> | <b>18,421</b> | <b>20,029</b> | <b>31,507</b> | <b>21,736</b> | <b>30,764</b> | <b>30,354</b> | <b>14,946</b> |

**CITY OF MIDDLETOWN, OHIO**  
**Change in Fund Balances of Governmental Funds**  
**Last Ten Years**  
**(Modified Accrual Basis of Accounting)**  
**(amounts expressed in thousands)**  
**Table 5**

|  | 2007            | 2006          | 2005           | 2004           | 2003           | 2002            | 2001           | 2000           | 1999          | 1998          |
|--|-----------------|---------------|----------------|----------------|----------------|-----------------|----------------|----------------|---------------|---------------|
| <b>Revenues</b>  |                 |               |                |                |                |                 |                |                |               |               |
| Property taxes   | \$ 5,643        | 5,920         | 5,941          | 5,654          | 5,588          | 5,019           | 4,773          | 5,140          | 4,837         | 4,593         |
| Municipal income taxes                                   | 17,944          | 17,061        | 18,092         | 17,376         | 15,443         | 17,764          | 19,231         | 16,970         | 17,614        | 15,975        |
| Intergovernmental revenues                               | 18,853          | 19,159        | 15,702         | 17,940         | 17,781         | 16,308          | 13,808         | 11,952         | 9,024         | 8,476         |
| Charges for services                                     | 4,216           | 3,286         | 3,624          | 3,758          | 2,915          | 3,730           | 2,568          | 1,371          | 1,802         | 1,273         |
| Fees, licenses, and permits                              | 452             | 417           | 338            | 312            | 245            | 274             | 335            | 308            | 337           | 438           |
| Fines and forfeits                                       | 1,575           | 1,483         | 1,612          | 1,499          | 1,164          | 1,259           | 1,301          | 1,272          | 1,152         | 1,218         |
| Special assessments                                      | 491             | 498           | 591            | 659            | 638            | 625             | 816            | 810            | 980           | 690           |
| Interest earnings  | 1,054           | 861           | 450            | 498            | 730            | 1,111           | 1,764          | 1,890          | 1,113         | 1,014         |
| Miscellaneous  | 3,142           | 3,385         | 3,172          | 2,089          | 1,976          | 2,270           | 1,908          | 1,542          | 1,240         | 1,803         |
| <b>Total revenues</b>                                    | <b>53,370</b>   | <b>52,070</b> | <b>49,522</b>  | <b>49,785</b>  | <b>46,480</b>  | <b>48,360</b>   | <b>46,504</b>  | <b>41,255</b>  | <b>38,099</b> | <b>35,480</b> |
| <b>Expenditures</b>                                      |                 |               |                |                |                |                 |                |                |               |               |
| Current:   |                 |               |                |                |                |                 |                |                |               |               |
| General Government                                       | 4,083           | 4,306         | 4,196          | 4,104          | 4,203          | 5,124           | 4,804          | 4,676          | 4,693         | 3,915         |
| Public safety  | 23,122          | 23,791        | 22,501         | 22,142         | 23,596         | 23,775          | 20,863         | 19,457         | 18,753        | 17,962        |
| Public health and welfare                                | 1,024           | 1,220         | 1,187          | 1,457          | 1,832          | 1,996           | 1,699          | 1,548          | 1,548         | 1,098         |
| Leisure time activities                                  | 1,421           | 1,064         | 1,502          | 1,060          | 1,152          | 1,233           | 1,071          | 1,022          | 1,264         | 956           |
| Community environment                                    | 11,754          | 11,377        | 13,708         | 13,024         | 12,441         | 14,991          | 11,195         | 7,467          | 4,423         | 3,694         |
| Highways and streets                                     | 4,731           | 6,587         | 5,373          | 3,787          | 7,432          | 7,401           | 5,139          | 4,618          | 3,255         | 3,946         |
| Miscellaneous  | 1,427           | 1,410         | 1,636          | 7,353          | 2,080          | 1,371           | 976            | 1,602          | 1,070         | 975           |
| Debt Service   |                 |               |                |                |                |                 |                |                |               |               |
| Principal retirement                                     | 1,556           | 1,661         | 1,520          | 1,407          | 1,238          | 1,356           | 1,300          | 1,237          | 914           | 876           |
| Interest and fiscal charges                              | 1,503           | 1,527         | 1,493          | 1,355          | 1,209          | 1,217           | 1,209          | 1,192          | 762           | 740           |
| Bond issuance costs                                      |                 |               |                |                | 141            | -               | -              | -              | -             | -             |
| <b>Total expenditures</b>                                | <b>50,621</b>   | <b>52,943</b> | <b>53,116</b>  | <b>55,689</b>  | <b>55,324</b>  | <b>58,464</b>   | <b>48,256</b>  | <b>42,819</b>  | <b>36,682</b> | <b>34,162</b> |
| <b>Excess (deficiency) of revenues over expenditures</b> | <b>\$ 2,749</b> | <b>(873)</b>  | <b>(3,594)</b> | <b>(5,904)</b> | <b>(8,844)</b> | <b>(10,104)</b> | <b>(1,752)</b> | <b>(1,564)</b> | <b>1,417</b>  | <b>1,318</b>  |

