



**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 31, 2004

FEDERAL GRANTOR <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>			
Community Development Block Grant Entitlements	N/A	14.218	\$767,322
Housing Assistance for Low Income Families - Section 8	N/A	14.856	9,244,726
<i>Passed Through Butler County Department of Community Development</i> Home Program - Investment Partnership Program	N/A	14.239	<u>515,128</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>10,527,176</u></b>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Local Law Enforcement Block Grant - 2001	N/A	16.592	13,903
Local Law Enforcement Block Grant - 2002	N/A		24,628
Local Law Enforcement Block Grant - 2003	N/A		<u>19,097</u>
Total Local Law Enforcement Block Grants			57,628
Public Safety Partnership and Community Policing Grant (COPS)	N/A	16.710	<u>24,600</u>
<b>Total U.S. Department of Justice</b>			82,228
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Public Transportation for Urbanized Areas Operating Assistance	N/A	20.507	231,418
Capital Assistance			260,656
Paratransit Grant			79,306
Planning Grant			<u>23,000</u>
Total Public Transportation for Urbanized Areas			594,380
<i>Passed through Ohio Department of Transportation</i> Federal Aviation Administration (FAA)	03-1809	20.106	49,428
<i>Passed Through Ohio Department of Public Safety;</i> State and Community Highway Safety (STEP) START SAFE Communities Program	09031ADO	20.600	11,098
			<u>24,535</u>
Total Passed through Ohio Department of Public Safety			35,633
<b>Total U.S. Department of Transportation</b>			<b><u>679,441</u></b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through Butler County Department of Job &amp; Family Services</i>			
Title XX Social Services Block Grant	9-99-2627	93.667	<u>31,177</u>
Total Passed through Butler County Department of Job and Family Services			<b><u>31,177</u></b>
<i>Passed through the Ohio Department of Health</i> <i>Passed through the City of Hamilton, Butler County</i>			
Immunization Action Plan	182-B	93.268	41,919
Block Grant Maternal and Child Health Services	9-2-01-F-AI-320	93.994	233,456
Early Start Grant	9-2-001-1-MC-04		<u>326,562</u>
Total Child and Family Health Services Block Grants			560,018
Total Passed through Ohio Department of Health			<u>601,937</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>633,114</u></b>
<b><u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u></b>			
<i>Passed Through Ohio Emergency Management Agency</i>			
Public Assistance Grant	FEMA-3198-EM-017-49840	97.036	<u>80,029</u>
<b>Total Federal Emergency Management Agency</b>			<b><u>80,029</u></b>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b><u>\$12,001,988</u></b>

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, 2004**

**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. 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.



**Auditor of State  
Betty Montgomery**

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Butler County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the City's management dated July 18, 2005, we reported a matter related to noncompliance we deemed immaterial.

City of Middletown  
Butler County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required By *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for 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

July 18, 2005



## Auditor of State Betty Montgomery

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

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

To the City Council:

#### Compliance

We have audited the compliance of the 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 apply to each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Middletown, Butler County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2004.

#### Internal Control Over Compliance

The City's management 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's internal control over compliance with requirements that could directly and materially affect a major federal program 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Middletown, Butler County as of and for the year ended December 31, 2004, and have issued our report thereon dated July 18, 2005. Our audit was performed to form opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information 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 intend this report solely for the information and use of the audit committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

July 18, 2005

**CITY OF MIDDLETOWN  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2004**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA# 20.507 – Public Transportation for Urbanized Areas CFDA# 14.856 – Housing Assistance for Low Income Families
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 360,060 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	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, 2004**



**CITY OF MIDDLETOWN, OHIO**



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

**For the year ended December 31, 2004**

**Prepared by  
Finance Department**

**John T. Lyons  
Finance Director**

**CITY OF MIDDLETOWN, OHIO  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the year ended December 31, 2004**

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## **INTRODUCTORY SECTION**

July 18, 2005

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, 2004, contains the financial statements and other financial and statistical data that provide a complete and full disclosure of all material financial aspects of the City. The responsibility for the accuracy of all data presented its completeness and fairness of presentation rests with the City of Middletown.

The report presents the financial activity of the City in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources, and is consistent with the new reporting model as promulgated by GASB Statement No. 34, 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 2003 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 independent accountants' report.

## **MIDDLETOWN**

Situated on the banks of the Great Miami River in Southwestern Ohio, Middletown is within easy driving distance of both Cincinnati and Dayton. Middletown is a vibrant, dynamic community of approximately 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.
- In November 2004, Middletown voters approved a \$75.8 million bond issue to replace all of Middletown's elementary schools with eight new school buildings. In May 2005, voters again approved a \$14.3 million school property tax levy to pay for the operations of the Middletown school system.

### **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 Butler County Vocational.

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. Both the steel and paper industries have recently downsized.

In 2001, 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.

## **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.

## **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. The City's water and sewer utilities serve the City and several townships adjacent to Middletown.

The City's 2004 initiatives emphasized capital improvements in the City.

### **MIDDLETOWN REGIONAL HOSPITAL**

The City of Middletown signed an agreement in December 2002 obligating it to expend \$5.5 million to acquire land for Middletown Regional Hospital which planned to relocate in the eastern edge of Middletown. In December 2003, Middletown issued general obligation bonds in the amount of \$5,640,000 to acquire land for the future Hospital. This land was acquired in January 2004. The general obligation bonds will be retired over twenty years with property taxes and local income tax revenues generated by the Hospital's \$100-\$150 million medical campus project. Construction is scheduled to begin in mid 2005.

### **CITY WATER BILLING DIVISION**

The City Water Billing Division initiated an automated telephone service for its customers in 2004. Middletown water customers can now key in their credit card payments and their monthly water meter readings through their touch tone telephones. The Division also improved its collection procedures in 2004 by arranging for a bank lockbox to receive all of its mail receipts.

### **CINCINNATI-DAYTON ROAD PROJECT**

Cincinnati-Dayton Road is being widened to five lanes to accommodate increased traffic which is a result of the commercial growth in Middletown's east end. This \$11.6 million project, which began in 2004 and is expected to be completed in late 2005, is financed with a combination of federal funds (\$7.3 million), State of Ohio funds (\$1.6 million), and City of Middletown funds (\$2.7 million).

## Future

The City of Middletown issued notes in early 2005 in anticipation of bonds to finance the acquisition of hangars and other structures located at Hook Field Municipal Airport. The City already owned the airport land. The complete ownership and management of Hook Field adds an amenity that will encourage economic development in Middletown.

## 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> <u>(cash basis)</u>
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
2003	2004	\$1,045,301,496	\$ 5,679,391

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 (Cash Basis)</u>	
2000	18,065,819
2001	17,778,038
2002	17,904,919
2003	17,347,220
2004	18,208,511

## **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 29, 2003, City Council adopted the 2004 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 basic financial statements.

### **Cash Management**

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

The City's investments comply with Section 135.14 of the Ohio Revised Code and the maximum maturity is limited to five years. 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 basic financial statements included with the financial section of this comprehensive annual financial report.

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 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 with 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 \$4.3 million. The City Plan is administered by Anthem of 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 2004 audit. The Auditor of State independent accountants' report on the City's basic financial statements is included in the financial section of this Comprehensive Annual Financial Report.

## **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Middletown for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2003.

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 2004 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, 2003

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.



*Nancy L. Zjella*

President

*Jeffrey R. Emery*

Executive Director

# CITY OF MIDDLETOWN, OHIO

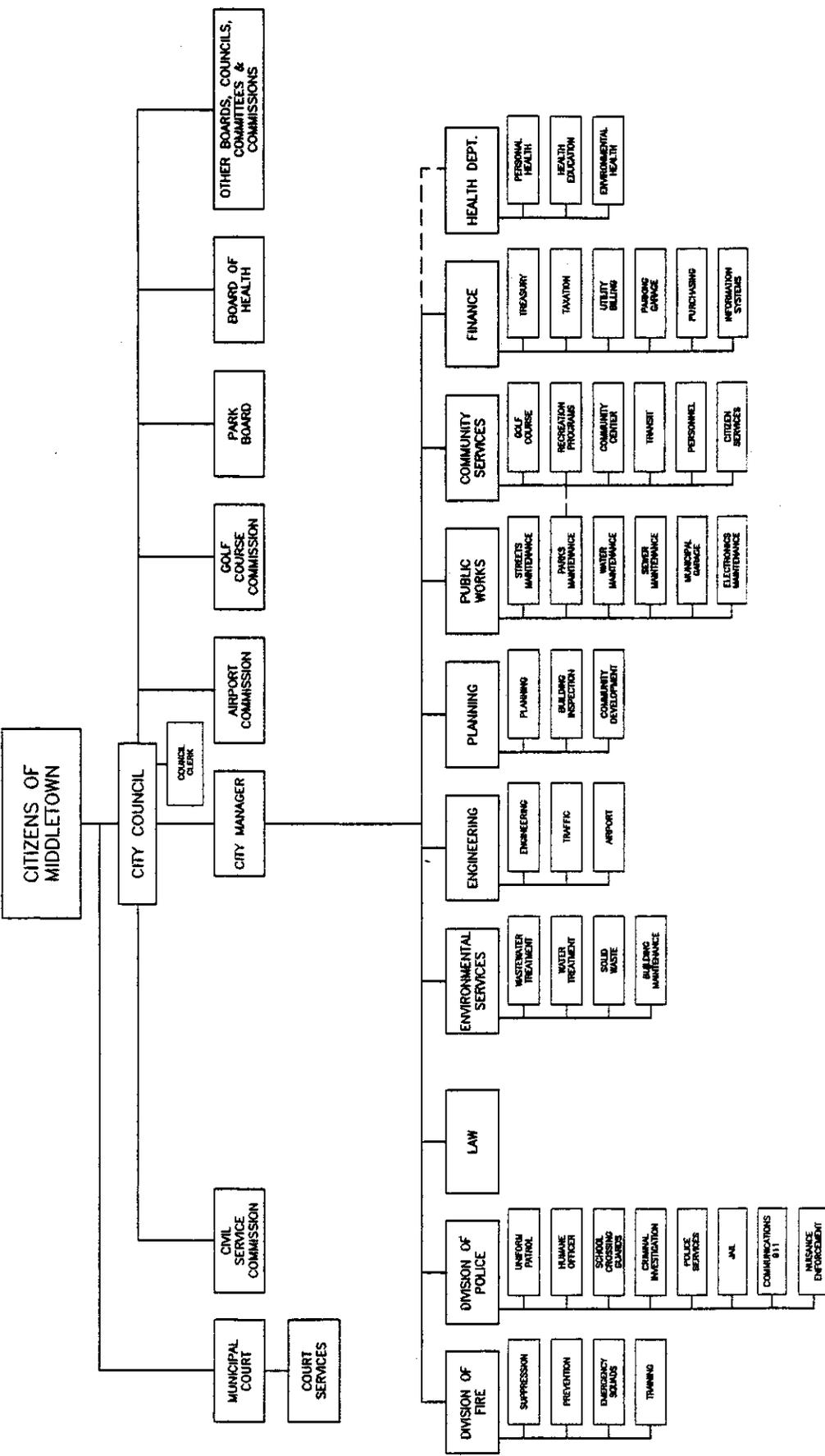
## Principal Officials December 31, 2004

### Legislative

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

### Executive/Administrative

City Manager .....	William A. Becker
Acting Chief of Police.....	Michael R. Bruck
Director of Court Services .....	Louis A. Rossi, Jr.
Acting Engineering Director .....	David J. Duritsch, Jr.
Environmental Services Director .....	David J. Duritsch, Jr.
Finance Director .....	John T. Lyons
Fire Chief.....	John J. Sauter
Health Commissioner .....	David Winfough
Law Director .....	Leslie S. Landen
Public Works Director.....	Ginger L. Smith
Community Services Director.....	Verlena L. Stewart
Planning Director .....	Martin D. Kohler



CITY OF MIDDLETOWN, OHIO  
 ORGANIZATIONAL CHART  
 Revised: May 2005

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## **FINANCIAL SECTION**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Butler County, Ohio (the City), as of and for the year ended December 31, 2004, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Butler County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2005, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis and the budgetary comparisons for the General, Housing Assistance, and Community Development Escrow funds are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining non-major statements and schedules, and statistical tables provide additional information and are not a required part of the basic financial statements. We subjected the combining non-major 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 introduction section and the statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

**Betty Montgomery**  
Auditor of State

July 18, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

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, 2004. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the transmittal letter on page i, and the City's financial statements, which begin on page 18.

### I. USING THIS 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 18 and 19) provide information about the activities of the City as a whole and present a longer-term view of the City's finances.
- Individual Fund Financial Statements. Fund financial statements also reflect the City's operations in more detail than the government-wide financial statements by providing information about the City's major funds. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. These statements begin on page 20.
- Fiduciary Financial Statements. The fiduciary statements (page 36) 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 67 to 71) 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 78) 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 88.
- Capital Asset Schedules. Schedules (pages 150-152) 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 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in these assets. The City's net assets – the difference between assets and liabilities - 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 20. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the City as a whole. Some funds are required to be established by State Law. However, the City Council establishes many other funds to help 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 36. The City has three 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 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, 2004 (in thousands):

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	Current and other assets	\$ 50,202	48,697	16,979	15,171	67,181
Capital assets	<u>44,394</u>	<u>39,442</u>	<u>47,954</u>	<u>48,213</u>	<u>92,348</u>	<u>87,655</u>
Total assets	94,596	88,139	64,933	63,384	159,529	151,523
Long-term debt outstanding	32,642	27,680	8,818	9,552	41,460	37,232
Other liabilities	<u>13,113</u>	<u>13,723</u>	<u>2,651</u>	<u>1,909</u>	<u>15,764</u>	<u>15,633</u>
Total liabilities	45,755	41,403	11,469	11,461	57,224	52,864
Net assets:						
Invested in capital assets, net of debt	22,142	21,613	39,549	38,968	61,691	60,581
Restricted	24,431	20,885	711	716	25,142	21,601
Unrestricted	<u>2,267</u>	<u>4,238</u>	<u>13,204</u>	<u>12,239</u>	<u>15,471</u>	<u>16,477</u>
Total net assets	48,840	46,736	53,464	51,923	102,304	98,659
Beginning net assets	46,736	46,033	51,923	50,425	98,659	96,458
Net increase	<u>2,104</u>	<u>703</u>	<u>1,541</u>	<u>1,498</u>	<u>3,645</u>	<u>2,201</u>
Ending net assets	\$ <u>48,840</u>	<u>46,736</u>	<u>53,464</u>	<u>51,923</u>	<u>102,304</u>	<u>98,659</u>

Net assets at year end increased by \$2,104 (i.e. 2.4%) versus an increase of \$703 in 2003 in the Governmental activities area. This change is a result of a \$4,952 increase in capital assets (i.e. land and street improvements) and a \$350 increase in payments due from other governments.

Business type activities net assets grew by \$1,541 (i.e. 3%). About 50% of this increase came from water and sewer funds accounts receivable.

#### **B. Governmental and Business-type Activities during 2004**

The following table (in thousands) presents a condensed summary of the City's activities during 2004 and the resulting changes in net assets. Of the total General Government revenues of \$50,556, \$19,340 (38%) was from program revenue. This means that the government relied on tax revenues and unrestricted grants to fund 62% of its public safety, public works, and other services. Local income and property taxes totaled \$23,851 in 2004. This was about 75% of the City's general revenues.

For business type activities, revenues remained close to 2003 levels as the increase in business charges for services was offset by decreased capital grants in the City's Transit fund.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 4,070	4,330	16,891	15,892	20,961	20,222
Operating grants & contributions	6,895	10,007	184	31	7,079	10,038
Capital grants and contributions	<u>9,125</u>	<u>1,984</u>	<u>654</u>	<u>1,985</u>	<u>9,029</u>	<u>3,969</u>
Total program revenues	20,090	16,321	17,729	17,908	37,069	34,229
<u>General revenues:</u>						
Income taxes	17,959	16,417	238	245	18,197	16,662
Property taxes	5,654	5,588	0	0	5,654	5,588
Other taxes	3,445	3,848	0	0	3,445	3,848
Grants and contributions not restricted	69	2,300	0	0	69	2,300
Investment earnings	529	1,006	201	245	730	1,251
Other	<u>3,560</u>	<u>1,445</u>	<u>0</u>	<u>0</u>	<u>3,560</u>	<u>1,445</u>
Total general revenues	<u>31,216</u>	<u>30,604</u>	<u>439</u>	<u>490</u>	<u>31,655</u>	<u>31,094</u>
Total revenues	51,306	46,925	18,168	18,398	68,724	65,323
Expenses						
Public safety	22,544	22,128			22,544	22,128
Public health	1,471	1,859			1,471	1,859
Leisure activities	877	1,146			877	1,146
Community environment	13,033	12,476			13,033	12,476
Highways and streets	3,614	1,405			2,864	1,405
General government	4,389	4,248			4,389	4,248
Miscellaneous	1,832	2,080			1,832	2,080
Interest on long-term debt	1,375	1,215			1,375	1,215
Water			5,265	5,397	5,265	5,397
Sewer			5,505	5,734	5,505	5,734
Transit			1,066	1,048	1,066	1,048
Golf Course			1,727	1,879	1,727	1,879
Solid Waste			2,236	2,290	2,236	2,290
Other business type activities			<u>895</u>	<u>273</u>	<u>895</u>	<u>273</u>
Total expenses	<u>49,135</u>	<u>46,557</u>	<u>16,694</u>	<u>16,621</u>	<u>65,079</u>	<u>63,178</u>
Increase in net assets before transfers	2,171	368	1,474	1,777	3,645	2,145
Transfers	(67)	335	67	(279)	0	56
Increase in net assets	<u>2,104</u>	<u>703</u>	<u>1,541</u>	<u>1,498</u>	<u>3,645</u>	<u>2,201</u>
Beginning net assets	46,736	46,033	51,923	50,425	98,659	96,458
Ending net assets	\$ <u>48,840</u>	<u>46,736</u>	<u>53,464</u>	<u>51,923</u>	<u>102,304</u>	<u>98,659</u>

**1) Governmental activities during 2004**

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 40% of the cost of its services with program revenues. Public safety, the City's most expensive program, covered

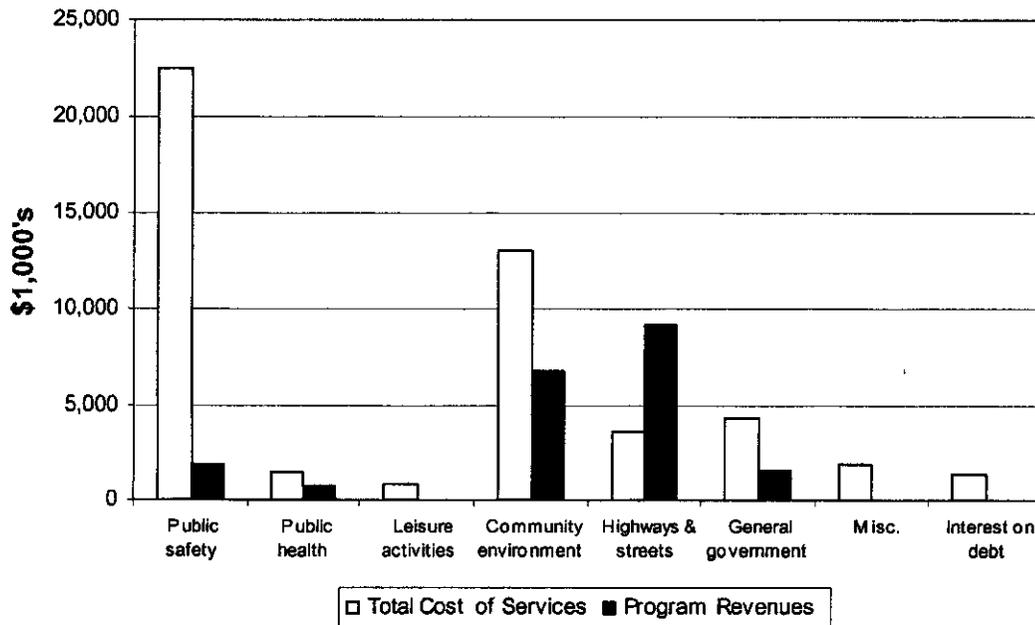
about 8% of its costs with program revenues. Local tax receipts were used to fund the remaining costs of this service.

At the same time, Streets and Highways, which relies heavily upon federal and state grants, covered most of its costs with those program revenues.

**Table 3  
Governmental Activities**

		<u>Total Cost of Services</u>	<u>Program Revenues</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Public safety	\$	22,544	1,891	8%	(20,653)
Public health		1,471	707	48%	(764)
Leisure activities		877	23	3%	(854)
Community environment		13,033	6,737	52%	(6,296)
Highways and streets		3,614	9,143	253%	5,529
General government		4,389	1,589	36%	(2,800)
Miscellaneous		1,832	0	0%	(1,832)
Interest on long-term debt		<u>1,375</u>	<u>0</u>	<u>0%</u>	<u>(1,375)</u>
Total	\$	<u>49,135</u>	<u>20,090</u>	<u>40%</u>	<u>(29,045)</u>

**Program Revenues and Expenses - Governmental Activities**



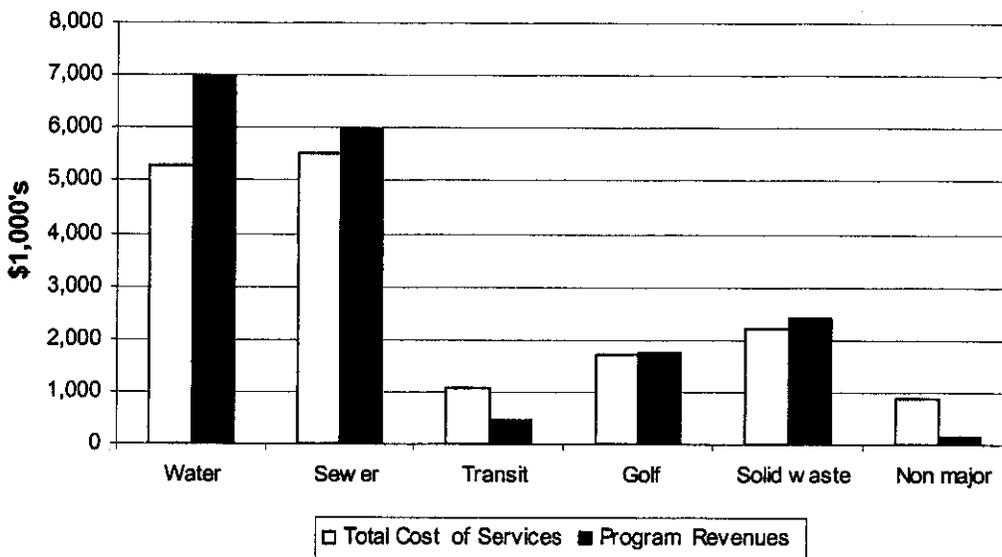
## 2) Business-type activities during 2004

The following table (in thousands) summarizes the business-type activities during 2004:

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

		<u>Total Cost</u> <u>of Services</u>	<u>Program</u> <u>Revenues</u>	<u>Revenues</u> <u>as a % of</u> <u>Total Costs</u>	<u>Net Revenue</u> <u>from</u> <u>Operations</u>
Water	\$	5,265	6,969	132%	1,704
Sewer		5,505	5,971	108%	466
Transit		1,066	465	44%	(601)
Golf		1,727	1,765	102%	38
Solid waste		2,236	2,423	108%	187
Non major business type funds		<u>895</u>	<u>136</u>	<u>15%</u>	<u>(759)</u>
Total	\$	<u>16,694</u>	<u>17,729</u>	<u>106%</u>	<u>1,035</u>

### Program Revenues and Expenses - Business-Type Activities



The City attempts to break even on its business-type activities and came close to that goal in 2004. The Water and Sewer Funds had operating surpluses in 2004 to accumulate earnings for future capital investments. The Transit Fund deficit was covered by State and federal grants. The loss incurred in the non-major business type funds was due to the close out of the City Centre Mall Fund and the write-down of the building and land in that fund. The building and land were donated to a local business.

