



Mary Taylor, CPA
Auditor of State

**VILLAGE OF NEW MIDDLETOWN
MAHONING COUNTY**

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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, 2007, 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, 2007, 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

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, 2007
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, 2007, 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 2007 are as follows:

Net assets of governmental activities decreased \$20,820. The fund most affected by the decrease in cash and cash equivalents was the Street Construction, Maintenance, and Repair Fund, due to various street paving and repair projects. The General Fund and Fire Levy Fund had increases of \$46,069 and \$2,202, respectively.

The Village's General Fund receipts are primarily: Property taxes (\$72,167), Lease with Aqua Water (\$40,000), Fines-licenses-permits (\$42,625), and Intergovernmental (\$90,960).

The General Fund spent \$55,000 to defray the costs of operating the police department. This was a \$15,000 decrease from the prior year due to a new police levy which took effect in 2007.

With a sales tax grant from Mahoning County of \$61,506, the Village remodeled the library area of the administration building as well as part of the old office area forming a new police department office.

Phase 3 of Stacy Dr. was completed with a State Issue II Grant. The Village has applied for additional grant funds for Phase 4.

Through a lease program, a new police car was purchased for \$26,500, and with a bank loan and trade-in of a used Ford explorer, a van and other equipment was purchased.

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, 2007
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 2007, 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 capital 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 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, 2007
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 Villages 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 Government's net assets for 2007 and 2006:

	Governmental Activities	
	2007	2006
Assets		
Cash and Cash Equivalents	\$420,782	\$441,602
Total Assets	\$420,782	\$441,602
 Net Assets		
Restricted for:		
Other Purposes	\$277,606	\$344,495
Unrestricted	143,176	97,107
Total Net Assets	\$420,782	\$441,602

As mentioned previously, net assets of governmental activities decreased \$20,820 during 2007. The primary reason contributing to the decrease was street paving and repairs. Other governmental funds had decreases because of the following reasons:

- Increases in salaries of 2% based on current negotiated agreements.
- Police Department because of fewer funds from the General Fund.
- Costs related to the finishing of the building renovation.

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2 compares the changes in net assets between 2007 and 2006.

(Table 2)
Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006	2005 2006 Variances
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$112,901	\$130,353	(\$17,452)
Operating Grants and Contributions		1,192	(1,192)
Capital Grants and Contributions	94,380		94,380
Total Program Receipts	207,281	131,545	75,736
General Receipts:			
Property Taxes	324,758	292,106	32,652
Other Taxes	103,001	90,692	12,309
Grants and Entitlements	60,522	83,974	(23,452)
Earnings on Investments	17,196	15,033	2,163
Miscellaneous	91,105	93,481	(2,376)
Total General Receipts	596,582	575,286	21,296
Total Receipts	803,863	706,831	97,032
Disbursements:			
General Government	161,009	140,267	(20,742)
Security of Persons and Property:	329,772	303,926	(25,846)
Public Health Services	6,726	6,809	83
Leisure Time Activities	2,689	1,969	(720)
Basic Utilities	2,594	2,608	14
Transportation	149,852	41,235	(108,617)
Capital Outlaw	116,164	81,435	(34,729)
Other		61,506	61,506
Debt Service	52,866	43,206	(9,660)
Community Environment	3,011	3,201	190
Total Disbursements	824,683	686,162	(138,521)
Increase (Decrease) in Net Assets	(20,820)	20,669	(41,489)
Net Assets, January 1,	441,602	420,933	20,669
Net Assets, December 31,	\$420,782	\$441,602	(\$20,820)

Program receipts represent only 25.7 percent of total receipts and are comprised of charges for services and capital grants.

General receipts represent 74.3 percent of the Village's total receipts, and of this amount, over 71 percent are property taxes and other taxes. Grants, interest, and miscellaneous make up the other 29 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.

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
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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.