**CITY OF MIDDLETOWN, OHIO**  
**Change in Fund Balances of Governmental Funds**  
**Last Ten Years**  
**(Modified Accrual Basis of Accounting)**  
**(amounts expressed in thousands)**  
**Table 5**

|   | 2007            | 2006         | 2005         | 2004         | 2003           | 2002            | 2001         | 2000         | 1999          | 1998         |
|---|-----------------|--------------|--------------|--------------|----------------|-----------------|--------------|--------------|---------------|--------------|
| <b>Other Financing Sources (Uses)</b>       |                 |              |              |              |                |                 |              |              |               |              |
| Transfers in                                | \$ 842          | 497          | 661          | 765          | 1,047          | 1,290           | 2,784        | 4,125        | 10,712        | 1,866        |
| Transfers out                               | (242)           | (442)        | (606)        | (713)        | (768)          | (1,379)         | (1,751)      | (2,741)      | (8,003)       | (562)        |
| Issuance of bonds                           | -               | 58           | 4,315        | 6,216        | 4,250          | -               | 716          | 223          | 10,981        | 226          |
| Other uses                                  | (4)             | (29)         | -            | -            | -              | -               | -            | -            | -             | -            |
| Other sources                               | 107             | -            | -            | -            | -              | -               | -            | -            | -             | -            |
| Capital lease                               | -               | -            | -            | -            | -              | -               | -            | 362          | -             | -            |
| <b>Total other financing sources (uses)</b> | <b>703</b>      | <b>84</b>    | <b>4,370</b> | <b>6,268</b> | <b>4,529</b>   | <b>(89)</b>     | <b>1,749</b> | <b>1,969</b> | <b>13,690</b> | <b>1,530</b> |
| <b>Net change in Fund Balances</b>          | <b>\$ 3,452</b> | <b>(789)</b> | <b>776</b>   | <b>364</b>   | <b>(4,315)</b> | <b>(10,193)</b> | <b>(3)</b>   | <b>405</b>   | <b>15,107</b> | <b>2,848</b> |
| Debt service as a % of total expenditures   | 6.04%           | 6.02%        | 5.67%        | 4.96%        | 4.68%          | 4.40%           | 5.20%        | 5.67%        | 4.57%         | 4.73%        |

**CITY OF MIDDLETOWN, OHIO**  
**General Governmental Tax Revenues By Source**  
**Last Ten Years**  
**(Modified Accrual Basis of Accounting)**  
**(amounts expressed in thousands)**  
**Table 6**

|                        | 2007      | 2006   | 2005   | 2004   | 2003   | 2002   | 2001   | 2000   | 1999   | 1998   |
|------------------------|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Property taxes         | \$ 5,643  | 5,920  | 5,941  | 5,654  | 5,588  | 5,019  | 4,773  | 5,140  | 4,837  | 4,593  |
| Municipal income taxes | \$ 17,945 | 17,061 | 18,092 | 17,376 | 15,443 | 17,764 | 19,231 | 16,970 | 17,614 | 15,975 |

**CITY OF MIDDLETOWN, OHIO**  
**Assessed and Estimated Actual Value of Taxable Property**  
**Last ten years**  
**(amounts expressed in thousands)**  
**Table 7**