### 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-six governmental funds, eight of which are considered major funds. Assets of those eight funds comprise (81%) of the total governmental funds' assets of \$49,647,503. The following table (rounded to nearest thousand) summarizes the activities of these eight major funds.

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

	<u>General Fund</u>	<u>Housing Assistance</u>	<u>Community Development Escrow</u>	<u>Special Assessment Debt Service</u>	<u>Capital Improvements</u>	<u>East End Development</u>	<u>Downtown Improvements</u>
Total assets \$	15,436,000	6,541,000	2,995,000	5,792,000	4,142,000	2,289,000	2,935,000
Total liabilities	<u>9,074,000</u>	<u>5,357,000</u>	<u>123,000</u>	<u>5,766,000</u>	<u>928,000</u>	<u>4,300,000</u>	<u>0</u>
Fund balance	<u>6,362,000</u>	<u>1,184,000</u>	<u>2,872,000</u>	<u>26,000</u>	<u>3,214,000</u>	<u>(2,011,000)</u>	<u>2,935,000</u>
Unreserved fund balance	<u>6,007,000</u>	<u>1,184,000</u>	<u>61,000</u>	<u>26,000</u>	<u>2,496,000</u>	<u>(2,275,000)</u>	<u>2,830,000</u>
Revenues	24,046,000	9,296,000	67,000	518,000	3,040,000	108,000	57,000
Expenditures	31,122,000	9,245,000	6,000	475,000	1,527,000	248,000	414,000
Other financing sources/uses	<u>5,810,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(231,000)</u>	<u>0</u>	<u>0</u>
Net change in fund balance \$	<u>(1,266,000)</u>	<u>51,000</u>	<u>61,000</u>	<u>43,000</u>	<u>1,282,000</u>	<u>(140,000)</u>	<u>(357,000)</u>

**General Fund.** Fund balance at the end of 2004 was \$6,362,000, including \$6,007,000 of unreserved fund balance. This is 20% of 2004 expenditures. The General Fund's balance decreased by \$1,266,000 in 2004. 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 2004, there were 1,554 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 2004, the fund balance of \$2,810,000 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 \$30,000 to the City's General Fund at the end of 2004 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 \$2,495,904 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 \$2,275,299 deficit in this fund will be eliminated in 2005 when permanent financing is arranged for the Towne Boulevard Extension Project (\$4,232,070) which is recorded in this fund.

**Downtown Improvements Fund.** The \$2,829,735 fund balance in the Downtown Improvements Fund will be used for capital improvement projects located in the downtown area.

## 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	\$ 25,502,000	26,159,000	2,803,000	5,744,000	620,000
Total liabilities	<u>5,165,000</u>	<u>1,001,000</u>	<u>933,000</u>	<u>2,447,000</u>	<u>2,152,000</u>
Total net assets	<u>20,337,000</u>	<u>25,158,000</u>	<u>1,870,000</u>	<u>3,297,000</u>	<u>(1,532,000)</u>
Unrestricted net assets	<u>5,497,000</u>	<u>6,316,000</u>	<u>62,000</u>	<u>(226,000)</u>	<u>7,000</u>
Operating revenues	6,711,000	5,791,000	89,000	1,764,000	2,423,000
Operating expenses	5,041,000	5,469,000	1,062,000	1,604,000	2,111,000
Net non-operating revenues	(146,000)	77,000	344,000	(123,000)	(125,000)
Capital contributions	<u>258,000</u>	<u>180,000</u>	<u>168,000</u>	<u>0</u>	<u>0</u>
Net change in net assets	\$ <u>1,782,000</u>	<u>579,000</u>	<u>(461,000)</u>	<u>37,000</u>	<u>187,000</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 2004 covered operating costs and \$1,524,000 was accumulated for future capital needs. The City Council increased water rates by 10% in 2004.

**Sewer Fund.** The Sewer Fund ended 2004 with a cash balance of \$5,705,000. This money was saved in anticipation of large capital needs in the next few years.

**Transit Fund.** The \$461,000 decrease in net assets in 2004 is the result of the classification of the Federal and State grants receivable at December 31, 2004 as deferred revenue.

**Golf Fund.** The City Golf Fund netted \$156,000 in 2004. This fund owed the City's General Fund \$200,000 at the end of 2004 for a working capital loan. The plan is to repay this debt over the next few 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 \$287,000 on a landfill closure bond. At the end of 2004, the balance owed on this 1994 bond issue was \$1,960,000. The Solid Waste Fund carries a \$1,539,000 fund deficit because of this large debt liability.

## **2) Internal service funds**

Net assets at year-end and 2004 activity in the City's two internal service funds, are shown on page 29.

The City's Employee Benefits Fund lost \$63,000 in 2004 and ended the year with net assets of \$500. 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.

The other City internal service fund, the Municipal Garage Fund, ended the year with net assets of \$4,700,000. Money is being set aside for future vehicle purchases according to a multi-year plan developed by the Municipal Garage fleet managers. The Municipal Garage Fund cash balance at the end of 2004 was \$1,005,810.

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

The schedules comparing the City's original and final General Fund budgets to actual expenditures begin on page 66. The General Fund's original 2004 appropriation was increased during the year by \$6,380,542 (24%), and at year end, the General Fund's actual expenditures on a cash basis (budget basis) were \$1,358,275 (4%) under the amended budget. The \$5,500,000 purchase of land by the City for the new Middletown Regional Hospital accounted for most of 2004 supplemental appropriation total.

## V. CAPITAL ASSET AND DEBT ADMINISTRATION

### A. Capital assets

Detailed information on the City's capital assets is found in the notes to the Financial Statements on pages 51 and 52 and in the Supplemental Section on pages 150-152.

The City had \$92,348,000 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)**

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
Land	\$ 14,054,000	6,841,000	20,895,000
Land improvements	771,000	1,368,000	2,139,000
Buildings	12,410,000	16,731,000	29,141,000
Equipment	3,853,000	1,858,000	5,711,000
Infrastructure	0	21,156,000	21,156,000
General infrastructure	<u>13,306,000</u>	<u>0</u>	<u>13,306,000</u>
Total	\$ <u>44,394,000</u>	<u>47,954,000</u>	<u>92,348,000</u>

The major capital assets constructed during 2004 included the following:

- Acquired land for the future Middletown Regional Hospital in the amount of \$5,500,000.
- Cincinnati-Dayton Road is being widened to five lanes to accommodate increased traffic which is a result of the commercial growth in Middletown's east end. This three year project, which began in 2004, is expected to cost \$11.6 million and is financed with a combination of federal funds (\$7.3 million), State of Ohio funds (\$1.6 million), and City of Middletown funds (\$2.7 million).

The City's 2005 budget estimates that the City will spend about \$22.4 million on capital assets. Major projects which are to be funded in 2004 with a combination of federal, state, and local funds are:

East End Development	\$4.5 million
Street Improvements	\$4.0 million

Water and Sewer Capital Reserve funds are budgeted to spend \$2.0 and \$6.1 million, respectively, for water and sewer system upgrades and improvements.

## **B. Debt**

The City issued \$6,308,859 in general obligation bonds in 2004. The largest issue was for the purchase of land for the new Middletown Regional Hospital. The other two issues were for sidewalk, curb and gutter improvements (\$140,279) and for street improvements on Roosevelt Avenue (\$573,580). The sidewalk, curb and gutter debt payments as well as the street improvements on Roosevelt, will be assessed for the next five years on the properties benefiting from these improvements.

Please refer to pages 55-58 in the Notes to the Financial Statement for detailed information on the City's debt.

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

In the last three years, Middletown has felt 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, eliminated two-hundred positions in its Middletown corporate office workforce in 2003. AK Steel did not increase its work force in 2004.

The City budgeted conservatively for 2005. Revenue increases were budgeted at a 3% increase and 2004 expenses were expected to increase at about the same percentage. No new programs were begun and a limited hiring freeze program enacted in 2002 was continued in 2004.

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 were 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  
July 18, 2005



**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and equity in pooled cash, deposits and investments	\$ 21,457,818	11,278,481	32,736,299
Cash with fiscal and escrow agent	1,010,558	-	1,010,558
Receivables (net of allowance for uncollectibles):			
Income taxes	2,804,658	-	2,804,658
Property taxes	5,617,719	-	5,617,719
Estate taxes	541,500	-	541,500
Accounts	1,170,083	2,544,328	3,714,411
Loans	2,181,912	588,466	2,770,378
Special assessments	5,736,660	-	5,736,660
Due from other governments	10,091,423	810,947	10,902,370
Inventory of supplies	599,928	746,311	1,346,239
Internal balances	(1,010,441)	1,010,441	-
Capital assets			
Non-depreciable	14,053,518	6,840,571	20,894,089
Depreciable	30,340,874	41,113,366	71,454,240
<b>Total assets</b>	<b><u>94,596,210</u></b>	<b><u>64,932,911</u></b>	<b><u>159,529,121</u></b>
<b>Liabilities</b>			
Accounts payable and other current liabilities	1,385,486	875,078	2,260,564
Accrued wages and benefits	1,616,008	299,687	1,915,695
Accrued interest payable	250,781	39,370	290,151
Due to other governments	11,264	2,387	13,651
Notes payable	4,232,070	-	4,232,070
Unearned revenue	5,617,719	1,434,656	7,052,375
Non current liabilities:			
Due within one year	3,172,223	1,040,997	4,213,220
Due in more than one year	29,469,355	7,777,105	37,246,460
<b>Total liabilities</b>	<b><u>45,754,906</u></b>	<b><u>11,469,280</u></b>	<b><u>57,224,186</u></b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	22,141,605	39,548,937	61,690,542
Restricted for capital projects	5,402,239	-	5,402,239
Restricted for debt service	2,700,570	-	2,700,570
Restricted for other purposes	16,328,966	711,616	17,040,582
Unrestricted	2,267,112	13,203,890	15,471,002
<b>Total net assets</b>	<b><u>\$ 48,840,492</u></b>	<b><u>53,464,443</u></b>	<b><u>102,304,935</u></b>

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2004**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
Public safety	\$ 22,544,009	1,793,106	98,421	-	(20,652,482)		(20,652,482)
Public health and welfare	1,471,132	199,967	506,991	-	(764,174)		(764,174)
Leisure time activities	876,803	23,450	-	-	(853,353)		(853,353)
Community environment	13,032,677	446,702	6,289,920	-	(6,296,055)		(6,296,055)
Highways and streets	3,613,967	18,294	-	9,125,037	5,529,364		5,529,364
General government	4,389,213	1,588,639	-	-	(2,800,574)		(2,800,574)
Miscellaneous	1,831,776	-	-	-	(1,831,776)		(1,831,776)
Interest on long-term debt	1,375,589	-	-	-	(1,375,589)		(1,375,589)
<b>Total governmental activities</b>	<b>49,135,166</b>	<b>4,070,158</b>	<b>6,895,332</b>	<b>9,125,037</b>	<b>(29,044,639)</b>		<b>(29,044,639)</b>
<b>Business-type activities:</b>							
Water	5,265,100	6,710,620	-	258,321	1,703,841		1,703,841
Sewer	5,504,612	5,791,464	-	180,117	466,969		466,969
Transit	1,066,087	88,914	184,456	191,907	(600,810)		(600,810)
Golf Course	1,727,498	1,764,654	-	-	37,156		37,156
Solid Waste	2,235,784	2,422,914	-	-	187,130		187,130
Non Major	895,002	112,131	-	23,483	(759,388)		(759,388)
<b>Total business-type activities</b>	<b>16,694,083</b>	<b>16,890,697</b>	<b>184,456</b>	<b>653,828</b>	<b>1,034,898</b>		<b>1,034,898</b>
<b>Total</b>	<b>\$ 65,829,249</b>	<b>20,960,855</b>	<b>7,079,788</b>	<b>9,778,865</b>	<b>(29,044,639)</b>	<b>1,034,898</b>	<b>(28,009,741)</b>
General revenues:							
Taxes:							
Income taxes					17,959,419		17,959,419
Property taxes					5,653,922		5,653,922
Other taxes					3,445,216		3,445,216
Grants and contributions not restricted to specific programs					68,921		68,921
Investment earnings					528,943	201,088	730,031
Miscellaneous					3,560,174	-	3,560,174
Transfers					(67,130)	67,130	-
<b>Total general revenues and transfers</b>					<b>31,149,465</b>	<b>506,218</b>	<b>31,655,683</b>
Change in net assets					2,104,826	1,541,116	3,645,942
Net assets beginning of year					46,735,666	51,923,327	98,658,993
Net assets end of year					48,840,492	53,464,443	102,304,935

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	General	Housing Assistance	Community Development Escrow
<b>ASSETS:</b>			
Cash and equity in pooled cash, deposits and investments	\$ 5,163,993	\$ 1,265,470	\$ 134,523
Cash with fiscal and escrow agent	-	-	922,467
Receivables (net of allowance for uncollectibles):			
Income taxes	2,804,658	-	-
Property taxes	4,210,000	-	-
Estate taxes	541,500	-	-
Accounts	814,107	-	-
Loans	-	-	1,937,906
Special assessments	-	-	-
Due from other funds	333,000	-	-
Due from other governments	1,555,781	5,275,683	-
Inventory of supplies	12,818	-	-
<b>Total assets</b>	<b>\$ 15,435,857</b>	<b>\$ 6,541,153</b>	<b>\$ 2,994,896</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 187,069	\$ -	\$ -
Accrued wages and benefits	1,425,641	-	-
Other accrued liabilities	182,354	-	-
Accrued interest payable	-	-	-
Due to other funds	102,032	-	-
Due to other governments	387	-	-
Due to individuals	5,372	81,220	123,160
Matured bonds and interest	-	-	-
Notes payable	-	-	-
Deferred revenue	7,170,846	5,275,683	-
<b>Total liabilities</b>	<b>9,073,701</b>	<b>5,356,903</b>	<b>123,160</b>
<b>Fund balances:</b>			
Reserved for encumbrances	342,568	-	-
Reserved for inventory	12,818	-	-
Reserved for loans	-	-	2,810,336
Unreserved, reported in:			
General Fund	6,006,770	-	-
Special Revenue Funds	-	1,184,250	61,400
Debt Service Funds	-	-	-
Capital Project Funds	-	-	-
<b>Total fund balances</b>	<b>6,362,156</b>	<b>1,184,250</b>	<b>2,871,736</b>
<b>Total liabilities and fund balances</b>	<b>\$ 15,435,857</b>	<b>\$ 6,541,153</b>	<b>\$ 2,994,896</b>

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

Special Assessment Debt Service	Capital Improvements	East End Development	Downtown Improvements	Non Major Governmental Funds	Total Governmental Funds
\$ 55,761	\$ 3,313,850	\$ 2,283,446	\$ 2,935,351	\$ 4,840,704	\$ 19,993,098
-	-	-	-	88,091	1,010,558
-	-	-	-	-	2,804,658
-	828,593	-	-	579,126	5,617,719
-	-	-	-	-	541,500
-	-	5,161	-	125,612	944,880
-	-	-	-	244,006	2,181,912
5,736,660	-	-	-	-	5,736,660
-	-	-	-	3,109	336,109
-	-	-	-	3,259,959	10,091,423
-	-	-	-	376,168	388,986
<b>\$ 5,792,421</b>	<b>\$ 4,142,443</b>	<b>\$ 2,288,607</b>	<b>\$ 2,935,351</b>	<b>\$ 9,516,775</b>	<b>\$ 49,647,503</b>

\$ -	\$ 10,979	\$ 9,460	\$ -	\$ 168,065	\$ 375,573
-	-	-	-	161,554	1,587,195
-	-	-	-	29,041	211,395
-	-	58,586	-	-	58,586
30,000	-	-	-	182,241	314,273
-	-	-	-	10,877	11,264
-	89,025	-	-	-	298,777
-	-	-	-	88,091	88,091
-	-	4,232,070	-	-	4,232,070
5,736,660	828,593	-	-	3,560,695	22,572,477
<b>5,766,660</b>	<b>928,597</b>	<b>4,300,116</b>	<b>-</b>	<b>4,200,564</b>	<b>29,749,701</b>
-	717,942	263,790	105,616	345,352	1,775,268
-	-	-	-	376,168	388,986
-	-	-	-	214,303	3,024,639
-	-	-	-	-	6,006,770
-	-	-	-	2,871,356	4,117,006
25,761	-	-	-	301,410	327,171
-	2,495,904	(2,275,299)	2,829,735	1,207,622	4,257,962
<b>25,761</b>	<b>3,213,846</b>	<b>(2,011,509)</b>	<b>2,935,351</b>	<b>5,316,211</b>	<b>19,897,802</b>
<b>\$ 5,792,421</b>	<b>\$ 4,142,443</b>	<b>\$ 2,288,607</b>	<b>\$ 2,935,351</b>	<b>\$ 9,516,775</b>	<b>\$ 49,647,503</b>

**CITY OF MIDDLETOWN, OHIO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2004**

<b>Total governmental fund balances</b>	<b>\$ 19,897,802</b>
<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.	44,394,392
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	1,557,642
Intergovernmental and other receivables	15,397,116
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.	339,222
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(22,404,218)
Special assessment bonds	(3,034,155)
Capital lease obligations	(73,571)
Compensated absences	(4,246,317)
Pension obligation payable	(2,883,317)
Accrued interest on long-term debt	(104,104)
<b>Net assets of governmental activities</b>	<b>\$ 48,840,492</b>



**CITY OF MIDDLETOWN, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR YEAR ENDED DECEMBER 31, 2004**

	General	Housing Assistance	Community Development Escrow
<b>Revenues:</b>			
Property taxes	\$ 4,154,970	\$ -	\$ -
Municipal income taxes	11,711,901	-	-
Intergovernmental revenues	3,338,647	9,239,612	-
Charges for services	3,297,778	-	-
Fees, licenses, and permits	312,238	-	-
Fines and forfeits	9,925	-	-
Special assessments	-	-	-
Interest earnings	245,698	6,338	67,885
Miscellaneous	961,728	50,042	-
Increase in Investment Fair Value	13,321	-	-
<b>Total revenues</b>	<b>24,046,206</b>	<b>9,295,992</b>	<b>67,885</b>
<b>Expenditures:</b>			
Current			
Public safety	17,025,746	-	-
Public health and welfare	346,489	-	-
Leisure time activities	1,042,591	-	-
Community environment	2,045,945	9,244,726	-
Highways and streets	-	-	-
General government	3,843,757	-	-
Miscellaneous	6,809,477	-	6,485
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>31,114,005</b>	<b>9,244,726</b>	<b>6,485</b>
Excess of revenues over (under) expenditures	(7,067,799)	51,266	61,400
<b>Other financing sources (uses):</b>			
Transfers-in	392,000	-	-
Transfers-out	(90,000)	-	-
Issuance of bonds	5,500,000	-	-
<b>Total other financing sources (uses)</b>	<b>5,802,000</b>	<b>-</b>	<b>-</b>
Net change in fund balances	(1,265,799)	51,266	61,400
Fund balance, beginning of year	7,627,955	1,132,984	2,810,336
<b>Fund balance, end of year</b>	<b>\$ 6,362,156</b>	<b>\$ 1,184,250</b>	<b>\$ 2,871,736</b>

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

<b>Special Assessment Debt Service</b>	<b>Capital Improvements</b>	<b>East End Development</b>	<b>Downtown Improvements</b>	<b>Non Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 894,906	\$ -	\$ -	\$ 604,046	\$ 5,653,922
-	850,000	-	-	4,813,660	17,375,561
-	1,178,257	59,806	-	4,123,988	17,940,310
-	18,295	-	-	441,847	3,757,920
-	-	-	-	-	312,238
-	-	-	-	1,489,541	1,499,466
518,116	-	-	-	141,188	659,304
-	40,647	42,858	57,457	36,926	497,809
-	58,148	5,161	-	1,000,426	2,075,505
-	-	-	-	-	13,321
<b>518,116</b>	<b>3,040,253</b>	<b>107,825</b>	<b>57,457</b>	<b>12,651,622</b>	<b>49,785,356</b>
-	23,350	-	-	5,093,186	22,142,282
-	-	-	-	1,110,242	1,456,731
-	8,921	-	-	8,379	1,059,891
-	5,531	-	414,523	1,312,934	13,023,659
-	1,420,230	161,906	-	2,204,618	3,786,754
-	32,508	-	-	228,150	4,104,415
-	36,314	-	-	500,909	7,353,185
312,000	-	-	-	1,095,000	1,407,000
162,746	-	86,358	-	1,105,719	1,354,823
<b>474,746</b>	<b>1,526,854</b>	<b>248,264</b>	<b>414,523</b>	<b>12,659,137</b>	<b>55,688,740</b>
43,370	1,513,399	(140,439)	(357,066)	(7,515)	(5,903,384)
-	-	-	-	373,380	765,380
-	(231,725)	-	-	(392,000)	(713,725)
-	-	-	-	716,277	6,216,277
-	<b>(231,725)</b>	-	-	<b>697,657</b>	<b>6,267,932</b>
43,370	1,281,674	(140,439)	(357,066)	690,142	364,548
(17,609)	1,932,172	(1,871,070)	3,292,417	4,626,069	19,533,254
<b>\$ 25,761</b>	<b>\$ 3,213,846</b>	<b>\$ (2,011,509)</b>	<b>\$ 2,935,351</b>	<b>\$ 5,316,211</b>	<b>\$ 19,897,802</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, 2004**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 364,548</b>
<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.	
Capital outlay	7,005,486
Depreciation expense	(1,686,719)
Revenue in the statement of activities that do not provide current financial resources are to reported as revenues in the funds:	
Income taxes	583,858
Intergovernmental and other revenue	934,892
Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	
	1,407,000
Repayment of capital lease principal is an expenditure in the governmental funds, but the payment reduces long-term liability in the statement of net assets	
	80,931
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	(20,766)
The issuance of long-term debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net assets.	
	(6,308,859)
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.	
	(296,976)
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.	
	<u>41,431</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ 2,104,826</u></b>



