



Mary Taylor, CPA
Auditor of State

**VILLAGE OF NEW MIDDLETOWN
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis	9
Statement of Activities – Cash Basis	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances	11
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds	12
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) – General Fund	13
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) – Street Construction, Maintenance, and Repair Fund	14
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) – Permissive Motor Vehicle License Fund	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) – Fire Levy Fund	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – (Budget Basis) – Police Levy Fund	17
Statement of Fiduciary Net Assets – Cash Basis Fiduciary Fund	18
Notes to the Basic Financial Statements	19
Independent Accountants' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	31

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Middletown
Mahoning County
10711 Main Street
New Middletown, Ohio 44442

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of New Middletown, Mahoning County, Ohio (the Village) as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Library processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Library because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of New Middletown, Mahoning County, Ohio as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Street Construction, Maintenance, and Repair Fund, Permissive Motor Vehicle License Fund, Fire Levy Fund, and Police Levy Fund thereof, for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, on our consideration of the Village'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 31, 2008

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

This discussion and analysis of the Village of New Middletown's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2006, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$20,669. The fund most affected by the increase in cash and cash equivalents was the General Fund, which was due to property re-evaluation. The General Fund had an increase of \$35,543, and Fire Levy Fund \$6,090. The Police Levy Fund, Street Construction, Maintenance, and Repair Fund, and the Permissive Motor Vehicle License Fund had decreases of \$3,210, \$9,400 and \$12,174, respectively, due to increased costs.

The Village's General Fund receipts are primarily: Property taxes (\$71,587), Lease with Aqua Water (\$40,000), Fines-licenses-permits (\$47,074), and Intergovernmental (\$59,345).

The General Fund spent \$70,000 to defray the costs of operating the police department. A new police tax levy will take effect in 2007.

The Village moved to its new location and with assistance from a grant from the County of \$61,506. The Village remodeled the new building, including the front office complex.

Phase 2 repairs of Stacy Dr. was completed with a State of Ohio Issue II Grant. Another Issue II Grant has been received for phase 3.

The Village spent over \$115,000 resurfacing several streets as part of its street updates.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Village as a Whole

The statement of net assets and the statement of activities reflect how the Village did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and other taxes.

The Village reports its governmental activities in the statement of net assets and the statement of activities.

Governmental activities: All of the Village's basic services are reported here, including police, fire, streets and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The funds of the Village are split into two categories: governmental and fiduciary.

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General, SCMR, Permissive Motor Vehicle License, Fire Levy, and Police Levy Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. The fiduciary fund is not reflected on the government-wide statements because the resources of this fund are not available to support the Village's programs.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2006 and 2005.

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$441,602	\$420,933
Total Assets	\$441,602	\$420,933
Net Assets		
Restricted for:		
Other Purposes	\$344,495	\$359,369
Unrestricted	97,107	61,564
Total Net Assets	\$441,602	\$420,933

As mentioned previously, net assets of governmental activities increased \$20,669 during 2006. The primary reasons contributing to the increase was the property tax re-evaluations. The Village still had decreases in several other funds because of the following reasons:

- Increases in salaries of 3% based on current negotiated agreements.
- Fire departments share of grants for 2006.
- Street paving and repairs.
- Costs related to the building renovation.

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Table 2 compares the changes in net assets between 2006 and 2005.

(Table 2)
Changes in Net Assets

	Governmental Activities 2006	Governmental Activities 2005	Variance
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$130,353	\$80,253	\$50,100
Operating Grants and Contributions	1,192	2,185	(993)
Total Program Receipts	<u>131,545</u>	<u>82,438</u>	<u>49,107</u>
General Receipts:			
Property Taxes	292,106	238,360	53,746
Other Taxes	90,692	125,919	(35,227)
Grants and Entitlements	83,974	50,045	33,929
Earnings on Investments	15,033	8,574	6,459
Miscellaneous	93,481	234,484	(141,003)
Total General Receipts	<u>575,286</u>	<u>657,382</u>	<u>(82,096)</u>
Total Receipts	<u>706,831</u>	<u>739,820</u>	<u>(32,989)</u>
Disbursements:			
General Government	140,267	122,511	(17,756)
Security of Persons and Property	303,926	297,404	(6,522)
Public Health Services	6,809	5,921	(888)
Leisure Time Activities	1,969	2,308	339
Basic Utilities	2,608	2,743	135
Transportation	41,235	20,802	(20,433)
Capital Outlay	81,435	205,654	124,219
Other	61,506	0	(61,506)
Debt Service	43,206	35,706	(7,500)
Community Environment	3,201	3,542	341
Total Disbursements	<u>686,162</u>	<u>696,591</u>	<u>(10,429)</u>
Increase (Decrease) in Net Assets	20,669	43,229	(22,560)
Net Assets, January 1	<u>420,933</u>	<u>377,704</u>	<u>43,229</u>
Net Assets, December 31	<u>\$441,602</u>	<u>\$420,933</u>	<u>\$20,669</u>

