



**Auditor of State
Betty Montgomery**

**CITY OF MIDDLETOWN
BUTLER COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountant's Report..... Under separate cover	
Comprehensive Annual Financial Report Under separate cover	
Schedule of Federal Awards Expenditures.....	1
Notes to Schedule of Federal Awards Expenditures	2
Independent Accountant's Report on Compliance and on Internal Control Required by <i>Government Auditing</i> Standards.....	3
Independent Accountant's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	5
Schedule of Findings.....	7

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 30, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed through the Ohio Department of Housing and Urban Development:</i>			
Community Development Block Grant Entitlements	N/A	14.218	\$956,601
Housing Assistance for Low Income Families - Section 8	N/A	14.856	8,196,149
<i>Passed Through Butler County Department of Home Program - Investment Partnership Program</i>	N/A	14.239	<u>664,841</u>
Total U.S. Department of Housing and Urban Development			<u>9,817,591</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct Grants</i>			
Bulletproof Vest Partnership Program	N/A	16.607	<u>184</u>
Sub-total Direct Grants			<u>184</u>
<i>Passed through the Ohio Office of Criminal Justice Services:</i>			
Federal Block Grant - 2001		16.592	4,000
Federal Block Grant - 2002 - Cops More		16.592	6,166
Total Passed through Ohio Office of Criminal Justice Services			<u>10,166</u>
Total U.S. Department of Justice			<u>10,350</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation:</i>			
Public Transportation for Urbanized Areas			
Operating Assistance	N/A	20.507	260,637
Capital Assistance	N/A	20.507	435,454
Paratransit Grant		20.507	58,621
Planning Grant		20.507	19,950
Federal Aviation Administration (FAA)		20.106	13,760
Total Passed through Ohio Department of Transportation			<u>788,422</u>
<i>Passed Through Ohio Department of Public Safety:</i>			
State and Community Highway Safety (STEP)		20.600	25,563
SAFE Communities Program	09031ADO	20.600	<u>55,760</u>
Total Passed through Ohio Department of Public Safety			<u>81,323</u>
Total U.S. Department of Transportation			<u>869,745</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Butler County Department of Job & Family Services</i>			
Title XX Social Services Block Grant	9-99-2627	93.667	<u>56,795</u>
Total Passed through Ohio Department of Job and Family Services			<u>56,795</u>
<i>Passed through the Ohio Department of Health</i>			
<i>Passed through the City of Hamilton, Butler County</i>			
Immunization Action Plan	182-B	93.268	41,919
Block Grant Maternal and Child Health Services	9-2-01-F-AI-320	93.994	<u>319,887</u>
Total Passed through Ohio Department of Health			<u>361,806</u>
Total U.S. Department of Health and Human Services			<u>418,601</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$11,116,286</u>

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, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

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

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL 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, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated July 26, 2004.

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 for the purpose of expressing our opinion in GASB 34 / 35 Statements on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated July 26, 2004.

City of Middletown
Butler County
Independent Accountant's Report on Compliance and on
Internal Control Required By *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

July 26, 2004



Auditor of State Betty Montgomery

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

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

To the City Council:

Compliance

We have audited the compliance of City of Middletown, Butler County, Ohio (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. The City of Middletown's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Middletown's management. Our responsibility is to express an opinion on the City of Middletown's compliance based on our audit.

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

In our opinion, the City of Middletown complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

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

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

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

Schedule of Federal Awards Expenditures

We have audited the basic financial statements of the City as of and for the year ended December 31, 2003, and have issued our report thereon dated July 26, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 26, 2004

**CITY OF MIDDLETOWN
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Section 8 – Project Based Cluster – CFDA 14.856 Community Development Block Grant (CDBG) CFDA 14.218 Home Program CFDA 14.239 Public Transportation for Urbanized Areas CFDA 20.507
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 333,076 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2003



CITY OF MIDDLETOWN, OHIO

CITY OF MIDDLETOWN, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2003

**Prepared by
Finance Department**

**John T. Lyons
Finance Director**

**CITY OF MIDDLETOWN, OHIO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended December 31, 2003**

Table of Contents

	<u>Page</u>
<i>INTRODUCTORY SECTION</i>	
Letter of Transmittal	i
Certificate of Achievement	xi
Principal Officials	xii
Organizational Chart	xiii
<i>FINANCIAL SECTION</i>	
Independents Accountants' Report	1
Management's Discussion and Analysis.....	3
 BASIC FINANCIAL STATEMENTS	
 Government-wide Finance Statements	
Statement of Net Assets	18
Statement of Activities.....	19
 Fund Financial Statements	
Balance Sheet – Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	24
Statement of Net Assets – Proprietary Funds	28
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	30
Combining Statement of Cash Flows – Proprietary Funds	32
Statement of Fiduciary Net Assets.....	36
Notes to Basic Financial Statements.....	37
 REQUIRED SUPPLEMENTARY INFORMATION	
Notes to Required Supplementary Information	68
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Budget (Non-GAAP) Basis – General Fund.....	69
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Budget (Non-GAAP) Basis – Housing Assistance Fund.....	72
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Budget (Non-GAAP) Basis – Community Development Escrow	73

**CITY OF MIDDLETOWN, OHIO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended December 31, 2003**

Table of Contents

SUPPLEMENTAL SECTION

Fund Descriptions	75
Combining Balance Sheet – Non Major Governmental Funds.....	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non Major Governmental Funds.....	81
Combining Balance Sheet – Non Major Special Revenue Funds.....	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non Major Special Revenue Funds.....	86
Statements of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Non-GAAP Basis) for the following Special Revenue Funds:	
Auto and Gas Tax Fund.....	90
Acquisition for Parks Fund.....	91
Health Fund	92
EMS Fund.....	93
Tax Increment Equivalent Fund	94
Litter Control Fund.....	95
Urban Development Action Grant Fund	96
Court Computerization Fund.....	97
Law Enforcement Fund	98
Mandatory Drug Fine Fund	99
Probation Services Fund.....	100
Termination Pay Fund	101
Indigent Driver Alcohol Treatment Fund.....	102
Enforcement/Education Fund.....	103
Civic Development Fund.....	104
Municipal Court Fund	105
Police Grant Fund.....	106
Court Special Projects Fund	107
Home Program Fund	108
Community Development Fund	109
Police Pension Fund	110
Fire Pension Fund.....	111
Combining Balance Sheet – Non Major Debt Service Funds.....	112
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non Major Debt Service Funds.....	113
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual (Non GAAP) Basis – Special Assessment Debt Service Fund.....	114
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual (Non GAAP) Basis – General Obligation Debt Service Fund.....	115
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual (Non GAAP) Basis – Library Bond Debt Service Fund.....	116

CITY OF MIDDLETOWN, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended December 31, 2003

Table of Contents

Combining Balance Sheet – Non Major Capital Project Funds.....	117
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non Major Capital Project Funds.....	118
Statements of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual (Non-GAAP Basis) for the following Capital Project Funds:	
Capital Improvements Fund	119
Downtown Improvements Fund	120
Court of Appeals Project Fund	121
East End Development Fund	122
Computer Replacement Fund	123
Leeds Farm Development Fund	124
2003 Sidewalk, Curb & Gutter Fund.....	125
2002 Sidewalk, Curb & Gutter Fund.....	126
Roosevelt Avenue Improvements Fund	127
Proprietary Fund Descriptions	128
Combining Statement of Net Assets – Non Major Proprietary Funds.....	129
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Non Major Proprietary Funds.....	130
Combining Statement of Cash Flows – Non Major Proprietary Funds	131
Statements of Revenues, Expenditures, and Changes in Retained Earnings Budget and Actual (Non-GAAP Basis) for the following Proprietary Funds:	
Water Fund	133
Sewer Fund.....	134
Transit System Fund.....	135
Golf Course Fund	136
Solid Waste Disposal Fund	137
Parking Garage Fund.....	138
Airport Fund.....	139
City Centre Mall Fund.....	140
Internal Service Fund Descriptions.....	141
Combining Statement of Net Assets – Internal Service Funds.....	142
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	143
Combining Statement of Cash Flows – Internal Service Funds	144
Statement of Revenues, Expenditures, and Changes in Retained Earnings - Budget and Actual (Non-GAAP Basis) – Municipal Garage Fund.....	146
Statement of Revenues, Expenditures, and Changes in Retained Earnings - Budget and Actual (Non-GAAP Basis) – Employee Benefits Fund	147

**CITY OF MIDDLETOWN, OHIO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended December 31, 2003**

Table of Contents

Agency Fund Descriptions.....	148
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – Conservancy	149
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – Payroll Clearing.....	150
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – Municipal Court.....	151
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – Sawyer Trust.....	152
Capital Assets Used in the Operation of Governmental Funds.....	153
Comparative Schedules by Sources.....	154
Schedule by Function and Activity.....	155
Schedule of Changes by Function and Activity.....	156

STATISTICAL SECTION

	<u>Table</u>	<u>Page</u>
General Governmental Expenditures by Function.....	1	157
General Governmental Revenues by Source	2	158
Personal Property Taxes Billed and Collected.....	3	159
Assessed and Estimated Actual Value of Taxable Property	4	160
Property Tax Rates & Tax Levies - Direct and Overlapping Governments	5	162
Special Assessment Collections Billed and Collected	6	163
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	7	164
Computation of Legal Debt Margin - Unvoted Debt Limit	8A	166
Computation of Legal Debt Margin - Voted and Unvoted Debt Limit.....	8B	167
Computation of Direct and Overlapping Debt.....	9	168
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures	10	169
General Obligation Coverage – Water and Sewer Bonds.....	11	170
Demographic Statistics	12A	171
.....	12B	172
Property Value and Construction.....	13	173
Real and Tangible Personal Property Principal Tax Payers.....	14	174
Miscellaneous Statistics	15	175

INTRODUCTORY SECTION

MIDDLETOWN

July 26, 2004

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, 2003, contains the financial statements and other financial and statistical data that provide a complete and full disclosure of all material financial aspects of the City. The responsibility for the accuracy of all data presented its completeness and fairness of presentation rests with the City of Middletown.

The report presents the financial activity of the City in conformity with generally accepted accounting principles (GAAP) as set for the by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources, and is consistent with the new reporting model as promulgated by GASB Statement No. 34, except for the requirement to retroactively report general infrastructure assets. The City's deadline for retroactively reporting general infrastructure assets is no later than fiscal 2007.

The CAFR is organized in three sections: the Introductory Section, the Financial Section and the Statistical Section. The Introductory Section contains a table of contents, letter of transmittal, organization chart, list of elected officials and a Certificate of Achievement for Excellence in Financial Reporting for the 2002 CAFR. The Financial Section includes the Independent Accountants' Report, Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, required supplemental information, the Combining Statements for non major funds and other schedules that provide detailed information relative to the Basic Financial Statements. The Statistical Section provides selected financial, economic and demographic information which may be used to indicate trends for comparative fiscal periods.

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

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A

and should be read in conjunction with it. Middletown's MD&A can be found immediately following the report of the independent auditors.