**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2004**

**Business Type Activities - Enterprise Funds**

	Water	Sewer	Transit System
<b>Assets:</b>			
<b>Current assets</b>			
Equity in pooled cash and investments	\$ 4,856,198	\$ 5,705,407	\$ 182,842
Receivables			
Accounts	1,269,012	1,275,316	-
Loans	588,466	-	-
Due from other funds	-	-	1,485
Intergovernmental	-	-	810,947
Inventory of supplies	530,352	135,514	-
<b>Total current assets</b>	<b>7,244,028</b>	<b>7,116,237</b>	<b>995,274</b>
<b>Capital assets:</b>			
Land	1,152,665	152,500	-
Land Improvements	-	-	-
Infrastructure assets	23,771,877	26,713,213	-
Buildings	10,263,570	11,430,339	1,188,010
Equipment	1,246,083	5,418,656	1,613,793
Less: Accumulated depreciation	(18,176,341)	(24,671,628)	(994,529)
<b>Net capital assets</b>	<b>18,257,854</b>	<b>19,043,080</b>	<b>1,807,274</b>
<b>Total assets</b>	<b>25,501,882</b>	<b>26,159,317</b>	<b>2,802,548</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	117,390	269,451	789
Accrued wages and benefits	123,537	105,702	30,021
Other accrued liabilities	17,663	19,013	5,412
Accrued interest payable	18,489	2,063	-
Due to other funds	10,142	11,128	15,097
Due to other governments	243	-	-
Due to individuals	240,270	-	-
General obligation bonds payable	250,000	215,000	-
Deferred Revenue	588,466	-	846,190
Compensated absences (short term portion)	54,025	52,151	12,113
<b>Total current liabilities</b>	<b>1,420,225</b>	<b>674,508</b>	<b>909,622</b>
<b>Long-term liabilities</b>			
General obligation bonds payable	3,640,000	225,000	-
Compensated absences payable	104,871	101,235	23,513
<b>Total long-term liabilities</b>	<b>3,744,871</b>	<b>326,235</b>	<b>23,513</b>
<b>Total liabilities</b>	<b>5,165,096</b>	<b>1,000,743</b>	<b>933,135</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	14,367,854	18,603,080	1,807,274
Restricted for debt service	471,863	239,753	-
Unrestricted	5,497,069	6,315,741	62,139
<b>Total net assets</b>	<b>\$ 20,336,786</b>	<b>\$ 25,158,574</b>	<b>\$ 1,869,413</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
\$ 24,957	\$ 199,467	\$ 309,610	\$ 11,278,481	\$ 1,464,720
-	-	-	2,544,328	225,203
-	-	-	588,466	-
-	-	-	1,485	218,854
-	-	-	810,947	-
80,445	-	-	746,311	210,942
<b>105,402</b>	<b>199,467</b>	<b>309,610</b>	<b>15,970,018</b>	<b>2,119,719</b>
3,611,550	382,600	1,541,256	6,840,571	195,750
2,483,945	-	-	2,483,945	-
-	-	-	50,485,090	-
710,031	74,652	2,970,644	26,637,246	354,064
206,020	-	439,390	8,923,942	9,235,191
(1,372,942)	(36,497)	(2,164,920)	(47,416,857)	(6,601,128)
<b>5,638,604</b>	<b>420,755</b>	<b>2,786,370</b>	<b>47,953,937</b>	<b>3,183,877</b>
<b>5,744,006</b>	<b>620,222</b>	<b>3,095,980</b>	<b>63,923,955</b>	<b>5,303,596</b>
7,729	182,405	5,367	583,131	494,501
38,410	-	2,017	299,687	28,813
9,293	-	296	51,677	5,240
9,088	9,730	-	39,370	-
200,000	-	402	236,769	4,594
2,144	-	-	2,387	-
-	-	-	240,270	-
120,000	170,000	-	755,000	-
-	-	-	1,434,656	-
22,166	-	-	140,455	-
<b>408,830</b>	<b>362,135</b>	<b>8,082</b>	<b>3,783,402</b>	<b>533,148</b>
1,995,000	1,790,000	-	7,650,000	-
43,028	-	-	272,647	70,075
<b>2,038,028</b>	<b>1,790,000</b>	<b>0</b>	<b>7,922,647</b>	<b>70,075</b>
<b>2,446,858</b>	<b>2,152,135</b>	<b>8,082</b>	<b>11,706,049</b>	<b>603,223</b>
3,523,604	(1,539,245)	2,065,556	38,828,123	3,183,877
-	-	-	711,616	-
(226,456)	7,332	1,022,342	12,678,167	1,516,496
<b>\$ 3,297,148</b>	<b>\$ (1,531,913)</b>	<b>\$ 3,087,898</b>	<b>\$ 52,217,906</b>	<b>\$ 4,700,373</b>

Adjustment to reflect the consolidation of internal service fund activities 10,358  
Total net assets from above 52,217,906  
Net assets of business-type activities \$ 52,228,264

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES OF NET ASSETS  
 PROPRIETARY FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2004**

<b>Business Type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Transit System</b>
<b>Operating revenues:</b>			
Charges for services	\$ 6,676,182	\$ 5,775,667	\$ 87,397
Other operating revenue	34,438	15,797	1,517
<b>Total operating revenues</b>	<b>6,710,620</b>	<b>5,791,464</b>	<b>88,914</b>
<b>Operating expenses:</b>			
Personal services	1,948,454	2,023,449	574,296
Contractual services	1,617,449	1,803,708	180,373
Commodities	279,325	234,928	3,887
Depreciation	651,940	836,061	296,127
Other operating expenses	543,853	571,377	7,304
<b>Total operating expenses</b>	<b>5,041,021</b>	<b>5,469,523</b>	<b>1,061,987</b>
Operating income (loss)	1,669,599	321,941	(973,073)
<b>Non-operating revenues (expenses):</b>			
Interest revenue	88,516	112,048	-
Interest expense and fiscal charges	(234,437)	(35,089)	-
Operating grants	-	-	207,939
Income taxes	-	-	140,000
Loss on sale or disposal of capital assets	-	-	(4,100)
<b>Total non-operating revenues (expenses)</b>	<b>(145,921)</b>	<b>76,959</b>	<b>343,839</b>
Income (loss) before contributions and transfers	1,523,678	398,900	(629,234)
Capital contributions	258,321	180,117	168,424
Transfers-in	-	-	-
Transfers-out	(25,828)	(25,827)	-
<b>Change in net assets</b>	<b>1,756,171</b>	<b>553,190</b>	<b>(460,810)</b>
Total net assets, beginning of year	18,580,615	24,605,384	2,330,223
<b>Total net assets, end of year</b>	<b>\$ 20,336,786</b>	<b>\$ 25,158,574</b>	<b>\$ 1,869,413</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	
\$ 1,759,864	\$ 2,407,806	\$ 107,814	\$ 16,814,730	\$ 6,141,500	
4,790	15,108	4,317	75,967	324,254	
<b>1,764,654</b>	<b>2,422,914</b>	<b>112,131</b>	<b>16,890,697</b>	<b>6,465,754</b>	
930,255	-	30,702	5,507,156	591,160	
98,196	2,109,280	45,338	5,854,344	4,343,504	
398,414	-	9,369	925,923	512,592	
164,573	1,659	87,263	2,037,623	747,396	
12,851	-	1,516	1,136,901	103,544	
<b>1,604,289</b>	<b>2,110,939</b>	<b>174,188</b>	<b>15,461,947</b>	<b>6,298,196</b>	
160,365	311,975	(62,057)	1,428,750	167,558	
524	-	-	201,088	17,813	
(120,969)	(124,845)	-	(515,340)	-	
-	-	23,483	231,422	-	
-	-	98,000	238,000	-	
(2,240)	-	(720,814)	(727,154)	(14,797)	
<b>(122,685)</b>	<b>(124,845)</b>	<b>(599,331)</b>	<b>(571,984)</b>	<b>3,016</b>	
37,680	187,130	(661,388)	856,766	170,574	
-	-	-	606,862	-	
118,785	-	-	118,785	-	
-	-	-	(51,655)	(118,785)	
<b>156,465</b>	<b>187,130</b>	<b>(661,388)</b>	<b>1,530,758</b>	<b>51,789</b>	
3,140,683	(1,719,043)	3,749,286	50,687,148	4,648,584	
<b>\$ 3,297,148</b>	<b>\$ (1,531,913)</b>	<b>\$ 3,087,898</b>	<b>\$ 52,217,906</b>	<b>\$ 4,700,373</b>	
Adjustment to reflect the consolidation of Internal Service Funds activities			\$ 10,358		
Changes in net assets of business-type activities from above			1,530,758		
Changes in net assets of business-type activities			\$ 1,541,116		

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2004**

**Business Type Activities - Enterprise Funds**

	Water	Sewer	Transit System
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 6,474,161	\$ 5,424,416	\$ 88,914
Cash payments to suppliers for goods and services	(1,680,463)	(1,591,698)	(27,642)
Cash payments to employees for services	(1,629,031)	(1,780,595)	(512,033)
Miscellaneous revenues	-	-	-
Miscellaneous expenses	-	-	(31,171)
Cash received from interfund services provided	-	-	-
Cash payments for interfund services used	(1,186,387)	(1,240,557)	(238,643)
Deposits and collections for other governments	60,218	-	-
<b>Net cash provided (used) by operating activities</b>	<b>2,038,498</b>	<b>811,566</b>	<b>(720,575)</b>
<b>Cash flows from non-capital financing activities:</b>			
Operating grants	-	-	815,556
Interfund loan receipts/payments	-	-	-
Transfers-in from other funds	-	-	-
Transfers-out to other funds	(25,828)	(25,827)	-
Income taxes received	-	-	140,000
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(25,828)</b>	<b>(25,827)</b>	<b>955,556</b>
<b>Cash flows from capital and related financing activities:</b>			
Sale of capital assets	-	-	-
Purchase of capital assets	(576,108)	(1,191,781)	(236,640)
Interest expense	(236,601)	(36,028)	-
Repayment of debt principal	(360,000)	(205,000)	-
<b>Net cash used by capital and related financing activities</b>	<b>(1,172,709)</b>	<b>(1,432,809)</b>	<b>(236,640)</b>
<b>Cash flows from investing activities:</b>			
Interest income	58,086	112,048	-
<b>Net cash provided by investing activities</b>	<b>58,086</b>	<b>112,048</b>	<b>-</b>
Net change in cash and cash equivalents	898,047	(535,022)	(1,659)
Cash and pooled investments, beginning of year	3,958,151	6,240,429	184,501
<b>Cash and pooled investments, end of year</b>	<b>\$ 4,856,198</b>	<b>\$ 5,705,407</b>	<b>\$ 182,842</b>

Business Type Activities - Enterprise Funds				Governmental
	Solid Waste	Non Major		Internal
Golf Course	Disposal	Enterprise	Totals	Service
		Funds		Funds
\$ 1,760,910	\$ 2,422,914	\$ 107,814	\$ 16,279,129	\$ -
(530,177)	(2,152,982)	(53,326)	(6,036,288)	(4,830,198)
(880,192)	-	(30,520)	(4,832,371)	(515,586)
4,790	-	4,318	9,108	-
-	-	-	(31,171)	102,423
-	-	(4,492)	(4,492)	6,081,948
(45,858)	-	-	(2,711,445)	(96,078)
445	-	-	60,663	-
<b>309,918</b>	<b>269,932</b>	<b>23,794</b>	<b>2,733,133</b>	<b>742,509</b>
-	-	190,525	1,006,081	-
(205,000)	-	(10,000)	(215,000)	-
118,785	-	-	118,785	-
-	-	-	(51,655)	(118,785)
-	-	98,000	238,000	-
<b>(86,215)</b>	<b>-</b>	<b>278,525</b>	<b>1,096,211</b>	<b>(118,785)</b>
-	-	-	-	82,960
(7,243)	-	(55,211)	(2,066,983)	(494,660)
(121,930)	(125,580)	-	(520,139)	-
(115,000)	(160,000)	-	(840,000)	-
<b>(244,173)</b>	<b>(285,580)</b>	<b>(55,211)</b>	<b>(3,427,122)</b>	<b>(411,700)</b>
524	-	-	170,658	17,813
<b>524</b>	<b>-</b>	<b>-</b>	<b>170,658</b>	<b>17,813</b>
(19,946)	(15,648)	247,108	572,880	229,837
44,903	215,115	62,502	10,705,601	1,234,883
<b>\$ 24,957</b>	<b>\$ 199,467</b>	<b>\$ 309,610</b>	<b>\$ 11,278,481</b>	<b>\$ 1,464,720</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2004**

**Business Type Activities - Enterprise Funds**

	<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)	\$ 1,669,599	\$ 321,941	\$ (973,073)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	651,940	836,061	296,127
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable (net)	(208,163)	(331,659)	-
Decrease (increase) in inventory of supplies	(242,090)	(62,323)	-
(Decrease) increase in accounts payable	69,732	74,392	789
(Decrease) increase in accrued wages and benefits	31,523	(1,746)	219
(Decrease) increase in other accrued liabilities	(6,800)	(8,736)	(2,905)
(Decrease) increase in due to other funds	1,049	2,160	(8,976)
Increase (decrease) in compensated absences payable	11,490	(18,524)	(1,585)
Increase (decrease) in due to other governments	153	-	-
Increase (decrease) in due to individuals	60,065	-	(31,171)
<b>Total adjustments</b>	<b>368,899</b>	<b>489,625</b>	<b>252,498</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 2,038,498</b>	<b>\$ 811,566</b>	<b>\$ (720,575)</b>

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

**In 2004, developers contributed infrastructure assets (water and sewer lines) to the Water and Sewer Funds. The Water Fund received \$258,321 and the Sewer Fund received \$180,117 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>Non Major</b>		<b>Activities -</b>
<b>Golf Course</b>	<b>Solid Waste</b>	<b>Enterprise</b>	<b>Totals</b>	<b>Internal</b>
	<b>Disposal</b>	<b>Funds</b>		<b>Service</b>
				<b>Funds</b>
\$ 160,365	\$ 311,975	\$ (62,057)	\$ 1,428,750	\$ 167,558
164,573	1,659	87,263	2,037,623	747,396
1,046	-	-	(538,776)	(221,831)
(21,065)	-	-	(325,478)	(89,506)
2,395	(43,702)	(1,430)	102,176	206,408
3,120	-	332	33,448	(575)
(4,460)	-	(150)	(23,051)	(2,914)
-	-	(164)	(5,931)	(59,552)
3,499	-	-	(5,120)	(4,475)
445	-	-	598	-
-	-	-	28,894	-
<b>149,553</b>	<b>(42,043)</b>	<b>85,851</b>	<b>1,304,383</b>	<b>\$ 574,951</b>
<b>\$ 309,918</b>	<b>\$ 269,932</b>	<b>\$ 23,794</b>	<b>\$ 2,733,133</b>	<b>\$ 742,509</b>

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR YEAR ENDED DECEMBER 31, 2004**

	<b>Total Agency Funds</b>
<b>Assets:</b>	
Cash and equity in pooled cash, deposits and investments	\$ 82,771
Cash with fiscal and escrow agent	19,379
Property taxes receivable	159,738
<b>Total assets</b>	<b><u>\$ 261,888</u></b>
<b>Liabilities:</b>	
Due to other governments	\$ 159,871
Due to individuals	38,145
Unapportioned monies	63,872
<b>Total liabilities</b>	<b><u>\$ 261,888</u></b>

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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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 be by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. A component unit which is fiscally dependent upon the primary government even when the primary government does not have a voting majority of the component unit's board is also to be included in the statements of the primary government.

**Blended Component Unit**

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

**Discretely Presented Component Units**

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

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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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 basic 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 park 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 regulations of other governments, or 2) imposed by law through constitutional provisions or

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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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 effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

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

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

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

***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.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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

**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 demolition of the City Centre Mall and the construction of infrastructure in the former mall area.

**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.

**Internal Service Funds** - Accounts 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 present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current financial resources.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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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, 2004, 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 operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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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, 2004.

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, 2004**

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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 the expenditure is recorded when the inventory is consumed. 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, 1980. 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 capital 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, 2004**

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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 2004, 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 interfund transfers.

During the year, the City records local income tax receipts and the subsequent distribution of these receipts to the appropriate City funds in the City Income Tax Fund. The income tax distributions are made by the Income Tax Fund based upon the City's appropriation resolutions and are recorded as transfers. On the year-end financial statements, all transfers of income tax revenues are classified as municipal income revenue of the appropriate funds and, therefore, do not appear in this report as transfers. Funds receiving municipal income tax revenue are the General Fund, the Auto & Gas Tax Fund, the 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, 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, 2004**

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>
General Fund	\$ 392,000	\$ 90,000
Capital Improvements Fund	0	231,725
Non major governmental funds	<u>373,380</u>	<u>392,000</u>
Total	<u>\$ 765,380</u>	<u>\$ 713,725</u>

<i>Proprietary Funds</i>	<i>Transfers In</i>	<i>Transfers Out</i>
Water Fund	\$ 0	\$ 25,828
Sewer Fund	0	25,827
Golf Fund	<u>118,785</u>	<u>0</u>
Total	<u>\$ 118,785</u>	<u>\$ 51,655</u>

<i>Internal Service Funds</i>	<i>Transfers In</i>	<i>Transfers Out</i>
Municipal Garage Fund	\$ 0	\$ 118,785

The City's major governmental funds received one transfer totaling \$392,000 in 2004. This transfer was from the EMS Fund to cover Fire Division overtime expenditures. The major governmental funds transfers-out totaled \$321,725. The majority of these transfers (63%) were for general obligation debt service payments.

The City's non-major governmental funds received \$373,380 in transfers in. The majority of this money (54%) was transferred in from the major governmental funds for debt service.

The City's business type funds transferred out \$51,655 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, 2004**

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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, 2004, the total liability of the City for compensated absences was \$4,664,300.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

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

**BUDGETARY PROCEDURES**

*Budget*

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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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 2004.

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. Fourteen supplemental appropriation measures were legally enacted during 2004. The supplemental appropriations increased the original 2004 Appropriation Resolution by \$9,878,965 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 2004, 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, 2003, reflect an "Appropriation for prior year encumbrances."

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**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, 2004, are comprised of the following:

<b>Deposits</b>	
Petty Cash	\$ 5,645
Demand deposit accounts	2,528,513
Subtotal deposits	<u>\$2,534,158</u>
<b>Investments</b>	
Money Market Funds	742,979
U.S. Gov't and Agency Securities	28,552,157
STAROhio	2,005,713
Investment in City issued bonds	14,000
Subtotal investments	<u>\$31,314,849</u>
<b>Total</b>	<u><b>\$33,849,007</b></u>

**Deposits**

The bank balance for all City deposits at December 31, 2004, was \$3,283,867. 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 \$2,983,867 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, 2004, were \$31,314,849. 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  
NOTES TO FINANCIAL STATEMENTS  
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	<i>Category 1</i>	<i>Uncategorized</i>	<i>Fair Value</i>
City of Middletown Notes & Bonds	\$ 14,000	\$ -	\$ 14,000
U.S. Treasury & Agency Securities	28,552,157	-	28,552,157
Uncategorized Investments:			
Money Market Mutual Fund	-	742,979	742,979
Investment in STAROhio	-	2,005,713	2,005,713
<b>Total</b>	<b>\$ 28,566,157</b>	<b>\$ 2,748,692</b>	<b>\$31,314,849</b>

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

At December 31, 2004, the following funds had unreserved/undesignated fund balance deficit earnings:

**Special Revenue Funds**

- Community Development Fund  
The \$64,215 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.
- Civic Development Fund  
The \$1,661 fund deficit arises because of accounts payable at December 31, 2004. This deficit will be corrected early 2005 when hotel/motel tax payments are received.
- Home Program Fund  
The \$1,570 deficit in this fund will be corrected in early 2005 when Federal Home Program grant money is received.

**Capital Project Funds**

- East End Development Fund  
The \$2,011,509 deficit in this fund is the result of the issuance of \$4,232,070 in general obligation notes to fund street improvements in the East End area. The deficit will be corrected in 2005 when permanent financing is arranged to replace the notes outstanding.

**Enterprise Funds**

- Golf Fund  
The \$226,456 deficit in this fund will be corrected when the fund's \$200,000 interfund loan from the General Fund is repaid in 2005 and its general obligation debt is also reduced.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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- *Solid Waste Fund*

The \$1,531,913 deficit in this fund is the result of a 1994 bond issue to finance the closure of the City landfill. The deficit will be corrected when the bonds are fully retired.

**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 2004 taxes were collected was \$1,045,301,496. The full tax rate for all City operations for the fiscal year ended December 31, 2004, was \$5.90 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 represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies that are measurable as of December 31, 2004. 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 2004 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.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004 was as follows:

<b>GOVERNMENTAL ACTIVITIES</b>				
<i>Capital Asset</i>	<i>Beginning Balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Ending Balance</i>
Land and land improvements	\$9,513,831	\$ 5,500,000	\$ 0	\$15,013,831
Buildings	23,410,541	157,126	0	23,567,667
Equipment	15,359,590	551,429	1,663,403	14,247,616
General infrastructure	<u>13,920,863</u>	<u>1,285,201</u>	<u>0</u>	<u>15,206,064</u>
<b>Total at Historical Cost</b>	<b>62,204,825</b>	<b>7,493,756</b>	<b>1,663,403</b>	<b>68,035,178</b>
Less accumulated depreciation:				
Land improvements	153,698	35,238	0	188,936
Buildings	10,553,332	604,341	0	11,157,673
Equipment	10,920,791	1,025,584	1,552,054	10,394,321
General infrastructure	<u>1,130,903</u>	<u>768,952</u>	<u>0</u>	<u>1,899,855</u>
<b>Total depreciation</b>	<b>22,758,724</b>	<b>2,434,115</b>	<b>1,552,054</b>	<b>23,640,785</b>
<b>Capital Assets, Net</b>	<b>\$ 39,446,101</b>	<b>\$ 5,059,641</b>	<b>\$ 111,349</b>	<b>\$ 44,394,393</b>

Depreciation was charged to governmental functions as follows:

General government	\$ 775,266
Leisure	205,439
Public health and welfare	57,445
Community environment	9,980
Public safety	267,996
Streets and highways	<u>1,117,989</u>
Total	<b>\$2,434,115</b>

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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<b>BUSINESS-TYPE ACTIVITIES</b>				
<i>Capital Asset</i>	<i>Adjusted Beginning Balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Ending Balance</i>
Capital assets, not being depreciated:				
<i>Land</i>	\$6,868,352	\$508,819	\$ 536,600	\$6,840,571
Capital assets, being depreciated:				
Land improvements	2,476,702	7,243	0	2,483,945
Buildings	26,010,758	877,688	251,200	26,637,246
Equipment	9,992,037	46,209	1,114,304	8,923,942
Infrastructure	<u>49,419,628</u>	<u>1,065,514</u>	<u>52</u>	<u>50,485,090</u>
<i>Total capital asset, being depreciated</i>	87,899,125	1,996,654	1,365,556	88,530,223
<b><i>Totals at Historical Cost</i></b>	<b>94,767,477</b>	<b>2,505,473</b>	<b>1,902,156</b>	<b>95,370,794</b>
Less accumulated depreciation:				
Land improvements	975,396	140,366	0	1,115,762
Buildings	9,316,378	660,909	(71,363)	9,905,924
Equipment	7,873,682	420,128	(1,227,426)	7,066,384
General infrastructure	<u>28,512,119</u>	<u>816,220</u>	<u>447</u>	<u>29,328,786</u>
<i>Total depreciation</i>	46,677,575	2,037,623	(1,298,342)	47,416,856
<b><i>Total capital assets, being depreciated, net</i></b>	<b>41,221,550</b>	<b>(40,969)</b>	<b>(67,214)</b>	<b>41,113,367</b>
<b>Capital Assets, Net</b>	<b>\$ 48,089,902</b>	<b>\$ 467,850</b>	<b>\$ (603,814)</b>	<b>\$ 47,953,938</b>

Depreciation was charged to business-type activities as follows:

Water	\$ 651,940
Sewer	836,061
Transit	296,127
Golf	164,573
Solid Waste	1,659
Non major funds	<u>87,263</u>
Total	\$2,037,623

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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**NOTE 8 - PENSION PLANS**

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

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

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

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

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

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

The 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 2004 employer contribution rate for local government employer units was 13.55% of covered payroll. The City of Middletown's contribution to OPERS for the years ending December 31, 2004, 2003, and 2002 were \$1,721,927, \$1,729,334, and \$1,699,854 respectively, equal to the required contributions billed to the City by OPERS.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2004, 2003, and 2002 were \$2,320,382, \$2,264,891, and \$2,178,533 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, 2004, 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 \$458,384. See Note 15 for additional information on claims incurred but not reported.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS**

Long-term obligation of the City as of December, 31, 2004, 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>					
1985 Street Improvements	90,000	0	45,000	45,000	45,000
1985 Manchester Road Improvement	28,000	0	14,000	14,000	14,000
1986 Street Improvements	60,000	0	20,000	40,000	20,000
1988 Street Improvements	12,000	0	2,000	10,000	2,000
1990 Street Improvements	83,000	0	11,000	72,000	12,000
1991 Street Improvements	165,000	0	20,000	145,000	20,000
1992 Street Improvements	18,000	0	2,000	16,000	2,000
1993 Street Improvements	70,000	0	7,000	63,000	7,000
1994 Street Improvements	54,000	0	4,000	50,000	5,000
1995-1 Street Improvements	115,000	0	5,000	110,000	5,000
1995 Street Lighting	4,000	0	2,000	2,000	2,000
1995-2 Street Improvements	73,000	0	3,000	70,000	5,000
1996 Street Improvements	155,000	0	10,000	145,000	10,000
1996 Sewer Imp.-Dick's Creek	122,551	0	4,539	118,012	9,078
1996 Sewer Imp.-Cin/Dayton Rd.	12,449	0	461	11,988	922
1997 Sophie Street Improvements	180,000	0	10,000	170,000	10,000
1997 Dix Road Improvements	146,295	0	5,000	141,295	5,000
1998 Lewis Street Improvements	70,000	0	4,000	66,000	4,000
1999 Marshall Road Improvements	395,000	0	15,000	380,000	20,000
2000 Burbank Street Improvements	170,000	0	5,000	165,000	5,000
2000 Garfield Sidewalk Improve.	20,000	0	10,000	10,000	10,000
2001 Sidewalk, Curb (2000)	65,000	0	20,000	45,000	20,000
2001 Illinois/Longfellow Improve.	200,775	0	8,139	192,636	8,139
2001 Dick's Creek	104,121	0	4,221	99,900	4,221
2001 Oxford State Rd Water Line	65,106	0	2,639	62,467	2,639
2001 Oxford State Rd Intersection	59,000	0	3,000	56,000	3,000
2001 Sidewalk, Curb (2001)	95,000	0	30,000	65,000	30,000
2002 Sidewalk, Curb	225,000	0	45,000	180,000	45,000
2003 Sidewalk, Curb	0	140,279	0	140,279	25,279
2004 Roosevelt Ave. Improvements	0	573,580	0	573,580	8,580
<b>Total Special Assessment Bonds</b>	<b>2,857,297</b>	<b>713,859</b>	<b>311,999</b>	<b>3,259,157</b>	<b>359,858</b>

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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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	2,455,000	0	195,000	2,260,000	205,000
1994 Recreation	425,000	0	35,000	390,000	35,000
1996 Street Improvements	1,580,000	0	90,000	1,490,000	95,000
1996 Energy Savings Improvements	170,000	0	55,000	115,000	55,000
1999 Downtown Improvements	9,160,000	0	380,000	8,780,000	400,000
2003 Court of Appeals	4,025,000	0	150,000	3,875,000	155,000
2004 MRH Land	0	5,500,000	190,000	5,310,000	215,000
<b>Total General Obligation Bonds</b>	<b>17,815,000</b>	<b>5,500,000</b>	<b>1,095,000</b>	<b>22,220,000</b>	<b>1,160,000</b>
Compensated Absences	3,872,605	438,645	64,933	4,246,317	1,481,053
Police & Fire Pension					
Unfunded Accrued Liability	2,981,058	0	97,741	2,883,317	97,741
2000 Capital Lease (5 years)	154,502	0	80,931	73,571	73,571
<b>Total Governmental Activities</b>	<b>\$27,680,462</b>	<b>\$6,652,504</b>	<b>\$1,650,604</b>	<b>\$32,682,362</b>	<b>\$3,172,223</b>

In prior years, assets of the City's General Fund, Health Fund, and Auto and Gas Tax Fund have been used to liquidate the City's liability for compensated absences.