Program receipts represent only 18.6 percent of total receipts and are comprised of charges for services and grants.

General receipts represent 81.4 percent of the Village's total receipts, and of this amount, over 66 percent are property taxes and other taxes. Grants, interest, and miscellaneous make up the other 34 percent.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of Council, the Mayor, and Fiscal Officer, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks; and Transportation is the cost of maintaining the roads.

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government and security of persons and property, which account for 44 and 20 percent of all governmental disbursements, respectively. Capital outlay also represents a significant cost, about 12 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Security of Persons and Property	\$303,926	\$265,856	\$297,404	\$268,033
Public Health Services	6,809	6,809	5,921	5,921
Leisure Time Activities	1,969	1,969	2,308	2,308
Community Environment	3,201	1,860	3,542	(1,086)
Basic Utility Services	2,608	2,608	2,743	2,743
Transportation	41,235	31,712	20,802	11,613
General Government	140,267	57,656	122,511	83,261
Capital Outlay	81,435	81,435	205,654	205,654
Other	61,506	61,506		
Debt Service	43,206	43,206	35,706	35,706
Total Expenses	\$686,162	\$554,617	\$696,591	\$614,153

The Village's Funds

Total governmental funds had receipts of \$706,831 and disbursements of \$686,162. The fund balance of the General Fund increased \$35,543 as the result of decreased costs for operating the police department and the property re-evaluation. The fund balances of the Street Construction, Maintenance, and Repair and the Permissive Motor Vehicle License decreased \$21,574 due to paving projects. These street funds have a positive balance of \$212,346, but \$140,000 of this balance is committed to the Stacy Dr. Project.

The Police Levy Fund spent \$3,210 more than it received. This deficit was made up by the carry over balance. It was the recommendation of the finance committee and the administration that we continue to reduce disbursements in all departments.

General Fund Budgeting Highlights

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

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Actual receipts exceeded the budgeted receipts by \$19,734. Final disbursements were budgeted at \$259,450 while actual disbursements were \$213,476. Although receipts failed to live up to expectations, appropriations were not increased significantly.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2006, the Village's outstanding debt was \$184,825 for a fire truck note at Sky Bank and \$146,250 for an Ohio Public Works Commission Loan.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our General Fund has no voted mileage to work with; therefore, we reviewed our sources of revenue and determined that losses were likely. We then reviewed the disbursement history of the Village. We will hold planned park repairs and maintenance and all departments have been instructed to reduce their spending as much as possible.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Carl Flitcraft, Clerk-Treasurer, Village of New Middletown, Oh. 10711 Main St. New Middletown, Ohio, 44442-0463 or call 330-542-2846.

NEW MIDDLETOWN VILLAGE, MAHONING COUNTY

Statement of Net Assets - Cash Basis

December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$441,602</u>
<i>Total Assets</i>	<u><u>\$441,602</u></u>
Net Assets	
Restricted for:	
Other Purposes	344,495
Unrestricted	<u>97,107</u>
<i>Total Net Assets</i>	<u><u>\$441,602</u></u>

See accompanying notes to the basic financial statements

NEW MIDDLETOWN VILLAGE, MAHONING COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Security of Persons and Property	\$303,926	\$36,878	\$1,192	(\$265,856)
Public Health Services	6,809			(6,809)
Leisure Time Activities	1,969			(1,969)
Community Environment	3,201	1,341		(1,860)
Basic Utility Services	2,608			(2,608)
Transportation	41,235	9,523		(31,712)
General Government	140,267	82,611		(57,656)
Capital Outlay	81,435			(81,435)
Other	61,506			(61,506)
Debt Service	43,206			(43,206)
<i>Total Governmental Activities</i>	<u>\$686,162</u>	<u>\$130,353</u>	<u>\$1,192</u>	(554,617)
General Receipts				
Property Taxes				292,106
Other Taxes				90,692
Grants and Entitlements not Restricted to Specific Programs				83,974
Earnings on Investments				15,033
Miscellaneous				93,481
<i>Total General Receipts</i>				<u>575,286</u>
Change in Net Assets				20,669
<i>Net Assets Beginning of Year</i>				<u>420,933</u>
<i>Net Assets End of Year</i>				<u><u>\$441,602</u></u>