MIDDLETOWN

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

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

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

Recreation and Shopping

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

Twenty-seven parks throughout the City provide casual enjoyment, sports and recreation. Additionally, several state parks are within easy driving distance, including Hueston Woods, Caesar's Creek, and Germantown Dam. A bikeway for the avid biker begins just north of Middletown, running almost to Dayton, a distance of approximately 20 miles.

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

Education

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

during the remainder of the decade to assure ongoing improvement of the community's education system.

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

Post-Secondary Education

Miami University Middletown, an integral component of our educational system, offers associate degree programs and continuing education opportunities, including custom-designed training programs for Middletown-area business and industry. A variety of post-secondary vocational opportunities are also offered at 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. However, the outlook of the remaining plants in Middletown is positive.

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.

The Reporting Entity

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

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

CITY SERVICES/INITIATIVES

Present

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

The City's 2003 initiatives emphasized capital improvements in the City.

TOWNE BOULEVARD

This \$3,300,000 project, which was completed in May 2003, extended Towne Boulevard southward to Hendrickson Road and eastward to Lefferson Road. The project included a bridge over Dicks Creek, four traffic signals, and improvements to the Towne Boulevard Hendrickson Road intersection.

ROOSEVELT AVENUE

Roosevelt Avenue was widened from twenty feet to thirty-three feet with curb, gutter and storm sewers from John Road to Kohls Drive. Grand opening for this project was held in August 2003.

MAIN STREET

In March 2003, resurfacing was completed on Main Street from Second Avenue to Reinartz Boulevard. This project includes the installation of gas replica street lights.

STATE ROUTE 122

Resurfacing of Reinartz Boulevard (Main Street to University Boulevard, including ramps), University Boulevard (Reinartz Boulevard to Roosevelt Boulevard), Roosevelt Boulevard (University Boulevard to Cincinnati-Dayton Road), and Second Avenue (Bicentennial Commons to Clinton) was completed November 2003. The City provided 44% of this \$3,300,000 project while the State of Ohio provided the remainder.

VERITY PARKWAY

Rehabilitation of Verity Parkway from the south corporation limits to Girard Avenue was completed in December 2003. This project totaled \$2,600,000.

MIDDLETOWN AIRPORT

One of the highest priority needs for the airport in the 2003 Strategic Development Plan was increased security. The goal was to provide visual traffic pattern information. This was accomplished with a security fence installation at a cost of \$250,000 (\$225,000 federal funds and \$25,000 city funds).

Future

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

Operating shortfalls in the City's General Fund are projected in 2004 due to revenue cutbacks by the federal and state governments and a stagnant local economy. The City's expenses continue to increase as revenues decrease. A hiring freeze that began in 2003 will continue into 2004.

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>
1998	1999	\$ 813,809,721	\$ 4,497,007
1999	2000	\$ 888,822,992	\$ 4,836,820
2000	2001	\$ 904,046,378	\$ 5,145,762
2001	2002	\$ 924,942,063	\$ 4,856,134
2002	2003	\$1,040,477,065	\$ 5,021,099

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

	<u>Local Income Tax Receipts (Cash Basis)</u>
1999	\$ 17,286,807
2000	18,065,819
2001	17,778,038
2002	17,904,919
2003	17,347,220

FINANCIAL INFORMATION

Accounting Controls

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

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

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

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

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

Budgetary Controls

Detailed provisions for the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and the City Charter. The City Manager, with the assistance of the Finance Director, is required to submit to Council a tax budget of estimated revenues and expenditures for all funds, except agency funds, for the succeeding fiscal year by the first council meeting in July. The budget is required to be adopted by the legislative body by July 15 and to be submitted to the County Budget Commission by July 20 of each

year. City Council is required by Charter to adopt a permanent appropriation measure for the ensuing fiscal year no later than January 1st. On December 3, 2002, City Council adopted the 2003 fiscal year permanent appropriation measure.

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

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

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

Cash Management

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

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

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

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess

of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the varying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, Municipal Corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority.

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

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

Risk Management

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

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

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

Other Information

Independent Audit

The State of Ohio requires an annual audit by either the Auditor of State or by an independent public accounting firm. The Auditor of State performed the City's 2003 audit. The Auditor of State independent accountants' report on the City's general purpose financial statements is included in the financial section of this Comprehensive Annual Financial Report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Middletown for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2002.

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.

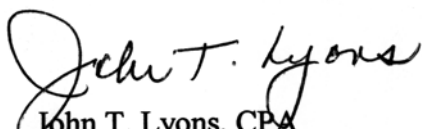
Acknowledgements

The 2003 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, 2002

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.



President

Executive Director

CITY OF MIDDLETOWN, OHIO

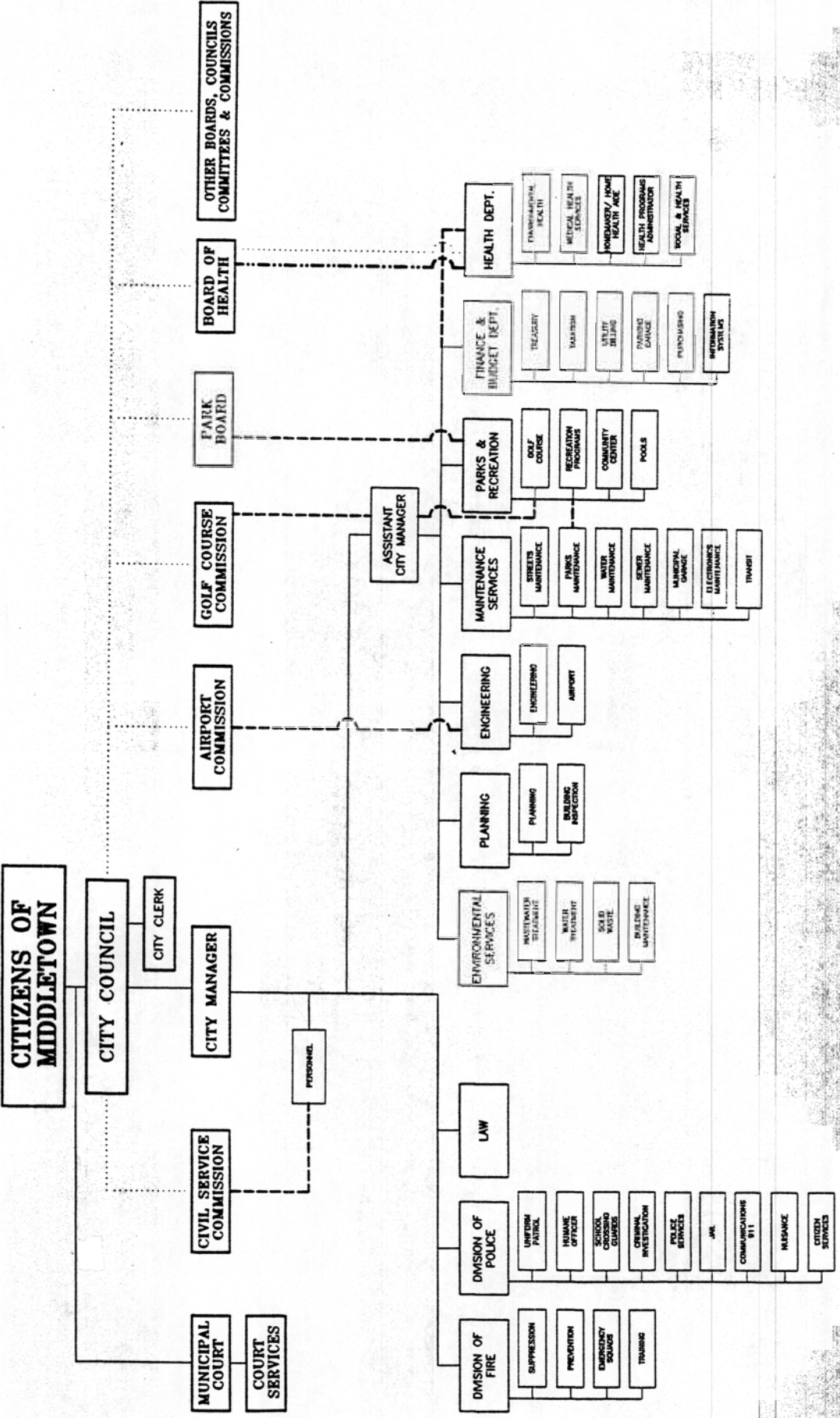
**Principal Officials
December 31, 2003**

Legislative

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

Executive/Administrative

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



ORGANIZATIONAL CHART
 CITY OF MIDDLETOWN, OHIO

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

FINANCIAL SECTION



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Middletown, Butler County, Ohio (the City) as of and for the year ended December 31, 2003 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Middletown, Butler County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Betty Montgomery
Auditor of State

July 26, 2004

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, 2003. 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 69 to 73) are presented for the General Fund and major special revenue funds that compare actual results to the original and final budgets for those funds.

Supplementary Information

- Combining Financial Statements. These statements (starting on page 80) provide financial information regarding non-major individual funds, which have been aggregated in the basic financial statements.
- Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. These schedules compare actual results to the original and final budgets for the major and non-major governmental funds. These schedules begin on page 90.
- Capital Asset Schedules. Schedules (pages 154-156) 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 34. The City has four agency funds. The Conservancy fund records the city property tax levy which is collected on the behalf of the Miami Conservancy District. The Payroll Clearing fund accounts for the employee payroll withholdings due to other agencies and private businesses. The Municipal Court fund accounts for the activities of the Municipal Court collections which are due to other agencies and to certain individuals. The Sawyer Trust fund accounts for the funds collected for the annual "Hooked on Golf" junior golf program. The City acts as the collection agent for these separate activities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

II. THE CITY AS A WHOLE

A. Net assets at year-end

The following table presents a condensed summary of the City's overall financial position at December 31, 2003 (in thousands):

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Current and other assets	\$ 48,697	57,500	15,171	16,491	63,868	73,991
Capital assets	<u>39,442</u>	<u>32,397</u>	<u>48,213</u>	<u>46,503</u>	<u>87,655</u>	<u>78,900</u>
Total assets	88,139	89,897	63,384	62,994	151,523	152,891
Long-term debt outstanding	27,680	24,696	9,552	9,743	37,232	34,439
Other liabilities	<u>13,723</u>	<u>19,168</u>	<u>1,909</u>	<u>2,826</u>	<u>15,633</u>	<u>21,994</u>
Total liabilities	41,403	43,864	11,461	12,569	52,864	56,433
Net assets:						
Invested in capital assets, net of debt	21,613	18,600	38,968	36,140	60,581	54,740
Restricted	20,885	8,835	716	712	21,601	712
Unrestricted	<u>4,238</u>	<u>18,598</u>	<u>12,239</u>	<u>13,573</u>	<u>16,477</u>	<u>41,006</u>
Total net assets	46,736	46,033	51,923	50,425	98,659	96,458
Beginning net assets	46,033	43,146	50,425	48,910	96,458	92,056
Net increase	<u>703</u>	<u>2,887</u>	<u>1,498</u>	<u>1,515</u>	<u>2,201</u>	<u>4,402</u>
Ending net assets	\$ <u>46,736</u>	<u>46,033</u>	<u>51,923</u>	<u>50,425</u>	<u>98,659</u>	<u>96,458</u>

Net assets at year end increased by \$703 versus an increase of \$2,887 in 2002 in the Governmental activities area. Most of this change is attributed to an \$8,012 decrease in cash deposits. Much of this cash decrease was offset by a \$7,814 increase in capital assets and a \$4,384 drop in short term notes payable. Most of the new 2003 capital assets were street improvements.