**B. 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"	1,920,000	0	145,000	1,775,000	155,000
1994 Landfill "B"	200,000	0	15,000	185,000	15,000
1994 Water	1,920,000	0	145,000	1,775,000	155,000
1996 Golf Course	1,750,000	0	95,000	1,655,000	95,000
1994 Sewer	645,000	0	205,000	440,000	215,000
1999 Water	2,210,000	0	95,000	2,115,000	95,000
2003 Golf	480,000	0	20,000	460,000	25,000
<b>Total General Obligation Bonds</b>					
<b>Payable by Business Type Activities</b>	<b>9,125,000</b>	<b>0</b>	<b>720,000</b>	<b>8,405,000</b>	<b>755,000</b>
Compensated Absences	428,115	54,338	64,470	417,983	145,542
<b>Total Business Type Activities</b>	<b>\$9,553,115</b>	<b>\$54,338</b>	<b>\$784,470</b>	<b>\$8,822,983</b>	<b>\$900,542</b>

**CITY OF MIDDLETOWN  
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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 City's legal debt margin was approximately \$96,523,067 at December 31, 2004. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2004 are as follows:

<b>Police and Fire Pension Debt Schedule – 12/31/04</b>			
	<u>Police</u>	<u>Fire</u>	<u>Total</u>
2005	\$ 52,217	\$ 45,524	\$ 97,741
2006	52,217	45,524	97,741
2007	52,217	45,524	97,741
2008	52,217	45,524	97,741
2009	52,217	45,524	97,741
2010-2014	261,085	227,620	488,705
2015-2019	261,085	227,620	488,705
2020-2024	261,085	227,620	488,705
2025-2029	261,085	227,620	488,705
2030-2034	261,085	227,620	488,705
2035	23,757	20,713	44,470
<b>Total</b>	<b>\$ 1,590,267</b>	<b>\$ 1,386,433</b>	<b>\$ 2,976,700</b>

<b>General Obligation and Assessment Bonds Schedule – 12/31/04</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>
2005	\$ 1,915,000	\$ 1,534,740	\$ 3,449,740	\$ 359,858	\$ 186,928	\$ 546,786
2006	2,005,000	1,447,609	3,452,609	316,294	158,116	474,410
2007	1,805,000	1,354,854	3,159,854	245,999	142,612	388,611
2008	1,880,000	1,271,859	3,151,859	250,999	129,632	380,631
2009	1,975,000	1,180,887	3,155,887	203,999	118,202	322,201
2010-2014	10,505,000	4,257,613	14,762,613	862,999	433,301	1,296,300
2015-2019	8,105,000	1,780,655	9,885,655	726,000	195,504	921,504
2020-2024	2,530,000	276,590	2,806,590	288,000	42,126	330,126
<b>Total</b>	<b>\$30,720,000</b>	<b>\$13,104,807</b>	<b>\$ 43,824,807</b>	<b>\$ 3,254,148</b>	<b>\$ 1,406,421</b>	<b>\$ 4,660,569</b>

<b>Capital Lease Obligation</b>		
	<u>Principal</u>	<u>Interest</u>
2005	71,722	1,849
<b>Total</b>	<b>\$ 71,722</b>	<b>\$ 1,849</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.

**CITY OF MIDDLETOWN  
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The primary responsibility for the annual payments to special assessment bondholders is with the property owners on whose behalf the City has issued special assessment debt. The special assessments, which cover both principal and interest due, are collected by the Butler County Treasurer each year with the property owners' property tax payments. The collections are then sent to the City, which pays the principal and interest due. In the event of default, a lien is put on the property and it is eventually sold by the county at a tax sale. The City is then reimbursed for any special assessment bond payments it made.

The City, therefore, does not maintain a reserve or sinking fund to meet its special assessment bond obligations. The police and fire pension unfunded accrued liability represents the City's portion of the unfunded prior service cost of the fund which existed at the time the fund was established in 1967 as determined by actuarial evaluation. This accrued liability has and will continue to be paid over a term of sixty-seven years in annual installments which began in 1969 and which will end in 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 \$3,442,070 note bearing an interest rate of 2.25% for the Towne Boulevard Extension project was outstanding on December 31, 2004. The note matures on May 19, 2005.
- b) A \$790,000 note, bearing interest of 2.25% for the Towne Boulevard/Route 122 intersection improvements was outstanding on December 31, 2004. The note matures on May 19, 2005.

<b>General Obligation Notes</b>				
<i>Issue</i>	<i>Beginning Balance 1/1/04</i>	<i>Note Retirement</i>	<i>Note Issue</i>	<i>Ending Balance 12/31/04</i>
Energy Conservation	120,000	120,000	0	0
Towne Blvd./Route 122	776,000	776,000	790,000	790,000
Roosevelt Ave. Improvement	643,000	643,000	0	0
Towne Blvd. Extension	3,427,000	3,427,000	3,442,070	3,442,070
<b>Total</b>	<b>\$ 4,966,000</b>	<b>\$ 4,966,000</b>	<b>\$ 4,232,070</b>	<b>\$ 4,232,070</b>

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES**

The City's interfund receivables and payables at the end of 2004 were comprised of operating advances from the General Fund to other operating funds (\$333,000); payments to the Municipal Garage Fund by the City operating funds for December 2004 services (\$218,042); and payments due to operating funds by the Municipal Garage Fund for overpayments (\$4,594).

Interfund receivables and payables balances as of December 31, 2004, follow:

Fund	Receivables	Payables
<b>General fund</b>	<b>\$ 333,000</b>	<b>\$ 102,032</b>
Special revenue funds:		
Auto and gas tax	-	77,549
Health grant	3,109	652
Mandatory drug fine	-	3,000
Municipal court	-	1,040
Community development	-	100,000
<b>Total special revenue funds</b>	<b>3,109</b>	<b>182,241</b>
Debt service funds:		
Special assessment	-	30,000
<b>Total debt service funds</b>	<b>-</b>	<b>30,000</b>
Enterprise funds:		
Parking	-	402
Water	-	10,142
Sewer	-	11,128
Transit	1,485	15,097
Golf	-	200,000
<b>Total enterprise funds</b>	<b>1,485</b>	<b>236,769</b>
Internal service fund:		
Municipal garage	218,042	4,594
<b>Total internal service funds</b>	<b>218,042</b>	<b>4,594</b>
<b>Total all funds</b>	<b>\$ 555,636</b>	<b>\$ 555,636</b>

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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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, 2004, the City had 308 policies with a total value of \$1,540,000 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 2004 was \$23,955.

**PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the Retirement System is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.55% of covered payroll, and 5.00% was used to fund health care for the year.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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B. The Ohio Revised Code provides the statutory authority to require public employers to fund post retirement health care through their contributions to OPERS.

C. Summary of Assumptions:

Actuarial Review. The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2003.

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 annually.

Investment Return. The investment assumption rate for 2003 was 8.0%.

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 at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next eight years. In subsequent years (nine and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

- D. OPEB's are advance-funded on an actuarially determined basis.
1. At year-end 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 369,885.
  2. The rates stated in paragraph A are the actuarially determined contribution requirements for OPERS. The portion of the City's contribution that was used to fund health care benefits was \$508,312.
  3. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003.
  4. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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E. OPERS Retirement Board adopts a Health Care Preservation Plan

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

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

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 firefighter'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 7.75% of covered payroll in 2003 and in 2004. 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, 2004, is 13,662 for police and 10,474 for firefighters. For the year ended December 31, 2004, the City's contribution to fund OPEB was \$418,160 for police and \$409,268 for firefighters. The PFDPF's total health care expenses as of December 31, 2003, were \$150,853,148, which was net of member contributions of \$17,207,206.

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 431 member organizations. The City's agreement with the Public Entities Pool of Ohio (PEP) covers its general liability, public officials' liability, police

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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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 \$11,500,000. 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 \$13,800,000 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 \$23.57 million. Demotech, an independent financial stability rating company, has awarded PEP their highest rating (AAA) for eleven 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 \$4,008,000.

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
2003	\$250,000	\$3,647,361	\$3,578,438	\$313,900
2004	\$313,900	\$3,682,218	\$3,537,734	\$458,384

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.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 16 - SIGNIFICANT CONTRACTUAL OBLIGATIONS**

As of December 31, 2004, 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
Reynolds, Inc.	Secondary basin	\$750,000
Steve R. Rauch, Inc.	Lime removal system	302,109
Barrett Paving Materials	Cincinnati-Dayton Road	297,373
Kleingers & Associates	Engineering design	240,000
Reynolds, Inc.	Water system replacement	213,000
Statewide Ford Lincoln Mercury	Police cars	199,080
Camp Dress & McKee, Inc.	Biosolids upgrade	180,245
Barrett Paving Materials	Crack seal	<u>142,940</u>
	Total	<u>\$2,324,747</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 \$80,931 during calendar year 2004.

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, 2004**

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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 2005	75,420
Total Payments	\$ 75,420
Less: Amounts representing interest	<u>(1,849)</u>
Present Value of Minimum Lease Payments	<u>\$ 73,571</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 is paying \$675,908 to Middletown over a twenty-year period at an interest rate of 5.09%.

**NOTE 20 – RELATED PARTIES**

The City received proceeds of \$5,500,000 twenty-year bond issue on January 9, 2004. These proceeds were used to purchase land for the future site of Middletown Regional Hospital. This land will be deeded to Middletown Regional Hospital when construction plans for the new hospital are finalized in 2005. The City purchased this land from a partnership in which a Middletown City Council member had a financial interest.

**NOTE 21 – SUBSEQUENT EVENTS**

The City of Middletown issued notes for the amount of \$1,555,000 in early 2005 in anticipation of bonds to finance the acquisition of hangars and other structures located at Hook Field Municipal Airport. The City already owned the airport land. The complete ownership and management of Hook Field adds an amenity that will encourage economic development in Middletown.

**CITY OF MIDDLETOWN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2004**

**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)	(\$1,265,799)	\$51,266	\$61,400
Adjustments: revenue and other source accruals	495,643	36,432	1
Expenditures, encumbrances and other use accruals	(344,746)	0	0
<b>Budget basis</b>	<b>(\$1,114,902)</b>	<b>\$87,698</b>	<b>\$61,401</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Property taxes	\$ 4,145,606	\$ 4,137,566	\$ 4,154,970	\$ 17,404
Municipal income taxes	12,791,500	13,005,782	12,328,204	(677,578)
Intergovernmental revenue	3,026,957	2,828,669	2,979,292	150,623
Charges for services	2,599,440	3,571,365	3,178,275	(393,090)
Fees, licenses, and permits	629,140	364,141	313,812	(50,329)
Fines and forfeits	13,464	14,764	9,925	(4,839)
Interest earnings	714,000	350,000	245,697	(104,303)
Miscellaneous	750,718	811,240	1,102,461	291,221
<b>Total revenues</b>	<b>24,670,825</b>	<b>25,083,527</b>	<b>24,312,636</b>	<b>(770,891)</b>
<b>Expenditures:</b>				
Current				
<b>Public Safety</b>				
Fire administration	173,109	178,109	175,960	2,149
Fire operations	6,205,132	6,514,077	6,332,815	181,262
Fire prevention/training	393,058	470,058	439,720	30,338
Police administration	264,987	274,987	272,801	2,186
Criminal investigation	1,507,939	1,507,939	1,423,833	84,106
Uniform patrol	4,921,018	5,001,018	4,991,434	9,584
Police services	1,718,349	1,718,349	1,629,367	88,982
Humane officer	70,269	70,269	69,835	434
Jail management	1,139,092	1,139,092	1,002,322	136,770
School crossing guards	37,324	37,324	34,397	2,927
Citizen service center	283,828	323,828	317,711	6,117
Building inspection and services	435,460	435,460	429,853	5,607
Building maintenance	655,855	660,482	658,979	1,503
<b>Total public safety</b>	<b>17,805,420</b>	<b>18,330,992</b>	<b>17,779,027</b>	<b>551,965</b>
<b>Public Health &amp; Welfare</b>				
Home health aides	89,539	98,939	98,583	356
Social health program	377,991	377,991	257,423	120,568
<b>Total public health &amp; welfare</b>	<b>467,530</b>	<b>476,930</b>	<b>356,006</b>	<b>120,924</b>

continued

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GENERAL FUND  
FOR YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Leisure Activities</b>				
Parks & recreation administration	142,798	142,798	135,971	6,827
Community center	194,039	194,039	175,612	18,427
Douglass pool	-	57,242	48,072	9,170
Pools	-	100,096	92,763	7,333
Recreation	115,353	123,353	122,074	1,279
Job opportunity	15,001	15,601	15,505	96
Parks maintenance	464,035	467,035	460,678	6,357
<b>Total leisure activities</b>	<b>931,226</b>	<b>1,100,164</b>	<b>1,050,675</b>	<b>49,489</b>
<b>Community Environment</b>				
Planning administration	259,193	259,193	155,889	103,304
Rehabilitation	262,431	262,431	254,673	7,758
Street lighting	509,289	508,878	446,219	62,659
<b>Total community environment</b>	<b>1,030,913</b>	<b>1,030,502</b>	<b>856,781</b>	<b>173,721</b>
<b>General Government</b>				
City council	238,964	239,464	191,597	47,867
City manager	535,801	535,801	438,501	97,300
Finance administration	215,292	215,292	210,035	5,257
Treasurer	353,549	360,196	341,926	18,270
Taxation	378,024	377,982	372,204	5,778
Information systems	919,832	919,803	853,734	66,069
Personnel	429,828	429,043	324,541	104,502
Law	498,083	498,083	477,616	20,467
Purchasing	113,402	115,902	114,917	985
Planning	641,897	641,827	613,336	28,491
Engineering	833,593	827,993	767,040	60,953
<b>Total general government</b>	<b>5,158,265</b>	<b>5,161,386</b>	<b>4,705,447</b>	<b>455,939</b>

continued

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GENERAL FUND  
FOR YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Miscellaneous</b>				
Non-departmental	1,051,130	6,725,052	6,718,815	6,237
<b>Total miscellaneous</b>	<b>1,051,130</b>	<b>6,725,052</b>	<b>6,718,815</b>	<b>6,237</b>
<b>Total expenditures</b>	<b>26,444,484</b>	<b>32,825,026</b>	<b>31,466,751</b>	<b>1,358,275</b>
Excess of revenues over (under) expenditures	(1,773,659)	(7,741,499)	(7,154,115)	587,384
Other financing sources (uses)				
Transfers-in	-	392,000	392,000	-
Transfers-out	(82,000)	(82,000)	(82,000)	-
Other sources	-	-	229,213	229,213
Proceeds from bonds	-	5,500,000	5,500,000	-
<b>Total other financing sources (uses)</b>	<b>(82,000)</b>	<b>5,810,000</b>	<b>6,039,213</b>	<b>229,213</b>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,855,659)	(1,931,499)	(1,114,902)	816,597
Fund balance, beginning of year	5,188,996	5,188,996	5,188,996	-
Appropriation for prior year encumbrances	585,646	585,646	585,646	-
<b>Fund balance, end of the year</b>	<b>\$ 3,918,983</b>	<b>\$ 3,843,143</b>	<b>\$ 4,659,740</b>	<b>\$ 816,597</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Intergovernmental revenue	\$ 2,812,043	\$ 9,043,688	\$ 9,239,612	\$ 195,924
Interest earnings	6,918	6,918	6,337	(581)
Miscellaneous	68,155	68,155	50,043	(18,112)
<b>Total revenues</b>	<b>2,887,116</b>	<b>9,118,761</b>	<b>9,295,992</b>	<b>177,231</b>
<b>Expenditures:</b>				
Current				
Community Environment	10,311,953	9,311,953	9,244,726	67,227
<b>Total expenditures</b>	<b>10,311,953</b>	<b>9,311,953</b>	<b>9,244,726</b>	<b>67,227</b>
Excess of revenues over (under) expenditures	(7,424,837)	(193,192)	51,266	244,458
<b>Other financing sources (uses):</b>				
Other sources	-	-	36,432	36,432
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>36,432</b>	<b>36,432</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(7,424,837)	(193,192)	87,698	280,890
Fund balance, beginning of the year	909,506	909,506	909,506	-
Appropriation for prior year encumbrances	268,265	268,265	268,265	-
<b>Fund balance, end of the year</b>	<b>\$ (6,247,066)</b>	<b>\$ 984,579</b>	<b>\$ 1,265,469</b>	<b>\$ 280,890</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Interest earnings	\$ 121,200	\$ 121,200	\$ 67,885	\$ (53,315)
Miscellaneous	573,624	560,000	-	(560,000)
<b>Total revenues</b>	<b>694,824</b>	<b>681,200</b>	<b>67,885</b>	<b>(613,315)</b>
<b>Expenditures:</b>				
Current				
Community Environment	30,000	30,000	6,485	23,515
<b>Total expenditures</b>	<b>30,000</b>	<b>30,000</b>	<b>6,485</b>	<b>23,515</b>
Excess of revenues over (under) expenditures	664,824	651,200	61,400	(589,800)
<b>Other financing sources (uses):</b>				
Other uses	(360,000)	(360,000)	(273,709)	86,291
<b>Total other financing uses</b>	<b>(360,000)</b>	<b>(360,000)</b>	<b>(273,709)</b>	<b>86,291</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	304,824	291,200	(212,309)	(503,509)
Fund balance, beginning of the year	1,293,305	1,293,305	1,293,305	-
<b>Fund balance, end of the year</b>	<b>\$ 1,598,129</b>	<b>\$ 1,584,505</b>	<b>\$ 1,080,996</b>	<b>\$ (503,509)</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.

## **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.

#### **TOWNE BOULEVARD TAX INCREMENT FINANCING FUND**

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

## **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.

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

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

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

#### **2003 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, 2004**

	<b>Non Major Special Revenue Funds</b>	<b>Non Major Debt Service Funds</b>	<b>Non Major Capital Project Funds</b>	<b>Total Non Major Governmental Funds</b>
<b>Assets:</b>				
Cash and equity in pooled cash, deposits and investments	\$ 3,267,879	\$ 301,410	\$ 1,271,415	\$ 4,840,704
Cash with fiscal and escrow agent	-	88,091	-	88,091
Receivables (net of allowance for uncollectibles):				
Property taxes	579,126	-	-	579,126
Accounts	125,612	-	-	125,612
Loans	244,006	-	-	244,006
Due from other funds	3,109	-	-	3,109
Due from other governments	3,259,959	-	-	3,259,959
Inventory of supplies	376,168	-	-	376,168
<b>Total assets</b>	<b>7,855,859</b>	<b>389,501</b>	<b>1,271,415</b>	<b>9,516,775</b>
<b>Liabilities:</b>				
Accounts payable	161,201	-	6,864	168,065
Accrued wages and benefits	161,554	-	-	161,554
Other accrued liabilities	29,041	-	-	29,041
Due to other funds	182,241	-	-	182,241
Due to other governments	10,877	-	-	10,877
Matured bonds and interest	-	88,091	-	88,091
Deferred revenue	3,560,695	-	-	3,560,695
<b>Total liabilities</b>	<b>4,105,609</b>	<b>88,091</b>	<b>6,864</b>	<b>4,200,564</b>
<b>Fund balances:</b>				
Reserved for encumbrances	288,423	-	56,929	345,352
Reserved for inventory	376,168	-	-	376,168
Reserved for loans	214,303	-	-	214,303
Unreserved and undesignated	2,871,356	301,410	1,207,622	4,380,388
<b>Total fund balances</b>	<b>3,750,250</b>	<b>301,410</b>	<b>1,264,551</b>	<b>5,316,211</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,855,859</b>	<b>\$ 389,501</b>	<b>\$ 1,271,415</b>	<b>\$ 9,516,775</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON MAJOR GOVERNMENTAL FUNDS  
 AS OF DECEMBER 31, 2004**

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 574,466	\$ 29,580	\$ -	\$ 604,046
Municipal income taxes	3,001,500	1,812,160	-	4,813,660
Special assessments	-	-	141,188	141,188
Intergovernmental revenues	4,123,988	-	-	4,123,988
Charges for services	441,847	-	-	441,847
Fines and forfeits	1,489,541	-	-	1,489,541
Interest earnings	18,116	-	18,810	36,926
Miscellaneous	592,842	311,809	95,775	1,000,426
<b>Total revenues</b>	<b>10,242,300</b>	<b>2,153,549</b>	<b>255,773</b>	<b>\$ 12,651,622</b>
<b>Expenditures:</b>				
<b>Current</b>				
Public safety	5,009,403	-	83,783	5,093,186
Public health and welfare	1,110,242	-	-	1,110,242
Leisure time activities	8,379	-	-	8,379
Community environment	1,242,135	-	70,799	1,312,934
Highways and streets	2,159,927	-	44,691	2,204,618
General government	111,920	-	116,230	228,150
Miscellaneous	500,909	-	-	500,909
<b>Debt service</b>				
Principal retirement	-	1,095,000	-	1,095,000
Interest and fiscal charges	-	1,098,538	7,181	1,105,719
<b>Total expenditures</b>	<b>10,142,915</b>	<b>2,193,538</b>	<b>322,684</b>	<b>12,659,137</b>
Excess of revenues over (under) expenditures	99,385	(39,989)	(66,911)	(7,515)
<b>Other financing sources (uses):</b>				
Transfers-in	-	200,000	173,380	373,380
Transfers-out	(392,000)	-	-	(392,000)
Issuance of bonds	-	-	716,277	716,277
<b>Total other financing sources (uses)</b>	<b>(392,000)</b>	<b>200,000</b>	<b>889,657</b>	<b>697,657</b>
Net change in fund balances	(292,615)	160,011	822,746	690,142
Fund balance, beginning of year	4,042,865	141,399	441,805	4,626,069
<b>Fund balance, end of the year</b>	<b>\$ 3,750,250</b>	<b>\$ 301,410</b>	<b>\$ 1,264,551</b>	<b>\$ 5,316,211</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2004**