See accompanying notes to the basic financial statements

NEW MIDDLETOWN VILLAGE, MAHONING COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Street Construction Maintenance and Repair	Permissive Motor Vehicle License	Fire Levy Revenue	Police Levy Revenue	Other Governmental	Total Governmental
Assets							
Equity in Pooled Cash and Cash Equivalents	\$97,107	\$151,458	\$60,888	\$50,648	\$11,961	\$69,540	\$441,602
<i>Total Assets</i>	<u>\$97,107</u>	<u>\$151,458</u>	<u>\$60,888</u>	<u>\$50,648</u>	<u>\$11,961</u>	<u>\$69,540</u>	<u>\$441,602</u>
Fund Balances							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	\$97,107						\$97,107
Special Revenue Funds		\$151,458	\$60,888	\$50,648	\$11,961	\$69,540	344,495
<i>Total Fund Balances</i>	<u>\$97,107</u>	<u>\$151,458</u>	<u>\$60,888</u>	<u>\$50,648</u>	<u>\$11,961</u>	<u>\$69,540</u>	<u>\$441,602</u>

See accompanying notes to the basic financial statements

NEW MIDDLETOWN VILLAGE, MAHONING COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Street Construction Maintenance and Repair	Permissive Motor Vehicle License	Fire Levy	Police Levy	Other Governmental	Total Governmental
Receipts							
Property and Other Local Taxes	\$71,587		\$16,208	\$54,071	\$150,240		\$292,106
Intergovernmental	59,345	\$83,219				\$70,172	212,736
Special Assessments						9,523	9,523
Charges for Services					36,878		36,878
Fines, Licenses and Permits	47,074						47,074
Earnings on Investments	4,403	6,941	1,718	1,250		721	15,033
Miscellaneous	66,610	300		406	19,758		87,074
Total Receipts	249,019	90,460	17,926	55,727	206,876	80,416	700,424
Disbursements							
Current:							
Security of Persons and Property	69,349			19,213	207,805	7,559	303,926
Public Health Services	6,809						6,809
Leisure Time Activities	1,969						1,969
Community Environment	3,201						3,201
Basic Utility Services		2,608					2,608
Transportation		40,270				965	41,235
General Government	132,148	5,000		815	2,281	23	140,267
Capital Outlay		44,482	30,100	310		6,543	81,435
Debt Service:							
Principal Retirement		7,500		25,267			32,767
Interest and Fiscal Charges				10,439			10,439
Total Disbursements	213,476	99,860	30,100	56,044	210,086	15,090	624,656
Excess of Receipts Over (Under) Disbursements	35,543	(9,400)	(12,174)	(317)	(3,210)	65,326	75,768
Other Financing Sources (Uses)							
Advances In	37,000			15,000	10,000	12,000	74,000
Advances Out	(37,000)			(15,000)	(10,000)	(12,000)	(74,000)
Other Financing Sources				6,407		0	6,407
Other Financing Uses						(61,506)	(61,506)
Total Other Financing Sources (Uses)	0	0	0	6,407	0	(61,506)	(55,099)
Net Change in Fund Balances	35,543	(9,400)	(12,174)	6,090	(3,210)	3,820	20,669
Fund Balances Beginning of Year	61,564	160,858	73,062	44,558	15,171	65,720	420,933
Fund Balances End of Year	\$97,107	\$151,458	\$60,888	\$50,648	\$11,961	\$69,540	\$441,602

