



City of Middletown, Ohio

Single Audit Reports
Year ended December 31, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Middletown, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 15, 2012

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**CITY OF MIDDLETOWN
BUTLER COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

| FEDERAL GRANTOR Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Expenditures |
|---|----------------------------------|---------------------------|-----------------------------|
| <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | |
| Community Development Block Grant Entitlements Cluster: | | | |
| Community Development Block Grant Entitlements | N/A | 14.218 | \$ 722,248 |
| Neighborhood Stabilization Program | B-08-MN-39-0011 | 14.218 | \$ 186,912 |
| | | | <u>909,160</u> |
| Housing Choice Voucher Program - Section 8 | N/A | 14.871 | 11,606,347 |
| <i>Passed Through Butler County Department of Community Development</i> | | | |
| Home Program - Investment Partnership Program | B-11-UC-39-0008 | 14.239 | 242,457 |
| Total U.S. Department of Housing and Urban Development | | | <u>12,757,964</u> |
| <u>U.S. DEPARTMENT OF JUSTICE</u> | | | |
| Edward Byrne Memorial Justice Assistance Grant | 2009-DJ-BX-0629 | 16.738 | 37,870 |
| Total U.S. Department of Justice | | | <u>37,870</u> |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| <i>Passed through Ohio Department of Public Safety</i> | | | |
| Alcohol Impaired Driving Countermeasures Incentive Grant | HVEO-2010-57-00-00-00323 | 20.601 | 44,181 |
| Public Transportation for Urbanized Areas | | | |
| Operating Assistance | OH-90-X713-00 | 20.507 | 404,514 |
| Paratransit Grant | OH-95-X065-00 | 20.507 | 131,390 |
| Planning Grant | OH-90-X647-D1 | 20.507 | 60,593 |
| ARRA Transit Capital Assistance | OH-96-X013 | 20.507 | 368,551 |
| Total Public Transportation for Urbanized Areas | | | <u>965,048</u> |
| <i>Passed through Ohio Department of Transportation</i> | | | |
| ARRA Highway Planning and Construction Sutphin Road | 86231 | 20.205 | 500,623 |
| Total U.S. Department of Transportation | | | <u>1,509,852</u> |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | |
| <i>Passed through the Ohio Department of Health</i> | | | |
| <i>Passed through the City of Hamilton, Butler County</i> | | | |
| Immunization Action Plan | 182-B | 93.268 | 30,859 |
| Public Health Infrastructure | 0910012BI104 | 93.283 | 19,753 |
| Public Health Emergency Preparedness (H1N1) | 0910012PH0211 | 93.069 | 8,796 |
| Block Grant Maternal and Child Health Services | 9-2-01-F-AI-320 | 93.994 | 248,475 |
| Total U.S. Department of Health and Human Services | | | <u>307,883</u> |
| <u>U.S. DEPARTMENT OF ENERGY</u> | | | |
| ARRA Energy Efficiency and Conservation Block Grant | N/A | 81.128 | 320,071 |
| Total U.S. Department of Energy | | | <u>320,071</u> |
| TOTAL FEDERAL AWARDS EXPENDITURES | | | <u>\$ 14,933,640</u> |

**CITY OF MIDDLETOWN
BUTLER COUNTY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to businesses in order to create jobs for persons from low-moderate income households; and to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan amount is recorded as a disbursement on the accompanying Schedule of Expenditures of Federal Awards. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To City Council
City of Middletown, Ohio:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Ohio (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 26, 2012, wherein we noted the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Compliance And Other Matters

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

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

We noted certain matters that we reported to management of the City in a separate letter dated June 26, 2012.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 26, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To City Council
City of Middletown, Ohio:

Compliance

We have audited the City of Middletown, Ohio's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-2 and 2011-3.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-2 and 2011-3. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2011, and have issued our report thereon dated June 26, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 26, 2012

CITY OF MIDDLETOWN, OHIO
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2011

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

| | |
|--|------|
| Internal control over major programs: | |
| • Material weakness(es) identified? | none |
| • Significant deficiency(ies) identified not considered to be material weaknesses? | yes |

Type of auditors’ report issued on compliance for major programs: unqualified

Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? yes

Identification of major programs:

- CFDA 20.205 – ARRA - Highway Planning and Construction*
- CFDA 81.128 – ARRA - Energy Efficiency and Conservation Block Grant*
- CFDA 20.507 – ARRA - Public Transportation for Urbanized Areas*
- CFDA 14.871 – Housing Choice Voucher Program - Section 8*

Dollar threshold to distinguish between Type A and Type B Programs: \$448,009

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

Finding 2011-1 – Audit Adjustments

During the course of our audit, we identified a misstatement in the financial statements for the year under audit that was not initially identified by the City's internal control over financial reporting. Throughout the year, the City maintains its books and records on the cash basis of accounting and converts its financial statements at year-end to generally accepted accounting principles. The audit adjustment was necessary to correct misclassifications in the City's conversion process. Due to an error in calculating the amount of unbilled receivables, an audit adjustment was made to correct an understatement in the accounts receivable in the Water, Sewer and Solid Waste Funds.

Management Response: *Management concurs with the finding. Additionally, Management wishes to emphasize that this finding relates to the process where, at year-end, cash-basis records of the City are converted to a set of financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). Therefore, this finding does not represent the misappropriation of assets nor does it represent an intentional misstatement. The City will continue to monitor and modify its year-end processes to reduce the possibility of such future audit adjustments.*

Section III – Federal Award Findings and Questioned Costs

Finding 2011-2 – U.S. Department of Housing and Urban Development – Housing Choice Voucher Program – Section 8, CFDA 14.871

Criteria: The Housing Choice Voucher Program provides rental assistance to help low-income families afford decent, safe and sanitary rental housing. The City pays the owner a portion of the rent called a housing assistance payment on behalf of the family. The program requirements for housing assistance payments are discussed in 24 CFR sections 982.151 and 982.152.

Condition: We performed tests to determine that payments to owners were in accordance with program requirements and only made on behalf of eligible, active participants. We noted one instance in which an owner was paid a housing assistance payment in February 2011 for a participant that had left the program in 2010.

Questioned costs: Costs charged for rental assistance were \$736 for this participant.

Context: Our sample of items tested represented rental assistance payments totaling \$538,279 charged to the Federal award in a population of total Federal expenditures of \$11,606,347.

Cause: The City did not have adequate internal controls in place to ensure that housing assistance payments were not made on behalf of participants who left the program.

Effect: A lack of internal controls over payments to owners could result in noncompliance with grant agreements or owners receiving payment for participants no longer participating in the program.

Recommendation: We recommend the City implement procedures to ensure that owners are only being paid for eligible active participants.

Management response: Management concurs with the finding. Additionally, as of March, 2011 the City made internal changes related to this program including switching to a new Public Housing Administrator for the processing of rental payments to owners and tenants. The questioned costs of \$736 have been recovered from the rental owner. Management has worked with and will continue to work with HUD to monitor and modify controls over this program to ensure compliance with the requirements of the program.

Finding 2011-3 – U.S. Department of Housing and Urban Development – Housing Choice Voucher Program – Section 8, CFDA 14.871

Criteria: The Housing Choice Voucher Program provides rental assistance to help low-income families afford decent, safe and sanitary rental housing. The City receives advance monthly payments of grant funds. The program requirements for cash management are discussed in 31 CFR section 205.

Condition: We performed tests to determine that the City was returning interest earned on federal funds. We noted that the City has not returned interest earned on federal funds in the amount of \$7,571.

Cause: The City did not have adequate internal controls in place to ensure that interest earned was timely remitted to the Federal agency.

Effect: A lack of internal controls over Federal funds resulted in noncompliance with the grant agreement.

Recommendation: We recommend the City implement procedures to ensure that interest is timely remitted to the Federal agency.

Management response: Management concurs with the finding. The interest earned on federal funds of \$7,571 identified above was deposited into the appropriate fund, but was not sent back to the federal government. The City intends to make modifications to the internal controls covering these programs to ensure compliance with the requirements of the federal government.

Finding 2010-1 – Audit Adjustments

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

- **Net Assets.** An audit adjustment was necessary to correct a misclassification of net assets in the City's governmental activities. When reporting net assets, invested in capital assets, net of related debt, the City did not take into account \$4,711,298 of unspent bond proceeds. This resulted in an overstatement of unrestricted net assets and a corresponding understatement of net assets, invested in capital assets, net of related debt.

Status: *This specific issue was corrected. However, we repeated as Finding 2011-1 in the current year for audit adjustments.*

CITY OF MIDDLETOWN, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2011

**Prepared by
Finance Department**

**Russell E. Carolus
Finance Director**

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AUDIT SECTION

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INTRODUCTORY SECTION

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CITY OF
MIDDLETOWN

June 29, 2012

To Citizens of the City of Middletown, Ohio:

We are pleased to present this Comprehensive Annual Financial Report (CAFR) for Middletown, Ohio. This report, for the year ended December 31, 2011, contains the financial statements and other financial and statistical data that provide a complete and full disclosure of all material financial aspects of the City. The responsibility for the accuracy of all data presented its completeness and fairness of presentation rests with the City of Middletown.

The report presents the financial activity of the City in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources, and is consistent with the new reporting model as promulgated by GASB Statement No. 34 and 45. In 2011, the City adopted GASB 54 to change how Fund Balance Reporting and Governmental Fund Type Definitions are reported. The results of this pronouncement are incorporated into this report.

The CAFR is organized into sections: the Table of Contents, the Introductory Section, the Financial Section and the Statistical Section. The Introductory Section contains a table of contents, letter of transmittal, organization chart, list of elected officials and a Certificate of Achievement for Excellence in Financial Reporting for the 2010 CAFR. The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, required supplemental information, the Combining Statements for non major funds and other schedules that provide detailed information relative to the Basic Financial Statements. The Statistical Section provides selected financial, economic and demographic information which may be used to indicate trends for comparative fiscal periods.

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

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

MIDDLETOWN

Situated on the banks of the Great Miami River in Southwestern Ohio, Middletown is within easy driving distance of both Cincinnati and Dayton. Middletown is a vibrant, dynamic community of approximately 48,700 people, positioned near the major metropolitan areas of Cincinnati and Dayton.

Strategically situated on Interstate 75 between Cincinnati and Dayton, a Middletown address affords companies the opportunity for service to both cities. The City's location is within 600 miles of more than 60 percent of the nation's purchasing power, making the city a magnet for companies that need access to these important markets. Throughout history, Middletown has been home to several main transportation routes including the Great Miami River, Miami and Erie Canal, Warren County Canal, Cincinnati and Lake Erie Railroad, Middletown and Cincinnati Railroad, and now Interstate 75.

More than 100 attractions are available within minutes of Middletown. They cover a wide variety of interests, from amusement parks for the whole family to Broadway quality stage shows and international festivals. The MidUSA Ohio Hot Air Balloon Challenge is held in July and Middfest International is held the first weekend of each October. Middfest, celebrates a different country each year with entertainers and great ethnic food is available along with many artisans displaying their creations. During the Christmas season, the Light Up Middletown organization provides a fantasy drive-through light display at Smith Park. During the summer months, local bands entertain its citizens with the concerts that are held twice each month in the downtown area. The well attended concerts will be the sixth year for the "The Broad Street Bash."

Recreation and Shopping

Several golf courses are located within or near the City of Middletown. The city-owned Weatherwax Golf Course, offers championship-length play on a four star "Golf Digest" nationally ranked 36-hole course good enough for the pros. Weatherwax added additional

playability features in 2009 and 2010 to make an already beautiful golf course more fun to play. Additionally, several other public golf courses are located in the surrounding communities. Three private courses operate in the Middletown area: Brown's Run, Wildwood and Forest Hills Country Clubs.

Thirty-six parks throughout the City provide casual enjoyment, sports and recreation. Additionally, several state parks are within easy driving distance, including Hueston Woods, Caesar's Creek, and Germantown Dam.

A bike way for the avid biker begins just north of Middletown, running almost to Dayton, a distance of approximately 20 miles. Middletown's bike path is currently 6.8 miles and runs from Trenton (State Route 73) near the Great Miami River bridge to Carmody Boulevard (State Route 4). In 2012, Middletown will be completing a 2.1 mile section from Carmody Boulevard to approximately the Franklin city limits which will almost complete the bike path through Middletown.

The Pendleton Art Center is a success with artists opening their studios the First Friday of every month. Other downtown businesses, the Middletown Public Library and Middletown Art Center also join the First Friday event. Now downtown is the swinging place to be on First Fridays from noon to 9 pm. (And Second Look Saturdays.)

At the Hook Field/Middletown Regional Airport, Start Skydiving has become one of the fastest growing drop-zones in the world. The professional skydiving team, Team Fastrax, offers coaching, tandem dives, and demonstrations.

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

Education

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

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

The educational program also includes a variety of teaching methods, instructional programs and extracurricular activities to meet students' special needs and interests: Highly qualified staff, Success Academy, Freshman Academy, Central Academy (non-graded school), Post Secondary Education Option, Pre-School, Social Justice Class, Dual Credit Classes, Elementary Gifted and Talented Education, All Day Kindergarten in all eight elementary schools, thirteen Advanced Placement® Courses, Vocational Studies, Independent Study, Honors Courses in core subjects and Foreign Languages, Honors Diploma, Advanced Art and Music classes. Over thirty clubs

and academic extracurricular activities including the award winning Marching Band, and Show Choir, and the Greater Miami Conference athletic, chess, and academic quiz teams are also available to students.

The faculty stays on top of current research in the field of education by attending professional development sessions offered by the district and area universities. In-service opportunities are designed to help the staff develop and reinforce the skills necessary to meet the changing needs of their students. Individually, the staff and students consistently earn local and state recognition. Middletown High School graduates are accepted into the best colleges and post secondary institutions in the country. Eight state of the art elementary buildings house grades pre-school through five; two middle schools accommodate grades six through eight; and grades nine through twelve occupy Middletown High School.

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

Post-Secondary Education

Miami University Middletown, an integral component of our educational system, offers associate degree programs, some bachelor programs and continuing education opportunities, including custom-designed training programs for Middletown-area business and industry. Approximately 2600 students attend classes at the Middletown campus. Cincinnati State Technical and Community College, a public two-year college, will be opening a campus in the downtown area in the fall of 2012. A variety of post-secondary vocational opportunities are also offered at Butler County Vocational.

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

Health Care

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

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

On January 3, 2011, the Dayton VA Medical Center's (VAMC) Middletown Community Based Outpatient Clinic (MCBOC) opened its doors at its new location in Middletown. Among the services provided by the Middletown CBOC are primary care, optometry, podiatry, full-service laboratory, mental health services and pharmacy.

Economic Outlook

There has been an investment of approximately \$1 billion in commercial and industrial new business and expansion since 2008. About ten companies have expanded in the last year or have plans to in 2012 on Yankee Road in Middletown.

Suncoke Energy, a subsidiary of Sunoco, Inc. completed the construction of its manufacturing facility and began producing high quality metallurgical grade coke in October 2011. This \$360 million facility employs approximately 86 people and will eventually produce 550,000 tons of coke per year. The coke product and electric generated by the coke making process will be sold to AK Steel under a long-term contract.

The new \$7.5 million Greentree Health Science Academy facility was completed and classes began in the fall of 2011. This facility operates as a public/private partnership between the City, Atrium Medical Center, Miami University, Cincinnati State and the Warren County Career Center to offer classes in the field of health sciences. This partnership is the first of its kind and is being considered as a model for future developments across the State of Ohio. The City provided \$5.2 million in bond revenue to fund the building on the Atrium campus, with Greentree leasing the facility until the debt is paid. Greentree Health Science Academy is an innovative facility for housing programs from high school up to master's degree classes under one roof on a hospital campus.

United Dairy Farmers completed construction and opened a new store in the spring of 2011 along with gas pumps and seating areas with an estimated \$3 million investment.

Primary Health Solutions broke ground on a \$7 million medical office in August. This non-profit, safety-net health care provider also provides a dental center. Primary Health Solutions offers an alternative for uninsured families. The mission of Primary Health Solutions is to improve community wellness through access to quality, affordable primary care.

In December 2010, Cincinnati State Technical and Community College officials passed a resolution to partner with the City to establish a branch campus. The branch campus will be located downtown and classes will begin in the fall of 2012.

Barrett Paving consolidated their Dayton and Cincinnati operations and moved their headquarters to the center of their region--Middletown.

Profile of the Government

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

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

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

CITY SERVICES

Present

The City of Middletown provides traditional municipal services including police and fire protection, street maintenance, parks, and a municipal court. The City also operates a thirty-six hole golf course. The City’s water and sewer utilities serve the City and several townships adjacent to Middletown. The City also provides refuse services through a contract with Rumpke. A storm water utility also provides additional support to help maintain safety and compliance with EPA regulations.

Property Taxes/Local Income Taxes

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

The City’s property tax rate is 5.90 mils or \$5.90 per \$1,000 of taxable valuation. Real property is assessed at 35% of estimated true value. The assessed value of public utility personal property ranges from 25% to 88% for electric transmission and distribution property. General business tangible personal property tax has been phased out. The majority of property tax revenues are used by the City’s General Fund.

Assessed values and cash receipts for the past five years are as follows:

| <u>Levy</u> <u>Year</u> | <u>Collection</u> <u>Year</u> | <u>Assessed</u> <u>Value</u> | <u>Property Tax</u> <u>Revenues</u> <u>(cash basis)</u> |
|----------------------------|----------------------------------|---------------------------------|---|
| 2006 | 2007 | \$1,040,123,835 | \$ 5,307,938 |
| 2007 | 2008 | \$860,632,226 | \$ 5,059,989 |
| 2008 | 2009 | \$884,614,180 | \$ 4,522,020 |
| 2009 | 2010 | \$884,684,180 | \$ 4,266,830 |
| 2010 | 2011 | \$844,276,100 | \$ 4,162,389 |

The citizens of Middletown approved a .25% income tax increase effective in 2008 for a five year period. The City now levies a 1.75% local earnings tax on all persons employed in the City of Middletown. All business operating in the City also pay a 1.75% on their earnings attributed to their Middletown facility. Local income receipts for the past five years are:

| | <u>Local Income Tax Receipts</u> |
|------|----------------------------------|
| | <u>(Cash Basis)</u> |
| 2007 | \$18,588,763 |
| 2008 | \$20,098,668 |
| 2009 | \$18,720,213 |
| 2010 | \$19,875,722 |
| 2011 | \$20,295,858 |

FINANCIAL INFORMATION

Accounting Controls

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

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

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

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

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

Budgetary Controls

Detailed provisions for the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and the City Charter. The City Manager, with the assistance of the Finance Director, is required to submit to Council a tax budget of estimated revenues and expenditures for all funds, except agency funds, for the succeeding fiscal year by the first council meeting in July. The budget is required to be adopted by the legislative body by July 15 and to be submitted to the County Budget Commission by July 20 of each year. City Council is required by Charter to adopt a permanent appropriation measure for the ensuing fiscal year no later than January 1st. In December, 2010, City Council adopted the 2011 fiscal year permanent appropriation measure.

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

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

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

Cash Management

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

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

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

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 102% of the varying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, Municipal Corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority.

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

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

Risk Management

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

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

The City is self insured for medical claims by its employees. A stop loss policy pays all claims in excess of \$125,000 submitted by any person covered by the City along with an aggregate stop loss of \$5.5 million. In 2011, the City Plan was administered by United Health Care.

OTHER INFORMATION

Independent Audit

The State of Ohio requires an annual audit by either the Auditor of State or by an independent public accounting firm. Clark, Schaefer, Hackett & Co. performed the City's 2011 audit. The Independent Auditors' Report on the City's basic financial statements is included in the financial section of this Comprehensive Annual Financial Report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Middletown for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2010.

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

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

Acknowledgements

The 2011 Comprehensive Annual Financial Report of the City of Middletown is the result of the combined efforts of the City's Finance Department, Hurst, Kelly & Company, and Clark, Schaefer, Hackett & Co., which was the City's auditor.

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

Respectfully submitted,

DEPARTMENT OF FINANCE

A handwritten signature in black ink, reading "Russell Carolus". The signature is written in a cursive style with a large, prominent initial "R".

Russell E. Carolus
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Middletown
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

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



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

CITY OF MIDDLETOWN, OHIO

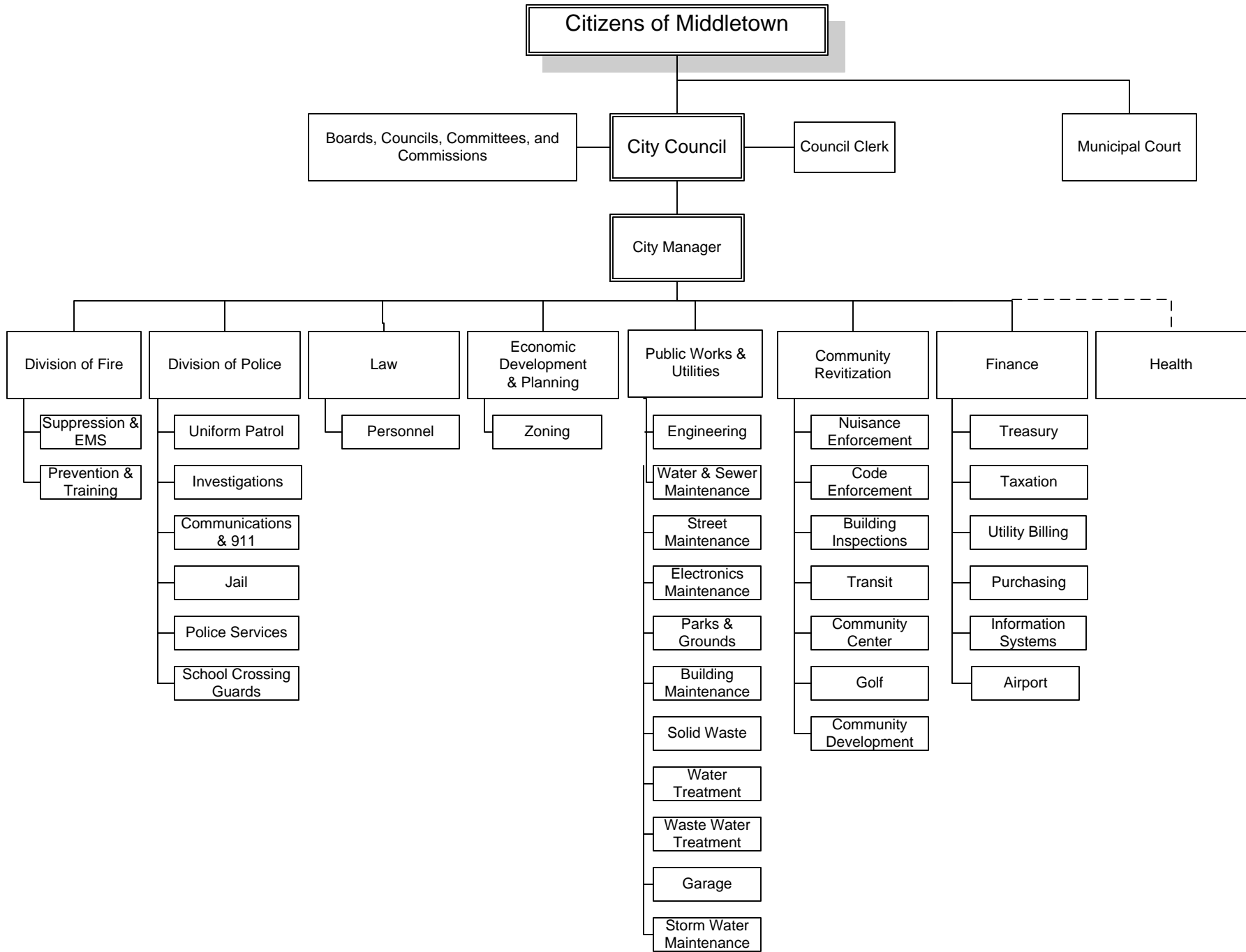
**Principal Officials
December 31, 2011**

Legislative

Mayor **Lawrence P. Mulligan, Jr.**
Council Member **Thomas B. Allen**
Council Member **William A. Becker**
Council Member **Joshua E. Laubach**
Council Member **Anita Scott Jones**
Council Member **Daniel J. Picard**
Council Member **Andrew Smith, Jr.**

Executive/Administrative

City Manager **Judith Gilleland**
Chief of Police **David VanArsdale**
Community Revitalization Director **Douglas D. Adkins**
Director of Court Services **Steven P. Longworth**
Acting Economic Development Director **Denise Hamet**
Finance Director **Russell E. Carolus**
Fire Chief **Steven M. Botts**
Health Commissioner **Jacquelyn D. Phillips**
Law Director **Leslie S. Landen**
Planning Director **Martin D. Kohler**
Public Works & Utilities Director **David J. Duritsch, Jr.**



City of Middletown Ohio

2012

01/27/2012

FINAL

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To City Council
City of Middletown, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Ohio (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Ohio as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 22, during the year ended December 31, 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 17 and 69 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to

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the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 26, 2012

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011**

This discussion and analysis provides key information from management highlighting the overall financial performance of the City of Middletown for the year ended December 31, 2011. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the transmittal letter on page i, and the City's financial statements, which begin on page 18.

I. USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements.

The Basic Financial Statements

- Financial Statements for the City as Whole. The Statement of Net Assets and the Statement of Activities (pages 18 and 19) provide information about the activities of the City as a whole and present a longer-term view of the City's finances.
- Individual Fund Financial Statements. Fund financial statements also reflect the City's operations in more detail than the government-wide financial statements by providing information about the City's major funds. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. These statements begin on page 20.
- Fiduciary Financial Statements. The fiduciary statements (page 34) provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.
- Notes to the Basic Financial Statements. The Notes provide helpful information explaining the City's significant accounting procedures and providing greater detail regarding financial statement components (pages 35 to 68).

Required Supplementary Information

- Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. Schedules (pages 69 to 73) are presented for the General Fund and major special revenue funds that compare actual results to the original and final budgets for those funds.
- GASB 45 Schedules for Post Employment Benefits. Post employment benefits, specifically life insurance for City of Middletown retirees are presented on page 74. These schedules provide information on funding progress, employer contributions, and the benefit balance.

Supplementary Information

- Combining Financial Statements. These statements (starting on page 80) provide financial information regarding non-major individual funds, which have been aggregated in the basic financial statements.
- Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. These schedules compare actual results to the original and final budgets for the major and non-major governmental funds. These schedules begin on page 90.

**CITY OF MIDDLETOWN
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011**

A. Reporting the City as a Whole

Government-wide statements

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

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

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

- Governmental activities are activities that are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. City service departments reported in governmental activities include the Police and Fire Divisions, the Municipal Court, the Public Works Department, the Planning Department, general government support departments and the City Health Department.
- Business-type activities are activities that are financed by fees or charges for services. The City of Middletown provides water, sewer, storm water, and refuse services to its customers and charges fees to cover the costs of these operations. Other city business-type activities which are financed with fees are the Hook Field/Middletown Regional Airport, the Middletown transit system, and Weatherwax golf course.

B. Reporting the City’s Most Significant Funds

Fund financial statements

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

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011**

- Governmental funds - Most of the City's basic services are reported in governmental funds. The fund statements present how cash flows into and out of those funds, and show the balances remaining at year-end that are available for future spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. *Information in governmental fund statements helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.* The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The government-wide financials, as previously described, present the government funds on the whole using the full accrual accounting basis. The differences between governmental activities as reported in the government-wide financial statements and as reported in the fund statements are presented in a reconciliation attached to the fund financial statements.
- Proprietary funds – There are two types of proprietary funds, enterprise funds and internal service funds. Proprietary funds are reported using the full accrual accounting basis. When the City charges customers for the services it provides with the intention that the charges will fully cover the cost of the services, these activities are reported in enterprise funds. Enterprise funds are generally reported in the same way that all activities are reported in the government-wide Statements of Net Assets and Statement of Activities. In fact, the City's enterprise funds are the same funds as we report in the combined business-type activities column in the government-wide statements. The individual fund statements for enterprise funds provide more detail and additional information, such as cash flows. Internal service funds are used to report activities within the government that are centralized for efficiency in separate funds in order to provide supplies and services to the other City programs and activities. The City has two separate funds: the Municipal Garage Fund and the Employee Benefits Fund. These internal service funds are combined and shown in a separate column in the proprietary funds statements. In the government-wide financials, their activities are consolidated into the governmental and business-type activities.

C. The City as Fiscal Agent

Reporting the City's Fiduciary Responsibilities

The City is responsible in a fiduciary capacity for other assets that can only be used for designated beneficiaries. The financial statements for these funds are reported beginning on page 34. During 2011, the City had four agency funds. The Conservancy fund records the city property tax levy which is collected on the behalf of the Miami Conservancy District. The Payroll Clearing fund accounts for the employee payroll withholdings due to other agencies and private businesses. The Municipal Court fund accounts for the activities of the Municipal Court collections which are due to other agencies and to certain individuals. The Joint Economic Development District I records and accounts for the collection and disbursement of income tax revenue with Liberty Township and the City of Mason. The City acts as the collection agent for these separate activities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011**

II. THE CITY AS A WHOLE

A. Net assets at year-end

The following table presents a condensed summary of the City's overall financial position at December 31, 2011 and 2010 (in thousands):

**Table 1
Net Assets**

| | Governmental | | Business-Type | | Total | |
|---|---------------------|--------------------|----------------------|--------------------|--------------------|--------------------|
| | Activities | | Activities | | | |
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Current and other assets | \$ 57,304 | 64,495 | 18,776 | 18,395 | 76,080 | 82,890 |
| Capital assets | <u>89,901</u> | <u>89,622</u> | <u>67,916</u> | <u>67,954</u> | <u>157,817</u> | <u>157,576</u> |
| Total assets | 147,205 | 154,117 | 86,692 | 86,349 | 233,897 | 240,466 |
| Long-term debt outstanding | 34,162 | 36,884 | 14,557 | 16,743 | 48,719 | 53,627 |
| Other liabilities | <u>15,440</u> | <u>14,866</u> | <u>4,186</u> | <u>4,272</u> | <u>19,626</u> | <u>19,138</u> |
| Total liabilities | 49,602 | 51,750 | 18,743 | 21,015 | 68,345 | 72,765 |
| Net assets: | | | | | | |
| Invested in capital assets, net of debt | 56,729 | 59,237 | 51,637 | 49,711 | 108,366 | 108,948 |
| Restricted | 30,934 | 35,676 | 1,501 | 1,457 | 32,435 | 37,133 |
| Unrestricted | <u>9,940</u> | <u>7,454</u> | <u>14,811</u> | <u>14,166</u> | <u>24,751</u> | <u>21,620</u> |
| Total net assets | 97,603 | 102,367 | 67,949 | 65,334 | 165,552 | 167,701 |
| Beginning net assets | 102,367 | 101,267 | 65,334 | 63,797 | 167,701 | 165,064 |
| Net increase (decrease) | <u>(4,764)</u> | <u>1,100</u> | <u>2,615</u> | <u>1,537</u> | <u>(2,149)</u> | <u>2,637</u> |
| Ending net assets | \$ <u>97,603</u> | <u>102,367</u> | <u>67,949</u> | <u>65,334</u> | <u>165,552</u> | <u>167,701</u> |

Governmental activities net assets decreased by \$4,764 versus increases of \$1,100 in 2010 and \$1,166 in 2009. The economy played a major role for this decrease in net assets for 2011. Along with the high unemployment rate and the low housing market, the State of Ohio announced its reduction of intergovernmental revenues to local governments during the second quarter of 2011 to help alleviate the State's budget difficulties. In short, this decrease was not unexpected. During this economic shortfall, the City used cash balances for operating expenses. During 2011, the City took measures to cut expenditures with decreased services and layoffs of staff in anticipation of this shortfall. This shortfall is also anticipated for the 2012 budget. However, April 2012 reports indicate that unemployment dropped a full percentage point and home sales increased by double digits.

Business type activities total net assets grew by \$2,615 in 2011 compared to \$1,537 increase in 2010. Total assets increased (\$343) while liabilities decreased \$2,272 due to lower outstanding long term debt.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011**

B. Governmental and Business-type Activities during 2011

The following Table 2 (in thousands) presents a condensed summary of the City's activities during 2011 and 2010 and the resulting changes in net assets.

**Table 2
Changes in Net Assets**

| | Governmental | | Business- Type | | Total | |
|---|---------------------|----------------|---------------------------|---------------|-------------------|----------------|
| | <u>Activities</u> | | <u>Activities</u> | | <u> </u> | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues | | | | | | |
| <u>Program revenues:</u> | | | | | | |
| Charges for services | \$ 8,982 | 7,491 | 21,010 | 20,460 | 29,992 | 27,951 |
| Operating grants & contributions | 11,932 | 13,472 | 1,712 | 2,481 | 13,644 | 15,953 |
| Capital grants and contributions | <u>3,551</u> | <u>2,716</u> | <u>337</u> | <u>322</u> | <u>3,888</u> | <u>3,038</u> |
| Total program revenues | 24,465 | 23,679 | 23,059 | 23,263 | 47,524 | 46,942 |
| <u>General revenues:</u> | | | | | | |
| Income taxes | 19,425 | 20,345 | 170 | 190 | 19,595 | 20,535 |
| Property taxes | 4,158 | 4,480 | 0 | 0 | 4,158 | 4,480 |
| Other taxes | 2,808 | 2,949 | 0 | 0 | 2,808 | 2,949 |
| Payments in lieu of taxes | 738 | 426 | 0 | 0 | 738 | 426 |
| Grants and contributions not restricted | 3,005 | 4,852 | 0 | 0 | 3,005 | 4,852 |
| Investment earnings | 124 | 111 | 123 | 189 | 247 | 300 |
| Other | <u>157</u> | <u>516</u> | <u>102</u> | <u>115</u> | <u>259</u> | <u>631</u> |
| Total general revenues | <u>30,415</u> | <u>33,679</u> | <u>395</u> | <u>494</u> | <u>30,810</u> | <u>34,173</u> |
| Total revenues | 54,880 | 57,358 | 23,454 | 23,757 | 78,334 | 81,115 |
| Expenses | | | | | | |
| Public safety | 24,646 | 23,951 | 0 | 0 | 24,646 | 23,951 |
| Public health | 781 | 941 | 0 | 0 | 781 | 941 |
| Leisure time activities | 1,164 | 947 | 0 | 0 | 1,164 | 947 |
| Community environment | 16,739 | 13,318 | 0 | 0 | 16,739 | 13,318 |
| Highways and streets | 8,565 | 9,776 | 0 | 0 | 8,565 | 9,776 |
| General government | 6,364 | 6,161 | 0 | 0 | 6,364 | 6,161 |
| Interest on long-term debt | 1,447 | 1,241 | 0 | 0 | 1,447 | 1,241 |
| Water | 0 | 0 | 6,427 | 7,627 | 6,427 | 7,627 |
| Sewer | 0 | 0 | 7,216 | 7,172 | 7,216 | 7,172 |
| Transit | 0 | 0 | 1,443 | 1,020 | 1,443 | 1,020 |
| Golf Course | 0 | 0 | 1,446 | 1,604 | 1,446 | 1,604 |
| Solid Waste | 0 | 0 | 2,667 | 2,616 | 2,667 | 2,616 |
| Storm Water | 0 | 0 | 1,092 | 910 | 1,092 | 910 |
| Airport | 0 | 0 | 486 | 465 | 486 | 465 |
| Parking | <u>0</u> | <u>0</u> | <u>0</u> | <u>37</u> | <u>0</u> | <u>37</u> |
| Total expenses | <u>59,706</u> | <u>56,335</u> | <u>20,777</u> | <u>21,451</u> | <u>80,483</u> | <u>77,786</u> |
| Change in net assets before transfers | (4,826) | 1,023 | 2,677 | 2,306 | (2,149) | 3,329 |
| Transfers | 62 | 77 | (62) | (77) | 0 | 0 |
| Special item | <u>0</u> | <u>0</u> | <u>0</u> | <u>(692)</u> | 0 | (692) |
| Change in net assets | (4,764) | 1,100 | 2,615 | 1,537 | (2,149) | 2,637 |
| Beginning net assets | 102,367 | 101,267 | 65,334 | 63,797 | 167,701 | 165,064 |
| Ending net assets | \$ <u>97,603</u> | <u>102,367</u> | <u>67,949</u> | <u>65,334</u> | <u>165,552</u> | <u>167,701</u> |

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The largest change in 2011 for governmental revenues occurred in grants. Unrestricted grants and contributions decreased \$1,847 in 2011. The decrease from 2010 to 2011 is related to decreases in funding from the state: the commercial activities tax, local government fund distributions, estate tax receipts and property homestead and rollback amounts.

Income taxes and property taxes, which affect the governmental funds, have been a concern for Middletown. Property taxes have been declining steadily from \$4.9 million in 2008 to \$4.5 million in 2009 and 2010 and \$4.2 million in 2011. This is a direct result of the national home foreclosure crisis and the corresponding recession. Income tax receipts were \$19.4 million in 2011, \$20.3 million in 2010, \$18.9 million in 2009 and \$19.9 million in 2008. In 2009, the tax receipts were at all-time low over a ten year period.

Operating grants were reduced by \$1,540 in 2011 from 2010 for the governmental funds. Approximately 77.4% of the reduction for operating grants is due to federal grant reductions for the Housing Assistance, Community Development Block Grant, Neighborhood Stabilization, and Home Grant programs.

Capital grants and contributions accounted for \$8.7 million in 2008, \$7.4 million in 2009, and \$2.7 million in 2010 and \$3.6 million in 2011. Capital grants fluctuate each year according to projects and programs. Overall program revenues for capital grants increased \$835 in 2011. The Ohio Public Works Commission grant of \$1.9 million contributed to this increase in 2011.

Expenses increased approximately 6.0% in 2011 from 2010. The largest contributing factor for this change is increased community environment expense which is the result of additional demand being placed on the City's Housing Assistance Program in 2011.

Total revenues for business type activities decreased \$303 in 2011, 67% of this decrease in program revenue is due to less operating grants and contributions. In 2010, federal operating grants to the airport and the transit system totaled \$1,731 compared to \$714 in 2011.

In 2010, program revenues increased \$1,849 over 2009 with \$1,380 due to additional operating grants which included additional federal aid for the airport, an Ohio Department of Development grant for the wellfield area (Water Fund), and operational transit grants. Although the operating grants increased, capital grants for the transit system were decreased in 2010 due to ARRA grant expirations. In 2009, capital grants allowed the bus engines to be replaced at the cost of approximately \$508.