Business type activities, which are the City's businesses, had an increase in net assets in 2003 of \$1,498.

B. Governmental and Business-type Activities during 2003

The following table (in thousands) presents a condensed summary of the City's activities during 2003 and the resulting changes in net assets. Of the total General Government revenues of \$46,925, \$16,321 (35%) was from program revenue. This means that the government relied on tax revenues and unrestricted grants to fund 65% of its public safety, public works, and other services. Local income and property taxes totaled \$22,005 in 2003. This was about 48% of the City's general revenues.

For business type activities, revenues remained close to 2002 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>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 4,330	5,248	15,892	15,014	20,222	20,262
Operating grants & contributions	10,007	11,714	31	417	10,038	12,130
Capital grants and contributions	<u>1,984</u>	<u>115</u>	<u>1,985</u>	<u>2,150</u>	<u>3,969</u>	<u>2,265</u>
Total program revenues	16,321	17,077	17,908	17,581	34,229	34,657
<u>General revenues:</u>						
Income taxes	16,417	17,764	245	230	16,662	17,994
Property taxes	5,588	5,042	-	-	5,588	5,042
Other taxes	3,848	3,436	-	-	3,848	3,436
Grants and contributions not restricted	2,300	4,367	-	216	2,300	4,583
Investment earnings	1,006	1,100	245	377	1,251	1,477
Other	<u>1,445</u>	<u>1,868</u>	<u>-</u>	<u>116</u>	<u>1,445</u>	<u>1,984</u>
Total general revenues	<u>30,604</u>	<u>33,577</u>	<u>490</u>	<u>939</u>	<u>31,094</u>	<u>34,516</u>
Total revenues	46,925	50,654	18,398	18,520	65,323	69,173
Expenses						
Public safety	22,128	22,174			22,128	22,174
Public health	1,859	1,991			1,859	1,991
Leisure activities	1,146	1,314			1,146	1,314
Community environment	12,476	10,981			12,476	10,981
Highways and streets	1,405	3,161			1,405	3,161
General government	4,248	5,625			4,248	5,625
Miscellaneous	2,080	1,372			2,080	1,372
Interest on long-term debt	1,215	1,197			1,215	1,197
Water			5,397	5,625	5,397	5,625
Sewer			5,734	5,627	5,734	5,627
Transit			1,048	1,008	1,048	1,008
Golf Course			1,879	1,869	1,879	1,869
Solid Waste			2,290	1,939	2,290	1,939
Other business type activities			<u>273</u>	<u>888</u>	<u>273</u>	<u>888</u>
Total expenses	<u>46,557</u>	<u>47,815</u>	<u>16,621</u>	<u>16,956</u>	<u>63,178</u>	<u>64,771</u>
Increase in net assets before transfers	368	2,839	1,777	1,564	2,145	4,402
Transfers	335	49	(279)	(49)	56	-
Increase in net assets	\$ <u>703</u>	<u>2,887</u>	<u>1,498</u>	<u>1,515</u>	<u>2,201</u>	<u>4,402</u>

1) Governmental activities during 2003

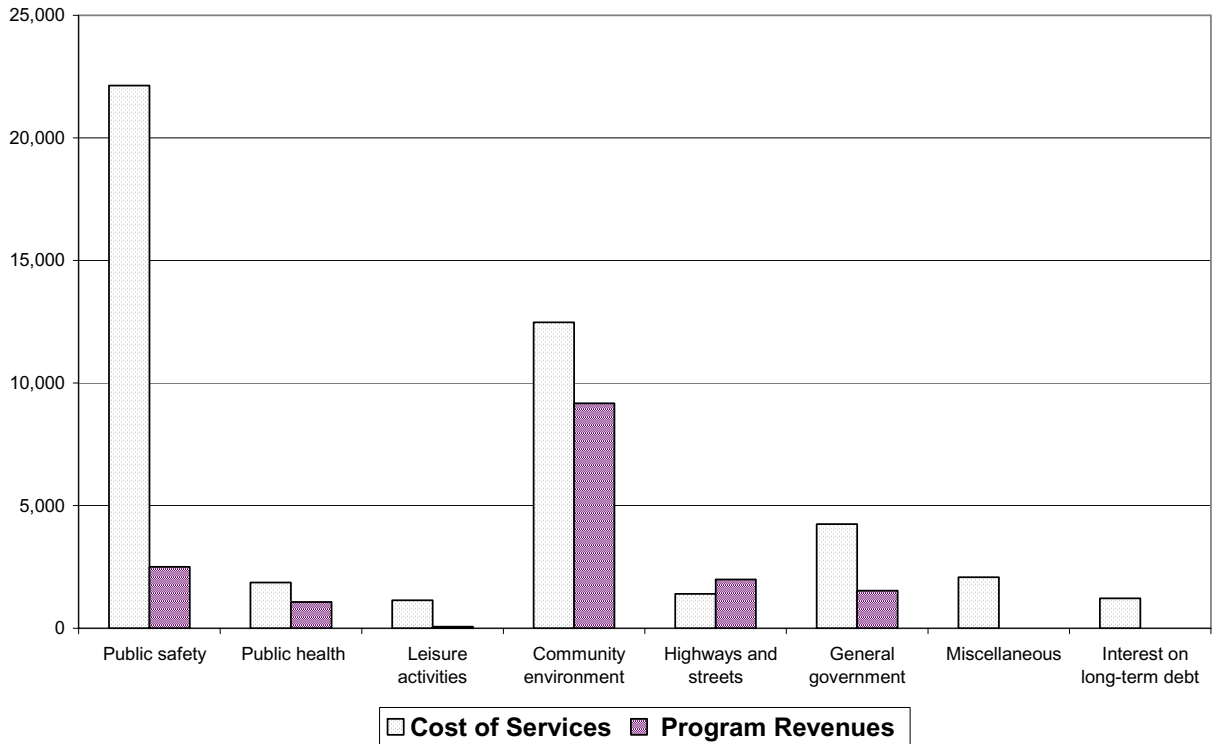
Table 3 presents the total cost of each of the government's primary services and the net cost after deducting the revenues generated by these services. The City recouped about 35% of the cost of its services with program revenues. Public safety, the City's most expensive program, covered about 11% of 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	\$	22,128	2,503	11%	(19,625)
Public health		1,859	1,074	58%	(785)
Leisure activities		1,146	63	5%	(1,083)
Community environment		12,476	9,169	73%	(3,307)
Highways and streets		1,405	1,985	141%	580
General government		4,248	1,528	36%	(2,720)
Miscellaneous		2,080	0	0%	(2,080)
Interest on long-term debt		<u>1,215</u>	<u>0</u>	<u>0%</u>	<u>(1,215)</u>
Total	\$	<u>46,557</u>	<u>16,322</u>	<u>35%</u>	<u>(30,235)</u>

Expenses and Program Revenues - Governmental Activities



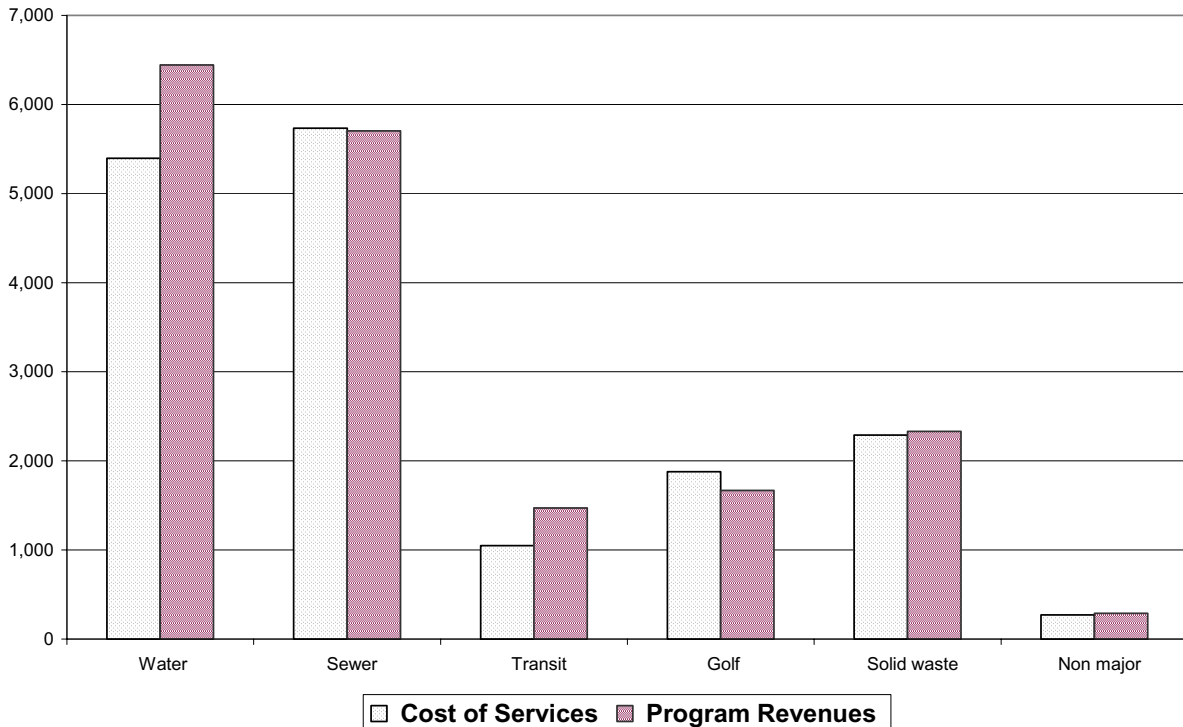
2) Business-type activities during 2003

The following table (in thousands) summarizes the business-type activities during 2003:

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	\$	5,397	6,445	119%	1,048
Sewer		5,734	5,703	99%	(32)
Transit		1,048	1,472	140%	424
Golf		1,879	1,668	89%	(211)
Solid waste		2,290	2,330	102%	40
Non major business type funds		<u>273</u>	<u>290</u>	<u>106%</u>	<u>18</u>
Total	\$	<u>16,621</u>	<u>17,908</u>	<u>108%</u>	<u>1,287</u>

Expenses and Program Revenues - Business-Type Activities



The City attempts to breakeven on its business-type activities and came close to that goal in 2003. The Golf Fund operated at a loss in 2003 due to the poor economy and a rainy golf season.

The non major business-type activities had a total gain in net assets of \$18,000 in 2003.

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-seven governmental funds, eight of which are considered major funds. Assets of those eight funds comprise (81%) of the total governmental funds' assets of \$48,735,528. The following table (rounded to nearest thousand) summarizes the activities of these eight major funds.