	<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	\$ 175,140	\$ 40,792	\$ 44,313	\$ 1,443,625	\$ 107,692
Receivables (net of allowance for uncollectibles):					
Property taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	-	-	3,109	-	-
Due from other governments	988,242	-	341,501	43,094	-
Inventory of supplies	376,168	-	-	-	-
<b>Total assets</b>	<b>1,539,550</b>	<b>40,792</b>	<b>388,923</b>	<b>1,486,719</b>	<b>107,692</b>
<b>Liabilities:</b>					
Accounts payable	66,739	-	10,727	-	4,926
Accrued wages and benefits	70,627	-	24,683	-	-
Other accrued liabilities	11,363	-	7,281	-	-
Due to other funds	77,549	-	652	-	-
Due to other governments	-	-	10,877	-	-
Deferred revenue	720,332	-	331,021	43,094	-
<b>Total liabilities</b>	<b>946,610</b>	<b>-</b>	<b>385,241</b>	<b>43,094</b>	<b>4,926</b>
<b>Fund balances:</b>					
Reserved for encumbrances	94,044	-	1,500	46,800	-
Reserved for inventory	376,168	-	-	-	-
Reserved for loans	-	-	-	-	-
Unreserved and undesignated	122,728	40,792	2,182	1,396,825	102,766
<b>Total fund balances</b>	<b>592,940</b>	<b>40,792</b>	<b>3,682</b>	<b>1,443,625</b>	<b>102,766</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,539,550</b>	<b>\$ 40,792</b>	<b>\$ 388,923</b>	<b>\$ 1,486,719</b>	<b>\$ 107,692</b>

<b>Litter Control</b>	<b>Urban Development Action Grant</b>	<b>Court Computerization</b>	<b>Law Enforcement</b>	<b>Mandatory Drug Fine</b>	<b>Probation Services</b>	<b>Termination Pay</b>
\$ -	\$ 512,090	\$ -	\$ 57,311	\$ 8,043	\$ 107,579	\$ 53,665
-	-	-	-	-	-	-
-	-	-	-	-	4,222	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	<b>512,090</b>	-	<b>57,311</b>	<b>8,043</b>	<b>111,801</b>	<b>53,665</b>
-	-	-	3,949	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,000	-	-
-	-	-	-	-	-	-
-	-	-	<b>3,949</b>	<b>3,000</b>	-	-
-	23,260	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	488,830	-	53,362	5,043	111,801	53,665
-	<b>512,090</b>	-	<b>53,362</b>	<b>5,043</b>	<b>111,801</b>	<b>53,665</b>
<b>\$ -</b>	<b>\$ 512,090</b>	<b>\$ -</b>	<b>\$ 57,311</b>	<b>\$ 8,043</b>	<b>\$ 111,801</b>	<b>\$ 53,665</b>

(continued)

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2004**

	<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	\$ 22,198	\$ 25,675	\$ -	\$ 169,594	\$ 60,015
Receivables (net of allowance for uncollectibles):					
Property taxes	-	-	-	-	-
Accounts	575	-	32,165	77,198	-
Loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	262,097
Inventory of supplies	-	-	-	-	-
<b>Total assets</b>	<b>22,773</b>	<b>25,675</b>	<b>32,165</b>	<b>246,792</b>	<b>322,112</b>
<b>Liabilities:</b>					
Accounts payable	-	-	33,826	2,449	-
Accrued wages and benefits	-	-	-	64,704	-
Other accrued liabilities	-	-	-	10,397	-
Due to other funds	-	-	-	1,040	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	262,097
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>33,826</b>	<b>78,590</b>	<b>262,097</b>
<b>Fund balances:</b>					
Reserved for encumbrances	-	-	-	-	1,000
Reserved for inventory	-	-	-	-	-
Reserved for loans	-	-	-	-	-
Unreserved and undesignated	22,773	25,675	(1,661)	168,202	59,015
<b>Total fund balances</b>	<b>22,773</b>	<b>25,675</b>	<b>(1,661)</b>	<b>168,202</b>	<b>60,015</b>
<b>Total liabilities and fund balances</b>	<b>\$ 22,773</b>	<b>\$ 25,675</b>	<b>\$ 32,165</b>	<b>\$ 246,792</b>	<b>\$ 322,112</b>

<b>Court Special Projects</b>	<b>Home Program</b>	<b>Community Development</b>	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Totals</b>
\$ 285,814	\$ 2,230	\$ 105,175	\$ 42,767	\$ 4,161	\$ 3,267,879
-	-	-	289,563	289,563	579,126
11,452	-	-	-	-	125,612
-	-	244,006	-	-	244,006
-	-	-	-	-	3,109
-	536,166	1,088,859	-	-	3,259,959
-	-	-	-	-	376,168
<b>297,266</b>	<b>538,396</b>	<b>1,438,040</b>	<b>332,330</b>	<b>293,724</b>	<b>7,855,859</b>
4,433	3,800	30,352	-	-	161,201
1,540	-	-	-	-	161,554
-	-	-	-	-	29,041
-	-	100,000	-	-	182,241
-	-	-	-	-	10,877
-	536,166	1,088,859	289,563	289,563	3,560,695
-	-	-	-	-	-
<b>5,973</b>	<b>539,966</b>	<b>1,219,211</b>	<b>289,563</b>	<b>289,563</b>	<b>4,105,609</b>
53,078	-	68,741	-	-	288,423
-	-	-	-	-	376,168
-	-	214,303	-	-	214,303
238,215	(1,570)	(64,215)	42,767	4,161	2,871,356
<b>291,293</b>	<b>(1,570)</b>	<b>218,829</b>	<b>42,767</b>	<b>4,161</b>	<b>3,750,250</b>
<b>\$ 297,266</b>	<b>\$ 538,396</b>	<b>\$ 1,438,040</b>	<b>\$ 332,330</b>	<b>\$ 293,724</b>	<b>\$ 7,855,859</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, 2004**

	<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	351,500	-	271,000	-	-
Intergovernmental revenues	2,165,031	-	566,637	-	-
Charges for services	-	23,450	199,967	218,430	-
Fines and forfeits	-	-	-	-	-
Interest earnings	3,807	-	-	-	-
Miscellaneous	137,214	-	9,989	243,777	-
<b>Total revenues</b>	<b>2,657,552</b>	<b>23,450</b>	<b>1,047,593</b>	<b>462,207</b>	<b>-</b>
<b>Expenditures:</b>					
<b>Current</b>					
Public safety	462,788	-	-	400,491	-
Public health and welfare	-	-	1,085,082	-	-
Leisure time activities	-	-	-	-	-
Community environment	-	-	-	-	28,774
Highways and streets	2,141,090	-	-	-	-
General government	-	-	-	-	-
Miscellaneous	-	-	-	-	-
<b>Total expenditures</b>	<b>2,603,878</b>	<b>-</b>	<b>1,085,082</b>	<b>400,491</b>	<b>28,774</b>
Excess of revenues over (under) expenditures	53,674	23,450	(37,489)	61,716	(28,774)
<b>Other financing sources (uses):</b>					
Transfers-out	-	-	-	(392,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(392,000)</b>	<b>-</b>
Net change in fund balances	53,674	23,450	(37,489)	(330,284)	(28,774)
Fund balance, beginning of year	539,266	17,342	41,171	1,773,909	131,540
<b>Fund balance, end of the year</b>	<b>\$ 592,940</b>	<b>\$ 40,792</b>	<b>\$ 3,682</b>	<b>\$ 1,443,625</b>	<b>\$ 102,766</b>

<b>Litter Control</b>	<b>Urban Development Action Grant</b>	<b>Court Computer-ization</b>	<b>Law Enforcement</b>	<b>Mandatory Drug Fine</b>	<b>Probation Services</b>	<b>Termination Pay</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16,000	-	-	-	-	-	350,000
45,268	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	36,202	43,466	81,764	-
-	13,156	-	-	-	-	-
-	-	-	10,000	-	-	-
<b>61,268</b>	<b>13,156</b>	<b>-</b>	<b>46,202</b>	<b>43,466</b>	<b>81,764</b>	<b>350,000</b>
-	-	16,796	59,698	45,217	40,842	137,681
-	-	-	-	-	-	25,160
-	-	-	-	-	-	8,379
49,948	-	-	-	-	-	-
-	-	-	-	-	-	18,837
-	-	-	-	-	-	111,920
-	306,993	-	-	-	-	-
<b>49,948</b>	<b>306,993</b>	<b>16,796</b>	<b>59,698</b>	<b>45,217</b>	<b>40,842</b>	<b>301,977</b>
11,320	(293,837)	(16,796)	(13,496)	(1,751)	40,922	48,023
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,320	(293,837)	(16,796)	(13,496)	(1,751)	40,922	48,023
(11,320)	805,927	16,796	66,858	6,794	70,879	5,642
<b>\$ -</b>	<b>\$ 512,090</b>	<b>\$ -</b>	<b>\$ 53,362</b>	<b>\$ 5,043</b>	<b>\$ 111,801</b>	<b>\$ 53,665</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, 2004**

	<b>Indigent Driver Alcohol Treatment</b>	<b>Enforce- ment Education</b>	<b>Civic Develop- ment</b>	<b>Municipal Court</b>	<b>Police Grant</b>
<b>Revenues:</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	-	-	-	337,000	-
Intergovernmental revenues	-	-	-	-	44,733
Charges for services	-	-	-	-	-
Fines and forfeits	20,640	9,099	-	1,143,103	-
Interest earnings	-	-	-	-	878
Miscellaneous	-	-	186,099	5,363	-
<b>Total revenues</b>	<b>20,640</b>	<b>9,099</b>	<b>186,099</b>	<b>1,485,466</b>	<b>45,611</b>
<b>Expenditures:</b>					
<b>Current</b>					
Public safety	20,520	7,597	-	1,321,334	95,723
Public health and welfare	-	-	-	-	-
Leisure time activities	-	-	-	-	-
Community environment	-	-	-	-	-
Highways and streets	-	-	-	-	-
General government	-	-	-	-	-
Miscellaneous	-	-	193,916	-	-
<b>Total expenditures</b>	<b>20,520</b>	<b>7,597</b>	<b>193,916</b>	<b>1,321,334</b>	<b>95,723</b>
Excess of revenues over (under) expenditures	120	1,502	(7,817)	164,132	(50,112)
<b>Other financing sources (uses):</b>					
Transfers-out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	120	1,502	(7,817)	164,132	(50,112)
Fund balance, beginning of year	22,653	24,173	6,156	4,070	110,127
<b>Fund balance, end of the year</b>	<b>\$ 22,773</b>	<b>\$ 25,675</b>	<b>\$ (1,661)</b>	<b>\$ 168,202</b>	<b>\$ 60,015</b>

<b>Court Special Projects</b>	<b>Home Program</b>	<b>Community Develop- ment</b>	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Totals</b>
\$ -	\$ -	\$ -	\$ 287,233	\$ 287,233	\$ 574,466
-	-	-	740,000	936,000	3,001,500
-	499,992	752,065	25,131	25,131	4,123,988
-	-	-	-	-	441,847
155,267	-	-	-	-	1,489,541
-	-	275	-	-	18,116
-	-	400	-	-	592,842
<b>155,267</b>	<b>499,992</b>	<b>752,740</b>	<b>1,052,364</b>	<b>1,248,364</b>	<b>\$ 10,242,300</b>
80,333	-	-	1,053,299	1,267,084	5,009,403
-	-	-	-	-	1,110,242
-	-	-	-	-	8,379
-	518,928	644,485	-	-	1,242,135
-	-	-	-	-	2,159,927
-	-	-	-	-	111,920
-	-	-	-	-	500,909
<b>80,333</b>	<b>518,928</b>	<b>644,485</b>	<b>1,053,299</b>	<b>1,267,084</b>	<b>10,142,915</b>
74,934	(18,936)	108,255	(935)	(18,720)	99,385
-	-	-	-	-	(392,000)
-	-	-	-	-	<b>(392,000)</b>
74,934	(18,936)	108,255	(935)	(18,720)	(292,615)
216,359	17,366	110,574	43,702	22,881	4,042,865
<b>\$ 291,293</b>	<b>\$ (1,570)</b>	<b>\$ 218,829</b>	<b>\$ 42,767</b>	<b>\$ 4,161</b>	<b>\$ 3,750,250</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Municipal income tax	\$ 351,500	\$ 351,500	\$ 351,500	\$ -
Intergovernmental revenue	2,382,845	2,103,065	2,034,217	(68,848)
Charges for services	66,000	66,000	3,500	(62,500)
Interest earnings	10,000	9,526	3,807	(5,719)
Miscellaneous	140,000	133,214	133,714	500
<b>Total revenues</b>	<b>2,950,345</b>	<b>2,663,305</b>	<b>2,526,738</b>	<b>(136,567)</b>
<b>Expenditures:</b>				
Current				
Public safety:				
Electronic Maintenance	626,922	626,523	606,062	20,461
<b>Total public safety</b>	<b>626,922</b>	<b>626,523</b>	<b>606,062</b>	<b>20,461</b>
Highways and streets:				
Street Maintenance	1,602,994	1,652,810	1,641,060	11,750
Grounds Maintenance	581,540	581,540	458,440	123,100
<b>Total highways and streets</b>	<b>2,184,534</b>	<b>2,234,350</b>	<b>2,099,500</b>	<b>134,850</b>
<b>Total expenditures</b>	<b>2,811,456</b>	<b>2,860,873</b>	<b>2,705,562</b>	<b>155,311</b>
Excess of revenues over (under) expenditures	138,889	(197,568)	(178,824)	18,744
Fund balance, beginning of the year	132,142	132,142	132,142	-
Appropriation for prior year encumbrances	87,020	87,020	87,020	-
<b>Fund balance, end of the year</b>	<b>\$ 358,051</b>	<b>\$ 21,594</b>	<b>\$ 40,338</b>	<b>\$ 18,744</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Revenues:				
Charges for services	\$ 105,000	\$ 70,000	\$ 23,450	\$ (46,550)
<b>Total revenues</b>	<b>105,000</b>	<b>70,000</b>	<b>23,450</b>	<b>(46,550)</b>
Expenditures:				
Current				
Leisure activities	70,000	70,000	-	70,000
<b>Total expenditures</b>	<b>70,000</b>	<b>70,000</b>	<b>-</b>	<b>70,000</b>
Excess of revenues over expenditures	35,000	-	23,450	23,450
Fund balance, beginning of the year	17,345	17,345	17,345	-
<b>Fund balance, end of the year</b>	<b>\$ 52,345</b>	<b>\$ 17,345</b>	<b>\$ 40,795</b>	<b>\$ 23,450</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Municipal income taxes	\$ 271,000	\$ 271,000	\$ 271,000	\$ -
Intergovernmental revenue	700,000	656,839	577,250	(79,589)
Charges for services	200,000	232,841	199,967	(32,874)
Miscellaneous	75,536	16,000	9,989	(6,011)
<b>Total revenues</b>	<b>1,246,536</b>	<b>1,176,680</b>	<b>1,058,206</b>	<b>(118,474)</b>
<b>Expenditures:</b>				
Current				
Public health and welfare:				
Health State Subsidy	15,755	15,755	15,397	358
Immunization Action Plan	41,919	41,919	41,919	-
Cardiovascular	-	5,502	2,714	2,788
Child & Family Services	253,650	253,650	244,205	9,445
Help Me Grow	339,515	339,515	326,562	12,953
Health/Environment Admin.	625,206	631,837	523,916	107,921
<b>Total expenditures</b>	<b>1,276,045</b>	<b>1,288,178</b>	<b>1,154,713</b>	<b>133,465</b>
Excess of revenues under expenditures	(29,509)	(111,498)	(96,507)	14,991
<b>Other financing sources uses:</b>				
Other uses	-	-	(2,043)	2,043
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>(2,043)</b>	<b>2,043</b>
Excess of revenues and other financing sources under expenditures and other financing uses	(29,509)	(111,498)	(98,550)	17,034
Fund balance, beginning of the year	71,890	71,890	71,890	-
Appropriation for prior year encumbrances	67,499	67,499	67,499	-
<b>Fund balance, end of the year</b>	<b>\$ 109,880</b>	<b>\$ 27,891</b>	<b>\$ 40,839</b>	<b>\$ 17,034</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Charges for Services	\$ 612,000	\$ -	\$ -	-
Miscellaneous	-	456,000	462,207	6,207
<b>Total revenues</b>	<b>612,000</b>	<b>456,000</b>	<b>462,207</b>	<b>6,207</b>
Expenditures:				
Current				
Public safety	400,400	1,053,400	847,599	205,801
<b>Total expenditures</b>	<b>400,400</b>	<b>1,053,400</b>	<b>847,599</b>	<b>205,801</b>
Excess of revenues over (under) expenditures	211,600	(597,400)	(385,392)	212,008
Fund balance, beginning of the year	1,748,510	1,748,510	1,748,510	-
Appropriation for prior year encumbrances	25,400	25,400	25,400	-
<b>Fund balance, end of the year</b>	<b>\$ 1,985,510</b>	<b>\$ 1,176,510</b>	<b>\$ 1,388,518</b>	<b>\$ 212,008</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Revenues:				
Miscellaneous	\$ 10,000	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenditures:				
Current				
Miscellaneous	95,586	95,586	25,498	70,088
<b>Total expenditures</b>	<b>95,586</b>	<b>95,586</b>	<b>25,498</b>	<b>70,088</b>
Excess of revenues under expenditures	(85,586)	(95,586)	(25,498)	70,088
Fund balance, beginning of the year	133,191	133,191	133,191	-
<b>Fund balance, end of the year</b>	<b>\$ 47,605</b>	<b>\$ 37,605</b>	<b>\$ 107,693</b>	<b>\$ 70,088</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, 2004**