| Tax Levy/<br>Collection<br>Year | Real Property |                     | Personal Property (1) |                     | Public Utility (2) |                     | Totals      |                     | Assessed<br>Value<br>as a Percent<br>of Estimated<br>Actual Value |
|---------------------------------|---------------|---------------------|-----------------------|---------------------|--------------------|---------------------|-------------|---------------------|---|
|                                 | Assessed      | Estimated<br>Actual | Assessed              | Estimated<br>Actual | Assessed           | Estimated<br>Actual | Assessed    | Estimated<br>Actual |   |
| 1997/1998                       | \$564,341     | \$1,612,404         | \$202,163             | \$808,651           | \$53,128           | \$212,513           | \$819,632   | \$2,633,568         | 31.12   |
| 1998/1999                       | \$570,897     | \$1,631,133         | \$188,367             | \$753,469           | \$54,546           | \$218,184           | \$813,810   | \$2,602,786         | 31.27   |
| 1999/2000                       | \$622,984     | \$1,779,954         | \$210,395             | \$841,580           | \$55,444           | \$158,411           | \$888,823   | \$2,779,946         | 31.97   |
| 2000/2001                       | \$636,124     | \$1,817,497         | \$215,165             | \$860,660           | \$52,758           | \$211,030           | \$904,046   | \$2,889,187         | 31.29   |
| 2001/2002                       | \$652,341     | \$1,863,830         | \$237,371             | \$949,486           | \$35,230           | \$140,920           | \$924,942   | \$2,954,236         | 31.31   |
| 2002/2003                       | \$752,103     | \$2,148,865         | \$248,818             | \$995,273           | \$39,556           | \$158,224           | \$1,040,477 | \$3,302,362         | 31.51   |
| 2003/2004                       | \$753,911     | \$2,154,032         | \$252,766             | \$1,011,064         | \$38,624           | \$154,498           | \$1,045,301 | \$3,319,593         | 31.49   |
| 2004/2005                       | \$752,108     | \$2,148,880         | \$253,353             | \$1,013,414         | \$38,637           | \$154,548           | \$1,044,099 | \$3,316,842         | 31.48   |
| 2005/2006                       | \$777,301     | \$2,220,861         | \$238,133             | \$952,532           | \$36,625           | \$146,501           | \$1,052,060 | \$3,319,895         | 31.69   |
| 2006/2007                       | \$697,940     | \$1,994,116         | \$184,869             | \$739,474           | \$36,968           | \$42,408            | \$919,777   | \$2,775,998         | 33.13   |

Real property is reappraised every six years with a State mandated update of the current market in the third year following each reappraisal.

The assessed value of real property (including public utility real property) is 35 percent of estimated true value. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property tax was assessed in previous years at 25 percent for machinery and equipment and 23 percent for inventories. General business tangible personal property tax is being phased out beginning in 2006. For collection year 2006, both types of general business tangible personal property were assessed at 18.75 percent. The percentage will be 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10%, 2 1/2% and homestead exemptions before being billed. Beginning in the 2006 collection year, the 10% rollback for commercial/industrial has been eliminated.

(1) Other than public utility.

(2) Real and tangible personal property

Source: County Auditors except for estimated actual values for personal property which was estimated by the City of Middletown Finance Dept.

**CITY OF MIDDLETOWN, OHIO**  
**Property Tax Rates and Tax Levies**  
**Direct and Overlapping Governments**  
**Last ten years (1)**  
**Table 8**

| <b>City of Middletown</b> |                  |                                |                        |                                 |                      |  |              |
|---------------------------|------------------|--------------------------------|------------------------|---------------------------------|----------------------|--|--------------|
| <b>Collection Year</b>    | <b>Operating</b> | <b>Police and Fire Pension</b> | <b>Debt Retirement</b> | <b>City of Middletown Total</b> | <b>Butler County</b> | <b>Middletown City School District</b> | <b>Total</b> |
| 1998                      | 5.26             | 0.60                           | 0.56                   | 6.42                            | 8.45                 | 38.56                                  | 53.43        |
| 1999                      | 5.26             | 0.60                           | 0.61                   | 6.47                            | 8.44                 | 38.49                                  | 53.40        |
| 2000                      | 5.26             | 0.60                           | 0.45                   | 6.31                            | 8.45                 | 37.26                                  | 52.02        |
| 2001                      | 5.26             | 0.60                           | 0.00                   | 5.86                            | 8.45                 | 37.26                                  | 51.57        |
| 2002                      | 5.26             | 0.60                           | 0.00                   | 5.86                            | 8.75                 | 36.71                                  | 51.32        |
| 2003                      | 5.26             | 0.60                           | 0.00                   | 5.86                            | 8.74                 | 40.03                                  | 54.63        |
| 2004                      | 5.30             | 0.60                           | 0.00                   | 5.90                            | 8.74                 | 40.01                                  | 54.65        |
| 2005                      | 5.30             | 0.60                           | 0.00                   | 5.90                            | 9.44                 | 47.06                                  | 62.40        |
| 2006                      | 5.30             | 0.60                           | 0.00                   | 5.90                            | 10.95                | 47.06                                  | 63.91        |
| 2007                      | 5.30             | 0.60                           | 0.00                   | 5.90                            | 10.45                | 47.68                                  | 64.03        |

(1) The above tax rates are based on \$1,000 of assessed valuation.