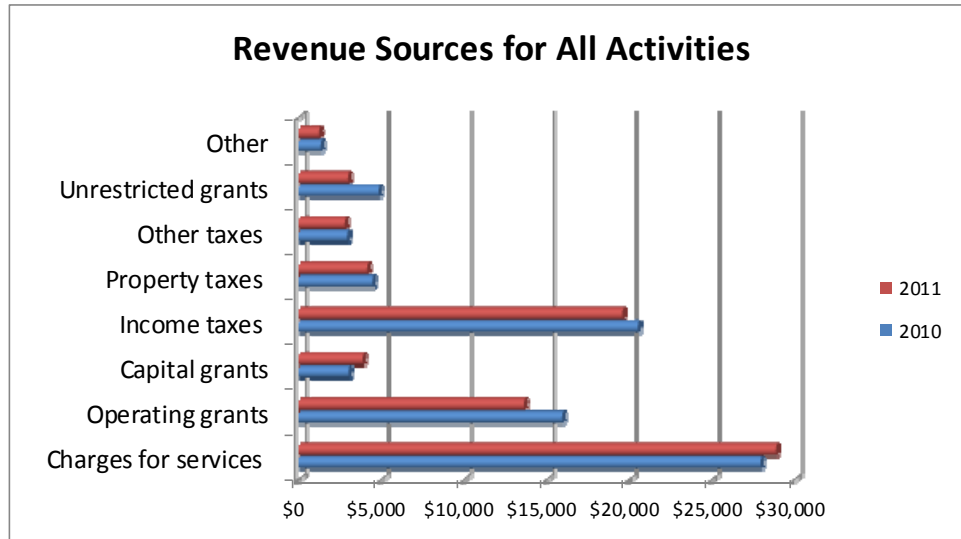
The charges for services revenue increased by \$550 in 2011. The Water and Sewer Funds increased their utility rates 5% in 2011. Charges for service increased 4.6% (\$901) in 2010 due to water and sewer industrial usage. There was an increase in demand from our industrial consumers accompanied by an initiative to increase billing accuracy by installing a new leak monitoring equipment throughout our delivery system.

In 2011, expenses in business type activities decreased by \$674 mostly due to reduced water and wellfield protection projects.

In 2010, the City parking garage was demolished and the City discontinued its parking operations. The capital assets related to parking operation were either disposed of or transferred to the governmental activities. As a result of discontinuing the parking operations, a loss from discontinued operations of

**CITY OF MIDDLETOWN
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\$692 (listed as “Special item”) has been recorded in the financial statements and the land (\$17) has been transferred from the business type activities to the governmental activities.



1) Governmental activities during 2011

Table 3 presents the total cost of each of the government’s primary services and the net cost after deducting the revenues generated by these services. The City recouped about 41% for the cost of services with program revenues. This is close to the 42% recouped in 2010. In 2009, approximately 48% was recouped for the cost of its services with program revenues.

**Table 3
Governmental Activities**

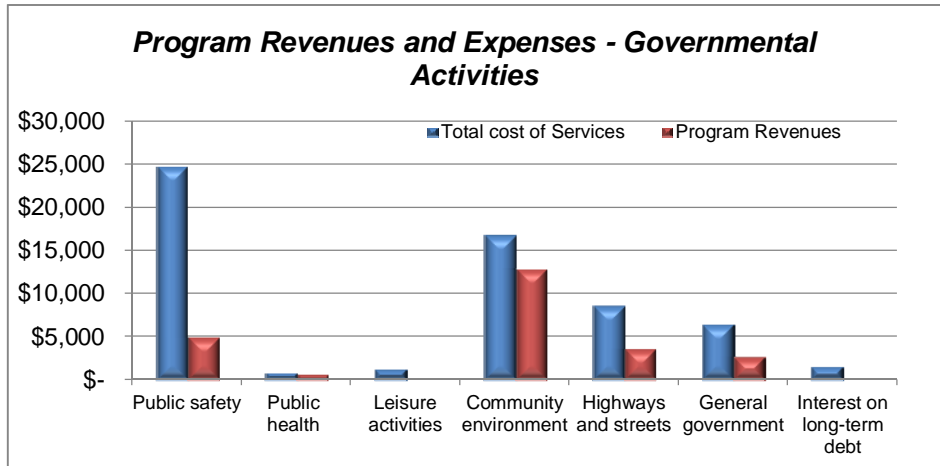
| | <u>Total cost of Services</u> | <u>Program Revenues</u> | <u>Revenues as a % of Total Costs</u> | <u>Net Cost of Services</u> |
|----------------------------|-----------------------------------|-----------------------------|---|---------------------------------|
| Public safety | \$ 24,646 | \$ 4,867 | 20% | \$ 19,779 |
| Public health | 781 | 584 | 75% | 197 |
| Leisure time activities | 1,164 | 57 | 5% | 1,107 |
| Community environment | 16,739 | 12,736 | 76% | 4,003 |
| Highways and streets | 8,565 | 3,596 | 42% | 4,969 |
| General government | 6,364 | 2,625 | 41% | 3,739 |
| Interest on long-term debt | 1,447 | - | 0% | 1,447 |
| Total | <u>\$ 59,706</u> | <u>\$ 24,465</u> | <u>41%</u> | <u>\$ 35,241</u> |

Public safety, the City’s most expensive program, covered about 20% of its costs with program revenues. This is comparable to the 19% for 2010 and 2009. Local tax receipts and other general revenues were used to fund the remaining costs of this service.

Public health funding covered 75% of their activities compared to 57% in 2010. This fund has cut expenses by reducing personnel.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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Community Environment, which relies heavily upon federal and state grants, covered 105% of its costs with program revenues in 2010 and 76% in 2011. In 2011, we slightly modified the process by which we reclassify revenues from the fund level to the entity wide level. We became more specific in grouping things where they belong, instead of leaving things in this miscellaneous category.



Revenues as a percentage of costs for leisure activities dropped from 16% in 2009 to 0% in 2010 and then up to 5% in 2011. The Bike Path construction project, funded by a federal grant for the amount of \$4.9 million, began in 2011 and should be completed in 2012.

Highways and streets activities relied on ARRA grants in 2009 which was reduced in 2010 causing a decline from 54% to 22% in program revenues for this activity. In 2011, grants supplied 42% of the program revenues. The Ohio Public Works Commission provided the majority of the grants in 2011.

2) Business-type activities during 2011

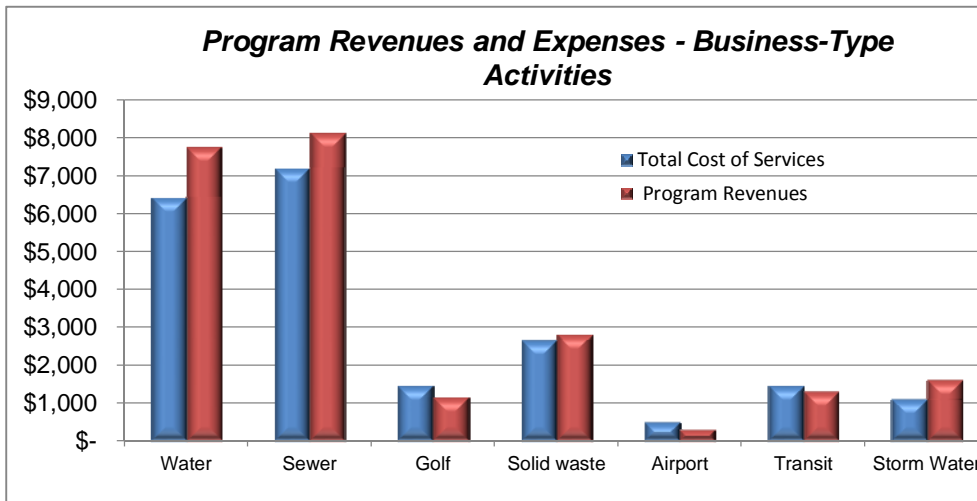
The following table (in thousands) summarizes the business-type activities during 2011:

**Table 4
Business-type Activities**

| | <u>Total Cost of Services</u> | <u>Program Revenues</u> | <u>Revenues as % of Total Costs</u> | <u>Net Revenue from Operations</u> |
|-------------|-------------------------------|-------------------------|-------------------------------------|------------------------------------|
| Water | \$ 6,427 | \$ 7,769 | 121% | \$ 1,342 |
| Sewer | 7,216 | 8,137 | 113% | 921 |
| Golf | 1,446 | 1,152 | 80% | (294) |
| Solid waste | 2,667 | 2,812 | 105% | 145 |
| Airport | 486 | 277 | 57% | (209) |
| Transit | 1,443 | 1,304 | 90% | (139) |
| Storm Water | <u>1,092</u> | <u>1,608</u> | <u>147%</u> | <u>516</u> |
| Total | <u>\$ 20,777</u> | <u>\$ 23,059</u> | <u>111%</u> | <u>\$ 2,282</u> |

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The City attempts to break even on its business-type activities. All activities except Golf, Airport, and Transit had operating surpluses in 2011. The surpluses are used to accumulate earnings for future capital investments and debt payments. The Golf Fund basically covers the cost of the daily operations but due to the debt service for past renovations, the revenues do not meet the total cost of services. The transit and airport funds rely upon grants and taxes to supplement their services.



III. THE CITY'S INDIVIDUAL FUNDS

A. Governmental funds

The financial statements for the City's governmental funds, using the modified accrual basis of accounting, are presented beginning on page 20. The City has forty-eight governmental funds, four of which are considered major funds. Assets of those four funds comprise approximately 70% of the total governmental funds' assets of \$54,852. The following table (in thousands) summarizes the activities of these four major funds.

**Table 5
Financial Highlights
Major Governmental Funds**

| | <u>General Fund</u> | <u>Housing Assistance</u> | <u>Special Assessment Debt Service</u> | <u>Capital Improvements</u> |
|------------------------------|---------------------|---------------------------|--|-----------------------------|
| Total assets | \$ 20,494 | 12,901 | 3,453 | 1,750 |
| Total liabilities | <u>8,658</u> | <u>11,110</u> | <u>3,338</u> | <u>734</u> |
| Fund balance | <u>11,836</u> | <u>1,791</u> | <u>115</u> | <u>1,016</u> |
| Revenues | \$ 26,783 | 11,143 | 429 | 3,425 |
| Expenditures | 27,428 | 11,677 | 349 | 3,217 |
| Other financing sources/uses | <u>(99)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | \$ <u>(744)</u> | <u>(534)</u> | <u>80</u> | <u>208</u> |

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011**

General Fund. The fund balance at the end of 2011 was \$11,836 including \$6,955 of unassigned fund balance. This is a decrease of \$744 from the 2010 fund balance of \$12,580. The General Fund's balance decreased \$744 in 2011 and increased by \$737 in 2010. The unassigned fund balance is used to help cover planned expenditures during economic downturns, which was experienced in 2011. The General Fund's negative net change in fund balance is due to decreased revenues in 2011.

Housing Assistance Fund. This fund records the activities of the City's Section 8 Program and is funded entirely by a federal grant from the Department of Housing and Urban Development. At the end of 2011, there were approximately 1,480 authorized Section 8 units in the City of Middletown. Changes in fund balance for this fund are due to the timing of grant revenues for reimbursement of housing activities.

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

Capital Improvement Fund. This fund relies heavily upon grants for capital improvement projects. In 2011, the Capital Improvements Fund received grants from state agencies for street improvements and bridge replacements. The ending fund balance is encumbered for continuing and future improvement projects.

B. Proprietary funds

1) Enterprise funds

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

**Table 6
Financial Highlights
Enterprise Funds**

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>Golf Fund</u> | <u>Solid Waste Fund</u> |
|---------------------------------|-------------------|-------------------|------------------|-------------------------|
| Total assets | \$ 29,116 | 38,893 | 4,672 | 1,008 |
| Total liabilities | <u>5,615</u> | <u>9,639</u> | <u>2,365</u> | <u>722</u> |
| Total net assets | <u>23,501</u> | <u>29,254</u> | <u>2,307</u> | <u>286</u> |
| Unrestricted net assets | <u>5,082</u> | <u>4,826</u> | <u>(1,200)</u> | <u>374</u> |
| Operating revenues | 6,889 | 8,150 | 1,161 | 2,826 |
| Operating expenses | 6,342 | 6,842 | 1,400 | 2,638 |
| Net non-operating revenues | 802 | (340) | (47) | (29) |
| Net contributions and transfers | <u>(31)</u> | <u>(31)</u> | <u>-</u> | <u>-</u> |
| Net change in net assets | \$ <u>1,318</u> | <u>937</u> | <u>(286)</u> | <u>159</u> |

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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Water Fund. Water Fund rates are set to cover the fund's operating cost and to accumulate cash resources for future capital expenditures. Although revenue actually declined, the expenses decreased \$1.1 million contributing to the positive change in net assets of \$1,318.

Sewer Fund. The Sewer Fund ended 2011 with a positive change in net assets of \$937. The balance in the fund is to be used for large capital projects.

Golf Fund. The City Golf Fund lost \$286 in 2011 and \$230 in 2010. This fund owes the City's General Fund \$1,235 at the end of 2011 for a working capital loan. The plan is to repay this debt over the next few years.

Solid Waste Fund. The Solid Waste Fund charges to Middletown customers are set to cover the cost of the refuse contract with a private hauler and the annual debt service of \$249 for a landfill closure bond. At the end of 2011, the balance on these bond issues was \$500. These bonds will retire in 2013.

2) Internal service funds

Net assets in the City's two internal service funds, are shown collectively on page 29.

The City's Employee Benefits Fund ended the year with a net deficit of \$10 (page 157). The rising cost of health insurance puts a burden on the City's budget, however, the City has experienced a smaller than anticipated increase due to the efforts of an employee/management sponsored health care committee. Increased employee's share of future budgets will allow for planned annual cost increases. This fund maintains a required reserve for payments of claims for the time period of 90 to 120 days.

The other City internal service fund, the Municipal Garage Fund, ended the year with net assets of \$5,926, an 11.7% increase over 2010. Funds are being set aside for future vehicle purchases according to a multi-year plan developed by the Municipal Garage fleet manager. The Municipal Garage Fund cash balance at the end of 2011 was \$2,583 which is 42.2% over the 2010 balance (page 159).

Only 51% of the capital outlay was spent for vehicle and equipment purchases. Some of the capital purchases planned for 2011 was deferred to 2012 (backhoe, water service truck, and SUV). A street sweeper and two pick-up trucks were not purchased as planned in 2011.

IV. BUDGETED ACTIVITY AND ACTUAL RESULTS

The schedules comparing the City's original and final General Fund budgets to actual expenditures begin on page 70. The General Fund's original appropriation of \$28,892 was amended to \$29,033 with supplemental appropriations. The General Fund's actual expenditures on a cash basis (budget basis) were \$27,879.

Original 2011 appropriations were increased during the year by \$7,672 for all funds. The majority of these supplemental appropriations were for capital project expenditures.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011**

V. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital assets

Capital assets are divided into two categories – depreciable and non-depreciable. Land and construction-in-progress are the only non-depreciable assets recorded for the City of Middletown. Construction-in-progress will be categorized with depreciable assets once the improvement project is completed with the exception of land. Depreciable assets include machinery, equipment, buildings, infrastructure or any other item that can be depreciated or value reduced over a period of time. Depreciation takes into account that assets will eventually become obsolete, worn out and/or of little value over a period of time.

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

| | Governmental | Business- | |
|--------------------------|---------------------|-------------------|----------------|
| | Activities | Type | |
| | Activities | Activities | Total |
| Land | \$ 13,235 | 7,242 | 20,477 |
| Land improvements | 453 | 680 | 1,133 |
| Buildings | 14,550 | 15,355 | 29,905 |
| Equipment | 6,181 | 5,584 | 11,765 |
| Infrastructure | 52,815 | 37,192 | 90,007 |
| Construction in Progress | <u>2,666</u> | <u>1,863</u> | <u>4,529</u> |
| Total | \$ <u>89,900</u> | <u>67,916</u> | <u>157,816</u> |

The City had approximately \$157,816 in net capital assets in 2011. This is an increase of \$240 from the 2010 total of \$157,576, but less than the 2009 total of 159,783.

1) Governmental activities non-depreciable assets:

- a. Land – Total of capital assets at year end was \$13,235. The Neighborhood Stabilization Program purchased property for revitalization programs totaling \$443 in 2010 and the majority of these properties were sold in 2011. A total of \$217 was spent from the Downtown Improvements Fund in 2010 for properties which will be used for economic development purposes. An additional property was acquired in 2011 for \$17. Two of these properties in the downtown area will be used for the Cincinnati State Technical and Community College in 2012.
- b. Construction in progress - \$1,075 was reported in 2010 for the construction of the Greentree Health Science Academy, constructing a flat surface parking area in the downtown area, and renovation of the Municipal Court area. The Greentree and parking area projects were completed in 2011 and added to the capital assets. The renovation of the Municipal Court is still in progress and is anticipated to be completed in June 2012.

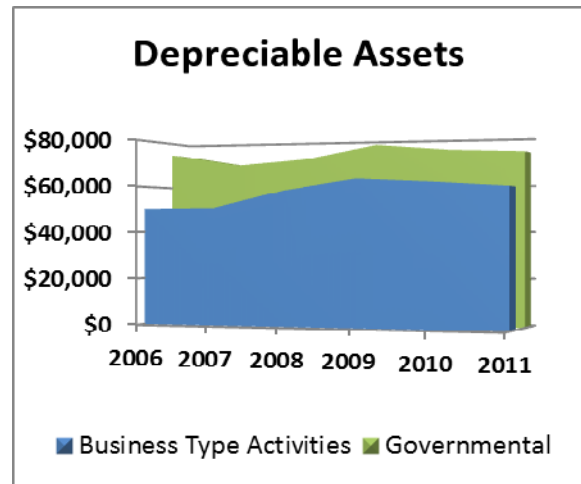
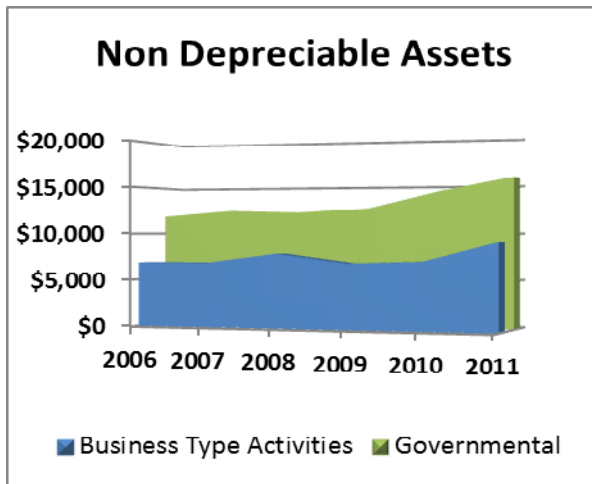
For 2011, \$2,666 is reported as construction in progress for the following:

1. \$196 for the Municipal Court renovation
2. \$248 for the bike path construction
3. \$2,222 for local street improvement programs

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011**

2) Governmental activities for depreciable assets:

- a. Buildings - In 2010, building purchases increased \$1,007 to accompany the land purchases for the Neighborhood Stabilization Program and development purposes as stated above. In 2011, most of the buildings were sold (along with the land purchases above) in the Neighborhood Stabilization Program causing a decrease of \$677. The largest addition was the Greentree Health Science Academy which added \$5,044 to this asset type. The year-end net capital asset for buildings is \$14,550.
- b. Equipment – the Municipal Garage purchases of vehicles and equipment provided approximately 51% of the purchases in 2011. However, with the equipment replacements and the yearly depreciation, the net capital assets for equipment total \$6,181 for 2011.
- c. Infrastructure - \$1,700 was added in 2011 for street improvements, however, the depreciation expense has lowered this asset type in 2011 from 2010 by \$4,576. Total infrastructure net assets totaled \$52,815 at year end.



3) Business-type activities non-depreciable assets:

- a. Land – an increase of \$251 was made in 2010 for purchase of property for storm water right-of-way. In 2011, a property was purchased near the Wellfield area for \$150 for remediation and abatement.
- b. Construction in progress – The sum of \$1,863 includes: \$1,357 for the Water Fund, \$324 for the Sewer Fund, and \$182 Storm Water Fund improvement projects

4) Business type activities depreciable assets:

- a. Buildings – Transit added building improvements of \$23 in 2011
- b. Equipment – purchases include one vehicle, bus shelters, water meters, and security cameras from the Water, Sewer, Storm Water, and Transit funds. These purchases totaled \$385 in 2011.
- c. Infrastructure – interceptor sewer repairs added the majority of the \$591 addition by the Sewer Fund while the Storm Water Fund increased \$307 for the same purpose. Additionally, the Airport Fund added \$47 for lighting and roadways.

Capital asset activity for the year is presented in Note 7 on pages 49 and 50.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011**

B. Debt

The City issued one new special assessment debt in 2011 for the amount of \$321 for the 2010 Sidewalk, Curb and Gutter program. This debt will be paid by the property owners affected by the improvements of this program.

Total debt owed for all bonds at 2011 year-end was \$42,539. Principal payments of \$3,392 occurred in 2011 and \$3,612 is scheduled for payments in 2012.

Long term obligations are presented on pages 53 through 55 in Note 10.

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

We began a budget process in 2010 which called for making significant cuts to provide a solid budgetary plan. These cuts included lay-off of seven full time employees and elimination of seven vacant positions, reorganization of the Community Revitalization Department, no pay increases for non-union personnel, and elimination of the Recreation Division. All departments were affected but all agreed it was the best course of action. The 2011 budget expenditures were appropriated close to the 2010 budget appropriations. A balanced budget was achieved through the use of existing fund balances, debt issuance and other sources. In light of the economic climate, rate increases for water and sewer were not proposed even though our operational costs were rising.

The State announced in 2011 that it would be cutting and/or reducing some of their funding to other entities and municipalities. These cuts and reductions are estimated to be \$3.2 million over a three year period for the City of Middletown. Additionally, the Butler County Auditor released property tax valuations which indicated that Middletown homes averaged an 8% decrease in value. His office has estimated that the City of Middletown will be receiving \$180,000 in reduced revenues for 2012 due to reduced property valuations. Most of these revenue reductions affect the General Fund. Realizing that a reduction of revenue of this magnitude would affect the City's finances along with the budget cuts of the previous years, personnel cuts were unavoidable for the 2012 budget. Personnel costs are the largest expense category in the General Fund. A total of 22 positions were cut from the 2012 budget.

Although budgets are tighter and the workforce is decreasing, there are a few bright spots.

In December 2010, Cincinnati State Technical and Community College officials passed a resolution to partner with the City to establish a branch campus in Middletown. New classes will begin in the fall of 2012. The downtown area has been rejuvenated with the new branch campus, the new Pendleton Art Center, and the well-attended summer "Broadway Bash" concerts of local artists.

The Middletown Division of Police received a grant that will fund four police officers for three years. This will help alleviate the shortage of officers due to the budget cuts.

The Arbor Day Foundation congratulates Middletown on being named a Tree City USA community for 2011 in recognition for its commitment to urban forestry. This is the 5th year that Middletown has earned this national honor.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2011**

Middletown welcomes a new business: AllWorld Machinery and Supply. The Illinois-based supplier and servicer of machine tool parts and components chose Middletown to start a new office. They liked the location of Middletown, especially proximity to their Ohio customers. Since purchasing their building at 1821 Yankee Road in 2011, they have been renovating it and setting up their parts supply business and are now adding a service component. The company increases Middletown's cluster of Japanese owned companies. The company is locally controlled but 75% owned by Daikon.

Sun Coke began operations in late 2011 producing metallurgical coke products along with electricity at their new \$300 million plant next to AK Steel. Air Products has announced a possible multi-million plant expansion in 2012 that would further industrial expansion in Middletown. This bodes well for our existing industrial capacity.

Enrollment continues to grow at the Greentree Health Science Academy. Miami University reports they had hoped for an increase of 10-15% in enrollment and instead grew to nearly 50%. Current enrollment of 353 students grew from 223 previously; section registrations grew to 504 from 382; and full time equivalent grew to 129 from 95. Dr. Lee Sanders, Provost and Executive Vice President for Academic Affairs, reports that "We are quite pleased; clearly we are answering a need."

VII. REQUESTS FOR ADDITIONAL INFORMATION

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



Russell E. Carolus, Jr.
Finance Director

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|------------------------------|
| Assets | | | |
| Cash and equity in pooled cash, deposits and investments | \$ 25,718,393 | \$ 15,272,160 | \$ 40,990,553 |
| Cash with fiscal and escrow agent | 125,541 | - | 125,541 |
| Receivables (net of allowance for uncollectibles): | | | |
| Income taxes | 4,555,000 | - | 4,555,000 |
| Property taxes | 3,903,411 | - | 3,903,411 |
| Payments in lieu of taxes | 490,900 | - | 490,900 |
| Estate taxes | 196,071 | - | 196,071 |
| Accounts | 841,052 | 1,752,295 | 2,593,347 |
| Interest | 99,112 | - | 99,112 |
| Loans | 1,868,494 | 386,791 | 2,255,285 |
| Intergovernmental | 14,361,174 | 169,467 | 14,530,641 |
| Special assessments | 3,618,463 | 126,366 | 3,744,829 |
| Inventory of supplies | 912,476 | 442,324 | 1,354,800 |
| Deferred charges | 889,126 | 351,364 | 1,240,490 |
| Internal balances | (275,181) | 275,181 | - |
| Capital assets, net | | | |
| Non-depreciable | 15,900,775 | 9,105,710 | 25,006,485 |
| Depreciable | <u>73,999,705</u> | <u>58,810,521</u> | <u>132,810,226</u> |
| Total assets | <u>147,204,512</u> | <u>86,692,179</u> | <u>233,896,691</u> |
| Liabilities | | | |
| Accounts payable and other current liabilities | 1,856,294 | 675,323 | 2,531,617 |
| Accrued wages and benefits | 1,320,173 | 130,720 | 1,450,893 |
| Other accrued liabilities | 731,693 | 68,944 | 800,637 |
| Accrued interest payable | 110,628 | 37,497 | 148,125 |
| Due to other governments | 141,901 | 548 | 142,449 |
| Due to other individuals | 155,911 | 588,019 | 743,930 |
| Unearned revenue | 4,394,311 | 386,791 | 4,781,102 |
| Notes payable | 2,056,916 | - | 2,056,916 |
| Non current liabilities: | | | |
| Due within one year | 4,672,038 | 2,298,340 | 6,970,378 |
| Due in more than one year | <u>34,161,861</u> | <u>14,556,776</u> | <u>48,718,637</u> |
| Total liabilities | <u>49,601,726</u> | <u>18,742,958</u> | <u>68,344,684</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 56,729,359 | 51,636,720 | 108,366,079 |
| Restricted for capital projects | 3,751,550 | - | 3,751,550 |
| Restricted for debt service | 4,400,694 | 1,500,648 | 5,901,342 |
| Restricted for housing assistance | 12,657,721 | - | 12,657,721 |
| Restricted for community development | 4,527,353 | - | 4,527,353 |
| Restricted for public safety | 2,151,607 | - | 2,151,607 |
| Restricted for roads | 2,741,941 | - | 2,741,941 |
| Restricted for other purposes | 702,444 | - | 702,444 |
| Unrestricted | <u>9,940,117</u> | <u>14,811,853</u> | <u>24,751,970</u> |
| Total net assets | <u>\$ 97,602,786</u> | <u>\$ 67,949,221</u> | <u>\$ 165,552,007</u> |

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|----------------------|-------------------------|--|--|--|-----------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental activities: | | | | | | | |
| Public safety | \$ 24,646,195 | \$ 4,659,599 | \$ 133,028 | \$ 75,000 | \$ (19,778,568) | | \$ (19,778,568) |
| Public health and welfare | 781,084 | 235,698 | 347,977 | - | (197,409) | | (197,409) |
| Leisure time activities | 1,163,908 | 2,331 | - | 55,000 | (1,106,577) | | (1,106,577) |
| Community environment | 16,739,077 | 890,137 | 11,451,181 | 394,451 | (4,003,308) | | (4,003,308) |
| Highways and streets | 8,564,467 | 568,506 | - | 3,026,948 | (4,969,013) | | (4,969,013) |
| General government | 6,364,254 | 2,625,418 | - | - | (3,738,836) | | (3,738,836) |
| Interest on long-term debt | 1,447,726 | - | - | - | (1,447,726) | | (1,447,726) |
| Total governmental activities | <u>\$ 59,706,711</u> | <u>\$ 8,981,689</u> | <u>\$ 11,932,186</u> | <u>\$ 3,551,399</u> | <u>\$ (35,241,437)</u> | | <u>\$ (35,241,437)</u> |
| Business-type activities: | | | | | | | |
| Water | \$ 6,426,776 | \$ 6,851,727 | \$ 917,477 | \$ - | \$ - | \$ 1,342,428 | \$ 1,342,428 |
| Sewer | 7,215,919 | 8,137,112 | - | - | - | 921,193 | 921,193 |
| Golf Course | 1,446,324 | 1,151,951 | - | - | - | (294,373) | (294,373) |
| Solid Waste | 2,666,957 | 2,812,410 | - | - | - | 145,453 | 145,453 |
| Airport | 486,193 | 276,816 | - | - | - | (209,377) | (209,377) |
| Transit | 1,443,052 | 172,279 | 794,384 | 337,248 | - | (139,141) | (139,141) |
| Storm Water | 1,092,153 | 1,607,981 | - | - | - | 515,828 | 515,828 |
| Total business-type activities | <u>20,777,374</u> | <u>21,010,276</u> | <u>1,711,861</u> | <u>337,248</u> | <u>-</u> | <u>2,282,011</u> | <u>2,282,011</u> |
| Total | <u>\$ 80,484,085</u> | <u>\$ 29,991,965</u> | <u>\$ 13,644,047</u> | <u>\$ 3,888,647</u> | <u>\$ (35,241,437)</u> | <u>\$ 2,282,011</u> | <u>\$ (32,959,426)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Income taxes | | | | | \$ 19,424,845 | \$ 170,000 | \$ 19,594,845 |
| Property taxes | | | | | 4,157,764 | - | 4,157,764 |
| Other taxes | | | | | 2,807,808 | - | 2,807,808 |
| Payments in lieu of taxes | | | | | 738,454 | - | 738,454 |
| Grants and contributions not restricted to specific programs | | | | | 3,005,253 | - | 3,005,253 |
| Investment earnings | | | | | 124,022 | 122,816 | 246,838 |
| Miscellaneous | | | | | 157,388 | 102,156 | 259,544 |
| Transfers | | | | | 61,678 | (61,678) | - |
| Total general revenues and transfers | | | | | <u>30,477,212</u> | <u>333,294</u> | <u>30,810,506</u> |
| Change in net assets | | | | | (4,764,225) | 2,615,305 | (2,148,920) |
| Net assets beginning of year | | | | | <u>102,367,011</u> | <u>65,333,916</u> | <u>167,700,927</u> |
| Net assets end of year | | | | | <u>\$ 97,602,786</u> | <u>\$ 67,949,221</u> | <u>\$ 165,552,007</u> |

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

| | General | Housing Assistance |
|--|----------------------|---------------------------|
| ASSETS: | | |
| Cash and equity in pooled cash, deposits and investments | \$ 9,632,049 | \$ 1,622,200 |
| Cash with fiscal and escrow agent | 125,541 | - |
| Receivables (net of allowance for uncollectibles): | | |
| Income taxes | 4,555,000 | - |
| Property taxes | 2,801,232 | - |
| Estate taxes | 196,071 | - |
| Accounts | 409,715 | 11,691 |
| Loans | - | 250,000 |
| Interest | - | 99,112 |
| Payments in lieu of taxes | - | - |
| Special assessments | - | - |
| Due from other funds | 1,846,000 | 50,000 |
| Due from other governments | 914,677 | 10,867,596 |
| Inventory of supplies | 13,216 | - |
| Total assets | \$ 20,493,501 | \$ 12,900,599 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | \$ 355,929 | \$ 86,967 |
| Accrued wages and benefits | 1,221,495 | - |
| Other accrued liabilities | 556,547 | - |
| Due to other funds | 85,738 | - |
| Due to other governments | - | - |
| Due to individuals | - | 155,911 |
| Notes payable | - | - |
| Deferred revenue | 6,438,107 | 10,867,596 |
| Total liabilities | 8,657,816 | 11,110,474 |
| Fund balances: | | |
| Nonspendable | 1,859,216 | - |
| Restricted | 2,104,627 | 1,790,125 |
| Committed | 572,139 | - |
| Assigned | 344,239 | - |
| Unassigned | 6,955,464 | - |
| Total fund balances | 11,835,685 | 1,790,125 |
| Total liabilities and fund balances | \$ 20,493,501 | \$ 12,900,599 |

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

| | Special Assessment Debt Service | Capital Improvements | Non Major Governmental Funds | Total Governmental Funds |
|-----------|--|-----------------------------|---|-------------------------------------|
| \$ | 114,160 | \$ 884,641 | \$ 10,013,945 | \$ 22,266,995 |
| | - | - | - | 125,541 |
| | - | - | - | 4,555,000 |
| | - | 607,321 | 494,858 | 3,903,411 |
| | - | - | - | 196,071 |
| | - | - | 367,717 | 789,123 |
| | - | - | 1,618,494 | 1,868,494 |
| | - | - | - | 99,112 |
| | - | - | 490,900 | 490,900 |
| | 3,338,463 | - | 280,000 | 3,618,463 |
| | - | - | 1,199 | 1,897,199 |
| | - | 258,170 | 2,320,731 | 14,361,174 |
| | - | - | 667,432 | 680,648 |
| \$ | 3,452,623 | \$ 1,750,132 | \$ 16,255,276 | \$ 54,852,131 |
| | | | | |
| \$ | - | \$ 19,235 | \$ 352,615 | \$ 814,746 |
| | - | - | 62,490 | 1,283,985 |
| | - | 66,985 | 103,156 | 726,688 |
| | - | - | 730,464 | 816,202 |
| | - | - | 141,901 | 141,901 |
| | - | - | - | 155,911 |
| | - | - | 2,056,916 | 2,056,916 |
| | 3,338,463 | 647,493 | 3,387,493 | 24,679,152 |
| | 3,338,463 | 733,713 | 6,835,035 | 30,675,501 |
| | | | | |
| | - | - | 667,432 | 2,526,648 |
| | 114,160 | 1,016,419 | 7,530,528 | 12,555,859 |
| | - | - | 2,758,612 | 3,330,751 |
| | - | - | - | 344,239 |
| | - | - | (1,536,331) | 5,419,133 |
| | 114,160 | 1,016,419 | 9,420,241 | 24,176,630 |
| \$ | 3,452,623 | \$ 1,750,132 | \$ 16,255,276 | \$ 54,852,131 |

**CITY OF MIDDLETOWN, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011**

| | |
|---|----------------------|
| Total governmental fund balances | \$ 24,176,630 |
| <i>Amounts reported for governmental activities in the statement of net assets are different due to the following:</i> | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 89,900,480 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: | |
| Income taxes receivable | 2,773,208 |
| Intergovernmental and other receivables | 17,511,633 |
| Internal service funds are used to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | 1,198,958 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds: | |
| General obligation bonds | (28,505,358) |
| Special assessment bonds | (2,478,533) |
| Compensated absences | (4,806,639) |
| Pension obligation payable | (2,163,601) |
| GASB 45 life insurance liability | (652,176) |
| Accrued interest on long-term debt | (110,628) |
| Premium on bonds | (130,314) |
| Unamortized issuance costs | 889,126 |
| Net assets of governmental activities | <u>\$ 97,602,786</u> |



**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2011**

| | General | Housing Assistance |
|---|----------------------|---------------------|
| Revenues: | | |
| Property taxes | \$ 3,014,613 | \$ - |
| Municipal income taxes | 14,476,246 | - |
| Other taxes | - | - |
| Intergovernmental revenues | 3,749,254 | 11,063,730 |
| Charges for services | 4,247,057 | - |
| Fees, licenses, and permits | 224,382 | - |
| Fines and forfeits | 172,928 | - |
| Special assessments | - | - |
| Investment income | 56,935 | 3,286 |
| Miscellaneous | 841,641 | 76,201 |
| Total revenues | 26,783,056 | 11,143,217 |
| Expenditures: | | |
| Current | | |
| Public safety | 19,684,149 | - |
| Public health and welfare | - | - |
| Leisure time activities | 903,639 | - |
| Community environment | 1,884,537 | 11,677,757 |
| Highways and streets | - | - |
| General government | 3,684,889 | - |
| Miscellaneous | 1,270,930 | - |
| Debt service | | |
| Principal retirement | - | - |
| Interest and fiscal charges | - | - |
| Total expenditures | 27,428,144 | 11,677,757 |
| Excess of revenues over (under) expenditures | (645,088) | (534,540) |
| Other financing sources (uses): | | |
| Transfers-in | - | - |
| Transfers-out | (99,000) | - |
| Sale of bonds issued | - | - |
| Premium on bonds | - | - |
| Total other financing sources (uses) | (99,000) | - |
| Net change in fund balances | (744,088) | (534,540) |
| Fund balance, beginning of year, Restated | 12,579,773 | 2,324,665 |
| Fund balance, end of year | \$ 11,835,685 | \$ 1,790,125 |

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

| Special Assessment Debt Service | Capital Improvements Fund | Non Major Governmental Funds | Total Governmental Funds |
|--|----------------------------------|-------------------------------------|---------------------------------|
| \$ - | \$ 641,336 | \$ 501,815 | \$ 4,157,764 |
| - | - | 5,447,755 | 19,924,001 |
| - | - | 1,116,194 | 1,116,194 |
| - | 2,696,700 | 5,165,003 | 22,674,687 |
| - | 888 | 205,517 | 4,453,462 |
| - | - | - | 224,382 |
| - | - | 1,723,362 | 1,896,290 |
| 429,234 | - | 271,493 | 700,727 |
| - | 5,554 | 58,247 | 124,022 |
| - | 80,950 | 1,057,370 | 2,056,162 |
| 429,234 | 3,425,428 | 15,546,756 | 57,327,691 |
| - | 88,018 | 5,214,811 | 24,986,978 |
| - | - | 744,547 | 744,547 |
| - | 68,292 | 30,245 | 1,002,176 |
| - | 49,201 | 7,590,174 | 21,201,669 |
| - | 2,999,090 | 2,871,828 | 5,870,918 |
| - | 2,110 | 191,579 | 3,878,578 |
| 4,849 | 11,093 | 878,467 | 2,165,339 |
| 217,300 | - | 2,010,280 | 2,227,580 |
| 127,185 | - | 1,266,409 | 1,393,594 |
| 349,334 | 3,217,804 | 20,798,340 | 63,471,379 |
| 79,900 | 207,624 | (5,251,584) | (6,143,688) |
| - | - | 160,678 | 160,678 |
| - | - | - | (99,000) |
| - | - | 321,191 | 321,191 |
| - | - | 15,436 | 15,436 |
| - | - | 497,305 | 398,305 |
| 79,900 | 207,624 | (4,754,279) | (5,745,383) |
| 34,260 | 808,795 | 14,174,520 | 29,922,013 |
| \$ 114,160 | \$ 1,016,419 | \$ 9,420,241 | \$ 24,176,630 |

**CITY OF MIDDLETOWN, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net change in fund balances - total governmental funds \$ (5,745,383)

Amounts reported for governmental activities in the statement of activities are different due to the following:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period:

| | |
|----------------------------|-------------|
| Capital outlay | 10,348,643 |
| Depreciation expense | (9,179,375) |
| Disposal of capital assets | (890,507) |

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds:

| | |
|--------------------------------------|-------------|
| Income taxes | (499,156) |
| Intergovernmental and other revenues | (1,426,100) |

Governmental Funds report premiums and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities:

| | |
|-------------------------------------|----------|
| Amortization of bond issuance costs | (97,003) |
| Bond and note issuance costs | 15,436 |
| Amortization of bond premiums | 18,278 |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds:

| | |
|--------------------------------------|-----------|
| Issuance of special assessment bonds | (321,191) |
| Bond principal retirement | 2,227,580 |

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(6,279)

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

| | |
|-------------------------------|---------|
| Compensated absences | 220,316 |
| Unfunded pension liability | 97,741 |
| OPEB death benefit obligation | (7,078) |

Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue (expenses) of the internal service funds is reported with governmental activities.