Table 5
Financial Highlights
Major Governmental Funds

	General Fund	Housing Assistance	Community Development Escrow	Special Assessment Debt Service	Capital Improvements	East End Development	Downtown Improvements	Court of Appeals Project
Total assets \$	16,056,000	6,400,000	2,998,000	5,124,000	2,906,000	2,397,000	3,292,000	154,000
Total liabilities	<u>8,428,000</u>	<u>5,268,000</u>	<u>188,000</u>	<u>5,142,000</u>	<u>974,000</u>	<u>4,268,000</u>	<u>0</u>	<u>0</u>
Fund balance	<u>7,628,000</u>	<u>1,132,000</u>	<u>2,810,000</u>	<u>(18,000)</u>	<u>1,932,000</u>	<u>(1,871,000)</u>	<u>3,292,000</u>	<u>154,000</u>
Unreserved fund balance	<u>7,118,967</u>	<u>865,000</u>	<u>0</u>	<u>(18,000)</u>	<u>1,657,000</u>	<u>(2,129,000)</u>	<u>2,757,000</u>	<u>154,000</u>
Revenues	21,614,000	8,787,000	83,000	557,000	3,813,000	320,000	85,000	41,000
Expenditures	25,205,000	8,196,000	249,000	508,000	3,953,000	1,610,000	1,138,000	1,581,000
Other financing sources/uses	<u>(136,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(209,000)</u>	<u>0</u>	<u>(300,000)</u>	<u>4,030,000</u>
Net change in fund balance \$	<u>3,727,000</u>	<u>591,000</u>	<u>(166,000)</u>	<u>49,000</u>	<u>(349,000)</u>	<u>(1,290,000)</u>	<u>(1,353,000)</u>	<u>(154,000)</u>

General Fund. Fund balance at the end of 2003 was \$7,628,000, including \$7,119,000 of unreserved fund balance. This is 28% of 2003 expenditures. The General Fund's balance decreased by \$3,727,000 in 2003. 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 2003, there were 1,297 Section 8 units in the City of Middletown.

Community Development Escrow Fund. This fund issues home repair loans to lower income residents. At the end of 2003, 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 2003 because of timing differences between receipt of special assessment payments and the debt service requirements on the City's special assessment bonds. This loan will be repaid as assessment revenues are received.

Capital Improvements Fund. The \$1,656,720 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 \$2,129,409 deficit in this fund will be eliminated in 2005 when permanent financing is arranged for the Towne Boulevard Extension Project (\$4,203,000) which is recorded in this fund.

Downtown Improvements Fund. The \$2,756,688 fund balance in the Downtown Improvements Fund will be used by the mall deconstruction project.

Court of Appeals Project Fund. The Court of Appeals building was completed in 2003 at a cost of \$4.1 million.

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.

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transit Fund</u>	<u>Golf Fund</u>	<u>Solid Waste Fund</u>
Total assets	\$ 23,971,000	25,764,000	2,560,000	5,904,000	638,000
Total liabilities	<u>5,390,000</u>	<u>1,159,000</u>	<u>230,000</u>	<u>2,763,000</u>	<u>2,357,000</u>
Total net assets	<u>18,581,000</u>	<u>24,605,000</u>	<u>2,330,000</u>	<u>3,141,000</u>	<u>(1,719,000)</u>
Unrestricted net assets	<u>4,280,000</u>	<u>6,502,000</u>	<u>459,000</u>	<u>(427,000)</u>	<u>(21,000)</u>
Operating revenues	6,228,000	5,460,000	86,000	1,668,000	2,330,000
Operating expenses	5,172,000	5,689,000	1,048,000	1,769,000	2,156,000
Net non-operating revenues	(155,000)	104,000	880,000	(109,000)	(133,000)
Capital contributions	<u>217,000</u>	<u>242,000</u>	<u>646,000</u>	<u>0</u>	<u>0</u>
Net change in net assets	\$ <u>1,093,000</u>	<u>93,000</u>	<u>564,000</u>	<u>(210,000)</u>	<u>40,000</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 2003 covered operating costs and \$875,000 was accumulated for future capital needs. The City Council increased water rates by 15% in 2003.

Sewer Fund. The Sewer Fund ended 2003 with a cash balance of \$6,240,000. This money was saved in anticipation of large capital needs in the next few years.

Transit Fund. The large change in net assets \$564,000 in 2003 is the result of construction of a new bus terminal. The entire cost of this purchase was funded by federal and state transit grants.

Golf Fund. The City Golf Fund lost \$210,000 in 2003. This fund owed the City's General Fund \$405,000 at the end of 2003 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 \$292,000 on a landfill closure bond. At the end of 2003, the balance owed on this 1994 bond issue was \$2,120,000. The Solid Waste Fund carries a \$1,698,000 fund deficit because of this large debt liability.

2) Internal service funds

Net assets at year-end and 2003 activity in the City's two internal service funds, are shown on pages 27 and 29.

The City's Employee Benefits Fund made \$69,000 in 2003 and ended the year with a fund balance of \$64,000. The rising cost of health insurance puts a burden on the City's budget. Employer contributions to this fund have increased 40% in two years. Future budget will allow for continuing 20% annual cost increases. Some of these cost increases will be shifted to employees in 2004.

The other City internal service fund, the Municipal Garage Fund, ended the year with a fund balance of \$4,585,000. These funds are being set aside for future vehicle purchases according to a multi-year plan developed by the Municipal Garage fleet managers.

IV. BUDGETED ACTIVITY AND ACTUAL RESULTS

The schedules comparing the City's original and final General Fund budgets to actual expenditures begin on page 66. The General Fund's original 2003 appropriation was increased during the year by \$449,164 (2%), and at year end, the General Fund's actual expenditures on a cash basis (budget basis) were \$1,543,000 (5%) under the amended budget.

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 52 and 53 and in the Supplemental Section on pages 154-156.

The City had \$87,655,000 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)

	Governmental	Business-	
	Activities	Type	Total
		Activities	
Land	\$ 9,360,000	6,868,000	16,228,000
Land improvements	0	1,625,000	1,625,000
Buildings	12,857,000	16,694,000	29,551,000
Equipment	4,435,000	2,118,000	6,553,000
Infrastructure	0	20,908,000	20,908,000
General infrastructure	<u>12,790,000</u>	<u>0</u>	<u>12,790,000</u>
Total	\$ <u>39,442,000</u>	<u>48,213,000</u>	<u>87,655,000</u>

The major capital assets constructed during 2003 included the following:

- Construction of the new Twelfth District Court of Appeals building was completed in 2003. The total value of this project was about \$4.1 million.
- Towne Boulevard was extended in the east end of Middletown at a cost of \$2.4 million. A new Wal-Mart store was constructed adjacent to the new road and opened in March 2003. The bonds issued in 2004 to finance this project will be repaid with Tax Increment Financing property taxes on the improved area and with local income taxes generated by new businesses locating along this new roadway.

The City's 2004 budget estimates that the City will spend about \$22.1 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	\$10.8 million
Street Improvements	\$2.3 million

B. Debt

The City issued \$4,250,000 in general obligation bonds in 2003. The two issues were for sidewalk, curb and gutter improvements (\$225,000) and for the new Twelfth District Court of Appeals Courthouse. General tax revenues will not be used to repay these debts. The sidewalk, curb and gutter debt payments will be assessed for the next five years on the properties benefiting from the improvements. The Court of Appeals building debt payments will be covered by lease payments from the Court of Appeals.

The City issued \$5.0 million in one-year notes to finance projects ranging from energy conservation at the Water Treatment Plant to street construction.

Please refer to pages 56-60 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

Middletown is feeling the affects of the national recession. Two local employers, Middletown Paperboard and Miami Packaging closed their Middletown facilities in 2002. AK Steel, the City's largest employer, eliminated two-hundred positions in its Middletown corporate office workforce in 2003.

The City budgeted conservatively for 2004. 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.

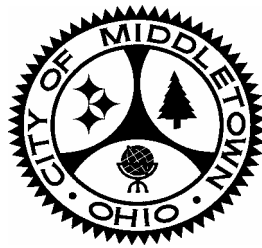
Refuse rates, water and sewer rates were all increased in 2003 to cover the escalating operating costs and EPA regulatory costs of these utility operations. A portion of the rate increase will be used to fund future capital costs of these operations. These same rates will increase again in 2004.

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 will be enacted.

VII. REQUESTS FOR ADDITIONAL INFORMATION

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

John T. Lyons, CPA
Finance Director
June 23, 2004



**CITY OF MIDDLETOWN, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2003**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and equity in pooled cash, deposits and investments	\$ 21,472,468	10,705,601	32,178,069
Cash with fiscal and escrow agent	1,212,045	-	1,212,045
Receivables (net of allowance for uncollectibles):			
Income taxes	2,807,749	-	2,807,749
Property taxes	5,551,477	-	5,551,477
Estate taxes	178,922	-	178,922
Accounts	940,442	1,982,040	2,922,482
Loans	1,900,233	611,978	2,512,211
Special assessments	5,111,735	-	5,111,735
Due from other governments	9,740,993	670,294	10,411,287
Inventory of supplies	419,726	420,833	840,559
Deferred Charges	141,340	-	141,340
Internal balances	(779,964)	779,964	-
Capital assets	39,441,535	48,213,293	87,654,828
Total assets	<u>88,138,701</u>	<u>63,384,003</u>	<u>151,522,704</u>
Liabilities			
Accounts payable and other current liabilities	1,430,915	764,084	2,194,999
Accrued wages and benefits	1,652,108	266,239	1,918,347
Accrued interest payable	228,900	44,169	273,069
Due to other governments	13,173	1,789	14,962
Notes payable	4,846,000	120,000	4,966,000
Unearned revenue	5,551,477	711,280	6,262,757
Non current liabilities:			
Due within one year	2,736,117	865,560	3,601,677
Due in more than one year	24,944,345	8,687,555	33,631,900
Total liabilities	<u>41,403,035</u>	<u>11,460,676</u>	<u>52,863,711</u>
Net Assets			
Invested in capital assets, net of related debt	21,613,031	38,968,293	60,581,324
Restricted for capital projects	3,703,360	-	3,703,360
Restricted for debt service	1,768,076	-	1,768,076
Restricted for other purposes	15,412,709	715,836	16,128,545
Unrestricted	4,238,490	12,239,198	16,477,688
Total net assets	<u>\$ 46,735,666</u>	<u>51,923,327</u>	<u>98,658,993</u>

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF ACTIVITIES
DECEMBER 31, 2003**