Source: Butler County Auditor's Office

**CITY OF MIDDLETOWN, OHIO**  
**Principal Property Taxpayers**  
**December 31, 2007**  
**(amounts expressed in thousands)**  
**Table 9**

***Real Property***

| Name of Taxpayer           | Nature of Business  | Assessed Valuation | Percentage of Total Assessed |
|----------------------------|---------------------|--------------------|------------------------------|
| Cincinnati Gas & Electric  | Public utility      | \$ 56,841          | 43.60%                       |
| A K Steel Corp.            | Steel manufacturing | \$ 30,191          | 23.16%                       |
| Precision Strip, Inc.      | Steel processing    | \$ 8,332           | 6.39%                        |
| Southwestern Ohio Steel    | Steel processing    | \$ 8,124           | 6.23%                        |
| Garden Manor               | Retirement home     | \$ 7,136           | 5.47%                        |
| Bavarian Woods Apartments  | Apartment complex   | \$ 4,544           | 3.49%                        |
| Chaka-Chak LLC             | Apartment complex   | \$ 4,066           | 3.12%                        |
| Texas Eastern Transmission | Gas pipeline        | \$ 3,978           | 3.05%                        |
| Bay West Paper Corp        | Paper and packaging | \$ 3,635           | 2.79%                        |
| Riverside Village LTD PRT  | Apartment complex   | \$ 3,532           | 2.70%                        |
| <b>Total</b>               |                     | <b>\$ 130,379</b>  | <b>100.00%</b>               |

***Tangible Personal Property***

| Name of Taxpayer              | Nature of Business           | Assessed Valuation | Percentage of Total Assessed |
|-------------------------------|------------------------------|--------------------|------------------------------|
| A.K. Steel                    | Steel manufacturing          | \$ 113,172         | 76.68%                       |
| Bay West Paper Company        | Paper and packaging          | \$ 8,652           | 5.86%                        |
| Misa Metals, Inc.             | Steel processing             | \$ 6,904           | 4.68%                        |
| Jefferson Smurfit Corporation | Paper and packaging          | \$ 4,073           | 2.76%                        |
| Pilot Chemical Company        | Industrial gas manufacturing | \$ 3,015           | 2.04%                        |
| Air Products & Chemicals      | Industrial gas manufacturing | \$ 2,840           | 1.92%                        |
| Precision Strip               | Steel processing             | \$ 2,488           | 1.69%                        |
| Middletown Tube Works         | Steel processing             | \$ 2,309           | 1.56%                        |
| Cohen Brothers, Inc.          | Scrap metal                  | \$ 2,258           | 1.53%                        |
| Inland Paperboard             | Paper and packaging          | \$ 1,887           | 1.28%                        |
| <b>Total</b>                  |                              | <b>\$ 147,598</b>  | <b>100.00%</b>               |

Tangible personal property tax is being replaced over a four year period by the Commercial Activities Tax beginning in 2006.

Source: Butler County Auditor's Office



**CITY OF MIDDLETOWN, OHIO**  
**Property Tax Levies and Collections**  
**Last Ten Years (1)**  
**(amounts expressed in thousands)**  
**Table 10**

**Collected within the Fiscal Year of the Levy**

| <b>Fiscal Year<br/>Ended<br/>December 31</b> | <b>Total Tax<br/>Levy for<br/>Fiscal Year<br/>(Millage)</b> | <b>Amount Levied</b> | <b>Amount<br/>Collected</b> | <b>Percentage of<br/>Levy Collected</b> |
|--|---|----------------------|-----------------------------|---|
| 2007   | 5.90  | \$ 6,009             | \$ 5,764                    | 95.92%                                  |
| 2006   | 5.90  | \$ 6,207             | \$ 6,206                    | 99.98%                                  |
| 2005   | 5.90  | \$ 6,160             | \$ 5,941                    | 96.44%                                  |
| 2004   | 5.90  | \$ 6,167             | \$ 5,654                    | 91.68%                                  |
| 2003   | 5.86  | \$ 6,097             | \$ 5,588                    | 91.65%                                  |
| 2002   | 5.86  | \$ 5,420             | \$ 5,019                    | 92.60%                                  |
| 2001   | 5.86  | \$ 5,298             | \$ 4,773                    | 90.09%                                  |
| 2000   | 6.31  | \$ 5,608             | \$ 5,140                    | 91.65%                                  |
| 1999   | 6.47  | \$ 5,265             | \$ 4,837                    | 91.87%                                  |
| 1998   | 6.42  | \$ 5,262             | \$ 4,593                    | 87.29%                                  |