479,853

Change in net assets of governmental activities

\$ (4,764,225)



**CITY OF MIDDLETOWN, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011**

Business Type Activities - Enterprise Funds

| | Water | Sewer | Golf Course |
|--|----------------------|----------------------|---------------------|
| Assets | | | |
| Current assets: | | | |
| Equity in pooled cash and investments | \$ 5,889,730 | \$ 4,938,082 | \$ 5,659 |
| Receivables | | | |
| Accounts | 732,341 | 698,119 | - |
| Loans | 386,791 | - | - |
| Due from other funds | - | - | - |
| Intergovernmental | - | - | - |
| Special Assessments | - | 126,366 | - |
| Inventory of supplies | 234,184 | 151,440 | 56,700 |
| Total current assets | 7,243,046 | 5,914,007 | 62,359 |
| Non Current Assets: | | | |
| Deferred charges | 130,073 | 141,601 | 32,090 |
| Capital assets: | | | |
| Construction in progress | 1,357,442 | 323,739 | - |
| Land | 1,302,664 | 152,500 | 3,611,550 |
| Land improvements | 5,875 | 26,581 | 2,483,945 |
| Infrastructure assets | 26,415,458 | 44,149,816 | - |
| Buildings | 12,554,350 | 12,315,678 | 710,031 |
| Equipment | 5,888,932 | 10,036,907 | 291,124 |
| Less: Accumulated depreciation | (25,781,689) | (34,168,427) | (2,519,407) |
| Total capital assets (net of accumulated depreciation) | 21,743,032 | 32,836,794 | 4,577,243 |
| Total noncurrent assets | 21,873,105 | 32,978,395 | 4,609,333 |
| Total assets | 29,116,151 | 38,892,402 | 4,671,692 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | 176,356 | 171,959 | 5,829 |
| Accrued wages and benefits | 50,117 | 50,254 | 5,747 |
| Other accrued liabilities | 19,760 | 20,715 | 11,801 |
| Accrued interest payable | 5,055 | 23,029 | 3,099 |
| Due to other funds | 43,509 | 20,852 | 1,235,000 |
| Due to other governments | 548 | - | - |
| Due to individuals | 588,019 | - | - |
| General obligation bonds payable | 377,904 | 315,000 | 185,366 |
| Lease obligation payable | 403,872 | 403,872 | - |
| Unearned revenue | 386,791 | - | - |
| Compensated absences (short term portion) | 110,261 | 114,777 | 20,211 |
| Total current liabilities | 2,162,192 | 1,120,458 | 1,467,053 |
| Long-term liabilities: | | | |
| General obligation bonds payable | 1,444,653 | 6,415,000 | 876,310 |
| Premium on debt | 26,919 | 141,601 | 8,523 |
| Lease obligation | 1,852,063 | 1,852,063 | - |
| Compensated absences | 50,040 | 56,361 | 11,431 |
| Other post employment benefits | 79,073 | 53,195 | 1,360 |
| Total long-term liabilities | 3,452,748 | 8,518,220 | 897,624 |
| Total liabilities | 5,614,940 | 9,638,678 | 2,364,677 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 17,637,621 | 23,709,258 | 3,507,044 |
| Restricted for debt service | 781,776 | 718,872 | - |
| Unrestricted | 5,081,814 | 4,825,594 | (1,200,029) |
| Total net assets | \$ 23,501,211 | \$ 29,253,724 | \$ 2,307,015 |

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

| Business Type Activities - Enterprise Funds | | | Governmental Activities - | |
|---|----------------------------|----------------------|---------------------------|--|
| Solid Waste Disposal | Non Major Enterprise Funds | Totals | Internal Service Funds | |
| \$ 372,575 | \$ 4,066,114 | \$ 15,272,160 | \$ 3,451,398 | |
| 200,936 | 120,899 | 1,752,295 | 51,929 | |
| - | - | 386,791 | - | |
| - | - | - | 273,970 | |
| - | 169,467 | 169,467 | - | |
| - | - | 126,366 | - | |
| - | - | 442,324 | 231,828 | |
| 573,511 | 4,356,480 | 18,149,403 | 4,009,125 | |
| 16,786 | 30,814 | 351,364 | - | |
| - | 182,297 | 1,863,478 | - | |
| 382,600 | 1,792,918 | 7,242,232 | 195,750 | |
| 8,500 | 316,241 | 2,841,142 | - | |
| - | 3,311,079 | 73,876,353 | - | |
| 74,652 | 3,265,569 | 28,920,280 | 521,872 | |
| - | 3,614,611 | 19,831,574 | 10,454,635 | |
| (48,535) | (4,140,770) | (66,658,828) | (8,085,848) | |
| 417,217 | 8,341,945 | 67,916,231 | 3,086,409 | |
| 434,003 | 8,372,759 | 68,267,595 | 3,086,409 | |
| 1,007,514 | 12,729,239 | 86,416,998 | 7,095,534 | |
| 215,297 | 105,882 | 675,323 | 1,041,548 | |
| - | 24,602 | 130,720 | 36,188 | |
| - | 16,668 | 68,944 | 5,005 | |
| 1,386 | 4,928 | 37,497 | - | |
| - | 55,606 | 1,354,967 | - | |
| - | - | 548 | - | |
| - | - | 588,019 | - | |
| 249,484 | 70,000 | 1,197,754 | - | |
| - | - | 807,744 | - | |
| - | - | 386,791 | - | |
| - | 47,593 | 292,842 | 34,659 | |
| 466,167 | 325,279 | 5,541,149 | 1,117,400 | |
| 250,923 | 1,370,000 | 10,356,886 | - | |
| 5,144 | 30,814 | 213,001 | - | |
| - | - | 3,704,126 | - | |
| - | 17,461 | 135,293 | 38,091 | |
| - | 13,842 | 147,470 | 24,528 | |
| 256,067 | 1,432,117 | 14,556,776 | 62,619 | |
| 722,234 | 1,757,396 | 20,097,925 | 1,180,019 | |
| (88,334) | 6,871,131 | 51,636,720 | 3,086,409 | |
| - | - | 1,500,648 | - | |
| 373,614 | 4,100,712 | 13,181,705 | 2,829,106 | |
| \$ 285,280 | \$ 10,971,843 | \$ 66,319,073 | \$ 5,915,515 | |

Adjustment to reflect consolidation of internal service fund activities 1,630,148
Total net assets from above 66,319,073
Net assets of business-type activities \$ 67,949,221

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Business Type Activities - Enterprise Funds

| | Water | Sewer | Golf Course |
|--|----------------------|----------------------|---------------------|
| Operating revenues: | | | |
| Charges for services | \$ 6,851,727 | \$ 8,137,112 | \$ 1,151,951 |
| Other operating revenue | 37,559 | 13,170 | 8,731 |
| Total operating revenues | 6,889,286 | 8,150,282 | 1,160,682 |
| Operating expenses: | | | |
| Personal services | 2,125,280 | 2,209,022 | 656,967 |
| Contractual services | 1,965,646 | 2,301,854 | 160,797 |
| Commodities | 666,917 | 389,679 | 439,448 |
| Depreciation | 1,228,519 | 1,630,091 | 141,230 |
| Other operating expenses | 356,001 | 310,997 | 1,330 |
| Total operating expenses | 6,342,363 | 6,841,643 | 1,399,772 |
| Operating income (loss) | 546,923 | 1,308,639 | (239,090) |
| Non-operating revenues (expenses): | | | |
| Interest revenue | 61,680 | 33,799 | - |
| Interest expense and fiscal charges | (177,405) | (374,276) | (46,552) |
| Operating grants | 917,477 | - | - |
| Income taxes | - | - | - |
| Gain on sale or disposal of capital assets | - | - | - |
| Total non-operating revenues (expenses) | 801,752 | (340,477) | (46,552) |
| Income (loss) before contributions and transfers | 1,348,675 | 968,162 | (285,642) |
| Capital contributions | - | - | - |
| Transfers-out | (30,839) | (30,839) | - |
| Change in net assets | 1,317,836 | 937,323 | (285,642) |
| Total net assets, beginning of year | 22,183,375 | 28,316,401 | 2,592,657 |
| Total net assets, end of year | \$ 23,501,211 | \$ 29,253,724 | \$ 2,307,015 |

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

| Business Type Activities - Enterprise Funds | | | Governmental Activities - | |
|--|-----------------------------------|----------------------|----------------------------------|--|
| Solid Waste Disposal | Non Major Enterprise Funds | Totals | Internal Service Funds | |
| \$ 2,812,410 | \$ 2,057,076 | \$ 21,010,276 | \$ 8,711,875 | |
| 13,233 | 29,463 | 102,156 | 130,909 | |
| 2,825,643 | 2,086,539 | 21,112,432 | 8,842,784 | |
| - | 1,125,916 | 6,117,185 | 568,677 | |
| 2,635,719 | 1,086,393 | 8,150,409 | 5,810,729 | |
| - | 41,002 | 1,537,046 | 1,048,429 | |
| 2,084 | 437,927 | 3,439,851 | 844,068 | |
| - | 269,533 | 937,861 | 71,080 | |
| 2,637,803 | 2,960,771 | 20,182,352 | 8,342,983 | |
| 187,840 | (874,232) | 930,080 | 499,801 | |
| - | 27,337 | 122,816 | 16,652 | |
| (29,154) | (60,627) | (688,014) | - | |
| - | 794,384 | 1,711,861 | - | |
| - | 170,000 | 170,000 | - | |
| - | - | - | (51,491) | |
| (29,154) | 931,094 | 1,316,663 | (34,839) | |
| 158,686 | 56,862 | 2,246,743 | 464,962 | |
| - | 337,248 | 337,248 | - | |
| - | - | (61,678) | - | |
| 158,686 | 394,110 | 2,522,313 | 464,962 | |
| 126,594 | 10,577,733 | 63,796,760 | 5,450,553 | |
| \$ 285,280 | \$ 10,971,843 | \$ 66,319,073 | \$ 5,915,515 | |

Adjustment to reflect consolidation of Internal Service Fund Activities \$ 92,992
Changes in net assets of enterprise funds 2,522,313
Changes in net assets of business-type activities \$ 2,615,305

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2011**

| | Business Type Activities - Enterprise Funds | | | | | | Governmental Activities - |
|---|--|---------------------|--------------------|---------------------------------|---|----------------------|---------------------------------------|
| | Water | Sewer | Golf Course | Solid Waste Disposal | Non Major Enterprise Funds | Totals | Internal Service Funds |
| Cash flows from operating activities: | | | | | | | |
| Cash received from customers | \$ 6,898,626 | \$ 8,136,439 | \$ 1,151,951 | \$ 2,899,736 | \$ 2,024,856 | \$ 21,111,608 | \$ - |
| Cash payments to suppliers for goods and services | (2,792,814) | (2,742,814) | (601,627) | (2,640,411) | (711,720) | (9,489,386) | (6,910,361) |
| Cash payments to employees for services | (2,128,624) | (2,228,539) | (682,976) | - | (1,161,863) | (6,202,002) | (454,540) |
| Miscellaneous revenues | 58,234 | 27,211 | 8,731 | 13,233 | 38,181 | 145,590 | 153,530 |
| Miscellaneous expenses | - | - | (1,330) | - | - | (1,330) | - |
| Cash received from interfund services provided | - | - | - | - | - | - | 8,678,831 |
| Cash payments for interfund services used | (428,812) | (279,631) | - | - | (630,934) | (1,339,377) | (88,376) |
| Net cash provided (used) by operating activities | 1,606,610 | 2,912,666 | (125,251) | 272,558 | (441,480) | 4,225,103 | 1,379,084 |
| Cash flows from non-capital financing activities: | | | | | | | |
| Operating grants | 917,477 | - | - | - | 714,967 | 1,632,444 | - |
| Advances from other funds | - | - | 346,000 | - | 1,000 | 347,000 | - |
| Transfers-out to other funds | (30,839) | (30,839) | - | - | - | (61,678) | - |
| Income taxes received | - | - | - | - | 170,000 | 170,000 | - |
| Net cash provided (used) by non-capital financing activities | 886,638 | (30,839) | 346,000 | - | 885,967 | 2,087,766 | - |
| Cash flows from capital and related financing activities: | | | | | | | |
| Purchase of capital assets | (1,657,806) | (1,031,534) | - | (8,500) | (703,921) | (3,401,761) | (787,676) |
| Interest expense and fiscal charges | (160,660) | (374,922) | (42,176) | (23,668) | (60,763) | (662,189) | - |
| Repayment of debt principal | (368,264) | (310,000) | (177,728) | (243,728) | (65,000) | (1,164,720) | - |
| Repayment of capital lease obligation | (389,302) | (389,302) | - | - | - | (778,604) | - |
| Capital contributions | - | - | - | - | 337,248 | 337,248 | - |
| Net cash used by capital and related financing activities | (2,576,032) | (2,105,758) | (219,904) | (275,896) | (492,436) | (5,670,026) | (787,676) |
| Cash flows from investing activities: | | | | | | | |
| Interest income | 61,680 | 33,799 | - | - | 27,337 | 122,816 | 16,652 |
| Net cash provided by investing activities | 61,680 | 33,799 | - | - | 27,337 | 122,816 | 16,652 |
| Net change in cash and cash equivalents | (21,104) | 809,868 | 845 | (3,338) | (20,612) | 765,659 | 608,060 |
| Cash and pooled investments, beginning of year | 5,910,834 | 4,128,214 | 4,814 | 375,913 | 4,086,726 | 14,506,501 | 2,843,338 |
| Cash and pooled investments, end of year | \$ 5,889,730 | \$ 4,938,082 | \$ 5,659 | \$ 372,575 | \$ 4,066,114 | \$ 15,272,160 | \$ 3,451,398 |

continued

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2011**

| | Business Type Activities - Enterprise Funds | | | | | | Governmental |
|---|--|---------------------|---------------------|-----------------------------|-----------------------------------|---------------------|-------------------------------|
| | Water | Sewer | Golf Course | Solid Waste Disposal | Non Major Enterprise Funds | Totals | Internal Service Funds |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | | | | |
| Operating income (loss) | \$ 546,923 | \$ 1,308,639 | \$ (239,090) | \$ 187,840 | \$ (874,232) | \$ 930,080 | \$ 499,801 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | |
| Depreciation | 1,228,519 | 1,630,091 | 141,230 | 2,084 | 437,927 | 3,439,851 | 844,068 |
| Changes in assets and liabilities: | | | | | | | |
| Decrease (increase) in accounts receivable (net) | (12,327) | (673) | - | 87,326 | (24,362) | 49,964 | (23,250) |
| Decrease (increase) in special assessment receivable (net) | - | 14,041 | - | - | - | 14,041 | - |
| Decrease (increase) in inventory of supplies | 7,820 | 30,484 | 5,354 | - | - | 43,658 | (13,537) |
| Decrease (increase) in due from other funds | 8,773 | - | - | - | - | 8,773 | 12,827 |
| Increase (decrease) in accounts payable | (249,080) | (50,525) | (9,102) | (4,692) | 5,119 | (308,280) | 33,414 |
| Increase (decrease) in accrued wages and benefits | 10,062 | 7,137 | (2,582) | - | 4,467 | 19,084 | 28,033 |
| Increase (decrease) in other accrued liabilities | 2,584 | 3,253 | 1,611 | - | 2,197 | 9,645 | 632 |
| Increase (decrease) in due to other funds | - | 901 | - | - | 10,091 | 10,992 | - |
| Increase (decrease) in compensated absences payable | (16,839) | (31,259) | (22,687) | - | (2,837) | (73,622) | (3,170) |
| Increase (decrease) in post employment benefits | 858 | 577 | 15 | - | 150 | 1,600 | 266 |
| Increase (decrease) in due to other governments | (584) | - | - | - | - | (584) | - |
| Increase (decrease) in due to individuals | 79,901 | - | - | - | - | 79,901 | - |
| Total adjustments | 1,059,687 | 1,604,027 | 113,839 | 84,718 | 432,752 | 3,295,023 | \$ 879,283 |
| Net cash provided (used) by operating activities | \$ 1,606,610 | \$ 2,912,666 | \$ (125,251) | \$ 272,558 | \$ (441,480) | \$ 4,225,103 | \$ 1,379,084 |

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2011**

| | Total Agency Funds |
|--|-----------------------------------|
| <hr/> | |
| Assets: | |
| Cash and equity in pooled cash, deposits and investments | \$ 97,578 |
| Cash with fiscal and escrow agent | 205,551 |
| Total assets | <u>\$ 303,129</u> |
| | |
| Liabilities: | |
| Due to other governments | \$ 230,753 |
| Due to individuals | 38,088 |
| Unapportioned monies | 34,288 |
| Total liabilities | <u>\$ 303,129</u> |

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

Blended Component Unit

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

Discretely Presented Component Units

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

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

Related Organization

The City is associated with the Middletown Public Library, which is a related organization. The library is presented in Note 18 to the basic financial statements.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

Included within the reporting entity:

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

B. BASIS OF PRESENTATION

Government-wide Financial Statements

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

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

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

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

Net assets are reported as restricted when constraints placed upon their use are either: 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restriction on their net asset use. When both restricted and non-restricted resources are available for use, it is the City's policy to use non-restricted resources first, and then restricted resources, as they are needed.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

Fund Financial Statements

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

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

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

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

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

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

Capital Improvement Fund - To accumulate construction costs for the City's self-funded capital projects

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

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

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

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

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

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

C. BASIS OF ACCOUNTING

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

All governmental fund types are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The available period for the City is thirty-one days after year-end. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

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

Current and delinquent property taxes measurable as of December 31, 2011, whose availability is indeterminable and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside the available period, the entire amount has been deferred.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

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

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

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

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

D. CASH, DEPOSITS, AND INVESTMENTS

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

STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2011.

For purposes of the statements of cash flows, the City of Middletown considers the Proprietary Fund types equity in pooled cash, deposits, and investments to be highly liquid because those funds are able to withdraw (expend) cash at any time without prior notice or penalty.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

E. CASH WITH FISCAL AND ESCROW AGENT

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

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

G. INVENTORY OF SUPPLIES

Inventory is recorded at cost (first-in, first-out). Inventory in the Governmental Funds consists of expendable items and is recorded on a consumption basis. "Consumption basis" means that the expenditure is recorded when the inventory is consumed.

H. CAPITAL ASSETS

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

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

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

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

| | |
|-----------------------|---------------|
| Equipment | 5 to 20 Years |
| Land Improvements | 20 Years |
| Infrastructure Assets | 45 Years |
| Buildings | 45 Years |
| Streets and Highways | 20 Years |

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

I. CAPITALIZATION OF INTEREST

The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the construction project and the interest earned from the temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2011, interest costs incurred on construction projects were not material.

J. FUND BALANCES

Fund balance is divided into five classifications based primarily on the extent of which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances include prepaid items, materials and supplies inventory, interfund loans and long-term receivables.

Restricted. The restricted fund balance classification includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (city resolutions).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed. The committed fund balance classification includes amounts that can be used only for specific purposes imposed by formal action (resolution) of City Council. Those committed amounts cannot be used for any other purposes unless Council amend and approve another resolution. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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Assigned. The assigned fund balance classification is intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other the General Fund, assigned amounts represent intended uses established by Council or a City Official delegated that authority by resolution or by State Statute.

Unassigned. The unassigned fund balance classification is intended for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned fund balance classification is used only to report a deficit balance resulting from overspending for specific purposes of which amounts had been restricted, committed or assigned.

The City applies restricted resources first when expenditures are incurred for the purpose for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balances, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used.

K. INTERFUND TRANSACTIONS

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

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

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

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

Transfers represent transfers of resources from a fund receiving revenue to a fund through which those resources will be expended. They are recorded as other financing sources (uses) in

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

Governmental Funds and as transfers-in (out) in Proprietary Funds. A summary of transfers by fund type follows:

INTERFUND TRANSFERS

| Governmental Funds | Transfers In | Transfers Out |
|------------------------------|--------------|---------------|
| General Fund | \$0 | \$99,000 |
| Non Major Governmental Funds | 160,678 | 0 |
| Water Fund | 0 | 30,839 |
| Sewer Fund | 0 | 30,839 |
| Total | \$160,678 | \$160,678 |

The City's non-major governmental funds received \$160,678 in 2011 for computer replacement depreciation charges.

L. INTERGOVERNMENTAL REVENUES

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

M. COMPENSATED ABSENCES

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

Accumulated Unpaid Vacation

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

Accumulated Unpaid Sick Leave

All City employees (except tour firefighters), earn sick leave at the rate of ten hours per calendar month of service. Tour firefighters earn sick leave at the rate of thirteen and one-half hours per calendar month of service. Sick leave usage is recorded for all employees at the time it is used. Upon retirement from the City, non-public safety employees with twenty-five years of service or greater are paid for one-half their accumulated unused sick leave up to a maximum of 464 hours. Employees who are eligible to retire, but do not have twenty-five years of service, are paid for one-third of their sick leave up to a maximum of 264 hours. All other employees who leave City employment receive payment for one-third of the accumulated sick leave over 280 hours up to a maximum of 264 hours.

Firefighters are paid for their accumulated sick leave upon retirement according to the IAFF labor contract with the City. The contract specifies a maximum accumulated sick leave retirement payment of 1,456 hours.

Police personnel, with the exception of police civilian employees, are paid for their accumulated sick leave upon retirement according to the FOP labor contract with the City. The contract

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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specifies a maximum accumulated sick leave retirement of 532 hours. Police civilian employees are paid a maximum of 432 hours.

At December 31, 2011, the total liability of the City for compensated absences was \$5,307,524.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

BUDGETARY PROCEDURES

Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized tax rates and reviews revenue estimates. The Budget Commission certifies its action to the City by September 1. As part of this certification, the City receives the Official Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. On or about January 1, the certificate is amended to include any unencumbered balances from the preceding year. The revised budget then serves as the basis for the appropriation measure. The Certificate of Estimated Resources may be further amended during the year if a new source of revenue is identified or actual revenue exceeds current estimates. The amounts reported on the budgetary statement reflect the amounts in the final Amended Certificate of Estimated Resources issued for 2011.

Appropriations

An appropriation measure to control expenditures is enacted before January 1 of each year for the period from January 1 to December 31. The appropriation resolution may be adjusted and/or supplemented during the year by action of City Council as new information becomes available, but fund appropriations may not exceed estimated resources. Supplemental appropriation measures enacted during 2011 increased the original 2011 Appropriation Resolution by \$7,672,532 for all budgeted funds. The majority of these supplemental appropriations are due to the following factors:

- \$1,355,768 for the Greentree Health Science Academy project;
- \$1,274,685 for the completion of a local former paper mill remediation project that is funded through a Clean Ohio Remediation Grant;
- \$1,300,000 for the Yankee Road widening and reconstruction project;
- Additional grant funding was provided for the amount \$577,000 for the Neighborhood Stabilization Program;

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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- An additional \$475,000 was needed for emergency repair of an interceptor sewer; and
- \$362,000 for Community Development Block Grant programs and activities – reconcile the grant’s Yearly Action plan budget with the City’s budget – HUD’s CDBG program year runs from May 1 to April 30 while the City’s budget is January through December.

Budgeted Level of Expenditures

In Ohio, the legal level of control is the level at which the local government’s legislative authority passes the appropriation measure with the minimum of appropriation measures classified separately for each office, department, division, and within each, the amount appropriated for personal services. City Council, Middletown’s legislative authority, approved the 2011 budget which is classified by fund, department, division and/or program, and by major category of personnel and other. City Council may alter amounts allocated to various funds during the year as the need arises by adopting modifications to the appropriation measure. Amounts shown in the budgetary financial statements represent the final amounts appropriated for 2011, including all supplemental appropriations and modifications.

Encumbrances

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

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. However, the budgetary schedules for funds that had outstanding encumbrances at December 31, 2010, reflect an "Appropriation for prior year encumbrances."

**NOTE 3 - CASH AND EQUITY IN POOLED CASH, DEPOSITS AND INVESTMENTS,
CASH WITH FISCAL AND ESCROW AGENT**

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

Cash deposits and investments of the City as of December 31, 2011, are comprised of the following:

| | |
|-------------------------|---------------------|
| Deposits | |
| Petty Cash | \$5,775 |
| Demand deposit accounts | \$9,216,394 |
| Subtotal deposits | \$9,222,169 |
| Investments | |
| Money Market Funds | 3,079,281 |
| U.S. Government | 27,499,948 |
| STAR Ohio | 1,617,825 |
| Subtotal investments | \$32,197,054 |
| Total | \$41,419,223 |

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

Deposits

Custodial Credit Risk

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

At year-end, 24.8% (\$2,430,931) of the City's bank balance of \$9,785,354 was covered by Federal Deposit Insurance Corporation (FDIC).

The City's investments at December 31, 2011 are summarized as follows:

| | <u>Fair Value</u> | <u>Average Maturity Years</u> |
|-----------------------|----------------------|-----------------------------------|
| US Treasury Bills | \$ 3,004,136 | 0.24 |
| US Treasury Notes | 24,495,812 | 0.83 |
| Star Ohio | 1,617,825 | n/a |
| US Money Market Funds | <u>3,079,281</u> | n/a |
| | \$ <u>32,197,054</u> | |

Credit Risk

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

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

Custodial Credit Risk

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

Interest Rate Risk

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

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

The City is responsible for compliance with various sections of the Ohio Revised Code. Contrary to the requirements of Section 5705.36, the City's actual resources were less than estimated resources and appropriations were not adequately reduced resulting in deficit budgetary fund balances in the following funds:

| <u>Fund</u> | <u>\$ Amount</u> |
|-----------------------------|------------------|
| Capital Improvements Fund | \$2,185,325 |
| Court Computerization Fund | \$1,587 |
| Court Special Projects Fund | \$25,943 |

The variances for these funds are due to outstanding encumbrances at year end. Capital Improvements Fund deficit will be adjusted in 2011 by receipt of state grants for street improvements. The Court Computerization and Court Special Projects Funds will be corrected in 2011 upon completion of the Municipal Court improvement project.

At December 31, 2011 (using the current financial resource measurement focus), the following funds had deficit fund balances:

Governmental Funds

- Miami Conservancy Fund
The \$113,011 deficit will be eliminated in 2012 when property taxes and other intergovernmental revenue are received.
- Home Program Fund
The \$25,053 deficit will be eliminated in 2012 with receipt of federal grant revenues for reimbursement of homeowners' assistance programs.
- Community Development Fund
The \$26,007 deficit will be eliminated in 2012 with receipt of federal grant revenues.
- Downtown Improvements Fund
The \$1,054,857 deficit will be eliminated when the developer purchases the property or bonds are sold.
- 2010 Lefferson Road Sewer Fund
The \$100,000 deficit in this fund will be eliminated when special assessment bonds are issued.
- 2011 Sidewalk, Curb and Gutter Fund
When special assessment bonds are issued, the \$217,403 deficit in this fund will be eliminated.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property taxes, other than public utility taxes, are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at thirty-five per cent of appraised market value. All property is revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

The assessed value upon which the 2011 taxes were collected was \$844,276,100. The full tax rate for all City operations for the fiscal year ended December 31, 2011, was \$5.90 per \$1,000 of assessed valuation.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility property taxes are payable annually or semi-annually with the same dates as described under real property previously.

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

Property taxes receivable represents real and public utility taxes and outstanding delinquencies that are measurable as of December 31, 2011. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2011 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 6 - INCOME TAX

The City levies an income tax of 1.75 percent on substantially all earned income arising from employment, residency, or business activities inside the City. This income tax rate includes the Public Safety income tax levy of .25% passed by the voters in November 2007. The Public Safety income tax levy became effective January 1, 2008 and is effective for a period of five years. Employers within the City are required to withhold income tax on employee compensation and remit it to the City at least quarterly. Corporations and certain individual taxpayers are required to pay quarterly estimates with the largest corporations remitting monthly.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

| <i>GOVERNMENTAL ACTIVITIES</i> | | | | |
|--|--------------------------|--------------------|----------------------|-----------------------|
| <i>Capital Asset</i> | <i>Beginning Balance</i> | <i>Increase</i> | <i>Decrease</i> | <i>Ending Balance</i> |
| Capital assets, not being depreciated: | | | | |
| Land | \$13,395,365 | \$17,017 | (\$177,180) | \$13,235,202 |
| Construction in Progress | 1,074,874 | 2,612,238 | (1,021,539) | 2,665,573 |
| Total capital assets, not being depreciated | 14,470,239 | 2,629,255 | (1,198,719) | 15,900,775 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 749,923 | 30,442 | 0 | 780,365 |
| Buildings | 25,284,531 | 5,512,443 | (676,879) | 30,120,095 |
| Equipment | 20,477,390 | 1,498,021 | (716,551) | 21,258,860 |
| General infrastructure | 173,279,208 | 1,700,021 | 0 | 174,979,229 |
| Total capital assets, being depreciated | 219,791,052 | 8,740,927 | (1,393,430) | 227,138,549 |
| Total at Historical Cost | 234,261,291 | 11,370,182 | (2,592,149) | 243,039,324 |
| Less accumulated depreciation: | | | | |
| Land improvements | 295,962 | 31,272 | 0 | 327,234 |
| Buildings | 14,700,994 | 883,733 | (15,042) | 15,569,685 |
| Equipment | 13,754,445 | 1,988,764 | (665,061) | 15,078,148 |
| General infrastructure | <u>115,888,171</u> | <u>6,275,606</u> | <u>0</u> | <u>122,163,777</u> |
| Total depreciation | 144,639,572 | 9,179,375 | (680,103) | 153,138,844 |
| Capital Assets, Net | \$89,621,719 | \$2,190,807 | (\$1,912,046) | \$89,900,480 |

Depreciation was charged to governmental functions as follows:

| | |
|---------------------------|--------------------|
| Community environment | \$ 116,814 |
| General government | 2,186,556 |
| Leisure | 185,713 |
| Public health and welfare | 38,873 |
| Public safety | 450,118 |
| Streets and highways | <u>6,201,301</u> |
| Total | <u>\$9,179,375</u> |

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

| <i>BUSINESS-TYPE ACTIVITIES</i> | | | | |
|--|--------------------------|-------------------|-----------------|-----------------------|
| <i>Capital Asset</i> | <i>Beginning Balance</i> | <i>Increase</i> | <i>Decrease</i> | <i>Ending Balance</i> |
| Capital assets, not being depreciated: | | | | |
| Land | \$7,092,233 | \$149,999 | \$0 | \$7,242,232 |
| Construction in progress | 0 | 1,863,478 | 0 | 1,863,478 |
| Total capital assets, not being depreciated | 7,092,233 | 2,013,477 | 0 | 9,105,710 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 2,806,061 | 35,081 | 0 | 2,841,142 |
| Buildings | 28,897,705 | 22,575 | 0 | 28,920,280 |
| Equipment | 19,446,399 | 385,175 | 0 | 19,831,574 |
| General infrastructure | 72,930,900 | 945,453 | 0 | 73,876,353 |
| Total capital assets, being depreciated | 124,081,065 | 1,388,284 | 0 | 125,469,349 |
| Totals at Historical Cost | 131,173,298 | 3,401,761 | 0 | 134,575,059 |
| Less accumulated depreciation: | | | | |
| Land improvements | 2,012,697 | 148,060 | 0 | 2,160,757 |
| Buildings | 12,767,213 | 798,478 | 0 | 13,565,691 |
| Equipment | 13,064,574 | 1,183,126 | 0 | 14,247,700 |
| General infrastructure | 35,374,493 | 1,310,187 | 0 | 36,684,680 |
| <i>Total depreciation</i> | <i>63,218,977</i> | <i>3,439,851</i> | <i>0</i> | <i>66,658,828</i> |
| Total capital assets, being depreciated, net | 60,862,088 | (2,051,567) | 0 | 58,810,521 |
| Capital Assets, Net | \$67,954,321 | (\$38,090) | \$0 | \$67,916,231 |

Depreciation was charged to business-type activities as follows:

| | |
|-----------------|----------------|
| Water | \$ 1,228,519 |
| Sewer | 1,630,091 |
| Golf | 141,230 |
| Solid Waste | 2,084 |
| Non major funds | <u>437,927</u> |
| Total | \$3,439,851 |

NOTE 8 - PENSION PLANS

Eligible employees of the City of Middletown are covered by either the Ohio Public Employees Retirement System (OPERS) of Ohio or the Police and Fire Pension Fund (OP&F) of the State of Ohio.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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A. Public Employees Retirement System of Ohio

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

- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
- 2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- 3) The Combined Plan (CO) – a cost sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

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

The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2011, member and employer contributions were consistent across all three plans. While members in the state and local divisions may participate in all three plans, participating law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2011 member contribution rates were 10.0% of covered payroll for members in state and local classifications. Participating public safety and law enforcement members contributed 11.0% and 11.6% respectively.

The 2011 employer contribution rate for state and local employers was 14.0% of covered payroll. The Law enforcement and public safety division employer contribution was 18.1% of covered payroll.

The City of Middletown's contribution to OPERS for the years ending December 31, 2009, 2010, and 2011 were \$1,875,342, \$1,884,040, and \$1,730,055 respectively, equal to the required contributions billed to the City by OPERS.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

B. The Ohio Police and Fire Pension Fund

The City of Middletown contributes to the Ohio Police and Fire Pension Fund, 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. The 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. Middletown's contributions to OP&F for the years ending December 31, 2009, 2010, and 2011 were \$2,298,244, \$2,360,433, and \$2,417,947 respectively, or 100% of the required contributions.

Further post employment benefits are located in Note 15.

NOTE 9 - INCURRED BUT NOT REPORTED CLAIMS - HEALTH PLAN

The City of Middletown has a self-insured health plan that is accounted for in the Employee Benefits Fund. All full-time employees of the City are eligible to enroll in this plan which is administered by an independent Third Party Plan Administration Company. Claims incurred but not reported as of December 31, 2011, were calculated by the Plan Administrator based upon the City's claims experience over the past twelve months. The accounts payable liability recorded in the Employee Benefits Fund at year-end for claims incurred but not reported was \$916,076.

| Year | Beginning of Fiscal Year Liability | Current Year Claims & Changes In Estimate | Claims Payments | Balance At Fiscal Year End |
|------|--|---|--------------------|----------------------------------|
| 2010 | \$821,921 | \$5,085,921 | \$5,012,695 | \$895,147 |
| 2011 | \$895,147 | \$5,387,602 | \$5,366,673 | \$916,076 |

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 10 - LONG TERM OBLIGATIONS

Long-term obligation of the City as of December 31, 2011 are as follows:

A. GOVERNMENTAL ACTIVITIES

| | Balance, Beginning of Year | Additions | Reductions | Balance, End of Year | Due Within One Year |
|---------------------------------------|----------------------------------|------------------|------------------|-------------------------|------------------------|
| 1991 Street Improvements | \$ 20,000 | \$ 0 | \$ 20,000 | \$ 0 | \$ 0 |
| 1992 Street Improvements | 4,000 | 0 | 2,000 | 2,000 | 2,000 |
| 1993 Street Improvements | 21,000 | 0 | 7,000 | 14,000 | 7,000 |
| 1994 Street Improvements | 20,000 | 0 | 5,000 | 15,000 | 5,000 |
| 1995-1 Street Improvements | 55,000 | 0 | 10,000 | 45,000 | 10,000 |
| 1995-2 Street Improvements | 38,000 | 0 | 7,000 | 31,000 | 7,000 |
| 1996 Street Improvements | 85,000 | 0 | 10,000 | 75,000 | 15,000 |
| 1996 Sewer Imp.-Dick's Creek | 63,546 | 0 | 9,078 | 54,468 | 9,078 |
| 1996 Sewer Imp.-Cin/Dayton Rd. | 6,454 | 0 | 922 | 5,532 | 922 |
| 1997 Sophie Street Improvements | 110,000 | 0 | 15,000 | 95,000 | 15,000 |
| 1997 Dix Road Improvements | 90,000 | 0 | 10,000 | 80,000 | 10,000 |
| 1998 Lewis Street Improvements | 40,000 | 0 | 5,000 | 35,000 | 5,000 |
| 1999 Marshall Road Improvements | 260,000 | 0 | 25,000 | 235,000 | 25,000 |
| 2000 Burbank Street Improvements | 120,000 | 0 | 10,000 | 110,000 | 10,000 |
| 2001 Illinois/Longfellow Improve. | 134,381 | 0 | 10,853 | 123,528 | 10,853 |
| 2001 Dick's Creek | 76,907 | 0 | 5,628 | 71,279 | 5,628 |
| 2001 Oxford State Rd Water Line | 53,711 | 0 | 3,519 | 50,192 | 3,519 |
| 2001 Oxford State Rd Intersection | 38,000 | 0 | 3,000 | 35,000 | 3,000 |
| 2004 Roosevelt Ave. Improvements | 465,000 | 0 | 25,000 | 440,000 | 25,000 |
| 2006 Towne Blvd. Improvements | 490,000 | 0 | 10,000 | 480,000 | 15,000 |
| 2007 Breiel/Fiesta Sidewalk, Curb | 11,700 | 0 | 11,700 | 0 | 0 |
| 2007 Cincinnati Dayton Rd Sewer | 133,000 | 0 | 6,000 | 127,000 | 6,000 |
| 2007 Fiesta Storm Sewer | 3,943 | 0 | 600 | 3,343 | 600 |
| 2009 Sidewalk, Curb, & Gutter | 35,000 | 0 | 5,000 | 30,000 | 5,000 |
| 2010 Sidewalk, Curb, & Gutter | 0 | 321,191 | 0 | 321,191 | 61,191 |
| Total Special Assessment Bonds | \$2,374,642 | \$321,191 | \$217,300 | \$2,478,533 | \$256,791 |

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

| | Balance, Beginning of Year | Additions | Reductions | Balance, End of Year | Principal Due Within One Year | Interest Paid in 2011 |
|---------------------------------------|----------------------------------|--------------------|--------------------|-------------------------|-------------------------------------|--------------------------|
| <i>General Obligation Bonds:</i> | | | | | | |
| 2008 Transportation | \$ 843,742 | \$ 0 | \$ 275,804 | \$ 567,938 | \$ 283,062 | \$23,933 |
| 2008 Recreation | 143,452 | 0 | 46,892 | 96,560 | 48,126 | 4,069 |
| 2008 Street Improvements | 845,596 | 0 | 132,272 | 713,324 | 134,634 | 25,456 |
| 2008 Downtown Improvements | 6,307,848 | 0 | 620,312 | 5,687,536 | 636,424 | 210,916 |
| 2003 Court of Appeals | 2,890,000 | 0 | 180,000 | 2,710,000 | 185,000 | 109,388 |
| 2005 MRH Land | 4,060,000 | 0 | 245,000 | 3,815,000 | 255,000 | 169,474 |
| 2006 Towne Blvd/SR 122/I-75 | 660,000 | 0 | 35,000 | 625,000 | 35,000 | 27,018 |
| 2006 Towne Blvd. Extension | 2,270,000 | 0 | 155,000 | 2,115,000 | 150,000 | 91,436 |
| SR 122/I-75 Interchange | 6,295,000 | 0 | 240,000 | 6,055,000 | 245,000 | 247,173 |
| 2010 Downtown Parking Flat Lot | 995,000 | 0 | 80,000 | 915,000 | 85,000 | 26,732 |
| 2010 Greentree Health Science Academy | 5,205,000 | 0 | 0 | 5,205,000 | 100,000 | 267,019 |
| Premiums | 148,592 | 0 | 18,278 | 130,314 | 0 | 0 |
| Total General Obligation Bonds | \$30,664,230 | \$0 | \$2,028,558 | \$28,635,672 | \$2,157,246 | \$1,202,614 |
| Compensated Absences | 5,102,875 | 1,460,463 | 1,683,949 | 4,879,389 | 2,160,260 | 0 |
| Police & Fire Pension | | | | | | |
| Unfunded Accrued Liability | 2,261,342 | 0 | 97,741 | 2,163,601 | 97,741 | 0 |
| OPEB Death Benefit Obligation | 669,360 | 7,344 | 0 | 676,704 | 0 | 0 |
| Total Governmental Activities | \$41,072,449 | \$1,788,998 | \$4,027,548 | \$38,833,899 | \$4,672,038 | \$1,202,614 |

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

B. BUSINESS TYPE ACTIVITIES

| | Principal Balance, Beginning of Year | Additions | Reductions | Balance, End of Year | Principal Due Within One Year | Interest Paid in 2011 |
|---|---|-----------------|--------------------|-------------------------|-------------------------------------|-----------------------------|
| <i>General Obligation Bonds:</i> | | | | | | |
| 2008 Landfill "A" | \$ 669,135 | \$0 | \$ 218,728 | \$ 450,407 | \$ 224,484 | \$ 18,980 |
| 1994 Landfill "B" | 75,000 | 0 | 25,000 | 50,000 | 25,000 | 4,688 |
| 2008 Water | 668,669 | 0 | 218,576 | 450,093 | 224,328 | 18,967 |
| 2008 Golf Course | 944,404 | 0 | 147,728 | 796,676 | 150,366 | 28,431 |
| 2008 Water | 1,522,152 | 0 | 149,688 | 1,372,464 | 153,576 | 50,896 |
| 2003 Golf | 295,000 | 0 | 30,000 | 265,000 | 35,000 | 13,745 |
| 2008 Airport | 1,505,000 | 0 | 65,000 | 1,440,000 | 70,000 | 60,763 |
| 2008 Sewer | 7,040,000 | 0 | 310,000 | 6,730,000 | 315,000 | 284,100 |
| Premium | 233,686 | 0 | 20,685 | 213,001 | 0 | 0 |
| Total General Obligation Bonds Payable by Business Type Activities | \$12,953,046 | \$0 | \$1,185,405 | \$11,767,641 | \$1,197,754 | \$480,570 |
| Lease Obligation | 5,290,474 | 0 | 778,604 | 4,511,870 | 807,744 | 181,644 |
| Compensated Absences | 501,757 | 91,959 | 165,581 | 428,135 | 292,842 | 0 |
| OPEB Death Benefit Obligation | 145,870 | 1,600 | 0 | 147,470 | 0 | 0 |
| Total Business Type Activities | \$18,891,147 | \$93,559 | \$2,129,590 | \$16,855,116 | \$2,298,340 | \$662,214 |

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

LEASE OBLIGATION

The City entered into a \$8,023,623 eleven-year lease obligation in February 2006. The lease proceeds were used to replace almost all of the 18,000 commercial and residential water meters in Middletown. The monthly lease payments due are split evenly between the City's Water and Sewer Funds. The interest rate on this lease is 3.68%.