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
Governmental activities:							
Public safety	\$ 22,127,891	2,422,143	80,626	-	(19,625,122)		(19,625,122)
Public health and welfare	1,858,875	329,324	744,572	-	(784,979)		(784,979)
Leisure time activities	1,145,653	33,615	29,000	-	(1,083,038)		(1,083,038)
Community environment	12,476,119	16,108	9,152,519	-	(3,307,492)		(3,307,492)
Highways and streets	1,405,294	-	-	1,984,942	579,648		579,648
General government	4,247,896	1,528,422	-	-	(2,719,474)		(2,719,474)
Miscellaneous	2,080,101	-	-	-	(2,080,101)		(2,080,101)
Interest on long-term debt	1,215,454	-	-	-	(1,215,454)		(1,215,454)
Total governmental activities	46,557,283	4,329,612	10,006,717	1,984,942	(30,236,012)		(30,236,012)
Business-type activities:							
Water	5,397,434	6,228,274	-	217,102		1,047,942	1,047,942
Sewer	5,734,358	5,460,085	-	242,456		(31,817)	(31,817)
Transit	1,047,655	86,329	30,584	1,355,037		424,295	424,295
Golf Course	1,879,105	1,667,718	-	-		(211,387)	(211,387)
Solid Waste	2,289,707	2,329,833	-	-		40,126	40,126
Non Major	272,605	120,202	-	170,105		17,702	17,702
Total business-type activities	16,620,864	15,892,441	30,584	1,984,700		1,286,861	1,286,861
Total	\$ 63,178,147	20,222,053	10,037,301	3,969,642	(30,236,012)	1,286,861	(28,949,151)
General revenues:							
Taxes:							
Income taxes						245,000	16,661,760
Property taxes							5,587,882
Other taxes							3,848,468
Grants and contributions not restricted to specific programs							2,300,454
Investment earnings						244,953	1,251,370
Miscellaneous						-	1,444,511
Transfers						(278,544)	55,761
Total general revenues and transfers						211,409	31,150,206
Change in net assets						1,498,270	2,201,055
Net assets beginning of year						50,425,057	96,457,938
Net assets end of year						51,923,327	98,658,993
						\$	

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

	General	Housing Assistance	Community Development Escrow	Special Assessment Debt Service
ASSETS:				
Cash and equity in pooled cash, deposits and investments	\$ 6,036,325	\$ 1,177,771	\$ 187,748	\$ 12,391
Cash with fiscal and escrow agent	-	-	1,124,189	-
Receivables (net of allowance for uncollectibles):				
Income taxes	2,807,749	-	-	-
Property taxes	4,135,299	-	-	-
Estate taxes	178,922	-	-	-
Accounts	841,910	-	-	-
Loans	-	-	1,686,147	-
Special assessments	-	-	-	5,111,735
Due from other funds	556,320	-	-	-
Due from other governments	1,490,083	5,222,301	-	-
Inventory of supplies	9,119	-	-	-
Total assets	\$ 16,055,727	\$ 6,400,072	\$ 2,998,084	\$ 5,124,126
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 146,412	\$ -	\$ -	\$ -
Accrued wages and benefits	1,463,935	-	-	-
Other accrued liabilities	279,926	-	-	-
Accrued interest payable	-	-	-	-
Due to other funds	89,268	-	-	30,000
Due to other governments	252	-	-	-
Due to individuals	4,613	44,787	187,748	-
Matured bonds and interest	-	-	-	-
Notes payable	-	-	-	-
Deferred revenue	6,443,366	5,222,301	-	5,111,735
Total liabilities	8,427,772	5,267,088	187,748	5,141,735
Fund balances:				
Reserved for encumbrances	499,869	268,265	-	-
Reserved for inventory	9,119	-	-	-
Reserved for loans	-	-	2,810,336	-
Unreserved, reported in:				
General Fund	7,118,967	-	-	-
Special Revenue Funds	-	864,719	-	-
Debt Service Funds	-	-	-	(17,609)
Capital Project Funds	-	-	-	-
Total fund balances	7,627,955	1,132,984	2,810,336	(17,609)
Total liabilities and fund balances	\$ 16,055,727	\$ 6,400,072	\$ 2,998,084	\$ 5,124,126

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

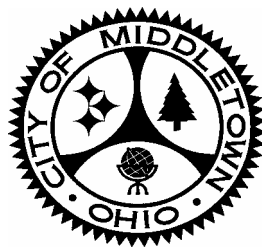
Capital Improvements	East End Development	Downtown Improvements	Court of Appeals Project	Non Major Governmental Funds	Total Governmental Funds
\$ 1,874,947	\$ 2,397,125	\$ 3,292,417	\$ 153,584	\$ 5,105,277	\$ 20,237,585
-	-	-	-	87,856	1,212,045
-	-	-	-	-	2,807,749
828,593	-	-	-	587,585	5,551,477
-	-	-	-	-	178,922
2,665	-	-	-	92,495	937,070
-	-	-	-	214,086	1,900,233
-	-	-	-	-	5,111,735
200,000	-	-	-	3,109	759,429
-	-	-	-	3,028,609	9,740,993
-	-	-	-	289,171	298,290
\$ 2,906,205	\$ 2,397,125	\$ 3,292,417	\$ 153,584	\$ 9,408,188	\$ 48,735,528

\$ 55,081	\$ 19,651	\$ -	\$ -	\$ 261,497	\$ 482,641
-	-	-	-	158,785	1,622,720
-	-	-	-	44,594	324,520
-	45,544	-	-	6,906	52,450
-	-	-	-	338,654	457,922
-	-	-	-	12,921	13,173
90,359	-	-	-	-	327,507
-	-	-	-	87,856	87,856
-	4,203,000	-	-	643,000	4,846,000
828,593	-	-	-	3,381,490	20,987,485
974,033	4,268,195	-	-	4,935,703	29,202,274

275,452	258,339	535,729	91,964	327,912	2,257,530
-	-	-	-	289,171	298,290
-	-	-	-	213,865	3,024,201
-	-	-	-	-	7,118,967
-	-	-	-	3,304,394	4,169,113
-	-	-	-	141,399	123,790
1,656,720	(2,129,409)	2,756,688	61,620	195,744	2,541,363
1,932,172	(1,871,070)	3,292,417	153,584	4,472,485	19,533,254
\$ 2,906,205	\$ 2,397,125	\$ 3,292,417	\$ 153,584	\$ 9,408,188	\$ 48,735,528

**CITY OF MIDDLETOWN, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2003**

Total governmental fund balances	\$ 19,533,254
<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.	39,441,535
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	973,784
Intergovernmental and other receivables	14,462,224
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.	(47,415)
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	(17,673,962)
Special assessment bonds	(2,857,296)
Capital lease obligations	(154,502)
Compensated absences	(3,872,304)
Pension obligation payable	(2,981,058)
Accrued interest on long-term debt	(88,594)
Net assets of governmental activities	<u>\$ 46,735,666</u>



CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2003

	General	Housing Assistance	Community Development Escrow	Special Assessment Debt Service
Revenues:				
Property taxes	\$ 4,111,583	\$ -	\$ -	\$ -
Municipal income taxes	10,513,306	-	-	-
Intergovernmental revenues	3,029,804	8,772,814	-	-
Charges for services	2,257,854	-	-	-
Fees, licenses, and permits	244,520	-	-	-
Fines and forfeits	12,825	-	-	-
Special assessments	-	-	-	557,436
Interest earnings	296,860	9,988	82,671	-
Miscellaneous	885,474	4,679	-	-
Increase in Investment Fair Value	261,683	-	-	-
Total revenues	21,613,909	8,787,481	82,671	557,436
Expenditures:				
Current				
Public safety	17,189,793	-	-	-
Public health and welfare	550,102	-	-	-
Leisure time activities	1,013,859	-	-	-
Community environment	761,259	8,196,149	-	-
Highways and streets	-	-	-	-
General government	4,040,487	-	-	-
Miscellaneous	1,649,393	-	249,328	-
Debt service				
Principal retirement	-	-	-	323,000
Interest and fiscal charges	-	-	-	184,966
Bond issuance costs	-	-	-	-
Total expenditures	25,204,893	8,196,149	249,328	507,966
Excess of revenues over (under) expenditures	(3,590,984)	591,332	(166,657)	49,470
Other financing sources (uses):				
Transfers-in	55,760	-	-	-
Transfers-out	(192,160)	-	-	-
Proceeds from bonds	-	-	-	-
Total other financing sources (uses)	(136,400)	-	-	-
Net change in fund balances	(3,727,384)	591,332	(166,657)	49,470
Fund balance, beginning of year	11,355,339	541,652	2,976,993	(67,079)
Fund balance, end of year	\$ 7,627,955	\$ 1,132,984	\$ 2,810,336	\$ (17,609)

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

Capital Improvements	East End Development	Downtown Improvements	Court of Appeals Project	Non Major Governmental Funds	Total Governmental Funds
\$ 897,573	\$ -	\$ -	\$ -	\$ 578,726	\$ 5,587,882
1,000,000	-	-	-	3,929,670	15,442,976
1,659,700	-	-	-	4,318,493	17,780,811
14,533	-	-	-	642,425	2,914,812
-	-	-	-	-	244,520
-	-	-	-	1,151,584	1,164,409
-	-	-	-	80,383	637,819
35,165	79,584	85,383	16,584	123,708	729,943
205,578	240,444	-	24,146	354,413	1,714,734
-	-	-	-	-	261,683
3,812,549	320,028	85,383	40,730	11,179,402	46,479,589
130,523	-	-	1,411,909	4,863,774	23,595,999
-	-	-	-	1,281,575	1,831,677
78,256	-	-	-	59,421	1,151,536
44,366	403,636	1,138,249	-	1,897,193	12,440,852
3,615,073	1,120,582	-	-	2,696,389	7,432,044
79,620	-	-	-	83,316	4,203,423
5,455	-	-	-	175,925	2,080,101
-	-	-	-	915,001	1,238,001
-	85,410	-	27,601	910,659	1,208,636
-	-	-	141,340	-	141,340
3,953,293	1,609,628	1,138,249	1,580,850	12,883,253	55,323,609
(140,744)	(1,289,600)	(1,052,866)	(1,540,120)	(1,703,851)	(8,844,020)
4,346	-	-	-	986,459	1,046,565
(213,000)	-	(300,000)	-	(62,860)	(768,020)
-	-	-	4,030,302	220,000	4,250,302
(208,654)	-	(300,000)	4,030,302	1,143,599	4,528,847
(349,398)	(1,289,600)	(1,352,866)	2,490,182	(560,252)	(4,315,173)
2,281,570	(581,470)	4,645,283	(2,336,598)	5,032,737	23,848,427
\$ 1,932,172	\$ (1,871,070)	\$ 3,292,417	\$ 153,584	\$ 4,472,485	\$ 19,533,254

**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, 2003**

Net change in fund balances - total governmental funds \$ (4,315,173)

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

Governmental funds report capital outlays as expenditures.

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

Capital outlay	8,847,008
Depreciation expense	(1,614,196)

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

Income taxes	973,784
Intergovernmental and other revenue	(449,860)
Interest	-

Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.

1,238,000

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

68,329

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

(5,776)

The issuance of long-term debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net assets.

(4,250,000)

Discount

141,038

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.

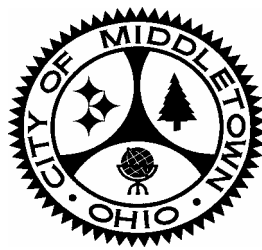
(29,136)

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.

