



**Auditor of State  
Betty Montgomery**



**CITY OF MIDDLETOWN  
BUTLER COUNTY**

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**CITY OF MIDDLETOWN  
BUTLER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 30, 2002**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed through the Ohio Department of Housing and Urban Development:</i>			
Community Development Block Grant Entitlements	N/A	14.218	\$713,140
Housing Assistance for Low Income Families - Section 8	N/A	14.856	6,723,982
<i>Passed Through Butler County Department of Home Program - Investment Partnership Program</i>	N/A	14.239	<u>400,442</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>7,837,564</u></b>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
<i>Direct Grants</i>			
Cops in Schools Grant	N/A	16.710	121,781
Bulletproof Vest Partnership Program	N/A	16.607	<u>4,532</u>
Sub-total Direct Grants			<u>126,313</u>
<i>Passed through the Ohio Office of Criminal Justice Services:</i>			
Federal Block Grant - 2000	N/A	16.592	4,557
Federal Block Grant - 2001		16.592	23,344
Total Passed through Ohio Office of Criminal Justice Services			<u>27,901</u>
<b>Total U.S. Department of Justice</b>			<b><u>154,214</u></b>

(Continued)

**CITY OF MIDDLETOWN  
BUTLER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 30, 2002  
(Continued)**

**U.S. DEPARTMENT OF TRANSPORTATION**

*Passed Through Ohio Department of Transportation:*

Public Transportation for Urbanized Areas			
Operating Assistance	N/A	20.507	247,072
Capital Assistance	N/A	20.507	1,381,550
Paratransit Grant		20.507	54,775
Planning Grant		20.507	17,600
Federal Highway Planning Construction Program		20.205	505,000
Total Passed through Ohio Department of Transportation			<b>2,205,997</b>

*Passed Through Ohio Department of Public Safety:*

State and Community Highway Safety (STEP)		20.600	30,330
SAFE Communities Program	09031ADO	20.600	35,756
Total Passed through Ohio Department of Public Safety			<b>66,086</b>

**Total U.S. Department of Transportation** **2,272,083**

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

*Passed Through Butler County Department of Job & Family Services*

Title XX Social Services Block Grant	9-99-2627	93.667	37,138
Total Passed through Ohio Department of Job and Family Services			<b>37,138</b>

*Passed through the Ohio Department of Health*

*Passed through the City of Hamilton, Butler County*

Immunization Action Plan	182-B	93.268	50,430
Block Grant Maternal and Child Health Services	9-2-01-F-AI-320	93.994	323,761
Title XIX, Tobacco Prevention Grant	9-2-001-2-EE-01	93.991	27,834
Title XIX, Cardiovascular Disease Risk Reduction Project	226-I	93.991	10,988
Sub-total Title XIX			<b>38,822</b>

Total Passed through Ohio Department of Health **413,013**

**Total U.S. Department of Health and Human Services** **450,151**

**TOTAL FEDERAL AWARDS EXPENDITURES** **\$10,714,012**

*The accompanying notes to this schedule are an integral part of this schedule.*

**CITY OF MIDDLETOWN  
BUTLER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures 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, passed through the Ohio Department of Housing and Urban Development. 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.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Middletown  
Butler County  
One Donham Plaza  
Middletown, Ohio 45042

To City Council:

We have audited the financial statements of the City of Middletown, Butler County, Ohio (the City), as of and for the year ended December 31, 2002, and have issued our report thereon dated August 27, 2003, wherein we noted that the City implemented Governmental Accounting Standards Board Statements 34, 37 and 38, also Governmental Accounting Standards Board Interpretation 6. 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.

#### **Compliance**

As part of obtaining reasonable assurance about whether City of Middletown's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 27, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of Middletown's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 27, 2003.

This report is intended for the information and use of the audit committee, management, City Council, 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 27, 2003



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Middletown  
Butler County  
One Donham Plaza  
Middletown, Ohio 45042

To City Council:

We have audited the compliance of City of Middletown, Butler County, Ohio (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2002. City of Middletown's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Middletown's management. Our responsibility is to express an opinion on City of Middletown'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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about City of Middletown'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 City of Middletown's compliance with those requirements.

In our opinion, the City of Middletown complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

**Internal Control Over Compliance**

The management of the City of Middletown is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Middletown's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### **Schedule of Federal Awards Expenditures**

We have audited the basic financial statements of the City as of and for the year ended December 31, 2002, and have issued our report thereon dated August 27, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the audit committee, management, City Council, 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.



**Betty Montgomery**  
Auditor of State

August 27, 2003

**CITY OF MIDDLETOWN  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Section 8 – Project Based Cluster – CFDA 14.856 Community Development Block Grant (CDBG) CFDA 14.218 Home Program CFDA 14.239 Public Transportation for Urbanized Areas CFDA 20.507 Block Grant Maternal and Child Health Services CFDA 93.994
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2002



CITY OF MIDDLETOWN, OHIO





**CITY OF MIDDLETOWN, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the year ended December 31, 2002**

**Prepared by  
Finance Department**

**John T. Lyons  
Finance Director**

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**CITY OF MIDDLETOWN, OHIO  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the year ended December 31, 2002**

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**CITY OF MIDDLETOWN, OHIO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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*STATISTICAL SECTION*

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## **INTRODUCTORY SECTION**

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# MIDDLETOWN

August 27, 2003

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, 2002, 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 for the 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, except for the requirement to retroactively report general infrastructure assets. The City's deadline for retroactively reporting general infrastructure assets is no later than fiscal 2007.

The CAFR is organized in three sections: the Introductory Section, the Financial Section and the Statistical Section. The Introductory Section contains a table of contents, letter of transmittal, organization chart, list of elected officials and a Certificate of Achievement for Excellence in Financial Reporting for the 2001 CAFR. The Financial Section includes the Independent Accountants' 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 accountant's 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 report of the independent auditor's.

## **MIDDLETOWN**

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

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

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

### **Recreation and Shopping**

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

Twenty-seven 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 bikeway for the avid biker begins just north of Middletown, running almost to Dayton, a distance of approximately 20 miles.

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

### **Education**

Middletown's Blueprint for the Future is the community's effort to develop a well-formulated strategy for educating all of its citizens. The Blueprint was developed by schoolteachers and administrators, business leaders and key representatives of important

community organizations. These individuals have also committed to work together during the remainder of the decade to assure ongoing improvement of the community's education system.

- The Blueprint's five-year strategic plan addresses the challenges of today (and tomorrow), shaping new approaches to education and learning. Key components include staff development, innovative programs, technology, business-education partnerships, and other programs.
- The Effective Schools Program encourages site-based decision-making that allows teachers to design specially tailored programs for the students they teach. The success of this creative program is due to dedication and effort on everyone's part - parents, teachers, and school administrators.
- The Blueprint ensures ongoing, long-range, educational planning that reflects the community's needs. Yet the focus remains the same: Prepare all students to produce a level of quality in their school work and to cultivate a set of accompanying skills and talents that will assure their future employment or education.

### **Post-Secondary Education**

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

The Southwestern Ohio and Northern Kentucky region is home to more than 10 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.

Middletown Regional Hospital, the City's second-largest employer, is a modern, 310-bed facility. The Hospital is accredited at the highest possible level, and offers a full range of medical services including cardiology, surgery, comprehensive cancer care, sports medicine, pediatrics, mental health care, a family birth center, and an alcohol and drug treatment program.

## **Economic Outlook**

The City of Middletown has a strong economic base in the steel and paper industries because of the plants located in the City. The City's largest employer is AK Steel with its 4,000 employees.

About two years ago, the Middletown Economic Development Corporation, a public-private partnership, was formed to lead the City's economic development effort. The organization's number one strategy is diversification and economic development. One lure in this diversification effort is Midpoint Centre, a six-hundred acre business park zoned for service and distribution centers for companies that serve Cincinnati and Dayton as well as high end residential development and recreation facilities.

While commercial development is the focus, residential development is also proceeding in Middletown. Great Midwest Development is leading a \$300 million development featuring more than five-hundred upscale homes south of Ohio State Route 122 and east of Interstate 75 in the City of Middletown. The development called "Renaissance" will have condominiums, townhouses, single family homes and about 1.5 million square feet of professional office space.

At the same time that new developments were being planned, the City lost two paper plants and their 150 jobs in 2002 when Middletown Paperboard and Miami Packaging closed their doors.

Finally, the City's largest new retail development in 2002 was the beginning of the construction of a new Wal-Mart store which opened in March 2003.

## **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 and the Mayor and the Vice-mayor are 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.

## **The Reporting Entity**

The accompanying Basic Financial Statements comply with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*; in that the financial statements include all the organizations, activities, functions and component units for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the reporting entity of the City has no component units but includes all funds, account groups, agencies, boards and commissions that are part of the primary government. The primary government and its financial operations appear in the Basic Financial Statements and conform to GASB Statement No. 34.

## **CITY SERVICES/INITIATIVES**

### **Present**

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

The City's 2002 initiatives emphasized capital improvements in the City.

### **CROSS LINKS 2000**

The Butler County Commission awarded \$1.5 million to the City in 2001 for its Cross Links 2000 project. This project entails the removal of the City Centre Mall concourse and the reinstatement of Central Avenue and Broad Street in downtown Middletown. An additional \$1.5 million was distributed to the City by the County Commission for the Cross Links 2000 project in 2002.

### **12<sup>th</sup> DISTRICT COURT OF APPEALS PROJECT**

In May 2001, City Council approved an agreement with Butler County and the 12<sup>th</sup> District Court of Appeals for the City to provide a new Middletown facility for the Courts to be constructed in 2002. Under this agreement the City financed the design and construction of the new facility, which Butler County will lease for the Court's use. The City also contributed \$500,000 for land acquisition, demolition, and improvements at the chosen site. The City will be issuing bonds in 2003 to fund this \$4 million project which will be reimbursed with the lease payments from the 12<sup>th</sup> District Court of Appeals.

The 12<sup>th</sup> District Court of Appeals has been a valuable asset in Middletown since 1981. The construction of the new building will retain the existing twenty-five jobs and generate additional new jobs.

The Court is expected to occupy its new building in mid-2003.

#### AERONCA, INC.

In June 2000, the City entered into a development agreement with Aeronca, Inc. which resulted in a commitment from the company to remain and expand in Middletown. Site improvement and construction of a 60,000 square foot expansion to the existing facilities began during the first quarter of 2001. Construction was completed in 2002.

The City provided \$750,000 in 2001 to Aeronca to help defray costs of this expansion project. The State of Ohio Department of Development also contributed \$250,000 to Aeronca in connection with this improvement. Approximately 218 full-time jobs were retained and 75 new full-time jobs will be generated due to this expansion which was completed in 2002.

#### Future

The City will partner with its second largest employer, Middletown Regional Hospital, by providing funds totaling \$6.5 million to the hospital for purchase of land for its new \$100 million hospital campus. The new campus will be located adjacent to the I-75 corridor. This strategic relocation of the hospital will improve its competitiveness and its future survival. Middletown Regional Hospital plan to open its doors at its new location in 2008.

Operating shortfalls in the City's General Fund are projected in 2003 due to revenue cutbacks by the federal and state governments and a stagnant local economy. The City's expenses continue to increase as revenues decrease. A hiring freeze that began in 2002 will continue into 2003.

#### 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 5.86 mils or \$5.86 per \$1,000 of taxable valuation. Real property is assessed at 35% of market value. Tangible personal property (i.e. equipment and inventory) is valued at 25% of market value. Public utility property is valued at 88% of actual value. Most property tax revenues are used by the City's General Fund. Assessed values for the past five years are as follows:

<u>Levy Year</u>	<u>Collection Year</u>	<u>Assessed Value</u>	<u>Property Tax Revenues</u>
1998	1999	\$ 813,809,721	\$ 4,497,009
1999	2000	\$ 888,822,992	\$ 4,836,820
2000	2001	\$ 904,046,378	\$ 5,145,762
2001	2002	\$ 924,942,063	\$ 4,856,134
2002	2003	\$1,040,477,065	\$ 5,021,099

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

	<u>Local Income Tax Receipts</u>
1999	\$17,286,807
2000	18,065,819
2001	17,778,038
2002	17,904,919
2003	18,548,250 est.

## **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 1<sup>st</sup>. On December 11, 2001, City Council adopted the 2002 fiscal year permanent appropriation measure.

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

Budgetary control is maintained by an encumbrance of purchase commitment amounts prior to the release of purchase orders to vendors. Requisitions for the expenditure of monies are submitted to the Finance Director for certification of funds and preparation of 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 account groups and the basis of accounting are included in Note 1 to the general purpose financial statements.

## **Cash Management**

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

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

securities (treasuries and agency/instrumentality issues) are specifically permitted by the Ohio Revised Code and the City's investment policy.

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

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

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

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

### **Risk Management**

The City of Middletown is a local government in the State of Ohio and retains only limited tort immunity by statute and court decision. Beyond potential tort liabilities, the City is liable for Worker's Compensation claims as well as the risk of casualty loss to real personal property 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 a local government insurance pool for real property, building contents, fleet, and general liability coverage. The City also carries police professional and public officials' liability insurance. The City also maintains coverage through the Ohio Bureau of Worker's Compensation to mitigate job related illness and injury.

The City is self insured for medical claims by its employees. A stop loss policy pays all claims in excess of \$100,000 submitted by any person covered by the City. The policy also covers the City if total claims exceed \$3.9 million. The City Plan is administered by Anthem Benefit Administrators of Columbus, Ohio.

## **Other Information**

### **Independent Audit**

The State of Ohio requires an annual audit by either the Auditor of State or by an independent public accounting firm. The Auditor of State performed the City's 2002 audit. The Auditor of State independent accountants' report on the City's general purpose 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, 2001.

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 2002 Comprehensive Annual Financial Report of the City of Middletown is the result of the combined efforts of the City's Finance Department, Ohio Auditor of State, and Clark, Schaefer, Hackett & Co., which was the City's consultant on compliance with GASB Statement No. 34.

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

Respectfully submitted,

DEPARTMENT OF FINANCE

John T. Lyons, CPA  
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, 2001

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.



A handwritten signature in black ink, appearing to read "William Robert Wade".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director

# CITY OF MIDDLETOWN, OHIO

Principal Officials  
December 31, 2002

## Legislative

Mayor..... David Schiavone  
Vice-Mayor..... Robert Wells  
Council Member.....Robert Hill  
Council Member..... Nancy Nix  
Council Member..... Perry Thatcher  
Council Member..... Earl Smith  
Council Member.....Laura Williams

## Executive/Administrative

City Manager.....Ronald L. Olson  
Assistant City Manager ..... Preston M. Combs  
Chief of Police ..... William A. Becker  
Director of Court Services ..... Louis A. Rossi, Jr.  
Engineering Director ..... David S. Mick  
Environmental Services Director .....David J. Duritsch, Jr.  
Finance Director.....John T. Lyons  
Fire Chief..... John J. Sauter  
Health Commissioner.....Ronald J. Murray  
Law Director.....Leslie S. Landen  
Maintenance Services Director ..... Arthur D. Baer II  
Parks & Recreation Director .....Dwan W. Johnson  
Planning Director ..... Martin D. Kohler

**CITIZENS OF MIDDLETOWN**

**CITY COUNCIL**

CITY CLERK

**CITY MANAGER**

**CIVIL SERVICE COMMISSION**

**MUNICIPAL COURT**

**COURT SERVICES**

PERSONNEL

**AIRPORT COMMISSION**

**GOLF COURSE COMMISSION**

**PARK BOARD**

**BOARD OF HEALTH**

**OTHER BOARDS, COUNCILS, COMMITTEES & COMMISSIONS**

**ASSISTANT CITY MANAGER**

**DIVISION OF FIRE**

SUPPRESSION

PREVENTION

EMERGENCY SQUADS

TRAINING

**DIVISION OF POLICE**

UNIFORM PATROL

HUMAN OFFICER

SCHOOL AND BUS GUARDS

CRIMINAL INVESTIGATION

POLICE SERVICES

JKL

COMMUNICATIONS 911

INSURANCE

CITIZEN SERVICES

**LAW**

**ENVIRONMENTAL SERVICES**

WASTEWATER TREATMENT

WATER TREATMENT

SOLID WASTE

BUILDING MAINTENANCE

**PLANNING**

PLANNING

BUILDING INSPECTION

**ENGINEERING**

ENGINEERING

AIRPORT

**MAINTENANCE SERVICES**

STREETS MAINTENANCE

PARKS MAINTENANCE

WATER MAINTENANCE

SEWER MAINTENANCE

MUNICIPAL GARAGE

ELECTRONICS MAINTENANCE

TRANSIT

**PARKS & RECREATION**

GOLF COURSE

RECREATION PROGRAMS

COMMUNITY CENTER

POOLS

**FINANCE & BUDGET DEPT.**

TREASURY

TAXATION

UTILITY BILLING

PARKING GARAGE

PURCHASING

INFORMATION SYSTEMS

**HEALTH DEPT.**

ENVIRONMENTAL HEALTH

MEDICAL HEALTH SERVICES

HOMEWORKER / HOME HEALTH AIDE

HEALTH PROGRAMS ADMINISTRATOR

SOCIAL & HEALTH SERVICES

# ORGANIZATIONAL CHART

## CITY OF MIDDLETOWN, OHIO

- DIRECT CONTROL
- APPROPRIATE CONTROL ONLY
- BUDGETARY CONTROL ONLY
- - - COORDINATING AND ADVISORY FUNCTION

## **FINANCIAL SECTION**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANT'S REPORT

City of Middletown  
One Donham Plaza  
Middletown, Ohio 45042-1901

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 City of Middletown, Butler County, Ohio (the City), as of and for the year ended December 31, 2002 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 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 City of Middletown, Butler County, Ohio, as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2002, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Non-GAAP Basis) for the General Fund, Housing Assistance Fund, and Community Development Escrow Fund are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

250 W. Court St. / Suite 150 E / Cincinnati, OH 45202  
Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We conducted our audit to form opinions on the financial statements that collectively comprise the City's basic financial statements. The transmittal letter, combining and individual fund financial statements and schedules, and statistical section are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining and individual fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the transmittal letter and the statistical section to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



**Betty Montgomery**  
Auditor of State

August 27, 2003



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2002. 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 16.

### I. USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements.

#### The Basic Financial Statements

- Financial Statements for the City as Whole. The Statement of Net Assets and the Statement of Activities (pages 16 and 17) 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 18.
- 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.

#### Required Supplementary Information

- Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. Schedules (pages 66 to 70) are presented for the General Fund and major special revenue funds that compare actual results to the original and final budgets for those funds.

## Supplementary Information

- Combining Financial Statements. These statements (starting on page 76) 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 86.
- Capital Asset Schedules. Schedules (pages 155-157) showing information regarding the City's investment in capital assets.

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

#### Government-wide statements

The analysis of the City as a whole begins on page 7. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

- Governmental activities – City service departments reported here include the Police and Fire Divisions, the Municipal Court, the Public Works Department, the Planning Department, general government support departments and the City Health Department. Local income taxes, property taxes, and state and federal grants finance most of these activities.
- Business-type activities - The City of Middletown provides water, sewer and refuse services to its customers and charges fees to cover the costs of these operations. Other city business-type activities which are financed with fees are the City parking garage, the City airport, and 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 18. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the City as a whole. Some funds are required to be established by State Law. However, the City Council establishes many other funds to help it control and manage money for particular purposes, like water, sewer, and solid waste activities. City Council may also establish separate funds to show that it is meeting legal responsibilities for using certain taxes, grants, or other money, like grants received for community and economic development. The City's two kinds of funds –*governmental and proprietary* - use different accounting methods.

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

## **C. The City as Fiscal Agent**

### Reporting the City's Fiduciary Responsibilities

The City is responsible in a fiduciary capacity for other assets that can only be used for designated beneficiaries. The financial statements for these funds are reported beginning on page 34. The City has four agency funds. The Conservancy fund records the city property tax levy which is collected on the behalf of the Miami Conservancy District. The Payroll Clearing fund accounts for the employee payroll withholdings due to other agencies and private businesses. The Municipal Court fund accounts for the activities of the Municipal Court collections which are due to other agencies and to certain individuals. The Sawyer Trust fund accounts for the funds collected for the annual "Hooked on Golf" junior golf program. The City acts as the collection agent for these separate activities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

## II. THE CITY AS A WHOLE

### A. Net assets at year-end

The following table presents a condensed summary of the City's overall financial position at December 31, 2002 (in thousands):

<b>Table 1</b>				
<b>Net Assets</b>				
		<b>Governmental</b>	<b>Business-</b>	
		<b>Activities</b>	<b>Type</b>	
		<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current and other assets	\$	57,500	16,491	73,991
Capital assets		<u>32,397</u>	<u>46,503</u>	<u>78,900</u>
Total assets		<u>89,897</u>	<u>62,994</u>	<u>152,891</u>
Long-term debt outstanding		24,696	9,743	34,439
Other liabilities		<u>19,168</u>	<u>2,826</u>	<u>21,994</u>
Total liabilities		<u>43,864</u>	<u>12,569</u>	<u>56,433</u>
Net assets:				
Invested in capital assets, net of debt		18,600	36,140	54,740
Restricted for debt services		0	712	712
Unrestricted		<u>27,433</u>	<u>13,573</u>	<u>41,006</u>
Total net assets		<u>46,033</u>	<u>50,425</u>	<u>96,458</u>
Beginning net assets		43,146	48,910	92,056
Net increase		<u>2,887</u>	<u>1,515</u>	<u>4,402</u>
Ending net assets	\$	<u>46,033</u>	<u>50,425</u>	<u>96,458</u>

Because this is the first year to report all activities using the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current and prior-year assets, liabilities, and changes in net assets. Refer to the following section for discussion of the reasons for the change in net assets during the year.

### B. Governmental and Business-type Activities during 2002

The following table (in thousands) presents a condensed summary of the City's activities during 2002 and the resulting changes in net assets. Of the total General Government revenues of \$50,702,000, \$17,076,000 (34%) is from program revenue. This means that the government relies on tax revenues and unrestricted grants to fund 66% of its public safety, public works, and other services. Local income and property taxes totaled \$22,800,000 in 2002. This was about 45% of the City's general revenues.

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

	<b>Governmental</b>	<b>Business -</b>	
	<b>Activities</b>	<b>Type</b>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>Revenues</b>			
<u>Program revenues:</u>			
Charges for services	\$ 5,248	15,014	20,262
Operating grants and contributions	11,714	417	12,130
Capital grants and contributions	<u>115</u>	<u>2,150</u>	<u>2,265</u>
Total program revenues	<u>17,077</u>	<u>17,581</u>	<u>34,657</u>
<u>General revenues:</u>			
Income taxes	17,764	230	17,994
Property taxes	5,042	-	5,042
Other taxes	3,436	-	3,436
Grants and contributions not restricted	4,367	216	4,583
Investment earnings	1,100	377	1,477
Transfers	49	(49)	-
Miscellaneous	<u>1,868</u>	<u>116</u>	<u>1,984</u>
Total general revenues	<u>33,626</u>	<u>890</u>	<u>34,516</u>
Total revenues	<u>50,702</u>	<u>18,471</u>	<u>69,173</u>
<b>Expenses</b>			
Public safety	22,174		22,174
Public health	1,991		1,991
Leisure activities	1,314		1,314
Community environment	10,981		10,981
Highways and streets	3,161		3,161
General government	5,625		5,625
Miscellaneous	1,372		1,372
Interest on long-term debt	1,197		1,197
Water		5,625	5,625
Sewer		5,627	5,627
Transit		1,008	1,008
Golf Course		1,869	1,869
Solid Waste		1,939	1,939
Other business type activities		888	888
Total expenses	<u>47,815</u>	<u>16,956</u>	<u>64,771</u>
Increase in net assets	\$ <u>2,887</u>	<u>1,515</u>	<u>4,402</u>

As previously mentioned, because this is the first year to report all activities using the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this

section will explain the differences between the current and prior-year assets, liabilities, and changes in net assets.

### 1) Governmental activities during 2002

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 36% of the cost of its services with program revenues. Public safety, the City's most expensive program, covered about 13% of its costs with program revenues. Local tax receipts were used to fund the remaining costs of this service.

At the same time, both Health and Community Environment which rely heavily upon federal and state grants, covered most of their costs with those program revenues.

**Table 3**  
**Governmental Activities**

		<b>Total Cost</b>	<b>Program</b>	<b>Revenues</b>	<b>Net Cost</b>
		<b>of Services</b>	<b>Revenues</b>	<b>as a % of</b>	<b>of Services</b>
				<b>Total Costs</b>	
Public safety	\$	22,174	2,789	13%	(19,385)
Public health		1,991	1,882	94%	(109)
Leisure activities		1,314	67	5%	(1,247)
Community environment		10,981	10,710	97%	(271)
Highways and streets		3,161	0	0%	(3,161)
General government		5,625	1,629	24%	(3,996)
Miscellaneous		1,372	0	0%	(1,372)
Interest on long-term debt		<u>1,197</u>	<u>0</u>	<u>0%</u>	<u>(1,197)</u>
Total	\$	<u>47,815</u>	<u>17,077</u>	<u>36%</u>	<u>(30,738)</u>

### 2) Business-type activities during 2002

The following table (in thousands) summarizes the business-type activities during 2002:

**Table 4**  
**Business-type Activities**

		<b>Total Cost</b>	<b>Program</b>	<b>Revenues</b>	<b>Net Revenue</b>
		<b>of Services</b>	<b>Revenues</b>	<b>as a % of</b>	<b>from</b>
				<b>Total Costs</b>	<b>Operations</b>
Water	\$	5,625	5,433	97%	(192)
Sewer		5,627	5,546	90%	(81)
Transit		1,008	2,308	229%	1,300
Golf		1,869	1,826	98%	(43)
Solid waste		1,939	2,021	104%	82
Non major business type funds		<u>888</u>	<u>447</u>	<u>50%</u>	<u>(441)</u>
Total	\$	<u>16,956</u>	<u>17,581</u>	<u>104%</u>	<u>625</u>

The City attempts to breakeven on its business-type activities and came close to that goal in 2002. The Transit activity shows a positive revenue year in 2002 because of \$1.8 million in federal and state operating and capital grants. The capital grants were used to purchase a new fleet of six buses and to begin the construction of a new transit terminal.

The non major business-type activities had a total loss of \$441,000 in 2002. Most of this accounting loss occurred in the City Centre Mall Fund which is being closed out. The asset value of the fund was reduced as the mall roof was demolished.

### III. THE CITY'S INDIVIDUAL FUNDS

#### A. Governmental funds

The financial statements for the City's governmental funds, accounted for under the modified accrual basis of accounting, are presented beginning on page 18. The City has thirty-nine governmental funds, eight of which are considered major funds. Assets of those eight funds comprise (83%) of the total governmental funds' assets of \$57,491,873. The following table (rounded to nearest thousand) summarizes the activities of these eight major funds.

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

	General Fund	Housing Assistance	Community Development Escrow	Special Assessment Debt Service	Capital Improvements	East End Development	Downtown Improvements	Court of Appeals Project
Total assets \$	18,659,000	5,838,000	3,101,000	5,403,000	3,430,000	4,110,000	4,895,000	1,739,000
Total liabilities	<u>7,304,000</u>	<u>5,297,000</u>	<u>124,000</u>	<u>5,470,000</u>	<u>1,148,000</u>	<u>4,691,000</u>	<u>250,000</u>	<u>4,076,000</u>
Fund balance	<u>11,355,000</u>	<u>541,000</u>	<u>2,977,000</u>	<u>(67,000)</u>	<u>2,282,000</u>	<u>(581,000)</u>	<u>4,645,000</u>	<u>(2,337,000)</u>
Unreserved fund balance	<u>10,938,000</u>	<u>541,000</u>	<u>0</u>	<u>(67,000)</u>	<u>1,083,335</u>	<u>(1,285,000)</u>	<u>2,972,000</u>	<u>(3,674,000)</u>
Revenues	25,483,000	6,047,000	134,000	623,000	2,928,000	72,000	1,815,000	31,000
Expenditures	24,542,000	6,724,000	299,000	602,000	2,145,000	2,970,000	5,044,000	2,368,000
Other financing sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(168,000)</u>	<u>(28,000)</u>	<u>(756,000)</u>	<u>0</u>
Net change in fund balance \$	<u>941,000</u>	<u>(677,000)</u>	<u>(165,000)</u>	<u>21,000</u>	<u>615,000</u>	<u>(2,926,000)</u>	<u>(3,985,000)</u>	<u>(2,337,000)</u>

**General Fund.** Fund balance at the end of 2002 was \$11,355,000, including \$10,938,000 of unreserved fund balance. This is 45% of 2002 expenditures. The General Fund's balance increased by \$941,000 in 2002. The unreserved fund balance is a "rainy day fund" and will be used to cover expenditures during economic downturns.



**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 2002, there were 1,297 Section 8 units in the City of Middletown.

**Community Development Escrow Fund.** This fund issues home repair loans to lower income residents. At the end of 2002, the fund balance of \$2,977,000 was available for loans to qualified property owners residing in Middletown.

**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. This fund owed \$80,000 to the City's General Fund at the end of 2002 because of timing differences between receipt of special assessment payments and the debt service requirements on the City's special assessment bonds. This loan will be repaid as assessment revenues are received.