See accompanying notes to the basic financial statements

NEW MIDDLETOWN VILLAGE, MAHONING COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$70,475	\$70,475	\$71,587	\$1,112
Intergovernmental	41,000	36,550	59,345	22,795
Fines, Licenses and Permits	42,700	45,200	47,074	1,874
Earnings on Investments	9,600	3,400	4,403	1,003
Miscellaneous	52,750	73,660	66,610	(7,050)
<i>Total Receipts</i>	<u>216,525</u>	<u>229,285</u>	<u>249,019</u>	<u>19,734</u>
Disbursements				
Current:				
Security of Persons and Property	70,500	84,400	69,349	15,051
Public Health Services	7,000	7,000	6,809	191
Leisure Time Activities	2,000	2,150	1,969	181
Community Environment	3,125	3,800	3,201	599
General Government	145,725	162,100	132,148	29,952
<i>Total Disbursements</i>	<u>228,350</u>	<u>259,450</u>	<u>213,476</u>	<u>45,974</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,825)</u>	<u>(30,165)</u>	<u>35,543</u>	<u>65,708</u>
Other Financing Sources (Uses)				
Advances In			37,000	37,000
Advances Out	(25,000)	(37,000)	(37,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>(37,000)</u>	<u>0</u>	<u>37,000</u>
<i>Net Change in Fund Balance</i>	<u>(36,825)</u>	<u>(67,165)</u>	<u>35,543</u>	<u>102,708</u>
<i>Fund Balance Beginning of Year</i>	<u>61,564</u>	<u>61,564</u>	<u>61,564</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$24,739</u>	<u>(\$5,601)</u>	<u>\$97,107</u>	<u>\$102,708</u>

See accompanying notes to the basic financial statements

NEW MIDDLETOWN VILLAGE, MAHONING COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Street Construction, Maintenance and Repair Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$75,000	\$119,000	\$83,219	(\$35,781)
Earnings on Investments	3,500	14,000	6,941	(7,059)
Miscellaneous	300	350	300	(50)
<i>Total Receipts</i>	<u>78,800</u>	<u>133,350</u>	<u>90,460</u>	<u>(42,890)</u>
Disbursements				
Current:				
Basic Utility Services	11,525	11,525	2,608	8,917
Transportation	86,000	86,000	40,270	45,730
General Government	6,000	6,000	5,000	1,000
Debt Service	7,500	7,500	7,500	0
Capital Outlay	157,500	157,500	44,482	113,018
<i>Total Disbursements</i>	<u>268,525</u>	<u>268,525</u>	<u>99,860</u>	<u>168,665</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(189,725)	(135,175)	(9,400)	125,775
<i>Fund Balance Beginning of Year</i>	<u>160,858</u>	<u>160,858</u>	<u>160,858</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$28,867)</u>	<u>\$25,683</u>	<u>\$151,458</u>	<u>\$125,775</u>

See accompanying notes to the basic financial statements

NEW MIDDLETOWN VILLAGE, MAHONING COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Permissive Motor Vehicle License Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$13,250	\$13,250	\$16,208	\$2,958
Earnings on Investments	1,175	1,175	1,718	543
<i>Total Receipts</i>	<u>14,425</u>	<u>14,425</u>	<u>17,926</u>	<u>3,501</u>
Disbursements				
Current:				
Transportation	16,000	16,000		16,000
General Government	5,000	5,000		5,000
Capital Outlay	66,000	66,000	30,100	35,900
<i>Total Disbursements</i>	<u>87,000</u>	<u>87,000</u>	<u>30,100</u>	<u>56,900</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(72,575)	(72,575)	(12,174)	60,401
<i>Fund Balance Beginning of Year</i>	<u>73,062</u>	<u>73,062</u>	<u>73,062</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$487</u></u>	<u><u>\$487</u></u>	<u><u>\$60,888</u></u>	<u><u>\$60,401</u></u>