98,767

Change in net assets of governmental activities

\$ 702,785



**CITY OF MIDDLETOWN, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2003**

Business Type Activities - Enterprise Funds

	Water	Sewer	Transit System
Assets:			
Current assets			
Equity in pooled cash and investments	\$ 3,958,151	\$ 6,240,429	\$ 184,501
Receivables			
Accounts	1,037,337	943,657	-
Loans	611,978	-	-
Due from other funds	-	-	1,485
Intergovernmental	-	-	503,252
Inventory of supplies	288,262	73,191	-
Total current assets	5,895,728	7,257,277	689,238
Capital assets:			
Land	652,665	152,500	-
Land Improvements	-	-	-
Infrastructure assets	23,513,556	25,906,072	-
Buildings	10,218,636	10,871,182	960,805
Equipment	1,214,909	5,413,056	2,707,462
Less: Accumulated depreciation	(17,524,401)	(23,835,567)	(1,797,406)
Net capital assets	18,075,365	18,507,243	1,870,861
Total assets	23,971,093	25,764,520	2,560,099
Liabilities			
Current liabilities			
Accounts payable	54,576	195,059	-
Accrued wages and benefits	92,014	107,448	29,802
Other accrued liabilities	24,463	27,749	8,317
Accrued interest payable	20,653	3,002	-
Due to other funds	9,093	8,968	24,073
Due to other governments	90	-	-
Due to individuals	180,205	-	31,171
General obligation bonds payable	240,000	205,000	-
Deferred Revenue	611,978	-	99,302
Notes payable	120,000	-	-
Compensated absences (short term portion)	53,483	58,449	12,652
Total current liabilities	1,406,555	605,675	205,317
Long-term liabilities			
General obligation bonds payable	3,890,000	440,000	-
Compensated absences payable	93,923	113,461	24,559
Total long-term liabilities	3,983,923	553,461	24,559
Total liabilities	5,390,478	1,159,136	229,876
Net Assets			
Invested in capital assests, net of related debt	13,825,365	17,862,243	1,870,861
Restricted for debt service	474,808	241,028	-
Unrestricted	4,280,442	6,502,113	459,362
Total net assets	\$ 18,580,615	\$ 24,605,384	\$ 2,330,223

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	
\$ 44,903	\$ 215,115	\$ 62,502	\$ 10,705,601	\$ 1,234,883	
1,046	-	-	1,982,040	3,372	
-	-	-	611,978	-	
-	-	-	1,485	159,302	
-	-	167,042	670,294	-	
59,380	-	-	420,833	121,436	
105,329	215,115	229,544	14,392,231	1,518,993	
3,611,550	382,600	2,069,037	6,868,352	195,750	
2,476,702	-	-	2,476,702	-	
-	-	-	49,419,628	-	
710,031	74,652	3,175,452	26,010,758	354,064	
217,220	-	439,390	9,992,037	10,390,342	
(1,217,329)	(34,838)	(2,144,643)	(46,554,184)	(7,405,786)	
5,798,174	422,414	3,539,236	48,213,293	3,534,370	
5,903,503	637,529	3,768,780	62,605,524	5,053,363	
5,334	226,107	6,797	487,873	288,093	
35,290	-	1,685	266,239	29,388	
13,753	-	446	74,728	8,154	
10,049	10,465	-	44,169	-	
405,000	-	10,566	457,700	4,594	
1,699	-	-	1,789	-	
-	-	-	211,376	-	
140,000	160,000	-	745,000	-	
-	-	-	711,280	-	
-	-	-	120,000	-	
20,976	-	-	145,560	-	
632,101	396,572	19,494	3,265,714	330,229	
2,090,000	1,960,000	-	8,380,000	-	
40,719	-	-	272,662	74,550	
2,130,719	1,960,000	0	8,652,662	74,550	
2,762,820	2,356,572	19,494	11,918,376	404,779	
3,568,174	(1,697,586)	3,539,236	38,968,293	3,534,370	
-	-	-	715,836	-	
(427,491)	(21,457)	210,050	11,003,019	1,114,214	
\$ 3,140,683	\$ (1,719,043)	\$ 3,749,286	\$ 50,687,148	\$ 4,648,584	

Adjustment to reflect the consolidation of internal service fund activities	1,236,179
Total net assets from above	50,687,148
Net assets of business-type activities	\$ 51,923,327

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES OF NET ASSETS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2003**

Business Type Activities - Enterprise Funds			
	Water	Sewer	Transit System
Operating revenues:			
Charges for services	\$ 6,020,420	\$ 5,458,230	\$ 85,618
Other operating revenue	207,854	1,855	711
Total operating revenues	6,228,274	5,460,085	86,329
Operating expenses:			
Personal services	1,783,459	1,947,167	553,006
Contractual services	1,514,012	1,764,730	183,121
Commodities	513,014	283,918	3,483
Depreciation	645,671	794,686	289,730
Other operating expenses	716,143	898,423	18,315
Total operating expenses	5,172,299	5,688,924	1,047,655
Operating income (loss)	1,055,975	(228,839)	(961,326)
Non-operating revenues (expenses):			
Interest revenue	94,339	149,524	-
Interest expense and fiscal charges	(249,827)	(45,434)	-
Operating grants	-	-	739,707
Income taxes	-	-	140,000
Loss on sale or disposal of capital assets	-	-	-
Total non-operating revenues (expenses)	(155,488)	104,090	879,707
Income (loss) before contributions and transfers	900,487	(124,749)	(81,619)
Capital contributions	217,102	242,456	645,914
Transfers-out	(25,075)	(25,075)	-
Change in net assets	1,092,514	92,632	564,295
Total net assets, beginning of year	17,488,101	24,512,752	1,765,928
Total net assets, end of year	\$ 18,580,615	\$ 24,605,384	\$ 2,330,223

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	
\$ 1,659,849	\$ 2,318,168	\$ 115,002	\$ 15,657,287	\$ 5,866,677	
7,869	11,665	5,200	235,154	320,435	
1,667,718	2,329,833	120,202	15,892,441	6,187,112	
872,849	-	43,617	5,200,098	605,280	
211,520	2,149,269	129,514	5,952,166	3,940,534	
341,571	5,500	6,505	1,153,991	599,946	
165,159	1,659	91,373	1,988,278	754,942	
177,887	-	1,596	1,812,364	70,645	
1,768,986	2,156,428	272,605	16,106,897	5,971,347	
(101,268)	173,405	(152,403)	(214,456)	215,765	
1,090	-	-	244,953	14,791	
(110,119)	(133,279)	-	(538,659)	(1,041)	
-	-	170,105	909,812	-	
-	-	105,000	245,000	-	
-	-	-	-	(106,056)	
(109,029)	(133,279)	275,105	861,106	(92,306)	
(210,297)	40,126	122,702	646,650	123,459	
-	-	-	1,105,472	-	
-	-	(228,394)	(278,544)	-	
(210,297)	40,126	(105,692)	1,473,578	123,459	
3,350,980	(1,759,169)	3,854,978	49,213,570	4,525,125	
\$ 3,140,683	\$ (1,719,043)	\$ 3,749,286	\$ 50,687,148	\$ 4,648,584	

Adjustment to reflect the consolidation of Internal Service Funds activities

	\$ 24,692
Changes in net assets of business-type activities from above	1,473,578
Changes in net assets of business-type activities	\$ 1,498,270

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2003**

Business Type Activities - Enterprise Funds

	Water	Sewer	Transit System
Cash flows from operating activities:			
Cash received from customers	\$ 5,802,430	\$ 5,067,089	\$ 117,500
Cash payments to suppliers for goods and services	(1,691,113)	(1,710,912)	(36,541)
Cash payments to employees for services	(1,539,503)	(1,699,498)	(495,625)
Miscellaneous revenues	-	-	-
Cash received from interfund services provided			
Cash payments for interfund services used	(1,100,699)	(1,125,531)	(212,443)
Deposits and collections for other governments	13,726	-	-
Net cash provided (used) by operating activities	1,484,841	531,148	(627,109)
Cash flows from non-capital financing activities:			
Operating grants	-	-	1,128,907
Interfund loan receipts/payments	-	-	-
Transfers-in from other funds	-	-	-
Transfers-out to other funds	(25,075)	(25,075)	-
Income taxes received	-	-	140,000
Net cash provided (used) by non-capital financing activities	(25,075)	(25,075)	1,268,907
Cash flows from capital and related financing activities:			
Sale of capital assets	-	-	-
Purchase of capital assets	(1,091,295)	(1,276,412)	(645,914)
Interest expense	(252,952)	(46,289)	-
Repayment of debt principal	(370,000)	(190,000)	-
Note proceeds	120,000	-	-
Net cash used by capital and related financing activities	(1,594,247)	(1,512,701)	(645,914)
Cash flows from investing activities:			
Interest income	61,186	149,524	-
Net cash provided by investing activities	61,186	149,524	-
Net change in cash and cash equivalents	(73,295)	(857,104)	(4,116)
Cash and pooled investments, beginning of year	4,031,446	7,097,533	188,617
Cash and pooled investments, end of year	\$ 3,958,151	\$ 6,240,429	\$ 184,501

Business Type Activities - Enterprise Funds				Governmental Activities -	
Golf Course	Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
\$ 1,659,849	\$ 2,329,833	\$ 106,738	\$ 15,083,439	\$ -	
(455,798)	(2,120,611)	(130,128)	(6,145,103)	(4,600,727)	
(813,429)	-	(42,495)	(4,590,550)	(525,348)	
6,823	-	5,200	12,023	282,889	
(332,990)	-	(9,578)	(9,578)	5,885,702	
313	-	-	(2,771,663)	(89,954)	
			14,039	-	
64,768	209,222	(70,263)	1,592,607	952,562	
-	-	11,327	1,140,234	-	
130,000	-	(22,000)	108,000	-	
-	-	-	-	-	
-	-	(228,394)	(278,544)	-	
-	-	105,000	245,000	-	
130,000	-	(134,067)	1,214,690	-	
-	-	-	-	72,669	
(11,057)	-	(214,212)	(3,238,890)	(694,255)	
(110,437)	(155,000)	-	(564,678)	(8,446)	
(575,000)	(133,980)	-	(1,268,980)	(368,229)	
480,000	-	-	600,000	-	
(216,494)	(288,980)	(214,212)	(4,472,548)	(998,261)	
1,090	-	-	211,800	14,791	
1,090	-	-	211,800	14,791	
(20,636)	(79,758)	(418,542)	(1,453,451)	(30,908)	
65,539	294,873	481,044	12,159,052	1,265,791	
\$ 44,903	\$ 215,115	\$ 62,502	\$ 10,705,601	\$ 1,234,883	

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR YEAR ENDED DECEMBER 31, 2003**

Business Type Activities - Enterprise Funds

	Water	Sewer	Transit System
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,055,975	\$ (228,839)	\$ (961,326)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	645,671	794,686	289,730
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable (net)	(181,978)	(82,622)	-
Decrease (increase) in inventory of supplies	61,597	25,898	-
(Decrease) increase in accounts payable	(125,266)	15,629	(1,180)
(Decrease) increase in accrued wages and benefits	6,152	12,918	779
(Decrease) increase in other accrued liabilities	6,713	8,304	2,608
(Decrease) increase in due to other funds	(1,487)	(352)	12,665
Increase (decrease) in compensated absences payable	3,738	(14,474)	(1,556)
Increase (decrease) in due to other governments	69	-	-
Increase (decrease) in due to individuals	13,657	-	31,171
Total adjustments	428,866	759,987	334,217
Net cash provided (used) by operating activities	\$ 1,484,841	\$ 531,148	\$ (627,109)

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

In 2003, developers contributed infrastructure assets (water and sewer lines) to the Water and Sewer Funds. The Water Fund received \$217,102 and the Sewer Fund received \$242,456 in infrastructure assets from developers.