The City's legal debt margin was approximately \$71,439,000 at December 31, 2011. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2011 are as follows:

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

Police and Fire Pension Debt Schedule 12/31/11

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------|--------------------|--------------------|--------------------|
| 2012 | \$52,217 | \$45,524 | \$97,741 |
| 2013 | 52,217 | 45,524 | 97,741 |
| 2014 | 52,217 | 45,524 | 97,741 |
| 2015 | 52,217 | 45,524 | 97,741 |
| 2016 | 52,217 | 45,524 | 97,741 |
| 2017-2021 | 261,085 | 227,620 | \$488,705 |
| 2022-2026 | 261,085 | 227,620 | \$488,705 |
| 2027-2031 | 261,085 | 227,620 | \$488,705 |
| 2032-2036 | 111,583 | 97,198 | \$208,781 |
| Total | \$1,155,923 | \$1,007,678 | \$2,163,601 |

General Obligation and Assessment Bonds Schedule 12/31/11

| | <u>General Obligation Bonds</u> | | | <u>Assessment Bonds</u> | | |
|--------------|---------------------------------|---------------------|---------------------|-------------------------|------------------|--------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2012 | \$2,157,246 | \$1,152,729 | \$3,309,975 | \$256,791 | \$128,961 | \$385,752 |
| 2013 | 2,327,843 | 1,084,881 | \$3,407,724 | 259,700 | 113,055 | \$372,755 |
| 2014 | 2,058,424 | 1,012,448 | \$3,070,872 | 258,643 | 100,035 | \$358,678 |
| 2015 | 2,121,622 | 945,216 | \$3,066,838 | 278,700 | 86,600 | \$365,300 |
| 2016 | 2,193,152 | 871,635 | \$3,064,787 | 255,700 | 72,835 | \$328,535 |
| 2017-2021 | 9,647,072 | 3,137,986 | \$12,785,058 | 667,000 | 216,790 | \$883,790 |
| 2022-2026 | 5,035,000 | 1,442,286 | \$6,477,286 | 502,000 | 61,653 | \$563,653 |
| 2027-2031 | 2,965,000 | 445,515 | \$3,410,515 | 0 | 0 | \$0 |
| Total | \$28,505,358 | \$10,092,696 | \$38,593,055 | \$2,478,533 | \$779,929 | \$3,258,463 |

**BUSINESS TYPE FUNDS – General Obligation Bonds
Schedule - 12/31/11**

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------|---------------------|--------------------|---------------------|
| 2012 | \$1,197,754 | \$449,975 | \$1,647,729 |
| 2013 | 1,217,157 | 412,740 | 1,629,897 |
| 2014 | 761,576 | 374,906 | 1,136,482 |
| 2015 | 788,378 | 351,550 | 1,139,928 |
| 2016 | 811,848 | 325,360 | 1,137,208 |
| 2017-2021 | 3,062,928 | 1,226,531 | \$4,289,459 |
| 2022-2026 | 3,025,000 | 556,364 | \$3,581,364 |
| 2027 | 690,000 | 29,325 | \$719,325 |
| Total | \$11,554,640 | \$3,726,751 | \$15,281,392 |

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

| BUSINESS TYPE FUNDS – Lease Obligation | | | |
|---|--------------------|------------------|--------------------|
| Schedule 12/31/11 | | | |
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2012 | \$807,744 | \$152,503 | \$960,247 |
| 2013 | 837,975 | 122,272 | 960,247 |
| 2014 | 869,338 | 90,909 | 960,247 |
| 2015 | 901,875 | 58,372 | 960,247 |
| 2016 | 935,630 | 24,617 | 960,247 |
| 2017 | 159,308 | 733 | 160,041 |
| Total | \$4,511,870 | \$449,406 | \$4,961,276 |

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

The primary responsibility for the annual payments to special assessment bondholders is with the property owners on whose behalf the City has issued special assessment debt. The special assessments, which cover both principal and interest due, are collected by the Butler County Treasurer each year with the property owners' property tax payments. The collections are then sent to the City, which pays the principal and interest due. In the event of default, a lien is put on the property and it is eventually sold by the county at a tax sale. The City is then reimbursed for any special assessment bond payments it made. The City, therefore, does not maintain a reserve or sinking fund to meet its special assessment bond obligations.

The police and fire pension unfunded accrued liability represents the City's portion of the unfunded prior service cost of the fund which existed at the time the fund was established in 1967 as determined by actuarial evaluation. This accrued liability has and will continue to be paid over a term of sixty-seven years in annual installments which began in 1969 and which will end in 2034. The police and fire pension liability is paid through the police pension and fire pension Special Revenue Funds using unvoted general property tax revenue and income tax revenues.

NOTE 11 – DEFEASED DEBT

In 2008 the City defeased various bond issues by creating separate irrevocable trust funds. New debt had been issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's financial statements. As of December 31, 2011, the amount of defeased debt outstanding amounted to \$10,060,000.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 12 - SHORT-TERM OBLIGATIONS

There was one short-term obligation in 2011. A renewal of a \$2,056,916 general obligation note for land purchase bearing interest equal to the sum of the LIBOR rate for a One-Month LIBOR Period plus 2.0% per year was issued in January 2011. This note matures on March 31, 2013.

| Issue | Balance, Beginning of Year | Additions | Note Retirement | Note Issue | Balance, End of Year |
|--------------------|-------------------------------|-----------|--------------------|-------------|-------------------------|
| Land Purchase Note | \$2,056,916 | \$0 | \$2,056,916 | \$2,056,916 | \$2,056,916 |

NOTE 13 - INTERFUND RECEIVABLES AND PAYABLES

The City's interfund receivables and payables at the end of 2011 were comprised of operating advances from the General Fund to other operating funds (\$1,846,000); operating advances from the Housing Assistance Fund (\$50,000) to the Home Fund; and payments to the Municipal Garage Fund by the City operating funds for December 2011 services (\$273,970).

Inter-fund balances as of December 31, 2011 are as follows:

| Fund | Receivables | Payables |
|-------------------------------------|--------------------|--------------------|
| Governmental Funds: | | |
| General fund | \$1,846,000 | \$85,738 |
| Housing assistance | 50,000 | 0 |
| Non major government funds | 1,199 | 730,464 |
| Total governmental funds | 1,897,199 | 816,202 |
| Enterprise Funds: | | |
| Water | 0 | 43,509 |
| Sewer | 0 | 20,852 |
| Golf | 0 | 1,235,000 |
| Non major business type activities | 0 | 55,606 |
| Total enterprise funds | 0 | 1,354,967 |
| Internal Service Funds | | |
| Internal service funds | 273,970 | 0 |
| Total internal service funds | 273,970 | 0 |
| Total all funds | \$2,171,169 | \$2,171,169 |

NOTE 14 - CONTINGENT LIABILITY

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 15 - POST EMPLOYMENT BENEFITS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System has provided the following information pertaining to other postemployment benefits for health care costs in order to assist the City in complying with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Benefits*.

A. Plan Description

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay of a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. City Contributions

The City's actual contributions that were used to fund postemployment benefits were \$494,276, \$682,307, and \$659,149 for 2011, 2010 and 2009.

D. OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

OHIO POLICE AND FIRE PENSION FUND

The Ohio Police and Fire Pension Fund has provided the following information pertaining to other postemployment benefits for health care costs in order to assist the City in complying with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Benefits*.

A. Plan Description

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

B. Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. City Contributions

The City's contributions to OP&F that were used to pay for postemployment benefits for the years ending December 31, 2009, 2010, and 2011 were \$711,628, \$732,449 and \$749,292, respectively, which is 100% of the required contributions for each year.

Life Insurance Benefit

Other Postemployment Benefit Obligations

The City has adopted GASB 45. GASB 45 attempts to recognize the cost of the other postemployment benefits during the period when services of the employees are received by the employer. It also provides information about the actuarial accrued liabilities for promised benefits associated with past services and whether and to what extent those benefits have been funded.

The City offers insurance (death benefits) coverage for their retirees with the exception of non-organized employees hired after January 1, 2010. These benefits are in addition to the normal PERS and OP&F

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

OPEB benefits currently being received by employees and retirees. These benefits have been determined by the City to represent an OPEB obligation as described by GASB 45. Plan provisions and benefits are described as follows:

| | |
|-----------------------------------|---|
| <i>Type of Plan:</i> | Single-employer, defined benefit OPEB plan maintained by the City |
| <i>Type of retirement:</i> | <i>Benefits:</i> |
| Regular retirements | \$5,000 insurance coverage for the rest of the life of the retiree |
| Disability retirements | \$5,000 insurance coverage to age 75, then \$2,000 insurance coverage for the rest of the life of the retiree |
| Retirees with waived coverage | Insurance coverage in the amount currently waived continues for the rest of the life of the retiree |

Plan participants are not required to contribute to the plan. The required contribution rate for the City is 100% of the cost associated with paying the premiums to an insurance carrier to provide coverage for eligible plan participants.

| | 12/31/2009 | 12/31/2010 | 12/31/2011 |
|--|------------|------------|------------|
| Plan Assets | \$ - | \$ - | \$ - |
| Actuarial Unfunded Liability | \$ 779,746 | \$ 815,230 | \$ 824,174 |
| Funded Ratio | 0.00% | 0.00% | 0.00% |
| Annual Required Contribution (ARC) | \$ 69,736 | \$ 74,278 | \$ 75,092 |
| Interest on Net OPEB Obligation | 2,850 | 5,518 | 8,349 |
| ARC Adjustment | (4,277) | (8,586) | (12,524) |
| Annual OPEB Cost | 68,309 | 71,210 | 70,917 |
| City Contributions Made | 23,836 | 24,031 | 48,275 |
| Change in Net OPEB Obligation | 44,473 | 47,179 | 22,642 |
| Net OPEB Obligation, Beginning of Year | 47,497 | 91,970 | 139,149 |
| Net OPEB Obligation, End of Year | \$ 91,970 | \$ 139,149 | \$ 161,791 |

Key actuarial results and contribution requirements are described as follows:

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

VALUATION ASSUMPTIONS

| | |
|---|---|
| Mortality table | 1983 Group Annuity Mortality Table (separate tables for males and females) |
| Withdrawal (termination) rates | 0% |
| Discount rates (interest rate) | 6.0% compounded annually |
| Inflation rate | 3.0% compounded annually |
| Valuation assets | At this time, it is anticipated that life insurance company premiums will be paid when they become due for the retirees. No assets have been set aside by the City for any pre-funding. |
| Expense and/or contingency loading | None |
| Amortization method | 18-year amortization of unfunded liability |
| Remaining amortization period | 14 years as of December 31, 2011 |
| Date of most recent actuarial valuation | January 1, 2010 |
| Post-retirement benefit increases | None assumed |

ACTUARIAL METHODS

| | |
|-----------------------|--|
| Actuarial cost method | Single premium fully paid up life insurance method – under this method, the present value of projected benefits are determined as though a single premium fully paid up life insurance policy was being purchased for each retiree. The accrued liability is the total of all these “single premiums.” |
| Valuation assets | At this time, it is anticipated that life insurance company premiums will be paid when they become due for the retirees. No assets have been set aside by the City for any pre-funding. |

The City’s OPEB plan does not issue a stand-alone financial report.

Further, as required by GASB 45, additional schedules, including a schedule of funding progress have been included and are presented as part of required supplementary information.

NOTE 16 - RISK MANAGEMENT

The City/Government is exposed to various risks of property and casualty losses, and injuries to employees. The Government insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2011, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2011 and 2010:

| <u>Casualty & Property Coverage</u> | <u>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|
| Assets | \$33,362,404 | \$34,952,010 |
| Liabilities | <u>(14,187,273)</u> | <u>(14,320,812)</u> |
| Net Assets - Unrestricted | <u>\$19,175,131</u> | <u>\$20,631,198</u> |

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$12.1 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. At December 31, 2011, the government's share of these unpaid claims collectible in future years is approximately \$546,000.

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

| Contributions to PEP | |
|----------------------|-----------|
| 2007 | \$454,763 |
| 2008 | \$482,205 |
| 2009 | \$537,813 |
| 2010 | \$533,108 |
| 2011 | \$586,979 |

After one year of membership, a member may withdraw on each anniversary of the date joining PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 17 - SIGNIFICANT CONTRACTUAL OBLIGATIONS

As of December 31, 2011, the City of Middletown has entered into the following contracts to be paid from the City's Capital Project and Enterprise Funds:

| Vendor | Purpose | Amount Remaining |
|--------------------------------|---|---------------------|
| Demmy Sand & Gravel LLC | Yankee Road improvements | \$2,939,110 |
| Barrett Paving Materials Inc | Local street improvements | 1,793,710 |
| Mark Spaulding Construction Co | Municipal Court renovation | 996,690 |
| ATC Associates Inc | Brownsfield grant applications & demolition | 312,069 |
| Barry L Brown Paving | Bike path construction | 303,620 |
| R A Miller Construction | Local street improvements | 300,633 |
| Chemco Systems LP | Lime slaker replacement | 145,500 |
| Butler County Regional Transit | Bus shuttle service | 127,417 |
| Parsons Brinckerhoff | Transit route study | 85,335 |
| Evans Landscaping Inc | Demo and abatement for demolition | <u>68,098</u> |
| | Total | <u>\$7,072,182</u> |

NOTE 18 - RELATED ORGANIZATION

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

NOTE 19 – LOAN RECEIVABLE

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 20 – CONDUIT DEBT

The City of Middletown authorized the issuance of \$85,000,000 in hospital facilities revenue bonds in late November 2006. These bonds were used to finance the construction and the equipping of the new Atrium Medical Center. Atrium issued another debt series in 2007 for \$110,000,000. Atrium replaced the 2007 issue with a 2008 Bond series which totals \$111,000,000. In 2010, Atrium called \$1,850,000 of the 2008 debt and replaced the 2006 debt series with an \$85,000,000 issue. In 2011, Atrium called \$2,425,000 of the 2008 debt issue. Atrium Medical Center will repay the remainder of the debt; the City of Middletown is not obligated for this debt.

City of Middletown conduit debt issues outstanding at December 31, 2011 include:

- \$10,940,000 demand revenue bonds issued on behalf of Fenwick High School in 2003,
- \$185,975,000 hospital facilities revenue bonds issued on behalf of Atrium Medical Center.

NOTE 21- JOINT ECONOMIC DEVELOPMENT DISTRICTS

The City of Middletown participates in a Joint Economic Development District (JEDD) with Liberty Township and the City of Mason. The JEDD is located entirely within Liberty Township, Butler County, Ohio near State Route 129. The purpose of the JEDD is to facilitate the development of jobs and employment opportunities along with improving the welfare of people in the State of Ohio and the area of the contracting parties. The JEDD creates a Board of Directors which consists of a Municipal Member, a Liberty Township member, a member who represents the owners of the businesses within the JEDD, a member who represents the persons working within the JEDD, and one member who is selected by the above members who serves as chairperson.

The proceeds of the JEDD are used to pay a portion of the costs associated with the Liberty Interchange, the provision of public services such as police and fire protection, and to provide for improvements in connector roads that benefit the JEDD.

The joint venture between the governmental entities is defined in the following manner:

- Liberty Township receives 83% of the net income tax revenues collected.
- The City of Mason receives 15% of the net income tax revenues collected.
- The City of Middletown receives 2% of the net income tax revenues collected.

The City of Middletown administers and collects income tax for the JEDD and reports monthly and quarterly to the contracting parties. The City of Middletown receives 5% of the gross income tax collected and absorbs all reasonable costs associated with the collection of these income taxes.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 22 – ADOPTION OF NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

In 2011, the City implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The implementation of this statement resulted in the reclassification and restatement of the City’s financial statements as the Termination Pay Fund, formerly a Special Revenue Fund, must now be combined with the General Fund as it does not meet the definition of a special revenue fund under GASB 54.

The following reclassification and restatements have been made to the City’s financial statements as a result of implementing GASB 54.

| | General Fund | Other Non-major Governmental Funds |
|---|----------------------|--|
| December 31, 2010 fund balances, as previously reported | \$ 12,039,798 | \$ 14,714,495 |
| Prior period adjustment as a result of adopting GASB 54 | 539,975 | (539,975) |
| Restated fund balances, December 31, 2010 | <u>\$ 12,579,773</u> | <u>\$ 14,174,520</u> |

NOTE 23 – FUND BALANCE

The fund balances for all governmental funds are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. The constraints placed on the fund balance for the major governmental funds and all other non-major governmental funds are presented as follows:

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

| Fund Balances | General Fund | Housing Assistance Fund | Special Assessment Debt Service Fund | Capital Improvements Fund | Non-major Governmental Funds | Total Governmental Funds |
|----------------------------|---------------|-------------------------------|---|---------------------------------|------------------------------------|--------------------------------|
| Nonspendable | | | | | | |
| Inventory of supplies | 13,216 | | | | 667,432 | 680,648 |
| Interfund loans | 1,846,000 | | | | | 1,846,000 |
| Total Nonspendable | 1,859,216 | - | - | - | 667,432 | 2,526,648 |
| Restricted for | | | | | | |
| Capital improvements | | | | 1,016,419 | 151,021 | 1,167,440 |
| Debt service | | | 114,160 | | - | 114,160 |
| Purposes allowed by | | | | | | |
| TIF agreement | | | | | 723,531 | 723,531 |
| Housing assistance | | 1,790,125 | | | | 1,790,125 |
| Recreation | | | | | 92,293 | 92,293 |
| Community Development | | | | | 3,035,242 | 3,035,242 |
| Public health | | | | | 62,498 | 62,498 |
| Public safety | 2,104,627 | | | | 2,126,237 | 4,230,864 |
| Roads | | | | | 1,339,706 | 1,339,706 |
| Total Restricted | 2,104,627 | 1,790,125 | 114,160 | 1,016,419 | 7,530,528 | 12,555,859 |
| Committed | | | | | | |
| Capital improvements | | | | | 712,066 | 712,066 |
| Retirement benefits | 572,139 | | | | | 572,139 |
| Debt service | | | | | 214,674 | 214,674 |
| Purchase of capital assets | | | | | 1,831,872 | 1,831,872 |
| Total Committed | 572,139 | - | - | - | 2,758,612 | 3,330,751 |
| Assigned | | | | | | |
| Other purposes | 344,239 | | | | | 344,239 |
| Total Assigned | 344,239 | - | - | - | - | 344,239 |
| Unassigned (deficit) | 6,955,464 | | | | (1,536,331) | 5,419,133 |
| Total Fund Balances | \$ 11,835,685 | \$1,790,125 | \$ 114,160 | \$ 1,016,419 | \$ 9,420,241 | \$ 24,176,630 |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|---|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Property taxes | \$ 3,373,201 | \$ 3,373,201 | \$ 3,014,614 | \$ (358,587) |
| Municipal income taxes | 14,714,063 | 15,698,414 | 15,154,732 | (543,682) |
| Intergovernmental revenue | 4,027,620 | 4,027,620 | 3,647,827 | (379,793) |
| Charges for services | 4,377,041 | 4,377,041 | 4,249,904 | (127,137) |
| Fees, licenses, and permits | 188,030 | 188,030 | 224,286 | 36,256 |
| Fines and forfeits | 259,300 | 259,300 | 172,544 | (86,756) |
| Interest earnings | 178,720 | 178,720 | 114,308 | (64,412) |
| Miscellaneous | 1,114,669 | 1,114,669 | 1,244,166 | 129,497 |
| Total revenues | 28,232,644 | 29,216,995 | 27,822,381 | (1,394,614) |
| Expenditures: | | | | |
| Current | | | | |
| Community Environment | | | | |
| Community revitalization administration | | | | |
| Personal services | 174,532 | 175,048 | 175,030 | 18 |
| Other | 12,500 | 12,500 | 12,100 | 400 |
| Neighborhood improvement | | | | |
| Personal services | 124,482 | 124,995 | 120,656 | 4,339 |
| Other | 159,268 | 159,268 | 157,232 | 2,036 |
| Community development | | | | |
| Personal services | 392,948 | 395,032 | 380,136 | 14,896 |
| Street lighting | | | | |
| Other | 754,059 | 754,059 | 694,690 | 59,369 |
| Termination pay | | | | |
| Personal services | 15,000 | 15,000 | 3,511 | 11,489 |
| Total community environment | 1,632,789 | 1,635,902 | 1,543,355 | 92,547 |
| Leisure Activities | | | | |
| Community center | | | | |
| Personal services | 180,012 | 180,069 | 125,186 | 54,883 |
| Other | 107,362 | 107,362 | 84,661 | 22,701 |
| Parks maintenance | | | | |
| Personal services | 425,122 | 427,875 | 424,006 | 3,869 |
| Other | 368,589 | 368,589 | 334,271 | 34,318 |
| Termination pay | | | | |
| Personal services | 7,000 | 7,000 | - | 7,000 |
| Total leisure activities | 1,088,085 | 1,090,895 | 968,124 | 122,771 |

continued

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|----------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| Public Safety | | | | |
| Fire administration | | | | |
| Personal services | 192,277 | 191,755 | 194,289 | (2,534) |
| Other | 10,960 | 8,460 | 6,086 | 2,374 |
| Fire operations | | | | |
| Personal services | 6,871,873 | 6,932,798 | 6,759,169 | 173,629 |
| Other | 1,041,202 | 1,041,202 | 1,036,888 | 4,314 |
| Fire prevention/training | | | | |
| Personal services | 216,414 | 215,321 | 203,961 | 11,360 |
| Other | 7,017 | 5,017 | 4,145 | 872 |
| Police administration | | | | |
| Personal services | 247,415 | 248,590 | 241,993 | 6,597 |
| Other | 93,750 | 93,750 | 88,882 | 4,868 |
| Criminal investigation | | | | |
| Personal services | 1,493,365 | 1,497,587 | 1,504,622 | (7,035) |
| Other | 20,000 | 20,000 | 19,993 | 7 |
| Uniform patrol | | | | |
| Personal services | 5,362,530 | 5,389,752 | 5,175,881 | 213,871 |
| Other | 937,290 | 937,290 | 899,449 | 37,841 |
| Police services | | | | |
| Personal services | 366,823 | 368,665 | 344,145 | 24,520 |
| Other | 12,041 | 12,041 | 6,484 | 5,557 |
| Police and fire dispatch | | | | |
| Personal services | 1,081,015 | 1,084,833 | 1,003,380 | 81,453 |
| Other | 85,680 | 85,680 | 63,735 | 21,945 |
| Humane officer | | | | |
| Personal services | 56,867 | 57,192 | 29,774 | 27,418 |
| Other | 42,020 | 42,020 | 20,510 | 21,510 |
| Jail management | | | | |
| Personal services | 844,082 | 848,314 | 835,743 | 12,571 |
| Other | 314,513 | 314,513 | 307,004 | 7,509 |
| School crossing guards | | | | |
| Personal services | 17,000 | 17,214 | 12,882 | 4,332 |
| Building inspection and services | | | | |
| Personal services | 182,545 | 191,638 | 189,948 | 1,690 |
| Other | 79,832 | 79,832 | 70,499 | 9,333 |
| Building maintenance | | | | |
| Personal services | 235,078 | 235,991 | 224,709 | 11,282 |
| Other | 229,389 | 229,389 | 228,498 | 891 |
| Termination pay | | | | |
| Personal services | 400,000 | 400,000 | 340,987 | 59,013 |
| Total public safety | 20,440,978 | 20,548,844 | 19,813,656 | 735,188 |

continued

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|---------------------------------|--------------------|------------------|------------------|----------------------------------|
| General Government | | | | |
| City council | | | | |
| Personal services | 160,713 | 161,486 | 159,042 | 2,444 |
| Other | 66,285 | 66,285 | 45,912 | 20,373 |
| City manager | | | | |
| Personal services | 216,643 | 217,858 | 217,711 | 147 |
| Other | 12,157 | 12,157 | 9,480 | 2,677 |
| Finance administration | | | | |
| Personal services | 194,933 | 195,929 | 194,117 | 1,812 |
| Other | 35,775 | 35,775 | 22,785 | 12,990 |
| Treasurer | | | | |
| Personal services | 178,943 | 186,375 | 185,924 | 451 |
| Other | 19,173 | 12,673 | 7,721 | 4,952 |
| Taxation | | | | |
| Personal services | 504,466 | 469,400 | 468,485 | 915 |
| Other | 35,001 | 72,001 | 71,055 | 946 |
| Information systems | | | | |
| Personal services | 576,687 | 579,437 | 549,604 | 29,833 |
| Other | 96,779 | 96,779 | 75,565 | 21,214 |
| Personnel | | | | |
| Personal services | 225,765 | 152,161 | 141,578 | 10,583 |
| Other | 191,235 | 275,161 | 217,352 | 57,809 |
| Law | | | | |
| Personal services | 506,952 | 508,179 | 394,426 | 113,753 |
| Other | 57,642 | 57,642 | 53,197 | 4,445 |
| Purchasing | | | | |
| Personal services | 58,763 | 59,130 | 56,820 | 2,310 |
| Other | 2,832 | 2,832 | 1,771 | 1,061 |
| Planning | | | | |
| Personal services | 353,870 | 355,645 | 312,815 | 42,830 |
| Other | 53,196 | 53,196 | 51,126 | 2,070 |
| Economic development | | | | |
| Personal services | 216,379 | 147,449 | 130,252 | 17,197 |
| Other | 51,160 | 121,160 | 109,350 | 11,810 |
| Engineering | | | | |
| Personal services | 705,029 | 708,571 | 633,379 | 75,192 |
| Other | 61,742 | 61,742 | 53,423 | 8,319 |
| Termination pay | | | | |
| Personal services | 25,000 | 25,000 | 18,193 | 6,807 |
| Total general government | 4,607,120 | 4,634,023 | 4,181,083 | 452,940 |

continued

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|---|---------------------|---------------------|---------------------|----------------------------------|
| Miscellaneous | | | | |
| Non-departmental | | | | |
| Personal services | 21,000 | 21,000 | 20,675 | 325 |
| Other | 1,561,620 | 1,561,620 | 1,351,625 | 209,995 |
| Total miscellaneous | 1,582,620 | 1,582,620 | 1,372,300 | 210,320 |
| Total expenditures | 29,351,592 | 29,492,284 | 27,878,518 | 1,613,766 |
| Excess of revenues over (under) expenditures | (1,118,948) | (275,289) | (56,137) | 219,152 |
| Other financing sources (uses) | | | | |
| Loans to other funds | - | - | (669,000) | (669,000) |
| Transfers-out | (99,000) | (99,000) | (89,100) | 9,900 |
| Other uses | - | - | (109,952) | (109,952) |
| Total other financing sources (uses) | (99,000) | (99,000) | (868,052) | (769,052) |
| Net change in fund balance | (1,217,948) | (374,289) | (924,189) | (549,900) |
| Fund balance, beginning of year | 9,638,382 | 9,638,382 | 9,638,382 | - |
| Appropriation for prior year encumbrances | 459,205 | 459,205 | 459,205 | - |
| Fund balance, end of the year | \$ 8,879,639 | \$ 9,723,298 | \$ 9,173,398 | \$ (549,900) |

See notes to the required supplementary informaton.

**CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 HOUSING ASSISTANCE FUND
 FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| Revenues: | | | | |
| Intergovernmental revenue | \$ 11,852,918 | \$ 11,852,918 | \$ 10,702,927 | \$ (1,149,991) |
| Interest earnings | 22,600 | 22,600 | 3,286 | (19,314) |
| Miscellaneous | 70,000 | 70,000 | 76,201 | 6,201 |
| Total revenues | 11,945,518 | 11,945,518 | 10,782,414 | (1,163,104) |
| Expenditures: | | | | |
| Current | | | | |
| Community Environment | | | | |
| Other | 12,055,723 | 12,055,723 | 11,606,347 | 449,376 |
| Total expenditures | 12,055,723 | 12,055,723 | 11,606,347 | 449,376 |
| Excess of revenues over (under) expenditures | (110,205) | (110,205) | (823,933) | (713,728) |
| Other financing sources (uses): | | | | |
| Other sources | - | - | 10,777 | 10,777 |
| Total other financing sources | - | - | 10,777 | 10,777 |
| Net change in fund balance | (110,205) | (110,205) | (813,156) | (702,951) |
| Fund balance, beginning of the year | 2,435,356 | 2,435,356 | 2,435,356 | - |
| Fund balance, end of the year | \$ 2,325,151 | \$ 2,325,151 | \$ 1,622,200 | \$ (702,951) |

See notes to the required supplementary informaton.

**CITY OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
GASB 45 SCHEDULES
DECEMBER 31, 2011**

LIFE INSURANCE PLAN FOR RETIREES

Schedule of Funding Progress

| Valuation Date | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) (3)-(2) | Funded Ratio (2)/(3) |
|-----------------|---------------------------------|-----------------------------------|--|-------------------------|
| 1 | 2 | 3 | 4 | 5 |
| January 1, 2009 | \$0 | \$774,478 | \$774,478 | 0% |
| January 1, 2010 | \$0 | \$779,746 | \$779,746 | 0% |
| January 1, 2011 | \$0 | \$815,230 | \$815,230 | 0% |

Schedule of Employer Contributions

| Fiscal Year | Annual Required Contribution | Premiums Paid | Percentage Contributed |
|-------------|------------------------------|---------------|------------------------|
| 1 | 2 | 3 | 4=3/2 x 100% |
| 2009 | \$69,736 | \$23,836 | 34.18% |
| 2010 | \$74,278 | \$24,031 | 32.35% |
| 2011 | \$75,092 | \$48,275 | 64.29% |

Net Other Postemployment Benefit (OPEB) Balance

| Valuation Date | ARC | Interest on Net OPEB Obligation | ARC Adjustment (UAAL) (3)-(2) | Annual OPEB Cost | Contribution | Change in Net OPEB Obligation | Net OPEB Obligation Balance |
|-----------------|----------|---------------------------------|----------------------------------|------------------|--------------|-------------------------------|-----------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| January 1, 2009 | \$69,736 | 2,850 | (4,277) | 68,309 | \$23,836 | \$44,473 | \$91,970 |
| January 1, 2010 | \$74,278 | 5,518 | (8,586) | 71,210 | \$24,031 | \$47,179 | \$139,149 |
| January 1, 2011 | \$75,092 | 8,349 | (12,524) | 70,917 | \$48,275 | \$22,642 | \$161,791 |

See notes to the required supplementary information.

CITY OF MIDDLETOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011

NOTE 1 - BUDGETARY ACCOUNTING

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

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

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

| | General Fund | Housing Assistance |
|---|---------------------|---------------------------|
| GAAP basis (as reported) | (\$744,088) | (\$534,540) |
| Adjustments: revenue and other source accruals | 1,039,325 | (350,026) |
| Expenditures, encumbrances and other use accruals | (1,219,426) | 71,410 |
| Budget basis | (\$924,189) | (\$813,156) |

NOTE 2 - LIFE INSURANCE BENEFITS

The life insurance (other post employment benefits) liability was determined in connection with actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is as follows:

| | |
|-----------------------------------|--|
| Valuation Date | January 1, 2010 |
| Actuarial Cost Method | Single Premium Fully Paid Up Life Insurance Method |
| Amortization Method | 18-year amortization payment of unfunded |
| Remaining Amortization Period | 14 years |
| Asset Valuation Method | Insurance company premium paid when due. No pre-funding. |
| Actuarial Assumptions: | |
| Mortality Table | 1083 Group Annuity Mortality Table (Separate tables for males and females) |
| Discount Rate (Interest Rate) | 6.0% per annum, compounded annually |
| Inflation Rate | 3.0% per annum, compounded annually |
| Post Retirement Benefit Increases | None Assumed |

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2011**

SPECIAL REVENUE FUNDS:

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

Non Major Special Revenue Funds:

AUTO AND GAS TAX FUND

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

ACQUISITION FOR PARKS FUND

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

HEALTH FUND

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

EMERGENCY MEDICAL SERVICES FUND (EMS)

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

URBAN DEVELOPMENT ACTION GRANT (UDAG) FUND

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

COURT COMPUTERIZATION FUND

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

LAW ENFORCEMENT FUND

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

MANDATORY DRUG FINE FUND

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

PROBATION SERVICES FUND

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

INDIGENT DRIVER ALCOHOL TREATMENT FUND

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

ENFORCEMENT/EDUCATION FUND

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

CIVIC DEVELOPMENT FUND

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

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2011**

Non Major Special Revenue Funds continued:

MUNICIPAL COURT FUND

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

POLICE GRANT FUND

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

COURT INDIGENT DRIVERS INTERLOCK AND ALCOHOL MONITORING FUND

To accumulate funds for account for the alcohol/drug monitoring component of the court costs and fees collected by the Municipal Court.

COURT SPECIAL PROJECTS FUND

To accumulate funds for projects designated by the Municipal Court.

POOL FUND

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

HOME PROGRAM FUND

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

COMMUNITY DEVELOPMENT FUND

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

COMMUNITY DEVELOPMENT ESCROW FUND

To account for federal monies received through the City's Community Development Block grants for providing low interest bearing rehabilitation loans to lower income property owners in targeted areas.

POLICE PENSION FUND

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

FIRE PENSION FUND

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

NEIGHBORHOOD STABILIZATION PROGRAM FUND

To account for monies received from the Department of Housing and Urban Development, as a result of the Housing and Economic Recovery Act of 2008, for specific neighborhood stabilization projects in concert with the City's community development block grant.

AMERICAN RECOVERY & REINVESTMENT ACT (ARRA) GRANT FUND

To account for financial assistance received from the Department of Housing and Urban Development, as a result of the American Recovery and Reinvestment Act of 2009, for specific community development block grant activities for efforts to stabilize neighborhoods and jobs.

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2011**

Non Major Special Revenue Funds continued:

CONSERVANCY FUND

To account for monies received for flood control efforts managed by the Miami Conservancy District.

NUISANCE ABATEMENT FUND

To account for financial assistance received from the Department of Housing and Urban Development, as a result of the American Recovery and Reinvestment Act of 2009, for specific community development block grant activities for efforts to stabilize neighborhoods and jobs.

DEBT SERVICE FUNDS:

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

Non Major Debt Service Funds:

GENERAL OBLIGATION DEBT SERVICE FUND

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

EAST END/TOWNE BOULEVARD TAX INCREMENT FINANCING DISTRICT FUND

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

DOWNTOWN TAX INCREMENT FINANCING DISTRICT FUND

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

AERONCA TAX INCREMENT FINANCING DISTRICT FUND

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

AIRPORT/RIVERFRONT TAX INCREMENT FINANCING DISTRICT FUND

To account for the tax increment payments that will be used to retire debt associated with the redevelopment of this district.

MILLER ROAD NORTH TAX INCREMENT FINANCING DISTRICT FUND

To account for the tax increment payments that will be used to retire debt associated with the redevelopment of this district.