**Capital Improvements Fund.** The \$1,083,000 unreserved fund balance in the Capital Improvements Fund will be used for future general improvements to streets, parks, and publicly owned buildings.

**East End Development Fund.** The \$581,000 deficit in this fund should be eliminated in 2004 when permanent financing is arranged for the Towne Boulevard Extension Project (\$3,427,000) which is recorded in this fund.

**Downtown Improvements Fund.** The \$4,645,000 fund balance in the Downtown Improvements Fund will be used by the mall deconstruction project.

**Court of Appeals Project Fund.** The Court of Appeals building was completed in 2002 at a cost of \$4.1 million. The deficit in this fund was eliminated with a \$4.1 bond issue in June 2003.

## B. Proprietary funds

### 1) Enterprise funds

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

**Table 5**  
**Financial Highlights**  
**Enterprise funds**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transit Fund</u>	<u>Golf Fund</u>	<u>Solid Waste Fund</u>
Total assets	\$ 23,261,000	25,841,000	2,341,000	6,069,000	719,000
Total liabilities	<u>5,773,000</u>	<u>1,328,000</u>	<u>575,000</u>	<u>2,718,000</u>	<u>2,478,000</u>
Total net assets	<u>17,488,000</u>	<u>24,513,000</u>	<u>1,766,000</u>	<u>3,351,000</u>	<u>(1,759,000)</u>
Unrestricted net assets	<u>4,100,000</u>	<u>7,328,000</u>	<u>251,000</u>	<u>(276,000)</u>	<u>(1,759,000)</u>
Operating revenues	5,513,000	5,545,000	86,000	1,839,000	2,035,000
Operating expenses	5,341,000	5,562,000	1,004,000	1,738,000	1,798,000
Net non-operating revenues	(98,000)	155,000	2,403,000	(129,000)	(141,000)
Capital contributions	<u>95,000</u>	<u>121,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in net assets	\$ <u>145,000</u>	<u>235,000</u>	<u>1,485,000</u>	<u>(28,000)</u>	<u>96,000</u>

**Water Fund.** The Water Fund rates are set to cover the fund's operating cost and to accumulate cash resources for future capital expenditures. Water revenue in 2002 covered operating costs but only \$145,000 was accumulated for future capital needs. The City Council recognized this need and increased water rates by 15% in 2003.

**Sewer Fund.** The Sewer Fund ended 2002 with a cash balance of \$7,100,000. This money was saved in anticipation of large capital needs in the next few years.

**Transit Fund.** The large change in net assets (\$1,485,000) in 2002 is the result of the purchase of a new fleet of six buses. The entire cost of this purchase was funded by federal and state transit grants.

**Golf Fund.** The City Golf Fund broke even in 2002. This fund owed the City's General Fund \$275,000 at the end of 2002 for a working capital loan. The plan is to repay this debt over the next two years.

**Solid Waste Fund.** The Solid Waste charges to Middletown customers are set to cover the cost of the refuse contract with a private hauler and the annual debt service of \$292,000 on a landfill closure bond. At the end of 2002, the balance of this 1994 bond issue was \$2,175,000. The Solid Waste Fund carries a \$1,855,000 fund deficit because of this large debt liability.

## **2) Internal service funds**

Net assets at year-end and activity in the City's two internal service funds, are on pages 27 and 29.

The City's Employee Benefits Fund lost \$193,000 in 2002 and ended the year with a negative fund balance of \$(5,000). The rising cost of health insurance puts a burden on the City's budget. Employer contributions to this fund have increased 40% in two years. Future budget will allow for continuing 20% annual cost increases. Some of these cost increases will be shifted to employees in 2004.

The other City internal service fund, the Municipal Garage Fund, ended the year with a fund balance of \$5,100,000. These funds are being set aside for future vehicle purchases according to a multi-year plan developed by the Municipal Garage fleet managers.

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

The schedules comparing the City's original and final budgets to actual expenditures begin on page 66. All City funds except the four Agency Funds adopt a budget. All expenditures in 2002 were within budget.

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

### **A. Capital assets**

The City had \$79,467,000 in net capital assets ranging from fire and police vehicles and equipment to water and sewer lines. The net capital assets reported do not include the investment in general government infrastructure made prior to 2002.

The City did not implement the retroactive capitalization of general government infrastructure as part of the conversion to GASB Statement 34. The notes to the financial statements contain detailed information of Middletown's capital assets.

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

	<b>Governmental</b>	<b>Business-</b>	
	<b>Activities</b>	<b>Type</b>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Land	\$ 7,861,000	6,673,000	14,534,000
Land improvements	0	1,960,000	1,960,000
Buildings	11,622,000	15,721,000	27,343,000
Equipment	4,713,000	2,173,000	6,886,000
Infrastructure	0	19,976,000	19,976,000
General infrastructure	<u>8,200,000</u>	<u>0</u>	<u>8,200,000</u>
Total	<u>\$ 32,396,000</u>	<u>46,503,000</u>	<u>78,899,000</u>

The major capital assets constructed during 2002 included the following:

- Construction of the new Twelfth District Court of Appeals building was begun at a cost of \$1.7 million. The total value of this project will be about \$4.1 million.
- Streets, sidewalks, curbs and gutters were constructed in the recently re-opened downtown area at a cost of \$3.8 million. The site of these new streets was previously occupied by the City Centre Mall which was demolished in 2001.
- Towne Boulevard was extended in the east end of Middletown at a cost of \$2.4 million. A new Wal-Mart store was constructed adjacent to the new road. The bonds issued in 2003 to finance this project will be repaid with Tax Increment Financing property taxes on the improved area and with local income taxes generated by new businesses locating along this new roadway.

The City's 2003 budget estimates that the City will spend about \$9.9 million in capital assets. Major projects which are to be funded with a combination of federal, state, and local funds are:

Cincinnati-Dayton Road	\$6.0 million
State Route 122 resurfacing	\$3.3 million
Local streets/sidewalks	\$0.6 million

## **B. Debt**

The City issued no new permanent debt in 2002. The City did, however, issue \$9.9 million in one-year notes to finance projects ranging from energy conservation for the Water Treatment Plant to building and street construction. In May 2003, the City issued \$4,250,000 in bonds to replace two of the 2002 note issues which were sold to finance the construction of the Twelfth District Court of Appeals building, \$4.0 million, and the Roosevelt Avenue Improvements, \$.2 million. The City of Middletown's bonds were rated A1 by Moody's Investors Service in May 2003.

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

Middletown is feeling the affects of the national recession. Two local employers, Middletown Paperboard and Miami Packaging closed their Middletown facilities in 2002. AK Steel, the City's largest employer, reported a \$500 million loss in 2002.

The City budgeted conservatively for 2003. Revenue increases were budgeted a 3% increase and 2003 expenses were expected to increase at about the same percentage. No new programs were begun and a limited hiring freeze program was enacted in 2002.

Refuse rates, water and sewer rates were all increased in 2003 to cover the escalating operating costs and EPA regulatory costs of these utility operations. A portion of the rate increase will be used to fund future capital costs of these operations.

The City's Employee Benefits Fund, which pays for the employee health costs, has become an expensive budgetary item. Medical costs have increased by about 40% over a two year period and future budgets and the City's three-year financial plan assume that the costs will continue to escalate at 20% annually. In early 2004, increases in the employee payments for this program will be enacted.

## **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.

John T. Lyons, CPA  
Finance Director  
June 23, 2003

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2002**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and equity in pooled cash, deposits and investments	\$ 29,516,077	12,159,052	41,675,129
Cash with fiscal and escrow agent	1,559,238	-	1,559,238
Receivables (net of allowance for uncollectibles):			
Income taxes	2,747,284	-	2,747,284
Property taxes	5,530,360	-	5,530,360
Estate taxes	90,992	-	90,992
Accounts	1,341,967	1,684,726	3,026,693
Loans	1,762,849	645,131	2,407,980
Special assessments	5,390,321	-	5,390,321
Due from other governments	10,121,861	636,596	10,758,457
Inventory of supplies	305,409	499,860	805,269
Internal balances	(865,972)	865,972	-
Capital assets	32,396,435	46,503,123	78,899,558
<b>Total assets</b>	<b><u>89,896,821</u></b>	<b><u>62,994,460</u></b>	<b><u>152,891,281</u></b>
<b>Liabilities</b>			
Accounts payable	2,009,612	557,857	2,567,469
Accrued wages and benefits	1,524,853	243,886	1,768,739
Other accrued liabilities	253,933	52,931	306,864
Accrued interest payable	220,386	49,168	269,554
Due to other governments	5,434	1,407	6,841
Due to individuals	287,921	166,548	454,469
Matured bonds and interest	105,457	-	105,457
Notes payable	9,230,229	620,000	9,850,229
Deferred revenue	5,530,360	1,134,491	6,664,851
Non current liabilities:			
Due within one year	2,706,564	815,560	3,522,124
Due in more than one year	21,989,191	8,927,555	30,916,746
<b>Total liabilities</b>	<b><u>43,863,940</u></b>	<b><u>12,569,403</u></b>	<b><u>56,433,343</u></b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	18,600,500	36,568,123	55,168,623
Restricted for debt service	442,911	712,106	1,155,017
Restricted for special revenue activities	2,486,335	-	2,486,335
Restricted for loans	2,976,993	-	2,976,993
Unrestricted	21,526,142	13,144,828	34,670,970
<b>Total net assets</b>	<b><u>\$ 46,032,881</u></b>	<b><u>50,425,057</u></b>	<b><u>96,457,938</u></b>

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2002**

	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
<b>Functions/Programs</b>							
Governmental activities:							
Public safety	\$ 22,174,193	2,444,667	334,138	9,771	(19,385,617)		(19,385,617)
Public health and welfare	1,991,200	636,868	1,245,245	-	(109,087)		(109,087)
Leisure time activities	1,314,378	37,896	28,620	-	(1,247,862)		(1,247,862)
Community environment	10,981,207	651,206	10,058,768	-	(271,233)		(271,233)
Highways and streets	3,160,569	-	-	-	(3,160,569)		(3,160,569)
General government	5,624,886	1,477,568	46,740	104,833	(3,995,745)		(3,995,745)
Miscellaneous	1,371,375	-	-	-	(1,371,375)		(1,371,375)
Interest on long-term debt	1,196,847	-	-	-	(1,196,847)		(1,196,847)
Total governmental activities	<u>47,814,655</u>	<u>5,248,205</u>	<u>11,713,511</u>	<u>114,604</u>	<u>(30,738,335)</u>		<u>(30,738,335)</u>
Business-type activities:							
Water	5,624,794	5,432,670	-	-		(192,124)	(192,124)
Sewer	5,627,402	5,545,569	-	-		(81,833)	(81,833)
Transit	1,008,130	84,627	390,098	1,833,059		1,299,654	1,299,654
Golf Course	1,868,655	1,799,239	27,000	-		(42,416)	(42,416)
Solid Waste	1,939,128	2,021,332	-	-		82,204	82,204
Non Major	887,621	130,297	-	316,970		(440,354)	(440,354)
Total business-type activities	<u>16,955,730</u>	<u>15,013,734</u>	<u>417,098</u>	<u>2,150,029</u>		<u>625,131</u>	<u>625,131</u>
Total	\$ <u>64,770,385</u>	<u>20,261,939</u>	<u>12,130,609</u>	<u>2,264,633</u>	<u>(30,738,335)</u>	<u>625,131</u>	<u>(30,113,204)</u>
General revenues:							
Taxes:							
Income taxes					17,763,884	230,000	17,993,884
Property taxes					5,042,057	-	5,042,057
Other taxes					3,435,768	-	3,435,768
Grants and contributions not restricted to specific programs					4,366,665	216,176	4,582,841
Investment earnings					1,100,917	376,972	1,477,889
Transfers					48,690	(48,690)	-
Miscellaneous					1,867,987	115,717	1,983,704
Total general revenues					<u>33,625,968</u>	<u>890,175</u>	<u>34,516,143</u>
Change in net assets					2,887,633	1,515,306	4,402,939
Net assets beginning of year					43,145,248	48,909,751	92,054,999
Net assets end of year					\$ <u>46,032,881</u>	<u>50,425,057</u>	<u>96,457,938</u>

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2002**

	General	Housing Assistance	Community Development Escrow	Special Assessment Debt Service
<b>ASSETS:</b>				
Cash and equity in pooled cash, deposits and investments	\$ 8,549,903	\$ 571,898	\$ 123,988	\$ 12,921
Cash with fiscal and escrow agent	-	-	1,453,781	-
Receivables (net of allowance for uncollectibles):				
Income taxes	2,747,284	-	-	-
Property taxes	4,064,320	-	-	-
Estate taxes	90,992	-	-	-
Accounts	1,159,867	-	-	-
Loans	-	-	1,523,212	-
Special assessments	-	-	-	5,390,321
Due from other funds	520,320	-	-	-
Due from other governments	1,514,420	5,266,325	-	-
Inventory of supplies	11,781	-	-	-
<b>Total assets</b>	<b>\$ 18,658,887</b>	<b>\$ 5,838,223</b>	<b>\$ 3,100,981</b>	<b>\$ 5,403,242</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 253,314	\$ -	\$ -	\$ -
Accrued wages and benefits	1,329,540	-	-	-
Other accrued liabilities	210,320	-	-	-
Accrued interest payable	-	-	-	-
Due to other funds	65,852	-	-	80,000
Due to other governments	530	-	-	-
Due to individuals	4,473	30,246	123,988	-
Matured bonds and interest	-	-	-	-
Notes payable	-	-	-	-
Deferred revenue	5,439,519	5,266,325	-	5,390,321
<b>Total liabilities</b>	<b>7,303,548</b>	<b>5,296,571</b>	<b>123,988</b>	<b>5,470,321</b>
<b>Fund balances:</b>				
Reserved for encumbrances	405,486	-	-	-
Reserved for inventory	11,781	-	-	-
Reserved for loans	-	-	2,976,993	-
Unreserved, reported in:				
General Fund	10,938,072	-	-	-
Special Revenue Funds	-	541,652	-	-
Debt Service Funds	-	-	-	(67,079)
Capital Project Funds	-	-	-	-
<b>Total fund balances</b>	<b>11,355,339</b>	<b>541,652</b>	<b>2,976,993</b>	<b>(67,079)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,658,887</b>	<b>\$ 5,838,223</b>	<b>\$ 3,100,981</b>	<b>\$ 5,403,242</b>

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



Capital Improvements	East End Development	Downtown Improvements	Court of Appeals Project	Non Major Governmental Funds	Total Governmental Funds
\$ 2,512,926	\$ 4,110,154	\$ 4,894,986	\$ 1,738,947	\$ 5,734,563	\$ 28,250,286
-	-	-	-	105,457	1,559,238
-	-	-	-	-	2,747,284
902,000	-	-	-	564,040	5,530,360
-	-	-	-	-	90,992
14,715	-	-	-	149,859	1,324,441
-	-	-	-	239,637	1,762,849
-	-	-	-	-	5,390,321
-	-	-	-	3,109	523,429
-	-	-	-	3,341,116	10,121,861
-	-	-	-	179,031	190,812
<b>\$ 3,429,641</b>	<b>\$ 4,110,154</b>	<b>\$ 4,894,986</b>	<b>\$ 1,738,947</b>	<b>\$ 10,316,812</b>	<b>\$ 57,491,873</b>

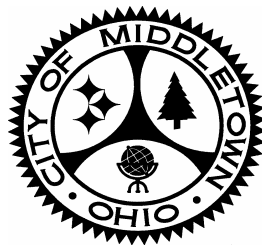
\$ 116,857	\$ 451,758	\$ 249,241	\$ 357,025	\$ 299,386	\$ 1,727,581
-	-	-	-	166,689	1,496,229
-	-	462	-	37,303	248,085
-	52,866	-	63,520	13,777	130,163
-	-	-	-	192,280	338,132
-	-	-	-	4,904	5,434
129,214	-	-	-	-	287,921
-	-	-	-	105,457	105,457
-	4,187,000	-	3,655,000	1,020,000	8,862,000
902,000	-	-	-	3,444,279	20,442,444
<b>1,148,071</b>	<b>4,691,624</b>	<b>249,703</b>	<b>4,075,545</b>	<b>5,284,075</b>	<b>33,643,446</b>

1,198,235	703,153	1,672,906	1,337,420	981,852	6,299,052
-	-	-	-	179,031	190,812
-	-	-	-	239,637	3,216,630
-	-	-	-	-	10,938,072
-	-	-	-	3,309,852	3,851,504
-	-	-	-	509,990	442,911
1,083,335	(1,284,623)	2,972,377	(3,674,018)	(187,625)	(1,090,554)
<b>2,281,570</b>	<b>(581,470)</b>	<b>4,645,283</b>	<b>(2,336,598)</b>	<b>5,032,737</b>	<b>23,848,427</b>
<b>\$ 3,429,641</b>	<b>\$ 4,110,154</b>	<b>\$ 4,894,986</b>	<b>\$ 1,738,947</b>	<b>\$ 10,316,812</b>	<b>\$ 57,491,873</b>

**CITY OF MIDDLETOWN, OHIO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2002**

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<b>Total governmental fund balances</b>	\$ 23,848,427
<i>Amounts reported for governmental activities in the statement of activities are different due to the following:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,396,435
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	9,958,649
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.	4,525,125
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(24,695,755)
 <b>Net assets of governmental activities</b>	 \$ 46,032,881



**CITY OF MIDDLETOWN, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR YEAR ENDED DECEMBER 31, 2002**

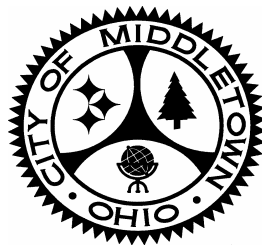
	General	Housing Assistance	Community Development Escrow	Special Assessment Debt Service
<b>Revenues:</b>				
Property taxes	\$ 3,665,979	\$ -	\$ -	\$ -
Municipal income taxes	12,735,723	-	-	-
Intergovernmental revenues	4,335,744	5,939,089	-	-
Charges for services	2,940,323	-	-	-
Fees, licenses, and permits	274,218	-	-	-
Fines and forfeits	15,475	-	-	-
Special assessments	-	-	-	623,248
Interest earnings	489,874	7,905	133,504	-
Miscellaneous	933,057	99,925	-	-
Increase in Investment Fair Value	92,162	-	-	-
<b>Total revenues</b>	<b>25,482,555</b>	<b>6,046,919</b>	<b>133,504</b>	<b>623,248</b>
<b>Expenditures:</b>				
Current				
Public safety	16,488,129	-	-	-
Public health and welfare	581,309	-	-	-
Leisure time activities	996,846	-	-	-
Community environment	805,436	6,723,983	-	-
Highways and streets	-	-	-	-
General government	4,717,496	-	-	-
Miscellaneous	869,918	-	298,632	-
Debt service				
Principal retirement	68,779	-	-	397,144
Interest and fiscal charges	13,595	-	-	204,857
<b>Total expenditures</b>	<b>24,541,508</b>	<b>6,723,983</b>	<b>298,632</b>	<b>602,001</b>
Excess of revenues over (under) expenditures	941,047	(677,064)	(165,128)	21,247
Other financing sources (uses):				
Transfers-in	-	-	-	-
Transfers-out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	941,047	(677,064)	(165,128)	21,247
Fund balance, beginning of year	10,414,292	1,218,716	3,142,121	(88,326)
<b>Fund balance, end of year</b>	<b>\$ 11,355,339</b>	<b>\$ 541,652</b>	<b>\$ 2,976,993</b>	<b>\$ (67,079)</b>

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

Capital Improvements	East End Development	Downtown Improvements	Court of Appeals Project	Non Major Governmental Funds	Total Governmental Funds
\$ 819,870	\$ -	\$ -	\$ -	\$ 533,408	\$ 5,019,257
1,300,000	-	-	-	3,728,161	17,763,884
175,121	-	1,500,000	-	4,357,984	16,307,938
31,564	-	-	-	757,831	3,729,718
-	-	-	-	-	274,218
-	-	-	-	1,243,774	1,259,249
-	-	-	-	1,554	624,802
64,563	72,146	221,007	31,337	91,087	1,111,423
537,053	-	94,195	-	513,505	2,177,735
-	-	-	-	-	92,162
<b>2,928,171</b>	<b>72,146</b>	<b>1,815,202</b>	<b>31,337</b>	<b>11,227,304</b>	<b>48,360,386</b>
161,938	-	-	2,324,198	4,801,211	23,775,476
-	-	-	-	1,414,504	1,995,813
110,968	-	-	-	125,035	1,232,849
95,825	-	5,044,118	-	2,321,414	14,990,776
1,722,210	2,902,175	-	-	2,776,356	7,400,741
41,822	-	-	-	365,046	5,124,364
12,228	-	-	-	190,597	1,371,375
-	-	-	-	890,000	1,355,923
-	68,178	-	43,856	886,377	1,216,863
<b>2,144,991</b>	<b>2,970,353</b>	<b>5,044,118</b>	<b>2,368,054</b>	<b>13,770,540</b>	<b>58,464,180</b>
783,180	(2,898,207)	(3,228,916)	(2,336,717)	(2,543,236)	(10,103,794)
32,106	-	126,718	-	1,131,130	1,289,954
(200,000)	(27,500)	(882,440)	-	(268,626)	(1,378,566)
<b>(167,894)</b>	<b>(27,500)</b>	<b>(755,722)</b>	<b>-</b>	<b>862,504</b>	<b>(88,612)</b>
615,286	(2,925,707)	(3,984,638)	(2,336,717)	(1,680,732)	(10,192,406)
1,666,284	2,344,237	8,629,921	119	6,713,469	34,040,833
<b>\$ 2,281,570</b>	<b>\$ (581,470)</b>	<b>\$ 4,645,283</b>	<b>\$ (2,336,598)</b>	<b>\$ 5,032,737</b>	<b>\$ 23,848,427</b>

**CITY OF MIDDLETOWN, OHIO  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2002**

<b>Net change in fund balances - total governmental funds</b>	\$ (10,192,406)
<i>Amounts reported for governmental activities in the statement of activities are different due to the following:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period.	2,491,402
Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	1,287,144
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	90,223
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.	9,357,274
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.	(146,024)
<b>Change in net assets of governmental activities</b>	<b>\$ 2,887,613</b>



**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2002**

**Business Type Activities - Enterprise Funds**

	Water	Sewer	Transit System
<b>Assets:</b>			
Current assets			
Equity in pooled cash and investments	\$ 4,031,446	\$ 7,097,533	\$ 188,617
Receivables			
Accounts	822,206	861,035	-
Loans	645,131	-	-
Due from other funds	-	-	1,485
Intergovernmental	-	-	636,596
Inventory of supplies	349,859	99,089	-
<b>Total current assets</b>	<b>5,848,642</b>	<b>8,057,657</b>	<b>826,698</b>
Capital assets:			
Land	652,665	152,500	-
Land Improvements	-	-	-
Infrastructure assets	22,758,569	24,947,087	-
Buildings	9,725,919	10,477,842	439,441
Equipment	1,154,216	5,246,513	2,582,912
Less: Accumulated depreciation	(16,878,730)	(23,040,881)	(1,507,676)
<b>Net capital assets</b>	<b>17,412,639</b>	<b>17,783,061</b>	<b>1,514,677</b>
<b>Total assets</b>	<b>23,261,281</b>	<b>25,840,718</b>	<b>2,341,375</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	179,842	179,430	1,180
Accrued wages and benefits	85,862	94,530	29,023
Other accrued liabilities	17,750	19,445	5,709
Accrued interest payable	23,778	3,857	-
Due to other funds	10,580	9,320	11,408
Due to other governments	21	-	-
Due to individuals	166,548	-	-
General obligation bonds payable	230,000	190,000	-
Deferred Revenue	645,131	-	489,360
Notes payable	140,000	-	-
Compensated absences (short term portion)	48,908	63,319	13,246
<b>Total current liabilities</b>	<b>1,548,420</b>	<b>559,901</b>	<b>549,926</b>
Long-term liabilities			
General obligation bonds payable	4,130,000	645,000	-
Compensated absences payable	94,760	123,065	25,521
<b>Total long-term liabilities</b>	<b>4,224,760</b>	<b>768,065</b>	<b>25,521</b>
<b>Total liabilities</b>	<b>5,773,180</b>	<b>1,327,966</b>	<b>575,447</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	12,912,639	16,948,061	1,514,677
Restricted for debt service	475,818	236,288	-
Unrestricted	4,099,644	7,328,403	251,251
<b>Total net assets</b>	<b>\$ 17,488,101</b>	<b>\$ 24,512,752</b>	<b>\$ 1,765,928</b>

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



Business Type Activities - Enterprise Funds				Governmental Activities -	
Golf Course	Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
\$ 65,539	\$ 294,873	\$ 481,044	\$ 12,159,052	\$ 1,265,791	
-	-	-	1,683,241	17,526	
-	-	-	645,131	-	
-	-	-	1,485	178,327	
-	-	-	636,596	-	
50,912	-	-	499,860	114,597	
<b>116,451</b>	<b>294,873</b>	<b>481,044</b>	<b>15,625,365</b>	<b>1,576,241</b>	
3,611,550	382,600	2,069,037	6,868,352	195,750	
2,476,702	-	-	2,476,702	-	
-	-	-	47,705,656	-	
698,974	74,652	2,990,313	24,407,141	354,064	
217,220	-	410,317	9,611,178	10,226,347	
(1,052,170)	(33,179)	(2,053,270)	(44,565,906)	(7,054,079)	
<b>5,952,276</b>	<b>424,073</b>	<b>3,416,397</b>	<b>46,503,123</b>	<b>3,722,082</b>	
<b>6,068,727</b>	<b>718,946</b>	<b>3,897,441</b>	<b>62,128,488</b>	<b>5,298,323</b>	
-	191,949	5,456	557,857	282,031	
31,478	-	2,993	243,886	28,624	
9,378	-	649	52,931	5,848	
10,367	11,166	-	49,168	7,405	
281,772	-	32,435	345,515	4,594	
1,386	-	-	1,407	-	
-	-	-	166,548	-	
95,000	155,000	-	670,000	-	
-	-	-	1,134,491	-	
480,000	-	-	620,000	368,229	
19,796	-	291	145,560	-	
<b>929,177</b>	<b>358,115</b>	<b>41,824</b>	<b>3,987,363</b>	<b>696,731</b>	
1,750,000	2,120,000	-	8,645,000	-	
38,570	-	639	282,555	76,467	
<b>1,788,570</b>	<b>2,120,000</b>	<b>639</b>	<b>8,927,555</b>	<b>76,467</b>	
<b>2,717,747</b>	<b>2,478,115</b>	<b>42,463</b>	<b>12,914,918</b>	<b>773,198</b>	
3,627,276	-	3,416,397	36,568,123	3,353,853	
-	-	-	712,106	-	
(276,296)	(1,759,169)	438,581	11,933,341	1,171,272	
<b>\$ 3,350,980</b>	<b>\$ (1,759,169)</b>	<b>\$ 3,854,978</b>	<b>\$ 49,213,570</b>	<b>\$ 4,525,125</b>	

Adjustment to reflect interfund payables due to the Internal Service Funds	\$ 345,515
Adjustment to reflect the consolidation of internal service fund activities	865,972
Total net assets from above	<u>49,213,570</u>
Net assets of business-type activities	\$ 50,425,057

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES OF NET ASSETS  
PROPRIETARY FUNDS  
FOR YEAR ENDED DECEMBER 31, 2002**

<b>Business Type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Transit System</b>
<b>Operating revenues:</b>			
Charges for services	\$ 5,432,670	\$ 5,545,569	\$ 84,627
Other operating revenue	79,825	62	1,619
<b>Total operating revenues</b>	<b>5,512,495</b>	<b>5,545,631</b>	<b>86,246</b>
<b>Operating expenses:</b>			
Personal services	1,729,016	1,946,823	547,804
Contractual services	1,568,589	1,665,523	191,449
Commodities	516,893	339,530	2,626
Depreciation	602,218	758,801	257,386
Other operating expenses	923,942	851,699	5,000
<b>Total operating expenses</b>	<b>5,340,658</b>	<b>5,562,376</b>	<b>1,004,265</b>
Operating income (loss)	171,837	(16,745)	(918,019)
<b>Non-operating revenues (expenses):</b>			
Interest revenue	164,370	210,742	-
Interest expense and fiscal charges	(262,319)	(55,276)	-
Operating grants	-	-	2,223,157
Income taxes	-	-	180,000
Gain (Loss) on sale or disposal of fixed assets	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>(97,949)</b>	<b>155,466</b>	<b>2,403,157</b>
Income (loss) before contributions and transfers	73,888	138,721	1,485,138
Developer capital contributions	95,468	120,708	-
Transfers-in	-	-	-
Transfers-out	(24,345)	(24,345)	-
<b>Change in net assets</b>	<b>145,011</b>	<b>235,084</b>	<b>1,485,138</b>
Total net assets, beginning of year	17,343,090	24,277,668	280,790
<b>Total net assets, end of year</b>	<b>\$ 17,488,101</b>	<b>\$ 24,512,752</b>	<b>\$ 1,765,928</b>