**CITY OF MIDDLETOWN, OHIO**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Years**  
(amounts expressed in thousands, except per capita amount)  
**Table 11**

| Fiscal Year | Governmental Activities  |                          |                | Business-Type Activities |                | Total     | Percentage of Personal Income | Per Capita (1) |
|-------------|--------------------------|--------------------------|----------------|--------------------------|----------------|-----------|-------------------------------|----------------|
|             | General Obligation Bonds | Special Assessment Bonds | Capital Leases | General Obligation Bonds | Capital Leases |           |                               |                |
| 2007        | \$ 22,215                | \$ 3,099                 | \$ -           | \$ 6,235                 | \$ 7,462       | \$ 39,011 | 3.82%                         | \$ 756         |
| 2006        | \$ 24,010                | \$ 3,325                 | \$ -           | \$ 6,850                 | \$ 8,024       | \$ 42,209 | 4.14%                         | \$ 818         |
| 2005        | \$ 25,375                | \$ 2,899                 | \$ -           | \$ 7,650                 | \$ -           | \$ 35,924 | 3.52%                         | \$ 696         |
| 2004        | \$ 22,220                | \$ 3,259                 | \$ 74          | \$ 8,405                 | \$ -           | \$ 33,958 | 3.33%                         | \$ 658         |
| 2003        | \$ 17,815                | \$ 2,857                 | \$ 155         | \$ 9,125                 | \$ -           | \$ 29,952 | 2.94%                         | \$ 580         |
| 2002        | \$ 14,705                | \$ 2,955                 | \$ 223         | \$ 9,315                 | \$ -           | \$ 27,198 | 2.67%                         | \$ 527         |
| 2001        | \$ 15,595                | \$ 3,352                 | \$ 223         | \$ 9,960                 | \$ -           | \$ 29,130 | 2.85%                         | \$ 564         |
| 2000        | \$ 16,455                | \$ 3,007                 | \$ 291         | \$ 10,565                | \$ -           | \$ 30,318 | 2.97%                         | \$ 588         |
| 1999        | \$ 17,290                | \$ 3,186                 | \$ -           | \$ 11,160                | \$ -           | \$ 31,636 | 5.29%                         | \$ 687         |
| 1998        | \$ 7,250                 | \$ 3,158                 | \$ -           | \$ 9,105                 | \$ -           | \$ 19,513 | 3.26%                         | \$ 424         |

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 169 for personal income and population data.

**CITY OF MIDDLETOWN, OHIO**  
**Ratios of General Bonded Debt Outstanding for Governmental Activities**  
**Last Ten Years**  
**(amounts expressed in thousands, except per capita amount)**  
**Table 12**

| <b>Fiscal Year</b> | <b>General Obligation Bonds</b> | <b>Less: Amounts Available in Debt Service Funds</b> | <b>Total</b> | <b>Percentage of Estimated Actual Taxable Value (1) of Property</b> | <b>Per Capita (2)</b> |
|--------------------|---------------------------------|--|--------------|---|-----------------------|
| 2007               | \$22,215                        | \$346  | \$21,869     | 2.13%   | \$430                 |
| 2006               | \$24,010                        | \$138  | \$23,872     | 2.61%   | \$465                 |
| 2005               | \$25,375                        | \$172  | \$25,203     | 2.41%   | \$492                 |
| 2004               | \$22,220                        | \$272  | \$21,948     | 2.13%   | \$431                 |
| 2003               | \$17,815                        | \$141  | \$17,674     | 1.70%   | \$345                 |
| 2002               | \$14,705                        | \$297  | \$14,408     | 1.41%   | \$285                 |
| 2001               | \$15,595                        | \$284  | \$15,311     | 1.69%   | \$302                 |
| 2000               | \$16,455                        | \$279  | \$16,176     | 1.82%   | \$319                 |
| 1999               | \$17,290                        | \$28   | \$17,262     | 1.95%   | \$376                 |
| 1998               | \$7,250                         | \$19   | \$7,231      | 0.89%   | \$158                 |

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.  
(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 160 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 160.

**CITY OF MIDDLETOWN, OHIO**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**As of December 31, 2007**  
**(amounts expressed in thousands)**  
**Table 13**

| <b>Political Subdivision</b> | <b>General Bonded Debt</b> | <b>Percent Applicable to City</b> | <b>City's Share</b> |
|------------------------------|----------------------------|-----------------------------------|---------------------|
| City of Middletown           | \$22,215                   | 100.0                             | \$22,215            |
| Butler County                | 60,045                     | 13.8                              | \$8,286             |
| Warren County                | <u>12,057</u>              | 2.2                               | <u>265</u>          |
| <b>Total</b>                 | <b>\$94,317</b>            |                                   | <b>\$30,766</b>     |

Source: Butler and Warren County Auditor's Offices.

Actual percentage unavailable from Butler County at time of printing.  
Percent applicable to City is estimated from past data for Butler County.