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	Activities - Internal Service Funds
\$ (101,268)	\$ 173,405	\$ (152,403)	\$ (214,456)	\$ 215,765
165,159	1,659	91,373	1,988,278	754,942
(1,046)	-	(8,264)	(273,910)	14,154
(8,468)	-	-	79,027	(6,839)
5,334	34,158	1,341	(69,984)	9,060
3,812	-	(1,308)	22,353	764
4,375	-	(203)	21,797	2,306
(6,772)	-	131	4,185	19,025
3,329	-	(930)	(9,893)	(1,915)
313	-	-	382	-
-	-	-	44,828	-
166,036	35,817	82,140	1,807,063	\$ 791,497
\$ 64,768	\$ 209,222	\$ (70,263)	\$ 1,592,607	\$ 1,007,262

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2003**

	Agency Funds
<hr/>	
Assets:	
Cash and equity in pooled cash, deposits and investments	\$ 78,377
Cash with fiscal and escrow agent	93,541
Property taxes receivable	119,354
Total assets	<u>\$ 291,272</u>
Liabilities:	
Due to other governments	\$ 193,416
Due to individuals	59,504
Unapportioned monies	38,352
Total liabilities	<u>\$ 291,272</u>

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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, 2003**

Related Organization

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

Included within the reporting entity:

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

B. BASIS OF PRESENTATION

Government-wide Financial Statements

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

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

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

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

Net assets are reported as restricted when constraints placed upon their use are either: 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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, 2003**

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

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

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

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

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

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

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

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

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

Fiduciary Funds. The City's only fiduciary funds are agency funds which are not custodial and account for assets held on behalf of others.

C. BASIS OF ACCOUNTING

Governmental funds. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using current financial resources measurement focus. With this measurement focus, only current assets

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current financial resources.

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

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, 2003, 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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

and producing and delivering services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

D. CASH, DEPOSITS, AND INVESTMENTS

Cash resources of individual funds, except for petty cash and specific accounts used to administer various activities are combined to form a pool of cash, deposits, and investments which is managed by the City Treasurer. Deposits and investments in the pool consist of certificates of deposit, investments in the State of Ohio STAROhio Investment Pool, 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, 2003.

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, 2003**

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, 2003. 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, 2003**

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 2003, 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, 2003**

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	\$ 55,760	\$ 192,160
Capital Improvements Fund	4,346	213,000
Downtown Improvements Fund	0	300,000
Non major governmental funds	<u>986,458</u>	<u>62,860</u>
Total	\$ 1,046,564	\$ 768,020

<i>Proprietary Funds</i>	<i>Transfers In</i>	<i>Transfers Out</i>
Water Fund	\$ 0	\$ 25,075
Sewer Fund	0	25,075
City Centre Mall Fund	<u>0</u>	<u>228,394</u>
Total	\$ 0	\$ 278,544

The City's major governmental funds received transfers totaling \$60,106 in 2003. These transfers were from funds that were being closed and for repayment of a loan. The major governmental funds transfers-out totaled \$705,160. The majority of these transfers (71%) were for general obligation debt service payments.

The City's non-major governmental funds received \$986,458 for transfers in. The majority of this money (74%) was transferred in from the major governmental funds for debt service. These same funds transferred \$62,860 because of funds being closed out and payment of debt and loans.

The City's business type funds transferred out \$50,150 to accumulate money for future computer purchases and \$228,394 was transferred by the City Centre Mall Fund to support debt service payments and to close the fund.

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, 2003**

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, 2003, the total liability of the City for compensated absences was \$4,300,720.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

BUDGETARY PROCEDURES

Budget

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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 2003.

Appropriations

An appropriation measure to control expenditures is passed on or about January 1 of each year for the period from January 1 to December 31. The appropriation resolution may be supplemented during the year by action of City Council as new information becomes available, but fund appropriations may not exceed estimated resources. Twenty-six supplemental appropriation measures were legally enacted during 2003. The supplemental appropriations increased the original 2003 Appropriation Resolution by \$8,731,620 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 2003, 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, 2002, reflect an "Appropriation for prior year encumbrances."

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

**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, 2003, are comprised of the following:

Deposits	
Petty Cash	\$ 5,720
Demand deposit accounts	3,194,086
Subtotal deposits	<u>\$3,199,806</u>
 Investments	
Money Market Funds	278,132
U.S. Gov't and Agency Securities	29,732,621
STAROhio	323,473
Investment in City issued bonds	28,000
Subtotal investments	<u>\$30,362,226</u>
 Total	 <u>\$33,562,032</u>

Deposits

The bank balance for all City deposits at December 31, 2003, was \$3,912,760. The difference between the bank balance and the amounts recorded by the City is caused by deposits in transit and outstanding checks. Of this amount, \$300,000 was covered by FDIC Insurance, and \$3,612,760 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, 2003, were \$30,362,226. 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
DECEMBER 31, 2003**

	<i>Category 1</i>	<i>Uncategorized</i>	<i>Fair Value</i>
City of Middletown Notes & Bonds	\$ 28,000	\$ -	\$ 28,000
U.S. Treasury & Agency Securities	29,732,621	-	29,732,621
Uncategorized Investments:			
Money Market Mutual Fund	-	278,132	278,132
Investment in STAROhio	-	323,473	323,473
Total	\$ 29,760,162	\$ 601,605	\$ 30,362,226

NOTE 4 - UNRESERVED/UNDESIGNATED FUND BALANCE DEFICITS

At December 31, 2003, the following funds had unreserved/undesignated fund balance deficit earnings:

Special Revenue Funds

- Community Development Fund
The \$181,020 deficit in the Community Development Fund is caused by outstanding purchase orders for approved construction projects. Funds are requested from the Federal Government as the work progresses.
- Litter Control Fund
The \$11,320 fund balance deficit in the Litter Control Fund will be corrected in 2004 when the City's \$16,000 cash contribution is received.

Debt Service Funds

- Special Assessment Debt Service Fund
The fund deficit of \$17,609 arises due to special assessments being recognized as revenue only to the extent the individual installments are considered as current assets. The fund's deficit will be reduced and eventually eliminated as deferred special assessment installments become current assets.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

Capital Project Funds

- East End Development Fund
The \$1,871,070 deficit in this fund is the result of the issuance of \$4,203,000 in general obligation notes to fund street improvements in the East End area. The deficit will be corrected in 2004 when the project will be completed and permanent financing is arranged to replace the notes outstanding.

- 2003 Sidewalk, Curb and Gutter Fund
The \$189,917 deficit in this fund will be eliminated in 2004 with a combination of property owners' assessment payments and a special assessment bond issue.

- Roosevelt Avenue Improvements Fund
The \$667,482 deficit in this fund will be eliminated in 2004 with a combination of property owners' assessment payments and a special assessment bond issue.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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 2003 taxes were collected was \$1,040,477,065. The full tax rate for all City operations for the fiscal year ended December 31, 2003, was \$5.86 per \$1,000 of assessed valuation.

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

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

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

Property taxes receivable represent real and tangible personal property taxes, public utility taxes, and outstanding delinquencies that are measurable as of December 31, 2003. 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 2003 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 6 - INCOME TAX

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

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

GOVERNMENTAL ACTIVITIES				
<i>Capital Asset</i>	<i>Beginning Balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Ending Balance</i>
Land and land improvements	\$7,783,487	\$ 1,534,594	\$ 0	\$9,318,081
Buildings	21,220,183	1,836,294	0	23,056,477
Equipment	4,815,870	133,396	0	4,949,266
General infrastructure	<u>8,631,893</u>	<u>5,288,970</u>	<u>0</u>	<u>13,920,863</u>
Total at Historical Cost	42,451,433	8,793,254	0	51,244,687
Less accumulated depreciation:				
Land improvements	118,461	35,237	0	153,698
Buildings	9,952,483	600,849	0	10,553,332
Equipment	3,274,541	240,464	0	3,515,005
General infrastructure	<u>431,595</u>	<u>699,309</u>	<u>0</u>	<u>1,130,903</u>
Total depreciation	13,777,080	1,575,859	0	15,352,939
Capital Assets, Net	\$ 28,674,353	\$ 7,217,395	\$ 0	\$ 35,891,748

Depreciation was charged to governmental functions as follows:

General government	\$ 445,149
Leisure	135,581
Public health and welfare	39,764
Public safety	274,216
Streets and highways	<u>681,149</u>
Total	\$1,575,859

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

MUNICIPAL GARAGE – GOVERNMENTAL ACTIVITIES				
<i>Capital Asset</i>	<i>Beginning Balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Ending Balance</i>
Land and land improvements	\$ 195,750	\$ 0	\$ 0	\$ 195,750
Buildings	354,064	0	0	354,064
Equipment	<u>10,226,347</u>	<u>714,237</u>	<u>530,260</u>	<u>10,410,324</u>
Total	10,776,161	714,237	530,260	10,960,138
Less accumulated depreciation	<u>7,054,079</u>	<u>754,942</u>	<u>403,235</u>	<u>7,405,786</u>
Capital Assets, Net	\$ 3,722,082	\$ (40,705)	\$127,025	\$ 3,554,352

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

BUSINESS-TYPE ACTIVITIES				
<u>Capital Asset</u>	<u>Adjusted Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Capital assets, not being depreciated:				
<i>Land</i>	\$6,868,352	\$ 0	\$ 0	\$6,868,352
Capital assets, being depreciated:				
Land improvements	2,476,702	0	0	2,476,702
Buildings	24,407,141	1,603,617	0	26,010,758
Equipment	9,611,178	380,859	0	9,992,037
Infrastructure	<u>47,705,656</u>	<u>1,713,972</u>	<u>0</u>	<u>49,419,628</u>
<i>Total capital asset, being depreciated</i>	84,200,677	3,698,448	0	87,899,125
<i>Totals at Historical Cost</i>	91,069,029	3,698,448	0	94,767,477
Less accumulated depreciation:				
Land and land improvements	712,241	139,764	0	852,005
Buildings	8,685,919	630,459	0	9,316,378
Equipment	7,438,456	435,226	0	7,873,682
General infrastructure	<u>27,729,290</u>	<u>782,829</u>	<u>0</u>	<u>28,512,119</u>
<i>Total depreciation</i>	44,565,906	1,988,278	0	46,554,184
<i>Total capital assets, being depreciated, net</i>	39,634,771	1,710,170	0	41,344,941
Capital Assets, Net	\$ 46,503,123	\$ 1,710,170	\$ 0	\$ 48,213,293

Depreciation was charged to business-type activities as follows:

Water	\$ 645,672
Sewer	794,686
Transit	289,730
Golf	165,159
Solid Waste	1,659
Non major funds	<u>91,373</u>
Total	\$1,988,279

NOTE 8 - PENSION PLANS

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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 2003 employer contribution rate for local government employer units was 13.55% of covered payroll. The City of Middletown's contribution to PERS for the years ending December 31, 2003, 2002, and 2001 were \$1,729,334, \$1,699,854, and \$1,496,958 respectively, equal to the required contributions billed to the City by PERS.