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

Business Type Activities - Enterprise Funds				Governmental
Golf Course	Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds
\$ 1,799,239	\$ 2,021,332	\$ 130,295	\$ 15,013,732	\$ 5,655,616
39,654	13,648	7,910	142,718	129,722
<b>1,838,893</b>	<b>2,034,980</b>	<b>138,205</b>	<b>15,156,450</b>	<b>5,785,338</b>
877,059	-	64,043	5,164,745	585,494
243,405	1,796,173	203,829	5,668,968	3,929,376
365,325	-	5,623	1,229,997	516,083
164,606	1,659	79,326	1,863,996	819,871
87,364	-	4,393	1,872,398	44,790
<b>1,737,759</b>	<b>1,797,832</b>	<b>357,214</b>	<b>15,800,104</b>	<b>5,895,614</b>
101,134	237,148	(219,009)	(643,654)	(110,276)
1,860	-	-	376,972	30,293
(125,959)	(141,296)	(1,186)	(586,036)	(8,646)
-	-	366,970	2,590,127	-
-	-	-	180,000	-
(5,323)	-	(529,221)	(534,544)	(57,395)
<b>(129,422)</b>	<b>(141,296)</b>	<b>(163,437)</b>	<b>2,026,519</b>	<b>(35,748)</b>
(28,288)	95,852	(382,446)	1,382,865	(146,024)
-	-	-	216,176	-
-	-	-	-	-
-	-	-	(48,690)	-
<b>(28,288)</b>	<b>95,852</b>	<b>(382,446)</b>	<b>1,550,351</b>	<b>(146,024)</b>
3,379,268	(1,855,021)	4,237,424	47,663,219	4,671,149
<b>\$ 3,350,980</b>	<b>\$ (1,759,169)</b>	<b>\$ 3,854,978</b>	<b>\$ 49,213,570</b>	<b>\$ 4,525,125</b>

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR YEAR ENDED DECEMBER 31, 2002**

<b>Business Type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Transit System</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 5,219,533	\$ 5,294,100	\$ 86,246
Cash payments to suppliers for goods and services	(1,777,377)	(1,685,328)	(22,051)
Cash payments to employees for services	(1,488,281)	(1,646,408)	(482,461)
Miscellaneous revenues	-	-	-
Cash received from interfund services provided			
Cash payments for interfund services used	(1,085,390)	(1,073,294)	(279,029)
Deposits and collections for other governments	6,894	-	-
<b>Net cash provided (used) by operating activities</b>	<b>875,379</b>	<b>889,070</b>	<b>(697,295)</b>
<b>Cash flows from non-capital financing activities:</b>			
Operating grants	-	-	2,075,921
Interfund loan receipts/payments	-	-	-
Transfers-in from other funds	-	-	-
Transfers-out to other funds	(24,345)	(24,345)	-
Income taxes received	-	-	180,000
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(24,345)</b>	<b>(24,345)</b>	<b>2,255,921</b>
<b>Cash flows from capital and related financing activities:</b>			
Sale of capital assets	-	-	-
Purchase of capital assets	(2,156,971)	(916,284)	(1,560,925)
Interest expense	(264,805)	(56,093)	-
Repayment of debt principal	(380,000)	(185,000)	-
Note proceeds	220,913	-	-
<b>Net cash used by capital and related financing activities</b>	<b>(2,580,863)</b>	<b>(1,157,377)</b>	<b>(1,560,925)</b>
<b>Cash flows from investing activities:</b>			
Interest income	114,234	210,742	-
<b>Net cash provided by investing activities</b>	<b>114,234</b>	<b>210,742</b>	<b>-</b>
Net change in cash and cash equivalents	(1,615,595)	(81,910)	(2,299)
Cash and pooled investments, beginning of year	5,647,041	7,179,443	190,916
<b>Cash and pooled investments, end of year</b>	<b>\$ 4,031,446</b>	<b>\$ 7,097,533</b>	<b>\$ 188,617</b>

Business Type Activities - Enterprise Funds					Governmental
					Activities -
	Solid Waste	Non Major			Internal
Golf Course	Disposal	Enterprise	Totals		Service
		Funds			Funds
\$ 1,806,739	\$ 2,034,980	\$ 169,710	\$ 14,611,308	\$	-
(481,638)	(1,925,042)	(216,989)	(6,108,425)		(4,468,414)
(799,833)	-	(54,999)	(4,471,982)		(499,606)
39,654	-	7,910	47,564		112,196
(261,603)	-	(13,740)	(13,740)		5,668,834
47	-	-	(2,699,316)		(87,265)
	-	-	6,941		-
<b>303,366</b>	<b>109,938</b>	<b>(108,108)</b>	<b>1,372,350</b>		<b>725,745</b>
-	-	316,970	2,392,891		-
(72,000)	-	-	(72,000)		-
-	-	32,000	32,000		-
-	-	-	(48,690)		-
-	-	50,000	230,000		-
<b>(72,000)</b>	<b>-</b>	<b>398,970</b>	<b>2,534,201</b>		<b>-</b>
-	-	50,557	50,557		49,301
(50,250)	-	(222,750)	(4,907,180)		(1,185,609)
(118,365)	(141,960)	(4,239)	(585,462)		(1,527)
(605,000)	(150,000)	(70,641)	(1,390,641)		(53,000)
480,000	-	-	700,913		368,229
<b>(293,615)</b>	<b>(291,960)</b>	<b>(247,073)</b>	<b>(6,131,813)</b>		<b>(822,606)</b>
1,860	-	-	326,836		30,293
<b>1,860</b>	<b>-</b>	<b>-</b>	<b>326,836</b>		<b>30,293</b>
(60,389)	(182,022)	43,789	(1,898,426)		(66,568)
125,928	476,895	437,255	14,057,478		1,332,359
<b>\$ 65,539</b>	<b>\$ 294,873</b>	<b>\$ 481,044</b>	<b>\$ 12,159,052</b>	<b>\$</b>	<b>1,265,791</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2002**

<b>Business Type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Transit System</b>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 171,837	\$ (16,745)	\$ (918,019)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	602,218	758,801	257,386
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable (net)	(7,699)	47,214	-
Decrease (increase) in inventory of supplies	14,033	13,326	-
(Decrease) increase in accounts payable	71,966	29,606	(25,188)
(Decrease) increase in accrued wages and benefits	8,401	20,639	4,100
(Decrease) increase in other accrued liabilities	17,750	19,445	(1,485)
(Decrease) increase in due to other funds	(479)	(53)	(12,486)
Increase (decrease) in compensated absences payable	(9,542)	16,837	(1,603)
Increase (decrease) in due to other governments	(846)	-	-
Increase (decrease) in due to individuals	7,740	-	-
<b>Total adjustments</b>	<b>703,542</b>	<b>905,815</b>	<b>220,724</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 875,379</b>	<b>\$ 889,070</b>	<b>\$ (697,295)</b>

**NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:**

**In 2002, developers contributed infrastructure assets (water and sewer lines) to the Water and Sewer Funds. The Water Fund received \$95,468 and the Sewer Fund received \$120,708 in infrastructure assets from developers.**

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

<b>Business Type Activities - Enterprise Funds</b>				<b>Governmental</b>
				<b>Activities -</b>
	<b>Solid Waste</b>	<b>Non Major</b>		<b>Internal</b>
<b>Golf Course</b>	<b>Disposal</b>	<b>Enterprise</b>	<b>Totals</b>	<b>Service</b>
		<b>Funds</b>		<b>Funds</b>
\$ 101,134	\$ 237,148	\$ (219,009)	\$ (643,654)	\$ (110,276)
164,606	1,659	79,326	1,863,996	819,871
7,500	-	39,415	86,430	(17,526)
18,992	-	-	46,351	23,211
(4,096)	(128,869)	(8,821)	(65,402)	(9,048)
2,099	-	22	35,261	3,278
9,378	-	649	45,737	5,848
(9,282)	-	238	(22,062)	10,111
12,988	-	72	18,752	276
47	-	-	(799)	-
-	-	-	7,740	-
<b>202,232</b>	<b>(127,210)</b>	<b>110,901</b>	<b>2,016,004</b>	<b>\$ 836,021</b>
<b>\$ 303,366</b>	<b>\$ 109,938</b>	<b>\$ (108,108)</b>	<b>\$ 1,372,350</b>	<b>\$ 725,745</b>

CITY OF MIDDLETOWN, OHIO  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR YEAR ENDED DECEMBER 31, 2002

	<b>Agency Funds</b>
Assets:	
Cash and equity in pooled cash, deposits and investments	\$ 60,012
Cash with fiscal and escrow agent	82,339
<b>Total assets</b>	<b>\$ 142,351</b>
Liabilities:	
Due to other funds	\$ 15,353
Due to other governments	67,698
Due to individuals	47,944
Unapportioned monies	11,356
<b>Total liabilities</b>	<b>\$ 142,351</b>

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



**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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

The City of Middletown, Ohio, was incorporated as a City in 1837 under the laws of the State of Ohio. The City operates under a Council-Manager form of government and provides the following services as authorized by its Charter: Public Safety (police and fire), Human Resources (social services), Planning and Development, Public Works (maintenance and construction of public improvements), Recreation (swimming pools and golf course), Public Utilities (water and sewer service), Public Health Services, Municipal Court Services, and General Government Services. The financial statements of the City of Middletown, Ohio, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City follows Financial Accounting Standards Board (FASB) standards of accounting and financial reporting issued on or before November 30, 1989 in its government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict GASB guidance. The 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 by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. A component unit which is fiscally dependent upon the primary government even when the primary government does not have a voting majority of the component unit's board is also to be included in the statements of the primary government.

**Blended Component Unit**

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

**Discretely Presented Component Units**

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

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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*Related Organization*

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

*Included within the reporting entity:*

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

**B. BASIS OF PRESENTATION**

*Government-wide Financial Statements*

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

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

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

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

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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

***Fund Financial Statements***

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

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

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

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

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

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

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

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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*East End Development Fund* - To accumulate costs for improvements in the City's east end area adjacent to Interstate 75.

*Downtown Improvements Fund* - To account for the costs of the City Centre Mall and the construction of infrastructure in the former mall area.

*Court of Appeals Fund* - To account for the costs of the construction of the Twelfth District Court of Appeals building.

**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 proprietary funds:

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

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

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

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

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

Additionally, the City reports the following fund types:

*Internal Service Funds* - to 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 not 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

**CITY OF MIDDLETOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

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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.

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

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

Current and delinquent property taxes measurable as of December 31, 2002, whose availability is indeterminable and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside the available period, the entire amount has been deferred.

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

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

Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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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, purchases of the City's notes and special assessment bonds, U. S. Treasury and agency securities, and money market funds containing only U. S. Treasury and agency securities. Investments in bonds, U.S. Treasury and agency securities, and money market funds are reported at fair value, which is based on quoted market prices. Interest earned on pooled cash, deposits, and investments is distributed to the City's General Fund except as stipulated by ordinance or statute.

STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2002.

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

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

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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**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 no expenditure is recorded for the inventory of supplies on hand at year-end. Recorded inventories in the Governmental Fund types are offset equally by fund balance reserves, which indicate that they do not constitute "available spendable resources."

**H. CAPITAL ASSETS**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Also included in capital assets are infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, drainage systems and similar items) constructed or acquired on or after January 1, 2002. Pursuant to GASB Statement No. 34, for all fiscal years beginning after June 15, 2006, the City must retroactively report all infrastructure assets acquired before January 1, 2002. The City expects to accomplish retroactive reporting of infrastructure prior to that deadline.

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.

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 fixed assets over the estimated useful lives of the assets on a straight-line basis. The estimated lives are as follows:

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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**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 2002, interest costs incurred on construction projects were not material.

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

Reserves and designations indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved or designated for inventory of supplies and materials, encumbrances, and loans.

**K. INTERFUND TRANSACTIONS**

During the normal course of operations, the City has numerous transactions between funds. These transactions include charges for services provided by an Internal Service Fund to other funds, interfund reimbursements, and operating 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 Litter Control 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 Computer Replacement Fund, the Capital Improvements Fund, the Transit Fund, the City Centre Mall Fund, and the Parking Fund.

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

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

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



**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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

**INTERFUND TRANSFERS**

<i>Governmental Funds</i>	<i>Transfers In</i>	<i>Transfers Out</i>
Capital Improvements Fund	\$ 169,408	\$ 200,000
East End Development Fund	0	27,500
Downtown Improvements Fund	126,718	882,440
Non major governmental funds	<u>1,131,130</u>	<u>268,626</u>
Total	<u>\$1,427,256</u>	<u>\$1,378,566</u>

<i>Proprietary Funds</i>	<i>Transfers In</i>	<i>Transfers Out</i>
Water Fund	\$ 0	\$ 24,345
Sewer Fund	<u>0</u>	<u>24,345</u>
Total	<u>\$ 0</u>	<u>\$48,690</u>

The City's major governmental funds received transfers totaling \$296,126 in 2002. These transfers were from funds that were being closed. The major governmental funds transfers out totaled \$1,109,940. Most of these transfers (95%) were for general obligation debt service payments.

The City's non-major governmental funds received \$1,131,130 for transfers in. Most of this money (96%) was transferred in from the major governmental funds for debt service. These same funds transferred \$268,626 because of funds being closed out.

The City's business type funds transferred out \$48,690 to accumulate money for future computer purchases.

**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.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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**M. COMPENSATED ABSENCES**

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

Accumulated Unpaid Vacation

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

Accumulated Unpaid Sick Leave

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

Upon retirement from the City, non-fire employees with twenty-five years of service are paid for one-half their accumulated unused sick leave up to a maximum of 424 hours. Employees who are eligible to retire, but do not have twenty-five years of service, are paid for one-third of their sick leave up to a maximum of 264 hours. All other employees who leave City employment receive payment for one-third of the accumulated sick leave over 280 hours up to a maximum of 264 hours.

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

At December 31, 2002, the total liability of the City for compensated absences was \$4,161,944.

**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 combined 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.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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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 2002.

Appropriations

An appropriation measure to control expenditures is passed on or about January 1 of each year for the period from January 1 to December 31. The appropriation resolution may be supplemented during the year by action of City Council as new information becomes available, but fund appropriations may not exceed estimated resources. Twenty-one supplemental appropriation measures were legally enacted during 2002. The supplemental appropriations decreased the original 2002 Appropriation Resolution by \$2,435,814 for all budgeted funds.

Budgeted Level of Expenditures

Appropriations are made by fund and department. The legal level of control is the department within each fund. City Council may alter amounts allocated to various funds during the year as the need arises by adopting modification to the appropriation measure. Management may make appropriation transfers within individual departments. Amounts shown in the budgetary financial statements represent the final amounts appropriated for 2002, including all supplemental appropriations and modifications.

Encumbrances

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

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. However, the budgetary statements for funds that had outstanding encumbrances at December 31, 2001, reflect an "Appropriation for prior year encumbrances."

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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

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

Cash deposits and investments of the City as of December 31, 2002, are comprised of the following:

<b>Deposits</b>	
Petty Cash	\$ 5,495
Demand deposit accounts	3,638,234
Subtotal deposits	<u>\$3,643,729</u>
 <b>Investments</b>	
Money Market Funds	114,370
U.S. Gov't and Agency Securities	29,425,533
STAROhio	10,151,086
Investment in City issued bonds	42,000
Subtotal investments	<u>\$39,732,989</u>
 <b>Total</b>	 <b><u>\$43,376,718</u></b>

**Deposits**

The bank balance for all City deposits at December 31, 2002, was \$4,138,255. The difference between the bank balance and the amounts recorded by the City is caused by deposits in transit and outstanding checks. Of this amount, \$300,000 was covered by FDIC Insurance, and \$3,838,255 was collateralized with securities held by the Federal Reserve Bank of Cleveland in the City's name and by the trust departments of two banks. The Federal Reserve Bank of Cleveland is acting as the agent for the counterparty in regard to the collateralization of these City deposits.

**Investments**

The State of Ohio statutes authorize the City to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, and certificates of deposits. Citywide investments at December 31, 2002, were \$39,732,989. Investments are carried at fair value.

The City's investments are categorized as either (1) insured or registered, or securities held by the City or its agent in the City's name; or (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; or (3) uninsured unregistered with securities held by the counterparty or its trust department or agent but not in the City's name. City investments in STAROhio are unclassified because they are not evidenced by securities in either physical or book entry form.

**CITY OF MIDDLETOWN  
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	<i>Category 1</i>	<i>Uncategorized</i>	<i>Fair Value</i>
City of Middletown Notes & Bonds	\$ 42,000	\$ -	\$ 42,000
U.S. Treasury & Agency Securities	29,425,533	-	29,425,533
Uncategorized Investments:			
Money Market Mutual Fund	-	114,370	114,370
Investment in STAROhio	-	10,151,086	10,151,086
Total	\$ 29,467,533	\$ 10,265,456	\$ 39,732,989

**NOTE 4 - UNRESERVED/UNDESIGNATED FUND BALANCE RETAINED EARNINGS DEFICITS**

At December 31, 2002, the following funds had unreserved/undesignated fund balance deficit retained earnings:

**Special Revenue Funds**

- *Community Development Fund*  
The \$221,865 deficit in the Community Development Fund is caused by outstanding purchase orders for approved construction projects. Funds are requested from the Federal Government as the work progresses.
- *Litter Control Fund*  
The \$11,320 fund balance deficit in the Litter Control Fund will be corrected in 2003 when the City's \$16,000 cash contribution is received.
- *Home Program*  
The \$4,381 fund balance deficit in the Home Program Fund will be corrected in 2003 when the fund's grants are received.

**Debt Service Funds**

- *Special Assessment Debt Service Fund*  
The fund deficit of \$67,079 arises due to special assessments being recognized as revenue only to the extent the individual installments are considered as current assets. The fund's deficit will be reduced and eventually eliminated as deferred special assessment installments become current assets.

**CITY OF MIDDLETOWN**  
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**Capital Project Funds**

- *Court of Appeals Project Fund*  
The \$3,674,018 deficit in this fund will be eliminated in 2003 upon issuance of a general obligation bond to finance the design and construction of the Twelfth District Court of Appeals building.
- *East End Development Fund*  
The \$1,284,623 deficit in this fund is the result of the issuance of \$4,187,000 in general obligation notes to fund street improvements in the East End area. The deficit will be corrected in 2004 when the project will be completed and permanent financing is arranged to replace the notes outstanding.
- *2002 Sidewalk, Curb and Gutter Fund*  
The \$397,008 deficit in this fund will be eliminated in 2003 with a combination of property owners' assessment payments and a special assessment bond issue.
- *Roosevelt Avenue Improvements Fund*  
The \$635,170 deficit in this fund will be eliminated in 2003 with a combination of property owners' assessment payments and a special assessment bond issue.

**Enterprise Funds**

- *Golf Fund*  
The \$276,296 deficit in this fund will be corrected when the fund's \$275,000 inter-fund loan from the General Fund is repaid in 2004.

**Internal Service Funds**

- The \$5,023 deficit in this fund will be eliminated in 2003 with a claims payment of \$209,373 from the City's stop loss insurance carrier.

**CITY OF MIDDLETOWN  
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**NOTE 5 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible (used in business) property located in the City. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 per cent of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50 per cent of cost). Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 per cent of true value. The assessed value upon which the 2002 taxes were collected was \$924,942,063. The full tax rate for all City operations for the fiscal year ended December 31, 2001, was \$5.86 per \$1,000 of assessed valuation.

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

Tangible personal property taxes are also payable annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by October 9. Multi-county corporations may pay the entire tax due in one payment by October 9.

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

Property taxes receivable represent real and tangible personal property taxes, public utility taxes, and outstanding delinquencies that are measurable as of December 31, 2002. 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 2002 operations. The receivable is therefore offset by a credit to deferred revenue.

**NOTE 6 - INCOME TAX**

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

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2002 was as follows:

**CITY OF MIDDLETOWN  
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<b>GOVERNMENTAL ACTIVITIES</b>				
<i>Capital Asset</i>	<i>Adjusted Beginning</i>			<i>Ending</i>
	<i>Balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Balance</i>
Land and land improvements	\$ 7,701,311	\$ 116,436	\$ 34,260	\$7,783,487
Buildings	19,500,987	1,719,196	0	21,220,183
Equipment	4,331,259	484,611	0	4,815,870
General infrastructure	<u>0</u>	<u>8,631,893</u>	<u>0</u>	<u>8,631,893</u>
<b>Total at Historical Cost</b>	<b>31,533,557</b>	<b>10,952,136</b>	<b>34,260</b>	<b>42,451,433</b>
Less accumulated depreciation:				
Land improvements	88,096	33,791	3,426	118,461
Buildings	9,443,448	509,035	0	9,952,483
Equipment	2,972,881	301,660	0	3,274,541
General infrastructure	<u>0</u>	<u>431,595</u>	<u>0</u>	<u>431,595</u>
<b>Total depreciation</b>	<b>12,504,425</b>	<b>1,276,081</b>	<b>3,426</b>	<b>13,777,080</b>
<b>Capital Assets, Net</b>	<b>\$ 19,029,132</b>	<b>\$ 9,676,055</b>	<b>\$ 30,834</b>	<b>\$ 28,674,353</b>

Depreciation was charged to governmental functions as follows:

General government	\$ 444,390
Leisure	136,603
Public health and welfare	36,554
Public safety	191,498
Streets and highways	<u>467,036</u>
Total	\$1,276,081

Capital asset activity for the Municipal Garage Fund is an Internal Service Fund included in the entity-wide statements in Governmental Activities was:

<b>MUNICIPAL GARAGE – GOVERNMENTAL ACTIVITIES</b>				
<i>Capital Asset</i>	<i>Adjusted Beginning</i>			<i>Ending</i>
	<i>Balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Balance</i>
Land and land improvements	\$ 195,750	\$ 0	\$ 0	\$ 195,750
Buildings	354,064	0	0	354,064
Equipment	<u>9,588,020</u>	<u>1,185,609</u>	<u>547,282</u>	<u>10,226,347</u>
Total	10,137,834	1,185,609	547,282	10,776,161
Accumulated depreciation	<u>(6,674,794)</u>	<u>(819,871)</u>	<u>(440,586)</u>	<u>(7,054,079)</u>
<b>Capital Assets, Net</b>	<b>\$ 3,463,040</b>	<b>\$ 365,738</b>	<b>\$ (106,696)</b>	<b>\$ 3,722,082</b>



**CITY OF MIDDLETOWN  
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<b>BUSINESS-TYPE ACTIVITIES</b>				
<u>Capital Asset</u>	<u>Adjusted Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Land	\$ 6,645,602	\$ 222,750	\$ 0	\$6,868,352
Land improvements	2,476,702	0	0	2,476,702
Buildings	23,129,704	2,129,365	851,928	24,407,141
Equipment	8,247,200	1,545,288	181,310	9,611,178
Infrastructure	<u>46,479,703</u>	<u>1,225,953</u>	<u>0</u>	<u>47,705,656</u>
<b>Totals at Historical Cost</b>	<b><u>86,978,911</u></b>	<b><u>5,123,356</u></b>	<b><u>1,033,238</u></b>	<b><u>91,069,029</u></b>
Less accumulated depreciation:				
Land and land improvements	572,477	139,764	0	712,241
Buildings	8,318,452	575,674	208,207	8,685,919
Equipment	7,210,627	403,816	175,987	7,438,456
General infrastructure	<u>26,984,548</u>	<u>744,742</u>	<u>0</u>	<u>27,729,290</u>
<b>Total depreciation</b>	<b><u>43,086,104</u></b>	<b><u>1,863,996</u></b>	<b><u>384,194</u></b>	<b><u>44,565,906</u></b>
<b>Capital Assets, Net</b>	<b>\$ 43,892,807</b>	<b>\$ 3,259,360</b>	<b>\$ 649,044</b>	<b>\$ 46,503,123</b>

Depreciation was charged to business-type activities as follows:

Water	\$ 602,218
Sewer	758,801
Transit	257,386
Golf	164,606
Solid Waste	1,659
Non major funds	<u>79,326</u>
Total	\$1,863,996

**NOTE 8 - PENSION PLANS**

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

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

Public Employees Retirement System of Ohio is a cost sharing, multiple employer-defined, pension benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705, or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for employees other than law enforcement is 8.5%. The 2001 employer contribution rate for local government employer units was 13.55% of covered payroll. The City of Middletown's contribution to PERS for the years ending December 31, 2002, 2001, and 2000 were \$1,699,854, \$1,496,958, and \$1,455,187 respectively, equal to the required contributions billed to the City by PERS.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. Middletown's contributions for the years ending December 31, 2002, 2001, and 2000 were \$2,178,533, \$2,011,801, and \$2,065,625 respectively, equal to the required contribution for each year.

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

The City of Middletown has a self-insured health plan that is accounted for in the Employee Benefits Fund. All full-time employees of the City are eligible to enroll in this plan which is administered by an independent Third Party Plan Administration Company. Claims incurred but not reported as of December 31, 2002, 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 \$250,000. See Note 15 for additional information on claims incurred but not reported.

**CITY OF MIDDLETOWN  
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**NOTE 10 - LONG-TERM OBLIGATIONS**

Long-term obligation of the City as of December, 31, 2002, are as follows:

**A. GOVERNMENTAL ACTIVITIES**

	Balance, Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
<i>Special Assessment Bonds:</i>					
1982-1 Street Improvements	30,000	-	30,000	0	0
1983-2 Street Improvements	45,000	-	20,000	25,000	25,000
1985 Street Improvements	180,000	-	45,000	135,000	45,000
1985 Manchester Road Improvement	56,000	-	14,000	42,000	14,000
1986 Street Improvements	100,000	-	20,000	80,000	20,000
1988 Street Improvements	16,000	-	2,000	14,000	2,000
1990 Street Improvements	105,000	-	11,000	94,000	11,000
1991 Street Improvements	205,000	-	20,000	185,000	20,000
1992 Street Improvements	22,000	-	2,000	20,000	2,000
1993 Street Improvements	86,000	-	8,000	78,000	8,000
1994 Street Improvements	59,000	-	2,000	57,000	3,000
1995-1 Street Improvements	125,000	-	5,000	120,000	5,000
1995 Street Lighting	8,000	-	2,000	6,000	2,000
1995-2 Street Improvements	79,000	-	3,000	76,000	3,000
1996 Street Improvements	175,000	-	10,000	165,000	10,000
1996 Sewer Imp.-Dick's Creek	131,629	-	4,539	127,090	4,539
1996 Sewer Imp.-Cin/Dayton Rd.	13,371	-	461	12,910	461
1996 Sidewalk, Curb & Gutter II	30,000	-	30,000	0	0
1997 Sophie Street Improvements	200,000	-	10,000	190,000	10,000
1997 Dix Road Improvements	156,295	-	5,000	151,295	5,000
1997 Sidewalk, Curb & Gutter I	35,000	-	35,000	0	0
1997 Sidewalk, Curb & Gutter II	23,000	-	11,000	12,000	12,000
1998 Sidewalk, Curb & Gutter	40,000	-	20,000	20,000	20,000
1998 Lewis Street Improvements	76,000	-	3,000	73,000	3,000
1999 Marshall Road Improvements	425,000	-	15,000	410,000	15,000
2000 Burbank Street Improvements	180,000	-	5,000	175,000	5,000
2000 Garfield Sidewalk Improve.	35,034	-	5,034	30,000	10,000
2001 Sidewalk, Curb (2000)	103,460	-	18,460	85,000	20,000
2001 Illinois/Longfellow Improve.	212,491	-	3,577	208,914	8,139
2001 Dick's Creek	110,197	-	1,855	108,342	4,221
2001 Oxford State Rd Water Line	68,905	-	1,160	67,745	2,639
2001 Oxford State Rd Intersection	65,000	-	3,000	62,000	3,000
2001 Sidewalk, Curb (2001)	156,057	-	31,057	125,000	30,000
<b>Total Special Assessment Bonds</b>	<b>3,352,439</b>	<b>-</b>	<b>397,143</b>	<b>2,955,296</b>	<b>322,999</b>

**CITY OF MIDDLETOWN  
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	Balance, Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
<i>General Obligation Bonds:</i>					
1994 Transportation	2,820,000	-	180,000	2,640,000	185,000
1994 Recreation	490,000	-	30,000	460,000	35,000
1996 Street Improvements	1,745,000	-	80,000	1,665,000	85,000
1996 Energy Savings Improvements	270,000	-	50,000	220,000	50,000
1999 Downtown Improvements	9,870,000	-	350,000	9,520,000	360,000
<i>General Obligation Bonds Voted:</i>					
1982 Public Library	400,000	-	200,000	200,000	200,000
<b>Total General Obligation Bonds</b>	<b>15,595,000</b>	<b>-</b>	<b>890,000</b>	<b>14,705,000</b>	<b>915,000</b>
Compensated Absences	3,449,824	284,005	0	3,733,829	1,302,585
Police & Fire Pension					
Unfunded Accrued Liability	3,176,540	-	97,741	3,078,799	97,741
2000 Lease (5 years)	291,160	-	68,329	222,831	68,329
<b>Total Governmental Activities</b>	<b>\$ 25,864,963</b>	<b>\$284,005</b>	<b>\$1,453,213</b>	<b>\$24,695,755</b>	<b>2,706,654</b>

**B. PAYABLE FROM BUSINESS TYPE ACTIVITIES**

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
<i>General Obligation Bonds:</i>					
1994 Landfill "A"	2,195,000	-	135,000	2,060,000	140,000
1994 Landfill "B"	230,000	-	15,000	215,000	15,000
1994 Water	2,195,000	-	135,000	2,060,000	140,000
1996 Golf Course	1,935,000	-	90,000	1,845,000	95,000
1994 Sewer	1,020,000	-	185,000	835,000	190,000
1999 Water	2,385,000	-	85,000	2,300,000	90,000
<b>Total General Obligation Bonds Payable by Business Type Activities</b>	<b>9,960,000</b>	<b>-</b>	<b>645,000</b>	<b>9,315,000</b>	<b>670,000</b>
Compensated Absences	409,363	18,752	0	428,115	145,560
<b>Total Business Type Activities</b>	<b>\$ 10,369,363</b>	<b>\$ 18,752</b>	<b>\$ 645,000</b>	<b>\$ 9,743,115</b>	<b>\$ 815,560</b>

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Business type activity bonds payable are General Obligation Bonds paid from revenues of the enterprise operation for which the improvements were made. All other General Obligation Bond Issues will be paid through the Debt Service Fund from income and property tax revenues. The Public Library bonds will be retired from proceeds of a voted tax levied upon City properties and will be paid from the Debt Service Fund.