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 19.5 and 40 percent of all governmental disbursements, respectively. Transportation also represents a significant cost, about 18 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 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Security of Persons and Property	\$329,772	\$299,159	\$303,926	\$265,856
Public Health Services	6,726	6,726	6,809	6,809
Leisure Time Activities	2,689	2,689	1,969	1,969
Community Environment	3,011	543	3,201	1,860
Basic Utility Services	2,594	2,594	2,608	2,608
Transportation	149,852	46,422	41,235	31,712
General Government	161,009	90,239	140,267	57,656
Capital Outlay	116,164	116,164	81,435	81,435
Other			61,506	61,506
Debt Service	52,866	52,866	43,206	43,206
Total Expenses	\$824,683	\$617,402	\$686,162	\$554,617

The Village's Funds

Total governmental funds had receipts of \$803,863 and disbursements of \$824,683. The fund balance of the General Fund increased \$46,069 as the result of decreased costs for operating the police department. The fund balance of the Street Construction, Maintenance, and Repair Funds decreased \$57,309 due to our paving projects. This fund and other street funds have a positive balance of \$153,323, but \$138,000 of this balance is committed to the Stacy Dr. Project.

The Police Levy Fund spent \$6,361 more than it received. This deficit in the police 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 by all departments.

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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.

Actual receipts exceeded the budgeted receipts by \$80,060. Final disbursements were budgeted at \$219,300 while actual disbursements were \$179,228. Although receipts exceeded expectations, appropriations were not increased.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2007, the Village's outstanding debt was \$158,124 for a fire truck note, \$138,750 for an Ohio Public Works Commission Loan, a police car lease of \$18,203, and \$12,645 for a note used to purchase the senior resource officer's van.

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, Fiscal Officer, 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, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$420,782</u>
<i>Total Assets</i>	<u><u>\$420,782</u></u>
Net Assets	
Restricted for:	
Other Purposes	277,606
Unrestricted	<u>143,176</u>
<i>Total Net Assets</i>	<u><u>\$420,782</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, 2007*

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Capital Grants and Contributions
			Total Governmental Activities
Governmental Activities			
Security of Persons and Property	\$329,772	\$30,613	(\$299,159)
Public Health Services	6,726		(6,726)
Leisure Time Activities	2,689		(2,689)
Community Environment	3,011	2,468	(543)
Basic Utility Services	2,594		(2,594)
Transportation	149,852	9,050	\$94,380 (46,422)
General Government	161,009	70,770	(90,239)
Capital Outlay	116,164		(116,164)
Debt Service	52,866		(52,866)
<i>Total Governmental Activities</i>	<u>\$824,683</u>	<u>\$112,901</u>	<u>\$94,380</u> (617,402)
General Receipts			
Property Taxes			324,758
Other Taxes			103,001
Grants and Entitlements not Restricted to Specific Programs			60,522
Earnings on Investments			17,196
Miscellaneous			91,105
<i>Total General Receipts</i>			<u>596,582</u>
Change in Net Assets			(20,820)
<i>Net Assets Beginning of Year</i>			<u>441,602</u>
<i>Net Assets End of Year</i>			<u>\$420,782</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, 2007

	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	\$143,176	\$94,149	\$59,174	\$52,850	\$5,600	\$65,833	\$420,782
Investments							
<i>Total Assets</i>	<u>\$143,176</u>	<u>\$94,149</u>	<u>\$59,174</u>	<u>\$52,850</u>	<u>\$5,600</u>	<u>\$65,833</u>	<u>\$420,782</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$162	\$114			\$1,280		\$1,556
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	143,014						143,014
Special Revenue Funds		94,035	59,174	52,850	4,320	65,833	276,212
<i>Total Fund Balances</i>	<u>\$143,176</u>	<u>\$94,149</u>	<u>\$59,174</u>	<u>\$52,850</u>	<u>\$5,600</u>	<u>\$65,833</u>	<u>\$420,782</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, 2007