See accompanying notes to the basic financial statements

NEW MIDDLETOWN VILLAGE, MAHONING COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Fire Levy Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$52,325	\$52,325	\$54,071	\$1,746
Earnings on Investments	250	250	1,250	1,000
Miscellaneous	125	125	406	281
<i>Total Receipts</i>	<u>52,700</u>	<u>52,700</u>	<u>55,727</u>	<u>3,027</u>
Disbursements				
Current:				
Security of Persons and Property	32,625	32,550	19,213	13,337
General Government	1,725	1,725	815	910
Debt Service	35,706	35,706	35,706	0
Capital Outlay	9,294	19,294	310	18,984
<i>Total Disbursements</i>	<u>79,350</u>	<u>89,275</u>	<u>56,044</u>	<u>33,231</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(26,650)</u>	<u>(36,575)</u>	<u>(317)</u>	<u>36,258</u>
Other Financing Sources (Uses)				
Advances In		15,000	15,000	0
Advances Out		(15,000)	(15,000)	0
Other Financing Sources	6,775	6,775	6,407	(368)
<i>Total Other Financing Sources (Uses)</i>	<u>6,775</u>	<u>6,775</u>	<u>6,407</u>	<u>(368)</u>
<i>Net Change in Fund Balance</i>	<u>(19,875)</u>	<u>(29,800)</u>	<u>6,090</u>	<u>35,890</u>
<i>Fund Balance Beginning of Year</i>	<u>44,558</u>	<u>44,558</u>	<u>44,558</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$24,683</u>	<u>\$14,758</u>	<u>\$50,648</u>	<u>\$35,890</u>

See accompanying notes to the basic financial statements

NEW MIDDLETOWN VILLAGE, MAHONING COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Police Levy Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$151,175	\$155,675	\$150,240	(\$5,435)
Charges for Services	35,000	35,000	36,878	1,878
Miscellaneous	14,250	17,325	19,758	2,433
<i>Total Receipts</i>	<u>200,425</u>	<u>208,000</u>	<u>206,876</u>	<u>(1,124)</u>
Disbursements				
Current:				
Security of Persons and Property	201,700	212,000	207,805	4,195
General Government	3,000	3,000	2,281	719
<i>Total Disbursements</i>	<u>204,700</u>	<u>215,000</u>	<u>210,086</u>	<u>4,914</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,275)</u>	<u>(7,000)</u>	<u>(3,210)</u>	<u>3,790</u>
Other Financing Sources (Uses)				
Advances In		10,000	10,000	0
Advances Out		(10,000)	(10,000)	0
<i>Net Change in Fund Balance</i>	<u>(4,275)</u>	<u>(7,000)</u>	<u>(3,210)</u>	<u>3,790</u>
<i>Fund Balance Beginning of Year</i>	<u>15,171</u>	<u>15,171</u>	<u>15,171</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$10,896</u></u>	<u><u>\$8,171</u></u>	<u><u>\$11,961</u></u>	<u><u>\$3,790</u></u>

See accompanying notes to the basic financial statements

New Middletown Village
Mahoning County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
December 31, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,015
<i>Total Assets</i>	<u>\$2,015</u>
Net Assets	
Unrestricted	<u>\$2,015</u>

See accompanying notes to the basic financial statements

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 1 – Reporting Entity

New Middletown Village, Mahoning County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads, park operations, police services, and a volunteer fire department. The Village participates in the Ohio Municipal Joint Self-Insurance Pool, a public-entity shared risk pool. This organization is presented in Note 6 to the financial statements.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. The statement of net assets presents the cash balances of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories: governmental and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the Village's major governmental funds:

General Fund – This 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 Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Construction, Maintenance, and Repair Fund – This fund receives state fuel excise taxes to pay for the construction, maintenance, and repair of Village roads.

Permissive Motor Vehicle License Fund – This fund receives motor vehicle license taxes to pay for maintenance of Village roads.

Fire Levy Fund – This fund receives property tax money to provide fire protection to Village residents.

Police Levy Fund - This fund receives property tax money to provide police protection to Village residents.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village's agency fund accounts for the operations of the Mayor's Court, including the receipt and disbursement of fines and costs resulting from disposition of court cases.

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note. As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

During 2006, the Village invested in repurchase agreements and STAR Ohio. The repurchase agreements are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to Village funds according to State statutes. Interest receipts credited to the General Fund during 2006 was \$4,403 which includes \$3,349 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village did not have any restricted assets as of December 31, 2006.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Inter-fund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursements for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road maintenance, fire protection, and police protection.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Inter-fund Transactions

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Street Construction, Maintenance, and Repair Fund, Permissive Motor Vehicle License Fund, Fire Levy Fund, and Police Levy Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). There were no encumbrances or advances outstanding at year end.

