



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, 2004, 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 obtain reasonable assurance 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 Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village 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 that 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, 2004, 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.

For the year ended December 31, 2004, the Village revised its financial statement presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

www.auditor.state.oh.us

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2007, 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 are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding 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

January 8, 2007

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
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, 2004, 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 2004 are as follows:

Net assets of governmental activities decreased \$32,074. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2004; however, cost increases affected most funds.

The Village's general receipts are primarily property taxes and gasoline taxes and motor vehicle license fees. These receipts represent respectively 36 and 18 percent of the total cash receipts of governmental activities during the year.

The General Fund spent \$68,725 to help with the increased costs of operating the police department. This was an increase of \$35,725 from 2003.

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.

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.

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

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 2004, 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 or 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 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 non-financial 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 Government's basic services are reported here, including police, fire, streets and parks. State and federal grants, property taxes, and other 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.

Governmental Funds - All 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.

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

The Village's major governmental funds are the General Fund, Street Construction, Maintenance, and Repair Fund, Permissive Motor Vehicle License Fund, SR-170 Sidewalk Fund, Fire Levy Fund, and Police Levy Fund. 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 financial 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 2004 compared to 2003 on a cash basis.

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Cash and Cash Equivalents	\$377,704	\$409,778
Total Assets	\$377,704	\$409,778
Net Assets		
Restricted for:		
Other Purposes	285,272	240,573
Unrestricted	92,432	169,205
Total Net Assets	\$377,704	\$409,778

As mentioned previously, net assets of governmental activities decreased \$32,074 during 2004. The primary reasons contributing to the decreases in cash balances are as follows:

- Increases in salaries of 3% based on current negotiated agreements.
- The Village increased the funding for park playground equipment and picnic tables.
- In 2004, the Village increased its expenditures in the Police Levy Fund.
- Health benefit costs grew as the general health premiums rose nationally.

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

Table 2 reflects the changes in net assets in 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2004
	2004
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$61,816
Operating Grants and Contributions	27,636
Capital Grants and Contributions	76,211
Total Program Receipts	165,663
General Receipts:	
Property Taxes	235,935
Other Taxes	119,567
Grants and Entitlements Not Restricted to Specific Programs	87,193
Cable Franchise Fees	9,376
Interest	2,663
Miscellaneous	50,704
Total General Receipts	505,438
Total Receipts	671,101
Disbursements:	
General Government	143,192
Security of Persons and Property:	291,741
Public Health Services	5,946
Leisure Time Activities	73,683
Community Environment	3,175
Transportation	38,804
Capital Outlay	110,908
Other	20
Debt Service	35,706
Total Disbursements	703,175
Increase (Decrease) in Net Assets	(32,074)
Net Assets, January 1, 2004	409,778
Net Assets, December 31, 2004	\$377,704

Program receipts represent only 25 percent of total receipts and are comprised of charges for services and grants

General receipts represent 75 percent of the Village's total receipts, and of this amount, over 70 percent are property and other taxes. Other receipts are insignificant and somewhat unpredictable revenue sources.

Village of New Middletown, Ohio
 Management's Discussion and Analysis
 For the Year Ended December 31, 2004
 Unaudited

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.

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 security of persons and property and general government which account for 41 and 20 percent, respectively, of all governmental disbursements. The next three 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 2004	Net Cost of Services 2004
	2004	2004
General Government	\$143,192	\$101,551
Security of Persons and Property	291,741	276,212
Public Health Services	5,946	5,946
Leisure Time Activities	73,683	52,687
Community Environment	3,175	1,409
Transportation	38,804	29,284
Capital Outlay	110,908	34,697
Other	20	20
Debt Service	35,706	35,706
Total Expenses	\$703,175	\$537,512

The Village's Funds

Total governmental funds had receipts of \$671,101 and disbursements of \$703,175. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$76,773 as the result of increased costs for salaries and benefits and increased cost of operating the police department.

Village of New Middletown, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2004
Unaudited

General Fund receipts were less than disbursements by \$51,773 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the finance committee and the administration that we reduce disbursements and increase the police levy.

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 final budgeted receipts by \$38,845. Final disbursements were budgeted at \$316,550 while actual disbursements were \$269,068. Although receipts exceeded expectations, appropriations were not increased. The Village kept spending levels within the budgeted amount.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2004, the Government's outstanding debt was \$234,233 for a fire truck note at Sky Bank.