TOWNE MALL/HOSPITAL TAX INCREMENT FINANCING DISTRICT FUND

To account for the tax increment payments that will be used to retire debt associated with the redevelopment of this district.

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2011**

Non Major Debt Service Funds continued:

RENAISSANCE NORTH TAX INCREMENT FINANCING DISTRICT FUND

To account for the tax increment payments that will be used to retire debt associated with the redevelopment of this district.

RENAISSANCE SOUTH TAX INCREMENT FINANCING DISTRICT FUND

To account for the tax increment payments that will be used to retire debt associated with the redevelopment of this district.

MANCHESTER ROAD TAX INCREMENT FINANCING DISTRICT FUND

To account for the tax increment payments that will be used to retire debt associated with the redevelopment of the Manchester Road area.

MADE INDUSTRIAL PARK TAX INCREMENT FINANCING DISTRICT FUND

To account for the tax increment payments that will be used to retire debt associated with the redevelopment of the Made Industrial Park area.

CAPITAL PROJECT FUNDS:

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

Non Major Capital Project Funds:

EAST END DEVELOPMENT FUND

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

DOWNTOWN IMPROVEMENTS FUND

To account for improvement projects in the downtown area.

COMPUTER REPLACEMENT FUND

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

PROPERTY DEVELOPMENT FUND

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

2010 SIDEWALK, CURB AND GUTTER FUND

To accumulate costs for the 2010 sidewalk project for designated areas. Property owners will be assessed for this project.

LEFFERSON ROAD SEWER SPECIAL ASSESSMENT FUND

To accumulate costs for this improvement program for repairs and/or replacement of curb and sanitary sewer lines. Property owners will be partially assessed for this project.

2011 SIDEWALK, CURB AND GUTTER FUND

To accumulate costs for the 2011 sidewalk project. Property owners will be assessed for this project.

**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2011**

| | Non Major Special Revenue Funds | Non Major Debt Service Funds | Non Major Capital Project Funds | Total Non Major Governmental Funds |
|--|--|---|--|---|
| Assets: | | | | |
| Cash and equity in pooled cash, deposits and investments | \$ 5,440,391 | \$ 938,205 | \$ 3,635,349 | \$ 10,013,945 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Property taxes | 494,858 | - | - | 494,858 |
| Accounts | 178,627 | - | 189,090 | 367,717 |
| Loans | 1,618,494 | - | - | 1,618,494 |
| Special assessments | 280,000 | - | - | 280,000 |
| Payment in lieu of taxes | - | 490,900 | - | 490,900 |
| Due from other funds | 1,199 | - | - | 1,199 |
| Due from other governments | 2,310,865 | 9,866 | - | 2,320,731 |
| Inventory of supplies | 667,432 | - | - | 667,432 |
| Total assets | \$ 10,991,866 | \$ 1,438,971 | \$ 3,824,439 | \$ 16,255,276 |
| Liabilities: | | | | |
| Accounts payable | \$ 317,791 | \$ - | \$ 34,824 | \$ 352,615 |
| Accrued wages and benefits | 62,490 | - | - | 62,490 |
| Other accrued liabilities | 103,156 | - | - | 103,156 |
| Due to other funds | 320,464 | - | 410,000 | 730,464 |
| Due to other governments | 141,901 | - | - | 141,901 |
| Notes payable | - | - | 2,056,916 | 2,056,916 |
| Deferred revenue | 2,886,727 | 500,766 | - | 3,387,493 |
| Total liabilities | 3,832,529 | 500,766 | 2,501,740 | 6,835,035 |
| Fund balances: | | | | |
| Nonspendable | 667,432 | - | - | 667,432 |
| Restricted | 6,655,976 | 723,531 | 151,021 | 7,530,528 |
| Committed | - | 214,674 | 2,543,938 | 2,758,612 |
| Unassigned | (164,071) | - | (1,372,260) | (1,536,331) |
| Total fund balances | 7,159,337 | 938,205 | 1,322,699 | 9,420,241 |
| Total liabilities and fund balances | \$ 10,991,866 | \$ 1,438,971 | \$ 3,824,439 | \$ 16,255,276 |

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | Non Major Special Revenue Funds | Non Major Debt Service Funds | Non Major Capital Project Funds | Total Non Major Governmental Funds |
|---|--|---|--|---|
| Revenues: | | | | |
| Property taxes | \$ 501,815 | \$ - | \$ - | \$ 501,815 |
| Municipal income taxes | 3,014,000 | 2,425,755 | 8,000 | 5,447,755 |
| Other taxes | - | 1,116,194 | - | 1,116,194 |
| Intergovernmental revenues | 4,863,807 | 115,758 | 185,438 | 5,165,003 |
| Charges for services | 205,517 | - | - | 205,517 |
| Fines and forfeits | 1,723,362 | - | - | 1,723,362 |
| Special assessments | 187,785 | - | 83,708 | 271,493 |
| Investment income | 16,091 | - | 42,156 | 58,247 |
| Miscellaneous | 487,093 | 289,388 | 280,889 | 1,057,370 |
| Total revenues | 10,999,470 | 3,947,095 | 600,191 | 15,546,756 |
| Expenditures: | | | | |
| Current | | | | |
| Public safety | 5,214,811 | - | - | 5,214,811 |
| Public health and welfare | 744,547 | - | - | 744,547 |
| Leisure time activities | 30,245 | - | - | 30,245 |
| Community environment | 1,791,644 | - | 5,798,530 | 7,590,174 |
| Highways and streets | 2,632,162 | - | 239,666 | 2,871,828 |
| General government | - | - | 191,579 | 191,579 |
| Miscellaneous | 222,334 | 656,133 | - | 878,467 |
| Debt service | | | | |
| Principal retirement | - | 2,010,280 | - | 2,010,280 |
| Interest and fiscal charges | - | 1,200,605 | 65,804 | 1,266,409 |
| Total expenditures | 10,635,743 | 3,867,018 | 6,295,579 | 20,798,340 |
| Excess of revenues over (under) expenditures | 363,727 | 80,077 | (5,695,388) | (5,251,584) |
| Other financing sources (uses): | | | | |
| Transfers-in | - | - | 160,678 | 160,678 |
| Sale of bonds | - | - | 321,191 | 321,191 |
| Premium on bonds | - | - | 15,436 | 15,436 |
| Total other financing sources (uses) | - | - | 497,305 | 497,305 |
| Net change in fund balances | 363,727 | 80,077 | (5,198,083) | (4,754,279) |
| Fund balance, beginning of year, Restated | 6,795,610 | 858,128 | 6,520,782 | 14,174,520 |
| Fund balance, end of the year | \$ 7,159,337 | \$ 938,205 | \$ 1,322,699 | \$ 9,420,241 |

**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2011**

| | Auto & Gas Tax | Acquisition for Parks | Health Fund | Emergency Medical Services | Urban Development Action Grant | Court Computer- ization |
|---|---------------------------|----------------------------------|--------------------|---|---|--|
| Assets: | | | | | | |
| Cash and equity in pooled cash, deposits and investments | \$ 1,296,001 | \$ 74,347 | \$ 125,703 | \$ 64,000 | \$ 157,601 | \$ 102,413 |
| Receivables (net of allowance for uncollectibles): | | | | | | |
| Property taxes | - | - | - | - | - | - |
| Accounts | - | - | 2,061 | - | - | 5,132 |
| Loans | - | - | - | - | 223,482 | - |
| Special assessments | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - |
| Due from other governments | 1,047,718 | - | 82,926 | - | - | - |
| Inventory of supplies | 546,542 | - | - | - | - | - |
| Total assets | \$ 2,890,261 | \$ 74,347 | \$ 210,690 | \$ 64,000 | \$ 381,083 | \$ 107,545 |
| Liabilities: | | | | | | |
| Accounts payable | \$ 50,337 | \$ - | \$ 27,967 | \$ - | \$ - | \$ 9,112 |
| Accrued wages and benefits | 20,778 | - | 12,541 | - | - | - |
| Other accrued liabilities | 11,463 | - | 25,132 | - | - | - |
| Due to other funds | 65,742 | - | 316 | - | - | - |
| Due to other governments | - | - | - | - | - | - |
| Deferred revenue | 855,693 | - | 82,236 | - | - | - |
| Total liabilities | 1,004,013 | - | 148,192 | - | - | 9,112 |
| Fund balances: | | | | | | |
| Nonspendable | 546,542 | - | - | - | - | - |
| Restricted | 1,339,706 | 74,347 | 62,498 | 64,000 | 381,083 | 98,433 |
| Unassigned | - | - | - | - | - | - |
| Total fund balances | 1,886,248 | 74,347 | 62,498 | 64,000 | 381,083 | 98,433 |
| Total liabilities and fund balances | \$ 2,890,261 | \$ 74,347 | \$ 210,690 | \$ 64,000 | \$ 381,083 | \$ 107,545 |

| | Law Enforcement Trust | Mandatory Drug Fine | Probation Services | Indigent Driver Alcohol Treatment | Enforce- ment Education | Civic Develop- ment | Municipal Court |
|-----------|--------------------------------------|--------------------------------|-------------------------------|--|--|--------------------------------|----------------------------|
| \$ | 35,942 | \$ 322,276 | \$ 288,325 | \$ 27,209 | \$ 39,775 | \$ 202,444 | \$ 560,411 |
| | - | - | - | - | - | - | - |
| | - | 12,846 | 6,620 | - | - | 48,341 | 93,068 |
| | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| \$ | 35,942 | \$ 335,122 | \$ 294,945 | \$ 27,209 | \$ 39,775 | \$ 250,785 | \$ 653,479 |
| \$ | - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 177,252 |
| | - | - | 997 | - | - | - | 28,174 |
| | - | 52,744 | 698 | - | - | - | 12,996 |
| | 636 | - | - | - | - | - | 1,139 |
| | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| | 636 | 52,744 | 1,695 | - | - | - | 219,561 |
| | - | - | - | - | - | - | - |
| | 35,306 | 282,378 | 293,250 | 27,209 | 39,775 | 250,785 | 433,918 |
| | - | - | - | - | - | - | - |
| | 35,306 | 282,378 | 293,250 | 27,209 | 39,775 | 250,785 | 433,918 |
| \$ | 35,942 | \$ 335,122 | \$ 294,945 | \$ 27,209 | \$ 39,775 | \$ 250,785 | \$ 653,479 |

(continued)

**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2011**

| | Police Grant | Court IDIAM | Court Special Projects | Pool Fund | Home Program | Community Develop- ment |
|---|---------------------|--------------------|---------------------------------------|------------------|---------------------|--|
| Assets: | | | | | | |
| Cash and equity in pooled cash, deposits and investments | \$ 168,419 | \$ 14,824 | \$ 547,165 | \$ 17,946 | \$ 33,187 | \$ 116,070 |
| Receivables (net of allowance for uncollectibles): | | | | | | |
| Property taxes | - | - | - | - | - | - |
| Accounts | - | - | 10,559 | - | - | - |
| Loans | - | - | - | - | - | - |
| Special assessments | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - |
| Due from other governments | 6,281 | - | - | - | 241,993 | 769,801 |
| Inventory of supplies | - | - | - | - | - | - |
| Total assets | \$ 174,700 | \$ 14,824 | \$ 557,724 | \$ 17,946 | \$ 275,180 | \$ 885,871 |
| Liabilities: | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ 8,240 | \$ 39,446 |
| Accrued wages and benefits | - | - | - | - | - | - |
| Other accrued liabilities | 123 | - | - | - | - | - |
| Due to other funds | - | - | - | - | 50,000 | 102,631 |
| Due to other governments | - | - | - | - | - | - |
| Deferred revenue | - | - | - | - | 241,993 | 769,801 |
| Total liabilities | 123 | - | - | - | 300,233 | 911,878 |
| Fund balances: | | | | | | |
| Nonspendable | - | - | - | - | - | - |
| Restricted | 174,577 | 14,824 | 557,724 | 17,946 | - | - |
| Unassigned | - | - | - | - | (25,053) | (26,007) |
| Total fund balances | 174,577 | 14,824 | 557,724 | 17,946 | (25,053) | (26,007) |
| Total liabilities and fund balances | \$ 174,700 | \$ 14,824 | \$ 557,724 | \$ 17,946 | \$ 275,180 | \$ 885,871 |

| Community Development Escrow | Police Pension | Fire Pension | Neighborhood Stabilization Program | ARRA Act Grant | Conservancy District | Nuisance Abatement | Totals |
|-------------------------------------|-----------------------|---------------------|---|-----------------------|-----------------------------|---------------------------|----------------------|
| \$ 778,865 | \$ 29,614 | \$ 75,229 | \$ 144,604 | \$ 319 | \$ 28,890 | \$ 188,812 | \$ 5,440,391 |
| - | 202,788 | 202,788 | - | - | 89,282 | - | 494,858 |
| - | - | - | - | - | - | - | 178,627 |
| 1,395,012 | - | - | - | - | - | - | 1,618,494 |
| - | - | - | - | - | - | 280,000 | 280,000 |
| 1,199 | - | - | - | - | - | - | 1,199 |
| - | 12,685 | 12,685 | 130,806 | - | 5,970 | - | 2,310,865 |
| - | - | - | 120,890 | - | - | - | 667,432 |
| \$ 2,175,076 | \$ 245,087 | \$ 290,702 | \$ 396,300 | \$ 319 | \$ 124,142 | \$ 468,812 | \$ 10,991,866 |
| \$ - | \$ - | \$ - | \$ 5,437 | \$ - | \$ - | \$ - | \$ 317,791 |
| - | - | - | - | - | - | - | 62,490 |
| - | - | - | - | - | - | - | 103,156 |
| - | - | - | 100,000 | - | - | - | 320,464 |
| - | - | - | - | - | 141,901 | - | 141,901 |
| - | 215,473 | 215,473 | 130,806 | - | 95,252 | 280,000 | 2,886,727 |
| - | 215,473 | 215,473 | 236,243 | - | 237,153 | 280,000 | 3,832,529 |
| - | - | - | 120,890 | - | - | - | 667,432 |
| 2,175,076 | 29,614 | 75,229 | 39,167 | 319 | - | 188,812 | 6,655,976 |
| - | - | - | - | - | (113,011) | - | (164,071) |
| 2,175,076 | 29,614 | 75,229 | 160,057 | 319 | (113,011) | 188,812 | 7,159,337 |
| \$ 2,175,076 | \$ 245,087 | \$ 290,702 | \$ 396,300 | \$ 319 | \$ 124,142 | \$ 468,812 | \$ 10,991,866 |

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | Auto & Gas Tax | Acquisition for Parks | Health Fund | Emergency Medical Services | Urban Development Action Grant | Court Computer- ization |
|---|---------------------------|----------------------------------|--------------------|---|---|--|
| Revenues: | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Municipal income taxes | 400,000 | - | 165,000 | - | - | - |
| Intergovernmental revenues | 2,674,041 | - | 321,552 | 42,868 | - | - |
| Charges for services | - | - | 205,517 | - | - | - |
| Fines and forfeits | - | - | - | - | - | 69,027 |
| Special assessments | - | - | - | - | - | - |
| Interest earnings | 7,963 | - | - | - | 1,947 | - |
| Miscellaneous | 113,057 | - | 29,947 | 75,091 | - | - |
| Total revenues | 3,195,061 | - | 722,016 | 117,959 | 1,947 | 69,027 |
| Expenditures: | | | | | | |
| Current | | | | | | |
| Public safety | 524,298 | - | - | - | - | 16,383 |
| Public health and welfare | - | - | 669,330 | 75,217 | - | - |
| Leisure time activities | - | 30,245 | - | - | - | - |
| Community environment | - | - | - | - | 15,092 | - |
| Highways and streets | 2,632,162 | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total expenditures | 3,156,460 | 30,245 | 669,330 | 75,217 | 15,092 | 16,383 |
| Net change in fund balances | 38,601 | (30,245) | 52,686 | 42,742 | (13,145) | 52,644 |
| Fund balance, beginning of year, Restated | 1,847,647 | 104,592 | 9,812 | 21,258 | 394,228 | 45,789 |
| Fund balance, end of the year | \$ 1,886,248 | \$ 74,347 | \$ 62,498 | \$ 64,000 | \$ 381,083 | \$ 98,433 |

| Law Enforcement Trust | Mandatory Drug Fine | Probation Services | Indigent Driver Alcohol Treatment | Enforcement Education | Civic Development | Municipal Court |
|------------------------------|----------------------------|---------------------------|--|------------------------------|--------------------------|------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | 400,000 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 2,322 | 57,493 | 121,316 | 15,009 | 6,140 | - | 1,287,794 |
| - | - | - | - | - | - | - |
| - | - | - | - | 5,838 | 202,306 | 4,073 |
| 2,322 | 57,493 | 121,316 | 15,009 | 11,978 | 202,306 | 1,691,867 |
| 27,932 | 63,654 | 102,192 | 22,609 | 5,385 | - | 1,845,130 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 178,874 | - |
| 27,932 | 63,654 | 102,192 | 22,609 | 5,385 | 178,874 | 1,845,130 |
| (25,610) | (6,161) | 19,124 | (7,600) | 6,593 | 23,432 | (153,263) |
| 60,916 | 288,539 | 274,126 | 34,809 | 33,182 | 227,353 | 587,181 |
| \$ 35,306 | \$ 282,378 | \$ 293,250 | \$ 27,209 | \$ 39,775 | \$ 250,785 | \$ 433,918 |

(continued)

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | Police Grant | Court IDIAM | Court Special Projects | Pool Fund | Home Program | Community Develop- ment |
|---|---------------------|--------------------|-----------------------------------|------------------|---------------------|--|
| Revenues: | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Municipal income taxes | - | - | - | - | - | - |
| Intergovernmental revenues | 52,202 | - | - | - | 241,422 | 614,640 |
| Charges for services | - | - | - | - | - | - |
| Fines and forfeits | - | 4,611 | 143,696 | - | - | - |
| Special assessments | - | - | - | - | - | - |
| Interest earnings | 1,207 | - | - | - | - | 467 |
| Miscellaneous | 44,870 | - | - | - | - | 1,927 |
| Total revenues | 98,279 | 4,611 | 143,696 | - | 241,422 | 617,034 |
| Expenditures: | | | | | | |
| Current | | | | | | |
| Public safety | 100,701 | - | 11,325 | - | - | - |
| Public health and welfare | - | - | - | - | - | - |
| Leisure time activities | - | - | - | - | - | - |
| Community environment | - | - | - | - | 246,749 | 779,440 |
| Highways and streets | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total expenditures | 100,701 | - | 11,325 | - | 246,749 | 779,440 |
| Net change in fund balances | (2,422) | 4,611 | 132,371 | - | (5,327) | (162,406) |
| Fund balance, beginning of year, Restated | 176,999 | 10,213 | 425,353 | 17,946 | (19,726) | 136,399 |
| Fund balance, end of the year | \$ 174,577 | \$ 14,824 | \$ 557,724 | \$ 17,946 | \$ (25,053) | \$ (26,007) |

| Community Development Escrow | Police Pension | Fire Pension | Neighborhood Stabilization Program | ARRA Act Grant | Conservancy District | Nuisance Abatement | Totals |
|------------------------------|------------------|------------------|------------------------------------|----------------|----------------------|--------------------|---------------------|
| \$ - | \$ 206,055 | \$ 206,055 | \$ - | \$ - | \$ 89,705 | \$ - | \$ 501,815 |
| - | 877,000 | 1,139,000 | - | - | 33,000 | - | 3,014,000 |
| - | 81,023 | 81,024 | 715,269 | - | 39,766 | - | 4,863,807 |
| - | - | - | - | - | - | - | 205,517 |
| - | - | - | - | - | - | 15,954 | 1,723,362 |
| - | - | - | - | - | - | 187,785 | 187,785 |
| 4,507 | - | - | - | - | - | - | 16,091 |
| - | - | - | - | - | 9,984 | - | 487,093 |
| 4,507 | 1,164,078 | 1,426,079 | 715,269 | - | 172,455 | 203,739 | 10,999,470 |
| - | 1,120,207 | 1,374,995 | - | - | - | - | 5,214,811 |
| - | - | - | - | - | - | - | 744,547 |
| - | - | - | - | - | - | - | 30,245 |
| - | - | - | 449,970 | - | 285,466 | 14,927 | 1,791,644 |
| - | - | - | - | - | - | - | 2,632,162 |
| 36,804 | 3,328 | 3,328 | - | - | - | - | 222,334 |
| 36,804 | 1,123,535 | 1,378,323 | 449,970 | - | 285,466 | 14,927 | 10,635,743 |
| (32,297) | 40,543 | 47,756 | 265,299 | - | (113,011) | 188,812 | 363,727 |
| 2,207,373 | (10,929) | 27,473 | (105,242) | 319 | - | - | 6,795,610 |
| \$ 2,175,076 | \$ 29,614 | \$ 75,229 | \$ 160,057 | \$ 319 | \$ (113,011) | \$ 188,812 | \$ 7,159,337 |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
AUTO AND GAS TAX FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|---|--------------------|-------------------|---------------------|----------------------------------|
| Revenues: | | | | |
| Municipal income tax | \$ 400,000 | \$ 400,000 | \$ 400,000 | \$ - |
| Intergovernmental revenue | 2,330,432 | 2,330,432 | 2,654,827 | 324,395 |
| Interest earnings | 18,313 | 18,313 | 7,964 | (10,349) |
| Rentals and leases | - | - | 551 | 551 |
| Miscellaneous | 106,996 | 106,996 | 132,440 | 25,444 |
| Total revenues | 2,855,741 | 2,855,741 | 3,195,782 | 340,041 |
| Expenditures: | | | | |
| Current | | | | |
| Public safety: | | | | |
| Electronic Maintenance | | | | |
| Personal Services | 259,017 | 260,346 | 259,121 | 1,225 |
| Other | 477,547 | 477,547 | 399,979 | 77,568 |
| Total public safety | 736,564 | 737,893 | 659,100 | 78,793 |
| Highways and streets: | | | | |
| Street Maintenance | | | | |
| Personal Services | 833,649 | 835,409 | 736,147 | 99,262 |
| Other | 1,214,142 | 1,533,003 | 1,385,136 | 147,867 |
| Grounds Maintenance | | | | |
| Personal Services | 286,504 | 287,860 | 285,748 | 2,112 |
| Other | 320,425 | 320,425 | 302,143 | 18,282 |
| Total highways and streets | 2,654,720 | 2,976,697 | 2,709,174 | 267,523 |
| Total expenditures | 3,391,284 | 3,714,590 | 3,368,274 | 346,316 |
| Net change in fund balance | (535,543) | (858,849) | (172,492) | 686,357 |
| Fund balance, beginning of the year | 1,094,729 | 1,094,729 | 1,094,729 | - |
| Appropriation for prior year encumbrances | 220,724 | 220,724 | 220,724 | - |
| Fund balance, end of the year | \$ 779,910 | \$ 456,604 | \$ 1,142,961 | \$ 686,357 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
ACQUISITION FOR PARKS FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-----------------|------------------|----------------------------------|
| Revenues: | | | | |
| Charges for services | \$ 5,000 | \$ 5,000 | \$ - | \$ (5,000) |
| Total revenues | 5,000 | 5,000 | - | (5,000) |
| Expenditures: | | | | |
| Current | | | | |
| Leisure activities | | | | |
| Other | 107,000 | 107,000 | 33,145 | 73,855 |
| Total expenditures | 107,000 | 107,000 | 33,145 | 73,855 |
| Net change in fund balance | (102,000) | (102,000) | (33,145) | 68,855 |
| Fund balance, beginning of the year | 107,492 | 107,492 | 107,492 | - |
| Fund balance, end of the year | \$ 5,492 | \$ 5,492 | \$ 74,347 | \$ 68,855 |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
HEALTH FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|---------------------------------------|--------------------|------------------|------------------|----------------------------------|
| Revenues: | | | | |
| Municipal income taxes | \$ 165,000 | \$ 165,000 | \$ 165,000 | \$ - |
| Intergovernmental revenue | 306,842 | 306,842 | 328,713 | 21,871 |
| Charges for services | 194,234 | 223,032 | 206,129 | (16,903) |
| Miscellaneous | - | 34,000 | 29,570 | (4,430) |
| Total revenues | 666,076 | 728,874 | 729,412 | 538 |
| Expenditures: | | | | |
| Current | | | | |
| Public health and welfare: | | | | |
| Health State Subsidy | | | | |
| Personal services | 9,023 | 9,067 | 8,669 | 398 |
| Immunization Action Plan | | | | |
| Personal services | 30,000 | 20,300 | 20,300 | - |
| Other | - | 9,700 | 9,405 | 295 |
| Public Health Infranstructure | | | | |
| Personal services | 29,209 | 29,445 | 27,685 | 1,760 |
| Child & Family Services | | | | |
| Personal services | 11,615 | 4,473 | 4,473 | - |
| Other | 71,350 | 112,260 | 104,898 | 7,362 |
| OIMRI Grant Program | | | | |
| Personal services | 130,717 | 105,269 | 92,600 | 12,669 |
| Other | 19,283 | 45,285 | 30,174 | 15,111 |
| Health/Evironment Admin. | | | | |
| Personal services | 363,372 | 365,660 | 347,231 | 18,429 |
| Other | 68,747 | 68,747 | 57,566 | 11,181 |
| Total expenditures | 733,316 | 770,206 | 703,001 | 67,205 |
| Excess of revenues under expenditures | (67,240) | (41,332) | 26,411 | (66,667) |
| Other financing sources uses: | | | | |
| Other uses | - | - | 2,715 | 2,715 |
| Total other financing uses | - | - | 2,715 | 2,715 |
| Net change in fund balance | (67,240) | (41,332) | 29,126 | (63,952) |
| Fund balance, beginning of the year | 59,973 | 59,973 | 59,973 | - |
| Fund balance, end of the year | \$ (7,267) | \$ 18,641 | \$ 89,099 | \$ (63,952) |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
EMS FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| Revenues: | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ 77,406 | \$ 77,406 |
| Miscellaneous | 170,900 | 170,900 | 75,091 | (95,809) |
| Total revenues | 170,900 | 170,900 | 152,497 | (18,403) |
| Expenditures: | | | | |
| Current | | | | |
| Public safety | | | | |
| Other | 174,849 | 174,849 | 117,813 | 57,036 |
| Total expenditures | 174,849 | 174,849 | 117,813 | 57,036 |
| Net change in fund balance | (3,949) | (3,949) | 34,684 | 38,633 |
| Fund balance, beginning of the year | 21,564 | 21,564 | 21,564 | - |
| Appropriation for prior year encumbrances | 3,949 | 3,949 | 3,949 | - |
| Fund balance, end of the year | \$ 21,564 | \$ 21,564 | \$ 60,197 | \$ 38,633 |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
URBAN DEVELOPMENT ACTION GRANT FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|----------------------------|-------------------------|-------------------|---|
| Revenues: | | | | |
| Interest earnings | \$ 3,335 | \$ 3,335 | \$ 1,061 | \$ (2,274) |
| Miscellaneous | 45,000 | 45,000 | 41,899 | (3,101) |
| Total revenues | 48,335 | 48,335 | 42,960 | (5,375) |
| Expenditures: | | | | |
| Current | | | | |
| Community environment | | | | |
| Other | 65,000 | 65,000 | 29,650 | 35,350 |
| Total expenditures | 65,000 | 65,000 | 29,650 | 35,350 |
| Net change in fund balance | (16,665) | (16,665) | 13,310 | 29,975 |
| Fund balance, beginning of the year | 119,291 | 119,291 | 119,291 | - |
| Appropriation for prior year encumbrances | 15,000 | 15,000 | 15,000 | - |
| Fund balance, end of the year | \$ 117,626 | \$ 117,626 | \$ 147,601 | \$ 29,975 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COURT COMPUTERIZATION FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Fines and forfeitures | \$ 95,000 | \$ 95,000 | \$ 68,742 | \$ (26,258) |
| Total revenues | 95,000 | 95,000 | 68,742 | (26,258) |
| Expenditures: | | | | |
| Current | | | | |
| Public safety | | | | |
| Other | 125,000 | 125,000 | 124,489 | 511 |
| Total expenditures | 125,000 | 125,000 | 124,489 | 511 |
| Net change in fund balance | (30,000) | (30,000) | (55,747) | (25,747) |
| Fund balance, beginning of the year | 54,160 | 54,160 | 54,160 | - |
| Fund balance, end of the year | \$ 24,160 | \$ 24,160 | \$ (1,587) | \$ (25,747) |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
LAW ENFORCEMENT FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|------------------|------------------|----------------------------------|
| Revenues: | | | | |
| Fines and forfeits | \$ 34,000 | \$ 34,000 | \$ 2,322 | \$ (31,678) |
| Total revenues | 34,000 | 34,000 | 2,322 | (31,678) |
| Expenditures: | | | | |
| Current | | | | |
| Public safety | | | | |
| Other | 34,000 | 34,000 | 33,838 | 162 |
| Total expenditures | 34,000 | 34,000 | 33,838 | 162 |
| Net change in fund balance | - | - | (31,516) | (31,516) |
| Fund balance, beginning of the year | 62,558 | 62,558 | 62,558 | - |
| Fund balance, end of the year | \$ 62,558 | \$ 62,558 | \$ 31,042 | \$ (31,516) |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
MANDATORY DRUG FINE FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Fines and forfeits | \$ 75,000 | \$ 75,000 | \$ 35,351 | \$ (39,649) |
| Intergovernmental revenue | - | - | 12,152 | 12,152 |
| Total revenues | 75,000 | 75,000 | 47,503 | (27,497) |
| Expenditures: | | | | |
| Current | | | | |
| Public safety | | | | |
| Other | 79,000 | 79,000 | 67,418 | 11,582 |
| Total expenditures | 79,000 | 79,000 | 67,418 | 11,582 |
| Excess of revenues over (under) expenditures | (4,000) | (4,000) | (19,915) | (15,915) |
| Other financing sources: | | | | |
| Other sources | - | - | 52,743 | 52,743 |
| Total other financing sources | - | - | 52,743 | 52,743 |
| Net change in fund balance | (4,000) | (4,000) | 32,828 | 36,828 |
| Fund balance, beginning of the year | 285,682 | 285,682 | 285,682 | - |
| Fund balance, end of the year | \$ 281,682 | \$ 281,682 | \$ 318,510 | \$ 36,828 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROBATION SERVICES FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Fines and forfeits | \$ 150,000 | \$ 150,000 | \$ 123,023 | \$ (26,977) |
| Total revenues | 150,000 | 150,000 | 123,023 | (26,977) |
| Expenditures: | | | | |
| Current | | | | |
| Public safety | | | | |
| Personal Services | 68,332 | 68,700 | 68,698 | 2 |
| Other | 100,000 | 100,000 | 35,900 | 64,100 |
| Total expenditures | 168,332 | 168,700 | 104,598 | 64,102 |
| Net change in fund balance | (18,332) | (18,700) | 18,425 | 37,125 |
| Fund balance, beginning of the year | 269,900 | 269,900 | 269,900 | - |
| Fund balance, end of the year | \$ 251,568 | \$ 251,200 | \$ 288,325 | \$ 37,125 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
INDIGENT DRIVER ALCOHOL TREATMENT FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|------------------|------------------|----------------------------------|
| Revenues: | | | | |
| Fines and forfeits | \$ 25,000 | \$ 25,000 | \$ 15,550 | \$ (9,450) |
| Total revenues | 25,000 | 25,000 | 15,550 | (9,450) |
| Expenditures: | | | | |
| Current | | | | |
| Public safety | | | | |
| Other | 25,000 | 25,000 | 22,610 | 2,390 |
| Total expenditures | 25,000 | 25,000 | 22,610 | 2,390 |
| Net change in fund balance | - | - | (7,060) | (7,060) |
| Fund balance, beginning of the year | 34,269 | 34,269 | 34,269 | - |
| Fund balance, end of the year | \$ 34,269 | \$ 34,269 | \$ 27,209 | \$ (7,060) |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
ENFORCEMENT/EDUCATION FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|---|----------------------------|-------------------------|------------------|---|
| Revenues: | | | | |
| Fines and forfeits | \$ 7,000 | \$ 7,000 | \$ 5,607 | \$ (1,393) |
| Miscellaneous | - | - | 6,850 | 6,850 |
| Total revenues | 7,000 | 7,000 | 12,457 | 5,457 |
| Expenditures: | | | | |
| Current | | | | |
| Public safety | | | | |
| Personal Services | 1,975 | 1,975 | 46 | 1,929 |
| Other | 14,000 | 14,000 | 7,726 | 6,274 |
| Total expenditures | 15,975 | 15,975 | 7,772 | 8,203 |
| Net change in fund balance | (8,975) | (8,975) | 4,685 | 13,660 |
| Fund balance, beginning of year | 31,702 | 31,702 | 31,702 | - |
| Appropriation for prior year encumbrances | 1,000 | 1,000 | 1,000 | - |
| Fund balance, end of the year | \$ 23,727 | \$ 23,727 | \$ 37,387 | \$ 13,660 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
CIVIC DEVELOPMENT FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Miscellaneous | \$ 222,200 | \$ 222,200 | \$ 199,431 | \$ (22,769) |
| Total revenues | 222,200 | 222,200 | 199,431 | (22,769) |
| Expenditures: | | | | |
| Current | | | | |
| Miscellaneous | | | | |
| Other | 265,096 | 265,096 | 198,297 | 66,799 |
| Total expenditures | 265,096 | 265,096 | 198,297 | 66,799 |
| Net change in fund balance | (42,896) | (42,896) | 1,134 | 44,030 |
| Fund balance, beginning of the year | 181,887 | 181,887 | 181,887 | - |
| Fund balance, end of the year | \$ 138,991 | \$ 138,991 | \$ 183,021 | \$ 44,030 |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
MUNICIPAL COURT FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|----------------------------|-------------------------|-------------------|---|
| Revenues: | | | | |
| Municipal income tax | \$ 400,000 | \$ 400,000 | \$ 400,000 | \$ - |
| Fines and forfeits | 1,277,330 | 1,277,330 | 1,286,138 | 8,808 |
| Miscellaneous | 9,450 | - | 3,100 | 3,100 |
| Total revenues | 1,686,780 | 1,677,330 | 1,689,238 | 11,908 |
| Expenditures: | | | | |
| Current | | | | |
| Public safety | | | | |
| Personal Services | 1,423,757 | 1,432,120 | 1,432,068 | 52 |
| Other | 585,662 | 585,662 | 572,833 | 12,829 |
| Total expenditures | 2,009,419 | 2,017,782 | 2,004,901 | 12,881 |
| Net change in fund balance | (322,639) | (340,452) | (315,663) | 24,789 |
| Fund balance, beginning of the year | 556,492 | 556,492 | 556,492 | - |
| Fund balance, end of the year | \$ 233,853 | \$ 216,040 | \$ 240,829 | \$ 24,789 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
POLICE GRANT FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Intergovernmental revenue | \$ 164,976 | \$ 164,976 | \$ 82,051 | \$ (82,925) |
| Interest earnings | 1,000 | 1,000 | 1,206 | 206 |
| Miscellaneous | 18,150 | 18,150 | 8,740 | (9,410) |
| Total revenues | 184,126 | 184,126 | 91,997 | (92,129) |
| Expenditures: | | | | |
| Current | | | | |
| Public safety: | | | | |
| Other | | | | |
| Step Grant | - | - | 9,299 | (9,299) |
| Body Armor Grant | 33,400 | 33,400 | 35,925 | (2,525) |
| Local Solicitation Grant | 27,678 | 27,678 | - | 27,678 |
| JAG 2010 Grant | 37,070 | 37,070 | - | 37,070 |
| Byrne Memorial Grant | 124,628 | 124,628 | 34,544 | 90,084 |
| Local training grant | 18,150 | 18,150 | 18,273 | (123) |
| Equipment Grant | - | - | 10,072 | (10,072) |
| Total expenditures | 240,926 | 240,926 | 108,113 | 132,813 |
| Net change in fund balance | (56,800) | (56,800) | (16,116) | 40,684 |
| Fund balance, beginning of the year | 119,969 | 119,969 | 119,969 | - |
| Appropriation for prior year encumbrances | 57,800 | 57,800 | 57,800 | - |
| Fund balance, end of the year | \$ 120,969 | \$ 120,969 | \$ 161,653 | \$ 40,684 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COURT IDIAM FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|------------------|------------------|----------------------------------|
| Revenues: | | | | |
| Fines & forfeits | \$ 12,000 | \$ 12,000 | \$ 5,230 | \$ (6,770) |
| Total revenues | 12,000 | 12,000 | 5,230 | (6,770) |
| Expenditures: | | | | |
| Current | | | | |
| Other | | | | |
| Public safety | | | | |
| Other | 10,000 | 10,000 | - | 10,000 |
| Total expenditures | 10,000 | 10,000 | - | 10,000 |
| Net change in fund balance | 2,000 | 2,000 | 5,230 | 3,230 |
| Fund balance, beginning of the year | 9,594 | 9,594 | 9,594 | - |
| Fund balance, end of the year | \$ 11,594 | \$ 11,594 | \$ 14,824 | \$ 3,230 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COURT SPECIAL PROJECTS FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-----------------|--------------------|----------------------------------|
| Revenues: | | | | |
| Fines & forfeits | \$ 180,000 | \$ 182,000 | \$ 143,064 | \$ (38,936) |
| Total revenues | 180,000 | 182,000 | 143,064 | (38,936) |
| Expenditures: | | | | |
| Current | | | | |
| Public safety | | | | |
| Other | 600,000 | 600,000 | 587,453 | 12,547 |
| Total expenditures | 600,000 | 600,000 | 587,453 | 12,547 |
| Net change in fund balance | (420,000) | (418,000) | (444,389) | (26,389) |
| Fund balance, beginning of the year | 418,446 | 418,446 | 418,446 | - |
| Fund balance, end of the year | \$ (1,554) | \$ 446 | \$ (25,943) | \$ (26,389) |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
POOL FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-----------------|------------------|----------------------------------|
| Revenues: | | | | |
| Miscellaneous revenue | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| Expenditures: | | | | |
| Current | | | | |
| Community environment | | | | |
| Other | 17,946 | 17,946 | - | 17,946 |
| Total expenditures | 17,946 | 17,946 | - | 17,946 |
| Net change in fund balance | (17,946) | (17,946) | - | 17,946 |
| Fund balance, beginning of the year | 17,946 | 17,946 | 17,946 | - |
| Fund balance, end of the year | \$ - | \$ - | \$ 17,946 | \$ 17,946 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
HOME PROGRAM FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|------------------|------------------|----------------------------------|
| Revenues: | | | | |
| Intergovernmental revenue | \$ 400,000 | \$ 450,000 | \$ 237,485 | \$ (212,515) |
| Miscellaneous | - | - | 3,937 | 3,937 |
| Total revenues | 400,000 | 450,000 | 241,422 | (208,578) |
| Expenditures: | | | | |
| Current | | | | |
| Community environment | | | | |
| Other | 400,000 | 400,000 | 242,457 | 157,543 |
| Total expenditures | 400,000 | 400,000 | 242,457 | 157,543 |
| Net change in fund balance | - | 50,000 | (1,035) | (51,035) |
| Fund balance, beginning of the year | 34,222 | 34,222 | 34,222 | - |
| Fund balance, end of the year | \$ 34,222 | \$ 84,222 | \$ 33,187 | \$ (51,035) |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COMMUNITY DEVELOPMENT FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|--------------------|------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Intergovernmental revenue | \$ 841,400 | \$ 1,203,400 | \$ 720,879 | \$ (482,521) |
| Interest earnings | - | - | 467 | 467 |
| Miscellaneous | 5,000 | 5,000 | 1,926 | (3,074) |
| Total revenues | 846,400 | 1,208,400 | 723,272 | (485,128) |
| Expenditures: | | | | |
| Current | | | | |
| Community environment | | | | |
| Other | 895,312 | 1,257,312 | 722,248 | 535,064 |
| Total expenditures | 895,312 | 1,257,312 | 722,248 | 535,064 |
| Net change in fund balance | (48,912) | (48,912) | 1,024 | 49,936 |
| Fund balance, beginning of the year | 66,134 | 66,134 | 66,134 | - |
| Appropriation for prior year encumbrances | 48,912 | 48,912 | 48,912 | - |
| Fund balance, end of the year | \$ 66,134 | \$ 66,134 | \$ 116,070 | \$ 49,936 |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COMMUNITY DEVELOPMENT ESCROW
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Interest earnings | \$ 6,300 | 6,300 | 4,507 | \$ (1,793) |
| Miscellaneous | 88,000 | 88,000 | 107,099 | 19,099 |
| Total revenues | 94,300 | 94,300 | 111,606 | 17,306 |
| Expenditures: | | | | |
| Current | | | | |
| Community environment | | | | |
| Other | 242,000 | 242,000 | 23,018 | 218,982 |
| Total expenditures | 242,000 | 242,000 | 23,018 | 218,982 |
| Net change in fund balance | (147,700) | (147,700) | 88,588 | 236,288 |
| Fund balance, beginning of the year | 690,277 | 690,277 | 690,277 | - |
| Fund balance, end of the year | \$ 542,577 | \$ 542,577 | \$ 778,865 | \$ 236,288 |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
POLICE PENSION FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|----------------------------|-------------------------|------------------|---|
| Revenues: | | | | |
| Property taxes | \$ 237,500 | \$ 237,500 | \$ 206,055 | \$ (31,445) |
| Intergovernmental revenue | 104,500 | 104,500 | 81,023 | (23,477) |
| Municipal income taxes | 838,000 | 877,000 | 877,000 | - |
| Total revenues | 1,180,000 | 1,219,000 | 1,164,078 | (54,922) |
| Expenditures: | | | | |
| Current | | | | |
| Public safety | | | | |
| Other | 1,157,798 | 1,157,798 | 1,123,535 | 34,263 |
| Total expenditures | 1,157,798 | 1,157,798 | 1,123,535 | 34,263 |
| Excess of revenues over (under) expenditures | 22,202 | 61,202 | 40,543 | (20,659) |
| Other financing sources (uses): | | | | |
| Other uses | | - | (13,000) | (13,000) |
| Total other financing sources (uses) | - | - | (13,000) | (13,000) |
| Net change in fund balance | 22,202 | 61,202 | 27,543 | (33,659) |
| Fund balance, beginning of the year | 2,071 | 2,071 | 2,071 | - |
| Fund balance, end of the year | \$ 24,273 | \$ 63,273 | \$ 29,614 | \$ (33,659) |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
FIRE PENSION FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|------------------|------------------|----------------------------------|
| Revenues: | | | | |
| Property taxes | \$ 237,500 | \$ 237,500 | \$ 206,055 | \$ (31,445) |
| Intergovernmental revenue | 104,500 | 104,500 | 81,023 | (23,477) |
| Municipal income taxes | 1,100,000 | 1,139,000 | 1,139,000 | - |
| Total revenues | 1,442,000 | 1,481,000 | 1,426,078 | (54,922) |
| Expenditures: | | | | |
| Current | | | | |
| Public safety | | | | |
| Other | 1,430,940 | 1,430,940 | 1,378,322 | 52,618 |
| Total expenditures | 1,430,940 | 1,430,940 | 1,378,322 | 52,618 |
| Net change in fund balance | 11,060 | 50,060 | 47,756 | (2,304) |
| Fund balance, beginning of the year | 27,473 | 27,473 | 27,473 | - |
| Fund balance, end of the year | \$ 38,533 | \$ 77,533 | \$ 75,229 | \$ (2,304) |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
NEIGHBORHOOD STABILIZATION PROGRAM FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|---------------------|---------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Intergovernmental revenue | \$ 1,000,000 | \$ 1,652,879 | \$ 715,270 | \$ (937,609) |
| Total revenues | 1,000,000 | 1,652,879 | 715,270 | (937,609) |
| Expenditures: | | | | |
| Current | | | | |
| Community environment | | | | |
| Other | 1,552,879 | 2,129,879 | 599,270 | 1,530,609 |
| Total expenditures | 1,552,879 | 2,129,879 | 599,270 | 1,530,609 |
| Net change in fund balance | (552,879) | (477,000) | 116,000 | 593,000 |
| Fund balance, beginning of the year | (524,275) | (524,275) | (524,275) | - |
| Appropriation for prior year encumbrances | 552,879 | 552,879 | 552,879 | - |
| Fund balance, end of the year | \$ (524,275) | \$ (448,396) | \$ 144,604 | \$ 593,000 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
AMERICAN RECOVERY AND REINVESTMENT ACT GRANT FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|--------------------|------------------|-----------------|----------------------------------|
| Revenues: | | | | |
| Intergovernmental revenue | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| Expenditures: | | | | |
| Current | | | | |
| Community environment | | | | |
| Other | - | - | - | - |
| Total expenditures | - | - | - | - |
| Excess of revenues over (under) expenditures | - | - | - | - |
| Other financing sources (uses): | | | | |
| Other uses | | - | (75,000) | (75,000) |
| Total other financing sources (uses) | - | - | (75,000) | (75,000) |
| Net change in fund balance | - | - | (75,000) | (75,000) |
| Fund balance, beginning of the year | 75,319 | 75,319 | 75,319 | - |
| Fund balance, end of the year | \$ 75,319 | \$ 75,319 | \$ 319 | \$ (75,000) |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
MIAMI CONSERVANCY FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|--------------------|-----------------|------------------|----------------------------------|
| Revenues: | | | | |
| Municipal income tax | \$ - | \$ - | \$ 33,000 | \$ 33,000 |
| Property taxes | 114,832 | 114,832 | 89,705 | (25,127) |
| Intergovernmental revenue | 29,530 | 29,530 | 39,766 | 10,236 |
| Total revenues | 144,362 | 144,362 | 162,471 | 18,109 |
| Expenditures: | | | | |
| Current | | | | |
| Community environment | | | | |
| Other | 144,500 | 144,500 | 143,565 | 935 |
| Total expenditures | 144,500 | 144,500 | 143,565 | 935 |
| Excess of revenues over (under) expenditures | (138) | (138) | 18,906 | 19,044 |
| Other financing sources (uses): | | | | |
| Other sources | 9,984 | 9,984 | 9,984 | - |
| Total other financing sources (uses) | 9,984 | 9,984 | 9,984 | - |
| Net change in fund balance | 9,846 | 9,846 | 28,890 | 19,044 |
| Fund balance, beginning of the year | - | - | - | - |
| Fund balance, end of the year | \$ 9,846 | \$ 9,846 | \$ 28,890 | \$ 19,044 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
NUISANCE ABATEMENT FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Property assessments | \$ - | \$ 200,000 | \$ 187,785 | \$ (12,215) |
| Fines and forfeitures | - | - | 15,954 | 15,954 |
| Total revenues | - | 200,000 | 203,739 | 3,739 |
| Expenditures: | | | | |
| Current | | | | |
| Community environment | | | | |
| Other | - | 15,000 | 14,927 | 73 |
| Total expenditures | - | 15,000 | 14,927 | 73 |
| Net change in fund balance | - | 185,000 | 188,812 | 3,812 |
| Fund balance, beginning of the year | - | - | - | - |
| Fund balance, end of the year | \$ - | \$ 185,000 | \$ 188,812 | \$ 3,812 |