**CITY OF MIDDLETOWN, OHIO**  
**Legal Debt Margin Information**  
**Last Ten Years**  
**(amounts expressed in thousands)**  
**Table 14**

|  | 1998      | 1999   | 2000   | 2001   | 2002   | 2003  | 2004    | 2005    | 2006    | 2007                 |
|--|-----------|--------|--------|--------|--------|---|---------|---------|---------|----------------------|
| Debt limit   | \$ 86,601 | 85,450 | 93,326 | 94,925 | 97,119 | 109,250   | 109,757 | 109,630 | 110,466 | 96,576               |
| Total net debt applicable to limit                                   | 7,250     | 6,755  | 6,606  | 5,725  | 5,185  | 8,655   | 13,535  | 16,995  | 16,050  | 15,610               |
| Legal debt margin  | \$ 79,351 | 78,695 | 86,720 | 89,200 | 91,934 | 100,595   | 96,222  | 92,635  | 94,416  | 80,966               |
| Total net debt applicable to the limit as a percentage of debt limit | 8.37%     | 7.91%  | 7.08%  | 6.03%  | 5.34%  | 7.92%   | 12.33%  | 15.50%  | 14.53%  | 16.16%               |
|  |           |        |        |        |        | Assessed value  |         |         |         | \$919,777            |
|  |           |        |        |        |        | Add back: exempt real property                                  |         |         |         | -                    |
|  |           |        |        |        |        | Total assessed value  |         |         |         | <u>919,777</u>       |
|  |           |        |        |        |        | Debt limit (10.5%) of total asses value                         |         |         |         | 96,576               |
|  |           |        |        |        |        | Debt applicable to limit:                                       |         |         |         |                      |
|  |           |        |        |        |        | General obligation bond   |         |         |         | 16,050               |
|  |           |        |        |        |        | Less: Amount set aside for repayment of general obligation debt |         |         |         | <u>(575)</u>         |
|  |           |        |        |        |        | Total net debt applicable to limit                              |         |         |         | <u>15,475</u>        |
|  |           |        |        |        |        | Legal debt margin   |         |         |         | <u><u>81,101</u></u> |

Note: Under state finance law, the City of Middletown's outstanding general obligation debt should not exceed ten and one-half percent of total assessed property value. By the law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

**CITY OF MIDDLETOWN, OHIO**  
**Pledged-Revenue Coverage**  
**Last Ten Years**  
**Table 15**

| <b>Tax Year</b> | <b>Special Assessment Collections</b> | <b>Debt Service</b> |                                      | <b>Coverage</b> |
|-----------------|---------------------------------------|---------------------|--------------------------------------|-----------------|
|                 |                                       | <b>Principal</b>    | <b>Interest &amp; Fiscal Charges</b> |                 |
| 2007            | \$581,144                             | \$270,818           | \$176,149                            | 1.30            |
| 2006            | \$495,329                             | \$296,295           | \$187,135                            | 1.02            |
| 2005            | \$547,790                             | \$359,859           | \$201,059                            | 0.98            |
| 2004            | \$518,116                             | \$312,000           | \$162,746                            | 1.09            |
| 2003            | \$557,436                             | \$233,000           | \$184,966                            | 1.33            |
| 2002            | \$623,248                             | \$397,144           | \$204,857                            | 1.04            |
| 2001            | \$603,269                             | \$371,658           | \$213,702                            | 1.03            |
| 2000            | \$632,469                             | \$401,780           | \$215,524                            | 1.02            |
| 1999            | \$747,284                             | \$428,376           | \$303,056                            | 1.02            |
| 1998            | \$632,469                             | \$400,743           | \$233,574                            | 1.00            |

**CITY OF MIDDLETOWN, OHIO**  
**Demographic and Economic Statistics**  
**Last Ten Years**  
**Table 16**

| <b>Year</b> | <b>Population (1)</b> | <b>Personal Income (in 1,000's)</b> | <b>Per Capita Personal Income (1)</b> | <b>Median Age (1)</b> | <b>Education Level in Years of Formal Schooling (3)</b> | <b>School Enrollment (3)</b> | <b>Unemployment Rate (2)</b> |
|-------------|-----------------------|-------------------------------------|---------------------------------------|-----------------------|---|------------------------------|------------------------------|
| 1998        | 46,022                | \$ 597,734                          | \$ 12,988                             | n/a                   | n/a   | 9,662                        | 5.10                         |
| 1999        | 46,022                | \$ 597,734                          | \$ 12,988                             | n/a                   | n/a   | 9,566                        | 4.80                         |
| 2000        | 51,605                | \$ 1,020,386                        | \$ 19,773                             | 36.2                  | n/a   | 9,343                        | 5.40                         |
| 2001        | 51,605                | \$ 1,020,386                        | \$ 19,773                             | 36.2                  | n/a   | 7,818                        | 6.10                         |
| 2002        | 51,605                | \$ 1,020,386                        | \$ 19,773                             | 36.2                  | n/a   | 7,836                        | 6.90                         |
| 2003        | 51,605                | \$ 1,020,386                        | \$ 19,773                             | 36.2                  | n/a   | 7,631                        | 6.80                         |
| 2004        | 51,605                | \$ 1,020,386                        | \$ 19,773                             | 36.2                  | n/a   | 7,302                        | 6.30                         |
| 2005        | 51,605                | \$ 1,020,386                        | \$ 19,773                             | 36.2                  | n/a   | 7,198                        | 6.10                         |
| 2006        | 51,605                | \$ 1,020,386                        | \$ 19,773                             | 36.2                  | 16 yrs - 13%<br>12 yrs - 63%                            | 6,925                        | 7.10                         |
| 2007        | 51,605                | \$ 1,020,386                        | \$ 19,773                             | 36.2                  | 16 yrs - 13%<br>12 yrs - 63%                            | 6,408                        | 5.10                         |