Current Issues

The challenge for all villages 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 property and other 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 increases were unlikely. We then reviewed the disbursement history of the Village. We have reduced planned park repairs and maintenance and all departments have been asked 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, Ohio. P.O. Box 463, New Middletown, Ohio, 44442-0436 or call 330-542-2846.

NEW MIDDLETOWN VILLAGE
MAHONING COUNTY
Statement of Net Assets - Cash Basis
December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$377,704</u>
<i>Total Assets</i>	<u><u>\$377,704</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$285,272
Unrestricted	<u>92,432</u>
<i>Total Net Assets</i>	<u><u>\$377,704</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, 2004

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
General Government	\$143,192	\$41,641			(\$101,551)
Security of Persons and Property	291,741	8,889	6,640		(276,212)
Public Health Services	5,946				(5,946)
Leisure Time Activities	73,683		20,996		(52,687)
Community Environment	3,175	1,766			(1,409)
Transportation	38,804	9,520			(29,284)
Capital Outlay	110,908			76,211	(34,697)
Other	20				(20)
Debt Service	35,706				(35,706)
<i>Total Governmental Activities</i>	<u>703,175</u>	<u>61,816</u>	<u>27,636</u>	<u>76,211</u>	<u>(537,512)</u>
		General Receipts			
		Property Taxes Levied for:			
		General Purposes			235,935
		Gasoline and Motor Vehicle License Taxes			119,567
		Cable Franchise Fees			9,376
		Grants and Entitlements not Restricted to Specific Programs			87,193
		Interest			2,663
		Miscellaneous			50,704
		<i>Total General Receipts</i>			505,438
		Change in Net Assets			(32,074)
		<i>Net Assets Beginning of Year</i>			409,778
		<i>Net Assets End of Year</i>			\$377,704

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, 2004

	General	Street Construction Maintenance and Repair	Permissive Motor Vehicle License	Fire Levy	Police Levy	Sidewalk Grant	Other Governmental Funds	Total Governmental Funds
Assets								
Equity in Pooled Cash and Cash Equivalents	\$92,432	\$121,933	\$58,489	\$53,228	\$4,638	\$0	\$46,984	\$377,704
Total Assets	\$92,432	\$121,933	\$58,489	\$53,228	\$4,638	\$0	\$46,984	\$377,704
Fund Balances								
Unreserved:								
Undesignated (Deficit), Reported in:								
General Fund	\$92,432							\$92,432
Special Revenue Funds		\$121,933	\$58,489	\$53,228	\$4,638	\$0	\$46,463	284,751
Capital Projects Funds							521	521
Total Fund Balances	\$92,432	\$121,933	\$58,489	\$53,228	\$4,638	\$0	\$46,984	\$377,704

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, 2004*

	General	Street Construction Maintenance and Repair	Permissive Motor Vehicle License	Fire Levy	Police Levy	Sidewalk Grant	Other Governmental Funds	Total Governmental Funds
Receipts								
Property and Other Local Taxes	\$63,401			\$46,162	\$126,372			\$235,935
Charges for Services					8,889			8,889
Fines, Licenses and Permits	43,407							43,407
Intergovernmental	59,133	\$94,524	\$14,096	6,233	17,467	\$73,582	\$45,572	310,607
Special Assessments							9,520	9,520
Interest	1,845	194	322	155			147	2,663
Miscellaneous	49,509	733		1,583	1,212			53,037
Total Receipts	217,295	95,451	14,418	54,133	153,940	73,582	55,239	664,058
Disbursements								
Current:								
General Government	139,331			777	2,170		914	143,192
Security of Persons and Property	68,010			24,046	183,541		16,144	291,741
Public Health Services	5,946							5,946
Leisure Time Activities	52,606						21,077	73,683
Community Environment	3,175							3,175
Transportation		37,513					1,291	38,804
Capital Outlay		20,537	6,310	3,028		73,582	7,451	110,908
Debt Service:								
Principal Retirement				23,236				23,236
Interest and Fiscal Charges				12,470				12,470
Total Disbursements	269,068	58,050	6,310	63,557	185,711	73,582	46,877	703,155
Excess of Receipts Over (Under) Disbursements	(51,773)	37,401	8,108	(9,424)	(31,771)	0	8,362	(39,097)
Other Financing Sources (Uses)								
Transfers In					25,000			25,000
Transfers Out	(25,000)							(25,000)
Advances In	35,000	40,000		5,000	30,000	40,000		150,000
Advances Out	(35,000)	(40,000)		(5,000)	(30,000)	(40,000)		(150,000)
Other Financing Sources				7,043				7,043
Other Financing Uses							(20)	(20)
Total Other Financing Sources (Uses)	(25,000)	0	0	7,043	25,000	0	(20)	7,023
Net Change in Fund Balances	(76,773)	37,401	8,108	(2,381)	(6,771)	0	8,342	(32,074)
Fund Balances Beginning of Year	169,205	84,532	50,381	55,609	11,409	0	38,642	409,778
Fund Balances End of Year	\$92,432	\$121,933	\$58,489	\$53,228	\$4,638	\$0	\$46,984	\$377,704