**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2011**

| | General Obligation Debt Service | East End - Towne Blvd Tax Increment Financing District | Downtown Tax Increment Financing District | Aeronca Tax Increment Financing District | Airport - Riverfront Tax Increment Financing District |
|---|--|---|--|---|--|
| Assets | | | | | |
| Cash and equity in pooled cash, deposits and investments | \$ 214,674 | \$ 314,476 | \$ 16,463 | \$ 4,423 | \$ 3,834 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Payments in lieu of taxes | - | 179,000 | 13,500 | 2,500 | 1,200 |
| Due from other governments | 9,866 | - | - | - | - |
| Total assets | \$ 224,540 | \$ 493,476 | \$ 29,963 | \$ 6,923 | \$ 5,034 |
| Liabilities | | | | | |
| Deferred revenue | \$ 9,866 | \$ 179,000 | \$ 13,500 | \$ 2,500 | \$ 1,200 |
| Total liabilities | 9,866 | 179,000 | 13,500 | 2,500 | 1,200 |
| Fund balances: | | | | | |
| Restricted | - | 314,476 | 16,463 | 4,423 | 3,834 |
| Committed | 214,674 | - | - | - | - |
| Total fund balance | 214,674 | 314,476 | 16,463 | 4,423 | 3,834 |
| Total liabilities and fund balance | \$ 224,540 | \$ 493,476 | \$ 29,963 | \$ 6,923 | \$ 5,034 |

| Miller Road North Tax Increment Financing District | Towne Mall Hospital Increment Financing District | Renaissance North Tax Increment Financing District | Renaissance South Tax Increment Financing District | Manchester Road Tax Increment Financing District | Made Industrial Park Tax Increment Financing | Totals |
|---|---|---|---|---|---|---------------------|
| \$ 30,295 | \$ 117,163 | \$ 131,941 | \$ 104,271 | \$ 378 | \$ 287 | \$ 938,205 |
| 7,700 | 126,000 | 60,000 | 101,000 | - | - | 490,900 |
| - | - | - | - | - | - | 9,866 |
| \$ 37,995 | \$ 243,163 | \$ 191,941 | \$ 205,271 | \$ 378 | \$ 287 | \$ 1,438,971 |
| \$ 7,700 | \$ 126,000 | \$ 60,000 | \$ 101,000 | \$ - | \$ - | \$ 500,766 |
| 7,700 | 126,000 | 60,000 | 101,000 | - | - | 500,766 |
| 30,295 | 117,163 | 131,941 | 104,271 | 378 | 287 | 723,531 |
| - | - | - | - | - | - | 214,674 |
| 30,295 | 117,163 | 131,941 | 104,271 | 378 | 287 | 938,205 |
| \$ 37,995 | \$ 243,163 | \$ 191,941 | \$ 205,271 | \$ 378 | \$ 287 | \$ 1,438,971 |

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NON MAJOR DEBT SERVICE FUNDS
 FOR YEAR ENDED DECEMBER 31, 2011**

| | General Obligation Debt Service | East End - Towne Blvd Tax Increment Financing District | Downtown Tax Increment Financing District | Aeronca Tax Increment Financing District | Airport - Riverfront Tax Increment Financing District |
|--------------------------------------|--|---|--|---|--|
| Revenues | | | | | |
| Municipal income taxes | \$ 2,425,755 | \$ - | \$ - | \$ - | \$ - |
| Other taxes | - | 238,092 | 13,120 | 2,479 | 1,169 |
| Intergovernmental | 115,758 | - | - | - | - |
| Miscellaneous revenues | 289,388 | - | - | - | - |
| Total revenues | 2,830,901 | 238,092 | 13,120 | 2,479 | 1,169 |
| Expenditures | | | | | |
| Debt service | | | | | |
| Principal retirement | 1,744,280 | 75,000 | 10,000 | - | - |
| Interest and fiscal charges | 1,200,605 | - | - | - | - |
| Miscellaneous | - | 67,828 | - | - | - |
| Total expenditures | 2,944,885 | 142,828 | 10,000 | - | - |
| Net change in fund balance | (113,984) | 95,264 | 3,120 | 2,479 | 1,169 |
| Fund balance, beginning of the year | 328,658 | 219,212 | 13,343 | 1,944 | 2,665 |
| Fund balance, end of the year | \$ 214,674 | \$ 314,476 | \$ 16,463 | \$ 4,423 | \$ 3,834 |

| Miller Road North Tax Increment Financing District | Towne Mall Hospital Increment Financing District | Renaissance North Tax Increment Financing District | Renaissance South Tax Increment Financing District | Manchester Road Tax Increment Financing District | Made Industrial Park Tax Increment Financing | Totals |
|---|---|---|---|---|---|-------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,425,755 |
| 7,652 | 410,657 | 167,580 | 275,445 | - | - | 1,116,194 |
| - | - | - | - | - | - | 115,758 |
| - | - | - | - | - | - | 289,388 |
| 7,652 | 410,657 | 167,580 | 275,445 | - | - | 3,947,095 |
| - | 125,000 | 50,000 | 6,000 | - | - | 2,010,280 |
| - | - | - | - | - | - | 1,200,605 |
| - | 295,833 | 111,261 | 181,211 | - | - | 656,133 |
| - | 420,833 | 161,261 | 187,211 | - | - | 3,867,018 |
| 7,652 | (10,176) | 6,319 | 88,234 | - | - | 80,077 |
| 22,643 | 127,339 | 125,622 | 16,037 | 378 | 287 | 858,128 |
| \$ 30,295 | \$ 117,163 | \$ 131,941 | \$ 104,271 | \$ 378 | \$ 287 | \$ 938,205 |

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 SPECIAL ASSESSMENT DEBT SERVICE FUND
 FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|--------------------|------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Special assessments | \$ 352,000 | \$ 352,000 | \$ 428,373 | \$ 76,373 |
| Miscellaneous | - | - | 861 | 861 |
| Total revenues | 352,000 | 352,000 | 429,234 | 77,234 |
| Expenditures: | | | | |
| Current | | | | |
| Other | | | | |
| Debt service | 351,752 | 351,752 | 344,486 | 7,266 |
| Total expenditures | 351,752 | 351,752 | 344,486 | 7,266 |
| Excess of revenues over (under) expenditures | 248 | 248 | 84,748 | 84,500 |
| Other financing sources (uses): | | | | |
| Other uses | - | - | (4,848) | (4,848) |
| Total other financing sources (uses) | - | - | (4,848) | (4,848) |
| Net change in fund balance | 248 | 248 | 79,900 | 79,652 |
| Fund balance, beginning of the year | 34,260 | 34,260 | 34,260 | - |
| Fund balance, end of the year | \$ 34,508 | \$ 34,508 | \$ 114,160 | \$ 79,652 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL OBLIGATION DEBT SERVICE FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Municipal income taxes | \$ 2,405,755 | \$ 2,425,755 | \$ 2,425,755 | \$ - |
| Intergovernmental | 131,439 | 131,439 | 115,758 | (15,681) |
| Miscellaneous | 289,388 | 289,388 | 289,388 | - |
| Total revenues | 2,826,582 | 2,846,582 | 2,830,901 | (15,681) |
| Expenditures: | | | | |
| Current | | | | |
| Other | | | | |
| Miscellaneous | 10,000 | 10,000 | - | 10,000 |
| Debt service | 2,811,314 | 2,966,914 | 2,944,885 | 22,029 |
| Total expenditures | 2,811,314 | 2,966,914 | 2,944,885 | 22,029 |
| Net change in fund balance | 15,268 | (120,332) | (113,984) | 6,348 |
| Fund balance, beginning of the year | 328,658 | 328,658 | 328,658 | - |
| Fund balance, end of the year | \$ 343,926 | \$ 208,326 | \$ 214,674 | \$ 6,348 |

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 EAST END/TOWNE BLVD TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Property and other taxes | \$ 240,648 | \$ 240,648 | \$ 238,092 | \$ (2,556) |
| Total revenues | 240,648 | 240,648 | 238,092 | (2,556) |
| Expenditures: | | | | |
| Current | | | | |
| Other | | | | |
| Miscellaneous | 182,892 | 182,892 | 74,578 | 108,314 |
| Debt service | 75,000 | 75,000 | 75,000 | - |
| Total expenditures | 257,892 | 257,892 | 149,578 | 108,314 |
| Net change in fund balance | (17,244) | (17,244) | 88,514 | 105,758 |
| Fund balance, beginning of the year | 219,212 | 219,212 | 219,212 | - |
| Fund balance, end of the year | \$ 201,968 | \$ 201,968 | \$ 307,726 | \$ 105,758 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
DOWNTOWN TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|------------------|------------------|----------------------------------|
| Revenues: | | | | |
| Property and other taxes | \$ 10,001 | \$ 13,121 | \$ 13,120 | \$ (1) |
| Total revenues | 10,001 | 13,121 | 13,120 | (1) |
| Expenditures: | | | | |
| Current | | | | |
| Other | | | | |
| Debt service | 10,000 | 10,000 | 10,000 | - |
| Miscellaneous | 200 | 200 | - | 200 |
| Total expenditures | 10,200 | 10,200 | 10,000 | 200 |
| Net change in fund balance | (199) | 2,921 | 3,120 | 199 |
| Fund balance, beginning of the year | 13,343 | 13,343 | 13,343 | - |
| Fund balance, end of the year | \$ 13,144 | \$ 16,264 | \$ 16,463 | \$ 199 |

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 AERONCA TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-----------------|-----------------|----------------------------------|
| Revenues: | | | | |
| Property and other taxes | \$ 1,205 | \$ 2,479 | \$ 2,479 | \$ - |
| Total revenues | 1,205 | 2,479 | 2,479 | - |
| Expenditures: | | | | |
| Current | | | | |
| Other | | | | |
| Miscellaneous | 48 | 48 | - | 48 |
| Total expenditures | 48 | 48 | - | 48 |
| Net change in fund balance | 1,157 | 2,431 | 2,479 | 48 |
| Fund balance, beginning of the year | 1,944 | 1,944 | 1,944 | - |
| Fund balance, end of the year | \$ 3,101 | \$ 4,375 | \$ 4,423 | \$ 48 |

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 AIRPORT/RIVERFRONT TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-----------------|-----------------|----------------------------------|
| Revenues: | | | | |
| Property and other taxes | \$ 348 | \$ 1,170 | \$ 1,169 | \$ (1) |
| Total revenues | 348 | 1,170 | 1,169 | (1) |
| Expenditures: | | | | |
| Current | | | | |
| Other | | | | |
| Miscellaneous | 14 | 14 | - | 14 |
| Total expenditures | 14 | 14 | - | 14 |
| Net change in fund balance | 334 | 1,156 | 1,169 | 13 |
| Fund balance, beginning of the year | 2,665 | 2,665 | 2,665 | - |
| Fund balance, end of the year | \$ 2,999 | \$ 3,821 | \$ 3,834 | \$ 13 |

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 NORTH MILLER ROAD TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|------------------|------------------|----------------------------------|
| Revenues: | | | | |
| Property and other taxes | \$ 1,489 | \$ 7,652 | \$ 7,652 | \$ - |
| Total revenues | 1,489 | 7,652 | 7,652 | - |
| Expenditures: | | | | |
| Current | | | | |
| Other | | | | |
| Miscellaneous | 60 | 60 | - | 60 |
| Total expenditures | 60 | 60 | - | 60 |
| Net change in fund balance | 1,429 | 7,592 | 7,652 | 60 |
| Fund balance, beginning of the year | 22,643 | 22,643 | 22,643 | - |
| Fund balance, end of the year | \$ 24,072 | \$ 30,235 | \$ 30,295 | \$ 60 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
TOWNE MALL/HOSPITAL TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Property and other taxes | \$ 407,382 | \$ 407,382 | \$ 410,658 | \$ 3,276 |
| Total revenues | 407,382 | 407,382 | 410,658 | 3,276 |
| Expenditures: | | | | |
| Current | | | | |
| Other | | | | |
| Debt service | 125,000 | 125,000 | 125,000 | - |
| Miscellaneous | 309,611 | 309,611 | 302,584 | 7,027 |
| Total expenditures | 434,611 | 434,611 | 427,584 | 7,027 |
| Net change in fund balance | (27,229) | (27,229) | (16,926) | 10,303 |
| Fund balance, beginning of the year | 127,339 | 127,339 | 127,339 | - |
| Fund balance, end of the year | \$ 100,110 | \$ 100,110 | \$ 110,413 | \$ 10,303 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
RENAISSANCE NORTH TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Property and other taxes | \$ 100,786 | \$ 167,052 | \$ 167,580 | \$ 528 |
| Total revenues | 100,786 | 167,052 | 167,580 | 528 |
| Expenditures: | | | | |
| Current | | | | |
| Other | | | | |
| Miscellaneous | 76,598 | 139,598 | 111,261 | 28,337 |
| Debt service | 50,000 | 50,000 | 50,000 | - |
| Total expenditures | 126,598 | 189,598 | 161,261 | 28,337 |
| Net change in fund balance | (25,812) | (22,546) | 6,319 | 28,865 |
| Fund balance, beginning of the year | 125,622 | 125,622 | 125,622 | - |
| Fund balance, end of the year | \$ 99,810 | \$ 103,076 | \$ 131,941 | \$ 28,865 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
RENAISSANCE SOUTH TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Property and other taxes | \$ 25,304 | \$ 273,990 | \$ 275,445 | \$ 1,455 |
| Total revenues | 25,304 | 273,990 | 275,445 | 1,455 |
| Expenditures: | | | | |
| Current | | | | |
| Other | | | | |
| Miscellaneous | 19,231 | 181,231 | 181,211 | 20 |
| Debt service | 6,000 | 6,000 | 6,000 | - |
| Total expenditures | 25,231 | 187,231 | 187,211 | 20 |
| Net change in fund balance | 73 | 86,759 | 88,234 | 1,475 |
| Fund balance, beginning of the year | 16,037 | 16,037 | 16,037 | - |
| Fund balance, end of the year | \$ 16,110 | \$ 102,796 | \$ 104,271 | \$ 1,475 |

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 MANCHESTER ROAD TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-----------------|---------------|----------------------------------|
| Revenues: | | | | |
| Property and other taxes | \$ 1,190 | \$ 1,190 | \$ - | \$ (1,190) |
| Total revenues | 1,190 | 1,190 | - | (1,190) |
| Expenditures: | | | | |
| Current | | | | |
| Other | | | | |
| Miscellaneous | 812 | 812 | - | 812 |
| Total expenditures | 812 | 812 | - | 812 |
| Net change in fund balance | 378 | 378 | - | (378) |
| Fund balance, beginning of the year | 378 | 378 | 378 | - |
| Fund balance, end of the year | \$ 756 | \$ 756 | \$ 378 | \$ (378) |

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 MADE INDUSTRIAL PARK TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--------------------------------------|--------------------|-----------------|---------------|----------------------------------|
| Revenues: | | | | |
| Property and other taxes | \$ - | \$ - | \$ - | - |
| Total revenues | - | - | - | - |
| Expenditures: | | | | |
| Current | | | | |
| Other | | | | |
| Miscellaneous | - | - | - | - |
| Total expenditures | - | - | - | - |
| Net change in fund balance | - | - | - | - |
| Fund balance, beginning of the year | 287 | 287 | 287 | - |
| Fund balance, end of the year | \$ 287 | \$ 287 | \$ 287 | - |

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2011**

| | East End Development | Downtown Improvements | Computer Replacement |
|---|---------------------------------|----------------------------------|---------------------------------|
| Assets | | | |
| Cash and equity in pooled cash, deposits and investments | \$ 20,583 | \$ 1,017,978 | \$ 1,847,125 |
| Receivables (net of allowance for uncollectibles): | | | |
| Accounts | 185,438 | 3,652 | - |
| Total assets | \$ 206,021 | \$ 1,021,630 | \$ 1,847,125 |
| Liabilities | | | |
| Accounts payable | \$ - | \$ 19,571 | \$ 15,253 |
| Notes payable | - | 2,056,916 | - |
| Due to other funds | 55,000 | - | - |
| Total liabilities | 55,000 | 2,076,487 | 15,253 |
| Fund balances: | | | |
| Restricted | 151,021 | - | - |
| Committed | - | - | 1,831,872 |
| Unassigned | - | (1,054,857) | - |
| Total fund balances | 151,021 | (1,054,857) | 1,831,872 |
| Total liabilities and fund balances | \$ 206,021 | \$ 1,021,630 | \$ 1,847,125 |

| Property Development | 2010 Sidewalk, Curb and Gutter | Lefferson Road Sewer Special Assessment | 2011 Sidewalk, Curb and Gutter | Totals |
|-----------------------------|---------------------------------------|--|---------------------------------------|---------------------|
| \$ 712,066 | \$ - | \$ 25,000 | \$ 12,597 | \$ 3,635,349 |
| - | - | - | - | 189,090 |
| \$ 712,066 | \$ - | \$ 25,000 | \$ 12,597 | \$ 3,824,439 |
| \$ - | \$ - | \$ - | \$ - | \$ 34,824 |
| - | - | - | - | 2,056,916 |
| - | - | 125,000 | 230,000 | 410,000 |
| - | - | 125,000 | 230,000 | 2,501,740 |
| - | - | - | - | 151,021 |
| 712,066 | - | - | - | 2,543,938 |
| - | - | (100,000) | (217,403) | (1,372,260) |
| 712,066 | - | (100,000) | (217,403) | 1,322,699 |
| \$ 712,066 | \$ - | \$ 25,000 | \$ 12,597 | \$ 3,824,439 |

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR CAPITAL PROJECT FUNDS
FOR YEAR ENDED DECEMBER 31, 2011**

| | East End Development | Downtown Improvements | Computer Replacement |
|--|---------------------------------|----------------------------------|---------------------------------|
| Revenues | | | |
| Municipal income taxes | \$ - | \$ - | \$ 8,000 |
| Intergovernmental revenues | 185,438 | - | - |
| Special Assessments | - | - | - |
| Investment income | 19,202 | 9,487 | 13,467 |
| Miscellaneous | - | 230,389 | 50,500 |
| Total revenues | 204,640 | 239,876 | 71,967 |
| Expenditures | | | |
| Current | | | |
| Community environment | 4,782,886 | 789,186 | - |
| Highways and streets | - | - | - |
| General government | - | - | 191,579 |
| Debt service | | | |
| Interest and fiscal charges | - | 50,368 | - |
| Total expenditures | 4,782,886 | 839,554 | 191,579 |
| Excess of revenues over (under) expenditures | (4,578,246) | (599,678) | (119,612) |
| Other financing sources (uses) | | | |
| Transfers-in | - | - | 160,678 |
| Sale of bonds issued | - | - | - |
| Premium on bonds | - | - | - |
| Total other financing sources (uses) | - | - | 160,678 |
| Net change in fund balances | (4,578,246) | (599,678) | 41,066 |
| Fund balance, beginning of year | 4,729,267 | (455,179) | 1,790,806 |
| Fund balance, end of the year | \$ 151,021 | \$ (1,054,857) | \$ 1,831,872 |

| Property Development | 2010 Sidewalk, Curb and Gutter | Lefferson Road Sewer Special Assessment | 2011 Sidewalk, Curb and Gutter | Totals |
|-----------------------------|---------------------------------------|--|---------------------------------------|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 8,000 |
| - | - | - | - | 185,438 |
| - | 83,708 | - | - | 83,708 |
| - | - | - | - | 42,156 |
| - | - | - | - | 280,889 |
| - | 83,708 | - | - | 600,191 |
| 126,458 | - | 100,000 | - | 5,798,530 |
| - | 22,263 | - | 217,403 | 239,666 |
| - | - | - | - | 191,579 |
| - | 15,436 | - | - | 65,804 |
| 126,458 | 37,699 | 100,000 | 217,403 | 6,295,579 |
| (126,458) | 46,009 | (100,000) | (217,403) | (5,695,388) |
| - | - | - | - | 160,678 |
| - | 321,191 | - | - | 321,191 |
| - | 15,436 | - | - | 15,436 |
| - | 336,627 | - | - | 497,305 |
| (126,458) | 382,636 | (100,000) | (217,403) | (5,198,083) |
| 838,524 | (382,636) | - | - | 6,520,782 |
| \$ 712,066 | \$ - | \$ (100,000) | \$ (217,403) | \$ 1,322,699 |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
CAPITAL IMPROVEMENTS FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|---------------------|---------------------|-----------------------|----------------------------------|
| Revenues: | | | | |
| Property taxes | \$ 710,000 | \$ 710,000 | \$ 641,336 | \$ (68,664) |
| Intergovernmental revenue | 5,252,000 | 5,252,000 | 2,585,167 | \$ (2,666,833) |
| Charges for services | 20,000 | 20,000 | 888 | \$ (19,112) |
| Interest earnings | 8,600 | 8,600 | 5,553 | \$ (3,047) |
| Miscellaneous | 156,400 | 156,400 | 80,950 | \$ (75,450) |
| Total revenues | 6,147,000 | 6,147,000 | 3,313,894 | (2,833,106) |
| Expenditures: | | | | |
| Current | | | | |
| Leisure time activities | | | | |
| Other | 690,020 | 690,020 | 629,251 | 60,769 |
| Highways and streets | | | | |
| Other | 6,472,995 | 6,502,960 | 6,077,121 | 425,839 |
| General government | | | | |
| Other | 107,337 | 107,337 | 11,093 | 96,244 |
| Total expenditures | 7,270,352 | 7,300,317 | 6,717,465 | 582,852 |
| Excess of revenues over (under) expenditures | (1,123,352) | (1,153,317) | (3,403,571) | (2,250,254) |
| Other financing sources (uses): | | | | |
| Other sources | - | - | 434,228 | 434,228 |
| Total other financing sources (uses) | - | - | 434,228 | 434,228 |
| Net change in fund balance | (1,123,352) | (1,153,317) | (2,969,343) | (1,816,026) |
| Fund balance, beginning of the year | (1,846,334) | (1,846,334) | (1,846,334) | - |
| Appropriation for prior year encumbrances | 2,630,352 | 2,630,352 | 2,630,352 | - |
| Fund balance, end of the year | \$ (339,334) | \$ (369,299) | \$ (2,185,325) | \$ (1,816,026) |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
EAST END DEVELOPMENT FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|---|--------------------|------------------|------------------|----------------------------------|
| Revenues: | | | | |
| Interest earnings | \$ - | \$ - | \$ 19,201 | \$ 19,201 |
| Intergovernmental revenue | - | 1,000,000 | - | (1,000,000) |
| Total revenues | - | 1,000,000 | 19,201 | (980,799) |
| Expenditures: | | | | |
| Current | | | | |
| Community environment | | | | |
| Other | 4,502,749 | 5,858,518 | 4,933,480 | 925,038 |
| Total expenditures | 4,502,749 | 5,858,518 | 4,933,480 | 925,038 |
| Excess of revenues under expenditures | (4,502,749) | (4,858,518) | (4,914,279) | (55,761) |
| Other financing sources: | | | | |
| Other sources | - | - | 55,000 | 55,000 |
| Total other financing sources | - | - | 55,000 | 55,000 |
| Net change in fund balance | (4,502,749) | (4,858,518) | (4,859,279) | (761) |
| Fund balance, beginning of the year | 357,113 | 357,113 | 357,113 | - |
| Appropriation for prior year encumbrances | 4,502,749 | 4,502,749 | 4,502,749 | - |
| Fund balance, end of the year | \$ 357,113 | \$ 1,344 | \$ 583 | \$ (761) |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
DOWNTOWN IMPROVEMENTS FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|---|--------------------|-------------------|---------------------|----------------------------------|
| Revenues: | | | | |
| Intergovernmental Revenue | \$ - | \$ - | \$ - | \$ - |
| Interest earnings | \$ 23,200 | \$ 23,200 | \$ 9,487 | \$ (13,713) |
| Miscellaneous | - | - | 232,509 | 232,510 |
| Total revenues | 23,200 | 23,200 | 241,996 | 218,797 |
| Expenditures: | | | | |
| Current | | | | |
| Community environment | | | | |
| Other | 795,104 | 870,104 | 812,185 | 57,919 |
| Debt Service | | | | |
| Other | | | | |
| Principal retirement | 2,057,000 | 2,057,000 | 2,056,916 | 84 |
| Interest expense | 84,000 | 84,000 | 50,368 | 33,632 |
| Total expenditures | 2,936,104 | 3,011,104 | 2,919,469 | 91,635 |
| Excess of revenues under expenditures | (2,912,904) | (2,987,904) | (2,677,473) | 310,432 |
| Other financing sources (uses): | | | | |
| Proceeds from notes | 2,057,000 | 2,057,000 | 2,056,916 | (84) |
| Total other financing sources (uses) | 2,057,000 | 2,057,000 | 2,056,916 | (84) |
| Net change in fund balance | (855,904) | (930,904) | (620,557) | 310,348 |
| Fund balance, beginning of the year | 1,141,797 | 1,141,797 | 1,141,797 | - |
| Appropriation for prior year encumbrances | 495,104 | 495,104 | 495,104 | - |
| Fund balance, end of the year | \$ 780,997 | \$ 705,997 | \$ 1,016,344 | \$ 310,348 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COMPUTER REPLACEMENT FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|---|---------------------|---------------------|---------------------|----------------------------------|
| Revenues: | | | | |
| Municipal income taxes | \$ 8,000 | \$ 8,000 | \$ 17,900 | \$ 9,900 |
| Interest earnings | 23,150 | 23,150 | 13,467 | (9,683) |
| Miscellaneous | 55,120 | 55,120 | 50,500 | (4,620) |
| Total revenues | 86,270 | 86,270 | 81,867 | (4,403) |
| Expenditures: | | | | |
| Current | | | | |
| General government | | | | |
| Other | 961,122 | 961,122 | 284,225 | 676,897 |
| Total expenditures | 961,122 | 961,122 | 284,225 | 676,897 |
| Excess of revenues under expenditures | (874,852) | (874,852) | (202,358) | 672,494 |
| Other financing sources: | | | | |
| Transfers-in | 160,678 | 160,678 | 150,778 | (9,900) |
| Total other financing sources | 160,678 | 160,678 | 150,778 | (9,900) |
| Net change in fund balance | (714,174) | (714,174) | (51,580) | 662,594 |
| Fund balance, beginning of the year | 1,589,823 | 1,589,823 | 1,589,823 | - |
| Appropriation for prior year encumbrances | 223,622 | 223,622 | 223,622 | - |
| Fund balance, end of the year | \$ 1,099,271 | \$ 1,099,271 | \$ 1,761,865 | \$ 662,594 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROPERTY DEVELOPMENT FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|--------------------|-------------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Miscellaneous | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| Expenditures: | | | | |
| Current | | | | |
| Community environment | | | | |
| Other | 535,751 | 535,751 | 144,356 | 391,395 |
| Total expenditures | 535,751 | 535,751 | 144,356 | 391,395 |
| Net change in fund balance | (535,751) | (535,751) | (144,356) | 391,395 |
| Fund balance, beginning of the year | 811,123 | 811,123 | 811,123 | - |
| Appropriation for prior year encumbrances | 35,751 | 35,751 | 35,751 | - |
| Fund balance, end of the year | \$ 311,123 | \$ 311,123 | \$ 702,518 | \$ 391,395 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
2010 SIDEWALK, CURB AND GUTTER FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|--------------------|-----------------|-----------------|----------------------------------|
| Revenues: | | | | |
| Special assessments | \$ - | \$ 100,000 | \$ 83,708 | \$ (16,292) |
| Total revenues | - | 100,000 | 83,708 | (16,292) |
| Expenditures: | | | | |
| Current | | | | |
| Highways and streets | | | | |
| Other | 504,057 | 504,057 | 35,486 | 468,571 |
| Total expenditures | 504,057 | 504,057 | 35,486 | 468,571 |
| Excess of revenues over (under) expenditures | (504,057) | (404,057) | 48,222 | 452,279 |
| Other financing sources (uses): | | | | |
| Other uses | - | - | (385,000) | (385,000) |
| Proceeds from notes | 410,000 | | | |
| Proceeds from bonds | - | 410,000 | 336,627 | (73,373) |
| Total other financing sources (uses) | 410,000 | 410,000 | (48,373) | (458,373) |
| Net change in fund balance | (94,057) | 5,943 | (151) | (6,094) |
| Fund balance, beginning of the year | (93,906) | (93,906) | (93,906) | - |
| Appropriation for prior year encumbrances | 94,057 | 94,057 | 94,057 | - |
| Fund balance, end of the year | \$ (93,906) | \$ 6,094 | \$ - | \$ (6,094) |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
2010 LEFFERSON ROAD SEWER SPECIAL ASSESSMENT
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|---------------------------------------|--------------------|-----------------|----------------|----------------------------------|
| Revenues: | | | | |
| Miscellaneous revenue | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| Expenditures: | | | | |
| Current | | | | |
| Highways and streets | | | | |
| Other | 450,000 | 450,000 | 125,000 | 325,000 |
| Total expenditures | 450,000 | 450,000 | 125,000 | 325,000 |
| Excess of revenues under expenditures | (450,000) | (450,000) | (125,000) | 325,000 |
| Other financing sources: | | | | |
| Other sources | - | - | 125,000 | 125,000 |
| Proceeds from notes | 450,000 | 450,000 | - | (450,000) |
| Total other financing sources | 450,000 | 450,000 | 125,000 | (325,000) |
| Net change in fund balance | - | - | - | - |
| Fund balance, beginning of the year | - | - | - | - |
| Fund balance, end of the year | \$ - | \$ - | \$ - | \$ - |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
2011 SIDEWALK, CURB AND GUTTER FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|---------------------------------------|--------------------|-----------------|----------------|----------------------------------|
| Revenues: | | | | |
| Miscellaneous revenue | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| Expenditures: | | | | |
| Current | | | | |
| Highways and streets | | | | |
| Other | 250,000 | 250,000 | 230,000 | 20,000 |
| Total expenditures | 250,000 | 250,000 | 230,000 | 20,000 |
| Excess of revenues under expenditures | (250,000) | (250,000) | (230,000) | 20,000 |
| Other financing sources: | | | | |
| Other sources | - | - | 230,000 | 230,000 |
| Proceeds from notes | 250,000 | 250,000 | - | (250,000) |
| Total other financing sources | 250,000 | 250,000 | 230,000 | (20,000) |
| Net change in fund balance | - | - | - | - |
| Fund balance, beginning of the year | - | - | - | - |
| Fund balance, end of the year | \$ - | \$ - | \$ - | \$ - |

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2011**

ENTERPRISE FUNDS:

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

WATER

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

SEWER

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

GOLF COURSE

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

SOLID WASTE DISPOSAL

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

AIRPORT

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

TRANSIT SYSTEM

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

STORM SEWER

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

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF NET ASSETS
NON MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2011**