	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	45,268	(14,732)
<b>Total revenues</b>	<b>76,000</b>	<b>76,000</b>	<b>61,268</b>	<b>(14,732)</b>
Expenditures:				
Current				
Community environment:	76,000	76,000	49,948	26,052
<b>Total expenditures</b>	<b>76,000</b>	<b>76,000</b>	<b>49,948</b>	<b>26,052</b>
Excess of revenues over (under) expenditures	-	-	11,320	(11,320)
Other financing sources (uses):				
Other sources	-	11,320	-	(11,320)
Other uses	-	-	(11,320)	11,320
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>11,320</b>	<b>(11,320)</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	-	11,320	-	(11,320)
Fund balance, beginning of the year	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ -</b>	<b>\$ 11,320</b>	<b>\$ -</b>	<b>\$ (11,320)</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Revenues:				
Interest earnings	\$ 22,603	\$ 22,603	\$ 13,156	\$ (9,447)
<b>Total revenues</b>	<b>22,603</b>	<b>22,603</b>	<b>13,156</b>	<b>(9,447)</b>
Expenditures:				
Current				
Community environment:	780,000	780,000	330,254	449,746
<b>Total expenditures</b>	<b>780,000</b>	<b>780,000</b>	<b>330,254</b>	<b>449,746</b>
Excess of revenues under expenditures	(757,397)	(757,397)	(317,098)	440,299
Fund balance, beginning of the year	805,927	805,927	805,927	-
<b>Fund balance, end of the year</b>	<b>\$ 48,530</b>	<b>\$ 48,530</b>	<b>\$ 488,829</b>	<b>\$ 440,299</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Revenues:				
Fines and forfeits	\$ -	\$ -	\$ -	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenditures:				
Current				
Public safety:	20,000	20,000	16,796	3,204
<b>Total expenditures</b>	<b>20,000</b>	<b>20,000</b>	<b>16,796</b>	<b>3,204</b>
Excess of revenues under expenditures	(20,000)	(20,000)	(16,796)	3,204
Fund balance, beginning of the year	16,796	16,796	16,796	-
<b>Fund balance, end of the year</b>	<b>\$ (3,204)</b>	<b>\$ (3,204)</b>	<b>\$ -</b>	<b>\$ 3,204</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 51,500	\$ 61,500	\$ 36,202	\$ (25,298)
Miscellaneous	-	-	10,000	10,000
<b>Total revenues</b>	<b>51,500</b>	<b>61,500</b>	<b>46,202</b>	<b>(15,298)</b>
Expenditures:				
Current				
Public safety:	51,500	61,500	59,698	1,802
<b>Total expenditures</b>	<b>51,500</b>	<b>61,500</b>	<b>59,698</b>	<b>1,802</b>
Excess of revenues under expenditures	-	-	(13,496)	(13,496)
Fund balance, beginning of the year	66,857	66,857	66,857	-
<b>Fund balance, end of the year</b>	<b>\$ 66,857</b>	<b>\$ 66,857</b>	<b>\$ 53,361</b>	<b>\$ (13,496)</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 49,131	\$ 49,131	\$ 31,948	\$ (17,183)
Intergovernmental revenue	-	-	13,743	13,743
<b>Total revenues</b>	<b>49,131</b>	<b>49,131</b>	<b>45,691</b>	<b>(3,440)</b>
Expenditures:				
Current				
Public safety:	40,000	47,000	46,350	650
<b>Total expenditures</b>	<b>40,000</b>	<b>47,000</b>	<b>46,350</b>	<b>650</b>
Excess of revenues over (under) expenditures	9,131	2,131	(659)	(2,790)
Other financing sources:				
Other sources	-	-	3,000	3,000
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>3,000</b>
Excess of revenues and other financing sources over expenditures and other financing sources	9,131	2,131	2,341	210
Fund balance, beginning of the year	5,702	5,702	5,702	-
<b>Fund balance, end of the year</b>	<b>\$ 14,833</b>	<b>\$ 7,833</b>	<b>\$ 8,043</b>	<b>\$ 210</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 75,000	\$ 75,000	\$ 84,917	\$ 9,917
<b>Total revenues</b>	<b>75,000</b>	<b>75,000</b>	<b>84,917</b>	<b>9,917</b>
Expenditures:				
Current				
Public safety	50,000	50,000	40,842	9,158
<b>Total expenditures</b>	<b>50,000</b>	<b>50,000</b>	<b>40,842</b>	<b>9,158</b>
Excess of revenues over expenditures	25,000	25,000	44,075	19,075
Fund balance, beginning of the year	63,503	63,503	63,503	-
<b>Fund balance, end of the year</b>	<b>\$ 88,503</b>	<b>\$ 88,503</b>	<b>\$ 107,578</b>	<b>\$ 19,075</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Municipal income Tax	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
<b>Total revenues</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>	<b>-</b>
<b>Expenditures:</b>				
Current				
Personal services:				
Public safety	150,000	150,000	137,681	12,319
Public health & welfare	30,000	30,000	25,160	4,840
Leisure time activities	10,000	10,000	8,379	1,621
Community environment	10,000	10,000	-	10,000
General government	120,000	120,000	111,920	8,080
Highways & streets	30,000	30,000	18,837	11,163
<b>Total expenditures</b>	<b>350,000</b>	<b>350,000</b>	<b>301,977</b>	<b>48,023</b>
Excess of revenues over expenditures	-	-	48,023	48,023
Fund balance, beginning of the year	5,643	5,643	5,643	-
<b>Fund balance, end of the year</b>	<b>\$ 5,643</b>	<b>\$ 5,643</b>	<b>\$ 53,666</b>	<b>\$ 48,023</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 20,000	\$ 20,000	\$ 20,065	\$ 65
<b>Total revenues</b>	<b>20,000</b>	<b>20,000</b>	<b>20,065</b>	<b>65</b>
Expenditures:				
Current				
Public safety	23,000	23,000	20,520	2,480
<b>Total expenditures</b>	<b>23,000</b>	<b>23,000</b>	<b>20,520</b>	<b>2,480</b>
Excess of revenues under expenditures	(3,000)	(3,000)	(455)	2,545
Fund balance, beginning of the year	22,650	22,650	22,650	-
<b>Fund balance, end of the year</b>	<b>\$ 19,650</b>	<b>\$ 19,650</b>	<b>\$ 22,195</b>	<b>\$ 2,545</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 51,500	\$ 14,000	\$ 9,099	\$ (4,901)
<b>Total revenues</b>	<b>51,500</b>	<b>14,000</b>	<b>9,099</b>	<b>(4,901)</b>
Expenditures:				
Current				
Public Safety	14,389	14,389	7,597	6,792
<b>Total expenditures</b>	<b>14,389</b>	<b>14,389</b>	<b>7,597</b>	<b>6,792</b>
Excess of revenues over (under) expenditures	37,111	(389)	1,502	1,891
Fund balance, beginning of year	24,178	24,178	24,178	-
<b>Fund balance, end of the year</b>	<b>\$ 61,289</b>	<b>\$ 23,789</b>	<b>\$ 25,680</b>	<b>\$ 1,891</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ 164,927	\$ 188,000	\$ 159,632	\$ (28,368)
<b>Total revenues</b>	<b>164,927</b>	<b>188,000</b>	<b>159,632</b>	<b>(28,368)</b>
Expenditures:				
Current				
Miscellaneous	188,200	188,200	160,090	28,110
<b>Total expenditures</b>	<b>188,200</b>	<b>188,200</b>	<b>160,090</b>	<b>28,110</b>
Excess of revenues under expenditures	(23,273)	(200)	(458)	(258)
Fund balance, beginning of the year	458	458	458	-
<b>Fund balance, end of the year</b>	<b>\$ (22,815)</b>	<b>\$ 258</b>	<b>\$ -</b>	<b>\$ (258)</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Municipal income tax	\$ 300,000	\$ 337,000	\$ 337,000	\$ -
Intergovernmental revenue	6,900	6,900	-	(6,900)
Fines and forfeits	1,030,801	1,030,801	1,136,409	105,608
Miscellaneous	7,900	7,900	5,362	(2,538)
<b>Total revenues</b>	<b>1,345,601</b>	<b>1,382,601</b>	<b>1,478,771</b>	<b>96,170</b>
<b>Expenditures:</b>				
Current				
Public safety:	1,315,644	1,318,644	1,317,882	762
<b>Total expenditures</b>	<b>1,315,644</b>	<b>1,318,644</b>	<b>1,317,882</b>	<b>762</b>
Excess of revenues over expenditures	29,957	63,957	160,889	96,932
Fund balance, beginning of the year	8,469	8,469	8,469	-
Appropriation for prior year encumbrances	234	234	234	-
<b>Fund balance, end of the year</b>	<b>\$ 38,660</b>	<b>\$ 72,660</b>	<b>\$ 169,592</b>	<b>\$ 96,932</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Intergovernmental revenue	\$ 62,972	\$ 121,972	\$ 52,015	\$ (69,957)
Interest earnings	1,000	1,000	996	(4)
Miscellaneous	1,000	1,000	(118)	(1,118)
<b>Total revenues</b>	<b>64,972</b>	<b>123,972</b>	<b>52,893</b>	<b>(71,079)</b>
<b>Expenditures:</b>				
Current				
Public safety:				
Step Grant	39,972	39,972	11,097	28,875
Dare Grant	25,001	25,001	6,976	18,025
2004 Federal Block Grant	22,000	22,000	-	22,000
2001 Federal Block Grant	13,903	13,903	13,903	-
2002 Federal Block Grant	24,628	24,628	24,628	-
2002 Cops More Grant	1,000	1,000	1,000	-
2003 Federal Block Grant	19,097	19,097	19,097	-
Safety Council Grant	35,000	35,000	24,535	10,465
<b>Total expenditures</b>	<b>180,601</b>	<b>180,601</b>	<b>101,236</b>	<b>79,365</b>
Excess of revenues under expenditures	(115,629)	(56,629)	(48,343)	8,286
Fund balance, beginning of the year	48,731	48,731	48,731	-
Appropriation for prior year encumbrances	58,628	58,628	58,628	-
<b>Fund balance, end of the year</b>	<b>\$ (8,270)</b>	<b>\$ 50,730</b>	<b>\$ 59,016</b>	<b>\$ 8,286</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Revenues:				
Fines & forfeits	\$ 63,500	\$ 80,000	\$ 150,508	\$ 70,508
<b>Total revenues</b>	<b>63,500</b>	<b>80,000</b>	<b>150,508</b>	<b>70,508</b>
Expenditures:				
Current				
Public safety:	200,000	200,000	196,481	3,519
<b>Total expenditures</b>	<b>200,000</b>	<b>200,000</b>	<b>196,481</b>	<b>3,519</b>
Excess of revenues under expenditures	(136,500)	(120,000)	(45,973)	74,027
Fund balance, beginning of the year	217,064	217,064	217,064	-
<b>Fund balance, end of the year</b>	<b>\$ 80,564</b>	<b>\$ 97,064</b>	<b>\$ 171,091</b>	<b>\$ 74,027</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Revenues:				
Intergovernmental revenue	\$ 479,000	\$ 750,000	\$ 499,992	\$ (250,008)
<b>Total revenues</b>	<b>479,000</b>	<b>750,000</b>	<b>499,992</b>	<b>(250,008)</b>
Expenditures:				
Current				
Community environment:	748,000	748,000	515,128	232,872
<b>Total expenditures</b>	<b>748,000</b>	<b>748,000</b>	<b>515,128</b>	<b>232,872</b>
Excess of revenues over (under) expenditures	(269,000)	2,000	(15,136)	(17,136)
Fund balance, beginning of the year	17,366	17,366	17,366	-
<b>Fund balance, end of the year</b>	<b>\$ (251,634)</b>	<b>\$ 19,366</b>	<b>\$ 2,230</b>	<b>\$ (17,136)</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Intergovernmental revenue	\$ 850,000	\$ 1,941,400	\$ 752,065	\$ (1,189,335)
Miscellaneous	-	-	11,428	11,428
<b>Total revenues</b>	<b>850,000</b>	<b>1,941,400</b>	<b>763,493</b>	<b>(1,177,907)</b>
<b>Expenditures:</b>				
Current				
Community environment:	1,841,400	1,285,902	843,204	442,698
<b>Total expenditures</b>	<b>1,841,400</b>	<b>1,285,902</b>	<b>843,204</b>	<b>442,698</b>
Excess of revenues over (under) expenditures	(991,400)	655,498	(79,711)	(735,209)
Fund balance, beginning of the year	(28,905)	(28,905)	(28,905)	-
Appropriation for prior year encumbrances	137,900	137,900	137,900	-
<b>Fund balance, end of the year</b>	<b>\$ (882,405)</b>	<b>\$ 764,493</b>	<b>\$ 29,284</b>	<b>\$ (735,209)</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Property taxes	\$ 287,660	\$ 287,660	\$ 287,232	\$ (428)
Intergovernmental revenue	24,735	24,735	25,131	396
Municipal income taxes	760,000	740,000	740,000	-
<b>Total revenues</b>	<b>1,072,395</b>	<b>1,052,395</b>	<b>1,052,363</b>	<b>(32)</b>
<b>Expenditures:</b>				
Current				
Public safety:	1,059,021	1,059,021	1,053,299	5,722
<b>Total expenditures</b>	<b>1,059,021</b>	<b>1,059,021</b>	<b>1,053,299</b>	<b>5,722</b>
Excess of revenues over (under) expenditures	13,374	(6,626)	(936)	5,690
Fund balance, beginning of the year	43,691	43,691	43,691	-
<b>Fund balance, end of the year</b>	<b>\$ 57,065</b>	<b>\$ 37,065</b>	<b>\$ 42,755</b>	<b>\$ 5,690</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Property taxes	\$ 287,660	\$ 287,660	\$ 287,232	\$ (428)
Intergovernmental revenue	24,735	24,735	25,131	396
Municipal income taxes	950,000	949,000	936,000	(13,000)
<b>Total revenues</b>	<b>1,262,395</b>	<b>1,261,395</b>	<b>1,248,363</b>	<b>(13,032)</b>
<b>Expenditures:</b>				
Current				
Public safety:	1,207,997	1,267,997	1,267,084	913
<b>Total expenditures</b>	<b>1,207,997</b>	<b>1,267,997</b>	<b>1,267,084</b>	<b>913</b>
Excess of revenues over (under) expenditures	54,398	(6,602)	(18,721)	(12,119)
Fund balance, beginning of the year	22,877	22,877	22,877	-
<b>Fund balance, end of the year</b>	<b>\$ 77,275</b>	<b>\$ 16,275</b>	<b>\$ 4,156</b>	<b>\$ (12,119)</b>

**CITY OF MIDDLETOWN, OHIO  
COMBINING BALANCE SHEET  
NON MAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	<b>General Obligation Debt Service</b>	<b>Towne Boulevard Tax Increment Financing District</b>	<b>Totals</b>
<b>Assets</b>			
Cash and equity in pooled cash, deposits and investments	\$ 271,830	\$ 29,580	\$ 301,410
Cash with fiscal and escrow agent	88,091	-	88,091
<b>Total assets</b>	<b>359,921</b>	<b>29,580</b>	<b>389,501</b>
<b>Liabilities</b>			
Matured bonds and interest	88,091	-	88,091
<b>Total liabilities</b>	<b>88,091</b>	<b>-</b>	<b>88,091</b>
<b>Fund balance:</b>			
Unreserved and undesignated	271,830	29,580	301,410
<b>Total fund balance</b>	<b>271,830</b>	<b>29,580</b>	<b>301,410</b>
<b>Total liabilities and fund balance</b>	<b>\$ 359,921</b>	<b>\$ 29,580</b>	<b>\$ 389,501</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NON MAJOR DEBT SERVICE FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2004**

	General Obligation Debt Service	Towne Boulevard Tax Increment Financing District	Totals
<b>Revenues</b>			
Municipal income taxes	\$ 1,812,160	\$ -	\$ 1,812,160
Property taxes	-	29,580	29,580
Miscellaneous revenues	311,809	-	311,809
<b>Total revenues</b>	<b>2,123,969</b>	<b>29,580</b>	<b>2,153,549</b>
<b>Expenditures</b>			
Debt service			
Principal retirement	1,095,000	-	1,095,000
Interest and fiscal charges	1,098,538	-	1,098,538
<b>Total expenditures</b>	<b>2,193,538</b>	<b>-</b>	<b>2,193,538</b>
Excess of revenues over (under) expenditures	(69,569)	29,580	(39,989)
<b>Other financing sources (uses)</b>			
Interfund transfers-in	200,000	-	200,000
<b>Total other financing sources (uses)</b>	<b>200,000</b>	<b>-</b>	<b>200,000</b>
Net change in fund balance	130,431	29,580	160,011
Fund balance, beginning of the year	141,399	-	141,399
<b>Fund balance, end of the year</b>	<b>\$ 271,830</b>	<b>\$ 29,580</b>	<b>\$ 301,410</b>

**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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Revenues:				
Property and other taxes	\$ -	\$ 506,996	\$ 489,262	\$ (17,734)
Miscellaneous	-	-	28,854	28,854
<b>Total revenues</b>	<b>-</b>	<b>506,996</b>	<b>518,116</b>	<b>11,120</b>
Expenditures:				
Debt service	478,975	478,975	474,745	4,230
<b>Total expenditures</b>	<b>478,975</b>	<b>478,975</b>	<b>474,745</b>	<b>4,230</b>
Excess of revenues over (under) expenditures	(478,975)	28,021	43,371	15,350
Fund balance, beginning of the year	12,390	12,390	12,390	-
<b>Fund balance, end of the year</b>	<b>\$ (466,585)</b>	<b>\$ 40,411</b>	<b>\$ 55,761</b>	<b>\$ 15,350</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Municipal income taxes	\$ 1,524,145	\$ 1,812,160	\$ 1,812,160	\$ -
Property taxes	-	-	25,471	25,471
Miscellaneous	-	286,338	286,339	1
<b>Total revenues</b>	<b>1,524,145</b>	<b>2,098,498</b>	<b>2,123,970</b>	<b>25,472</b>
<b>Expenditures:</b>				
Debt service	2,206,137	2,206,137	2,193,538	12,599
<b>Total expenditures</b>	<b>2,206,137</b>	<b>2,206,137</b>	<b>2,193,538</b>	<b>12,599</b>
Excess of revenues under expenditures	(681,992)	(107,639)	(69,568)	38,071
<b>Other financing sources:</b>				
Operating transfers-in	488,015	700,000	200,000	(500,000)
<b>Total other financing sources</b>	<b>488,015</b>	<b>700,000</b>	<b>200,000</b>	<b>(500,000)</b>
Excess of revenues and other financing sources over (under) expenditures	(193,977)	592,361	130,432	(461,929)
Fund balance, beginning of the year	141,399	141,399	141,399	-
<b>Fund balance, end of the year</b>	<b>\$ (52,578)</b>	<b>\$ 733,760</b>	<b>\$ 271,831</b>	<b>\$ (461,929)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
TOWNE BLVD TAX INCREMENT FINANCING FUND  
FOR YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ -	\$ 55,000	\$ 29,580	\$ (25,420)
<b>Total revenues</b>	<b>-</b>	<b>55,000</b>	<b>29,580</b>	<b>(25,420)</b>
Expenditures:				
Current				
Debt service	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of revenues over expenditures	-	55,000	29,580	(25,420)
Fund balance, beginning of the year	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ -</b>	<b>\$ 55,000</b>	<b>\$ 29,580</b>	<b>\$ (25,420)</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR CAPITAL PROJECTS FUNDS  
 DECEMBER 31, 2004**

	Court of Appeals Project	Computer Replace- ment	Leeds Farm Develop- ment	2003 Sidewalk, Curb & Gutter	Roosevelt Avenue Improve- ments	Totals
<b>Assets</b>						
Cash and equity in pooled cash, deposits and investments	\$ 71,962	\$ 920,767	\$ 278,686	\$ -	\$ -	\$ 1,271,415
<b>Total assets</b>	<b>\$ 71,962</b>	<b>\$ 920,767</b>	<b>\$ 278,686</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,271,415</b>
<b>Liabilities</b>						
Accounts payable	-	6,864	-	-	-	6,864
<b>Total liabilities</b>	<b>-</b>	<b>6,864</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,864</b>
<b>Fund balances:</b>						
Reserved for encumbrances	5,759	30,420	750	-	20,000	56,929
Unreserved and undesignated	66,203	883,483	277,936	-	(20,000)	1,207,622
<b>Total fund balances</b>	<b>71,962</b>	<b>913,903</b>	<b>278,686</b>	<b>-</b>	<b>-</b>	<b>1,264,551</b>
<b>Total liabilities and fund balances</b>	<b>\$ 71,962</b>	<b>\$ 920,767</b>	<b>\$ 278,686</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,271,415</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NON MAJOR CAPITAL PROJECT FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2004**

	Court of Appeals Project	Computer Replace- ment	Leeds Farm Develop- ment	2003 Sidewalk, Curb & Gutter	Roosevelt Avenue Improve- ments	Totals
<b>Revenues</b>						
Special assessments	\$ -	\$ -	\$ -	\$ 69,614	\$ 71,574	\$ 141,188
Interest earnings	2,161	16,568	-	-	81	18,810
Miscellaneous	-	45,500	50,275	-	-	95,775
<b>Total revenues</b>	<b>2,161</b>	<b>62,068</b>	<b>50,275</b>	<b>69,614</b>	<b>71,655</b>	<b>255,773</b>
<b>Expenditures</b>						
<b>Current</b>						
Public safety	83,783	-	-	-	-	83,783
Community environment	-	-	70,799	-	-	70,799
Highways & streets	-	-	-	35,712	8,979	44,691
General government	-	116,230	-	-	-	116,230
<b>Debt service</b>						
Interest and fiscal charges	-	-	-	-	7,181	7,181
<b>Total expenditures</b>	<b>83,783</b>	<b>116,230</b>	<b>70,799</b>	<b>35,712</b>	<b>16,160</b>	<b>322,684</b>
Excess of revenues over (under) expenditures	(81,622)	(54,162)	(20,524)	33,902	55,495	(66,911)
<b>Other financing sources (uses)</b>						
Interfund transfers-in	-	141,655	-	15,658	16,067	173,380
Issuance of bonds	-	-	-	140,357	575,920	716,277
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>141,655</b>	<b>-</b>	<b>156,015</b>	<b>591,987</b>	<b>889,657</b>
Net change in fund balances	(81,622)	87,493	(20,524)	189,917	647,482	822,746
Fund balance, beginning of the year	153,584	826,410	299,210	(189,917)	(647,482)	441,805
<b>Fund balance, end of the year</b>	<b>\$ 71,962</b>	<b>\$ 913,903</b>	<b>\$ 278,686</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,264,551</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Property taxes	\$ 830,593	\$ 830,593	\$ 894,906	\$ 64,313
Municipal income taxes	1,225,000	850,000	850,000	-
Intergovernmental revenue	1,048,407	420,407	428,257	7,850
Charges for services	20,000	20,000	20,960	960
Interest earnings	60,000	60,000	40,647	(19,353)
Miscellaneous	190,000	72,000	58,148	(13,852)
<b>Total revenues</b>	<b>3,374,000</b>	<b>2,253,000</b>	<b>2,292,918</b>	<b>39,918</b>
<b>Expenditures:</b>				
<b>Current</b>				
Public safety	98,350	160,000	23,350	136,650
Leisure time activities	83,758	501,000	19,076	481,924
Community environment	184,751	165,000	41,078	123,922
Highways and streets	1,795,741	1,260,000	1,490,557	(230,557)
General government	299,933	123,750	98,714	25,036
<b>Total expenditures</b>	<b>2,462,533</b>	<b>2,209,750</b>	<b>1,672,775</b>	<b>536,975</b>
Excess of revenues over (under) expenditures	911,467	43,250	620,143	576,893
<b>Other financing sources (uses):</b>				
Operating transfers-out	(200,000)	(249,727)	(231,725)	18,002
Other sources	-	-	200,000	200,000
Other uses	-	(2,000)	(1,333)	667
<b>Total other financing sources (uses)</b>	<b>(200,000)</b>	<b>(251,727)</b>	<b>(33,058)</b>	<b>218,669</b>
Excess of revenues and other financing sources over(under) expenditures	711,467	(208,477)	587,085	795,562
Fund balance, beginning of the year	1,544,416	1,544,416	1,544,416	-
Appropriation for prior year encumbrances	330,533	330,533	330,533	-
<b>Fund balance, end of the year</b>	<b>\$ 2,586,416</b>	<b>\$ 1,666,472</b>	<b>\$ 2,462,034</b>	<b>\$ 795,562</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Interest Earnings	\$ 31,300	\$ 20,000	\$ 42,858	\$ 22,858
Intergovernmental revenue	2,838,350	2,838,349	-	(2,838,349)
<b>Total revenues</b>	<b>2,869,650</b>	<b>2,858,349</b>	<b>42,858</b>	<b>(2,815,491)</b>
<b>Expenditures:</b>				
Current				
Highways and streets	6,032,990	5,915,190	373,349	5,541,841
Community environment	775,000	775,000	21,160	753,840
Debt Service				
Principal retirement	4,280,685	4,267,685	4,267,250	435
Interest expense	-	130,000	13,511	116,489
<b>Total expenditures</b>	<b>11,088,675</b>	<b>11,087,875</b>	<b>4,675,270</b>	<b>6,412,605</b>
Excess of revenues under expenditures	(8,219,025)	(8,229,526)	(4,632,412)	3,597,114
<b>Other financing sources:</b>				
Proceeds from notes	2,400,000	5,833,199	4,232,070	(1,601,129)
<b>Total other financing sources</b>	<b>2,400,000</b>	<b>5,833,199</b>	<b>4,232,070</b>	<b>(1,601,129)</b>
Excess of revenues and other financing sources under expenditures	(5,819,025)	(2,396,327)	(400,342)	1,995,985
Fund balance, beginning of the year	2,119,137	2,119,137	2,119,137	-
Appropriation for prior year encumbrances	277,990	277,990	277,990	-
<b>Fund balance, end of the year</b>	<b>\$ (3,421,898)</b>	<b>\$ 800</b>	<b>\$ 1,996,785</b>	<b>\$ 1,995,985</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ -	\$ 36,000	\$ 57,457	\$ 21,457
<b>Total revenues</b>	<b>-</b>	<b>36,000</b>	<b>57,457</b>	<b>21,457</b>
Expenditures:				
Current				
Community environment	535,729	525,784	524,138	1,646
<b>Total expenditures</b>	<b>535,729</b>	<b>525,784</b>	<b>524,138</b>	<b>1,646</b>
Excess of revenues under expenditures	(535,729)	(489,784)	(466,681)	23,103
Fund balance, beginning of the year	2,756,688	2,756,688	2,756,688	-
Appropriation for prior year encumbrances	535,729	535,729	535,729	-
<b>Fund balance, end of the year</b>	<b>\$ 2,756,688</b>	<b>\$ 2,802,633</b>	<b>\$ 2,825,736</b>	<b>\$ 23,103</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Interest earnings	\$ -	\$ 2,000	\$ 2,161	\$ 161
<b>Total revenues</b>	<b>-</b>	<b>2,000</b>	<b>2,161</b>	<b>161</b>
<b>Expenditures:</b>				
Current				
Contractual services				
Public Safety	91,964	89,542	89,542	-
<b>Total expenditures</b>	<b>91,964</b>	<b>89,542</b>	<b>89,542</b>	<b>-</b>
Excess of revenues under expenditures	(91,964)	(87,542)	(87,381)	161
Fund balance, beginning of the year	61,621	61,621	61,621	-
Appropriation for prior year encumbrances	91,964	91,964	91,964	-
<b>Fund balance, end of the year</b>	<b>\$ 61,621</b>	<b>\$ 66,043</b>	<b>\$ 66,204</b>	<b>\$ 161</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Interest earnings	37,093	37,093	16,568	(20,525)
Miscellaneous	160,110	45,500	45,500	-
<b>Total revenues</b>	<b>205,203</b>	<b>90,593</b>	<b>70,068</b>	<b>(20,525)</b>
Expenditures:				
Current				
General government	1,027,445	1,027,445	144,751	882,694
<b>Total expenditures</b>	<b>1,027,445</b>	<b>1,027,445</b>	<b>144,751</b>	<b>882,694</b>
Excess of revenues under expenditures	(822,242)	(936,852)	(74,683)	862,169
Other financing sources:				
Operating transfers-in	133,655	133,655	133,655	-
<b>Total other financing sources</b>	<b>133,655</b>	<b>133,655</b>	<b>133,655</b>	<b>-</b>
Excess of revenues and other financing sources under expenditures	(688,587)	(803,197)	58,972	862,169
Fund balance, beginning of the year	763,927	763,927	763,927	-
Appropriation for prior year encumbrances	67,445	67,445	67,445	-
<b>Fund balance, end of the year</b>	<b>\$ 142,785</b>	<b>\$ 28,175</b>	<b>\$ 890,344</b>	<b>\$ 862,169</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ 1,470	\$ 48,700	\$ 50,275	\$ 1,575
<b>Total revenues</b>	<b>1,470</b>	<b>48,700</b>	<b>50,275</b>	<b>1,575</b>
Expenditures:				
Current				
Community environment	21,000	81,000	71,549	9,451
<b>Total expenditures</b>	<b>21,000</b>	<b>81,000</b>	<b>71,549</b>	<b>9,451</b>
Excess of revenues under expenditures	(19,530)	(32,300)	(21,274)	11,026
Fund balance, beginning of the year	299,210	299,210	299,210	-
<b>Fund balance, end of the year</b>	<b>\$ 279,680</b>	<b>\$ 266,910</b>	<b>\$ 277,936</b>	<b>\$ 11,026</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
2003 SIDEWALK, CURB & GUTTER FUND  
FOR YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Special assessments	\$ -	\$ 69,000	\$ 69,614	\$ 614
<b>Total revenues</b>	<b>-</b>	<b>69,000</b>	<b>69,614</b>	<b>614</b>
<b>Expenditures:</b>				
Current				
Highways and streets	209,997	45,997	35,710	10,287
<b>Total expenditures</b>	<b>209,997</b>	<b>45,997</b>	<b>35,710</b>	<b>10,287</b>
Excess of revenues over (under) expenditures	(209,997)	23,003	33,904	10,901
<b>Other financing sources (uses):</b>				
Operating transfers-in		-	15,658	15,658
Other uses		(200,000)	(200,000)	-
Proceeds from bonds	200,000	-	-	-
Proceeds from notes	-	-	140,356	140,356
<b>Total other financing sources (uses)</b>	<b>200,000</b>	<b>(200,000)</b>	<b>(43,986)</b>	<b>156,014</b>
Excess of revenues and other financing sources under expenditures	(9,997)	(176,997)	(10,082)	166,915
Fund balance, beginning of the year	85	85	85	-
Appropriation for prior year encumbrances	9,997	9,997	9,997	-
<b>Fund balance, end of the year</b>	<b>\$ 85</b>	<b>\$ (166,915)</b>	<b>\$ -</b>	<b>\$ 166,915</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
2004 SIDEWALK, CURB & GUTTER FUND  
FOR YEAR ENDED DECEMBER 31, 2004**

	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	180,000	180,000	-	180,000
<b>Total expenditures</b>	<b>180,000</b>	<b>180,000</b>	<b>-</b>	<b>180,000</b>
Excess of revenues under expenditures	(180,000)	(180,000)	-	180,000
Other financing sources:				
Proceeds from notes	-	269,000	-	(269,000)
<b>Total other financing sources</b>	<b>-</b>	<b>269,000</b>	<b>-</b>	<b>(269,000)</b>
Excess of revenues and other financing sources over (under) expenditures	(180,000)	89,000	-	(89,000)
Fund balance, beginning of the year	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ (180,000)</b>	<b>\$ 89,000</b>	<b>\$ -</b>	<b>\$ (89,000)</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Special assessments	\$ -	\$ 71,000	\$ 71,575	\$ 575
Interest earnings	-	-	80	80
<b>Total revenues</b>	<b>-</b>	<b>71,000</b>	<b>71,655</b>	<b>655</b>
<b>Expenditures:</b>				
Current				
Highways and streets	20,000	8,978	8,978	-
Debt Service				
Principal retirement	646,000	1,300,834	1,300,834	-
Interest expense	13,000	11,253	11,253	-
<b>Total expenditures</b>	<b>679,000</b>	<b>1,321,065</b>	<b>1,321,065</b>	<b>-</b>
Excess of revenues under expenditures	(679,000)	(1,250,065)	(1,249,410)	655
<b>Other financing sources:</b>				
Operating transfers-in		20,000	16,067	(3,933)
Proceeds from bonds	659,000	598,000	575,920	(22,080)
Proceeds from notes	-	655,000	655,000	-
<b>Total other financing sources</b>	<b>659,000</b>	<b>1,273,000</b>	<b>1,246,987</b>	<b>(26,013)</b>
Excess of revenues and other financing sources over (under) expenditures	-	22,935	(2,423)	(25,358)
Fund balance, beginning of the year	(17,577)	(17,577)	(17,577)	-
Appropriation for prior year encumbrances	20,000	20,000	20,000	-
<b>Fund balance, end of the year</b>	<b>\$ 2,423</b>	<b>\$ 25,358</b>	<b>\$ -</b>	<b>\$ (25,358)</b>

## **PROPRIETARY FUNDS**

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

### **PARKING GARAGE**

To account for the operation of the City's downtown parking garage and parking lot facilities.