	GENERAL	STREET CONSTRUCTION MAINTENANCE AND REPAIR	PERMISSIVE MOTOR VEHICLE LICENSE	FIRE LEVY REVENUE	POLICE LEVY REVENUE	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts							
Property and Other Local Taxes	\$72,167		\$14,231	\$58,827	\$179,533		\$324,758
Intergovernmental	90,960	\$94,900				\$102,656	288,516
Special Assessments						9,050	9,050
Charges for Services					30,613		30,613
Fines, Licenses and Permits	42,625						42,625
Earnings on Investments	6,407	6,499	1,825	1,584		881	17,196
Miscellaneous	67,976	4,434		1,348	11,146		84,904
Total Receipts	280,135	105,833	16,056	61,759	221,292	112,587	797,662
Disbursements							
Current:							
Security of Persons and Property	16,587			25,198	270,413	17,574	329,772
Public Health Services	6,726						6,726
Leisure Time Activities	1,714					975	2,689
Community Environment	3,011						3,011
Basic Utility Services		2,594					2,594
Transportation		53,487	1,578			94,787	149,852
General Government	151,028	4,826	1,000	854	2,580	721	161,009
Capital Outlay		94,735	15,192	4,000		2,237	116,164
Debt Service:							
Principal Retirement		7,500		26,701	9,660		43,861
Interest and Fiscal Charges				9,005			9,005
Total Disbursements	179,066	163,142	17,770	65,758	282,653	116,294	824,683
Excess of Receipts Over (Under) Disbursements	101,069	(57,309)	(1,714)	(3,999)	(61,361)	(3,707)	(27,021)
Other Financing Sources (Uses)							
Transfers In					55,000		55,000
Transfers Out	(55,000)						(55,000)
Advances In	50,000			15,000	35,000		100,000
Advances Out	(50,000)			(15,000)	(35,000)		(100,000)
Other Financing Sources				6,201			6,201
Total Other Financing Sources (Uses)	(55,000)	0	0	6,201	55,000	0	6,201
Net Change in Fund Balances	46,069	(57,309)	(1,714)	2,202	(6,361)	(3,707)	(20,820)
Fund Balances Beginning of Year	97,107	151,458	60,888	50,648	11,961	69,540	441,602
Fund Balances End of Year	<u>\$143,176</u>	<u>\$94,149</u>	<u>\$59,174</u>	<u>\$52,850</u>	<u>\$5,600</u>	<u>\$65,833</u>	<u>\$420,782</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

General Fund

For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$70,775	\$70,475	\$72,167	\$1,692
Intergovernmental	36,550	35,000	90,960	55,960
Fines, Licenses and Permits	40,000	41,900	42,625	725
Earnings on Investments	1,175	1,900	6,407	4,507
Miscellaneous	51,450	50,800	67,976	17,176
<i>Total Receipts</i>	<u>199,950</u>	<u>200,075</u>	<u>280,135</u>	<u>80,060</u>
Disbursements				
Current:				
Security of Persons and Property	52,500	19,500	16,587	2,913
Public Health Services	3,500	7,000	6,726	274
Leisure Time Activities	9,000	2,000	1,714	286
Community Environment	3,025	3,200	3,011	189
General Government	163,750	187,600	151,190	36,410
<i>Total Disbursements</i>	<u>231,775</u>	<u>219,300</u>	<u>179,228</u>	<u>40,072</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(31,825)</u>	<u>(19,225)</u>	<u>100,907</u>	<u>120,132</u>
Other Financing Sources (Uses)				
Transfers Out	(50,000)	(55,000)	(55,000)	0
Advances In			50,000	50,000
Advances Out		(50,000)	(50,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>(105,000)</u>	<u>(55,000)</u>	<u>50,000</u>
<i>Net Change in Fund Balance</i>	<u>(81,825)</u>	<u>(124,225)</u>	<u>45,907</u>	<u>170,132</u>
<i>Fund Balance Beginning of Year</i>	<u>97,107</u>	<u>97,107</u>	<u>97,107</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$15,282</u>	<u>(\$27,118)</u>	<u>\$143,014</u>	<u>\$170,132</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