The City's legal debt margin was approximately \$88,450,434 at December 31, 2002. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2002 are as follows:

<b>Police and Fire Pension Debt Schedule – 12/31/02</b>			
	<u>Police</u>	<u>Fire</u>	<u>Total</u>
2003	\$ 52,217	\$ 45,524	\$ 97,741
2004	52,217	45,524	97,741
2005	52,217	45,524	97,741
2006	52,217	45,524	97,741
2007	52,217	45,524	97,741
Thereafter	1,410,354	1,229,579	2,639,933
<b>Total</b>	<b>\$ 1,671,439</b>	<b>\$ 1,457,379</b>	<b>\$ 3,128,818</b>

<b>General Obligation and Assessment Bonds Schedule – 12/31/02</b>						
	<i>General Obligation Bonds</i>			<i>Assessment Bonds</i>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 1,585,000	\$ 1,345,171	\$ 2,930,171	\$ 322,999	\$ 177,940	\$ 500,939
2004	1,455,000	1,255,626	2,710,626	266,999	157,137	424,136
2005	1,520,000	1,181,526	2,701,526	280,999	140,013	421,012
2006	1,605,000	1,102,545	2,707,545	226,294	121,966	348,260
2007	1,395,000	1,018,065	2,413,065	148,360	105,550	253,910
Thereafter	16,460,000	5,586,617	22,046,617	1,709,645	628,029	2,337,674
<b>Total</b>	<b>\$24,020,000</b>	<b>\$11,489,550</b>	<b>\$ 35,509,550</b>	<b>\$ 2,955,296</b>	<b>\$ 1,330,635</b>	<b>\$ 4,285,931</b>

<b>Lease Obligation</b>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	72,914	9,460	82,374
2004	76,346	6,028	82,374
2005	73,571	1,938	75,509
<b>Total</b>	<b>222,831</b>	<b>17,426</b>	<b>240,257</b>

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

The primary responsibility for the annual payments to special assessment bondholders is with the property owners on whose behalf the City has issued special assessment debt. The special assessments,

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which cover both principal and interest due, are collected by the Butler County Treasurer each year with the property owners' property tax payments. The collections are then sent to the City, which pays the principal and interest due.

In the event of default, a lien is put on the property and it is eventually sold by the county at a tax sale. The City is then reimbursed for any special assessment bond payments it made.

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

**NOTE 11 - SHORT-TERM OBLIGATIONS**

Short-term obligations of the City consist of the following:

- a) A \$140,000 note, bearing interest of 4.21%, for the purchase and installation of energy conservation equipment for the City water treatment plant was outstanding at December 31, 2002. The note matures on May 21, 2003.
- b) A \$480,000 note, bearing interest of 2.89%, for City golf course improvements was outstanding at December 31, 2002. The note matures on October 22, 2003.
- c) A \$760,000 note, bearing interest of 3.41%, for the project of the Towne Boulevard/Route 122 intersection improvements was outstanding on December 31, 2002. The note matures on May 21, 2003.
- d) A \$390,000 note, bearing interest of 2.6%, for the property owners' portion of the 2002 Sidewalk, Curb and Gutter project was outstanding on December 31, 2002. The note matures on May 21, 2003.
- e) A \$630,000 note with an interest rate of 2.50% for the property owners' portion of the Roosevelt Avenue project was outstanding on December 31, 2002. This note matures on May 21, 2003.
- f) A \$3,427,000 note bearing an interest rate of 2.50% for the Towne Boulevard Extension project was outstanding on December 31, 2002. The note matures on May 21, 2003.

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- g) A \$3,655,000 note, with an interest rate of 2.50% for the Court of Appeals building construction project was outstanding on December 31, 2002. This note matures on August 6, 2003.
- h) A \$368,229 note bearing an interest rate of 2.30% for the purchase of a pumper fire truck was outstanding on December 31, 2002. The note matures on February 13, 2003.

**General Obligation Notes**

<u>Issue</u>	<u>Beginning Balance 1/1/02</u>	<u>Note Retirement</u>	<u>Note Issue</u>	<u>Ending Balance 12/31/02</u>
City Centre Mall	\$ 70,641	\$ 70,641	\$ 0	\$ 0
Fire Truck	53,000	53,000	0	0
Energy Conservation	160,000	160,000	140,000	140,000
Golf Course	515,000	515,000	480,000	480,000
Towne Blvd./Route 122	735,000	735,000	760,000	760,000
2002 Sidewalk, Curb & Gutter	0	0	390,000	390,000
Roosevelt Ave. Improvement	0	0	630,000	630,000
Towne Blvd. Extension	0	0	3,427,000	3,427,000
Court of Appeals Project	0	0	3,655,000	3,655,000
Fire Truck	0	0	368,229	368,229
<b>Total</b>	<b>\$ 1,553,641</b>	<b>\$ 1,533,641</b>	<b>\$ 9,850,229</b>	<b>\$ 9,850,229</b>

**NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES**

The City's interfund receivables and payables at the end of 2002 were comprised of operating advances from the General Fund to other operating funds (\$520,320); payments to the Municipal Garage Fund by the City operating funds for December 2002 services (\$178,327); and payments due to operating funds by the Municipal Garage Fund for overpayments (\$4,594).

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

Interfund receivables and payables balances as of December 31, 2002, follow:

Fund	Receivables	Payables
<b>General fund</b>	<b>\$ 520,320</b>	<b>\$ 65,852</b>
Special revenue funds:		
Auto and gas tax	-	71,468
Health grant	3,109	-
Litter control	-	11,320
Mandatory drug fine	-	412
Municipal court	-	2,080
Community development	-	100,000
Home program	-	7,000
<b>Total special revenue funds</b>	<b>3,109</b>	<b>192,280</b>
Debt service funds		
<b>Special assessment</b>	<b>-</b>	<b>80,000</b>
Enterprise funds:		
Parking	-	32,435
Water	-	10,580
Sewer	-	9,320
Transit	1,485	11,408
Golf	-	281,772
<b>Total enterprise funds</b>	<b>1,485</b>	<b>345,515</b>
Internal service funds		
Municipal garage	178,327	4,594
<b>Total internal service funds</b>	<b>178,327</b>	<b>4,594</b>
Agency funds		
Conservancy	-	15,000
<b>Total agency funds</b>	<b>-</b>	<b>15,000</b>
<b>Total all funds</b>	<b>\$ 703,241</b>	<b>\$ 703,241</b>



**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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**NOTE 13 - CONTINGENT LIABILITY**

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

**NOTE 14 - POST EMPLOYMENT BENEFITS**

The City provides death benefits to its employees who retire voluntarily or who are forced to retire due to a disability. A life insurance policy with a face value of \$5,000 is paid for by the City for all employees who retire. As of December 31, 2002, the City had 294 policies with a total value of \$1,470,000 in force for its retired employees.

The City records its monthly premium expenditures for these policies as a current General Fund expenditure in the general government category. The approximate cost of these policies in 2002 was \$23,851.

**PUBLIC EMPLOYEES RETIREMENT SYSTEM**

PERS provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit, and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer PERS contributions. The 2002 employer contribution rate for the City was 13.55% of covered payroll. Of that, 5.0% was the portion used to fund health care for the year 2002.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

Actuarial Review. The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2001.

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

Assets Valuation Method. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return. The investment assumption rate for 2001 was 8.0%.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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

Health Care. Health care costs were assumed to increase 4.0% annually.

1. The number of active contributing participants was 402,041.
2. The rates stated above are the actuarially determined contribution requirements for PERS. The portion of the City's contribution that was used to fund health care benefits was \$627,246.
3. \$11.6 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2001.
4. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

*PFDPF*

The Ohio Revised Code provides the statutory authority allowing PFDPF's Board of Trustees to provide health care coverage to all eligible individuals. The PFDPF provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The Ohio Revised Code provides that PFDPF health care cost paid from the funds of the PFDPF shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firemen's employer contribution rate is 24% of covered payroll.

The PFDPF health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board is used to pay retiree health care expenses. The Board defined allocation was 7.50% and 7.75% of covered payroll in 2001 and 2002 respectively. The allocation is 7.75% in 2002. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. The number of participants eligible to receive health care benefits as January 1, 2002, are 13,174 for police and 10,239 for firefighters. For the year ended December 31, 2002, the City's contribution to fund OPEB was

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

\$404,875 for police and \$374,259 for firefighters. The PFDPF's total health care expenses as of December 31, 2001, were \$122,298,771, which was net of member contributions of \$6,874,699.

**NOTE 15 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In December of 1987, the City joined together with other public entities of the state in a pool formed as a common risk management and self-insurance mechanism. Currently, there are 343 member organizations. The City's agreement with the Public Entities Pool of Ohio (PEP) covers its general liability, public officials' liability, police professional liability, and automobile liability exposures. The Intergovernment Agreement of PEP provides that PEP will be self-sustaining through member contributions. The pool currently has a cumulative reserve of over \$9,408,598. The pool reinsures for each loss in excess of \$250,000 with American Public Entities Excess Pool (APEEP) for a yearly aggregate of five million dollars. APEEP currently has a surplus of \$11,300,000 available to pay losses. As an additional safeguard, General Reinsurance Corporation provides \$5,000,000 of aggregate stop loss protection to APEEP. In addition, APEEP has the ability to assess the member pools up to 40% of their cumulative reserve after the stop loss has been exhausted. Currently, that amounts to \$25.07 million. Demotech, an independent financial stability rating company, has awarded PEP their highest rating (AAA) for ten consecutive years. In no year has PEP exceeded the APEEP limits. In 1996, the City exceeded the PEP limits with a settlement of \$1.2 million. The City increased its liability coverage limits to \$10 million on May 1, 1997.

In 1986, the City set up an internal service fund to account for employee health insurance. All funds pay a "premium" for each employee into the internal service fund on a monthly basis. This charge considers recent trends in actual claims experience and is adjusted on an annual basis. Catastrophic losses are provided for by having stop loss insurance for individual claims over \$100,000 or an aggregate loss of \$2,300,000.

Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic social factors.

Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claims Payments	Balance At Fiscal Year End
2001	\$271,964	\$2,791,737	\$2,824,701	\$239,000
2002	\$239,000	\$3,224,374	\$3,213,374	\$250,000

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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

**NOTE 16 - SIGNIFICANT CONTRACTUAL OBLIGATIONS**

As of December 31, 2002, 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
Horne Properties	Towne Blvd. extension	\$830,374
SK Construction	Roosevelt Ave. improvements	240,000
Burgess & Niple Ltd.	Mall project design	309,615
Frank Messer & Sons	Mall project	1,383,263
Endeavor Construction Ltd.	Court of Appeals building	1,624,577
Fryman Kuck Contractor	Sewer system telemetry	352,955
Planex Company, Inc.	Bus terminal construction	735,000
	Total	<u>\$5,475,784</u>

**NOTE 17 - RELATED ORGANIZATION**

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

**NOTE 18 – CAPITALIZED LEASE**

The City entered into a capitalized lease for the acquisition of a telephone system. Principal payments pertaining to the lease totaled \$82,374 during calendar year 2002.

The terms of the agreement provide an option to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments of a calendar year end:

	<u>Governmental</u>
Year 2003	\$ 82,374
Year 2004	82,374
Year 2005	<u>75,509</u>
Total Payments	\$ 240,257
Less: Amounts representing interest	<u>(17,426)</u>
Present Value of Minimum Lease Payments	<u><u>\$222,831</u></u>

**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 will be paying \$675,908 to Middletown over a twenty-year period at an interest rate of 5.09%. The first payment from Monroe was received in March 2002.

**NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLES**

For 2002, the City implemented the following:

- GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments*.
- GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus*.
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.
- GASB Interpretation No. 6, *Recognition and Measurements of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

The impact of these changes results in restatements of governmental funds as follows:

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non major funds are presented in total in one column. The government-wide financial statements split the City's programs between business-type and governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance at December 31, 2001 caused by the conversion to the accrual basis of accounting.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

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Fund balance - all governmental funds - December 31, 2001	\$ 30,761,410
Funds reclassified	3,279,423
Adjusted fund balance – all Governmental Funds – December 31, 2001	34,040,833
GASB 34 adjustments:	
Capital assets	19,029,132
Long-term liabilities	(26,010,206)
Receivables	12,622,449
Internal service funds	<u>3,463,040</u>
Governmental activities net assets - December 31, 2001	\$ <u>43,145,248</u>

This schedule is the beginning balance of governmental fund assets/liabilities/revenues.

**NOTE 21 – FIXED ASSET CAPITALIZATION**

The City of Middletown changed its capitalization threshold for all fixed assets from \$1,000 to \$5,000 in 2002. This change resulted in a decrease in governmental capital assets of \$3,151,878.

This threshold change also resulted in a reduction of \$744,707 in the capital assets of the City's business-type funds.

**CITY OF MIDDLETOWN**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2002**

**BUDGETARY ACCOUNTING**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types and Expendable Trust Funds; and the Combined Statement of Revenues, Expenses, and Changes in fund balances, Budget and Actual (Non-GAAP Basis) - all Proprietary Fund Types and similar Trust Funds, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

	<b>General Fund</b>	<b>Housing Assistance</b>	<b>CD Escrow</b>
GAAP basis (as reported)	\$941,047	(\$677,064)	(\$165,128)
Adjustments: revenue and other source accruals	(603,716)	525,172	258,496
Expenditures, encumbrances and other use accruals	(291,551)	0	(330,000)
<b>Budget basis</b>	<b>\$45,780</b>	<b>(\$151,892)</b>	<b>(\$236,632)</b>

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, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 3,771,188	\$ 3,571,188	\$ 3,667,823	\$ 96,635
Municipal income taxes	12,481,440	12,866,485	12,530,006	(336,479)
Intergovernmental revenue	3,530,607	4,230,607	4,174,782	(55,825)
Charges for services	2,248,960	2,368,960	2,579,703	210,743
Fees, licenses, and permits	350,000	350,000	276,076	(73,924)
Fines and forfeits	9,000	9,000	15,475	6,475
Interest earnings	900,000	700,000	489,874	(210,126)
Miscellaneous	2,756,691	529,259	914,600	385,341
<b>Total revenues</b>	<b>26,047,886</b>	<b>24,625,499</b>	<b>24,648,339</b>	<b>22,840</b>
Expenditures:				
Current				
Public Safety				
Fire administration	161,231	161,261	160,421	840
Fire operations	5,772,352	5,837,477	5,729,987	107,490
Fire prevention/training	371,342	372,879	370,780	2,099
Police administration	254,184	256,980	236,580	20,400
Criminal investigation	1,428,176	1,435,191	1,359,322	75,869
Uniform patrol	4,468,872	4,625,034	4,545,412	79,622
Police services	1,557,872	1,568,610	1,513,393	55,217
Humane officer	73,975	99,359	69,667	29,692
Jail management	977,580	1,072,971	1,018,489	54,482
School crossing guards	33,621	39,621	36,171	3,450
Citizen service center	326,707	311,250	262,665	48,585
Building inspection and services	422,448	427,991	422,546	5,445
Building maintenance	672,502	705,341	705,158	183
<b>Total Public safety</b>	<b>16,520,862</b>	<b>16,913,965</b>	<b>16,430,591</b>	<b>483,374</b>
Public Health & Welfare				
Home health aides	163,570	163,570	157,634	5,936
Social health program	423,553	455,419	396,303	59,116
<b>Total public health &amp; welfare</b>	<b>587,123</b>	<b>618,989</b>	<b>553,937</b>	<b>65,052</b>



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, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Leisure Activities</b>				
Parks & recreation administration	143,708	143,708	114,292	29,416
Community center	183,941	187,440	161,085	26,355
Douglass pool	44,746	44,746	41,914	2,832
Pools	87,294	87,294	85,106	2,188
Recreation	150,292	172,292	129,566	42,726
Job opportunity	15,000	16,000	15,898	102
Parks maintenance	461,273	504,659	455,102	49,557
<b>Total Leisure activities</b>	<b>1,086,254</b>	<b>1,156,139</b>	<b>1,002,963</b>	<b>153,176</b>
<b>Community Environment</b>				
Development administration	161,894	217,347	141,978	75,369
Rehabilitation	233,523	233,523	231,912	1,611
Street lighting	491,092	496,554	388,399	108,155
<b>Total community environment</b>	<b>886,509</b>	<b>947,424</b>	<b>762,289</b>	<b>185,135</b>
<b>General Government</b>				
City council	267,348	268,037	241,439	26,598
City manager	529,925	536,609	504,260	32,349
Finance administration	172,467	172,467	170,034	2,433
Treasurer	322,696	323,937	323,089	848
Taxation	370,513	385,045	362,006	23,039
Information systems	874,920	895,953	853,347	42,606
Personnel	462,629	479,532	344,700	134,832
Law	507,825	570,310	554,161	16,149
Purchasing	124,214	124,863	124,231	632
Planning	832,924	849,584	828,713	20,871
Engineering	743,808	861,027	761,860	99,167
<b>Total general government</b>	<b>5,209,269</b>	<b>5,467,364</b>	<b>5,067,840</b>	<b>399,524</b>

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, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Miscellaneous</b>				
Non-departmental	862,781	1,066,443	1,003,311	63,132
<b>Total miscellaneous</b>	<b>862,781</b>	<b>1,066,443</b>	<b>1,003,311</b>	<b>63,132</b>
<b>Total expenditures</b>	<b>25,152,798</b>	<b>26,170,324</b>	<b>24,820,931</b>	<b>1,349,393</b>
Excess of revenues over (under) expenditures	895,088	(1,544,825)	(172,592)	1,372,233
Other financing sources (uses)				
Transfers-out	-	(11,093)	(11,093)	-
Other sources	-	-	230,500	230,500
Other uses	-	-	(1,035)	(1,035)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(11,093)</b>	<b>218,372</b>	<b>229,465</b>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	895,088	(1,555,918)	45,780	1,601,698
Fund balance, beginning of year	6,577,276	6,577,276	6,577,276	-
Appropriation for prior year encumbrances	470,612	470,612	470,612	-
<b>Fund balance, end of the year</b>	<b>\$ 7,942,976</b>	<b>\$ 5,491,970</b>	<b>\$ 7,093,668</b>	<b>\$ 1,601,698</b>

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, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 4,620,000	\$ 6,466,998	\$ 6,464,261	\$ (2,737)
Interest earnings	7,300	7,300	7,905	605
Miscellaneous	40,000	100,000	99,925	(75)
<b>Total revenues</b>	<b>4,667,300</b>	<b>6,574,298</b>	<b>6,572,091</b>	<b>(2,207)</b>
Expenditures:				
Current				
Community Environment	5,160,937	6,760,937	6,723,983	36,954
<b>Total expenditures</b>	<b>5,160,937</b>	<b>6,760,937</b>	<b>6,723,983</b>	<b>36,954</b>
Excess of revenues over (under) expenditures	(493,637)	(186,639)	(151,892)	34,747
Fund balance, beginning of the year	733,303	733,303	733,303	-
<b>Fund balance, end of the year</b>	<b>\$ 239,666</b>	<b>\$ 546,664</b>	<b>\$ 581,411</b>	<b>\$ 34,747</b>

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, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 265,000	\$ 265,000	\$ 133,503	\$ (131,497)
Miscellaneous	127,000	127,000	-	(127,000)
<b>Total revenues</b>	<b>392,000</b>	<b>392,000</b>	<b>133,503</b>	<b>(258,497)</b>
Expenditures:				
Current				
Community Environment	225,000	628,632	298,632	330,000
<b>Total expenditures</b>	<b>225,000</b>	<b>628,632</b>	<b>298,632</b>	<b>330,000</b>
Excess of revenues over (under) expenditures	167,000	(236,632)	(165,129)	71,503
Fund balance, beginning of the year	1,625,090	1,625,090	1,625,090	-
<b>Fund balance, end of the year</b>	<b>\$ 1,792,090</b>	<b>\$ 1,388,458</b>	<b>\$ 1,459,961</b>	<b>\$ 71,503</b>

## **SUPPLEMENTAL SECTION**

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## **SPECIAL REVENUE FUNDS**

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

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

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

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**

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

#### **HEALTH FUND**

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

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

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

#### **TAX INCREMENT EQUIVALENT**

To account for the tax increment equivalent tax collected by the county for City Centre Mall property.

#### **LITTER CONTROL**

To account for grant monies received from the State of Ohio to operate a litter control program.

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

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

#### **COURT COMPUTERIZATION FUND**

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

#### **LAW ENFORCEMENT FUND**

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

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

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

#### **PROBATION SERVICES FUND**

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

#### **TERMINATION PAY FUND**

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

**INDIGENT DRIVER ALCOHOL TREATMENT**

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

**ENFORCEMENT/EDUCATION FUND**

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

**CIVIC DEVELOPMENT FUND**

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

**MUNICIPAL COURT FUND**

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

**POLICE GRANT FUND**

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

**COURT SPECIAL PROJECTS**

To accumulate funds for projects designated by the Municipal Court.

**HOME PROGRAM**

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

**COMMUNITY DEVELOPMENT**

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

**POLICE PENSION**

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

**FIRE PENSION**

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

**FIRE DAMAGE ESCROW**

To account for funds put into escrow to assure the demolition of structures damaged by fire.

## **DEBT SERVICE FUNDS**

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

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

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

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

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

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

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

#### **LIBRARY BOND DEBT SERVICE**

To account for the annual property tax levy passed to retire the construction debt of the public library. Interest and principal payments to bondholders are the expenditures of this fund.



## **CAPITAL PROJECT FUNDS**

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

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

#### **CAPITAL IMPROVEMENTS**

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

#### **EAST END DEVELOPMENT**

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

#### **DOWNTOWN IMPROVEMENTS**

To account for improvement projects in the downtown area.

#### **COURT OF APPEALS PROJECT**

To account for development costs connected with the Twelfth District Court of Appeals Project.

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

#### **DOWNTOWN IMPROVEMENTS – STATE CONTRIBUTION**

To account for the State of Ohio contribution to the City Centre Mall improvements project.

#### **COMPUTER REPLACEMENT**

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

#### **LEEDS FARM DEVELOPMENT**

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

#### **OXFORD STATE ROAD INTERSECTION**

To accumulate costs for the Oxford State Road intersection improvement. The property owner will be assessed for the cost of this project.

#### **2001 SIDEWALK, CURB, & GUTTER**

To accumulate costs for the improvement to various sidewalks, curbs, and gutters in Middletown. Property owners will be assessed for part of the cost of this project.

#### **2002 SIDEWALK, CURB, & GUTTER**

To accumulate costs for the improvement to various sidewalks, curbs, and gutters in Middletown. Property owners will be assessed for part of the cost of this project.

#### **ROOSEVELT AVENUE IMPROVEMENTS**

To accumulate costs for the Roosevelt Avenue intersection improvements. Property owners will be partially assessed for this project.

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2002**

	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	\$ 3,863,734	\$ 509,990	\$ 1,360,839	\$ 5,734,563
Cash with fiscal and escrow agent	-	105,457	-	105,457
Receivables (net of allowance for uncollectibles):				
Property taxes	564,040	-	-	564,040
Accounts	149,859	-	-	149,859
Loans	239,637	-	-	239,637
Due from other funds	3,109	-	-	3,109
Due from other governments	3,341,116	-	-	3,341,116
Inventory of supplies	179,031	-	-	179,031
<b>Total assets</b>	<b>8,340,526</b>	<b>615,447</b>	<b>1,360,839</b>	<b>10,316,812</b>
Liabilities:				
Accounts payable	195,626	-	103,760	299,386
Accrued wages and benefits	166,689	-	-	166,689
Other accrued liabilities	37,303	-	-	37,303
Accrued interest payable	-	-	13,777	13,777
Due to other funds	192,280	-	-	192,280
Due to other governments	4,904	-	-	4,904
Matured bonds and interest	-	105,457	-	105,457
Notes payable	-	-	1,020,000	1,020,000
Deferred revenue	3,444,279	-	-	3,444,279
<b>Total liabilities</b>	<b>4,041,081</b>	<b>105,457</b>	<b>1,137,537</b>	<b>5,284,075</b>
Fund balances:				
Reserved for encumbrances	570,925	-	410,927	981,852
Reserved for inventory	179,031	-	-	179,031
Reserved for loans	239,637	-	-	239,637
Unreserved and undesignated	3,309,852	509,990	(187,625)	3,632,217
<b>Total fund balances</b>	<b>4,299,445</b>	<b>509,990</b>	<b>223,302</b>	<b>5,032,737</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,340,526</b>	<b>\$ 615,447</b>	<b>\$ 1,360,839</b>	<b>\$ 10,316,812</b>

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

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON MAJOR GOVERNMENTAL FUNDS  
 AS OF DECEMBER 31, 2002**

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
Revenues:				
Property taxes	\$ 533,408	\$ -	\$ -	\$ 533,408
Municipal income taxes	3,279,000	441,161	8,000	3,728,161
Special assessments	-	-	1,554	1,554
Intergovernmental revenues	4,357,984	-	-	4,357,984
Charges for services	757,831	-	-	757,831
Fines and forfeits	1,243,774	-	-	1,243,774
Interest earnings	41,637	11,227	38,223	91,087
Miscellaneous	512,035	-	1,470	513,505
<b>Total revenues</b>	<b>10,725,669</b>	<b>452,388</b>	<b>49,247</b>	<b>\$ 11,227,304</b>
Expenditures:				
Current				
Public safety	4,801,211	-	-	4,801,211
Public health and welfare	1,414,504	-	-	1,414,504
Leisure time activities	125,035	-	-	125,035
Community environment	1,377,351	-	944,063	2,321,414
Highways and streets	2,143,275	-	633,081	2,776,356
General government	60,849	-	304,197	365,046
Miscellaneous	190,597	-	-	190,597
Debt service				
Principal retirement	-	890,000	-	890,000
Interest and fiscal charges	-	872,600	13,777	886,377
<b>Total expenditures</b>	<b>10,112,822</b>	<b>1,762,600</b>	<b>1,895,118</b>	<b>13,770,540</b>
Excess of revenues over (under) expenditures	612,847	(1,310,212)	(1,845,871)	(2,543,236)
Other financing sources (uses):				
Transfers-in	-	1,082,440	48,690	1,131,130
Transfers-out	(137,302)	-	(131,324)	(268,626)
<b>Total other financing sources (uses)</b>	<b>(137,302)</b>	<b>1,082,440</b>	<b>(82,634)</b>	<b>862,504</b>
Net change in fund balances	475,545	(227,772)	(1,928,505)	(1,680,732)
Fund balance, beginning of year	3,823,900	737,762	2,151,807	6,713,469
<b>Fund balance, end of the year</b>	<b>\$ 4,299,445</b>	<b>\$ 509,990</b>	<b>\$ 223,302</b>	<b>\$ 5,032,737</b>

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

**CITY OF MIDDLETOWN, OHIO  
COMBINING BALANCE SHEET  
NON MAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2002**

	<b>Auto &amp; Gas Tax</b>	<b>Acquisition for Parks</b>	<b>Health Fund</b>	<b>Emergency Medical Services</b>	<b>Tax Increment Equivalent</b>
<b>Assets:</b>					
Cash and equity in pooled cash, deposits and investments	\$ 235,582	\$ 66,142	\$ 167,665	\$ 1,615,924	\$ 134,412
Receivables (net of allowance for uncollectibles):					
Property taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	-	-	3,109	-	-
Due from other governments	568,866	-	446,361	-	-
Inventory of supplies	179,031	-	-	-	-
<b>Total assets</b>	<b>983,479</b>	<b>66,142</b>	<b>617,135</b>	<b>1,615,924</b>	<b>134,412</b>
<b>Liabilities:</b>					
Accounts payable	41,479	-	19,233	59,170	-
Accrued wages and benefits	74,027	-	37,565	-	-
Other accrued liabilities	16,642	-	5,059	-	-
Due to other funds	71,468	-	-	-	-
Due to other governments	-	-	4,904	-	-
Deferred revenue	329,109	-	383,480	-	-
<b>Total liabilities</b>	<b>532,725</b>	<b>-</b>	<b>450,241</b>	<b>59,170</b>	<b>-</b>
<b>Fund balances:</b>					
Reserved for encumbrances	84,040	-	-	174,831	-
Reserved for inventory	179,031	-	-	-	-
Reserved for loans	-	-	-	-	-
Unreserved and undesignated	187,683	66,142	166,894	1,381,923	134,412
<b>Total fund balances</b>	<b>450,754</b>	<b>66,142</b>	<b>166,894</b>	<b>1,556,754</b>	<b>134,412</b>
<b>Total liabilities and fund balances</b>	<b>\$ 983,479</b>	<b>\$ 66,142</b>	<b>\$ 617,135</b>	<b>\$ 1,615,924</b>	<b>\$ 134,412</b>