See accompanying notes to the basic financial statements

**NEW MIDDLETOWN VILLAGE
MAHONING**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$62,150	62,150	63,401	1,251
Fines, Licenses and Permits	34,500	34,500	43,407	8,907
Intergovernmental	38,700	38,700	59,133	20,433
Interest	1,500	1,500	1,845	345
Miscellaneous	41,600	41,600	49,509	7,909
<i>Total Receipts</i>	<u>178,450</u>	<u>178,450</u>	<u>217,295</u>	<u>38,845</u>
Disbursements				
Current:				
General Government	164,400	164,400	139,331	25,069
Security of Persons and Property	83,000	83,000	68,010	14,990
Public Health Services	6,000	6,000	5,946	54
Leisure Time Activities	53,000	53,000	52,606	394
Community Environment	7,150	7,150	3,175	3,975
Basic Utility Services	2,000	2,000		2,000
Capital Outlay	1,000	1,000		1,000
<i>Total Disbursements</i>	<u>316,550</u>	<u>316,550</u>	<u>269,068</u>	<u>47,482</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(138,100)</u>	<u>(138,100)</u>	<u>(51,773)</u>	<u>86,327</u>
Other Financing Sources (Uses)				
Transfers Out	(25,000)	(25,000)	(25,000)	0
Advances In			35,000	35,000
Advances Out			(35,000)	(35,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(163,100)</u>	<u>(163,100)</u>	<u>(76,773)</u>	<u>86,327</u>
<i>Fund Balance Beginning of Year</i>	169,205	169,205	169,205	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$6,105</u>	<u>\$6,105</u>	<u>\$92,432</u>	<u>\$86,327</u>

See accompanying notes to the basic financial statements

**NEW MIDDLETOWN VILLAGE
MAHONING**

*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, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Intergovernmental	\$72,000	\$72,000	\$94,524	\$22,524
Interest	200	200	194	(6)
Miscellaneous			733	733
<i>Total receipts</i>	<u>72,200</u>	<u>72,200</u>	<u>95,451</u>	<u>23,251</u>
Disbursements				
Current:				
General Government	5,000	5,000		5,000
Transportation	66,300	66,300	37,513	28,787
Capital Outlay	85,000	85,000	20,537	64,463
<i>Total Disbursements</i>	<u>156,300</u>	<u>156,300</u>	<u>58,050</u>	<u>98,250</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(84,100)</u>	<u>(84,100)</u>	<u>37,401</u>	<u>121,501</u>
Other Financing Sources (Uses)				
Advances In			40,000	40,000
Advances Out			(40,000)	(40,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(84,100)	(84,100)	37,401	121,501
<i>Fund Balance Beginning of Year</i>	84,532	84,532	84,532	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$432</u>	<u>\$432</u>	<u>\$121,933</u>	<u>\$121,501</u>