### **WATER**

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

### **SEWER**

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

### **AIRPORT**

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

### **TRANSIT SYSTEM**

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

### **CITY CENTRE MALL**

To account for the operation of the City's downtown mall area.

### **GOLF COURSE**

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

### **SOLID WASTE DISPOSAL**

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

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF NET ASSETS  
 NON MAJOR PROPRIETARY FUNDS  
 DECEMBER 31, 2004**

**Business Type Activities - Enterprise Funds**

	Parking Garage	Airport	City Centre Mall	Totals
<b>Assets:</b>				
Current assets				
Equity in pooled cash, deposits and investments	\$ 44,902	\$ 264,708	\$ -	\$ 309,610
<b>Total current assets</b>	<b>44,902</b>	<b>264,708</b>	<b>-</b>	<b>309,610</b>
Capital assets:				
Land	16,900	1,524,356	-	1,541,256
Buildings	2,738,763	231,881	-	2,970,644
Equipment	12,120	427,270	-	439,390
Less: Accumulated depreciation	(1,724,396)	(440,524)	-	(2,164,920)
<b>Net capital assets</b>	<b>1,043,387</b>	<b>1,742,983</b>	<b>-</b>	<b>2,786,370</b>
<b>Total assets</b>	<b>1,088,289</b>	<b>2,007,691</b>	<b>-</b>	<b>3,095,980</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	4,762	605	-	5,367
Accrued wages and benefits	2,017	-	-	2,017
Other accrued liabilities	296	-	-	296
Due to other funds	402	-	-	402
<b>Total current liabilities</b>	<b>7,477</b>	<b>605</b>	<b>-</b>	<b>8,082</b>
<b>Total liabilities</b>	<b>7,477</b>	<b>605</b>	<b>-</b>	<b>8,082</b>
<b>Net Assets</b>				
Invested in capital assests, net of related debt	1,043,387	1,742,983	(720,814)	2,065,556
Unrestricted	37,425	264,103	720,814	1,022,342
<b>Total net assets</b>	<b>\$ 1,080,812</b>	<b>\$ 2,007,086</b>	<b>\$ -</b>	<b>\$ 3,087,898</b>

**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, 2004**

**Business Type Activities - Enterprise Funds**

	<b>Parking Garage</b>	<b>Airport</b>	<b>City Centre Mall</b>	<b>Totals</b>
<b>Operating revenues:</b>				
Charges for services	\$ 43,335	\$ 64,479	\$ -	\$ 107,814
Other operating revenue	4,317	-	-	4,317
<b>Total operating revenues</b>	<b>47,652</b>	<b>64,479</b>	<b>0</b>	<b>112,131</b>
<b>Operating expenses:</b>				
Personal services	30,702	-	-	30,702
Contractual services	11,611	33,727	-	45,338
Commodities	415	8,954	-	9,369
Depreciation	61,669	25,594	-	87,263
Other operating expenses	1,516	-	-	1,516
<b>Total operating expenses</b>	<b>105,913</b>	<b>68,275</b>	<b>0</b>	<b>174,188</b>
Operating income (loss)	(58,261)	(3,796)	0	(62,057)
<b>Non-operating revenues (expenses):</b>				
Operating grants	-	23,483	-	23,483
Income taxes	98,000	-	-	98,000
Gain (Loss) on sale or disposal of capital assets	-	-	(720,814)	(720,814)
<b>Total non-operating revenues (expenses)</b>	<b>98,000</b>	<b>23,483</b>	<b>(720,814)</b>	<b>(599,331)</b>
Change in net assets	39,739	19,687	(720,814)	(661,388)
Total net assets, beginning of year	1,041,073	1,987,399	720,814	3,749,286
<b>Total net assets, end of year</b>	<b>\$ 1,080,812</b>	<b>\$ 2,007,086</b>	<b>\$ -</b>	<b>\$ 3,087,898</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 NON MAJOR PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2004**

**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	\$ 43,335	\$ 64,479	\$ -	\$ 107,814
Cash payments to suppliers for goods and services	(11,250)	(42,076)	-	(53,326)
Cash payments to employees for services	(30,520)	-	-	(30,520)
Miscellaneous revenues	4,318	-	-	4,318
Cash payments for services used	(4,492)	-	-	(4,492)
<b>Net cash provided by operating activities</b>	<b>1,391</b>	<b>22,403</b>	<b>-</b>	<b>23,794</b>
<b>Cash flows from non-capital financing activities:</b>				
Operating grants	-	190,525	-	190,525
Interfund loan receipts/payments	(10,000)	-	-	(10,000)
Income taxes received	98,000	-	-	98,000
<b>Net cash provided by non-capital financing activities</b>	<b>88,000</b>	<b>190,525</b>	<b>-</b>	<b>278,525</b>
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	(46,392)	(8,819)	-	(55,211)
<b>Net cash provided by capital and related financing activities</b>	<b>(46,392)</b>	<b>(8,819)</b>	<b>-</b>	<b>(55,211)</b>
Net increase in cash and cash equivalents	42,999	204,109	-	247,108
Cash and cash equivalents, beginning of year	1,903	60,599	-	62,502
<b>Cash and cash equivalents, end of year</b>	<b>\$ 44,902</b>	<b>\$ 264,708</b>	<b>\$ -</b>	<b>\$ 309,610</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 NON MAJOR PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2004**

<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)	\$ (58,261)	\$ (3,796)	\$ -	\$ (62,057)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	61,669	25,594	-	87,263
Changes in assets and liabilities:				
(Decrease) increase in accounts payable	(2,035)	605	-	(1,430)
(Increase) decrease in accrued wages and benefits	332	-	-	332
(Decrease) increase in other accrued liabilities	(150)	-	-	(150)
(Decrease) increase in due to other funds	(164)	-	-	(164)
<b>Total adjustments</b>	<b>59,652</b>	<b>26,199</b>	<b>-</b>	<b>85,851</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,391</b>	<b>\$ 22,403</b>	<b>\$ -</b>	<b>\$ 23,794</b>

**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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 7,039,881	\$ 6,253,234	\$ 6,408,428	\$ 155,194
Other operating revenues	263,225	263,225	65,733	(197,492)
<b>Total operating revenues</b>	<b>7,303,106</b>	<b>6,516,459</b>	<b>6,474,161</b>	<b>(42,298)</b>
Operating expenses				
Water Administration	316,517	316,501	301,032	15,469
Water Treatment	1,869,734	1,860,906	1,821,087	39,819
Water Maintenance	1,385,193	1,390,180	1,388,581	1,599
Administrative Support	753,069	753,069	753,069	-
Water Capital Reserve	2,481,975	2,481,800	1,764,437	717,363
Wellfield Protection	92,621	592,588	563,547	29,041
<b>Total operating expenses</b>	<b>6,899,109</b>	<b>7,395,044</b>	<b>6,591,753</b>	<b>803,291</b>
Operating income (loss)	403,997	(878,585)	(117,592)	760,993
Non-operating revenues (expenses)				
Interest revenue	63,793	63,793	58,086	(5,707)
Interest expenses & fiscal charges	(336,264)	(336,264)	(236,601)	99,663
Debt retirement	(360,000)	(360,000)	(360,000)	-
Proceeds from notes	100,000	100,000	-	(100,000)
Other sources	-	-	60,220	60,220
<b>Total non-operating revenues (expenses)</b>	<b>(532,471)</b>	<b>(532,471)</b>	<b>(478,295)</b>	<b>54,176</b>
Income (loss) before operating transfers	(128,474)	(1,411,056)	(595,887)	815,169
Operating transfers-out	-	(25,828)	(25,828)	-
<b>Total transfers</b>	<b>-</b>	<b>(25,828)</b>	<b>(25,828)</b>	<b>-</b>
Net income (loss)	(128,474)	(1,436,884)	(621,715)	815,169
Retained earnings, beginning of the year	3,271,765	3,271,765	3,271,765	-
Appropriation for prior year encumbrances	687,019	687,019	687,019	-
<b>Retained earnings, end of the year</b>	<b>\$ 3,830,310</b>	<b>\$ 2,521,900</b>	<b>\$ 3,337,069</b>	<b>\$ 815,169</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 6,441,086	\$ 6,327,289	\$ 5,408,619	\$ (918,670)
Other operating revenues	-	-	15,797	15,797
<b>Total operating revenues</b>	<b>6,441,086</b>	<b>6,327,289</b>	<b>5,424,416</b>	<b>(902,873)</b>
Operating expenses				
Sewer Administration	239,708	261,692	260,831	861
Sewer Treatment	2,860,764	2,837,800	2,430,698	407,102
Sewer Maintenance	861,398	861,342	802,921	58,421
Environmental Services Administration	168,629	168,629	162,925	5,704
Administrative Support	753,069	820,569	820,569	-
Sewer Capital Reserve	6,086,350	6,357,121	1,929,514	4,427,607
<b>Total operating expenses</b>	<b>10,969,918</b>	<b>11,307,153</b>	<b>6,407,458</b>	<b>4,899,695</b>
Operating income (loss)	(4,528,832)	(4,979,864)	(983,042)	3,996,822
Non-operating revenues (expenses)				
Interest revenue	266,077	266,077	112,048	(154,029)
Interest expenses & fiscal charges	(39,028)	(39,028)	(36,028)	3,000
Debt retirement	(205,000)	(205,000)	(205,000)	-
Proceeds from notes	1,500,000	3,000,000	-	(3,000,000)
<b>Total non-operating revenues (expenses)</b>	<b>1,522,049</b>	<b>3,022,049</b>	<b>(128,980)</b>	<b>(3,151,029)</b>
Income (loss) before operating transfers	(3,006,783)	(1,957,815)	(1,112,022)	845,793
Operating transfers-out	(25,827)	(25,827)	(25,827)	-
<b>Total transfers</b>	<b>(25,827)</b>	<b>(25,827)</b>	<b>(25,827)</b>	<b>-</b>
Net income (loss)	(3,032,610)	(1,983,642)	(1,137,849)	845,793
Retained earnings, beginning of the year	5,557,307	5,557,307	5,557,307	-
Appropriation for prior year encumbrances	683,124	683,124	683,124	-
<b>Retained earnings, end of the year</b>	<b>\$ 3,207,821</b>	<b>\$ 4,256,789</b>	<b>\$ 5,102,582</b>	<b>\$ 845,793</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 85,000	\$ 85,000	\$ 87,397	\$ 2,397
Other operating revenues	1,000	1,000	1,517	517
<b>Total operating revenues</b>	<b>86,000</b>	<b>86,000</b>	<b>88,914</b>	<b>2,914</b>
Operating expenses	1,104,738	1,080,199	1,056,833	23,366
<b>Total operating expenses</b>	<b>1,104,738</b>	<b>1,080,199</b>	<b>1,056,833</b>	<b>23,366</b>
Operating income (loss)	(1,018,738)	(994,199)	(967,919)	26,280
Non-operating revenues (expenses)				
Operating grants	639,234	797,810	815,556	17,746
Other uses	-	(31,171)	(31,171)	-
Income tax	140,000	140,000	140,000	-
<b>Total non-operating     revenues (expenses)</b>	<b>779,234</b>	<b>906,639</b>	<b>924,385</b>	<b>17,746</b>
Net income (loss)	(239,504)	(87,560)	(43,534)	44,026
Retained earnings, beginning of the year	(83,938)	(83,938)	(83,938)	-
Appropriation for prior year encumbrances	268,443	268,443	268,443	-
<b>Retained earnings, end of the year</b>	<b>\$ (54,999)</b>	<b>\$ 96,945</b>	<b>\$ 140,971</b>	<b>\$ 44,026</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Operating revenues</b>				
Charges for services	\$ 1,932,000	\$ 1,932,000	\$ 1,760,910	\$ (171,090)
Other operating revenues	6,000	6,090	4,790	(1,300)
<b>Total operating revenues</b>	<b>1,938,000</b>	<b>1,938,090</b>	<b>1,765,700</b>	<b>(172,390)</b>
<b>Operating expenses</b>				
Golf Maintenance	896,904	896,904	790,823	106,081
Golf Clubhouse	716,688	716,688	657,721	58,967
Golf Improvements	-	37,313	19,255	18,058
<b>Total operating expenses</b>	<b>1,613,592</b>	<b>1,650,905</b>	<b>1,467,799</b>	<b>183,106</b>
Operating income (loss)	324,408	287,185	297,901	10,716
<b>Non-operating revenues (expenses)</b>				
Interest revenue	-	1,219	524	(695)
Interest expenses & fiscal charges	(121,930)	(121,930)	(121,930)	-
Debt retirement	(115,000)	(115,000)	(115,000)	-
Other sources	355,000	118,785	119,230	445
Other uses	(75,000)	(205,000)	(205,000)	-
<b>Total non-operating revenues (expenses)</b>	<b>43,070</b>	<b>(321,926)</b>	<b>(322,176)</b>	<b>(250)</b>
Income (loss) before operating transfers	367,478	(34,741)	(24,275)	10,466
Net income (loss)	367,478	(34,741)	(24,275)	10,466
Retained earnings, beginning of the year	44,904	44,904	44,904	-
<b>Retained earnings, end of the year</b>	<b>\$ 412,382</b>	<b>\$ 10,163</b>	<b>\$ 20,629</b>	<b>\$ 10,466</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,409,480	\$ 2,461,860	\$ 2,407,806	\$ (54,054)
Other operating revenues	13,500	13,500	15,108	1,608
<b>Total operating revenues</b>	<b>2,422,980</b>	<b>2,475,360</b>	<b>2,422,914</b>	<b>(52,446)</b>
Operating expenses	2,278,890	2,278,313	2,228,166	50,147
<b>Total operating expenses</b>	<b>2,278,890</b>	<b>2,278,313</b>	<b>2,228,166</b>	<b>50,147</b>
Operating income (loss)	144,090	197,047	194,748	(2,299)
Non-operating expenses				
Interest expenses & fiscal charges	(125,581)	(125,581)	(125,580)	1
Debt retirement	(160,000)	(160,000)	(160,000)	-
<b>Total non-operating expenses</b>	<b>(285,581)</b>	<b>(285,581)</b>	<b>(285,580)</b>	<b>1</b>
Income (loss) before operating transfers	(141,491)	(88,534)	(90,832)	(2,298)
Net income (loss)	(141,491)	(88,534)	(90,832)	(2,298)
Retained earnings, beginning of the year	166,578	166,578	166,578	-
Appropriation for prior year encumbrances	48,538	48,538	48,538	-
<b>Retained earnings, end of the year</b>	<b>\$ 73,625</b>	<b>\$ 126,582</b>	<b>\$ 124,284</b>	<b>\$ (2,298)</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 26,120	\$ 36,000	\$ 43,335	\$ 7,335
Fines and forfeits	5,000	5,000	4,217	(783)
Other operating revenues	-	-	100	100
<b>Total operating revenues</b>	<b>31,120</b>	<b>41,000</b>	<b>47,652</b>	<b>6,652</b>
Operating expenses				
Parking Enforcement	34,545	36,045	35,426	619
Parking Garage	87,327	77,079	63,487	13,592
<b>Total operating expenses</b>	<b>121,872</b>	<b>113,124</b>	<b>98,913</b>	<b>14,211</b>
Operating income (loss)	(90,752)	(72,124)	(51,261)	20,863
Non-operating revenues (expenses)				
Other uses	-	(10,000)	(10,000)	-
Income taxes	146,000	98,000	98,000	-
<b>Total non-operating revenues (expenses)</b>	<b>146,000</b>	<b>88,000</b>	<b>88,000</b>	<b>-</b>
Net income (loss)	55,248	15,876	36,739	20,863
Retained earnings, beginning of the year	546	546	546	-
Appropriation for prior year encumbrances	1,353	1,353	1,353	-
<b>Retained earnings, end of the year</b>	<b>\$ 57,147</b>	<b>\$ 17,775</b>	<b>\$ 38,638</b>	<b>\$ 20,863</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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 71,000	\$ 71,000	\$ 64,479	\$ (6,521)
<b>Total operating revenues</b>	<b>71,000</b>	<b>71,000</b>	<b>64,479</b>	<b>(6,521)</b>
Operating expenses				
Airport Improvements	353,783	318,819	40,319	278,500
Airport	71,000	51,000	42,076	8,924
<b>Total operating expenses</b>	<b>424,783</b>	<b>369,819</b>	<b>82,395</b>	<b>287,424</b>
Operating income (loss)	(353,783)	(298,819)	(17,916)	280,903
Non-operating revenues				
Operating grants	20,000	310,000	190,525	(119,475)
<b>Total non-operating revenues</b>	<b>20,000</b>	<b>310,000</b>	<b>190,525</b>	<b>(119,475)</b>
Net income (loss)	(333,783)	11,181	172,609	161,428
Retained earnings, beginning of the year	16,811	16,811	16,811	-
Appropriation for prior year encumbrances	43,783	43,783	43,783	-
<b>Retained earnings, end of the year</b>	<b>\$ (273,189)</b>	<b>\$ 71,775</b>	<b>\$ 233,203</b>	<b>\$ 161,428</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, 2004**

	<b>Municipal Garage</b>	<b>Employee Benefits Fund</b>	<b>Totals</b>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash, deposits and investments	\$ 1,005,810	\$ 458,910	\$ 1,464,720
Receivables (net of allowance for uncollectibles):			
Accounts	225,203	-	225,203
Due from other funds	218,854	-	218,854
Inventory of supplies	210,942	-	210,942
<b>Total current assets</b>	<b>1,660,809</b>	<b>458,910</b>	<b>2,119,719</b>
Capital assets:			
Land	195,750	-	195,750
Buildings	354,064	-	354,064
Equipment	9,235,191	-	9,235,191
Less: Accumulated depreciation	(6,601,128)	-	(6,601,128)
<b>Net capital assets</b>	<b>3,183,877</b>	<b>-</b>	<b>3,183,877</b>
<b>Total assets</b>	<b>4,844,686</b>	<b>458,910</b>	<b>5,303,596</b>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	36,117	458,384	494,501
Accrued wages and benefits	28,813	-	28,813
Other accrued liabilities	5,240	-	5,240
Due to other funds	4,594	-	4,594
<b>Total current liabilities</b>	<b>74,764</b>	<b>458,384</b>	<b>533,148</b>
Long-term liabilities:			
Compensated absences payable	70,075	-	70,075
<b>Total long-term liabilities</b>	<b>70,075</b>	<b>-</b>	<b>70,075</b>
<b>Total liabilities</b>	<b>144,839</b>	<b>458,384</b>	<b>603,223</b>
Net assets:			
Unrestricted	4,699,847	526	4,700,373
<b>Total liabilities and total net assets</b>	<b>\$ 4,844,686</b>	<b>\$ 458,910</b>	<b>\$ 5,303,596</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2004**

	<b>Municipal Garage</b>	<b>Employee Benefits Fund</b>	<b>Totals</b>
Operating revenues:			
Charges for services	\$ 2,201,008	\$ 3,940,492	\$ 6,141,500
Other operating revenues	316,855	7,399	324,254
<b>Total operating revenues</b>	<b>2,517,863</b>	<b>3,947,891</b>	<b>6,465,754</b>
Operating expenses:			
Personal services	591,160	-	591,160
Contractual services	332,239	4,011,265	4,343,504
Commodities	512,592	-	512,592
Depreciation	747,396	-	747,396
Other operating expenses	103,544	-	103,544
<b>Total operating expenses</b>	<b>2,286,931</b>	<b>4,011,265</b>	<b>6,298,196</b>
Operating income	230,932	(63,374)	167,558
Non-operating revenues (expenses):			
Interest revenue	17,813	-	17,813
Gain (Loss) on sale of equipment	(14,797)	-	(14,797)
<b>Total non-operating revenues (expenses)</b>	<b>3,016</b>	<b>-</b>	<b>3,016</b>
<b>Transfers out</b>	<b>(118,785)</b>	<b>-</b>	<b>(118,785)</b>
Change in net assets	115,163	(63,374)	51,789
Total net assets, beginning of the year	4,584,684	63,900	4,648,584
<b>Total net assets, end of the year</b>	<b>\$ 4,699,847</b>	<b>\$ 526</b>	<b>\$ 4,700,373</b>

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR YEAR ENDED DECEMBER 31, 2004**

	<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	\$ (1,027,317)	\$ (3,802,881)	\$ (4,830,198)
Cash payments to employees for services	(515,586)	-	(515,586)
Miscellaneous revenue	95,024	7,399	102,423
Cash received from quasi-external operating activities	2,141,456	3,940,492	6,081,948
Cash payments for quasi-external operating activities	(96,078)	-	(96,078)
<b>Net cash provided by operating activities</b>	<b>597,499</b>	<b>145,010</b>	<b>742,509</b>
<b>Cash flows from non-capital financing activities:</b>			
Transfers out	(118,785)	-	(118,785)
<b>Net cash used by non-capital financing activities</b>	<b>(118,785)</b>	<b>-</b>	<b>(118,785)</b>
<b>Cash flows from capital and related financing activities:</b>			
Sale of capital assets	82,960	-	82,960
Purchase of capital assets	(494,660)	-	(494,660)
<b>Net cash used by capital and related financing activities</b>	<b>(411,700)</b>	<b>-</b>	<b>(411,700)</b>
<b>Cash flows from investing activities:</b>			
Interest income	17,813	-	17,813
<b>Net cash provided by investing activities</b>	<b>17,813</b>	<b>-</b>	<b>17,813</b>
Net increase (decrease) in cash and cash equivalents	84,827	145,010	229,837
Cash and cash equivalents, beginning of year	920,983	313,900	1,234,883
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,005,810</b>	<b>\$ 458,910</b>	<b>\$ 1,464,720</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2004**

<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	\$ 230,932	\$ (63,374)	\$ 167,558
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	747,396	-	747,396
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(221,831)	-	(221,831)
Decrease (increase) in due from other funds	(59,552)		(59,552)
Decrease (increase) in supplies inventory	(89,506)	-	(89,506)
Increase (decrease) in accounts payable	(1,976)	208,384	206,408
Decrease (increase) in accrued wages	(575)	-	(575)
Decrease (increase) in accrued liabilities	(2,914)	-	(2,914)
Decrease (increase) in compensated absences	(4,475)	-	(4,475)
<b>Total adjustments</b>	<b>366,567</b>	<b>208,384</b>	<b>574,951</b>
<b>Net cash provided by operating activities</b>	<b>\$ 597,499</b>	<b>\$ 145,010</b>	<b>\$ 742,509</b>

**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, 2004**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,650,000	\$ 2,353,387	\$ 2,319,440	\$ (33,947)
<b>Total operating revenues</b>	<b>2,650,000</b>	<b>2,353,387</b>	<b>2,319,440</b>	<b>(33,947)</b>
Operating expenses				
Personal services	646,819	646,819	599,125	47,694
Contractual services	283,847	333,847	333,205	642
Commodities	574,991	674,991	617,278	57,713
Other operating expenses	996,689	946,189	891,955	54,234
<b>Total operating expenses</b>	<b>2,502,346</b>	<b>2,601,846</b>	<b>2,441,563</b>	<b>160,283</b>
Operating income (loss)	147,654	(248,459)	(122,123)	126,336
Non-operating revenues (expenses)				
Interest revenue	31,876	15,216	17,813	2,597
<b>Total non-operating revenues (expenses)</b>	<b>31,876</b>	<b>15,216</b>	<b>17,813</b>	<b>2,597</b>
Income (loss) before operating transfers	179,530	(233,243)	(104,310)	128,933
<b>Operating transfers-out</b>	<b>(118,785)</b>	<b>(118,785)</b>	<b>(118,785)</b>	<b>-</b>
Net income	60,745	(352,028)	(223,095)	128,933
Retained earnings, beginning of the year	670,059	670,059	670,059	-
Appropriation for prior year encumbrances	250,925	250,925	250,925	-
<b>Retained earnings, end of the year</b>	<b>\$ 981,729</b>	<b>\$ 568,956</b>	<b>\$ 697,889</b>	<b>\$ 128,933</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, 2004**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Operating revenues				
Charges for services	\$ 4,320,002	\$ 4,237,018	\$ 3,947,891	\$ (289,127)
<b>Total operating revenues</b>	<b>4,320,002</b>	<b>4,237,018</b>	<b>3,947,891</b>	<b>(289,127)</b>
Operating expenses				
Contractual services	4,475,625	4,475,625	3,802,881	672,744
<b>Total operating expenses</b>	<b>4,475,625</b>	<b>4,475,625</b>	<b>3,802,881</b>	<b>672,744</b>
Net income	(155,623)	(238,607)	145,010	383,617
Retained earnings, beginning of the year	313,900	313,900	313,900	-
<b>Retained earnings, end of the year</b>	<b>\$ 158,277</b>	<b>\$ 75,293</b>	<b>\$ 458,910</b>	<b>\$ 383,617</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.