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

Litter Control	Urban Development Action Grant	Court Computer-ization	Law Enforcement	Mandatory Drug Fine	Probation Services	Termination Pay
\$ -	\$ 788,493	\$ 22,215	\$ 57,593	\$ 15,555	\$ 41,113	\$ 46,295
-	-	-	-	-	-	-
-	-	-	23,390	1,778	5,420	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<b>-</b>	<b>788,493</b>	<b>22,215</b>	<b>80,983</b>	<b>17,333</b>	<b>46,533</b>	<b>46,295</b>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,320	-	-	-	412	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<b>11,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>412</b>	<b>-</b>	<b>-</b>
-	-	-	184	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(11,320)	788,493	22,215	80,799	16,921	46,533	46,295
<b>(11,320)</b>	<b>788,493</b>	<b>22,215</b>	<b>80,983</b>	<b>16,921</b>	<b>46,533</b>	<b>46,295</b>
<b>\$ -</b>	<b>\$ 788,493</b>	<b>\$ 22,215</b>	<b>\$ 80,983</b>	<b>\$ 17,333</b>	<b>\$ 46,533</b>	<b>\$ 46,295</b>

(continued)

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2002**

	<b>Indigent Driver Alcohol Treatment</b>	<b>Enforcement Education</b>	<b>Civic Develop- ment</b>	<b>Municipal Court</b>	<b>Police Grant</b>
<b>Assets:</b>					
Cash and equity in pooled cash, deposits and investments	\$ 29,016	\$ 15,663	\$ 17,471	\$ 130,223	\$ 77,648
Receivables (net of allowance for uncollectibles):					
Property taxes	-	-	-	-	-
Accounts	4,688	-	33,016	75,974	-
Loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	406,864
Inventory of supplies	-	-	-	-	-
<b>Total assets</b>	<b>33,704</b>	<b>15,663</b>	<b>50,487</b>	<b>206,197</b>	<b>484,512</b>
<b>Liabilities:</b>					
Accounts payable	2,870	-	-	1,280	10,200
Accrued wages and benefits	-	2,029	-	53,068	-
Other accrued liabilities	-	34	-	13,856	1,712
Due to other funds	-	-	-	2,080	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	403,863
<b>Total liabilities</b>	<b>2,870</b>	<b>2,063</b>	<b>-</b>	<b>70,284</b>	<b>415,775</b>
<b>Fund balances:</b>					
Reserved for encumbrances	-	-	-	-	4,184
Reserved for inventory	-	-	-	-	-
Reserved for loans	-	-	-	-	-
Unreserved and undesignated	30,834	13,600	50,487	135,913	64,553
<b>Total fund balances</b>	<b>30,834</b>	<b>13,600</b>	<b>50,487</b>	<b>135,913</b>	<b>68,737</b>
<b>Total liabilities and fund balances</b>	<b>\$ 33,704</b>	<b>\$ 15,663</b>	<b>\$ 50,487</b>	<b>\$ 206,197</b>	<b>\$ 484,512</b>

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

<b>Court Special Projects</b>	<b>Home Program</b>	<b>Community Development</b>	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Fire Damage Escrow</b>	<b>Totals</b>
\$ 157,134	\$ 6,679	\$ 87,917	\$ 142,443	\$ 8,551	\$ -	\$ 3,863,734
-	-	-	282,020	282,020	-	564,040
5,593	-	-	-	-	-	149,859
-	-	239,637	-	-	-	239,637
-	-	-	-	-	-	3,109
-	842,446	1,076,579	-	-	-	3,341,116
-	-	-	-	-	-	179,031
<b>162,727</b>	<b>849,125</b>	<b>1,404,133</b>	<b>424,463</b>	<b>290,571</b>	<b>-</b>	<b>8,340,526</b>
-	4,060	57,334	-	-	-	195,626
-	-	-	-	-	-	166,689
-	-	-	-	-	-	37,303
-	7,000	100,000	-	-	-	192,280
-	-	-	-	-	-	4,904
-	842,446	921,341	282,020	282,020	-	3,444,279
-	-	-	-	-	-	-
<b>-</b>	<b>853,506</b>	<b>1,078,675</b>	<b>282,020</b>	<b>282,020</b>	<b>-</b>	<b>4,041,081</b>
-	-	307,686	-	-	-	570,925
-	-	-	-	-	-	179,031
-	-	239,637	-	-	-	239,637
162,727	(4,381)	(221,865)	142,443	8,551	-	3,309,852
<b>162,727</b>	<b>(4,381)</b>	<b>325,458</b>	<b>142,443</b>	<b>8,551</b>	<b>-</b>	<b>4,299,445</b>
<b>\$ 162,727</b>	<b>\$ 849,125</b>	<b>\$ 1,404,133</b>	<b>\$ 424,463</b>	<b>\$ 290,571</b>	<b>\$ -</b>	<b>\$ 8,340,526</b>

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Auto &amp; Gas Tax</b>	<b>Acquisition for Parks</b>	<b>Health Fund</b>	<b>Emergency Medical Services</b>	<b>Tax Increment Equivalent</b>
<b>Revenues:</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	850,000	-	420,000	-	-
Intergovernmental revenues	1,946,178	-	820,180	-	-
Charges for services	-	2,771	177,607	577,453	-
Fines and forfeits	-	-	-	-	-
Interest earnings	6,249	-	-	-	-
Miscellaneous	133,464	-	-	-	5,700
<b>Total revenues</b>	<b>2,935,891</b>	<b>2,771</b>	<b>1,417,787</b>	<b>577,453</b>	<b>5,700</b>
<b>Expenditures:</b>					
<b>Current</b>					
Public safety	578,334	-	-	324,653	-
Public health and welfare	-	-	1,399,963	-	-
Leisure time activities	-	116,436	-	-	-
Community environment	-	-	-	-	36,877
Highways and streets	2,143,245	-	-	-	-
General government	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total expenditures</b>	<b>2,721,579</b>	<b>116,436</b>	<b>1,399,963</b>	<b>324,653</b>	<b>36,877</b>
Excess of revenues over (under) expenditures	214,312	(113,665)	17,824	252,800	(31,177)
<b>Other financing sources (uses):</b>					
Transfers-in	-	-	-	-	-
Transfers-out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	214,312	(113,665)	17,824	252,800	(31,177)
Fund balance, beginning of year	236,442	179,807	149,070	1,303,954	165,589
<b>Fund balance, end of the year</b>	<b>\$ 450,754</b>	<b>\$ 66,142</b>	<b>\$ 166,894</b>	<b>\$ 1,556,754</b>	<b>\$ 134,412</b>

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



Litter Control	Urban Development Action Grant	Court Computer-ization	Law Enforcement	Mandatory Drug Fine	Probation Services	Termination Pay
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16,000	-	-	-	-	-	200,000
57,600	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	54,300	55,866	53,927	-
-	23,194	-	-	-	-	-
-	18,578	-	6,479	-	-	-
<b>73,600</b>	<b>41,772</b>	<b>-</b>	<b>60,779</b>	<b>55,866</b>	<b>53,927</b>	<b>200,000</b>
-	-	20,205	51,698	34,574	48,165	49,847
-	-	-	-	-	-	14,541
-	-	-	-	-	-	8,599
73,600	-	-	-	-	-	20,439
-	-	-	-	-	-	30
-	-	-	-	-	-	60,849
-	-	-	-	-	-	-
<b>73,600</b>	<b>-</b>	<b>20,205</b>	<b>51,698</b>	<b>34,574</b>	<b>48,165</b>	<b>154,305</b>
-	41,772	(20,205)	9,081	21,292	5,762	45,695
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	41,772	(20,205)	9,081	21,292	5,762	45,695
(11,320)	746,721	42,420	71,902	(4,371)	40,771	600
<b>\$ (11,320)</b>	<b>\$ 788,493</b>	<b>\$ 22,215</b>	<b>\$ 80,983</b>	<b>\$ 16,921</b>	<b>\$ 46,533</b>	<b>\$ 46,295</b>

(continued)

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Indigent Driver Alcohol Treatment</b>	<b>Enforcement Education</b>	<b>Civic Develop- ment</b>	<b>Municipal Court</b>	<b>Police Grant</b>
<b>Revenues:</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	-	-	-	175,000	-
Intergovernmental revenues	-	-	-	-	249,853
Charges for services	-	-	-	-	-
Fines and forfeits	18,924	8,396	-	991,369	-
Interest earnings	-	-	-	-	1,687
Miscellaneous	-	-	167,020	7,593	58,367
<b>Total revenues</b>	<b>18,924</b>	<b>8,396</b>	<b>167,020</b>	<b>1,173,962</b>	<b>309,907</b>
<b>Expenditures:</b>					
Current					
Public safety	17,569	4,331	-	1,230,714	267,950
Public health and welfare	-	-	-	-	-
Leisure time activities	-	-	-	-	-
Community environment	-	-	-	-	-
Highways and streets	-	-	-	-	-
General government	-	-	-	-	-
Miscellaneous	-	-	190,597	-	-
<b>Total expenditures</b>	<b>17,569</b>	<b>4,331</b>	<b>190,597</b>	<b>1,230,714</b>	<b>267,950</b>
Excess of revenues over (under) expenditures	1,355	4,065	(23,577)	(56,752)	41,957
<b>Other financing sources (uses):</b>					
Transfers-in	-	-	-	-	-
Transfers-out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	1,355	4,065	(23,577)	(56,752)	41,957
Fund balance, beginning of year	29,479	9,535	74,064	192,665	26,780
<b>Fund balance, end of the year</b>	<b>\$ 30,834</b>	<b>\$ 13,600</b>	<b>\$ 50,487</b>	<b>\$ 135,913</b>	<b>\$ 68,737</b>

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

<b>Court Special Projects</b>	<b>Home Program</b>	<b>Community Development</b>	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Fire Escrow</b>	<b>Totals</b>
\$ -	\$ -	\$ -	\$ 266,704	\$ 266,704	\$ -	\$ 533,408
-	-	-	737,000	881,000	-	3,279,000
-	395,201	842,614	23,179	23,179	-	4,357,984
-	-	-	-	-	-	757,831
60,992	-	-	-	-	-	1,243,774
-	-	10,507	-	-	-	41,637
-	-	114,834	-	-	-	512,035
<b>60,992</b>	<b>395,201</b>	<b>967,955</b>	<b>1,026,883</b>	<b>1,170,883</b>	<b>-</b>	<b>\$ 10,725,669</b>
15,126	-	-	997,757	1,160,288	-	4,801,211
-	-	-	-	-	-	1,414,504
-	-	-	-	-	-	125,035
-	399,100	847,335	-	-	-	1,377,351
-	-	-	-	-	-	2,143,275
-	-	-	-	-	-	60,849
-	-	-	-	-	-	190,597
<b>15,126</b>	<b>399,100</b>	<b>847,335</b>	<b>997,757</b>	<b>1,160,288</b>	<b>-</b>	<b>10,112,822</b>
45,866	(3,899)	120,620	29,126	10,595	-	612,847
-	-	-	-	-	-	-
-	-	-	-	-	(137,302)	(137,302)
-	-	-	-	-	<b>(137,302)</b>	<b>(137,302)</b>
45,866	(3,899)	120,620	29,126	10,595	(137,302)	475,545
116,861	(482)	204,838	113,317	(2,044)	137,302	3,823,900
<b>\$ 162,727</b>	<b>\$ (4,381)</b>	<b>\$ 325,458</b>	<b>\$ 142,443</b>	<b>\$ 8,551</b>	<b>\$ -</b>	<b>\$ 4,299,445</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
AUTO AND GAS TAX FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 850,000	\$ 850,000	\$ 850,000	\$ -
Intergovernmental revenue	1,953,677	1,953,677	1,926,934	(26,743)
Interest earnings	508	508	6,249	5,741
Miscellaneous	132,842	132,842	133,464	622
<b>Total revenues</b>	<b>2,937,027</b>	<b>2,937,027</b>	<b>2,916,647</b>	<b>(20,380)</b>
Expenditures:				
Current				
Public safety:				
Electronic Maintenance	642,330	698,206	627,555	70,651
<b>Total public safety</b>	<b>642,330</b>	<b>698,206</b>	<b>627,555</b>	<b>70,651</b>
Highways and streets:				
Street Maintenance	1,664,397	1,675,179	1,568,309	106,870
Grounds Maintenance	559,587	525,796	504,757	21,039
<b>Total highways and streets</b>	<b>2,223,984</b>	<b>2,200,975</b>	<b>2,073,066</b>	<b>127,909</b>
<b>Total expenditures</b>	<b>2,866,314</b>	<b>2,899,181</b>	<b>2,700,621</b>	<b>198,560</b>
Excess of revenues over (under) expenditures	70,713	37,846	216,026	178,180
Other financing sources (uses):				
Other sources	105,000	105,000	-	(105,000)
Other uses	-	-	(180,000)	(180,000)
<b>Total other financing sources (uses)</b>	<b>105,000</b>	<b>105,000</b>	<b>(180,000)</b>	<b>(285,000)</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	175,713	142,846	36,026	(106,820)
Fund balance, beginning of the year	5,353	5,353	5,353	-
Appropriation for prior year encumbrances	79,534	79,534	79,534	-
<b>Fund balance, end of the year</b>	<b>\$ 260,600</b>	<b>\$ 227,733</b>	<b>\$ 120,913</b>	<b>\$ (106,820)</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
ACQUISITION FOR PARKS FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Charges for services	\$ 5,000	\$ 5,000	\$ 2,771	\$ (2,229)
<b>Total revenues</b>	<b>5,000</b>	<b>5,000</b>	<b>2,771</b>	<b>(2,229)</b>
Expenditures:				
Current				
Leisure activities	50,000	123,330	116,435	6,895
<b>Total expenditures</b>	<b>50,000</b>	<b>123,330</b>	<b>116,435</b>	<b>6,895</b>
Excess of revenues over (under) expenditures	(45,000)	(118,330)	(113,664)	4,666
Fund balance, beginning of the year	161,679	161,679	161,679	-
Appropriation for prior year encumbrances	18,130	18,130	18,130	-
<b>Fund balance, end of the year</b>	<b>\$ 134,809</b>	<b>\$ 61,479</b>	<b>\$ 66,145</b>	<b>\$ 4,666</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
HEALTH FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 420,000	\$ 420,000	\$ 420,000	\$ -
Intergovernmental revenue	809,791	809,791	837,976	28,185
Charges for services	178,292	178,292	177,608	(684)
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>1,408,083</b>	<b>1,408,083</b>	<b>1,435,584</b>	<b>27,501</b>
Expenditures:				
Current				
Public health and welfare:				
Health State Subsidy	12,600	14,600	12,611	1,989
Immunization Action Plan	39,600	40,000	50,430	(10,430)
Cardiovascular	-	10,988	10,988	-
Child & Family Services	312,216	335,716	323,761	11,955
Early Start	346,375	346,375	339,821	6,554
Injury Prevention	-	8,354	8,354	-
Tobacco Prevention	50,000	50,000	27,834	22,166
CHIPS Outreach	40,000	40,000	41,102	(1,102)
Health/Environment Admin.	590,198	590,476	569,778	20,698
Health Grant	3,000	3,000	2,385	615
<b>Total expenditures</b>	<b>1,393,989</b>	<b>1,439,509</b>	<b>1,387,064</b>	<b>52,445</b>
Excess of revenues over (under) expenditures	14,094	(31,426)	48,520	79,946
Other financing sources (uses):				
Other sources		-	2,301	2,301
<b>Total other financing sources (uses)</b>		<b>-</b>	<b>2,301</b>	<b>2,301</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	14,094	(31,426)	50,821	82,247
Fund balance, beginning of the year	113,813	113,813	113,813	-
Appropriation for prior year encumbrances	278	278	278	-
<b>Fund balance, end of the year</b>	<b>\$ 128,185</b>	<b>\$ 82,665</b>	<b>\$ 164,912</b>	<b>\$ 82,247</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
EMS FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Charges for Services	\$ 204,000	\$ 535,000	\$ 583,314	\$ 48,314
<b>Total revenues</b>	<b>204,000</b>	<b>535,000</b>	<b>583,314</b>	<b>48,314</b>
Expenditures:				
Current				
Public safety	1,250,000	907,616	514,780	392,836
<b>Total expenditures</b>	<b>1,250,000</b>	<b>907,616</b>	<b>514,780</b>	<b>392,836</b>
Excess of revenues over (under) expenditures	(1,046,000)	(372,616)	68,534	441,150
Fund balance, beginning of the year	1,294,553	1,294,553	1,294,553	-
Appropriation for prior year encumbrances	18,837	18,837	18,837	-
<b>Fund balance, end of the year</b>	<b>\$ 267,390</b>	<b>\$ 940,774</b>	<b>\$ 1,381,924</b>	<b>\$ 441,150</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
TAX INCREMENT EQUIVALENT FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 69,000	\$ -	\$ -	-
Miscellaneous	-	5,700	5,700	-
<b>Total revenues</b>	<b>69,000</b>	<b>5,700</b>	<b>5,700</b>	<b>-</b>
Expenditures:				
Current				
Miscellaneous	40,836	40,836	40,836	-
<b>Total expenditures</b>	<b>40,836</b>	<b>40,836</b>	<b>40,836</b>	<b>-</b>
Excess of revenues over (under) expenditures	28,164	(35,136)	(35,136)	-
Fund balance, beginning of the year	169,548	169,548	169,548	-
<b>Fund balance, end of the year</b>	<b>\$ 197,712</b>	<b>\$ 134,412</b>	<b>\$ 134,412</b>	<b>\$ -</b>



**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
LITTER CONTROL FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 16,000	\$ 16,000	\$ 16,000	\$ -
Intergovernmental revenue	60,000	60,000	57,600	(2,400)
<b>Total revenues</b>	<b>76,000</b>	<b>76,000</b>	<b>73,600</b>	<b>(2,400)</b>
Expenditures:				
Current				
Community environment:	76,000	76,000	73,600	2,400
<b>Total expenditures</b>	<b>76,000</b>	<b>76,000</b>	<b>73,600</b>	<b>2,400</b>
Excess of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Other sources	14,000	14,000	-	(14,000)
<b>Total other financing sources (uses)</b>	<b>14,000</b>	<b>14,000</b>	<b>-</b>	<b>(14,000)</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	14,000	14,000	-	(14,000)
Fund balance, beginning of the year	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ 14,000</b>	<b>\$ 14,000</b>	<b>\$ -</b>	<b>\$ (14,000)</b>

CITY OF MIDDLETOWN, OHIO  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
 URBAN DEVELOPMENT ACTION GRANT FUND  
 FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 34,500	\$ 20,422	\$ 23,193	\$ 2,771
Miscellaneous	56,000	18,578	18,579	1
<b>Total revenues</b>	<b>90,500</b>	<b>39,000</b>	<b>41,772</b>	<b>2,772</b>
Expenditures:				
Current				
Community environment:	713,335	-	-	-
<b>Total expenditures</b>	<b>713,335</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of revenues over (under) expenditures	(622,835)	39,000	41,772	2,772
Fund balance, beginning of the year	746,720	746,720	746,720	-
<b>Fund balance, end of the year</b>	<b>\$ 123,885</b>	<b>\$ 785,720</b>	<b>\$ 788,492</b>	<b>\$ 2,772</b>

CITY OF MIDDLETOWN, OHIO  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
 COURT COMPUTERIZATION FUND  
 FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenditures:				
Current				
Public safety:	25,000	25,000	21,448	3,552
<b>Total expenditures</b>	<b>25,000</b>	<b>25,000</b>	<b>21,448</b>	<b>3,552</b>
Excess of revenues over (under) expenditures	(25,000)	(25,000)	(21,448)	3,552
Fund balance, beginning of the year	43,662	43,662	43,662	-
<b>Fund balance, end of the year</b>	<b>\$ 18,662</b>	<b>\$ 18,662</b>	<b>\$ 22,214</b>	<b>\$ 3,552</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
LAW ENFORCEMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 51,500	\$ 51,500	\$ 35,817	\$ (15,683)
Miscellaneous	-	-	6,479	6,479
<b>Total revenues</b>	<b>51,500</b>	<b>51,500</b>	<b>42,296</b>	<b>(9,204)</b>
Expenditures:				
Current				
Public safety:	51,500	52,184	51,883	301
<b>Total expenditures</b>	<b>51,500</b>	<b>52,184</b>	<b>51,883</b>	<b>301</b>
Excess of revenues over (under) expenditures	-	(684)	(9,587)	(8,903)
Fund balance, beginning of the year	66,811	66,811	66,811	-
Appropriation for prior year encumbrances	184	184	184	-
<b>Fund balance, end of the year</b>	<b>\$ 66,995</b>	<b>\$ 66,311</b>	<b>\$ 57,408</b>	<b>\$ (8,903)</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
MANDATORY DRUG FINE FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 50,000	\$ 50,000	\$ 58,378	\$ 8,378
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>50,000</b>	<b>50,000</b>	<b>58,378</b>	<b>8,378</b>
Expenditures:				
Current				
Public safety:	40,000	40,000	35,496	4,504
<b>Total expenditures</b>	<b>40,000</b>	<b>40,000</b>	<b>35,496</b>	<b>4,504</b>
Excess of revenues over (under) expenditures	10,000	10,000	22,882	12,882
Other financing sources (uses):				
Other uses	-	-	(10,000)	(10,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>(10,000)</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	10,000	10,000	12,882	2,882
Fund balance, beginning of the year	2,673	2,673	2,673	-
Appropriation for prior year encumbrances	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ 12,673</b>	<b>\$ 12,673</b>	<b>\$ 15,555</b>	<b>\$ 2,882</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
PROBATION SERVICES FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 45,000	\$ 45,000	\$ 52,687	\$ 7,687
<b>Total revenues</b>	<b>45,000</b>	<b>45,000</b>	<b>52,687</b>	<b>7,687</b>
Expenditures:				
Current				
Public safety	75,000	75,000	52,165	22,835
<b>Total expenditures</b>	<b>75,000</b>	<b>75,000</b>	<b>52,165</b>	<b>22,835</b>
Excess of revenues over (under) expenditures	(30,000)	(30,000)	522	30,522
Fund balance, beginning of the year	40,590	40,590	40,590	-
<b>Fund balance, end of the year</b>	<b>\$ 10,590</b>	<b>\$ 10,590</b>	<b>\$ 41,112</b>	<b>\$ 30,522</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
TERMINATION PAY FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income Tax	\$ 350,000	\$ 350,000	\$ 200,000	\$ (150,000)
<b>Total revenues</b>	<b>350,000</b>	<b>350,000</b>	<b>200,000</b>	<b>(150,000)</b>
Expenditures:				
Current				
Personal services:				
Public safety	169,000	169,000	49,847	119,153
Public health & welfare	15,000	15,000	14,541	459
Leisure time activities	10,000	10,000	8,599	1,401
Community environment	55,000	55,000	20,439	34,561
General government	61,000	61,000	60,849	151
Highways & streets	40,000	40,000	30	39,970
<b>Total expenditures</b>	<b>350,000</b>	<b>350,000</b>	<b>154,305</b>	<b>195,695</b>
Excess of revenues over (under) expenditures	-	-	45,695	45,695
Fund balance, beginning of the year	601	601	601	-
<b>Fund balance, end of the year</b>	<b>\$ 601</b>	<b>\$ 601</b>	<b>\$ 46,296</b>	<b>\$ 45,695</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
INDIGENT DRIVER ALCOHOL TREATMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 25,000	\$ 25,000	\$ 14,721	\$ (10,279)
<b>Total revenues</b>	<b>25,000</b>	<b>25,000</b>	<b>14,721</b>	<b>(10,279)</b>
Expenditures:				
Current				
Public safety	25,000	25,000	17,569	7,431
<b>Total expenditures</b>	<b>25,000</b>	<b>25,000</b>	<b>17,569</b>	<b>7,431</b>
Excess of revenues over (under) expenditures	-	-	(2,848)	(2,848)
Fund balance, beginning of the year	31,861	31,861	31,861	-
<b>Fund balance, end of the year</b>	<b>\$ 31,861</b>	<b>\$ 31,861</b>	<b>\$ 29,013</b>	<b>\$ (2,848)</b>



CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
ENFORCEMENT/EDUCATION FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 14,000	\$ 14,000	\$ 8,818	\$ (5,182)
<b>Total revenues</b>	<b>14,000</b>	<b>14,000</b>	<b>8,818</b>	<b>(5,182)</b>
Expenditures:				
Current				
Public Safety	4,916	4,916	2,268	2,648
<b>Total expenditures</b>	<b>4,916</b>	<b>4,916</b>	<b>2,268</b>	<b>2,648</b>
Excess of revenues over (under) expenditures	9,084	9,084	6,550	(2,534)
Fund balance, beginning of year	9,117	9,117	9,117	-
Appropriation for prior year encumbrances	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ 18,201</b>	<b>\$ 18,201</b>	<b>\$ 15,667</b>	<b>\$ (2,534)</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
CIVIC DEVELOPMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ 175,967	\$ 175,967	\$ 173,220	\$ (2,747)
<b>Total revenues</b>	<b>175,967</b>	<b>175,967</b>	<b>173,220</b>	<b>(2,747)</b>
Expenditures:				
Current				
Miscellaneous	175,968	199,968	190,597	9,371
<b>Total expenditures</b>	<b>175,968</b>	<b>199,968</b>	<b>190,597</b>	<b>9,371</b>
Excess of revenues over (under) expenditures	(1)	(24,001)	(17,377)	6,624
Fund balance, beginning of the year	34,848	34,848	34,848	-
<b>Fund balance, end of the year</b>	<b>\$ 34,847</b>	<b>\$ 10,847</b>	<b>\$ 17,471</b>	<b>\$ 6,624</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
MUNICIPAL COURT FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Intergovernmental revenue	-	-	-	-
Fines and forfeits	1,018,434	1,018,434	1,010,490	(7,944)
Miscellaneous	2,500	2,500	7,593	5,093
<b>Total revenues</b>	<b>1,195,934</b>	<b>1,195,934</b>	<b>1,193,083</b>	<b>(2,851)</b>
Expenditures:				
Current				
Public safety:	1,255,252	1,255,252	1,227,011	28,241
<b>Total expenditures</b>	<b>1,255,252</b>	<b>1,255,252</b>	<b>1,227,011</b>	<b>28,241</b>
Excess of revenues over (under) expenditures	(59,318)	(59,318)	(33,928)	25,390
Fund balance, beginning of the year	164,151	164,151	164,151	-
Appropriation for prior year encumbrances	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ 104,833</b>	<b>\$ 104,833</b>	<b>\$ 130,223</b>	<b>\$ 25,390</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
POLICE GRANT FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 311,734	\$ 311,734	\$ 271,923	\$ (39,811)
Interest earnings	1,000	1,000	1,687	687
Miscellaneous	117,674	117,674	58,366	(59,308)
<b>Total revenues</b>	<b>430,408</b>	<b>430,408</b>	<b>331,976</b>	<b>(98,432)</b>
Expenditures:				
Current				
Public safety:				
Step Grant	38,314	38,314	30,330	7,984
Dare Grant	39,853	39,853	33,336	6,517
Computer Grant	-	22,000	21,670	330
Cops In Schools	294,847	144,847	121,781	23,066
Body Armor Grant	-	4,716	4,716	-
2001 Federal Block Grant	27,344	27,344	27,344	-
2000 Federal Block Grant	4,557	4,557	4,557	-
Safety Council Grant	35,000	55,000	35,756	19,244
<b>Total expenditures</b>	<b>439,915</b>	<b>336,631</b>	<b>279,490</b>	<b>57,141</b>
Excess of revenues over (under) expenditures	(9,507)	93,777	52,486	(41,291)
Fund balance, beginning of the year	20,794	20,794	20,794	-
Appropriation for prior year encumbrances	184	184	184	-
<b>Fund balance, end of the year</b>	<b>\$ 11,471</b>	<b>\$ 114,755</b>	<b>\$ 73,464</b>	<b>\$ (41,291)</b>