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdraw able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 4 – Deposits and Investments (Continued)

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

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

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 4 – Deposits and Investments (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Village was not exposed to custodial credit risk because the entire bank balance was insured by the Federal Deposit Insurance Corporation.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2006, the Village had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Repurchase Agreement	\$ 222,004	Less than 6 months
STAR Ohio	219,598	Less than 6 months
Total Portfolio	<u>\$ 441,602</u>	

Interest Rate Risk: Interest rate risk arises because the fair value of investments changes as interest rates change. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form. Securities include securities underlying repurchase agreements. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M) (2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 4 – Deposits and Investments (Continued)

Concentration of Credit Risk: The Village places no limit on the amount that may be invested in any one issuer. At December 31, 2006, 50.3 percent of the Village's investments were in a repurchase agreement and the remaining 49.7 percent were in STAR Ohio.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percent of true value.

Tangible personal property tax receipts received in 2006 represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005 on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2006 was \$64.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property:	
Residential/Agriculture	\$16,715,500
Commercial/Industrial/Mineral	2,890,450
Public Utility Property:	
Real	583,470
Tangible Personal Property	882,290
Total Assessed Value	<u><u>\$21,071,710</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Village. The County Auditor periodically remits to the Village its portion of taxes collected.

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 6 – Risk Management

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to re-insurers or excess re-insurers. The Pool is contingently liable should any re-insurer be unable to meet its reinsurance obligations.

Members may withdraw at the end of any coverage period upon 60 days prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Assets	\$ 2,331,284	\$2,241,661
Liabilities	<u>(3,130,475)</u>	<u>(3,457,720)</u>
Accumulated deficit	<u>(\$799,191)</u>	<u>(\$1,216,059)</u>

Note 7 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 7 – Defined Benefit Pension Plans (Continued)

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$10,664, \$11,169, and \$10,906 respectively. The full amount has been contributed for 2006, 2005 and 2004. Contributions to the member-directed plan for 2006 were \$10,664 made by the Village and \$7,006 made by the plan members.

B. Ohio Police and Fire Pension Fund

The Village police officers contribute to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5 percent. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2006, 2005, and 2004 were \$24,569, \$23,317, and \$22,170. The full amount has been contributed for 2006, 2005 and 2004.

Note 8 - Post employment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 8 - Post employment Benefits (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor..

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. The actuarially value of OPERS's net assets available for payment of benefits at December 31, 2005 was \$11.1 billion. The actuarially accrued liability and the unfunded actuarially accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS's health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to 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 health care 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 the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and States that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent was applied to the post employment health care program during 2006. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2002, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund post employment health care benefits were \$9,267 for police. The OP&F's total health care expense for the year ended December 31, 2006 was \$120,373,722, which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police.

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006

Note 9 - Debt

The Village's long-term debt activity for the year ended December 31, 2006 was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
<u>Fire Truck Note</u>						
2003 Issue	4.94%	\$ 210,192	\$ 0	\$ 25,267	\$ 184,925	\$ 27,058
<u>Ohio Public Works Commission Loan</u>						
2005 Issue	0.00%	\$ 149,999	\$ 0	\$ 7,500	\$ 142,499	\$ 7,500
Total		\$ 360,191	\$ 0	\$ 32,767	\$ 327,424	\$ 34,558

The fire truck note was issued to finance the purchase of a fire truck. The note is backed by the full faith and credit of the Village.

The Ohio Public Works Commission loan was issued to finance infrastructure improvements to Stacy Drive as part of the State of Ohio Issue II Program. The loan is collateralized by the taxing authority of the Village.

The following is a summary of the Village's future annual debt service requirements:

Year	Fire Truck Note		OPWC Loan	
	Principal	Interest	Principal	Interest
2007	27,058	8,782	7,500	
2008	28,412	7,425	7,500	
2009	29,835	6,002	7,500	
2010	31,311	4,507	7,500	
2011	68,309	4,225	7,500	
2012-2016			37,500	
2017-2021			37,500	
2022-2026			29,999	
Totals	\$184,925	\$30,941	\$142,499	\$ 0

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$2,206,195 and an unvoted debt margin of \$1,155,626.



Mary Taylor, CPA

Auditor of State

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

Village of New Middletown
Mahoning County
10711 Main Street
New Middletown, Ohio 44442

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of New Middletown, Mahoning County, (the Village) as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 31, 2008, wherein we noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

Compliance and Other Matters

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

We intend this report solely for the information and use of the management and the Village Council. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 31, 2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF MIDDLETOWN

MAHONING 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
FEBRUARY 10, 2009**