Data Sources:

- (1) Bureau of the Census
- (2) State Department of Labor
- (3) School District

Note: Population, median age, and personal income information are based on the 2000 Census. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

**CITY OF MIDDLETOWN, OHIO**  
**Principal Employers**  
**Current Year**  
**Table 17**

| <b>Employer</b>                 | <b>2007</b>      |             |  |
|---------------------------------|------------------|-------------|--|
|                                 | <b>Employees</b> | <b>Rank</b> | <b>Percentage of Total City Employment</b> |
| AK Steel                        | 4,651            | 1           | 39.8%                                      |
| Middletown Regional Hospital    | 1,836            | 2           | 15.7%                                      |
| Middletown City School District | 1,248            | 3           | 10.7%                                      |
| City of Middletown              | 514              | 4           | 4.4%                                       |
| Strom Engineering Corp.         | 1,181            | 5           | 10.1%                                      |
| Bay West Paper (Wausau)         | 197              | 6           | 1.7%                                       |
| National Workforce Assistance   | 505              | 7           | 4.3%                                       |
| Stone Container Corp. (Alvity)  | 314              | 8           | 2.7%                                       |
| Miami University                | 667              | 9           | 5.7%                                       |
| Garden Manor Extended Care      | 563              | 10          | 4.8%                                       |



**CITY OF MIDDLETOWN, OHIO**  
**Full-time Equivalent City Government Employees by Function**  
**Last Ten Years**  
**Table 18**

| <b>Function</b>         | <b>1998</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General government      | 50          | 50          | 50          | 51          | 57          | 54          | 47          | 42          | 43          | 35          |
| Public safety           |             |             |             |             |             |             |             |             |             |             |
| Police                  |             |             |             |             |             |             |             |             |             |             |
| Officers                | 88          | 89          | 89          | 89          | 89          | 93          | 90          | 89          | 85          | 85          |
| Civilians               | 41          | 41          | 45          | 46          | 46          | 49          | 45          | 45          | 43          | 43          |
| Fire                    |             |             |             |             |             |             |             |             |             |             |
| Firefighters & officers | 89          | 89          | 90          | 90          | 90          | 90          | 87          | 87          | 84          | 84          |
| Civilians               | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Other                   | 38          | 38          | 37          | 38          | 36          | 36          | 33          | 32          | 33          | 33          |
| Highways and streets    |             |             |             |             |             |             |             |             |             |             |
| Maintenance             | 20          | 20          | 21          | 21          | 19          | 19          | 17          | 18          | 17          | 12          |
| Leisure Time Activities | 13          | 11          | 10          | 11          | 11          | 11          | 10          | 8           | 9           | 10          |
| Community Environment   | 6           | 6           | 5           | 5           | 1           | 2           | 2           | 2           | 2           | 4           |
| Public health & welfare | 13          | 14          | 13          | 11          | 11          | 11          | 7           | 6           | 6           | 5           |
| Water                   | 41          | 33          | 32          | 31          | 32          | 32          | 32          | 33          | 32          | 32          |
| Sewer                   | 36          | 36          | 36          | 36          | 35          | 35          | 34          | 34          | 36          | 33          |
| Golf Course             | 8           | 8           | 8           | 8           | 8           | 8           | 8           | 8           | 7           | 7           |
| Transit                 | 9           | 9           | 9           | 9           | 9           | 9           | 9           | 8           | 8           | 8           |
| Parking                 | 2           | 1           | 1           | 1           | 1           | 1           | 0           | 0           | 0           | 0           |
| Internal Services       | 11          | 11          | 11          | 11          | 11          | 11          | 10          | 10          | 10          | 9           |
| <b>Total</b>            | <b>466</b>  | <b>457</b>  | <b>458</b>  | <b>459</b>  | <b>457</b>  | <b>462</b>  | <b>432</b>  | <b>423</b>  | <b>416</b>  | <b>401</b>  |