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2004**

	<b>Conservancy</b>	<b>Payroll Clearing</b>	<b>Municipal Court</b>	<b>Totals</b>
<b>Assets:</b>				
Cash and equity in pooled cash, deposits and investments	\$ 133	\$ -	\$ 82,638	\$ 82,771
Cash with fiscal and escrow agent	-	19,379	-	19,379
Property taxes receivable	159,738	-	-	159,738
<b>Total assets</b>	<b>159,871</b>	<b>19,379</b>	<b>82,638</b>	<b>261,888</b>
<b>Liabilities:</b>				
Due to other governments	159,871	-	-	159,871
Due to individuals	-	6,556	31,589	38,145
Unapportioned monies	-	12,823	51,049	63,872
<b>Total liabilities</b>	<b>\$ 159,871</b>	<b>\$ 19,379</b>	<b>\$ 82,638</b>	<b>\$ 261,888</b>

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR YEAR ENDED DECEMBER 31, 2004**

	<b>CONSERVANCY</b>			<b>Balance End of Year</b>
	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	
<b>Assets:</b>				
Cash and equity in pooled cash, deposits and investments	\$ 701	\$ 124,616	\$ 125,184	\$ 133
Property taxes receivable	119,354	155,000	114,616	159,738
<b>Total assets</b>	<b>120,055</b>	<b>279,616</b>	<b>239,800</b>	<b>159,871</b>
<b>Liabilities:</b>				
Due to other governments	120,055	279,616	239,800	159,871
<b>Total liabilities</b>	<b>\$ 120,055</b>	<b>\$ 279,616</b>	<b>\$ 239,800</b>	<b>\$ 159,871</b>

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR YEAR ENDED DECEMBER 31, 2004**

	<b>PAYROLL CLEARING</b>			<b>Balance End of Year</b>
	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	
<b>Assets:</b>				
Cash with fiscal and escrow agent	\$ 93,541	\$ 14,807,135	\$ 14,881,297	\$ 19,379
<b>Total assets</b>	<b>93,541</b>	<b>14,807,135</b>	<b>14,881,297</b>	<b>19,379</b>
<b>Liabilities:</b>				
Due to other governments	73,361	5,705,185	5,778,546	-
Due to individuals	7,248	8,660,916	8,661,608	6,556
Unapportioned monies	12,932	507,839	507,948	12,823
<b>Total liabilities</b>	<b>\$ 93,541</b>	<b>\$ 14,873,940</b>	<b>\$ 14,948,102</b>	<b>\$ 19,379</b>

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR YEAR ENDED DECEMBER 31, 2004**

	<b>MUNICIPAL COURT</b>			
	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance End of Year</b>
<b>Assets:</b>				
Cash and equity in pooled cash, deposits and investments	\$ 77,676	\$ 3,249,847	\$ 3,244,885	\$ 82,638
<b>Total assets</b>	<b>77,676</b>	<b>3,249,847</b>	<b>3,244,885</b>	<b>82,638</b>
<b>Liabilities:</b>				
Due to other governments	-	520,207	520,207	-
Due to individuals	39,324	808,324	816,059	31,589
Unapportioned monies	38,352	1,921,316	1,908,619	51,049
<b>Total liabilities</b>	<b>\$ 77,676</b>	<b>\$ 3,249,847</b>	<b>\$ 3,244,885</b>	<b>\$ 82,638</b>

**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, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Governmental funds capital assets:		
Land and land improvements	\$ 14,818,081	\$ 9,318,081
Buildings	23,213,603	23,056,477
Infrastructure	15,206,064	13,920,863
Machinery and equipment	5,012,425	4,949,266
Total governmental funds capital assets	<u>\$ 58,250,173</u>	<u>\$ 51,244,687</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 26,293,341	\$ 29,625,256
Special revenue funds	3,963,047	3,963,047
Capital project funds	27,993,785	17,656,384
Total governmental funds capital assets	<u>\$ 58,250,173</u>	<u>\$ 51,244,687</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, 2004**

Function and Activity	Machinery and Equipment	Land and Land Improvements	Buildings	Infrastructure	Total
<b>General Government:</b>					
City Manager/City Council	\$ 33,230	\$ -	\$ -	\$ -	\$ 33,230
Finance	1,568,224	5,777,050	-	-	7,345,274
Law	11,500	-	-	-	11,500
Planning	20,082	1,105,927	-	-	1,126,009
Bldg. Maint.	124,650	-	-	-	124,650
Engineering	50,939	-	-	-	50,939
Income Tax	13,792	-	-	-	13,792
Miami Conservancy	-	-	7,660	-	7,660
City Building/Library	-	-	12,825,916	-	12,825,916
<b>Leisure:</b>					
Douglass Park	-	95,850	6,365	-	102,215
Parks Maintenance	441,114	-	-	-	441,114
Recreation/Community Center	372,297	123,050	1,558,454	-	2,053,801
Smith Park	-	-	58,116	-	58,116
Sunset Park	-	310,400	1,053,214	-	1,363,614
Other Parks	-	4,089,936	518,810	338,362	4,947,108
<b>Public health:</b>					
Health & Environment	6,200	-	-	-	6,200
Social Health	107,237	8,100	483,262	-	598,599
Senior Citizens Center & Cemetery	-	1,643,250	1,037,961	-	2,681,211
<b>Public safety:</b>					
Fire	691,190	205,750	851,184	-	1,748,124
Police	985,726	5,950	560,794	-	1,552,470
Electronic Maintenance	283,418	-	427,865	-	711,283
Municipal Court	77,127	-	-	-	77,127
Police Grants	33,858	-	-	-	33,858
12th District Court	-	-	3,537,140	-	3,537,140
<b>Streets and highways:</b>					
Street Maintenance	191,841	-	286,862	-	478,703
Street system	-	1,452,818	-	14,867,702	16,320,520
<b>Total governmental funds capital assets</b>	<b>\$ 5,012,425</b>	<b>\$ 14,818,081</b>	<b>\$ 23,213,603</b>	<b>\$ 15,206,064</b>	<b>\$ 58,250,173</b>

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, 2004**

Function and Activity	Governmental Funds Capital Assets January 1, 2004	Additions	Deductions	Governmental Funds Capital Assets December 31, 2004
<b>General Government:</b>				
City Manager/City Council	\$ 33,230	\$ -	\$ -	\$ 33,230
Finance	1,838,740	5,506,534	-	7,345,274
Law	11,500	-	-	11,500
Planning	1,111,134	14,875	-	1,126,009
Bldg. Maint.	124,650	-	-	124,650
Engineering	50,939	-	-	50,939
Income Tax	13,792	-	-	13,792
Miami Conservancy	7,660	-	-	7,660
City Building/Library	12,825,916	-	-	12,825,916
<b>Leisure:</b>				
Recreation & Community Center	2,053,801	-	-	2,053,801
Parks Maintenance	441,114	-	-	441,114
Sunset Park	1,363,614	-	-	1,363,614
Douglass Park	102,215	-	-	102,215
Smith Park	58,116	-	-	58,116
Other Parks	4,608,746	338,362	-	4,947,108
<b>Public health:</b>				
Health & Environment	6,200	-	-	6,200
Social Health	598,599	-	-	598,599
Senior Citizens Center	2,681,211	-	-	2,681,211
<b>Public safety:</b>				
Fire	1,720,677	27,447	-	1,748,124
Police	1,464,824	87,646	-	1,552,470
Electronic Maintenance	711,283	-	-	711,283
Municipal Court	77,127	-	-	77,127
Police Grants	33,858	-	-	33,858
12th District Court	3,453,357	83,783	-	3,537,140
<b>Streets and highways:</b>				
Street Maintenance	478,703	-	-	478,703
Street system	15,373,681	946,839	-	16,320,520
<b>Total governmental funds capital assets</b>	<b>\$ 51,244,687</b>	<b>\$ 7,005,486</b>	<b>\$ -</b>	<b>\$ 58,250,173</b>

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>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Public safety	\$15,529	\$16,559	\$17,667	\$17,962	\$18,753	\$19,457	\$20,863	\$23,775	\$23,596	\$22,142
Public health and welfare	1,120	1,178	1,138	1,098	1,246	1,548	1,699	1,996	1,832	1,457
Leisure time activities	875	946	959	957	1,264	1,022	1,072	1,233	1,152	1,060
Community environment	5,407	4,958	3,975	3,694	4,423	7,468	11,195	14,991	12,441	13,024
Highways and streets	2,983	4,043	5,179	3,946	3,255	4,618	5,139	7,401	7,432	3,787
General government	3,827	3,888	3,641	3,915	4,693	4,676	4,804	5,124	4,203	4,104
Principal and interest	1,937	2,067	1,955	1,615	1,676	2,429	2,509	2,573	2,447	2,762
Other	705	794	1,381	975	1,098	1,245	1,001	1,371	2,221	7,353
<b>Total expenditures</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>	<b>\$55,324</b>	<b>\$55,689</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**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Property taxes	\$4,236	\$4,439	\$4,809	\$4,593	\$4,837	\$5,140	\$4,773	\$5,019	\$5,588	\$5,654
Municipal income tax	13,661	14,361	14,959	15,975	17,614	16,970	19,230	17,764	15,443	17,376
Intergov'tal revenues	6,821	7,381	7,734	8,477	9,024	11,952	13,808	16,308	17,781	17,940
Charges for services	1,214	1,129	1,119	1,273	1,802	1,371	2,568	3,730	2,915	3,758
Special assessments	623	810	903	690	980	810	816	625	638	659
Licenses and permits	435	615	179	437	337	308	335	274	245	312
Interest earnings	801	985	758	1,073	1,179	1,974	1,905	1,111	730	498
Fines and forfeitures	933	1,162	1,149	1,218	1,152	1,272	1,301	1,259	1,164	1,499
Miscellaneous	758	875	1,593	1,803	1,276	1,544	1,515	2,178	1,715	2,076
Increase in Investment Fair Value	0	0	0	0	0	0	394	92	262	13
<b>Total revenues</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>	<b>\$46,481</b>	<b>\$49,785</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>
1995	\$4,195,749	\$4,124,426	98.30
1996	\$4,278,253	\$4,235,524	99.00
1997	\$4,516,177	\$4,439,402	103.16
1998	\$4,663,640	\$4,780,081	98.44
1999	\$4,727,232	\$4,497,007	95.13
2000	\$5,175,830	\$4,836,820	93.45
2001	\$5,208,503	\$5,145,762	98.80
2002	\$4,789,377	\$4,856,134	93.40
2003	\$6,097,196	\$5,021,099	82.35
2004	\$6,167,279	\$5,679,391	92.09

(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**

<b>Tax Levy/ Collection Year</b>	<b>Real Property</b>		<b>Personal Property (1)</b>	
	<b>Assessed</b>	<b>Estimated Actual</b>	<b>Assessed</b>	<b>Estimated Actual</b>
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
2002/2003	\$752,102,840	\$2,148,865,365	\$248,818,345	\$995,273,380
2003/2004	\$753,911,130	\$2,154,031,908	\$252,765,976	\$1,011,063,904

(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</b>	<b>Tax Levy/</b>
<b>Assessed</b>	<b>Estimated Actual</b>	<b>Assessed</b>	<b>Estimated Actual</b>	<b>as a Percent of Estimated Actual Value</b>	<b>Collection Year</b>
\$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
\$39,555,880	\$158,223,520	\$1,040,477,065	\$3,302,362,265	31.51	2002/2003
\$38,624,390	\$154,497,560	\$1,045,301,496	\$3,319,593,372	31.49	2003/2004

**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>
1995	5.26	0.60	0.63	6.49	7.44	38.20	52.13
1996	5.26	0.60	0.63	6.49	7.44	40.13	54.06
1997	5.26	0.60	0.56	6.42	8.45	38.56	53.43
1998	5.26	0.60	0.56	6.42	8.45	38.56	53.43
1999	5.26	0.60	0.61	6.47	8.44	38.49	53.40
2000	5.26	0.60	0.45	6.31	8.45	37.26	52.02
2001	5.26	0.60	0.00	5.86	8.45	37.26	51.57
2002	5.26	0.60	0.00	5.86	8.75	36.71	51.32
2003	5.26	0.60	0.00	5.86	8.74	40.03	54.63
2004	5.30	0.60	0.00	5.90	8.74	40.01	54.65

(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>
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
2003	\$500,939	\$557,436	111.3%	\$26,729
2004	\$473,941	\$518,116	109.3%	(\$17,446)

(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>
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
2003	51,605	\$1,040,477,065	\$29,797,297	\$141,400
2004	51,605	\$1,045,301,496	\$33,979,157	\$301,410

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

Source: City of Middletown Finance Department.

<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>
\$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
\$9,125,000	\$20,530,897	1.97%	\$398	2003
\$8,405,000	\$25,272,747	2.42%	\$490	2004

**CITY OF MIDDLETOWN, OHIO  
 COMPUTATION OF LEGAL DEBT MARGIN  
 UNVOTED DEBT LIMIT (5.5 %)  
 December 31, 2004  
 Table 8 (A)**

<b>Assessed valuations:</b>		
<b>Total assessed property value</b>		<b><u><u>\$ 1,045,301,496</u></u></b>
 <b>Legal unvoted debt margin:</b>		
Unvoted debt limit 5.5% of assessed valuation		\$ 57,491,582
Total unvoted bonded debt outstanding at December 31, 2004	\$ 33,979,157	
Less: Unvoted general obligation bonds to be paid from enterprise fund revenues	(8,405,000)	
Unvoted general obligation bonds issued to fund urban renewal projects	(8,780,000)	
Unvoted general obligation bonds issued in anticipation of the collection of special assessments (1)	<u>(3,259,157)</u>	
Total unvoted bonded debt outstanding at December 31, 2004	13,535,000	
Less: Cash in debt service fund	<u>301,410</u>	
Net subject to 5.5% limit		<u>\$ 13,233,590</u>
<b>Total legal unvoted debt margin</b>		<b><u><u>\$ 44,257,992</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, 2004  
 Table 8 (B)**

<b>Assessed valuations:</b>		
Total assessed property value		<u><u>\$ 1,045,301,496</u></u>
<b>Legal voted and unvoted debt margin:</b>		
Voted and unvoted debt limit 10.5% of assessed valuation		\$ 109,756,657
Total voted and unvoted bonded debt outstanding at		
December 31, 2004	\$ 33,979,157	
Less: Unvoted general obligation bonds to be paid from		
enterprise fund and internal service fund revenues	(8,405,000)	
Unvoted general obligation bonds issued to fund urban		
renewal projects	(8,780,000)	
Unvoted general obligation bonds issued in anticipation		
of the collection of special assessments (1)	<u>(3,259,157)</u>	
Total voted and unvoted bonded debt outstanding at		
December 31, 2004	13,535,000	
Less: Cash in debt service fund	<u>301,410</u>	
Net subject to 10.5% limit		<u>13,233,590</u>
<b>Total legal voted and unvoted debt margin</b>		<u><u>\$ 96,523,067</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, 2004  
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	\$22,315,000	100.0	\$22,315,000
Butler County	45,480,000	13.8	6,276,240
Warren County	<u>900,000</u>	8.1	<u>72,900</u>
Total	\$68,695,000		\$28,664,140

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>
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
2003	\$1,312,229	\$1,004,621	\$2,316,850	\$56,042,253	4.1
2004	\$1,407,000	\$1,354,823	\$2,761,823	\$56,402,465	4.9

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>							
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
2003	\$6,003,832	\$4,156,378	\$1,847,454	\$370,000	\$252,953	\$622,953	2.97
2004	\$6,592,467	\$4,827,316	\$1,765,151	\$360,000	\$236,601	\$596,601	2.96
<i>Sewer</i>							
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
2003	\$5,216,613	\$4,426,056	\$790,557	\$190,000	\$46,288	\$236,288	3.35
2004	\$5,536,464	\$4,477,944	\$1,058,520	\$205,000	\$36,028	\$241,028	4.39

(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, 2004  
Table 12 (A)**

*Population*

<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

*Housing and Income Statistics*

	<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, 2004**  
**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, & accommodations	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.

<b>Year</b>	<i>Employment Data</i>		<i>Unemployment Percentage Rates</i>		
	<b>Employed County/MSA</b>	<b>Unemployed County/MSA</b>	<b>City of Middletown</b>	<b>Butler County</b>	<b>State of Ohio</b>
1995	158,900	6,700	6.00	4.10	4.90
1996	160,700	7,000	6.20	4.20	5.00
1997	168,900	6,200	5.30	3.50	4.60
1998	174,800	6,100	5.10	3.40	4.30
1999	179,600	6,000	4.80	3.20	4.30
2000	167,300	6,200	5.40	3.60	4.00
2001	168,000	7,000	6.10	4.00	4.40
2002	186,500	9,100	6.90	4.70	5.70
2003	190,900	9,200	6.80	4.60	6.20
2004	173,600	9,800	6.30	5.40	6.10

Source: Ohio Labor Market Information

**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
1995	167	\$21,916,721	402	\$ 11,443,868	\$336,802,163	\$302,793,770	\$90,386,060
1996	142	\$18,421,031	348	\$ 13,699,542	\$348,714,108	\$321,858,490	\$82,453,310
1997	127	\$14,558,059	343	\$ 13,263,369	\$325,297,899	\$326,422,380	\$81,611,112
1998	165	\$32,841,518	448	\$ 12,117,541	\$324,836,171	\$369,256,300	\$81,726,156
1999	174	\$16,537,595	382	\$ 12,200,500	\$378,357,482	\$387,992,590	\$94,985,310
2000	146	\$14,776,814	326	\$ 7,716,633	\$359,643,120	\$438,941,970	\$94,553,410
2001	228	\$23,418,645	290	\$ 12,587,619	\$366,412,190	\$446,452,110	\$95,632,110
2002	152	\$16,516,930	261	\$ 6,670,195	\$200,062,910	\$450,904,030	\$94,616,100
2003	146	\$18,579,768	246	\$ 10,728,669	\$218,052,540	\$532,027,110	\$93,712,155
2004	144	\$14,004,686	230	\$ 9,942,907	\$218,001,620	\$534,228,700	\$95,586,398

(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, Warren County Auditor's Office and Butler County Auditor's Office

**CITY OF MIDDLETOWN, OHIO  
REAL AND TANGIBLE PERSONAL PROPERTY  
PRINCIPAL TAX PAYERS  
December 31, 2004  
Table 14**

*Real Property: Excluding Public Utility*

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Total Assessed
A.K. Steel	Steel manufacturing	\$ 21,974,710	2.91%
Precision Strip	Steel processing	4,163,700	0.55%
Southwestern Ohio Steel	Steel processing	4,061,850	0.54%
Garden Manor	Retirement home	3,555,840	0.47%
Trinity Place Comm	Apartment complex	2,194,270	0.29%
Bay West Paper Company	Paper and packaging	1,780,300	0.24%
Riverside Village LTD	Apartment complex	1,765,880	0.23%
Jefferson Smurfit Corporation	Paper and packaging	1,630,590	0.22%
Akers Packaging	Box manufacturing	1,606,670	0.21%
<b>Total</b>		<b>\$ 42,733,810</b>	<b>5.67%</b>

*Tangible Personal: Excluding Public Utility*

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Total Assessed
A.K. Steel	Steel manufacturing	\$ 135,526,830	53.62%
Bay West Paper Company	Paper and packaging	14,035,140	5.55%
Jefferson Smurfit Corporation	Paper and packaging	6,319,360	2.50%
Southwestern Ohio Steel	Steel processing	5,753,220	2.28%
Aeronca, Inc.	Aircraft parts manufacturing	4,817,950	1.91%
Messer Greisheim Industries	Steel trimming	4,698,310	1.86%
Air Products & Chemicals	Industrial gas manufacturing	3,972,470	1.57%
Precision Strip	Steel processing	2,193,780	0.87%
<b>Total</b>		<b>\$ 177,317,060</b>	<b>70.15%</b>

Source: Butler County Auditor's Office

**CITY OF MIDDLETOWN, OHIO  
MISCELLANEOUS STATISTICS  
December 31, 2004  
Table 15**

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<b>Date of incorporation</b>	1837
<b>Form of government</b>	Council - Manager
<b>Number of employees</b>	436
<b>Area</b>	25.8 square miles
<b>Miles of streets</b>	231
<b>Fire protection:</b>	
Number of stations	5
Number of sworn firemen	87
<b>Police protection:</b>	
Number of stations	1
Number of sworn policemen	90
<b>Municipal water department:</b>	
Number of customers	19,877
Miles of water mains	338
<b>Sewers:</b>	
Miles of sanitary and storm sewer	309
<b>Building permits issued 2004</b>	374
<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>	
<b>Air:</b>	
Number of airports	1
Number of freight airlines	1
<b>Land:</b>	
Local bus lines	1
<b>Rail:</b>	
Number of railroad systems	2
<b>Education:</b>	
Miami University - Middletown Students	2,856

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





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
AUGUST 11, 2005**