Business Type Activities - Enterprise Funds

| | Airport | Transit | Storm Water | Totals |
|--|---------------------|---------------------|---------------------|----------------------|
| Assets: | | | | |
| Current assets | | | | |
| Equity in pooled cash, deposits and investments | \$ 116,624 | \$ 187,063 | \$ 3,762,427 | \$ 4,066,114 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Accounts | 11,401 | - | 109,498 | 120,899 |
| Intergovernmental | - | 169,467 | - | 169,467 |
| Total current assets | 128,025 | 356,530 | 3,871,925 | 4,356,480 |
| Non Current Assets: | | | | |
| Deferred charges | 30,814 | - | - | 30,814 |
| Capital assets: | | | | |
| Construction in progress | - | - | 182,297 | 182,297 |
| Land | 1,524,356 | - | 268,562 | 1,792,918 |
| Land improvements | 316,241 | - | - | 316,241 |
| Infrastructure assets | 624,895 | - | 2,686,184 | 3,311,079 |
| Buildings | 1,825,597 | 1,370,702 | 69,270 | 3,265,569 |
| Equipment | 618,440 | 2,310,311 | 685,860 | 3,614,611 |
| Less: Accumulated depreciation | (1,346,508) | (2,262,158) | (532,104) | (4,140,770) |
| Total capital assets (net of accumulated depreciation) | 3,563,021 | 1,418,855 | 3,360,069 | 8,341,945 |
| Total noncurrent assets | 3,593,835 | 1,418,855 | 3,360,069 | 8,372,759 |
| Total assets | 3,721,860 | 1,775,385 | 7,231,994 | 12,729,239 |
| Liabilities: | | | | |
| Current liabilities | | | | |
| Accounts payable | 47,279 | 26,533 | 32,070 | 105,882 |
| Accrued wages and benefits | - | 15,632 | 8,970 | 24,602 |
| Other accrued liabilities | 5,566 | 6,758 | 4,344 | 16,668 |
| Accrued interest payable | 4,928 | - | - | 4,928 |
| Due to other funds | 149 | 29,689 | 25,768 | 55,606 |
| General obligation bonds payable | 70,000 | - | - | 70,000 |
| Compensated absences (short term) | - | 25,775 | 21,818 | 47,593 |
| Total current liabilities | 127,922 | 104,387 | 92,970 | 325,279 |
| Long-term liabilities: | | | | |
| General obligation bonds payable | 1,370,000 | - | - | 1,370,000 |
| Premium on debt | 30,814 | - | - | 30,814 |
| Compensated absences payable | - | 17,461 | - | 17,461 |
| Other post employment benefits | - | 13,842 | - | 13,842 |
| Total long-term liabilities | 1,400,814 | 31,303 | - | 1,432,117 |
| Total liabilities | 1,528,736 | 135,690 | 92,970 | 1,757,396 |
| Net Assets: | | | | |
| Invested in capital assets, net of related debt | 2,092,207 | 1,418,855 | 3,360,069 | 6,871,131 |
| Unrestricted | 100,917 | 220,840 | 3,778,955 | 4,100,712 |
| Total net assets | \$ 2,193,124 | \$ 1,639,695 | \$ 7,139,024 | \$ 10,971,843 |

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Business Type Activities - Enterprise Funds

| | Airport | Transit | Storm Water | Totals |
|--|---------------------|---------------------|---------------------|----------------------|
| Operating revenues: | | | | |
| Charges for services | \$ 276,816 | \$ 172,279 | \$ 1,607,981 | \$ 2,057,076 |
| Other operating revenue | 22,136 | 7,327 | - | 29,463 |
| Total operating revenues | 298,952 | 179,606 | 1,607,981 | 2,086,539 |
| Operating expenses: | | | | |
| Personal services | - | 656,492 | 469,424 | 1,125,916 |
| Contractual services | 268,194 | 619,760 | 198,439 | 1,086,393 |
| Commodities | 1,665 | 5,560 | 33,777 | 41,002 |
| Depreciation | 144,902 | 159,240 | 133,785 | 437,927 |
| Other operating expenses | 10,805 | 2,000 | 256,728 | 269,533 |
| Total operating expenses | 425,566 | 1,443,052 | 1,092,153 | 2,960,771 |
| Operating income (loss) | (126,614) | (1,263,446) | 515,828 | (874,232) |
| Non-operating revenues (expenses): | | | | |
| Interest revenue | - | - | 27,337 | 27,337 |
| Interest expense and fiscal charges | (60,627) | - | - | (60,627) |
| Operating grants | - | 794,384 | - | 794,384 |
| Income taxes | 70,000 | 100,000 | - | 170,000 |
| Total non-operating revenues (expenses) | 9,373 | 894,384 | 27,337 | 931,094 |
| Income (loss) before contributions and transfers | (117,241) | (369,062) | 543,165 | 56,862 |
| Capital contributions | - | 337,248 | - | 337,248 |
| Change in net assets | (117,241) | (31,814) | 543,165 | 394,110 |
| Total net assets, beginning of year | 2,310,365 | 1,671,509 | 6,595,859 | 10,577,733 |
| Total net assets, end of year | \$ 2,193,124 | \$ 1,639,695 | \$ 7,139,024 | \$ 10,971,843 |

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CASH FLOWS
 NON MAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

Business Type Activities - Enterprise Funds

| | Airport | Transit | Storm Water | Totals |
|---|-------------------|--------------------|---------------------|---------------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers | \$ 265,904 | \$ 174,059 | \$ 1,584,893 | \$ 2,024,856 |
| Cash payments to suppliers for goods and services | (239,069) | (268,726) | (203,925) | (711,720) |
| Cash payments to employees for services | - | (657,328) | (504,535) | (1,161,863) |
| Miscellaneous revenues | 30,858 | 7,323 | - | 38,181 |
| Cash payments for interfund services used | (11,023) | (356,818) | (263,093) | (630,934) |
| Net cash provided (used) by operating activities | 46,670 | (1,101,490) | 613,340 | (441,480) |
| Cash flows from non-capital financing activities: | | | | |
| Operating grants | - | 714,967 | - | 714,967 |
| Interfund advances | - | 1,000 | - | 1,000 |
| Income taxes received | 70,000 | 100,000 | - | 170,000 |
| Net cash provided by non-capital financing activities | 70,000 | 815,967 | - | 885,967 |
| Cash flows from capital and related financing activities: | | | | |
| Purchase of capital assets | (69,660) | (95,575) | (538,686) | (703,921) |
| Interest expense | (60,763) | - | - | (60,763) |
| Repayment of debt principal | (65,000) | - | - | (65,000) |
| Capital contributions | - | 337,248 | - | 337,248 |
| Net cash provided (used) by capital and related financing activities | (195,423) | 241,673 | (538,686) | (492,436) |
| Cash flows from investing activities: | | | | |
| Interest income | - | - | 27,337 | 27,337 |
| Net cash provided by investing activities | - | - | 27,337 | 27,337 |
| Net increase (decrease) in cash and cash equivalents | (78,753) | (43,850) | 101,991 | (20,612) |
| Cash and cash equivalents, beginning of year | 195,377 | 230,913 | 3,660,436 | 4,086,726 |
| Cash and cash equivalents, end of year | \$ 116,624 | \$ 187,063 | \$ 3,762,427 | \$ 4,066,114 |

continued

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CASH FLOWS
 NON MAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

| (continued) | Airport | Transit | Storm Water | Totals |
|--|------------------|-----------------------|--------------------|---------------------|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ (126,614) | \$ (1,263,446) | \$ 515,828 | \$ (874,232) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Depreciation | 144,902 | 159,240 | 133,785 | 437,927 |
| Changes in assets and liabilities: | | | | |
| Decrease (increase) in accounts receivable (net) | (3,050) | 1,776 | (23,088) | (24,362) |
| Increase (decrease) in accounts payable | 32,852 | (7,712) | (20,021) | 5,119 |
| Increase (decrease) in accrued wages and benefits | 860 | 1,707 | 1,900 | 4,467 |
| Increase (decrease) in other accrued liabilities | - | 829 | 1,368 | 2,197 |
| Increase (decrease) in due to other funds | (2,280) | 7,958 | 4,413 | 10,091 |
| Increase (decrease) in compensated absences payable | - | (1,992) | (845) | (2,837) |
| Increase (decrease) in other post employment benefits | - | 150 | - | 150 |
| Total adjustments | 173,284 | 161,956 | 97,512 | 432,752 |
| Net cash provided (used) by operating activities | \$ 46,670 | \$ (1,101,490) | \$ 613,340 | \$ (441,480) |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL (NON-GAAP BASIS)
WATER FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| Operating revenues | | | | |
| Charges for services | \$ 6,218,254 | \$ 6,218,254 | \$ 6,839,397 | \$ 621,143 |
| Other operating revenues | 16,225 | 366,225 | 58,234 | (307,991) |
| Total operating revenues | 6,234,479 | 6,584,479 | 6,897,631 | 313,152 |
| Operating expenses | | | | |
| Water Administration | | | | |
| Personal services | 260,864 | 261,860 | 258,033 | 3,827 |
| Other | 158,300 | 158,300 | 125,285 | 33,015 |
| Water Treatment | | | | |
| Personal services | 936,323 | 937,992 | 898,496 | 39,496 |
| Other | 1,246,963 | 1,249,463 | 1,152,251 | 97,212 |
| Water Maintenance | | | | |
| Personal services | 966,655 | 972,458 | 972,096 | 362 |
| Other | 714,233 | 714,233 | 685,950 | 28,283 |
| Administrative Support | | | | |
| Other | 888,373 | 888,373 | 888,373 | - |
| Water Capital Reserve | | | | |
| Other | 1,826,045 | 2,251,045 | 2,208,148 | 42,897 |
| Wellfield Protection | | | | |
| Other | 1,339,985 | 2,614,670 | 1,479,035 | 1,135,635 |
| Total operating expenses | 8,337,741 | 10,048,394 | 8,667,667 | 1,380,727 |
| Operating income (loss) | (2,103,262) | (3,463,915) | (1,770,036) | 1,693,879 |
| Non-operating revenues (expenses) | | | | |
| Interest revenue | 55,515 | 55,515 | 41,005 | (14,510) |
| Interest expenses & fiscal charges | (160,685) | (160,685) | (160,660) | 25 |
| Debt retirement | (757,566) | (757,566) | (757,566) | (0) |
| Operating grants | - | 1,274,685 | 917,478 | (357,207) |
| Other sources | - | - | 79,317 | 79,317 |
| Total non-operating revenues (expenses) | (862,736) | 411,949 | 119,574 | (292,375) |
| Income (loss) before transfers | (2,965,998) | (3,051,966) | (1,650,462) | 1,401,504 |
| Transfers-out | (30,839) | (30,839) | (30,839) | - |
| Total transfers | (30,839) | (30,839) | (30,839) | - |
| Change in net assets | (2,996,837) | (3,082,805) | (1,681,301) | 1,401,504 |
| Net assets, beginning of the year | 4,094,701 | 4,094,701 | 4,094,701 | - |
| Appropriation for prior year encumbrances | 1,816,134 | 1,816,134 | 1,816,134 | - |
| Net assets, end of the year | \$ 2,913,998 | \$ 2,828,030 | \$ 4,229,534 | \$ 1,401,504 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL (NON-GAAP BASIS)
SEWER FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| Operating revenues | | | | |
| Charges for services | \$ 7,508,580 | \$ 7,508,580 | \$ 8,136,441 | \$ 627,861 |
| Other operating revenues | - | - | 27,211 | 27,211 |
| Total operating revenues | 7,508,580 | 7,508,580 | 8,163,652 | 655,072 |
| Operating expenses | | | | |
| Sewer Administration | | | | |
| Personal services | 216,470 | 217,508 | 201,002 | 16,506 |
| Other | 154,225 | 154,225 | 138,535 | 15,690 |
| Sewer Treatment | | | | |
| Personal services | 1,320,477 | 1,324,878 | 1,242,811 | 82,067 |
| Other | 2,034,872 | 2,034,872 | 1,525,993 | 508,879 |
| Sewer Maintenance | | | | |
| Personal services | 576,007 | 578,605 | 580,860 | (2,255) |
| Other | 385,785 | 385,785 | 366,371 | 19,414 |
| Public Works & Utilities Administration | | | | |
| Personal services | 211,947 | 213,011 | 203,864 | 9,147 |
| Other | 12,620 | 12,620 | 4,035 | 8,585 |
| Administrative Support | | | | |
| Other | 888,373 | 888,373 | 888,373 | - |
| Sewer Capital Reserve | | | | |
| Other | 1,421,001 | 2,009,916 | 1,700,049 | 309,867 |
| Total operating expenses | 7,221,777 | 7,819,793 | 6,851,893 | 967,900 |
| Operating income (loss) | 286,803 | (311,213) | 1,311,759 | 1,622,972 |
| Non-operating revenues (expenses) | | | | |
| Interest revenue | 32,553 | 32,553 | 33,797 | 1,244 |
| Interest expenses & fiscal charges | (374,922) | (374,922) | (374,922) | - |
| Debt retirement | (699,302) | (699,302) | (699,302) | - |
| Total non-operating revenues (expenses) | (1,041,671) | (1,041,671) | (1,040,427) | 1,244 |
| Income (loss) before transfers | (754,868) | (1,352,884) | 271,331 | 1,624,215 |
| Transfers-out | (30,839) | (30,839) | (30,839) | - |
| Total transfers | (30,839) | (30,839) | (30,839) | - |
| Change in net assets | (785,707) | (1,383,723) | 240,492 | 1,624,215 |
| Net assets, beginning of the year | 3,772,420 | 3,772,420 | 3,772,420 | - |
| Appropriation for prior year encumbrances | 355,794 | 355,794 | 355,794 | - |
| Net assets, end of the year | \$ 3,342,507 | \$ 2,744,491 | \$ 4,368,706 | \$ 1,624,215 |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL (NON-GAAP BASIS)
GOLF COURSE FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|--------------------|------------------|------------------|----------------------------------|
| Operating revenues | | | | |
| Charges for services | \$ 1,544,660 | \$ 1,544,660 | \$ 1,151,950 | \$ (392,710) |
| Other operating revenues | 39,340 | 39,340 | 8,731 | (30,609) |
| Total operating revenues | 1,584,000 | 1,584,000 | 1,160,681 | (423,319) |
| Operating expenses | | | | |
| Golf Maintenance | | | | |
| Personal services | 404,387 | 400,436 | 365,562 | 34,874 |
| Other | 317,053 | 323,053 | 319,638 | 3,415 |
| Golf Clubhouse | | | | |
| Personal services | 324,817 | 326,436 | 317,414 | 9,022 |
| Other | 317,793 | 317,793 | 284,138 | 33,655 |
| Total operating expenses | 1,364,050 | 1,367,718 | 1,286,752 | 80,966 |
| Operating income (loss) | 219,950 | 216,282 | (126,071) | (342,353) |
| Non-operating revenues (expenses) | | | | |
| Interest expenses & fiscal charges | (42,176) | (42,176) | (42,176) | - |
| Debt retirement | (177,728) | (177,728) | (177,728) | - |
| Other sources | | 5,000 | 346,820 | 341,820 |
| Total non-operating revenues (expenses) | (219,904) | (214,904) | 126,916 | 341,820 |
| Change in net assets | 46 | 1,378 | 845 | (533) |
| Net assets, beginning of the year | 4,814 | 4,814 | 4,814 | - |
| Net assets, end of the year | \$ 4,860 | \$ 6,192 | \$ 5,659 | \$ (533) |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL (NON-GAAP BASIS)
SOLID WASTE DISPOSAL FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|---|--------------------|-------------------|-------------------|----------------------------------|
| Operating revenues | | | | |
| Charges for services | \$ 2,958,300 | \$ 2,958,300 | \$ 2,899,736 | \$ (58,564) |
| Other operating revenues | 5,512 | 5,512 | 13,233 | 7,721 |
| Total operating revenues | 2,963,812 | 2,963,812 | 2,912,969 | (50,843) |
| Operating expenses | | | | |
| Other | 2,680,754 | 2,680,754 | 2,663,597 | 17,157 |
| Administrative Support | | | | |
| Other | 20,000 | 20,000 | 20,000 | - |
| Total operating expenses | 2,700,754 | 2,700,754 | 2,683,597 | 17,157 |
| Operating income (loss) | 263,058 | 263,058 | 229,372 | (33,686) |
| Non-operating expenses | | | | |
| Interest expenses & fiscal charges | (23,668) | (23,668) | (23,668) | - |
| Debt retirement | (243,728) | (243,728) | (243,728) | - |
| Total non-operating expenses | (267,396) | (267,396) | (267,396) | - |
| Change in net assets | (4,338) | (4,338) | (38,024) | (33,686) |
| Net assets, beginning of the year | 356,679 | 356,679 | 356,679 | - |
| Appropriation for prior year encumbrances | 19,234 | 19,234 | 19,234 | - |
| Net assets, end of the year | \$ 371,575 | \$ 371,575 | \$ 337,889 | \$ (33,686) |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL (NON-GAAP BASIS)
AIRPORT FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|--------------------|-------------------|------------------|----------------------------------|
| Operating revenues | | | | |
| Charges for services | \$ 274,200 | \$ 274,200 | \$ 265,904 | \$ (8,296) |
| Other operating revenues | - | - | 29,998 | 29,998 |
| Total operating revenues | 274,200 | 274,200 | 295,902 | 21,702 |
| Operating expenses | | | | |
| Airport Improvements | | | | |
| Other | 206,708 | 206,708 | 108,799 | 97,909 |
| Airport | | | | |
| Other | 250,276 | 250,276 | 240,034 | 10,242 |
| Total operating expenses | 456,984 | 456,984 | 348,833 | 108,151 |
| Operating income (loss) | (182,784) | (182,784) | (52,931) | 129,853 |
| Non-operating revenues (expenses) | | | | |
| Interest revenue | 1,299 | 1,299 | - | (1,299) |
| Interest expenses & fiscal charges | (60,763) | (60,763) | (60,763) | - |
| Debt retirement | (65,000) | (65,000) | (65,000) | - |
| Operating grants | 190,000 | 190,000 | - | (190,000) |
| Other sources | - | - | 860 | 860 |
| Income taxes | 70,000 | 70,000 | 70,000 | - |
| Total non-operating revenues (expenses) | 134,237 | 134,237 | (54,903) | (189,140) |
| Change in net assets | (48,547) | (48,547) | (107,834) | (59,287) |
| Net assets, beginning of the year | 188,271 | 188,271 | 188,271 | - |
| Appropriation for prior year encumbrances | 7,106 | 7,106 | 7,106 | - |
| Net assets, end of the year | \$ 146,830 | \$ 146,830 | \$ 87,543 | \$ (59,287) |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL (NON-GAAP BASIS)
TRANSIT SYSTEM FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|---------------------|------------------|------------------|----------------------------------|
| Operating revenues | | | | |
| Charges for services | \$ 169,983 | \$ 169,983 | \$ 174,055 | \$ 4,072 |
| Other operating revenues | 7,000 | 7,000 | 7,327 | 327 |
| Total operating revenues | 176,983 | 176,983 | 181,382 | 4,399 |
| Operating expenses | | | | |
| Personal services | 656,251 | 665,258 | 657,328 | 7,930 |
| Other | 1,294,428 | 1,289,428 | 908,020 | 381,408 |
| Total operating expenses | 1,950,679 | 1,954,686 | 1,565,348 | 389,338 |
| Operating income (loss) | (1,773,696) | (1,777,703) | (1,383,966) | 393,737 |
| Non-operating revenues (expenses) | | | | |
| Operating grants | 1,273,426 | 1,503,426 | 1,052,215 | (451,211) |
| Other sources | - | - | 1,000 | 1,000 |
| Income tax | 100,000 | 100,000 | 100,000 | - |
| Total non-operating revenues (expenses) | 1,373,426 | 1,603,426 | 1,153,215 | (450,211) |
| Change in net assets | (400,270) | (174,277) | (230,751) | (56,474) |
| Net assets, beginning of the year | (196,420) | (196,420) | (196,420) | - |
| Appropriation for prior year encumbrances | 427,333 | 427,333 | 427,333 | - |
| Net assets, end of the year | \$ (169,357) | \$ 56,636 | \$ 162 | \$ (56,474) |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL (NON-GAAP BASIS)
STORM WATER FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| Operating revenues | | | | |
| Charges for services | \$ 1,587,339 | \$ 1,587,339 | \$ 1,584,893 | \$ (2,446) |
| Total operating revenues | 1,587,339 | 1,587,339 | 1,584,893 | (2,446) |
| Operating expenses | | | | |
| Administrative Support | | | | |
| Other | 104,030 | 104,030 | 104,030 | - |
| Storm Sewer Maint | | | | |
| Personal services | 466,944 | 467,435 | 467,019 | 416 |
| Other | 431,560 | 431,560 | 382,648 | 48,912 |
| Sewer Capital Reserve | | | | |
| Other | 1,348,903 | 2,223,903 | 2,210,489 | 13,414 |
| Total operating expenses | 2,351,437 | 3,226,928 | 3,164,186 | 62,742 |
| Operating income (loss) | (764,098) | (1,639,589) | (1,579,293) | 60,296 |
| Non-operating revenues (expenses) | | | | |
| Interest revenue | 48,924 | 48,924 | 27,339 | (21,585) |
| Total non-operating revenues (expenses) | 48,924 | 48,924 | 27,339 | (21,585) |
| Change in net assets | (715,174) | (1,590,665) | (1,551,954) | 38,711 |
| Net assets, beginning of the year | 3,499,885 | 3,499,885 | 3,499,885 | - |
| Appropriation for prior year encumbrances | 160,551 | 160,551 | 160,551 | - |
| Net assets, end of the year | \$ 2,945,262 | \$ 2,069,771 | \$ 2,108,482 | \$ 38,711 |

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2011**

INTERNAL SERVICE FUNDS:

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

MUNICIPAL GARAGE

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

EMPLOYEE BENEFITS

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

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2011**

| | Municipal Garage | Employee Benefits Fund | Totals |
|--|-----------------------------|-----------------------------------|---------------------|
| Assets: | | | |
| Current assets: | | | |
| Equity in pooled cash, deposits and investments | \$ 2,582,577 | \$ 868,821 | \$ 3,451,398 |
| Receivables (net of allowance for uncollectibles): | | | |
| Accounts | 15,092 | 36,837 | 51,929 |
| Due from other funds | 273,970 | - | 273,970 |
| Inventory of supplies | 231,828 | - | 231,828 |
| Total current assets | 3,103,467 | 905,658 | 4,009,125 |
| Capital assets: | | | |
| Land | 195,750 | - | 195,750 |
| Buildings | 521,872 | - | 521,872 |
| Equipment | 10,454,635 | - | 10,454,635 |
| Less: Accumulated depreciation | (8,085,848) | - | (8,085,848) |
| Net capital assets | 3,086,409 | - | 3,086,409 |
| Total assets | 6,189,876 | 905,658 | 7,095,534 |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | 125,472 | 916,076 | 1,041,548 |
| Accrued wages and benefits | 36,188 | - | 36,188 |
| Other accrued liabilities | 5,005 | - | 5,005 |
| Compensated absences payable | 34,659 | - | 34,659 |
| Total current liabilities | 201,324 | 916,076 | 1,117,400 |
| Long-term liabilities: | | | |
| Compensated absences payable | 38,091 | - | 38,091 |
| Other post employment benefits | 24,528 | - | 24,528 |
| Total long-term liabilities | 62,619 | - | 62,619 |
| Total liabilities | 263,943 | 916,076 | 1,180,019 |
| Net assets: | | | |
| Invested in capital assets | 3,086,409 | - | 3,086,409 |
| Unrestricted | 2,839,524 | (10,418) | 2,829,106 |
| Total net assets | \$ 5,925,933 | \$ (10,418) | \$ 5,915,515 |

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

| | Municipal Garage | Employee Benefits Fund | Totals |
|--|-----------------------------|-----------------------------------|---------------------|
| Operating revenues: | | | |
| Charges for services | \$ 3,514,045 | \$ 5,197,830 | \$ 8,711,875 |
| Other operating revenues | 96,418 | 34,491 | 130,909 |
| Total operating revenues | 3,610,463 | 5,232,321 | 8,842,784 |
| Operating expenses: | | | |
| Personal services | 568,677 | - | 568,677 |
| Contractual services | 423,127 | 5,387,602 | 5,810,729 |
| Commodities | 1,048,429 | - | 1,048,429 |
| Depreciation | 844,068 | - | 844,068 |
| Other operating expenses | 71,080 | - | 71,080 |
| Total operating expenses | 2,955,381 | 5,387,602 | 8,342,983 |
| Operating income (loss) | 655,082 | (155,281) | 499,801 |
| Non-operating revenues (expenses): | | | |
| Interest revenue | 16,652 | - | 16,652 |
| Loss on sale of equipment | (51,491) | - | (51,491) |
| Total non-operating revenues (expenses) | (34,839) | - | (34,839) |
| Change in net assets | 620,243 | (155,281) | 464,962 |
| Total net assets, beginning of the year | 5,305,690 | 144,863 | 5,450,553 |
| Total net assets, end of the year | \$ 5,925,933 | \$ (10,418) | \$ 5,915,515 |

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

| | Municipal Garage | Employee Benefits Fund | Totals |
|--|-----------------------------|-----------------------------------|---------------------|
| Cash flows from operating activities: | | | |
| Cash payments to suppliers for goods and services | \$ (1,543,688) | \$ (5,366,673) | \$ (6,910,361) |
| Cash payments to employees for services | (454,540) | - | (454,540) |
| Miscellaneous revenue | 143,314 | 10,216 | 153,530 |
| Cash received from interfund services provided | 3,481,001 | 5,197,830 | 8,678,831 |
| Cash payments for interfund services used | (88,376) | - | (88,376) |
| Net cash provided (used) by operating activities | 1,537,711 | (158,627) | 1,379,084 |
| Cash flows from capital and related financing activities: | | | |
| Purchase of capital assets | (787,676) | - | (787,676) |
| Net cash used by capital and related financing activities | (787,676) | - | (787,676) |
| Cash flows from investing activities: | | | |
| Interest income | 16,652 | - | 16,652 |
| Net cash provided by investing activities | 16,652 | - | 16,652 |
| Net increase (decrease) in cash and cash equivalents | 766,687 | (158,627) | 608,060 |
| Cash and cash equivalents, beginning of year | 1,815,890 | 1,027,448 | 2,843,338 |
| Cash and cash equivalents, end of year | \$ 2,582,577 | \$ 868,821 | \$ 3,451,398 |

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

| (continued) | Municipal Garage | Employee Benefits Fund | Totals |
|---|-----------------------------|-----------------------------------|---------------------|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ 655,082 | \$ (155,281) | \$ 499,801 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 844,068 | - | 844,068 |
| Changes in assets and liabilities: | | | |
| Decrease (increase) in accounts receivable | 1,025 | (24,275) | (23,250) |
| Decrease (increase) in due from other funds | 12,827 | - | 12,827 |
| Decrease (increase) in supplies inventory | (13,537) | - | (13,537) |
| Increase (decrease) in accounts payable | 12,485 | 20,929 | 33,414 |
| Increase (decrease) in accrued wages | 28,033 | - | 28,033 |
| Increase (decrease) in accrued liabilities | 632 | - | 632 |
| Increase (decrease) in compensated absences | (3,170) | - | (3,170) |
| Increase (decrease) in post employment benefits | 266 | - | 266 |
| Total adjustments | 882,629 | (3,346) | 879,283 |
| Net cash provided (used) by operating activities | \$ 1,537,711 | \$ (158,627) | \$ 1,379,084 |

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL (NON-GAAP BASIS)
MUNICIPAL GARAGE FUND
FOR YEAR ENDED DECEMBER 31, 2011**

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| Operating revenues | | | | |
| Charges for services | \$ 3,562,403 | \$ 3,562,403 | \$ 3,624,314 | \$ 61,911 |
| Total operating revenues | 3,562,403 | 3,562,403 | 3,624,314 | 61,911 |
| Operating expenses | | | | |
| Personal services | 557,344 | 560,090 | 542,916 | 17,174 |
| Other | | | | |
| Contractual services | 473,253 | 473,253 | 428,968 | 44,285 |
| Commodities | 875,312 | 1,117,312 | 1,070,484 | 46,828 |
| Other operating expenses | 1,690,935 | 1,690,935 | 968,019 | 722,916 |
| Total operating expenses | 3,596,844 | 3,841,590 | 3,010,387 | 831,203 |
| Operating income (loss) | (34,441) | (279,187) | 613,927 | 893,114 |
| Non-operating revenues (expenses) | | | | |
| Interest revenue | 9,762 | 9,762 | 16,652 | 6,890 |
| Total non-operating revenues (expenses) | 9,762 | 9,762 | 16,652 | 6,890 |
| Change in net assets | (24,679) | (269,425) | 630,579 | 900,004 |
| Net assets, beginning of the year | 1,564,456 | 1,564,456 | 1,564,456 | - |
| Appropriation for prior year encumbrances | 251,434 | 251,434 | 251,434 | - |
| Net assets, end of the year | \$ 1,791,211 | \$ 1,546,465 | \$ 2,446,469 | \$ 900,004 |

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL (NON-GAAP BASIS)
EMPLOYEE BENEFITS FUND
FOR YEAR ENDED DECEMBER 31, 2011

| | Original Budget | Final Budget | Actual | Variance From Final Budget |
|------------------------------------|---------------------|---------------------|-------------------|----------------------------------|
| Operating revenues | | | | |
| Charges for services | \$ 5,367,728 | \$ 5,367,728 | \$ 5,208,046 | \$ (159,682) |
| Total operating revenues | 5,367,728 | 5,367,728 | 5,208,046 | (159,682) |
| Operating expenses | | | | |
| Other | | | | |
| Contractual services | 5,119,689 | 5,369,689 | 5,369,578 | 111 |
| Total operating expenses | 5,119,689 | 5,369,689 | 5,369,578 | 111 |
| Change in net assets | 248,039 | (1,961) | (161,532) | (159,571) |
| Net assets, beginning of the year | 1,027,448 | 1,027,448 | 1,027,448 | - |
| Net assets, end of the year | \$ 1,275,487 | \$ 1,025,487 | \$ 865,916 | \$ (159,571) |

**CITY OF MIDDLETOWN
AGENCY FUNDS
DECEMBER 31, 2010**

AGENCY FUNDS:

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

CONSERVANCY

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

PAYROLL CLEARING

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

MUNICIPAL COURT

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

JOINT ECONOMIC DEVELOPMENT DISTRICT I

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

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 DECEMBER 31, 2011**

| | Conser- vancy | Payroll Clearing | Municipal Court | Joint Economic Development District I | Totals |
|--|------------------|---------------------|--------------------|--|-------------------|
| Assets: | | | | | |
| Cash and equity in pooled cash, deposits and investments | \$ - | \$ - | \$ 39,857 | \$ 57,721 | \$ 97,578 |
| Cash with fiscal and escrow agent | - | 205,551 | - | - | 205,551 |
| Total assets | - | 205,551 | 39,857 | 57,721 | 303,129 |
| Liabilities: | | | | | |
| Due to other governments | - | 173,032 | - | 57,721 | 230,753 |
| Due to individuals | - | 29,743 | 8,345 | - | 38,088 |
| Unapportioned monies | - | 2,776 | 31,512 | - | 34,288 |
| Total liabilities | \$ - | \$ 205,551 | \$ 39,857 | \$ 57,721 | \$ 303,129 |

CITY OF MIDDLETOWN, OHIO
 COMBINING SCHEDULE OF CHANGES
 IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

| | CONSERVANCY | | | |
|--|---------------------------------|-------------|-------------------|---------------------------|
| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
| Assets: | | | | |
| Cash and equity in pooled cash, deposits and investments | \$ 9,984 | \$ - | \$ 9,984 | \$ - |
| Property taxes receivable | 94,354 | - | 94,354 | - |
| Total assets | 104,338 | - | 104,338 | - |
| Liabilities: | | | | |
| Due to other governments | 104,338 | - | 104,338 | - |
| Total liabilities | \$ 104,338 | \$ - | \$ 104,338 | \$ - |

CITY OF MIDDLETOWN, OHIO
 COMBINING SCHEDULE OF CHANGES
 IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

| | PAYROLL CLEARING | | | |
|--------------------------------------|---------------------------------|----------------------|----------------------|---------------------------|
| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
| Assets: | | | | |
| Cash with fiscal and escrow agent | \$ 27,691 | \$ 20,178,550 | \$ 20,000,690 | \$ 205,551 |
| Total assets | 27,691 | 20,178,550 | 20,000,690 | 205,551 |
| Liabilities: | | | | |
| Due to other governments | - | 6,016,214 | 5,843,182 | 173,032 |
| Due to individuals | - | 13,366,594 | 13,336,851 | 29,743 |
| Unapportioned monies | 27,691 | 795,742 | 820,657 | 2,776 |
| Total liabilities | \$ 27,691 | \$ 20,178,550 | \$ 20,000,690 | \$ 205,551 |

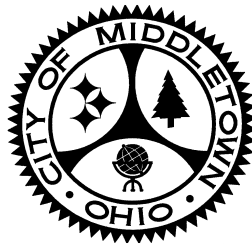
CITY OF MIDDLETOWN, OHIO
 COMBINING SCHEDULE OF CHANGES
 IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

| | MUNICIPAL COURT | | | |
|--|---------------------------------|---------------------|---------------------|---------------------------|
| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
| Assets: | | | | |
| Cash and equity in pooled cash, deposits and investments | \$ 63,592 | \$ 3,980,200 | \$ 4,003,935 | \$ 39,857 |
| Total assets | 63,592 | 3,980,200 | 4,003,935 | 39,857 |
| Liabilities: | | | | |
| Due to other governments | - | 735,267 | 735,267 | - |
| Due to individuals | 26,591 | 1,228,831 | 1,247,077 | 8,345 |
| Unapportioned monies | 37,001 | 339,117 | 344,606 | 31,512 |
| Total liabilities | \$ 63,592 | \$ 2,303,215 | \$ 2,326,950 | \$ 39,857 |

CITY OF MIDDLETOWN, OHIO
 COMBINING SCHEDULE OF CHANGES
 IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

JOINT ECONOMIC DEVELOPMENT DISTRICT I

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|--|---------------------------------|-------------------|-------------------|---------------------------|
| Assets: | | | | |
| Cash and equity in pooled cash, deposits and investments | \$ 56,339 | \$ 781,033 | \$ 779,651 | \$ 57,721 |
| Income taxes receivable | 12,086 | 0 | 12,086 | - |
| Total assets | 68,425 | 781,033 | 791,737 | \$ 57,721 |
| Liabilities: | | | | |
| Due to other governments | 68,425 | 781,033 | 791,737 | 57,721 |
| Total liabilities | \$ 68,425 | \$ 781,033 | \$ 791,737 | \$ 57,721 |



STATISTICAL SECTION

The following unaudited, statistical tables reflect social and economic data, financial trends, and fiscal capacity of the City.