CITY OF MIDDLETOWN, OHIO  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
 COURT SPECIAL PROJECTS FUND  
 FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines & forfeits	\$ 55,000	\$ 55,000	\$ 61,532	\$ 6,532
<b>Total revenues</b>	<b>55,000</b>	<b>55,000</b>	<b>61,532</b>	<b>6,532</b>
Expenditures:				
Current				
Public safety:	40,000	40,000	15,126	24,874
<b>Total expenditures</b>	<b>40,000</b>	<b>40,000</b>	<b>15,126</b>	<b>24,874</b>
Excess of revenues over (under) expenditures	15,000	15,000	46,406	31,406
Fund balance, beginning of the year	110,727	110,727	110,727	-
Appropriation for prior year encumbrances	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ 125,727</b>	<b>\$ 125,727</b>	<b>\$ 157,133</b>	<b>\$ 31,406</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
HOME PROGRAM FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 489,971	\$ 469,971	\$ 398,100	\$ (71,871)
<b>Total revenues</b>	<b>489,971</b>	<b>469,971</b>	<b>398,100</b>	<b>(71,871)</b>
Expenditures:				
Current				
Community environment:	469,971	469,971	400,442	69,529
<b>Total expenditures</b>	<b>469,971</b>	<b>469,971</b>	<b>400,442</b>	<b>69,529</b>
Excess of revenues over (under) expenditures	20,000	-	(2,342)	(2,342)
Other financing sources (uses):				
Transfers-in		-	-	-
Transfers-out		-	-	-
Other sources		20,000	7,000	(13,000)
Other uses	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>20,000</b>	<b>7,000</b>	<b>(13,000)</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	20,000	20,000	4,658	(15,342)
Fund balance, beginning of the year	(10,979)	(10,979)	(10,979)	-
Appropriation for prior year encumbrances	13,000	13,000	13,000	-
<b>Fund balance, end of the year</b>	<b>\$ 22,021</b>	<b>\$ 22,021</b>	<b>\$ 6,679</b>	<b>\$ (15,342)</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
COMMUNITY DEVELOPMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 1,600,000	\$ 1,000,000	\$ 713,995	\$ (286,005)
Miscellaneous		-	168,833	168,833
<b>Total revenues</b>	<b>1,600,000</b>	<b>1,000,000</b>	<b>882,828</b>	<b>(117,172)</b>
Expenditures:				
Current				
Community environment:	1,450,067	1,596,950	1,058,116	538,834
<b>Total expenditures</b>	<b>1,450,067</b>	<b>1,596,950</b>	<b>1,058,116</b>	<b>538,834</b>
Excess of revenues over (under) expenditures	149,933	(596,950)	(175,288)	421,662
Fund balance, beginning of the year	64,755	64,755	64,755	-
Appropriation for prior year encumbrances	21,977	21,977	21,977	-
<b>Fund balance, end of the year</b>	<b>\$ 236,665</b>	<b>\$ (510,218)</b>	<b>\$ (88,556)</b>	<b>\$ 421,662</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
POLICE PENSION FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 269,500	\$ 269,500	\$ 266,704	\$ (2,796)
Intergovernmental revenue	35,000	35,000	23,179	(11,821)
Municipal income taxes	737,000	737,000	748,093	11,093
<b>Total revenues</b>	<b>1,041,500</b>	<b>1,041,500</b>	<b>1,037,976</b>	<b>(3,524)</b>
Expenditures:				
Current				
Public safety:	1,023,860	1,023,860	997,758	26,102
<b>Total expenditures</b>	<b>1,023,860</b>	<b>1,023,860</b>	<b>997,758</b>	<b>26,102</b>
Excess of revenues over (under) expenditures	17,640	17,640	40,218	22,578
Fund balance, beginning of the year	102,214	102,214	102,214	-
<b>Fund balance, end of the year</b>	<b>\$ 119,854</b>	<b>\$ 119,854</b>	<b>\$ 142,432</b>	<b>\$ 22,578</b>



**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FIRE PENSION FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 267,500	\$ 267,500	\$ 266,704	\$ (796)
Intergovernmental revenue	35,000	35,000	23,179	(11,821)
Municipal income taxes	881,000	881,000	881,000	-
<b>Total revenues</b>	<b>1,183,500</b>	<b>1,183,500</b>	<b>1,170,883</b>	<b>(12,617)</b>
Expenditures:				
Current				
Public safety:	1,179,726	1,179,726	1,160,289	19,437
<b>Total expenditures</b>	<b>1,179,726</b>	<b>1,179,726</b>	<b>1,160,289</b>	<b>19,437</b>
Excess of revenues over (under) expenditures	3,774	3,774	10,594	6,820
Other financing sources (uses):				
Other uses		-	(2,500)	(2,500)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(2,500)</b>	<b>(2,500)</b>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	3,774	3,774	8,094	4,320
Fund balance, beginning of the year	454	454	454	-
<b>Fund balance, end of the year</b>	<b>\$ 4,228</b>	<b>\$ 4,228</b>	<b>\$ 8,548</b>	<b>\$ 4,320</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FIRE DAMAGE ESCROW FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenditures:				
Current				
Public safety:	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers-in		-	-	-
Transfers-out	-	158,000	137,304	20,696
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>158,000</b>	<b>137,304</b>	<b>20,696</b>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	(158,000)	(137,304)	20,696
Fund balance, beginning of the year	137,302	137,302	137,302	-
<b>Fund balance, end of the year</b>	<b>\$ 137,302</b>	<b>\$ (20,698)</b>	<b>\$ (2)</b>	<b>\$ 20,696</b>

CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR DEBT SERVICE FUNDS  
 DECEMBER 31, 2002

	General Obligation Debt Service	Library Bond Debt Service	Totals
<b>Assets</b>			
Cash and equity in pooled cash, deposits and investments	\$ 297,122	\$ 212,868	\$ 509,990
Cash with fiscal and escrow agent	89,638	15,819	105,457
<b>Total assets</b>	<b>386,760</b>	<b>228,687</b>	<b>615,447</b>
<b>Liabilities</b>			
Matured bonds and interest	89,638	15,819	105,457
<b>Total liabilities</b>	<b>89,638</b>	<b>15,819</b>	<b>105,457</b>
<b>Fund balance:</b>			
Unreserved and undesignated	297,122	212,868	509,990
<b>Total fund balance</b>	<b>297,122</b>	<b>212,868</b>	<b>509,990</b>
<b>Total liabilities and fund balance</b>	<b>\$ 386,760</b>	<b>\$ 228,687</b>	<b>\$ 615,447</b>

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

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NON MAJOR DEBT SERVICE FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2002**

	General Obligation Debt Service	Library Bond Debt Service	Totals
Revenues			
Property taxes	\$ -	\$ -	\$ -
Municipal income taxes	441,161	-	441,161
Interest earnings	11,227	-	11,227
<b>Total revenues</b>	<b>452,388</b>	<b>-</b>	<b>452,388</b>
Expenditures			
Debt service			
Principal retirement	690,000	200,000	890,000
Interest and fiscal charges	831,600	41,000	872,600
<b>Total expenditures</b>	<b>1,521,600</b>	<b>241,000</b>	<b>1,762,600</b>
Excess of revenues over (under) expenditures	(1,069,212)	(241,000)	(1,310,212)
Other financing sources			
Operating transfers-in	1,082,440	-	1,082,440
<b>Total other financing sources (uses)</b>	<b>1,082,440</b>	<b>-</b>	<b>1,082,440</b>
Net change in fund balance	13,228	(241,000)	(227,772)
Fund balance, beginning of the year	283,894	453,868	737,762
<b>Fund balance, end of the year</b>	<b>\$ 297,122</b>	<b>\$ 212,868</b>	<b>\$ 509,990</b>

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

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, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 672,000	\$ 730,426	\$ 623,248	\$ (107,178)
<b>Total revenues</b>	<b>672,000</b>	<b>730,426</b>	<b>623,248</b>	<b>(107,178)</b>
Expenditures:				
Debt service	582,100	602,100	602,001	99
<b>Total expenditures</b>	<b>582,100</b>	<b>602,100</b>	<b>602,001</b>	<b>99</b>
Excess of revenues over (under) expenditures	89,900	128,326	21,247	(107,079)
Other financing sources (uses):				
Other uses	-	-	(20,000)	(20,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(20,000)</b>	<b>(20,000)</b>
Excess of revenues and other financing sources over(under) expenditures	89,900	128,326	1,247	(127,079)
Fund balance, beginning of the year	11,674	11,674	11,674	-
<b>Fund balance, end of the year</b>	<b>\$ 101,574</b>	<b>\$ 140,000</b>	<b>\$ 12,921</b>	<b>\$ (127,079)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GENERAL OBLIGATION DEBT SERVICE FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ -	\$ -	\$ 11,227	\$ 11,227
Municipal income taxes	444,161	444,161	441,161	(3,000)
<b>Total revenues</b>	<b>444,161</b>	<b>444,161</b>	<b>452,388</b>	<b>8,227</b>
Expenditures:				
Debt service	1,526,601	1,526,601	1,521,600	5,001
<b>Total expenditures</b>	<b>1,526,601</b>	<b>1,526,601</b>	<b>1,521,600</b>	<b>5,001</b>
Excess of revenues over (under) expenditures	(1,082,440)	(1,082,440)	(1,069,212)	3,226
Other financing sources (uses):				
Operating transfers-in	1,082,440	1,082,440	1,082,440	-
<b>Total other financing sources (uses)</b>	<b>1,082,440</b>	<b>1,082,440</b>	<b>1,082,440</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures	-	-	13,228	3,226
Fund balance, beginning of the year	283,893	283,893	283,893	-
<b>Fund balance, end of the year</b>	<b>\$ 283,893</b>	<b>\$ 283,893</b>	<b>\$ 297,121</b>	<b>\$ 3,226</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
LIBRARY BOND DEBT SERVICE FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenditures:				
Current				
Debt service	243,754	243,754	241,000	2,754
<b>Total expenditures</b>	<b>243,754</b>	<b>243,754</b>	<b>241,000</b>	<b>2,754</b>
Excess of revenues over (under) expenditures	(243,754)	(243,754)	(241,000)	2,754
Fund balance, beginning of the year	453,866	453,866	453,866	-
<b>Fund balance, end of the year</b>	<b>\$ 210,112</b>	<b>\$ 210,112</b>	<b>\$ 212,866</b>	<b>\$ 2,754</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR CAPITAL PROJECTS FUNDS  
 DECEMBER 31, 2002**

	<b>Downtown Improvements - State Contribution</b>	<b>Computer Replacement</b>	<b>Leeds Farm Development</b>
<b>Assets</b>			
Cash and equity in pooled cash, deposits and investments	\$ -	\$ 546,198	\$ 312,276
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 546,198</b>	<b>\$ 312,276</b>
<b>Liabilities</b>			
Accounts payable	-	-	13,921
Accrued interest payable	-	-	-
Notes payable	-	-	-
<b>Total liabilities</b>	<b>0</b>	<b>-</b>	<b>13,921</b>
<b>Fund balances:</b>			
Reserved for encumbrances	-	-	-
Unreserved and undesignated	-	546,198	298,355
<b>Total fund balances</b>	<b>0</b>	<b>546,198</b>	<b>298,355</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 546,198</b>	<b>\$ 312,276</b>

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



Oxford State Rd. Intersection	2001 Sidewalk, Curb & Gutter	2002 Sidewalk, Curb & Gutter	Roosevelt Avenue Improvements	Totals
\$ -	\$ -	\$ 90,492	\$ 411,873	\$ 1,360,839
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 90,492</b>	<b>\$ 411,873</b>	<b>\$ 1,360,839</b>
-	-	-	89,839	103,760
-	-	5,877	7,900	13,777
-	-	390,000	630,000	1,020,000
-	-	<b>395,877</b>	<b>727,739</b>	<b>1,137,537</b>
-	-	91,623	319,304	410,927
-	-	(397,008)	(635,170)	(187,625)
<b>0</b>	<b>0</b>	<b>(305,385)</b>	<b>(315,866)</b>	<b>223,302</b>
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 90,492</b>	<b>\$ 411,873</b>	<b>\$ 1,360,839</b>

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NON MAJOR CAPITAL PROJECT FUNDS  
FOR YEAR ENDED DECEMBER 31, 2002**

	Downtown Improvements - State Contribution	Computer Replacement	Leeds Farm Development
<b>Revenues</b>			
Municipal income taxes	\$ -	\$ 8,000	\$ -
Special assessments	-	-	-
Interest earnings	14,081	21,412	-
Miscellaneous	-	-	1,470
<b>Total revenues</b>	<b>14,081</b>	<b>29,412</b>	<b>1,470</b>
<b>Expenditures</b>			
Current			
Community environment	909,942	-	34,121
Highways & streets	-	-	-
General government	-	304,197	-
Debt service			
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>909,942</b>	<b>304,197</b>	<b>34,121</b>
Excess of revenues over (under) expenditures	(895,861)	(274,785)	(32,651)
<b>Other financing sources (uses)</b>			
Operating transfers-in	-	48,690	-
Operating transfers-out	(126,718)	-	-
Proceeds from bonds	-	-	-
<b>Total other financing sources (uses)</b>	<b>(126,718)</b>	<b>48,690</b>	<b>-</b>
Net change in fund balances	(1,022,579)	(226,095)	(32,651)
Fund balance, beginning of the year	1,022,579	772,293	331,006
<b>Fund balance, end of the year</b>	<b>\$ -</b>	<b>\$ 546,198</b>	<b>\$ 298,355</b>

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

Oxford State Road Intersection	2001 Sidewalk, Curb & Gutter	2002 Sidewalk, Curb & Gutter	Roosevelt Avenue Improvements	Totals
\$ -	\$ -	\$ -	\$ -	\$ 8,000
-	-	1,554	-	1,554
-	-	-	2,730	38,223
-	-	-	-	1,470
<b>0</b>	<b>0</b>	<b>1,554</b>	<b>2,730</b>	<b>49,247</b>
-	-	-	-	944,063
10,197	11,126	301,062	310,696	633,081
-	-	-	-	304,197
-	-	5,877	7,900	13,777
<b>10,197</b>	<b>11,126</b>	<b>306,939</b>	<b>318,596</b>	<b>1,895,118</b>
(10,197)	(11,126)	(305,385)	(315,866)	(1,845,871)
-	-	-	-	48,690
(369)	(4,237)	-	-	(131,324)
-	-	-	-	-
<b>(369)</b>	<b>(4,237)</b>	<b>0</b>	<b>0</b>	<b>(82,634)</b>
(10,566)	(15,363)	(305,385)	(315,866)	(1,928,505)
10,566	15,363	-	-	2,151,807
<b>\$ -</b>	<b>\$ -</b>	<b>\$ (305,385)</b>	<b>\$ (315,866)</b>	<b>\$ 223,302</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
CAPITAL IMPROVEMENTS FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Property taxes	\$ 792,500	\$ 792,500	\$ 819,870	\$ 27,370
Municipal income taxes	1,300,000	1,300,000	1,300,000	-
Intergovernmental revenue	70,700	70,700	175,121	104,421
Charges for services	20,000	20,000	16,849	(3,151)
Interest earnings	60,000	60,000	64,563	4,563
Miscellaneous	450,000	676,000	537,053	(164,947)
<b>Total revenues</b>	<b>2,693,200</b>	<b>2,919,200</b>	<b>2,913,456</b>	<b>(31,744)</b>
<b>Expenditures:</b>				
Current				
Public safety	446,000	467,562	357,053	110,509
Leisure time activities	132,000	264,333	174,691	89,642
Community environment	305,000	365,965	199,182	166,783
Highways and streets	1,867,000	2,807,660	2,579,998	227,662
General government	-	379,997	92,340	287,657
<b>Total expenditures</b>	<b>2,750,000</b>	<b>4,285,517</b>	<b>3,403,264</b>	<b>882,253</b>
Excess of revenues over (under) expenditures	(56,800)	(1,366,317)	(489,808)	850,509
<b>Other financing sources (uses):</b>				
Operating transfers-in	-	-	169,409	169,409
Operating transfers-out	(200,000)	(200,000)	(200,000)	-
Other sources	-	-	240,000	240,000
<b>Total other financing sources (uses)</b>	<b>(200,000)</b>	<b>(200,000)</b>	<b>209,409</b>	<b>409,409</b>
Excess of revenues and other financing sources over (under) expenditures	(256,800)	(1,566,317)	(280,399)	1,259,918
Fund balance, beginning of the year	223,564	223,564	223,564	-
Appropriation for prior year encumbrances	1,267,368	1,267,368	1,267,368	-
<b>Fund balance, end of the year</b>	<b>\$ 1,234,132</b>	<b>\$ (75,385)</b>	<b>\$ 1,210,533</b>	<b>\$ 1,259,918</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
DOWNTOWN IMPROVEMENTS FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental Revenue	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ -
Interest earnings	200,000	200,000	221,007	21,007
Miscellaneous	-	-	94,195	94,195
<b>Total revenues</b>	<b>1,700,000</b>	<b>1,700,000</b>	<b>1,815,202</b>	<b>115,202</b>
Expenditures:				
Current				
Community environment	-	7,507,851	6,830,521	677,330
<b>Total expenditures</b>	<b>-</b>	<b>7,507,851</b>	<b>6,830,521</b>	<b>677,330</b>
Excess of revenues over (under) expenditures	1,700,000	(5,807,851)	(5,015,319)	792,532
Other financing sources (uses):				
Operating transfers-in	-	127,000	126,718	(282)
Operating transfers-out	(882,440)	(882,440)	(882,440)	-
<b>Total other financing sources (uses)</b>	<b>(882,440)</b>	<b>(755,440)</b>	<b>(755,722)</b>	<b>(282)</b>
Excess of revenues and other financing sources over (under) expenditures	817,560	(6,563,291)	(5,771,041)	792,250
Fund balance, beginning of the year	2,298,392	2,298,392	2,298,392	-
Appropriation for prior year encumbrances	6,540,379	6,540,379	6,540,379	-
<b>Fund balance, end of the year</b>	<b>\$ 9,656,331</b>	<b>\$ 2,275,480</b>	<b>\$ 3,067,730</b>	<b>\$ 792,250</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
COURT OF APPEALS PROJECT FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ -	\$ 50,000	\$ 51,001	\$ 1,001
<b>Total revenues</b>	<b>-</b>	<b>50,000</b>	<b>51,001</b>	<b>1,001</b>
Expenditures:				
Current				
Public Safety	3,655,082	3,693,006	3,661,618	31,388
<b>Total expenditures</b>	<b>3,655,082</b>	<b>3,693,006</b>	<b>3,661,618</b>	<b>31,388</b>
Excess of revenues over (under) expenditures	(3,655,082)	(3,643,006)	(3,610,617)	32,389
Other financing sources (uses):				
Other uses	-	-	(240,000)	(240,000)
Proceeds from notes	4,000,000	3,655,000	3,655,000	-
<b>Total other financing sources (uses)</b>	<b>4,000,000</b>	<b>3,655,000</b>	<b>3,415,000</b>	<b>(240,000)</b>
Excess of revenues and other financing sources over (under) expenditures	344,918	11,994	(195,617)	(207,611)
Fund balance, beginning of the year	2,196	2,196	2,196	-
Appropriation for prior year encumbrances	237,924	237,924	237,924	-
<b>Fund balance, end of the year</b>	<b>\$ 585,038</b>	<b>\$ 252,114</b>	<b>\$ 44,503</b>	<b>\$ (207,611)</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
EAST END DEVELOPMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ -	\$ 60,000	\$ 72,146	\$ 12,146
<b>Total revenues</b>	<b>-</b>	<b>60,000</b>	<b>72,146</b>	<b>12,146</b>
Expenditures:				
Current				
Highways and streets	4,555,000	5,446,339	4,333,693	1,112,646
<b>Total expenditures</b>	<b>4,555,000</b>	<b>5,446,339</b>	<b>4,333,693</b>	<b>1,112,646</b>
Excess of revenues over (under) expenditures	(4,555,000)	(5,386,339)	(4,261,547)	1,124,792
Other financing sources (uses):				
Operating transfers-out	-	(27,500)	(27,500)	-
Proceeds from notes	4,300,000	4,187,000	4,187,000	-
<b>Total other financing sources (uses)</b>	<b>4,300,000</b>	<b>4,159,500</b>	<b>4,159,500</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures	(255,000)	(1,226,839)	(102,047)	1,124,792
Fund balance, beginning of the year	2,840,940	2,840,940	2,840,940	-
Appropriation for prior year encumbrances	248,324	248,324	248,324	-
<b>Fund balance, end of the year</b>	<b>\$ 2,834,264</b>	<b>\$ 1,862,425</b>	<b>\$ 2,987,217</b>	<b>\$ 1,124,792</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
DOWNTOWN IMPROVEMENTS - STATE CONTRIBUTION FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 25,000	\$ 25,000	\$ 14,081	\$ (10,919)
<b>Total revenues</b>	<b>25,000</b>	<b>25,000</b>	<b>14,081</b>	<b>(10,919)</b>
Expenditures:				
Current				
Community environment	100,000	1,171,994	1,071,994	100,000
<b>Total expenditures</b>	<b>100,000</b>	<b>1,171,994</b>	<b>1,071,994</b>	<b>100,000</b>
Excess of revenues over (under) expenditures	(75,000)	(1,146,994)	(1,057,913)	89,081
Other financing sources (uses):				
Operating transfers-out	-	(27,000)	(126,718)	(99,718)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(27,000)</b>	<b>(126,718)</b>	<b>(99,718)</b>
Excess of revenues and other financing sources over (under) expenditures	(75,000)	(1,173,994)	(1,184,631)	(10,637)
Fund balance, beginning of the year	112,637	112,637	112,637	-
Appropriation for prior year encumbrances	1,071,994	1,071,994	1,071,994	-
<b>Fund balance, end of the year</b>	<b>\$ 1,109,631</b>	<b>\$ 10,637</b>	<b>\$ -</b>	<b>\$ (10,637)</b>



**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
COMPUTER REPLACEMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ -	\$ 8,000	\$ 8,000	\$ -
Interest earnings	30,002	30,002	21,412	(8,590)
<b>Total revenues</b>	<b>30,002</b>	<b>38,002</b>	<b>29,412</b>	<b>(8,590)</b>
Expenditures:				
Current				
General government	120,160	314,217	304,197	10,020
<b>Total expenditures</b>	<b>120,160</b>	<b>314,217</b>	<b>304,197</b>	<b>10,020</b>
Excess of revenues over (under) expenditures	(90,158)	(276,215)	(274,785)	1,430
Other financing sources (uses):				
Operating transfers-in	56,690	48,690	48,690	-
<b>Total other financing sources (uses)</b>	<b>56,690</b>	<b>48,690</b>	<b>48,690</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures	(33,468)	(227,525)	(226,095)	1,430
Fund balance, beginning of the year	760,153	760,153	760,153	-
Appropriation for prior year encumbrances	12,137	12,137	12,137	-
<b>Fund balance, end of the year</b>	<b>\$ 738,822</b>	<b>\$ 544,765</b>	<b>\$ 546,195</b>	<b>\$ 1,430</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
LEEDS FARM DEVELOPMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ -	\$ 19,250	\$ 1,470	\$ (17,780)
<b>Total revenues</b>	<b>-</b>	<b>19,250</b>	<b>1,470</b>	<b>(17,780)</b>
Expenditures:				
Current				
Community environment	56,500	56,500	8,450	48,050
<b>Total expenditures</b>	<b>56,500</b>	<b>56,500</b>	<b>8,450</b>	<b>48,050</b>
Excess of revenues over (under) expenditures	(56,500)	(37,250)	(6,980)	30,270
Other financing sources (uses):				
Other uses	-	-	(19,250)	(19,250)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(19,250)</b>	<b>(19,250)</b>
Excess of revenues and other financing sources over (under) expenditures	(56,500)	(37,250)	(26,230)	11,020
Fund balance, beginning of the year	338,506	338,506	338,506	-
<b>Fund balance, end of the year</b>	<b>\$ 282,006</b>	<b>\$ 301,256</b>	<b>\$ 312,276</b>	<b>\$ 11,020</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
OXFORD STATE ROAD INTERSECTION FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenditures:				
Current				
Highways and streets	175,000	10,196	10,196	-
<b>Total expenditures</b>	<b>175,000</b>	<b>10,196</b>	<b>10,196</b>	<b>-</b>
Excess of revenues over (under) expenditures	(175,000)	(10,196)	(10,196)	-
Other financing sources (uses):				
Operating transfers-out	-	(370)	(370)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(370)</b>	<b>(370)</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures	(175,000)	(10,566)	(10,566)	-
Fund balance, beginning of the year	45	45	45	-
Appropriation for prior year encumbrances	10,521	10,521	10,521	-
<b>Fund balance, end of the year</b>	<b>\$ (164,434)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
2001 SIDEWALK, CURB & GUTTER FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenditures:				
Current				
Highways and streets	220,000	11,126	11,126	-
<b>Total expenditures</b>	<b>220,000</b>	<b>11,126</b>	<b>11,126</b>	<b>-</b>
Excess of revenues over (under) expenditures	(220,000)	(11,126)	(11,126)	-
Other financing sources (uses):				
Operating transfers-out	-	(4,237)	(4,237)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(4,237)</b>	<b>(4,237)</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures	(220,000)	(15,363)	(15,363)	-
Fund balance, beginning of the year	4,237	4,237	4,237	-
Appropriation for prior year encumbrances	11,126	11,126	11,126	-
<b>Fund balance, end of the year</b>	<b>\$ (204,637)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
2002 SIDEWALK, CURB & GUTTER FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ -	\$ -	\$ 1,554	\$ 1,554
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>1,554</b>	<b>1,554</b>
Expenditures:				
Current				
Highways and streets	500,000	393,000	392,685	315
<b>Total expenditures</b>	<b>500,000</b>	<b>393,000</b>	<b>392,685</b>	<b>315</b>
Excess of revenues over (under) expenditures	(500,000)	(393,000)	(391,131)	1,239
Other financing sources (uses):				
Proceeds from notes	500,000	393,000	390,000	(3,000)
<b>Total other financing sources (uses)</b>	<b>500,000</b>	<b>393,000</b>	<b>390,000</b>	<b>(3,000)</b>
Excess of revenues and other financing sources over (under) expenditures	-	-	(1,131)	(1,761)
<b>Fund balance, end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,131)</b>	<b>\$ (1,761)</b>

CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
ROOSEVELT AVENUE IMPROVEMENTS FUND  
FOR YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ -	\$ -	\$ 2,730	\$ 2,730
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>2,730</b>	<b>2,730</b>
Expenditures:				
Current				
Highways and streets	540,000	630,000	630,000	-
<b>Total expenditures</b>	<b>540,000</b>	<b>630,000</b>	<b>630,000</b>	<b>-</b>
Excess of revenues over (under) expenditures	(540,000)	(630,000)	(627,270)	2,730
Other financing sources (uses):				
Proceeds from notes	540,000	630,000	630,000	-
<b>Total other financing sources (uses)</b>	<b>540,000</b>	<b>630,000</b>	<b>630,000</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures	-	-	2,730	2,730
<b>Fund balance, end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,730</b>	<b>\$ 2,730</b>

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF NET ASSETS  
NON MAJOR PROPRIETARY FUNDS  
DECEMBER 31, 2002**

**Business Type Activities - Enterprise Funds**

	<b>Parking Garage</b>	<b>Airport</b>	<b>City Centre Mall</b>	<b>Totals</b>
<b>Assets:</b>				
Current assets				
Equity in pooled cash, deposits and investments	\$ 755	\$ 257,202	\$ 223,087	\$ 481,044
Receivables (net of allowance for uncollectibles):				
Accounts	-	-	-	-
<b>Total current assets</b>	<b>755</b>	<b>257,202</b>	<b>223,087</b>	<b>481,044</b>
Capital assets:				
Land	16,900	1,515,537	536,600	2,069,037
Buildings	2,692,371	46,742	251,200	2,990,313
Equipment	12,120	398,197	-	410,317
Less: Accumulated depreciation	(1,602,089)	(389,777)	(61,404)	(2,053,270)
<b>Net capital assets</b>	<b>1,119,302</b>	<b>1,570,699</b>	<b>726,396</b>	<b>3,416,397</b>
<b>Total assets</b>	<b>1,120,057</b>	<b>1,827,901</b>	<b>949,483</b>	<b>3,897,441</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	3,666	1,790	-	5,456
Accrued wages and benefits	2,993	-	-	2,993
Other accrued liabilities	649	-	-	649
Accrued interest payable	-	-	-	-
Due to other funds	32,435	-	-	32,435
Notes payable	-	-	-	-
<b>Total current liabilities</b>	<b>39,743</b>	<b>1,790</b>	<b>-</b>	<b>41,533</b>
Long-term liabilities				
Compensated absences payable	930	-	-	930
<b>Total long-term liabilities</b>	<b>930</b>	<b>-</b>	<b>-</b>	<b>930</b>
<b>Total liabilities</b>	<b>40,673</b>	<b>1,790</b>	<b>-</b>	<b>42,463</b>
<b>Net Assets</b>				
Invested in capital assests, net of related debt	1,119,302	1,570,699	726,396	3,416,397
Unrestricted	(39,918)	255,412	223,087	438,581
<b>Total net assets</b>	<b>\$ 1,079,384</b>	<b>\$ 1,826,111</b>	<b>\$ 949,483</b>	<b>\$ 3,854,978</b>

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

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
NON MAJOR PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