See accompanying notes to the basic financial statements

**NEW MIDDLETOWN VILLAGE
MAHONING**

*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, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Intergovernmental	\$9,500	\$9,500	\$14,096	\$4,596
Interest	150	150	322	172
Miscellaneous	4,000	4,000		(4,000)
<i>Total receipts</i>	<u>13,650</u>	<u>13,650</u>	<u>14,418</u>	<u>768</u>
Disbursements				
Current:				
General Government	5,000	5,000		5,000
Transportation	16,000	16,000		16,000
Capital Outlay	42,000	42,000	6,310	35,690
<i>Total Disbursements</i>	<u>63,000</u>	<u>63,000</u>	<u>6,310</u>	<u>56,690</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(49,350)</u>	<u>(49,350)</u>	<u>8,108</u>	<u>57,458</u>
<i>Net Change in Fund Balance</i>	(49,350)	(49,350)	8,108	57,458
<i>Fund Balance Beginning of Year</i>	50,381	50,381	50,381	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,031</u></u>	<u><u>\$1,031</u></u>	<u><u>\$58,489</u></u>	<u><u>\$57,458</u></u>

See accompanying notes to the basic financial statements

**NEW MIDDLETOWN VILLAGE
MAHONING**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire Levy Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$45,950	\$45,950	\$46,162	\$212
Intergovernmental	7,000	7,000	6,233	(767)
Interest	300	300	155	(145)
Miscellaneous	200	200	1,583	1,383
<i>Total receipts</i>	<u>53,450</u>	<u>53,450</u>	<u>54,133</u>	<u>683</u>
Disbursements				
Current:				
General Government	1,000	1,000	777	223
Security of Persons and Property	36,550	36,550	24,046	12,504
Capital Outlay	39,500	39,500	3,028	36,472
Debt Service:				
Principal Retirement	25,000	25,000	23,236	1,764
Interest and Fiscal Charges	13,000	13,000	12,470	530
<i>Total Disbursements</i>	<u>115,050</u>	<u>115,050</u>	<u>63,557</u>	<u>51,493</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(61,600)</u>	<u>(61,600)</u>	<u>(9,424)</u>	<u>52,176</u>
Other Financing Sources (Uses)				
Advances In			5,000	5,000
Advances Out			(5,000)	(5,000)
Other Financing Sources	7,000	7,000	7,043	43
<i>Total Other Financing Sources (Uses)</i>	<u>7,000</u>	<u>7,000</u>	<u>7,043</u>	<u>43</u>
<i>Net Change in Fund Balance</i>	(54,600)	(54,600)	(2,381)	52,219
<i>Fund Balance Beginning of Year</i>	55,609	55,609	55,609	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$1,009</u>	<u>\$1,009</u>	<u>\$53,228</u>	<u>\$52,219</u>

See accompanying notes to the basic financial statements

**NEW MIDDLETOWN VILLAGE
MAHONING**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police Levy Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$130,800	\$130,800	\$126,372	(\$4,428)
Charges for Services	22,000	22,000	8,889	(13,111)
Intergovernmental	20,000	20,000	17,467	(2,533)
Miscellaneous	5,300	5,300	1,212	(4,088)
<i>Total receipts</i>	<u>178,100</u>	<u>178,100</u>	<u>153,940</u>	<u>(24,160)</u>
Disbursements				
Current:				
General Government	2,200	2,200	2,170	30
Security of Persons and Property	188,500	188,500	183,541	4,959
<i>Total Disbursements</i>	<u>190,700</u>	<u>190,700</u>	<u>185,711</u>	<u>4,989</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,600)</u>	<u>(12,600)</u>	<u>(31,771)</u>	<u>(19,171)</u>
Other Financing Sources (Uses)				
Transfers In			25,000	25,000
Advances In			30,000	30,000
Advances Out			(30,000)	(30,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
<i>Net Change in Fund Balance</i>	(12,600)	(12,600)	(6,771)	5,829
<i>Fund Balance Beginning of Year</i>	11,409	11,409	11,409	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$1,191)</u>	<u>(\$1,191)</u>	<u>\$4,638</u>	<u>\$5,829</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, 2004

	<u>Agency</u>
Assets	
Cash	<u>\$4,009</u>
<i>Total Assets</i>	<u><u>\$4,009</u></u>
Net Assets	
Unrestricted	<u><u>\$4,009</u></u>

See accompanying notes to the basic financial statements

Village of New Middletown, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2004

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 8 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 and investment 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 or capital 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 Financial Statements
For the Year Ended December 31, 2004

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.

Sidewalk Grant Fund – This fund receives State grant money to finance the building of sidewalks along State Route 170 in the Village.

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 Financial Statements
For the Year Ended December 31, 2004

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 Financial Statements
For the Year Ended December 31, 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

During 2004, 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, 2004.