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

| CONTENTS | PAGE |
|--|------------|
| Financial Trends | 171 |
| These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. | |
| Revenue Capacity | 178 |
| These schedules contain information to help the reader assess one of the government's most significant local revenue source, the property tax. | |
| Debt Capacity | 182 |
| These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. | |
| Demographic and Economic Information | 187 |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. | |
| Operating Information | 189 |
| These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. | |

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

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|------------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Governmental Activities | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 56,729 | 59,237 | 59,504 | 58,169 | 59,871 | 62,823 | 68,722 | 22,142 | 21,613 | 18,601 |
| Restricted: | | | | | | | | | | |
| Capital Projects | 3,752 | 7,372 | 3,527 | 4,168 | 3,806 | 4,229 | 5,838 | 5,402 | 3,703 | - |
| Debt Service | 4,401 | 4,592 | 4,495 | 5,845 | 1,932 | 2,466 | 2,483 | 2,700 | 1,768 | 443 |
| Housing Assistance | 12,658 | 13,702 | 11,897 | 11,241 | 12,629 | 12,608 | 10,625 | - | - | - |
| Other Purposes | 10,123 | 10,010 | 11,351 | 10,256 | 8,327 | 7,761 | 8,502 | 16,329 | 15,413 | 5,463 |
| Unrestricted | 9,940 | 7,454 | 10,494 | 10,366 | 6,963 | 4,930 | 3,605 | 2,267 | 4,239 | 21,526 |
| Total Governmental Activities Net Assets | \$ 97,603 | 102,367 | 101,268 | 100,045 | 93,528 | 94,817 | 99,775 | 48,840 | 46,736 | 46,033 |
| Business-Type Activities | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 51,637 | 49,711 | 49,139 | 49,847 | 41,709 | 40,483 | 41,012 | 39,549 | 38,968 | 36,568 |
| Restricted: | | | | | | | | | | |
| Other Purposes | 1,501 | 1,457 | 1,411 | 1,367 | 1,255 | 1,105 | 711 | 711 | 716 | 712 |
| Unrestricted | 14,811 | 14,166 | 13,247 | 10,779 | 15,702 | 15,650 | 12,658 | 13,204 | 12,239 | 13,145 |
| Total Business-Type Activities Net Assets | \$ 67,949 | 65,334 | 63,797 | 61,993 | 58,666 | 57,238 | 54,381 | 53,464 | 51,923 | 50,425 |

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

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Community environment | \$ 16,739 | 13,318 | 14,621 | 15,950 | 11,736 | 11,402 | 11,022 | 13,033 | 12,476 | 10,981 |
| General government | 6,364 | 6,161 | 6,489 | 4,073 | 4,233 | 4,639 | 4,674 | 4,389 | 4,248 | 5,625 |
| Leisure | 1,164 | 947 | 1,150 | 1,250 | 1,565 | 1,096 | 1,661 | 877 | 1,146 | 1,315 |
| Public health | 781 | 941 | 1,094 | 1,490 | 1,031 | 1,262 | 1,247 | 1,471 | 1,859 | 1,991 |
| Public safety | 24,646 | 23,951 | 24,250 | 23,701 | 23,498 | 22,691 | 22,420 | 22,544 | 22,128 | 22,174 |
| Highways and streets | 8,565 | 9,776 | 9,509 | 7,965 | 10,318 | 9,787 | 4,196 | 5,446 | 3,485 | 4,532 |
| Interest on long-term debt | 1,447 | 1,241 | 1,179 | 1,028 | 1,497 | 1,522 | 1,506 | 1,375 | 1,215 | 1,197 |
| Total governmental activities expenses | <u>59,706</u> | <u>56,335</u> | <u>58,292</u> | <u>55,457</u> | <u>53,878</u> | <u>52,399</u> | <u>46,726</u> | <u>49,135</u> | <u>46,557</u> | <u>47,815</u> |
| Business-type activities: | | | | | | | | | | |
| Water | 6,427 | 7,627 | 5,867 | 7,588 | 7,510 | 8,027 | 6,002 | 5,265 | 5,397 | 5,625 |
| Sanitary Sewer | 7,216 | 7,172 | 7,092 | 7,374 | 6,730 | 6,928 | 5,640 | 5,505 | 5,734 | 5,627 |
| Golf | 1,446 | 1,604 | 1,488 | 1,563 | 1,713 | 1,653 | 1,881 | 1,727 | 1,879 | 1,869 |
| Solid Waste | 2,667 | 2,616 | 2,547 | 2,496 | 2,748 | 2,442 | 2,280 | 2,236 | 2,290 | 1,939 |
| Non major enterprise funds | 3,021 | 2,432 | 3,292 | 2,314 | 2,203 | 2,037 | 1,810 | 1,961 | 1,321 | 1,896 |
| Total business-type activities expenses | <u>20,777</u> | <u>21,451</u> | <u>20,286</u> | <u>21,335</u> | <u>20,904</u> | <u>21,087</u> | <u>17,613</u> | <u>16,694</u> | <u>16,621</u> | <u>16,956</u> |
| Total primary government expenses | \$ <u>80,483</u> | <u>77,786</u> | <u>78,578</u> | <u>76,792</u> | <u>74,782</u> | <u>73,486</u> | <u>64,339</u> | <u>65,829</u> | <u>63,178</u> | <u>64,771</u> |
| Program Revenue | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Community environment | \$ 890 | 550 | 192 | 347 | 501 | 896 | 777 | 447 | 16 | 651 |
| General government | 2,625 | 2,382 | 2,704 | 2,980 | 2,296 | 1,744 | 2,329 | 1,589 | 1,528 | 1,478 |
| Highways and streets | 569 | 16 | - | - | 449 | 498 | - | 18 | - | - |
| Leisure | 2 | 2 | 1 | 162 | 79 | 45 | 18 | 23 | 34 | 38 |
| Public health | 236 | 191 | 167 | 184 | - | 204 | 205 | 200 | 329 | 637 |
| Public safety | 4,660 | 4,350 | 3,990 | 3,967 | 3,686 | 2,297 | 2,836 | 1,793 | 2,422 | 2,445 |
| Operating grants & contributions | 11,932 | 13,472 | 13,682 | 12,827 | 11,332 | 12,241 | 14,421 | 6,895 | 10,007 | 11,713 |
| Capital grants & contributions | 3,551 | 2,716 | 7,423 | 4,203 | 2,405 | 3,047 | 1,560 | 9,125 | 1,985 | 115 |
| Total governmental activities program revenue | \$ <u>24,465</u> | <u>23,679</u> | <u>28,159</u> | <u>24,670</u> | <u>20,748</u> | <u>20,972</u> | <u>22,146</u> | <u>20,090</u> | <u>16,321</u> | <u>17,077</u> |

continued

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

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|-------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water | \$ 6,852 | 6,500 | 6,038 | 6,866 | 6,598 | 6,980 | 6,655 | 6,711 | 6,228 | 5,433 |
| Sanitary Sewer | 8,137 | 7,831 | 7,210 | 7,930 | 6,673 | 7,122 | 5,574 | 5,791 | 5,460 | 5,546 |
| Golf course | 1,152 | 1,358 | 1,408 | 1,393 | 1,629 | 1,635 | 1,716 | 1,765 | 1,668 | 1,799 |
| Solid Waste | 2,812 | 2,861 | 2,825 | 2,817 | 3,153 | 2,596 | 2,454 | 2,423 | 2,330 | 2,021 |
| Other business-type activities | 2,057 | 1,910 | 2,078 | 2,007 | 1,842 | 1,994 | 267 | 201 | 206 | 215 |
| Operating grants & contributions | 1,712 | 2,481 | 1,101 | 1,257 | 1,115 | 2,639 | 1,139 | 184 | 31 | 417 |
| Capital grants & contributions | 337 | 322 | 754 | 1,119 | 473 | 172 | 151 | 654 | 1,985 | 2,150 |
| Total business-type activities program revenue | 23,059 | 23,263 | 21,414 | 23,389 | 21,483 | 23,138 | 17,956 | 17,729 | 17,908 | 17,581 |
| Total primary government program revenue | \$ 47,524 | 46,942 | 49,573 | 48,059 | 42,231 | 44,110 | 40,102 | 37,819 | 34,229 | 34,658 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (35,241) | (32,656) | (30,133) | (30,787) | (33,130) | (31,427) | (24,580) | (29,045) | (30,236) | (30,738) |
| Business-type activities | 2,282 | 1,812 | 1,128 | 2,054 | 579 | 2,051 | 343 | 1,035 | 1,287 | 625 |
| Total primary government net expense | (32,959) | (30,844) | (29,005) | (28,733) | (32,551) | (29,376) | (24,237) | (28,010) | (28,949) | (30,113) |
| General Revenues and Other Changes in Net Assets | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Income taxes | \$ 19,425 | 20,345 | 18,942 | 19,921 | 17,921 | 17,695 | 18,009 | 17,960 | 16,417 | 17,764 |
| Property taxes | 4,158 | 4,480 | 4,534 | 4,965 | 5,644 | 5,920 | 5,941 | 5,654 | 5,588 | 5,042 |
| Other taxes | 2,808 | 2,949 | 2,427 | 2,248 | 3,694 | 3,382 | 3,046 | 3,445 | 3,849 | 3,436 |
| Grants/contributions not restricted | 3,005 | 4,852 | 3,666 | 3,349 | 1,014 | 807 | 6 | 69 | 2,300 | 4,366 |
| Investment earnings | 124 | 111 | (151) | 686 | 2,327 | 967 | 485 | 529 | 1,006 | 1,101 |
| Miscellaneous | 895 | 942 | 1,823 | 6,135 | 1,241 | 3,143 | 3,196 | 3,560 | 1,445 | 49 |
| Transfers | 62 | 77 | 58 | - | - | 55 | 56 | (67) | 334 | 1,868 |
| Total governmental activities general revenues | 30,477 | 33,756 | 31,299 | 37,304 | 31,841 | 31,969 | 30,739 | 31,150 | 30,939 | 33,626 |
| Business-type activities: | | | | | | | | | | |
| Income taxes | \$ 170 | 190 | 344 | 466 | 300 | 270 | 338 | 238 | 245 | 230 |
| Grants/contributions not restricted | - | - | - | - | - | - | - | 201 | 245 | 216 |
| Investment earnings | 123 | 189 | 323 | 694 | 549 | 591 | 291 | - | - | 377 |
| Transfers | 102 | (77) | 96 | - | - | (55) | (56) | 67 | (279) | (49) |
| Miscellaneous | (62) | 115 | (58) | 113 | - | - | - | - | - | 116 |
| Total business type activities general revenues | 333 | 417 | 705 | 1,273 | 849 | 806 | 573 | 506 | 211 | 890 |
| Total primary government general revenues | \$ 30,810 | 34,173 | 32,004 | 38,577 | 32,690 | 32,775 | 31,312 | 31,656 | 31,150 | 34,516 |
| Special item | \$ - | (692) | - | - | - | (5,500) | - | - | - | - |
| Changes in Net Assets | | | | | | | | | | |
| Governmental activities | \$ (4,764) | 1,100 | 1,166 | 6,517 | (1,289) | (4,958) | 6,159 | 2,105 | 703 | 2,888 |
| Business-type activities | 2,615 | 1,537 | 1,833 | 3,327 | 1,428 | 2,857 | 916 | 1,541 | 1,498 | 1,515 |
| Total primary government | \$ (2,149) | 2,637 | 2,999 | 9,844 | 139 | (2,101) | 7,075 | 3,646 | 2,201 | 4,403 |

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

| Fiscal Year | Income Tax | Property Tax | Other Taxes | Total |
|--------------------|-------------------|---------------------|--------------------|--------------|
| 2011 | \$ 19,595 | \$ 4,158 | \$ 2,808 | \$ 26,561 |
| 2010 | \$ 20,345 | \$ 4,480 | \$ 2,948 | \$ 27,773 |
| 2009 | \$ 19,286 | \$ 4,533 | \$ 2,427 | \$ 26,246 |
| 2008 | \$ 20,387 | \$ 4,965 | \$ 2,248 | \$ 27,600 |
| 2007 | \$ 18,221 | \$ 5,644 | \$ 3,694 | \$ 27,559 |
| 2006 | \$ 17,966 | \$ 5,920 | \$ 3,382 | \$ 27,268 |
| 2005 | \$ 18,009 | \$ 5,941 | \$ 3,046 | \$ 26,996 |
| 2004 | \$ 17,960 | \$ 5,654 | \$ 3,445 | \$ 27,059 |
| 2003 | \$ 16,417 | \$ 5,588 | \$ 3,849 | \$ 25,854 |
| 2002 | \$ 17,764 | \$ 5,042 | \$ 3,436 | \$ 26,242 |

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

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General Fund | | | | | | | | | | |
| Reserved, nonspendable, restricted or committed | \$ 4,881 | 343 | 326 | 311 | 211 | 229 | 732 | 355 | 509 | 417 |
| Unreserved, unassigned | 6,955 | 11,697 | 10,977 | 11,229 | 8,864 | 6,792 | 6,527 | 6,007 | 7,119 | 10,938 |
| Total General Fund | \$ 11,836 | 12,040 | 11,303 | 11,540 | 9,075 | 7,021 | 7,259 | 6,362 | 7,628 | 11,355 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved, nonspendable, restricted or committed | \$ 13,877 | 10,682 | 3,764 | 4,476 | 3,148 | 5,138 | 4,457 | 5,225 | 9,197 | 8,608 |
| Unreserved, undesignated, unassigned reported in: | | | | | | | | | | |
| Capital project funds | (1,372) | (138) | 2,499 | 6,021 | 3,552 | 1,823 | 4,258 | 2,541 | (1,091) | 6,709 |
| Debt service funds | - | 892 | 82 | 1,123 | 720 | 317 | 327 | 124 | 443 | 649 |
| Special revenue funds | (164) | 6,446 | 7,133 | 2,933 | 6,842 | 5,440 | 4,117 | 4,169 | 3,852 | 4,184 |
| Total All Other Governmental Funds | 12,341 | 17,882 | 13,478 | 14,553 | 14,262 | 12,718 | 13,159 | 12,059 | 12,401 | 20,150 |
| Total Governmental Funds | \$ 24,177 | 29,922 | 24,781 | 26,093 | 23,337 | 19,739 | 20,418 | 18,421 | 20,029 | 31,505 |

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

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|-------------------|----------------|----------------|---------------|---------------|---------------|----------------|----------------|----------------|-----------------|
| Revenues | | | | | | | | | | |
| Property taxes | \$ 4,158 | 4,480 | 4,533 | 4,965 | 5,643 | 5,920 | 5,941 | 5,654 | 5,588 | 5,019 |
| Municipal income taxes | 19,924 | 19,775 | 18,640 | 19,606 | 17,944 | 17,061 | 18,092 | 17,376 | 15,443 | 17,764 |
| Intergovernmental revenues | 22,675 | 22,330 | 23,325 | 19,921 | 18,853 | 19,159 | 15,702 | 17,940 | 17,781 | 16,308 |
| Charges for services | 4,454 | 4,024 | 4,449 | 4,312 | 4,216 | 3,286 | 3,624 | 3,758 | 2,915 | 3,730 |
| Fees, licenses, and permits | 224 | 204 | 187 | 257 | 452 | 417 | 338 | 312 | 245 | 274 |
| Fines and forfeits | 1,896 | 1,979 | 1,774 | 2,019 | 1,575 | 1,483 | 1,612 | 1,499 | 1,164 | 1,259 |
| Special assessments | 701 | 349 | 385 | 440 | 491 | 498 | 591 | 659 | 638 | 625 |
| Investment earnings | 124 | 111 | (151) | 686 | 1,054 | 861 | 450 | 498 | 730 | 1,111 |
| Miscellaneous | 3,172 | 3,469 | 2,575 | 3,958 | 3,142 | 3,385 | 3,172 | 2,089 | 1,976 | 2,270 |
| Total revenues | 57,328 | 56,721 | 55,717 | 56,164 | 53,370 | 52,070 | 49,522 | 49,785 | 46,480 | 48,360 |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General Government | 3,879 | 4,323 | 4,060 | 4,334 | 4,083 | 4,306 | 4,196 | 4,104 | 4,203 | 5,124 |
| Public safety | 24,987 | 23,933 | 23,873 | 23,240 | 23,122 | 23,791 | 22,501 | 22,142 | 23,596 | 23,775 |
| Public health and welfare | 744 | 899 | 1,084 | 1,394 | 1,024 | 1,220 | 1,187 | 1,457 | 1,832 | 1,996 |
| Leisure time activities | 1,002 | 856 | 1,466 | 1,259 | 1,421 | 1,064 | 1,502 | 1,060 | 1,152 | 1,233 |
| Community environment | 21,202 | 16,422 | 14,616 | 15,907 | 11,754 | 11,377 | 13,708 | 13,024 | 12,441 | 14,991 |
| Highways and streets | 5,871 | 6,223 | 12,008 | 3,329 | 4,731 | 6,587 | 5,373 | 3,787 | 7,432 | 7,401 |
| Miscellaneous | 2,165 | 1,725 | 3,422 | 1,127 | 1,427 | 1,410 | 1,636 | 7,353 | 2,080 | 1,371 |
| Debt Service | | | | | | | | | | |
| Principal retirement | 2,228 | 2,129 | 1,822 | 1,896 | 1,556 | 1,661 | 1,520 | 1,407 | 1,238 | 1,356 |
| Interest and fiscal charges | 1,394 | 1,381 | 1,277 | 971 | 1,503 | 1,527 | 1,493 | 1,355 | 1,209 | 1,217 |
| Bond issuance costs | - | - | - | 836 | | | | | 141 | - |
| Total expenditures | 63,472 | 57,891 | 63,628 | 54,293 | 50,621 | 52,943 | 53,116 | 55,689 | 55,324 | 58,464 |
| Excess (deficiency) of revenues over expenditures | \$ (6,144) | (1,170) | (7,911) | 1,871 | 2,749 | (873) | (3,594) | (5,904) | (8,844) | (10,104) |

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

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|-------------------|--------------|----------------|--------------|--------------|--------------|--------------|--------------|----------------|-----------------|
| Continued | | | | | | | | | | |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers in | \$ 161 | 258 | 1,075 | 2,842 | 842 | 497 | 661 | 765 | 1,047 | 1,290 |
| Transfers out | (99) | (198) | (1,017) | (2,785) | (242) | (442) | (606) | (713) | (768) | (1,379) |
| Issuance of bonds | 337 | 6,235 | 6,530 | 10,323 | - | 58 | 4,315 | 6,216 | 4,250 | - |
| Other uses | - | - | 11 | (9,665) | (4) | (29) | - | - | - | - |
| Other sources | - | 16 | - | 170 | 107 | - | - | - | - | - |
| Total other financing sources (uses) | 399 | 6,311 | 6,599 | 885 | 703 | 84 | 4,370 | 6,268 | 4,529 | (89) |
| Net change in Fund Balances | \$ (5,745) | 5,141 | (1,312) | 2,756 | 3,452 | (789) | 776 | 364 | (4,315) | (10,193) |
| Asset Additions | \$ 10,349 | 7,458 | 14,607 | 10,475 | 2,753 | 5,649 | 7,639 | 7,005 | 7,217 | 9,676 |
| Non capital expenditures | \$ 53,123 | 50,433 | 49,021 | 43,818 | 47,868 | 47,294 | 45,477 | 48,684 | 48,107 | 48,788 |
| Debt service as a % of noncapital expenditures | 6.82% | 6.96% | 6.32% | 8.45% | 6.39% | 6.74% | 6.63% | 5.67% | 5.38% | 5.27% |

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

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------------|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Property taxes | \$ 4,158 | 4,480 | 4,533 | 4,965 | 5,643 | 5,920 | 5,941 | 5,654 | 5,588 | 5,019 |
| Municipal income taxes | \$ 19,924 | 19,775 | 18,640 | 19,606 | 17,944 | 17,061 | 18,092 | 17,376 | 15,443 | 17,764 |

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

| Tax Levy/ Collection Year | Real Property | | Personal Property (1) | | Public Utility (2) | | Totals | | Direct Tax Rate | Assessed Value as a Percent of Estimated Actual Value |
|---------------------------------|---------------|---------------------|-----------------------|---------------------|--------------------|---------------------|-------------|---------------------|--------------------|---|
| | Assessed | Estimated Actual | Assessed | Estimated Actual | Assessed | Estimated Actual | Assessed | Estimated Actual | | |
| 2001/2002 | \$652,341 | \$1,863,830 | \$237,371 | \$949,486 | \$35,230 | \$140,920 | \$924,942 | \$2,954,236 | 6.31 | 31.31 |
| 2002/2003 | \$751,960 | \$2,148,865 | \$248,818 | \$995,273 | \$39,698 | \$158,224 | \$1,040,477 | \$3,302,362 | 5.86 | 31.51 |
| 2003/2004 | \$753,911 | \$2,154,032 | \$252,766 | \$1,011,064 | \$38,624 | \$154,498 | \$1,045,301 | \$3,319,593 | 5.86 | 31.49 |
| 2004/2005 | \$752,108 | \$2,148,880 | \$253,353 | \$1,013,414 | \$38,637 | \$154,548 | \$1,044,099 | \$3,316,842 | 5.86 | 31.48 |
| 2005/2006 | \$777,301 | \$2,220,861 | \$238,133 | \$952,532 | \$36,625 | \$146,501 | \$1,052,060 | \$3,319,895 | 8.90 | 31.69 |
| 2006/2007 | \$796,561 | \$2,214,750 | \$200,461 | \$739,474 | \$43,102 | \$171,800 | \$1,040,124 | \$3,126,024 | 5.90 | 33.27 |
| 2007/2008 | \$698,478 | \$1,990,520 | \$129,635 | \$739,474 | \$32,519 | \$130,000 | \$860,632 | \$2,859,994 | 5.90 | 30.09 |
| 2008/2009 | \$850,845 | \$2,395,651 | \$0 | \$0 | \$33,839 | \$135,100 | \$884,684 | \$2,530,751 | 5.90 | 34.96 |
| 2009/2010 | \$810,367 | \$2,315,335 | \$0 | \$0 | \$35,641 | \$143,750 | \$846,008 | \$2,459,085 | 5.90 | 34.40 |
| 2010/2011 | \$799,515 | \$2,284,335 | \$0 | \$0 | \$44,761 | \$176,510 | \$844,276 | \$2,460,845 | 5.90 | 34.31 |

Real property is reappraised every six years with a State mandated update of the current market in the third year following each reappraisal. Pursuant to statutory requirements for sexennial reappraisals, in 2008 the County Auditor adjusted the true value of taxable real property to reflect then current fair market values. These adjustments were first reflected in the 2008 duplicate (collection year 2009) and in the ad valorem taxes distributed to the City in 2009 and thereafter.

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

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

(1) Other than public utility.

(2) Real and tangible personal property

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

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

| Collection Year | City of Middletown | | | | Butler County | Middletown City School District | Total |
|-----------------|--------------------|-------------------------|-----------------|--------------------------|---------------|---------------------------------|-------|
| | Operating | Police and Fire Pension | Debt Retirement | City of Middletown Total | | | |
| 2002 | 5.26 | 0.60 | 0.00 | 5.86 | 8.45 | 37.26 | 51.57 |
| 2003 | 5.26 | 0.60 | 0.00 | 5.86 | 8.75 | 36.71 | 51.32 |
| 2004 | 5.26 | 0.60 | 0.00 | 5.86 | 8.74 | 40.03 | 54.63 |
| 2005 | 5.30 | 0.60 | 0.00 | 5.90 | 8.74 | 40.01 | 54.65 |
| 2006 | 5.30 | 0.60 | 0.00 | 5.90 | 9.44 | 47.06 | 62.40 |
| 2007 | 5.30 | 0.60 | 0.00 | 5.90 | 10.95 | 47.06 | 63.91 |
| 2008 | 5.30 | 0.60 | 0.00 | 5.90 | 10.45 | 47.68 | 64.03 |
| 2009 | 5.30 | 0.60 | 0.00 | 5.90 | 9.75 | 47.68 | 63.33 |
| 2010 | 5.30 | 0.60 | 0.00 | 5.90 | 9.75 | 48.93 | 64.58 |
| 2011 | 5.30 | 0.60 | 0.00 | 5.90 | 9.72 | 49.09 | 64.71 |

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

Source: Butler County Auditor's Office

CITY OF MIDDLETOWN, OHIO
Principal Property Taxpayers
12/31/2011 and Nine Years Ago
Table 9

Top Ten Property Taxpayers (real property)

| 2002 Calendar year/ 2001 Tax Year | | | 2011 Calendar year/ 2010 Tax Year | | |
|-----------------------------------|----------------------|-------------------|-----------------------------------|-----------------------|-------------------|
| | <u>Value</u> | <u>% of Total</u> | | <u>Value</u> | <u>% of Total</u> |
| AK Steel | \$ 17,053,840 | 44.35% | Duke Energy Ohio Inc. | \$ 48,578,960 | 38.67% |
| Precision Strip | \$ 3,840,270 | 9.99% | AK Steel | \$ 25,576,200 | 20.36% |
| Southwestern Ohio Steel | \$ 3,688,060 | 9.59% | Rockies Express Pipeline LLC | \$ 10,669,080 | 8.49% |
| Garden Manor | \$ 3,555,840 | 9.25% | Precision Strip Inc | \$ 8,309,340 | 6.61% |
| Trinity Place Community | \$ 2,194,270 | 5.71% | Southwestern Ohio Steel | \$ 7,749,520 | 6.17% |
| Bay West Paper Company | \$ 1,780,300 | 4.63% | Sam Boymel | \$ 7,000,020 | 5.57% |
| Riverside Village LTD | \$ 1,765,880 | 4.59% | Liberty Retirement Properties | \$ 5,127,020 | 4.08% |
| Akers Packaging | \$ 1,606,670 | 4.18% | Bavarian Woods | \$ 4,410,000 | 3.51% |
| Pre Finish Metals | \$ 1,518,500 | 3.95% | Chaka-Chak LLC | \$ 4,120,680 | 3.28% |
| Venture 3 Enterprises | \$ 1,448,590 | 3.77% | Texas Eastern Transmission | \$ 4,082,440 | 3.25% |
| TOTAL | \$ 38,452,220 | 100.00% | | \$ 125,623,260 | 100.00% |

2001 data does not include public utility

Source: Butler County Auditor's Office

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

| Collected within the Fiscal Year of the Levy | | | | |
|---|---|----------------------|-------------------------|---|
| Fiscal Year Ended December 31 | Total Tax Levy for Fiscal Year (Millage) | Amount Levied | Amount Collected | Percentage of Levy Collected |
| 2011 | 5.90 | \$4,629 | \$3,976 | 85.89% |
| 2010 | 5.90 | \$4,751 | \$4,270 | 89.88% |
| 2009 | 5.90 | \$5,913 | \$4,526 | 76.54% |
| 2008 | 5.90 | \$6,009 | \$5,071 | 84.39% |
| 2007 | 5.90 | \$6,207 | \$5,330 | 85.87% |
| 2006 | 5.90 | \$6,160 | \$5,941 | 96.44% |
| 2005 | 5.90 | \$6,167 | \$5,654 | 91.68% |
| 2004 | 5.86 | \$6,097 | \$5,588 | 91.65% |
| 2003 | 5.86 | \$5,420 | \$5,019 | 92.60% |
| 2002 | 5.86 | \$5,298 | \$4,773 | 90.09% |

Information not available for delinquent property tax collections

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

| Fiscal Year | Governmental Activities | | | | | Business-Type Activities | | Total | Percentage of Personal Income | Per Capita (1) |
|-------------|--------------------------|--------------------------|---|----------------|--------------------------|--------------------------|-----------|-------|-------------------------------|----------------|
| | General Obligation Bonds | Special Assessment Bonds | Police & Fire Pension Accrued Liability | Capital Leases | General Obligation Bonds | Capital Leases | | | | |
| 2011 | \$ 28,505 | \$ 2,479 | \$ 2,164 | \$ - | \$ 11,768 | \$ 4,512 | \$ 49,428 | 4.87% | \$ 1,015 | |
| 2010 | \$ 30,664 | \$ 2,375 | \$ 2,261 | \$ - | \$ 12,953 | \$ 5,290 | \$ 53,543 | 4.87% | \$ 1,100 | |
| 2009 | \$ 26,341 | \$ 2,593 | \$ 2,359 | \$ - | \$ 14,108 | \$ 6,041 | \$ 51,442 | 4.87% | \$ 1,050 | |
| 2008 | \$ 21,410 | \$ 2,823 | \$ 2,457 | \$ - | \$ 14,967 | \$ 6,765 | \$ 48,422 | 4.56% | \$ 942 | |
| 2007 | \$ 22,215 | \$ 3,099 | \$ 2,555 | \$ - | \$ 6,235 | \$ 7,462 | \$ 41,566 | 3.87% | \$ 803 | |
| 2006 | \$ 24,010 | \$ 3,325 | \$ 2,652 | \$ - | \$ 6,850 | \$ 8,024 | \$ 44,861 | 4.14% | \$ 879 | |
| 2005 | \$ 25,375 | \$ 2,899 | \$ 2,750 | \$ - | \$ 7,650 | \$ - | \$ 38,674 | 3.52% | \$ 696 | |
| 2004 | \$ 22,220 | \$ 3,259 | \$ 2,848 | \$ 74 | \$ 8,405 | \$ - | \$ 36,806 | 3.33% | \$ 658 | |
| 2003 | \$ 17,815 | \$ 2,857 | \$ 2,946 | \$ 155 | \$ 9,125 | \$ - | \$ 32,898 | 2.94% | \$ 580 | |
| 2002 | \$ 14,705 | \$ 2,955 | \$ 3,043 | \$ 223 | \$ 9,315 | \$ - | \$ 30,241 | 2.67% | \$ 527 | |

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

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

| Fiscal Year | General Obligation Bonds | Less: Amounts Available in Debt Service Funds | Total | Percentage of Estimated Actual Taxable Value (1) of Property | Per Capita (2) |
|--------------------|---------------------------------|--|--------------|---|-----------------------|
| 2011 | \$40,403 | \$522 | \$39,881 | 3.87% | \$830 |
| 2010 | \$43,617 | \$548 | \$43,069 | 4.19% | \$896 |
| 2009 | \$40,449 | \$460 | \$39,989 | 4.57% | \$825 |
| 2008 | \$36,652 | \$617 | \$36,035 | 4.33% | \$713 |
| 2007 | \$28,450 | \$346 | \$28,104 | 3.22% | \$550 |
| 2006 | \$30,350 | \$138 | \$30,212 | 3.53% | \$595 |
| 2005 | \$33,025 | \$172 | \$32,853 | 3.18% | \$640 |
| 2004 | \$30,625 | \$272 | \$30,353 | 2.91% | \$593 |
| 2003 | \$26,940 | \$141 | \$26,799 | 2.58% | \$522 |
| 2002 | \$24,020 | \$297 | \$23,723 | 2.30% | \$465 |

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

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 176 for property value data

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 185.

CITY OF MIDDLETOWN, OHIO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
As of December 31, 2011
(amounts expressed in thousands)
Table 13

| Political Subdivision | General Bonded Debt | Percent Applicable to City | City's Share |
|------------------------------|----------------------------|---|---------------------|
| City of Middletown | \$40,419 | 100.0 | \$40,419 |
| Butler County | 80,562 | 11.4 | \$9,184 |
| Warren County | <u>6,862</u> | 1.5 | <u>104</u> |
| Total | \$127,843 | | \$49,707 |

Source: Butler and Warren County Auditor's Offices.

Butler County percentage determined by dividing the total assessed valuation of properties located within the city divided by the total assessed valuation of the county.

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

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-----------|---------|---------|---------|--|---------|--------|--------|---------|----------------------|
| Debt limit | \$ 97,119 | 109,250 | 109,757 | 109,630 | 110,466 | 109,213 | 90,366 | 92,892 | 18,534 | 88,649 |
| Total net debt applicable to limit | 5,185 | 8,655 | 13,535 | 16,995 | 16,050 | 15,610 | 13,920 | 19,429 | 24,356 | 17,758 |
| Legal debt margin | \$ 91,934 | 100,595 | 96,222 | 92,635 | 94,416 | 93,603 | 76,446 | 73,463 | (5,822) | 70,891 |
| Total net debt applicable to the limit as a percentage of debt limit | 5.34% | 7.92% | 12.33% | 15.50% | 14.53% | 14.29% | 15.40% | 20.92% | 131.42% | 20.03% |
| | | | | | Assessed value | | | | | \$846,008 |
| | | | | | Add back: exempt real property | | | | | - |
| | | | | | Total asessed value | | | | | <u>846,008</u> |
| | | | | | Debt limit (10.5%) of total asses value | | | | | 88,649 |
| | | | | | Debt applicable to limit: | | | | | |
| | | | | | General obligation bond | | | | | 17,758 |
| | | | | | Less: Amount set aside for repayment of general obligation debt | | | | | <u>(548)</u> |
| | | | | | Total net debt applicable to limit | | | | | <u>17,210</u> |
| | | | | | Legal debt margin | | | | | <u><u>71,439</u></u> |

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

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

| Collection Year | Tax Year | Special Assessment Collections | Debt Service | | Coverage |
|-----------------|----------|--------------------------------|--------------|---------------------------|----------|
| | | | Principal | Interest & Fiscal Charges | |
| 2011 | 2010 | \$424,386 | \$217,300 | \$124,452 | 1.24 |
| 2010 | 2009 | \$328,851 | \$253,500 | \$137,991 | 0.84 |
| 2009 | 2008 | \$385,101 | \$229,900 | \$149,915 | 1.01 |
| 2008 | 2007 | \$589,343 | \$276,399 | \$163,173 | 1.34 |
| 2007 | 2006 | \$581,144 | \$270,818 | \$176,149 | 1.30 |
| 2006 | 2005 | \$498,210 | \$296,295 | \$187,135 | 1.03 |
| 2005 | 2004 | \$547,790 | \$359,859 | \$201,059 | 0.98 |
| 2004 | 2003 | \$489,116 | \$312,000 | \$162,746 | 1.03 |
| 2003 | 2002 | \$557,436 | \$233,000 | \$184,966 | 1.33 |
| 2002 | 2001 | \$623,248 | \$397,144 | \$204,857 | 1.04 |

Note: Tax Year stated above is due the following year.

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

| Year | Population (1) | Personal Income (in 1,000's) | Per Capita Personal Income (1) | Median Age (1) | Education Level in Years of Formal Schooling (1) | School Enrollment (1) | Unemployment Rate (2) |
|-------------|-----------------------|-------------------------------------|---------------------------------------|-----------------------|---|------------------------------|------------------------------|
| 2002 | 51,894 | \$1,026,100 | \$19,773 | 36.2 | n/a | 7,836 | 7.90 |
| 2003 | 51,752 | \$1,023,292 | \$19,773 | 36.2 | n/a | 7,631 | 6.30 |
| 2004 | 51,583 | \$1,019,951 | \$19,773 | 36.2 | n/a | 7,302 | 6.30 |
| 2005 | 51,187 | \$1,005,006 | \$19,634 | 34.5 | n/a | 7,198 | 6.00 |
| 2006 | 51,018 | \$1,001,687 | \$19,634 | 34.5 | 16 yrs - 13% 12 yrs - 67% | 11,539 | 7.10 |
| 2007 | 51,739 | \$1,015,844 | \$19,634 | 34.5 | 16 yrs - 13% 12 yrs - 67% | 11,539 | 6.00 |
| 2008 | 51,422 | \$1,009,620 | \$19,634 | 34.5 | 16 yrs - 13% 12 yrs - 67% | 11,539 | 7.20 |
| 2009 | 49,000 | \$1,006,607 | \$20,543 | 36.4 | 16 yrs - 13% 12 yrs - 67% | 11,366 | 11.20 |
| 2010 | 48,694 | \$1,000,321 | \$20,543 | 35.9 | 16 yrs - 13% 12 yrs - 67% | 11,755 | 9.60 |
| 2011 | 48,694 | \$976,266 | \$20,049 | 35.9 | 16 yrs - 13% 12 yrs - 67% | 11,755 | 7.70 |

Data Sources:

(1) Bureau of the Census

(2) State Department of Labor

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

CITY OF MIDDLETOWN, OHIO
Principal Employers
Current Year and Eight Years Ago
Table 17

| Employer | 2011 | | |
|---------------------------------|------------------|-------------|--|
| | Employees | Rank | Percentage of Total City Employment |
| AK Steel | 2,540 | 1 | 12.8% |
| Atrium Medical Center | 2,025 | 2 | 10.2% |
| CBS Temporary Services, LLC | 1,582 | 3 | 7.9% |
| Middletown City School District | 1,266 | 4 | 6.4% |
| CM Temporary Services, Inc. | 952 | 5 | 4.8% |
| Crown Services 36 LLC | 897 | 6 | 4.5% |
| McGraw/Kokosing | 830 | 7 | 4.2% |
| Garden Manor Extended Care | 718 | 8 | 3.6% |
| Kokosing Construction | 640 | 9 | 3.2% |
| Miami University | 607 | 10 | 3.0% |
| 2003 | | | |
| AK Steel | 4,072 | 1 | 42.3% |
| Middletown Regional Hospital | 1,470 | 2 | 15.3% |
| Robert Lee Brown, Inc. | 1,170 | 3 | 12.2% |
| Middletown City School District | 986 | 4 | 10.2% |
| City of Middletown | 531 | 5 | 5.5% |
| Jefferson Smurfit Corporation | 354 | 6 | 3.7% |
| McGraw/Kokosing | 349 | 7 | 3.6% |
| Aeronca | 255 | 8 | 2.6% |
| Miami University | 250 | 9 | 2.6% |
| Southwest Ohio Steel, Inc | 190 | 10 | 2.0% |

Note: Data for Principal Employers not available before 2003.

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

| Function | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General government | 57 | 54 | 47 | 42 | 44 | 40 | 40 | 40 | 38 | 40 |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 89 | 93 | 90 | 89 | 86 | 80 | 80 | 80 | 80 | 80 |
| Civilians | 46 | 49 | 45 | 45 | 40 | 36 | 37 | 37 | 37 | 37 |
| Fire | | | | | | | | | | |
| Firefighters & officers | 90 | 90 | 87 | 87 | 84 | 84 | 84 | 84 | 84 | 81 |
| Civilians | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Other | 36 | 36 | 33 | 28 | 33 | 35 | 32 | 32 | 26 | 26 |
| Highways and streets | | | | | | | | | | |
| Maintenance | 19 | 19 | 17 | 18 | 17 | 15 | 15 | 15 | 15 | 15 |
| Leisure Time Activities | 11 | 11 | 10 | 7 | 7 | 8 | 8 | 8 | 7 | 7 |
| Community Environment | 1 | 2 | 2 | 7 | 7 | 6 | 4 | 7 | 8 | 8 |
| Public health & welfare | 11 | 11 | 7 | 6 | 6 | 5 | 5 | 4 | 4 | 4 |
| Water | 32 | 32 | 32 | 33 | 32 | 32 | 32 | 31 | 31 | 31 |
| Sewer | 35 | 35 | 34 | 34 | 35 | 35 | 32 | 31 | 32 | 32 |
| Storm Water | 0 | 0 | 0 | 0 | 0 | 4 | 4 | 6 | 6 | 7 |
| Golf Course | 8 | 8 | 8 | 8 | 8 | 7 | 7 | 6 | 6 | 6 |
| Transit | 9 | 9 | 9 | 8 | 8 | 8 | 8 | 8 | 7 | 6 |
| Parking | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Internal Services | 11 | 11 | 10 | 10 | 10 | 10 | 9 | 9 | 9 | 8 |
| Total | 457 | 462 | 432 | 423 | 418 | 406 | 398 | 399 | 391 | 389 |

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

| Function | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Fire | | | | | | | | | | |
| Number of fire responses | 742 | 708 | 718 | 604 | 916 | 660 | 695 | 566 | 1,888 | 1,996 |
| Average response time (minutes) | 4.0 | 4.1 | 4.2 | 4.3 | 4.3 | 4.7 | 4.9 | 4.5 | 4.6 | 4.6 |
| Emergency medical calls | 5,951 | 6,153 | 6,159 | 6,557 | 6,700 | 6,954 | 7,807 | 7,969 | 8,158 | 8,513 |
| Police | | | | | | | | | | |
| Calls for service | 46,807 | 44,285 | 42,547 | 42,563 | 47,348 | 42,830 | 42,135 | 46,727 | 43,696 | 49,312 |
| Number of arrests | 7,840 | 7,069 | 7,525 | 8,223 | 8,370 | 7,799 | 7,235 | 8,106 | 8,417 | 8,030 |
| Response time for priority calls (minutes) | 4.8 | 5.3 | 5.4 | 5.5 | 5.7 | 5.6 | 5.6 | 5.8 | 5.2 | 5.4 |
| Traffic accidents | 2,170 | 2,140 | 1,965 | 1,877 | 1,892 | 1,822 | 1,790 | 1,562 | 1,630 | 1,547 |
| Average daily jail population | 69 | 55 | 55 | 58 | 53 | 49 | 50 | 49 | 51 | 47 |
| Recreation and leisure | | | | | | | | | | |
| Community center admissions | 6,556 | 14,382 | 8,042 | 9,125 | 8,548 | 6,208 | 9,244 | 10,179 | 12,011 | 21,900 |
| Transit | | | | | | | | | | |
| Unlinked passenger trips | 188,840 | 195,687 | 194,079 | 233,750 | 253,587 | 250,142 | 247,979 | 198,333 | 210,397 | 219,596 |
| Water | | | | | | | | | | |
| Average daily water pumpage (million gallons per day) | 8.46 | 8.11 | 8.12 | 8.23 | 8.00 | 8.36 | 7.55 | 7.38 | 7.68 | 7.32 |
| Number of water accounts | 19,869 | 19,877 | 19,877 | 19,877 | 19,877 | 19,649 | 19,060 | 19,381 | 19,200 | 19,031 |
| Sewer | | | | | | | | | | |
| Average daily flow (million gallons per day) | 17.5 | 16.4 | 14.1 | 16.5 | 16.2 | 15.6 | 17.9 | 16.1 | 16.6 | 20.7 |
| Sewer mains cleaned (feet) | 300,000 | 40,417 | 98,502 | 19,217 | 21,475 | 36,590 | 188,504 | 153,442 | 180,895 | 127,397 |

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

| Function | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public safety: | | | | | | | | | | |
| Fire stations | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Highways and streets: | | | | | | | | | | |
| Streets (miles) | 229 | 231 | 231 | 231 | 231 | 231 | 239 | 240 | 240 | 240 |
| Traffic Lights | 112 | 108 | 110 | 114 | 110 | 110 | 112 | 113 | 111 | 111 |
| Water: | | | | | | | | | | |
| Water mains (miles) | 332 | 337 | 338 | 340 | 340 | 340 | 343 | 343 | 343 | 343 |
| Sewer: | | | | | | | | | | |
| Sanitary & storm (miles) | 299 | 307 | 309 | 311 | 311 | 311 | 319 | 320 | 320 | 320 |
| Leisure & recreation: | | | | | | | | | | |
| Parks | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 |
| Swimming pools | 2 | 2 | 2 | 0 | 0 | 1 | 1 | 0 | 0 | 0 |
| Community Centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Golf Courses (public) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

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Dave Yost • Auditor of State

CITY OF MIDDLETOWN

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2012**