For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$75,000	\$75,000	\$94,900	\$19,900
Earnings on Investments	2,500	3,000	6,499	3,499
Miscellaneous	2,500	300	4,434	4,134
<i>Total receipts</i>	<u>80,000</u>	<u>78,300</u>	<u>105,833</u>	<u>27,533</u>
Disbursements				
Current:				
Basic Utility Services	12,000	12,500	2,594	9,906
Transportation	50,700	86,000	53,601	32,399
General Government	3,500	6,000	4,826	1,174
Debt Service	7,500	7,500	7,500	0
Capital Outlay	107,500	125,000	94,735	30,265
<i>Total Disbursements</i>	<u>181,200</u>	<u>237,000</u>	<u>163,256</u>	<u>73,744</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(101,200)	(158,700)	(57,423)	101,277
<i>Fund Balance Beginning of Year</i>	<u>151,458</u>	<u>151,458</u>	<u>151,458</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$50,258</u>	<u>(\$7,242)</u>	<u>\$94,035</u>	<u>\$101,277</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$13,250	\$15,000	\$14,231	(\$769)
Earnings on Investments	1,175	1,175	1,825	650
<i>Total Receipts</i>	<u>14,425</u>	<u>16,175</u>	<u>16,056</u>	<u>(119)</u>
Disbursements				
Current:				
Transportation	17,000	17,000	1,578	15,422
General Government	5,000	5,000	1,000	4,000
Capital Outlay	44,000	54,000	15,192	38,808
<i>Total Disbursements</i>	<u>66,000</u>	<u>76,000</u>	<u>17,770</u>	<u>58,230</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(51,575)	(59,825)	(1,714)	58,111
<i>Fund Balance Beginning of Year</i>	<u>60,888</u>	<u>60,888</u>	<u>60,888</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$9,313</u>	<u>\$1,063</u>	<u>\$59,174</u>	<u>\$58,111</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$52,325	\$52,325	\$58,827	\$6,502
Earnings on Investments	250	200	1,584	1,384
Miscellaneous	125	125	1,348	1,223
<i>Total receipts</i>	<u>52,700</u>	<u>52,650</u>	<u>61,759</u>	<u>9,109</u>
Disbursements				
Current:				
Security of Persons and Property	28,125	37,625	25,198	12,427
General Government	1,800	1,800	854	946
Debt Service	35,706	35,706	35,706	0
Capital Outlay	46,000	41,000	4,000	37,000
<i>Total Disbursements</i>	<u>111,631</u>	<u>116,131</u>	<u>65,758</u>	<u>50,373</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(58,931)	(63,481)	(3,999)	59,482
Other Financing Sources (Uses)				
Advances In	25,000	15,000	15,000	0
Advances Out		(15,000)	(15,000)	0
Other Financing Sources	6,700	6,775	6,201	(574)
<i>Total Other Financing Sources (Uses)</i>	<u>31,700</u>	<u>6,775</u>	<u>6,201</u>	<u>(574)</u>
<i>Net Change in Fund Balance</i>	(27,231)	(56,706)	2,202	58,908
<i>Fund Balance Beginning of Year</i>	<u>50,648</u>	<u>50,648</u>	<u>50,648</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$23,417</u>	<u>(\$6,058)</u>	<u>\$52,850</u>	<u>\$58,908</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$95,675	\$183,700	\$179,533	(\$4,167)
Charges for Services	35,000	35,000	30,613	(4,387)
Miscellaneous	3,600	21,000	11,146	(9,854)
<i>Total Receipts</i>	<u>134,275</u>	<u>239,700</u>	<u>221,292</u>	<u>(18,408)</u>
Disbursements				
Current:				
Security of Persons and Property	213,600	292,600	271,693	20,907
General Government	3,000	3,000	2,580	420
Debt Service	0	10,000	9,660	340
<i>Total Disbursements</i>	<u>216,600</u>	<u>305,600</u>	<u>283,933</u>	<u>21,667</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(82,325)	(65,900)	(62,641)	3,259
Other Financing Sources (Uses)				
Transfers In		60,000	55,000	(5,000)
Advances In			35,000	35,000
Advances Out		(35,000)	(35,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>25,000</u>	<u>55,000</u>	<u>30,000</u>
<i>Net Change in Fund Balance</i>	(82,325)	(40,900)	(7,641)	33,259
<i>Fund Balance Beginning of Year</i>	<u>11,961</u>	<u>11,961</u>	<u>11,961</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$70,364)</u>	<u>(\$28,939)</u>	<u>\$4,320</u>	<u>\$33,259</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, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,257
<i>Total Assets</i>	<u>\$2,257</u>
Net Assets	
Unrestricted	<u>\$2,257</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, 2007

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.

A. 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, 2007

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. Nonmajor 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 nonexchange 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, 2007

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, 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

During 2007, the Village invested in repurchase agreements and STAR Ohio. The repurchase agreements were 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, 2007.

Interest earnings are allocated to Village funds according to State statutes. Interest receipts credited to the General Fund during 2007 was \$6,407, which includes \$4,805 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, 2007.