**Business Type Activities - Enterprise Funds**

	<b>Parking Garage</b>	<b>Airport</b>	<b>City Centre Mall</b>	<b>Totals</b>
Operating revenues:				
Charges for services	\$ 47,259	\$ 27,387	\$ 55,649	\$ 130,295
Other operating revenue	7,910	-	-	7,910
<b>Total operating revenues</b>	<b>55,169</b>	<b>27,387</b>	<b>55,649</b>	<b>138,205</b>
Operating expenses:				
Personal services	64,043	-	-	64,043
Contractual services	85,122	77,206	41,501	203,829
Commodities	1,225	4,398	-	5,623
Depreciation	60,638	13,106	5,582	79,326
Other operating expenses	1,592	5,097	(2,296)	4,393
<b>Total operating expenses</b>	<b>212,620</b>	<b>99,807</b>	<b>44,787</b>	<b>357,214</b>
Operating income (loss)	(157,451)	(72,420)	10,862	(219,009)
Non-operating revenues (expenses):				
Interest expense and fiscal charges	-	-	(1,186)	(1,186)
Operating grants	50,000	316,970	-	366,970
Gain (Loss) on sale or disposal of fixed assets	-	-	(529,221)	(529,221)
<b>Total non-operating revenues (expenses)</b>	<b>50,000</b>	<b>316,970</b>	<b>(530,407)</b>	<b>(163,437)</b>
Change in net assets	(107,451)	244,550	(519,545)	(382,446)
Total net assets, beginning of year	1,186,835	1,581,561	1,469,028	4,237,424
<b>Total net assets, end of year</b>	<b>\$ 1,079,384</b>	<b>\$ 1,826,111</b>	<b>\$ 949,483</b>	<b>\$ 3,854,978</b>

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



**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 NON MAJOR PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2002**

**Business Type Activities - Enterprise Funds**

	<b>Parking Garage</b>	<b>Airport</b>	<b>City Centre Mall</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 47,259	\$ 66,802	\$ 55,649	\$ 169,710
Cash payments to suppliers for goods and services	(90,449)	(87,335)	(39,205)	(216,989)
Cash payments to employees for services	(54,999)	-	-	(54,999)
Miscellaneous revenues	7,910	-	-	7,910
Cash payments for services used	(13,740)	-	-	(13,740)
<b>Net cash provided by operating activities</b>	<b>(104,019)</b>	<b>(20,533)</b>	<b>16,444</b>	<b>(108,108)</b>
<b>Cash flows from non-capital financing activities:</b>				
Operating grants	-	316,970	-	316,970
Operating transfers-in from other funds	32,000	-	-	32,000
Income taxes received	50,000	-	-	50,000
<b>Net cash provided by non-capital financing activities</b>	<b>82,000</b>	<b>316,970</b>	<b>-</b>	<b>398,970</b>
<b>Cash flows from capital and related financing activities:</b>				
Sale of capital assets	-	-	50,557	50,557
Purchase of capital assets	-	(222,750)	-	(222,750)
Interest expense	-	-	(4,239)	(4,239)
Repayment of debt principal	-	-	(70,641)	(70,641)
Note proceeds	-	-	-	-
<b>Net cash provided by capital and related financing activities</b>	<b>-</b>	<b>(222,750)</b>	<b>(24,323)</b>	<b>(247,073)</b>
Net increase in cash and cash equivalents	(22,019)	73,687	(7,879)	43,789
Cash and cash equivalents, beginning of year	22,774	183,515	230,966	437,255
<b>Cash and cash equivalents, end of year</b>	<b>\$ 755</b>	<b>\$ 257,202</b>	<b>\$ 223,087</b>	<b>\$ 481,044</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 NON MAJOR PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>(continued)</b>	<b>Parking Garage</b>	<b>Airport</b>	<b>City Centre Mall</b>	<b>Totals</b>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (157,451)	\$ (72,420)	\$ 10,862	\$ (219,009)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	60,638	13,106	5,582	79,326
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable (net)	-	39,415	-	39,415
(Decrease) increase in accounts payable	(8,187)	(634)	-	(8,821)
(Decrease) increase in accrued wages and benefits	22	-	-	22
(Decrease) increase in other accrued liabilities	649	-	-	649
(Decrease) increase in due to other funds	238	-	-	238
Decrease (increase) in compensated absences payable	72	-	-	72
<b>Total adjustments</b>	<b>53,432</b>	<b>51,887</b>	<b>5,582</b>	<b>110,901</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (104,019)</b>	<b>\$ (20,533)</b>	<b>\$ 16,444</b>	<b>\$ (108,108)</b>

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

**CITY OF MIDDLETOWN, OHIO**  
**SCHEDULE OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**WATER FUND**  
**FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 5,700,999	\$ 5,192,000	\$ 5,170,485	\$ (21,515)
Other operating revenues	1,225	75,925	103,103	27,178
<b>Total operating revenues</b>	<b>5,702,224</b>	<b>5,267,925</b>	<b>5,273,588</b>	<b>5,663</b>
Operating expenses				
Water Administration	352,944	355,169	311,626	43,543
Water Treatment	1,671,563	1,749,759	1,703,836	45,923
Water Maintenance	1,219,235	1,280,445	1,241,217	39,228
Administrative Support	709,840	709,840	709,840	-
Water Capital Reserve	2,310,000	4,344,179	3,439,021	905,158
Wellfield Protection	102,500	203,945	166,546	37,399
<b>Total operating expenses</b>	<b>6,366,082</b>	<b>8,643,337</b>	<b>7,572,086</b>	<b>1,071,251</b>
Operating income (loss)	(663,858)	(3,375,412)	(2,298,498)	1,076,914
Non-operating revenues (expenses)				
Interest revenue	112,752	171,121	114,234	(56,887)
Interest expenses & fiscal charges	(266,513)	(266,513)	(264,805)	1,708
Debt retirement	(380,000)	(380,000)	(380,000)	-
Proceeds from bonds	-	-	-	-
Proceeds from notes	2,140,000	140,000	140,000	-
Operating grants	-	27,000	26,859	(141)
<b>Total non-operating revenues (expenses)</b>	<b>1,606,239</b>	<b>(308,392)</b>	<b>(363,712)</b>	<b>(55,320)</b>
Income (loss) before operating transfers	942,381	(3,683,804)	(2,662,210)	1,021,594
Operating transfers-out	(24,345)	(24,345)	(24,345)	-
<b>Total transfers</b>	<b>(24,345)</b>	<b>(24,345)</b>	<b>(24,345)</b>	<b>-</b>
Net income (loss)	918,036	(3,708,149)	(2,686,555)	1,021,594
Retained earnings, beginning of the year	3,269,156	3,269,156	3,269,156	-
Appropriation for prior year encumbrances	2,378,291	2,378,291	2,378,291	-
<b>Retained earnings, end of the year</b>	<b>\$ 6,565,483</b>	<b>\$ 1,939,298</b>	<b>\$ 2,960,892</b>	<b>\$ 1,021,594</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
SEWER FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 6,115,614	\$ 5,293,000	\$ 5,294,039	\$ 1,039
Other operating revenues	-	-	62	62
<b>Total operating revenues</b>	<b>6,115,614</b>	<b>5,293,000</b>	<b>5,294,101</b>	<b>1,101</b>
Operating expenses				
Sewer Administration	302,168	304,393	300,156	4,237
Sewer Treatment	2,620,870	3,001,325	2,744,687	256,638
Sewer Maintenance	691,751	702,198	610,478	91,720
Administrative Support	709,840	709,840	709,840	-
Sewer Capital Reserve	2,900,000	2,344,626	2,235,420	109,206
<b>Total operating expenses</b>	<b>7,224,629</b>	<b>7,062,382</b>	<b>6,600,581</b>	<b>461,801</b>
Operating income (loss)	(1,109,015)	(1,769,382)	(1,306,480)	(460,700)
Non-operating revenues (expenses)				
Interest revenue	314,195	300,000	210,742	(89,258)
Interest expenses & fiscal charges	(59,093)	(59,093)	(56,093)	3,000
Debt retirement	(185,000)	(185,000)	(185,000)	-
Proceeds from notes	1,500,000	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>1,570,102</b>	<b>55,907</b>	<b>(30,351)</b>	<b>(86,258)</b>
Income (loss) before operating transfers	461,087	(1,713,475)	(1,336,831)	(546,958)
Operating transfers-out	(24,345)	(24,345)	(24,345)	-
<b>Total transfers</b>	<b>(24,345)</b>	<b>(24,345)</b>	<b>(24,345)</b>	<b>-</b>
Net income (loss)	436,742	(1,737,820)	(1,361,176)	(546,958)
Retained earnings, beginning of the year	5,692,739	5,692,739	5,692,739	-
Appropriation for prior year encumbrances	1,486,706	1,486,706	1,486,706	-
<b>Retained earnings, end of the year</b>	<b>\$ 7,616,187</b>	<b>\$ 5,441,625</b>	<b>\$ 5,818,269</b>	<b>\$ (546,958)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
TRANSIT SYSTEM FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 95,000	\$ 95,000	\$ 84,627	\$ (10,373)
Other operating revenues	3,000	3,000	1,619	(1,381)
<b>Total operating revenues</b>	<b>98,000</b>	<b>98,000</b>	<b>86,246</b>	<b>(11,754)</b>
Operating expenses	880,644	3,221,728	3,109,111	112,617
<b>Total operating expenses</b>	<b>880,644</b>	<b>3,221,728</b>	<b>3,109,111</b>	<b>112,617</b>
Operating income (loss)	(782,644)	(3,123,728)	(3,022,865)	100,863
Non-operating revenues (expenses)				
Operating grants	2,085,392	2,755,567	2,075,921	(679,646)
Income tax	180,000	180,000	180,000	-
<b>Total non-operating revenues(expenses)</b>	<b>2,265,392</b>	<b>2,935,567</b>	<b>2,255,921</b>	<b>(679,646)</b>
Net income (loss)	1,482,748	(188,161)	(766,944)	(578,783)
Retained earnings, beginning of the year	(1,351,018)	(1,351,018)	(1,351,018)	-
Appropriation for prior year encumbrances	1,541,938	1,541,938	1,541,938	-
<b>Retained earnings, end of the year</b>	<b>\$ 1,673,668</b>	<b>\$ 2,759</b>	<b>\$ (576,024)</b>	<b>\$ (578,783)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GOLF COURSE FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,136,683	\$ 2,136,683	\$ 1,806,739	\$ (329,944)
Other operating revenues	3,600	30,600	39,654	9,054
<b>Total operating revenues</b>	<b>2,140,283</b>	<b>2,167,283</b>	<b>1,846,393</b>	<b>(320,890)</b>
Operating expenses				
Golf Maintenance	890,788	890,788	834,767	56,021
Golf Clubhouse	794,894	794,894	691,583	103,311
Golf Improvements	31,000	97,589	74,163	23,426
<b>Total operating expenses</b>	<b>1,716,682</b>	<b>1,783,271</b>	<b>1,600,513</b>	<b>182,758</b>
Operating income (loss)	423,601	384,012	245,880	(138,132)
Non-operating revenues (expenses)				
Interest revenue	-	2,500	1,860	(640)
Interest expenses & fiscal charges	(128,523)	(128,523)	(118,365)	10,158
Debt retirement	(730,000)	(730,000)	(605,000)	125,000
Proceeds from notes	480,000	480,000	480,000	-
Other sources	253,000	253,000	(72,000)	(325,000)
Other uses	-	-		
<b>Total non-operating revenues (expenses)</b>	<b>(125,523)</b>	<b>(123,023)</b>	<b>(313,505)</b>	<b>(190,482)</b>
Net income (loss)	298,078	260,989	(67,625)	(328,614)
Retained earnings, beginning of the year	50,770	50,770	50,770	-
Appropriation for prior year encumbrances	73,818	73,818	73,818	-
<b>Retained earnings, end of the year</b>	<b>\$ 422,666</b>	<b>\$ 385,577</b>	<b>\$ 56,964</b>	<b>\$ (328,614)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
SOLID WASTE DISPOSAL FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,042,820	\$ 2,042,820	\$ 2,021,332	\$ (21,488)
Other operating revenues	12,500	12,500	13,648	1,148
<b>Total operating revenues</b>	<b>2,055,320</b>	<b>2,055,320</b>	<b>2,034,980</b>	<b>(20,340)</b>
Operating expenses	1,993,050	2,023,863	2,019,420	4,443
<b>Total operating expenses</b>	<b>1,993,050</b>	<b>2,023,863</b>	<b>2,019,420</b>	<b>4,443</b>
Operating income (loss)	62,270	31,457	15,560	(15,897)
Non-operating revenues (expenses)				
Interest expenses & fiscal charges	(141,961)	(141,961)	(141,960)	1
Debt retirement	(150,000)	(150,000)	(150,000)	-
<b>Total non-operating revenues (expenses)</b>	<b>(291,961)</b>	<b>(291,961)</b>	<b>(291,960)</b>	<b>1</b>
Net income (loss)	(229,691)	(260,504)	(276,400)	(15,896)
Retained earnings, beginning of the year	446,083	446,083	446,083	-
Appropriation for prior year encumbrances	30,813	30,813	30,813	-
<b>Retained earnings, end of the year</b>	<b>\$ 247,205</b>	<b>\$ 216,392</b>	<b>\$ 200,496</b>	<b>\$ (15,896)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
PARKING GARAGE FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 75,807	\$ 75,807	\$ 47,259	\$ (28,548)
Fines and forfeits	9,364	9,364	6,972	(2,392)
Other operating revenues	7,283	7,283	938	(6,345)
<b>Total operating revenues</b>	<b>92,454</b>	<b>92,454</b>	<b>55,169</b>	<b>(37,285)</b>
Operating expenses				
Parking Administration	36,751	36,751	34,245	2,506
Parking Enforcement	32,615	37,615	35,194	2,421
Parking Garage	84,879	93,640	89,748	3,892
<b>Total operating expenses</b>	<b>154,245</b>	<b>168,006</b>	<b>159,187</b>	<b>8,819</b>
Operating income (loss)	(61,791)	(75,552)	(104,018)	(28,466)
Non-operating revenues (expenses)				
Other sources	-	-	32,000	32,000
Income taxes	50,000	50,000	50,000	-
<b>Total non-operating revenues (expenses)</b>	<b>50,000</b>	<b>50,000</b>	<b>82,000</b>	<b>32,000</b>
Net income (loss)	(61,791)	(25,552)	(22,018)	3,534
Retained earnings, beginning of the year	8,761	8,761	8,761	-
Appropriation for prior year encumbrances	14,009	14,009	14,009	-
<b>Retained earnings, end of the year</b>	<b>\$ (39,021)</b>	<b>\$ (2,782)</b>	<b>\$ 752</b>	<b>\$ 3,534</b>



**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
AIRPORT FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 73,000	\$ 73,000	\$ 66,802	\$ (6,198)
<b>Total operating revenues</b>	<b>73,000</b>	<b>73,000</b>	<b>66,802</b>	<b>(6,198)</b>
Operating expenses				
Airport Improvements	20,000	203,307	197,307	6,000
Airport	49,700	49,700	34,028	15,672
<b>Total operating expenses</b>	<b>69,700</b>	<b>253,007</b>	<b>231,335</b>	<b>21,672</b>
Operating income (loss)	3,300	(180,007)	(164,533)	15,474
Non-operating revenues (expenses)				
Operating grants	20,000	20,000	224,220	204,220
<b>Total non-operating revenues (expenses)</b>	<b>20,000</b>	<b>20,000</b>	<b>224,220</b>	<b>204,220</b>
Net income (loss)	23,300	(160,007)	59,687	219,694
Retained earnings, beginning of the year	130,203	130,203	130,203	-
Appropriation for prior year encumbrances	53,307	53,307	53,307	-
<b>Retained earnings, end of the year</b>	<b>\$ 206,810</b>	<b>\$ 23,503</b>	<b>\$ 243,197</b>	<b>\$ 219,694</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
CITY CENTRE MALL FUND  
FOR YEAR ENDED DECEMBER 31, 2002**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services				
Other operating revenues	\$ 71,000	\$ 90,000	\$ 106,206	\$ 16,206
<b>Total operating revenues</b>	<b>71,000</b>	<b>90,000</b>	<b>106,206</b>	<b>16,206</b>
Operating expenses				
Mall Property Management	103,773	103,773	39,205	64,568
<b>Total operating expenses</b>	<b>103,773</b>	<b>103,773</b>	<b>39,205</b>	<b>64,568</b>
Operating income (loss)	(32,773)	(13,773)	67,001	(48,362)
Non-operating revenues (expenses)				
Interest expenses and fiscal charges	(4,240)	(4,240)	(4,238)	2
Debt retirement	(70,642)	(70,642)	(70,640)	2
<b>Total non-operating revenues(expenses)</b>	<b>(74,882)</b>	<b>(74,882)</b>	<b>(74,878)</b>	<b>4</b>
Net income (loss)	(107,655)	(88,655)	(7,877)	(48,358)
Retained earnings, beginning of the year	230,963	230,963	230,963	-
<b>Retained earnings, end of the year</b>	<b>\$ 123,308</b>	<b>\$ 142,308</b>	<b>\$ 223,086</b>	<b>\$ (48,358)</b>

## **INTERNAL SERVICE FUNDS**

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

### **MUNICIPAL GARAGE**

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

### **EMPLOYEE BENEFITS**

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

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
DECEMBER 31, 2002**

	<b>Municipal Garage</b>	<b>Employee Benefits Fund</b>	<b>Totals</b>
Assets:			
Current assets:			
Equity in pooled cash, deposits and investments	\$ 1,020,814	\$ 244,977	\$ 1,265,791
Receivables (net of allowance for uncollectibles):			
Accounts	17,526	-	17,526
Due from other funds	178,327	-	178,327
Inventory of supplies	114,597	-	114,597
<b>Total current assets</b>	<b>1,331,264</b>	<b>244,977</b>	<b>1,576,241</b>
Capital assets:			
Land	195,750	-	195,750
Buildings	354,064	-	354,064
Equipment	10,226,347	-	10,226,347
Less: Accumulated depreciation	(7,054,079)	-	(7,054,079)
<b>Net capital assets</b>	<b>3,722,082</b>	<b>-</b>	<b>3,722,082</b>
<b>Total assets</b>	<b>5,053,346</b>	<b>244,977</b>	<b>5,298,323</b>
Liabilities:			
Current liabilities:			
Accounts payable	32,031	250,000	282,031
Accrued wages and benefits	28,624	-	28,624
Other accrued liabilities	5,848	-	5,848
Accrued interest payable	7,405	-	7,405
Due to other funds	4,594	-	4,594
Notes payable	368,229	-	368,229
<b>Total current liabilities</b>	<b>446,731</b>	<b>250,000</b>	<b>696,731</b>
Long-term liabilities:			
Compensated absences payable	76,467	-	76,467
<b>Total long-term liabilities</b>	<b>76,467</b>	<b>-</b>	<b>76,467</b>
<b>Total liabilities</b>	<b>523,198</b>	<b>250,000</b>	<b>773,198</b>
Net assets:			
Unrestricted	4,530,148	(5,023)	4,525,125
<b>Total net assets</b>	<b>\$ 5,053,346</b>	<b>\$ 244,977</b>	<b>\$ 5,298,323</b>

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

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2002**

	Municipal Garage	Employee Benefits Fund	Totals
Operating revenues:			
Charges for services	\$ 2,226,427	\$ 3,429,189	\$ 5,655,616
Other operating revenues	120,154	9,568	129,722
<b>Total operating revenues</b>	<b>2,346,581</b>	<b>3,438,757</b>	<b>5,785,338</b>
Operating expenses:			
Personal services	585,494	-	585,494
Contractual services	297,367	3,632,009	3,929,376
Commodities	516,083	-	516,083
Depreciation	819,871	-	819,871
Other operating expenses	44,790	-	44,790
<b>Total operating expenses</b>	<b>2,263,605</b>	<b>3,632,009</b>	<b>5,895,614</b>
Operating income	82,976	(193,252)	(110,276)
Non-operating revenues (expenses):			
Interest revenue	30,293	-	30,293
Interest expense	(8,646)	-	(8,646)
Gain (Loss) on sale of equipment	(57,395)	-	(57,395)
<b>Total non-operating revenues (expenses)</b>	<b>(35,748)</b>	<b>-</b>	<b>(35,748)</b>
Change in net assets	47,228	(193,252)	(146,024)
Total net assets, beginning of the year	4,482,920	188,229	4,671,149
<b>Total net assets, end of the year</b>	<b>\$ 4,530,148</b>	<b>\$ (5,023)</b>	<b>\$ 4,525,125</b>

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

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2002**

	<b>Municipal Garage</b>	<b>Employee Benefits Fund</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>			
Cash payments to suppliers for goods and services	\$ (847,405)	\$ (3,621,009)	\$ (4,468,414)
Cash payments to employees for services	(499,606)	-	(499,606)
Miscellaneous revenue	102,628	9,568	112,196
Cash received from quasi-external operating activities	2,238,767	3,430,067	5,668,834
Cash payments for quasi-external operating activities	(87,265)	-	(87,265)
<b>Net cash provided by operating activities</b>	<b>907,119</b>	<b>(181,374)</b>	<b>725,745</b>
<b>Cash flows from capital and related financing activities:</b>			
Sale of fixed assets	49,301	-	49,301
Purchase of fixed assets	(1,185,609)	-	(1,185,609)
Interest expense	(1,527)	-	(1,527)
Principal payments	(53,000)	-	(53,000)
Sale of notes	368,229	-	368,229
<b>Net cash used by capital and related financing activities</b>	<b>(822,606)</b>	<b>-</b>	<b>(822,606)</b>
<b>Cash flows from investing activities:</b>			
Interest income	30,293	-	30,293
<b>Net cash provided by investing activities</b>	<b>30,293</b>	<b>-</b>	<b>30,293</b>
Net increase (decrease) in cash and cash equivalents	114,806	(181,374)	(66,568)
Cash and cash equivalents, beginning of year	906,008	426,351	1,332,359
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,020,814</b>	<b>\$ 244,977</b>	<b>\$ 1,265,791</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2002**

<b>(continued)</b>	<b>Municipal Garage</b>	<b>Employee Benefits Fund</b>	<b>Totals Totals</b>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 82,976	\$ (193,252)	\$ (110,276)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	819,871	-	819,871
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(17,526)	-	(17,526)
Decrease (increase) in due from other funds	9,233	878	10,111
(Increase) decrease in supplies inventory	23,211	-	23,211
(Decrease) Increase in accounts payable	(20,048)	11,000	(9,048)
Increase (decrease) in accrued wages	3,278	-	3,278
(Decrease) in accrued liabilities	5,848	-	5,848
Increase (decrease) in compensated absences	276	-	276
<b>Total adjustments</b>	<b>824,143</b>	<b>11,878</b>	<b>836,021</b>
<b>Net cash provided by operating activities</b>	<b>\$ 907,119</b>	<b>\$ (181,374)</b>	<b>\$ 725,745</b>

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

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
MUNICIPAL GARAGE FUND  
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,615,467	\$ 2,615,467	\$ 2,390,696	\$ 224,771
<b>Total operating revenues</b>	<b>2,615,467</b>	<b>2,615,467</b>	<b>2,390,696</b>	<b>(224,771)</b>
Operating expenses				
Personal services	573,034	573,034	576,090	(3,056)
Contractual services	232,045	239,732	304,712	(64,980)
Commodities	610,350	602,476	526,894	75,582
Other operating expenses	1,525,524	1,725,408	1,558,873	166,535
<b>Total operating expenses</b>	<b>2,940,953</b>	<b>3,140,650</b>	<b>2,966,569</b>	<b>174,081</b>
Operating income (loss)	(325,486)	(525,183)	(575,873)	(50,690)
Non-operating revenues (expenses)				
Interest revenue	-	-	30,293	(30,293)
Interest expenses and fiscal charges	(55,650)	(55,650)	(1,527)	(54,123)
Debt retirement	-	-	(53,000)	53,000
Proceeds from notes	375,000	375,000	368,229	6,771
<b>Total non-operating revenues(expenses)</b>	<b>319,350</b>	<b>319,350</b>	<b>343,995</b>	<b>(24,645)</b>
Net income	(6,136)	(205,833)	(231,878)	(75,335)
Retained earnings, beginning of the year	631,929	631,929	631,929	-
Appropriation for prior year encumbrances	274,080	274,080	274,080	-
<b>Retained earnings, end of the year</b>	<b>\$ 899,873</b>	<b>\$ 700,176</b>	<b>\$ 674,131</b>	<b>\$ (75,335)</b>



CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
EMPLOYEE BENEFITS FUND  
FOR YEAR ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 3,268,000	\$ 3,268,000	\$ 3,439,635	\$ (171,635)
<b>Total operating revenues</b>	<b>3,268,000</b>	<b>3,268,000</b>	<b>3,439,635</b>	<b>171,635</b>
Operating expenses				
Contractual services	3,360,000	3,660,000	3,621,009	38,991
<b>Total operating expenses</b>	<b>3,360,000</b>	<b>3,660,000</b>	<b>3,621,009</b>	<b>38,991</b>
Net income	(92,000)	(392,000)	(181,374)	132,644
Retained earnings, beginning of the year	426,351	426,351	426,351	-
<b>Retained earnings, end of the year</b>	<b>\$ 334,351</b>	<b>\$ 34,351</b>	<b>\$ 244,977</b>	<b>\$ 132,644</b>

## **AGENCY FUNDS**

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

### **CONSERVANCY**

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

### **PAYROLL CLEARING**

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

### **MUNICIPAL COURT**

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

### **SAWYER TRUST**

The Sawyer Trust fund accounts for the funds collected for the annual "Hooked on Golf" junior golf program.

CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR YEAR ENDED DECEMBER 31, 2002

	CONSERVANCY			
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 1,145	\$ 117,755	\$ 110,835	\$ 8,065
<b>Total assets</b>	<b>1,145</b>	<b>117,755</b>	<b>110,835</b>	<b>8,065</b>
Liabilities:				
Due to other governments	1,145	102,755	110,835	(6,935)
Due to other funds	-	15,000	-	15,000
<b>Total liabilities</b>	<b>\$ 1,145</b>	<b>\$ 117,755</b>	<b>\$ 110,835</b>	<b>\$ 8,065</b>

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

CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR YEAR ENDED DECEMBER 31, 2002

	PAYROLL CLEARING			
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash with fiscal and escrow agent	\$ 91,853	\$ 11,205,467	\$ 11,214,981	\$ 82,339
<b>Total assets</b>	<b>91,853</b>	<b>11,205,467</b>	<b>11,214,981</b>	<b>82,339</b>
Liabilities:				
Due to other funds	878	452,686	453,211	353
Due to other governments	83,696	5,601,990	5,611,053	\$ 74,633
Due to individuals	7,279	5,150,791	5,150,717	7,353
<b>Total liabilities</b>	<b>\$ 91,853</b>	<b>\$ 11,205,467</b>	<b>\$ 11,214,981</b>	<b>\$ 82,339</b>

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

CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR YEAR ENDED DECEMBER 31, 2002

	MUNICIPAL COURT			
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 91,323	\$ 2,939,464	\$ 2,986,677	\$ 44,110
<b>Total assets</b>	<b>91,323</b>	<b>2,939,464</b>	<b>2,986,677</b>	<b>44,110</b>
Liabilities:				
Due to other funds	-	1,204,593	1,204,593	-
Due to other governments	-	402,761	402,761	-
Due to individuals	35,352	783,725	786,323	32,754
Unapportioned monies	55,971	548,385	593,000	11,356
<b>Total liabilities</b>	<b>\$ 91,323</b>	<b>\$ 2,939,464</b>	<b>\$ 2,986,677</b>	<b>\$ 44,110</b>

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

CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR YEAR ENDED DECEMBER 31, 2002

	SAWYER TRUST			
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 7,769	\$ 68	\$ -	\$ 7,837
<b>Total assets</b>	<b>7,769</b>	<b>68</b>	<b>-</b>	<b>7,837</b>
Liabilities:				
Due to other funds				
Due to other governments				
Due to individuals	7,769	68	0	7,837
Unapportioned monies				
<b>Total liabilities</b>	<b>\$ 7,769</b>	<b>\$ 68</b>	<b>\$ -</b>	<b>\$ 7,837</b>

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

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

**CITY OF MIDDLETOWN  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULES BY SOURCES  
DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
Governmental funds capital assets:		
Land and land improvements	\$ 7,783,487	\$ 7,772,954
Buildings	21,220,183	19,459,351
Infrastructure	8,631,893	-
Machinery and equipment	4,815,870	4,388,413
Total governmental funds capital assets	<u>\$ 42,451,433</u>	<u>\$ 31,620,718</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 29,881,289	\$ 27,696,067
Special revenue funds	3,938,251	3,924,651
Capital project funds	8,631,893	-
Total governmental funds capital assets	<u>\$ 42,451,433</u>	<u>\$ 31,620,718</u>

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



**CITY OF MIDDLETOWN**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**DECEMBER 31, 2002**

Function and Activity	Machinery and Equipment	Land and Land Improvements	Buildings	Infrastructure	Total
General Government:					
City Manager/City Council	\$ 27,430	\$ -	\$ -	\$ -	\$ 27,430
Finance	1,561,640	277,050	-	-	1,838,690
Law	11,500	-	-	-	11,500
Planning	5,207	1,105,927	-	-	1,111,134
Bldg. Maint.	111,641	-	-	-	111,641
Engineering	50,939	-	-	-	50,939
Income Tax	19,992	-	-	-	19,992
Miami Conservancy	-	-	7,660	-	7,660
City Building/Library	-	-	12,825,916	-	12,825,916
Leisure:					
Douglass Park	-	95,850	6,365	-	102,215
Jacot Park	-	-	-	-	-
Parks Maintenance	441,114	-	-	-	441,114
Recreation/Community Center	341,254	123,050	1,558,454	-	2,022,758
Smith Park	-	-	21,986	-	21,986
Sunset Park	-	310,400	1,053,214	-	1,363,614
Other Parks	-	3,541,713	518,810	-	4,060,523
Various	-	466,447	-	-	466,447
Public health:					
Health & Environment	6,200	-	-	-	6,200
Social Health	82,458	8,100	483,262	-	573,820
Senior Citizens Center & Cemetery	-	1,643,250	1,037,961	-	2,681,211
Public safety:					
Fire	608,995	205,750	819,954	-	1,634,699
Police	1,011,387	5,950	487,451	-	1,504,788
Electronic Maintenance	233,287	-	427,865	-	661,152
Municipal Court	77,127	-	-	-	77,127
Police Grants	33,858	-	-	-	33,858
12th District Court	-	-	1,684,423	-	1,684,423
Streets and highways:					
Street Maintenance	191,841	-	286,862	-	478,703
Street system	-	-	-	8,631,893	8,631,893
Total governmental funds capital assets	<u>\$ 4,815,870</u>	<u>\$ 7,783,487</u>	<u>\$ 21,220,183</u>	<u>\$ 8,631,893</u>	<u>\$ 42,451,433</u>

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

**CITY OF MIDDLETOWN  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

Function and Activity	Governmental Funds Capital Assets January 1, 2002	Additions	Deductions	Governmental Funds Capital Assets December 31, 2002
General Government:				
City Manager/City Council	\$ 27,430	\$ -	\$ -	\$ 27,430
Finance	1,824,859	13,831	-	1,838,690
Law	11,500	-	-	11,500
Planning	1,111,134	-	-	1,111,134
Bldg. Maint.	111,641	-	-	111,641
Engineering	50,939	-	-	50,939
Income Tax	11,469	8,523	-	19,992
Miami Conservancy	7,660	-	-	7,660
City Building/Library	12,784,280	41,636	-	12,825,916
Leisure:				
Recreation & Community Center	2,012,225	10,533	-	2,022,758
Parks Maintenance	441,114	-	-	441,114
Sunset Park	1,363,614	-	-	1,363,614
Douglass Park	102,215	-	-	102,215
Smith Park	21,986	-	-	21,986
Other Parks	4,025,750	-	-	4,025,750
Various	466,447	34,773	-	501,220
Public health:				
Health & Environment	6,200	-	-	6,200
Social Health	521,251	52,569	-	573,820
Senior Citizens Center	2,681,211	-	-	2,681,211
Public safety:				
Fire	1,611,869	22,830	-	1,634,699
Police	1,199,217	305,571	-	1,504,788
Electronic Maintenance	661,152	-	-	661,152
Municipal Court	77,127	-	-	77,127
Police Grants	33,858	-	-	33,858
12th District Court	-	1,684,423	-	1,684,423
Streets and highways:				
Street Maintenance	465,103	13,600	-	478,703
Street system	-	8,631,893	-	8,631,893
Total governmental funds capital assets	<u>\$ 31,631,251</u>	<u>\$ 10,820,182</u>	<u>\$ -</u>	<u>\$ 42,451,433</u>

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

## **STATISTICAL TABLES**

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

**CITY OF MIDDLETOWN, OHIO**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)**  
 Last ten years  
 (Amounts in 000's)  
 Table 1

	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Public safety	\$13,053	\$14,450	\$15,529	\$16,559	\$17,667	\$17,962	\$18,753	\$19,457	\$20,863	\$23,775
Public health and welfare	868	899	1,120	1,178	1,138	1,098	1,246	1,548	1,699	1,996
Leisure time activities	737	937	875	946	959	957	1,264	1,022	1,072	1,233
Community environment	4,865	4,045	5,407	4,958	3,975	3,694	4,423	7,468	11,195	14,991
Highways and streets	1,826	3,469	2,983	4,043	5,179	3,946	3,255	4,618	5,139	7,401
General government	3,969	3,986	3,827	3,888	3,641	3,915	4,693	4,676	4,804	5,124
Principal and interest	2,175	4,694	1,937	2,067	1,955	1,615	1,676	2,429	2,509	2,573
Other	739	681	705	794	1,381	975	1,098	1,245	1,001	1,371
<b>Total expenditures</b>	<b>\$28,232</b>	<b>\$33,161</b>	<b>\$32,383</b>	<b>\$34,433</b>	<b>\$35,895</b>	<b>\$34,162</b>	<b>\$36,408</b>	<b>\$42,461</b>	<b>\$48,282</b>	<b>\$58,464</b>

(1) The expenditures are those recorded in the General, Special Revenue, Debt Service and Capital Projects Funds.