**CITY OF MIDDLETOWN, OHIO**  
**Operating Indicators by Function**  
**Last Ten Years**  
**Table 19**

| <b>Function</b>                                       | <b>1998</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Fire</b>   |             |             |             |             |             |             |             |             |             |             |
| Number of fire responses                              | 770         | 918         | 811         | 791         | 742         | 708         | 718         | 604         | 916         | 660         |
| Average response time (minutes)                       | 3.4         | 3.5         | 3.6         | 4.0         | 4.0         | 4.1         | 4.2         | 4.3         | 4.3         | 4.7         |
| Emergency medical calls                               | 4,936       | 5,457       | 5,606       | 5,751       | 5,951       | 6,153       | 6,159       | 6,557       | 6,700       | 6,954       |
| <b>Police</b>   |             |             |             |             |             |             |             |             |             |             |
| Calls for service                                     | 44,481      | 43,480      | 45,851      | 43,930      | 46,807      | 44,285      | 42,547      | 42,563      | 47,348      | 42,830      |
| Number of arrests                                     | 7,204       | 6,570       | 7,089       | 7,998       | 7,840       | 7,069       | 7,525       | 8,223       | 8,370       | 7,799       |
| Response time for priority calls (minutes)            | 4.9         | 5.0         | 5.0         | 4.9         | 4.8         | 5.3         | 5.4         | 5.5         | 5.7         | 5.6         |
| Traffic accidents                                     | 2,527       | 2,725       | 2,499       | 2,305       | 2,170       | 2,140       | 1,965       | 1,877       | 1,892       | 1,822       |
| Average daily jail population                         | 58          | 60          | 65          | 65          | 69          | 55          | 55          | 58          | 53          | 49          |
| <b>Recreation and leisure</b>                         |             |             |             |             |             |             |             |             |             |             |
| Community center admissions                           | 15,968      | 7,030       | 9,613       | 8,830       | 6,556       | 14,382      | 8,042       | 9,125       | 8,548       | 6,208       |
| <b>Transit</b>  |             |             |             |             |             |             |             |             |             |             |
| Unlinked passenger trips                              | 198,385     | 201,669     | 205,602     | 202,373     | 188,840     | 195,687     | 194,079     | 233,750     | 253,587     | 250,142     |
| <b>Water</b>  |             |             |             |             |             |             |             |             |             |             |
| Average daily water pumpage (million gallons per day) | 8.36        | 8.80        | 8.60        | 8.30        | 8.46        | 8.11        | 8.12        | 8.23        | 8.00        | 8.36        |
| Number of water accounts                              | 19,672      | 19,773      | 19,869      | 19,869      | 19,869      | 19,877      | 19,877      | 19,877      | 19,877      | 19,649      |
| <b>Sewer</b>  |             |             |             |             |             |             |             |             |             |             |
| Average daily flow (million gallons per day)          | 18.4        | 17.8        | 16.6        | 16.4        | 17.5        | 16.4        | 14.1        | 16.5        | 16.2        | 15.6        |
| Sewer mains cleaned (feet)                            | 31,168      | 68,965      | 9,078       | 9,639       | 300,000     | 40,417      | 98,502      | 19,217      | 21,475      | 36,590      |

**CITY OF MIDDLETOWN, OHIO**  
**Capital Asset Statistics by Function**  
**Last Ten Years**  
**Table 20**

| <b>Function</b>          | <b>1998</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public safety:           |             |             |             |             |             |             |             |             |             |             |
| Fire stations            | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           | 5           |
| Police stations          | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Highways and streets:    |             |             |             |             |             |             |             |             |             |             |
| Streets (miles)          | 217         | 229         | 229         | 229         | 229         | 231         | 231         | 231         | 231         | 231         |
| Traffic Lights           | 110         | 116         | 118         | 116         | 112         | 108         | 110         | 114         | 110         | 110         |
| Water:                   |             |             |             |             |             |             |             |             |             |             |
| Water mains (miles)      | 327         | 331         | 332         | 332         | 332         | 337         | 338         | 340         | 340         | 340         |
| Sewer:                   |             |             |             |             |             |             |             |             |             |             |
| Sanitary & storm (miles) | 289         | 296         | 299         | 299         | 299         | 307         | 309         | 311         | 311         | 311         |
| Leisure & recreation:    |             |             |             |             |             |             |             |             |             |             |
| Parks                    | 31          | 34          | 34          | 34          | 36          | 36          | 36          | 36          | 36          | 36          |
| Swimming pools           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 0           | 0           | 1           |
| Community Centers        | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Golf Courses             | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |





**Mary Taylor, CPA**  
Auditor of State

**CITY OF MIDDLETOWN**

**BUTLER 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 28, 2008**