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 disbursement for 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, 2007

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.

O. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

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)). The encumbrances outstanding at year-end (budgetary basis) amounted to \$162 for the General Fund, \$114 for the Street Construction, Maintenance, and Repair Fund, and \$1,280 for the Police Levy Fund.

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 4 – Deposits and Investments (Continued)

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.

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, \$125,876 of the Village's bank balance of \$227,602 was exposed to custodial risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial credit 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, 2007 the Village had the following investment:

	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$ 201,234	Less than 6 months

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. 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, 2007

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Property tax receipts received in 2007 for real and public utility property taxes represent the collections of 2006 taxes. Property tax payments received during 2007 for tangible personal property tax is for 2007 taxes. 2007 real property taxes are levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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 tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2007 public utility property taxes which became a lien on December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible property taxes are levied after October 1, 2006 on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments 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, 2007 was \$65.40 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2007 property tax receipts were based are as follows:

Real Property:	
Residential (includes Agriculture)	\$19,647,190
Commercial/Industrial/Mineral	3,071,640
Public Utility Property:	
Real	538,350
Tangible Personal Property	515,671
Total Assessed Value	<u>\$23,772,851</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, 2007

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 from 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, the latest information available:

	<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 administer 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, 2007

Note 7 – Defined Benefit Pension Plans (Continued)

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2007 was 13.85 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, 2007, 2006, and 2005 were \$11,020, \$10,664, and \$11,169 respectively. The full amount has been contributed for 2007, 2006 and 2005. Contributions to the member-directed plan for 2007 were \$11,020 made by the Village and \$7,559 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - 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, 2007, 2006, and 2005 were \$22,973, \$24,569, and \$23,317. The full amount has been contributed for 2007, 2006 and 2005.

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 2007 local government employer contribution rate was 13.85 percent of covered payroll. The portion used to fund health care from January 1 through June 30 and July 1 through December 31 was 5 percent and 6 percent of covered payroll respectively.

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, 2006, 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 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

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 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and 18.7 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' 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 6.75 percent was applied to the post employment health care program during 2007. 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 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2007 that were used to fund post employment health care benefits were \$9,178 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, 2007

Note 9 - Debt

The Village's long-term debt activity for the year ended December 31, 2007 was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>Governmental Activities</u>						
Fire Truck Note - 2003	4.94%	\$184,925		\$26,701	\$158,224	\$28,412
Ohio Public Works Commission Loan - 2005	0.00%	142,499		7,500	134,999	7,500
School Resource Officer Vehicle Note - 2007	5.28%	0	\$15,000	2,736	12,264	4,874
Totals		\$327,424	\$15,000	\$36,937	\$305,487	\$40,786

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 school resource officer note was issued to finance the purchase of a van. The note is backed by the full faith and credit of the Village.

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 9 – Debt (Continued)

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

Year	2003 Fire Truck Note		2005 Ohio Public Works Loan		2007 School Resource Officer Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$28,412	\$7,425	\$7,500		\$4,874	\$605
2009	29,835	6,002	7,500		5,127	344
2010	31,311	4,507	7,500		2,263	70
2011	32,901	4,225	7,500			
2012	35,765	4,215	7,500			
2012 - 2016			37,500			
2017 - 2021			37,500			
2022 - 2026			22,499			
Totals	\$158,224	\$26,374	\$134,999	\$0	\$12,264	\$1,019

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 un-voted 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, 2007, were an overall debt margin of \$2,496,149 and an un-voted debt margin of \$1,307,507.

Note 10 – Leases

The Village leases a police cruiser. The Village disbursed \$6,924 to pay lease costs for the year ended December 31, 2007. Future lease payments are as follows:

Fiscal Year Ending	Principal	Interest	Total
2008	\$6,924	\$1,256	\$8,180
2009	6,924	865	7,789
2010	6,924	447	7,371
	\$20,772	\$2,568	\$23,340

Village of New Middletown, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007

Note 11 – Interfund Transfer

During 2007 the following transfer was made:

Transfer from the General Fund to:	
Police Levy Fund	\$55,000

Transfers represent the allocation of unrestricted receipts collect in the General Fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.



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, 2007, 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**