Source: City of Middletown Finance Department

**CITY OF MIDDLETOWN, OHIO**  
**GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)**  
**Last ten years**  
**(Amounts in 000's)**  
**Table 2**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Property taxes	\$3,943	\$4,067	\$4,236	\$4,439	\$4,809	\$4,593	\$4,837	\$5,140	\$4,773	\$5,019
Municipal income tax	11,488	12,781	13,661	14,361	14,959	15,975	17,614	16,970	19,230	17,764
Intergov'tal revenues	6,147	7,043	6,821	7,381	7,734	8,477	9,024	11,952	13,808	16,308
Charges for services	1,579	982	1,214	1,129	1,119	1,273	1,802	1,371	2,568	3,730
Special assessments	511	647	623	810	903	690	980	810	816	625
Licenses and permits	269	408	435	615	179	437	337	308	335	274
Interest earnings	397	486	801	985	758	1,073	1,179	1,974	1,905	1,111
Fines and forfeitures	799	907	933	1,162	1,149	1,218	1,152	1,272	1,301	1,259
Miscellaneous	751	1,164	758	875	1,593	1,803	1,276	1,544	1,515	2,178
Increase in Investment Fair Value	0	0	0	0	0	0	0	0	394	92
<b>Total revenues</b>	<b>\$ 25,884</b>	<b>\$ 28,485</b>	<b>\$ 29,482</b>	<b>\$ 31,757</b>	<b>\$ 33,203</b>	<b>\$ 35,539</b>	<b>\$ 38,201</b>	<b>\$ 41,339</b>	<b>\$46,645</b>	<b>\$48,360</b>

(1) The revenues are those recorded in the General, Special Revenue, Debt Service and Capital Projects Funds.

Source: City of Middletown Finance Department

**CITY OF MIDDLETOWN, OHIO  
REAL AND TANGIBLE  
PERSONAL PROPERTY TAXES  
BILLED AND COLLECTED  
Last ten years  
Table 3**

<b>Collection Year</b>	<b>(1) Billed</b>	<b>(2) Collected</b>	<b>Percentage Collected</b>
1993	\$4,080,497	\$3,926,389	96.22
1994	\$4,195,749	\$4,124,426	98.30
1995	\$4,278,253	\$4,235,524	99.00
1996	\$4,516,177	\$4,439,402	98.30
1997	\$4,633,640	\$4,780,081	103.16
1998	\$4,727,232	\$4,561,403	98.44
1999	\$5,175,830	\$4,837,000	93.45
2000	\$5,208,503	\$5,145,764	98.80
2001	\$4,789,377	\$4,856,136	101.39
2002	\$5,420,160	\$5,062,541	93.40

(1) "Billed" is current charges, including current and delinquent abatements presented on a cash basis.

(2) "Collected" includes collections of current "Billed" and delinquencies presented on a cash basis.

**CITY OF MIDDLETOWN, OHIO**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
 Last ten years  
 Table 4

Tax Levy/ Collection Year	Real Property		Personal Property (1)	
	Assessed	Estimated Actual	Assessed	Estimated Actual
1991/1992	\$383,117,950	\$1,094,622,714	\$175,640,350	\$675,539,808
1992/1993	\$386,523,770	\$1,104,353,629	\$184,235,170	\$736,940,680
1993/1994	\$429,178,780	\$1,226,225,086	\$156,254,003	\$625,016,012
1994/1995	\$472,913,080	\$1,351,180,229	\$142,102,798	\$568,411,192
1995/1996	\$479,889,030	\$1,371,111,514	\$159,765,906	\$639,063,624
1996/1997	\$532,779,540	\$1,522,227,257	\$177,047,357	\$708,189,428
1997/1998	\$564,341,260	\$1,612,403,600	\$202,162,822	\$808,651,288
1998/1999	\$570,896,656	\$1,631,133,029	\$188,367,171	\$753,468,684
1999/2000	\$622,983,930	\$1,779,954,085	\$210,395,072	\$841,580,288
2000/2001	\$636,123,788	\$1,817,496,628	\$215,164,970	\$860,659,880
2001/2002	\$652,340,540	\$1,863,830,207	\$237,371,433	\$949,485,732

(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 Department.

<b>Public Utility (2)</b>		<b>Totals</b>		<b>Assessed Value as a Percent of Estimated Actual Value</b>	<b>Tax Levy/ Collection Year</b>
<b>Assessed</b>	<b>Estimated Actual</b>	<b>Assessed</b>	<b>Estimated Actual</b>		
\$48,748,210	\$187,365,236	\$607,506,510	\$1,957,527,758	31.03	1991/1992
\$51,268,100	\$204,915,200	\$622,027,040	\$2,046,209,509	30.40	1992/1993
\$54,163,150	\$216,484,394	\$639,595,933	\$2,067,725,492	30.93	1993/1994
\$55,286,720	\$221,146,880	\$670,302,598	\$2,160,738,301	31.02	1994/1995
\$55,223,380	\$220,893,520	\$694,878,316	\$2,231,068,658	31.15	1995/1996
\$54,505,910	\$218,023,640	\$764,332,807	\$2,448,440,325	31.22	1996/1997
\$53,128,190	\$212,512,760	\$819,632,272	\$2,633,567,648	31.12	1997/1998
\$54,545,990	\$218,183,960	\$813,809,721	\$2,602,785,673	31.27	1998/1999
\$55,443,990	\$158,411,400	\$888,822,992	\$2,779,945,773	31.97	1999/2000
\$52,757,620	\$211,030,480	\$904,046,378	\$2,889,186,988	31.29	2000/2001
\$35,230,090	\$140,920,360	\$924,942,063	\$2,954,236,299	31.31	2001/2002



**CITY OF MIDDLETOWN, OHIO  
PROPERTY TAX RATES AND TAX LEVIES  
DIRECT AND OVERLAPPING GOVERNMENTS  
Last ten years (1)  
Table 5**

<b>City of Middletown</b>							
<b>Collec- tion Year</b>	<b>Operating</b>	<b>Police and Fire Pension</b>	<b>Debt Retirement</b>	<b>City of Middletown Total</b>	<b>Butler County</b>	<b>Middletown City School District</b>	<b>Total</b>
1993	5.26	0.60	0.70	6.56	7.45	33.23	53.80
1994	5.26	0.60	0.70	6.56	7.44	32.88	53.44
1995	5.26	0.60	0.63	6.49	7.44	38.20	58.62
1996	5.26	0.60	0.63	6.49	7.44	40.13	60.55
1997	5.26	0.60	0.56	6.42	8.45	38.56	59.85
1998	5.26	0.60	0.56	6.42	8.45	38.56	59.85
1999	5.26	0.60	0.61	6.47	8.44	38.49	59.87
2000	5.26	0.60	0.45	6.31	8.45	37.26	58.33
2001	5.26	0.60	0.00	5.86	8.45	37.26	57.43
2002	5.26	0.60	0.00	5.86	8.75	36.71	57.18

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

Source: Butler County Auditor's Office

**CITY OF MIDDLETOWN, OHIO  
SPECIAL ASSESSMENT COLLECTIONS  
BILLED AND COLLECTED  
Last ten years (1)  
Table 6**

<b>Collection Year</b>	<b>Billed</b>	<b>Collected</b>	<b>Percentage Collected</b>	<b>Accumulated Delinquent</b>
1993	\$535,208	\$516,259	96.5%	\$171,124
1994	\$531,607	\$511,722	96.3%	\$191,009
1995	\$507,808	\$506,804	99.8%	\$192,013
1996	\$557,611	\$560,260	100.5%	\$189,364
1997	\$523,002	\$591,053	113.0%	\$68,051
1998	\$625,000	\$626,228	100.2%	\$66,823
1999	\$706,541	\$747,284	105.8%	\$26,080
2000	\$748,297	\$731,531	97.8%	\$42,846
2001	\$879,850	\$864,013	98.2%	\$40,309
2002	\$741,490	\$623,248	84.1%	\$83,226

(1) Presented on a cash basis.

Source: City of Middletown Finance Department and Butler County Auditor's Office.

**CITY OF MIDDLETOWN, OHIO**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE**  
**AND NET BONDED DEBT PER CAPITA**  
 Last ten years  
 Table 7

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Assessed Value</b>	<b>Gross General Bonded Debt</b>	<b>Less Cash Available in Debt Service Funds</b>
1993	47,892	\$622,027,040	\$4,995,000	\$260,986
1994	48,494	\$639,595,933	\$17,117,536	\$290,897
1995	48,902	\$670,302,598	\$17,731,765	\$347,950
1996	49,522	\$694,878,316	\$21,425,482	\$371,374
1997	50,231	\$764,332,807	\$20,627,803	\$120,395
1998	50,836	\$819,632,272	\$19,513,498	\$147,041
1999	51,003	\$813,809,721	\$31,624,840	\$493,064
2000	51,605	\$888,822,992	\$30,379,429	\$1,085,021
2001	51,605	\$904,046,378	\$28,907,439	\$749,433
2002	51,605	\$924,942,063	\$26,965,296	\$628,368

(1) Estimates from the Department of Planning and Economic Development.

Source: City of Middletown Finance Department.

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<b>Less Debt Payable from Enterprise Funds</b>	<b>Net General Bonded Debt</b>	<b>Ratio of Net General Bonded Debt to Assessed Value</b>	<b>Per Capital Net General Bonded Debt</b>	<b>Fiscal Year</b>
\$325,000	\$4,409,014	0.71%	\$92	1993
\$8,717,000	\$8,109,639	1.27%	\$167	1994
\$8,240,000	\$9,143,815	1.36%	\$187	1995
\$9,995,000	\$11,059,108	1.59%	\$223	1996
\$9,570,000	\$10,937,408	1.43%	\$218	1997
\$9,105,000	\$10,261,457	1.25%	\$202	1998
\$11,160,000	\$19,971,776	2.45%	\$392	1999
\$10,565,000	\$18,729,408	2.11%	\$363	2000
\$9,960,000	\$18,198,006	2.01%	\$353	2001
\$9,315,000	\$17,021,928	1.84%	\$330	2002

**CITY OF MIDDLETOWN, OHIO  
 COMPUTATION OF LEGAL DEBT MARGIN  
 UNVOTED DEBT LIMIT (5.5 %)  
 December 31, 2002  
 Table 8 (A)**

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<b>Assessed valuations:</b>	
<b>Total assessed property value</b>	<b><u><u>\$ 924,942,063</u></u></b>
<b>Legal unvoted debt margin:</b>	
Unvoted debt limit 5.5% of assessed valuation	\$ 50,871,813
Total unvoted bonded debt outstanding at December 31, 2002	\$ 26,765,296
Less: Unvoted general obligation bonds to be paid from enterprise fund revenues	(9,315,000)
Unvoted general obligation bonds issued to fund urban renewal projects	(9,510,000)
Unvoted general obligation bonds issued in anticipation of the collection of special assessments (1)	<u>(2,955,296)</u>
Total	4,985,000
Less: Cash in debt service fund	<u>399,681</u>
Net subject to 5.5% limit	<u>\$ 4,585,319</u>
<b>Total legal unvoted debt margin</b>	<b><u><u>\$ 46,286,494</u></u></b>

(1) Under the laws of the State of Ohio special assessment bonds outstanding are not counted when measuring a municipality's debt margin.

Source: City of Middletown Finance Department

**CITY OF MIDDLETOWN, OHIO  
 COMPUTATION OF LEGAL DEBT MARGIN  
 VOTED AND UNVOTED DEBT LIMIT (10.5%)  
 December 31, 2002  
 Table 8 (B)**

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<b>Assessed valuations:</b>		
Total assessed property value		<u><u>\$ 924,942,063</u></u>
<b>Legal voted and unvoted debt margin:</b>		
Voted and unvoted debt limit 10.5% of assessed valuation		\$ 97,118,917
Total voted and unvoted bonded debt outstanding at December 31, 2002	\$ 26,965,296	
Less: Unvoted general obligation bonds to be paid from enterprise fund and internal service fund revenues	(9,315,000)	
Unvoted general obligation bonds issued to fund urban renewal projects	(9,510,000)	
Unvoted general obligation bonds issued in anticipation of the collection of special assessments (1)	<u>(2,955,296)</u>	
Total	5,185,000	
Less: Cash in debt service fund	<u>628,368</u>	
Net subject to 10.5% limit		<u>4,556,632</u>
<b>Total legal voted and unvoted debt margin</b>		<u><u>\$ 92,562,285</u></u>

(1) Under the laws of the State of Ohio special assessment bonds outstanding are not counted when measuring a municipality's debt margin.

Source: City of Middletown Finance Department

**CITY OF MIDDLETOWN, OHIO**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**December 31, 2002**  
**Table 9**

<b>Political Subdivision</b>	<b>General Bonded Debt</b>	<b>Percent Applicable to City</b>	<b>City's Share</b>
City of Middletown	\$14,705,000	100.00	\$14,705,000
Butler County	47,010,000	13.80	6,487,380
Warren County	<u>13,938,580</u>	2.09	<u>291,316</u>
Total	\$75,653,580		\$21,483,697

Source: Butler and Warren County Auditor's Offices.

**CITY OF MIDDLETOWN, OHIO**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR**  
**GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**  
 Last ten fiscal years  
 Table 10

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest and Fiscal Charges</b>	<b>Debt Service</b>	<b>Total General Expenditures</b>	<b>Ratio of Debt Service to Total General Expenditures</b>
1993	\$900,000	\$462,151	\$1,362,151	\$28,187,334	4.8
1994	\$870,000	\$510,580	\$1,380,580	\$33,380,497	4.1
1995	\$1,140,771	\$783,299	\$1,924,070	\$32,383,058	5.9
1996	\$1,347,000	\$720,426	\$2,067,426	\$34,433,034	6.0
1997	\$1,117,018	\$838,579	\$1,955,597	\$35,895,394	5.4
1998	\$875,743	\$715,908	\$1,591,651	\$34,345,520	4.6
1999	\$913,376	\$754,426	\$1,667,802	\$36,408,780	4.6
2000	\$1,236,780	\$1,191,866	\$2,428,646	\$42,175,729	5.8
2001	\$1,231,658	\$1,136,965	\$2,368,623	\$48,280,677	4.9
2002	\$1,287,144	\$1,077,457	\$2,364,601	\$58,552,771	4.0

Source: City of Middletown Finance Department



**CITY OF MIDDLETOWN, OHIO  
GENERAL OBLIGATION COVERAGE  
WATER AND SEWER BONDS  
Last ten fiscal years (cash basis)  
Table 11**

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
<i>Water</i>							
1993	\$4,496,579	\$3,583,762	\$912,817	\$121,250	\$87,482	\$208,732	4.37
1994	\$5,245,029	\$3,970,845	\$1,274,184	\$222,500	\$200,198	\$422,698	3.01
1995	\$5,072,962	\$4,307,645	\$765,317	\$683,200	\$228,390	\$911,590	0.84
1996	\$5,209,994	\$4,040,121	\$1,169,873	\$165,000	\$170,464	\$335,464	3.49
1997	\$5,130,879	\$3,839,969	\$1,290,910	\$165,000	\$160,774	\$325,774	3.96
1998	\$4,991,289	\$3,965,041	\$1,026,248	\$110,000	\$151,152	\$261,152	3.93
1999	\$5,140,331	\$4,492,751	\$647,580	\$115,000	\$173,331	\$288,331	2.25
2000	\$5,338,202	\$2,886,657	\$2,451,545	\$400,000	\$285,062	\$685,062	3.58
2001	\$5,359,076	\$3,686,196	\$1,672,880	\$385,000	\$275,433	\$660,433	2.53
2002	\$5,554,681	\$4,133,045	\$1,421,636	\$380,000	\$264,805	\$644,805	2.20

*Sewer*

1993	\$6,160,383	\$3,742,643	\$2,417,740	\$376,564	\$386,053	\$762,617	3.17
1994	\$7,054,831	\$4,239,582	\$2,815,249	\$233,750	\$212,370	\$446,120	6.31
1995	\$6,371,050	\$4,055,246	\$2,315,804	\$502,071	\$259,050	\$761,121	3.04
1996	\$6,364,374	\$5,150,628	\$1,213,746	\$180,000	\$237,320	\$417,320	2.91
1997	\$5,888,343	\$3,970,440	\$1,917,903	\$195,000	\$140,565	\$335,565	5.72
1998	\$5,824,247	\$4,142,245	\$1,682,002	\$150,000	\$152,100	\$302,100	5.57
1999	\$6,153,529	\$4,011,458	\$2,142,071	\$160,000	\$81,285	\$241,285	8.88
2000	\$6,229,722	\$3,053,316	\$3,176,406	\$170,000	\$73,605	\$243,605	13.04
2001	\$5,831,642	\$3,892,100	\$1,939,542	\$175,000	\$65,105	\$240,105	8.08
2002	\$5,504,843	\$4,365,161	\$1,139,682	\$185,000	\$56,093	\$241,093	4.73

(1) Gross revenues consist of cash basis operating revenues, interest revenue, and other sources.

(2) Direct operating expenses consist of total cash operating expenses.

Source: City of Middletown Finance Department

**CITY OF MIDDLETOWN, OHIO  
DEMOGRAPHIC STATISTICS  
December 31, 2002  
Table 12 (A)**

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*Population*

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<b>Year</b>	<b>City of Middletown</b>	<b>Butler County</b>
1940	31,220	120,249
1950	33,695	147,203
1960	42,115	199,076
1970	48,767	226,207
1980	43,719	258,787
1990	46,022	291,479
2000	51,605	332,807

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*Housing and Income Statistics*

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	<b>City of Middletown</b>	<b>Butler County</b>	<b>State of Ohio</b>
Total housing units	23,144	129,793	4,783,051
Total year-round occupied units	21,469	123,082	4,445,773
Owner occupied (percent of total year-round)	60.10%	71.60%	69.10%
Median value/owner occupied homes	\$91,600	\$73,000	\$103,700
Percent total units constructed prior to 1940	19.70%	13.20%	22.50%
Percent total units constructed since 1980	18.40%	81.70%	22.80%
Median family income	\$36,215	\$47,885	\$40,956
Per capita income	\$19,773	\$22,076	\$21,003

Source: 2000 U.S. Census

**CITY OF MIDDLETOWN, OHIO  
DEMOGRAPHIC STATISTICS  
December 31, 2002  
Table 12 (B)**

*2000 Census of Employed Persons*

<b>Employment</b>	<b>Middletown %</b>	<b>Butler County %</b>	<b>State of Ohio %</b>
Manufacturing	27.00	21.70	20.00
Educational, health, and social services	18.10	19.00	19.70
Retail trade	11.60	11.80	11.90
Arts, entertainment, recreation, & accomodations	8.60	7.60	7.50
Professional, scientific, management, solid waste	7.00	8.50	8.00
Construction	7.30	7.00	6.00
Finance, insurance, and real estate	5.20	7.10	6.30
Other Services	4.50	3.80	4.50
Transportation	3.50	4.70	4.90
Public administration	3.00	3.10	4.10
Wholesale trade	2.90	3.80	3.60
Information	1.20	1.60	2.40
Agriculture, forestry, fishing & hunting, mining	0.10	0.40	1.10

Source: 2000 U.S. Census

The following table shows comparative average employment and unemployment statistics for the County/MSA, the City of Middletown, Butler County and the State of Ohio.

<i>Employment Data</i>			<i>Unemployment Percentage Rates</i>		
<b>Year</b>	<b>Employed County/MSA</b>	<b>Unemployed County/MSA</b>	<b>City of Middletown</b>	<b>Butler County</b>	<b>State of Ohio</b>
1993	146,900	10,400	9.50	7.74	6.48
1994	152,400	8,600	7.90	5.37	5.53
1995	159,000	6,600	6.20	4.20	4.90
1996	160,800	6,800	6.10	3.40	4.90
1997	169,600	6,100	5.20	3.56	4.60
1998	172,500	5,900	5.00	3.40	4.20
1999	180,200	6,000	4.80	3.20	4.30
2000	183,600	5,700	4.50	3.00	4.10
2001	188,000	6,500	4.50	3.30	4.50
2002	189,200	7,200	5.50	4.40	5.70

Source: Ohio Labor Market Information and City of Middletown Planning Department

**CITY OF MIDDLETOWN, OHIO**  
**PROPERTY VALUE AND CONSTRUCTION (1)**  
 Last ten fiscal years  
 Table 13

Fiscal Year	Industrial and Commercial Construction		Residential Construction		Property Value		
	# of Permits	Value	# of Permits	Value	Industrial and Commercial	Residential	Nontaxable
1993	81	\$10,329,050	425	\$ 14,686,487	\$360,309,050	\$261,717,990	\$58,428,910
1994	123	\$23,076,415	520	\$ 13,866,723	\$336,802,163	\$302,793,770	\$88,184,630
1995	167	\$21,916,721	402	\$ 11,443,868	\$348,714,108	\$321,858,490	\$90,386,060
1996	142	\$18,421,031	348	\$ 13,699,542	\$325,297,899	\$326,422,380	\$82,453,310
1997	127	\$14,558,059	343	\$ 13,263,369	\$324,836,171	\$369,256,300	\$81,611,112
1998	165	\$32,841,518	448	\$ 12,117,541	\$378,357,482	\$387,992,590	\$81,726,156
1999	174	\$16,537,595	382	\$ 12,200,500	\$359,643,120	\$438,941,970	\$94,985,310
2000	146	\$14,776,814	326	\$ 7,716,633	\$366,412,190	\$446,452,110	\$94,553,410
2001	228	\$23,418,645	290	\$ 12,587,619	\$200,062,910	\$450,904,030	\$95,632,110
2002	152	\$16,516,930	261	\$ 6,670,195	\$218,052,540	\$532,027,110	\$94,616,100

(1) Although the Government Finance Officers' Association recommends that bank deposits be included in this schedule, the City's local banks are all subsidiaries of larger organizations, and separate banks deposits are not published.

Source: City of Middletown Division of Building Inspection and the Butler County Auditor's Office

**CITY OF MIDDLETOWN, OHIO  
REAL AND TANGIBLE PERSONAL PROPERTY  
PRINCIPAL TAX PAYERS  
December 31, 2002  
Table 14**

*Real Property: Excluding Public Utility*

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Total Assessed
A.K. Steel	Steel manufacturing	\$ 17,053,840	2.61%
Precision Strip	Steel processing	3,840,270	0.59
Southwestern Ohio Steel	Steel processing	3,688,060	0.57
Garden Manor	Retirement home	3,555,840	0.55
Trinity Place Comm	Apartment complex	2,194,270	0.34
Bay West Paper Company	Paper and packaging	1,780,300	0.27
Riverside Village LTD	Apartment complex	1,765,880	0.27
Akers Packaging	Box manufacturing	1,606,670	0.25
Pre Finish Metals, Inc.	Metal processing	1,518,500	0.23
Venture 3 Enterprises, LLC		1,448,590	0.22
Total		\$ 38,452,220	5.89%

*Tangible Personal: Excluding Public Utility*

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Total Assessed
A.K. Steel	Steel manufacturing	\$ 130,206,070	54.85%
Bay West Paper Company	Paper and packaging	14,622,420	6.16
Southwestern Ohio Steel	Steel processing	5,108,520	2.15
Messer Greisheim	Steel trimming	5,026,890	2.12
Aeronca, Inc.	Aircraft parts manufacturing	4,757,020	2.00
Air Products & Chemicals	Industrial gas manufacturing	4,170,540	1.76
Pre Finish Metals, Inc.	Metal processing	3,395,510	1.43
J & F Steel Corporation	Steel processing	2,989,880	1.26
Magnode Corporation	Paper manufacturing	2,495,180	1.05
Cohen Brothers, Inc.	Recycling	2,376,840	1.00
Total		\$ 175,148,870	73.79%

Source: Butler County Auditor's Office

**CITY OF MIDDLETOWN, OHIO  
 MISCELLANEOUS STATISTICS  
 December 31, 2002  
 Table 15**

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<b>Date of incorporation</b>	1837
<b>Form of government</b>	Council - Manager
<b>Number of employees</b>	467
<b>Area</b>	25.8 square miles
<b>Miles of streets</b>	229
<b>Fire protection:</b>	
Number of stations	5
Number of sworn firemen	89
<b>Police protection:</b>	
Number of stations	1
Number of sworn policemen	92
<b>Municipal water department:</b>	
Number of customers	19,869
Miles of water mains	332.0
<b>Sewers:</b>	
Miles of sanitary and storm sewer	299
<b>Building permits issued 2002</b>	518
<b>Recreation:</b>	
Parks	36 (31 developed, 5 undeveloped)
Pools	2
Community center	1
Senior activity center	1
Golf courses:	
Municipal	1
Private	2
<b>Transportation</b>	
Air:	
Number of airports	1
Number of freight airlines	1
Land:	
Interstate bus lines	1
Local bus lines	1
Rail:	
Number of railroad systems	2
<b>Education:</b>	
Miami University - Middletown Students	2,830

Source: City of Middletown Finance and Engineering & Development Departments.



**Auditor of State  
Betty Montgomery**

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**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  
OCTOBER 2, 2003**