Interest earnings are allocated to Village funds according to State statutes. Interest receipts credited to the General Fund during 2004 was \$1,845 which includes \$978 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, 2004.

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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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.

Village of New Middletown, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

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 – Change in Basis of Accounting

Last year the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Village has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Accountability and Compliance

The Village has early-implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Village.

Village of New Middletown, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 5 – 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 6 – 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;

Village of New Middletown, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 6 – Deposits and Investments (Continued)

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.

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. 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, 2004, the Village had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
Repurchase Agreement	\$ 221,694	Less than 6 months
STAR Ohio	164,879	Less than 6 months
Total Portfolio	<u>\$ 386,573</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.

Village of New Middletown, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 6 – Deposits and Investments (Continued)

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."

Concentration of Credit Risk: The Village places no limit on the amount that may be invested in any one issuer. At December 31, 2004, 57 percent of the Village's investments were in a repurchase agreement and the remaining 43 percent were in STAR Ohio.

Note 7 – 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 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, 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 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2003, 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 2004 represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003 on the true value as of December 31, 2003. 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.

Village of New Middletown, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 7 – Property Taxes (Continued)

The full tax rate for all Village operations for the year ended December 31, 2004 was \$64.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property:	
Residential/Agriculture	\$16,715,500
Commercial/Industrial/Mineral	2,890,600
Public Utility Property:	
Real	583,470
Tangible Personal Property	894,898
Total Assessed Value	\$21,084,318

Note 8 – 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 Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan 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.

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, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Assets	\$ 2,241,661	\$2,309,178
Liabilities	<u>(3,457,720)</u>	<u>(3,343,299)</u>
Accumulated deficit	<u>(\$1,216,059)</u>	<u>(\$1,034,121)</u>

Village of New Middletown, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 9 – 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) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2004 was 13.55 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, 2004, 2003, and 2002 were \$10,906, \$10,848, and \$9,492 respectively. The full amount has been contributed for 2004, 2003 and 2002. Contributions to the member-directed plan for 2004 were \$10,906 made by the Village and \$6,841 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, 2004, 2003, and 2002 were \$22,170, \$21,054, and \$19,293. The full amount has been contributed for 2004, 2003, and 2002.

Village of New Middletown, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 10 - 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 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 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, 2004, include a rate of return on investments of 8.00 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 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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.

The number of active contributing participants in the traditional and combined plans was 376,109. The Village's contributions for 2004 which were used to fund postemployment benefits were \$3,219. The actual contribution and the actuarially required contribution amounts are the same. The actuarially value of OPERS's net assets available for payment of benefits at December 31, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded actuarially accrued liability were \$29.5 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's health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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.

Village of New Middletown, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 10 - Post employment Benefits (Continued)

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 2004. 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 2004 that were used to fund postemployment health care benefits were \$8,811 for police. The OP&F's total health care expense for the year ended December 31, 2004 was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police.

Note 11 - Debt

The Village's long-term debt activity for the year ended December 31, 2004 was as follows :

	Interest Rate	Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Governmental Activities</u>						
<u>Fire Truck Note</u>						
2003 Issue	4.94%	\$ 257,469	\$ 0	\$ 23,236	\$ 234,233	\$ 24,041

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

Year	Fire Truck Note	
	Principal	Interest
2005	\$24,041	\$11,278
2006	25,770	10,051
2007	27,058	8,762
2008	28,442	7,409
2009	29,833	5,988
2010-12	<u>99,089</u>	<u>8,709</u>
Total	\$234,233	\$52,197

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, 2004, were an overall debt margin of \$1,979,620 and an unvoted debt margin of \$1,159,637.

Village of New Middletown, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2004

Note 12 – Inter-fund Transfer

During 2004, the following transfer was made:

Transfer from the General Fund to:	
Police Levy Fund	\$ 25,000

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

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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, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 8, 2007 wherein we 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 because the Auditor of State designed, developed, implemented, and as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance

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 that must be reported under *Government Auditing Standards*.

Village of New Middletown
Mahoning County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Village Council. It is not intended for anyone other than these specified parties.

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

January 8, 2007



Mary Taylor, CPA
Auditor of State

**VILLAGE OF NEW 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 22, 2007**