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

The City of Middletown contributes to the Police and Firemen's Disability and Pension Fund, a cost sharing, multiple-employer, defined benefit pension plan. PFDPF provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to Plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The PFDPF issues a

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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, 2003, 2002, and 2001 were \$2,264,891, \$2,178,533, and \$2,011,801 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, 2003, 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 \$313,900. See Note 15 for additional information on claims incurred but not reported.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 10 - LONG-TERM OBLIGATIONS

Long-term obligation of the City as of December, 31, 2003, 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>					
1983-2 Street Improvements	25,000	-	25,000	0	0
1985 Street Improvements	135,000	-	45,000	90,000	45,000
1985 Manchester Road Improvement	42,000	-	14,000	28,000	14,000
1986 Street Improvements	80,000	-	20,000	60,000	20,000
1988 Street Improvements	14,000	-	2,000	12,000	2,000
1990 Street Improvements	94,000	-	11,000	83,000	11,000
1991 Street Improvements	185,000	-	20,000	165,000	20,000
1992 Street Improvements	20,000	-	2,000	18,000	2,000
1993 Street Improvements	78,000	-	8,000	70,000	7,000
1994 Street Improvements	57,000	-	3,000	54,000	4,000
1995-1 Street Improvements	120,000	-	5,000	115,000	5,000
1995 Street Lighting	6,000	-	2,000	4,000	2,000
1995-2 Street Improvements	76,000	-	3,000	73,000	5,000
1996 Street Improvements	165,000	-	10,000	155,000	10,000
1996 Sewer Imp.-Dick's Creek	127,090	-	4,539	122,551	4,539
1996 Sewer Imp.-Cin/Dayton Rd.	12,910	-	461	12,449	461
1997 Sophie Street Improvements	190,000	-	10,000	180,000	10,000
1997 Dix Road Improvements	151,295	-	5,000	146,295	5,000
1997 Sidewalk, Curb & Gutter II	12,000	-	12,000	0	0
1998 Sidewalk, Curb & Gutter	20,000	-	20,000	0	0
1998 Lewis Street Improvements	73,000	-	3,000	70,000	4,000
1999 Marshall Road Improvements	410,000	-	15,000	395,000	15,000
2000 Burbank Street Improvements	175,000	-	5,000	170,000	5,000
2000 Garfield Sidewalk Improve.	30,000	-	10,000	20,000	10,000
2001 Sidewalk, Curb (2000)	85,000	-	20,000	65,000	20,000
2001 Illinois/Longfellow Improve.	208,914	-	8,139	200,775	8,139
2001 Dick's Creek	108,342	-	4,221	104,121	4,221
2001 Oxford State Rd Water Line	67,745	-	2,639	65,106	2,639
2001 Oxford State Rd Intersection	62,000	-	3,000	59,000	3,000
2001 Sidewalk, Curb (2001)	125,000	-	30,000	95,000	30,000
2002 Sidewalk, Curb	0	225,000	0	225,000	45,000
Total Special Assessment Bonds	2,955,296	225,000	322,999	2,857,297	313,999

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

	Balance, Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
<i>General Obligation Bonds:</i>					
1994 Transportation	2,640,000	0	185,000	2,455,000	195,000
1994 Recreation	460,000	0	35,000	425,000	35,000
1996 Street Improvements	1,665,000	0	85,000	1,580,000	90,000
1996 Energy Savings Improvements	220,000	0	50,000	170,000	55,000
1999 Downtown Improvements	9,520,000	0	360,000	9,160,000	380,000
2003 Court of Appeals	0	4,025,000	0	4,025,000	150,000
<i>General Obligation Bonds Voted:</i>					
1982 Public Library	200,000	0	200,000	0	0
Total General Obligation Bonds	14,705,000	4,025,000	915,000	17,815,000	905,000
Compensated Absences	3,733,829	400,259	261,483	3,872,605	1,351,047
Police & Fire Pension					
Unfunded Accrued Liability	3,078,799	0	97,741	2,981,058	97,741
2000 Capital Lease (5 years)	222,831	0	68,329	154,502	68,329
Total Governmental Activities	\$ 24,695,755	\$ 4,650,259	\$ 1,665,552	\$ 27,680,462	\$ 2,736,116

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. PAYABLE FROM BUSINESS TYPE ACTIVITIES

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
<i>General Obligation Bonds:</i>					
1994 Landfill "A"	2,060,000	-	140,000	1,920,000	145,000
1994 Landfill "B"	215,000	-	15,000	200,000	15,000
1994 Water	2,060,000	-	140,000	1,920,000	145,000
1996 Golf Course	1,845,000	-	95,000	1,750,000	95,000
1994 Sewer	835,000	-	190,000	645,000	205,000
1999 Water	2,300,000	-	90,000	2,210,000	95,000
2003 Golf	0	480,000	0	480,000	20,000
Total General Obligation Bonds Payable by Business Type Activities	9,315,000	480,000	670,000	9,125,000	720,000
Compensated Absences	409,363	55,922	37,170	428,115	145,560
Total Business Type Activities	\$ 9,724,363	\$ 535,922	\$ 707,170	\$ 9,553,115	\$ 865,560

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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 \$100,736,492 at December 31, 2003. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2003 are as follows:

Police and Fire Pension Debt Schedule – 12/31/03			
	<u>Police</u>	<u>Fire</u>	<u>Total</u>
2004	\$ 52,217	\$ 45,524	\$ 97,741
2005	52,217	45,524	97,741
2006	52,217	45,524	97,741
2007	52,217	45,524	97,741
2008	52,217	45,524	97,741
Thereafter	1,308,298	1,184,055	2,492,353
Total	\$ 1,569,383	\$ 1,411,675	\$ 2,981,058

General Obligation and Assessment Bonds Schedule – 12/31/03						
	<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>
2004	\$ 1,625,000	\$ 1,417,547	\$ 3,042,547	\$ 311,999	\$ 161,942	\$ 473,941
2005	1,700,000	1,333,461	3,033,461	325,999	143,951	469,950
2006	1,790,000	1,250,631	3,040,631	271,294	125,004	396,298
2007	1,585,000	1,162,176	2,747,176	195,999	111,187	307,186
2008	1,655,000	1,083,690	2,738,690	200,999	100,207	301,206
Thereafter	18,585,000	5,809,289	24,394,289	1,551,007	525,746	2,076,753
Total	\$26,940,000	\$12,056,794	\$ 38,996,794	\$ 2,857,297	\$ 1,168,035	\$ 4,025,332

Capital Lease Obligation			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 76,346	\$ 6,028	\$ 82,374
2005	78,156	1,938	80,094
Total	\$ 154,502	\$ 7,966	\$ 162,468

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

The primary responsibility for the annual payments to special assessment bondholders is with the property owners on whose behalf the City has issued special assessment debt. The special assessments, which cover both principal and interest due, are collected by the Butler County Treasurer each year with the property owners' property tax payments. The collections are then sent to the City, which pays the

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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 \$120,000 note, bearing interest of 2.00%, for the purchase and installation of energy conservation equipment for the City water treatment plant was outstanding at December 31, 2003. The note matures on May 20, 2004.
- b) A \$776,000 note, bearing interest of 1.75%, for the project of the Towne Boulevard/Route 122 intersection improvements was outstanding on December 31, 2003. The note matures on May 20, 2004.
- c) A \$643,000 note with an interest rate of 1.75% for the property owners' portion of the Roosevelt Avenue project was outstanding on December 31, 2003. This note matures on May 20, 2004.
- d) A \$3,427,000 note bearing an interest rate of 1.75% for the Towne Boulevard Extension project was outstanding on December 31, 2003. The note matures on May 20, 2004.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

General Obligation Notes

<i>Issue</i>	<i>Beginning Balance 1/1/03</i>	<i>Note Retirement</i>	<i>Note Issue</i>	<i>Ending Balance 12/31/03</i>
Energy Conservation	140,000	140,000	120,000	120,000
Golf Course	480,000	480,000	0	0
Towne Blvd./Route 122	760,000	760,000	776,000	776,000
2002 Sidewalk, Curb & Gutter	390,000	390,000	0	0
Roosevelt Ave. Improvement	630,000	630,000	643,000	643,000
Towne Blvd. Extension	3,427,000	3,427,000	3,427,000	3,427,000
Court of Appeals Project	3,655,000	3,655,000	0	0
Fire Truck	368,229	368,229	0	0
Total	\$ 9,850,229	\$ 9,850,229	\$ 4,966,000	\$ 4,966,000

NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES

The City's interfund receivables and payables at the end of 2003 were comprised of operating advances from the General Fund to other operating funds (\$556,320); payments to the Municipal Garage Fund by the City operating funds for December 2002 services (\$159,302); and payments due to operating funds by the Municipal Garage Fund for overpayments (\$1,485); and an advance from the Capital Improvements Fund to the 2003 Sidewalk, Curb, and Gutter Fund (\$200,000).

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

Interfund receivables and payables balances as of December 31, 2003, follow:

Fund	Receivables	Payables
General fund	\$ 556,320	\$ 89,268
Special revenue funds:		
Auto and gas tax	3,109	23,854
Health grant	-	912
Litter control	-	11,320
Mandatory drug fine	-	1,133
Municipal court	-	1,435
Community development	-	100,000
Total special revenue funds	3,109	138,654
Debt service funds:		
Special assessment	-	30,000
Capital project funds:		
Capital improvements	200,000	-
2003 Sidewalk, curb and gutter	-	200,000
Total capital project funds	200,000	200,000
Enterprise funds:		
Parking	-	10,566
Water	-	9,093
Sewer	-	8,968
Transit	1,485	24,073
Golf	-	405,000
Total enterprise funds	1,485	457,700
Internal service fund:		
Municipal garage	159,302	4,594
Total internal service funds	159,302	4,594
Total all funds	\$ 920,216	\$ 920,216

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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, 2003, the City had 304 policies with a total value of \$1,520,000 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 2003 was \$25,468.

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
DECEMBER 31, 2003**

- 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, 2002.

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 2002 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.

- D. OPEB's are advance-funded on an actuarially determined basis.
1. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881.
 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 \$638,124.
 3. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002.
 4. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

E. OPERS Board adopts new Health Care “Choices” Plan

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

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

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending “Choices” type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

PFDPF

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

The PFDPF health care funding and accounting is on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2002 and in 2003. 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, 2003, is 13,527 for police and 10,396 for firefighters. For the year ended December 31, 2003, the City’s contribution to fund OPEB was \$414,857 for police and \$394,031 for firefighters. The PFDPF’s total health care expenses as of December 31, 2002, were \$141,028,006, which was net of member contributions of \$12,623,875.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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 398 member organizations. The City's agreement with the Public Entities Pool of Ohio (PEP) covers its general liability, public officials' liability, police professional liability, and automobile liability exposures. The Intergovernment Agreement of PEP provides that PEP will be self-sustaining through member contributions. The pool currently has a cumulative reserve of over \$10,355,000. 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 \$14,000,000 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 \$27.05 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
2002	\$239,000	\$3,224,374	\$3,213,374	\$250,000
2003	\$250,000	\$3,647,361	\$3,578,438	\$313,900

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, 2003**

NOTE 16 - SIGNIFICANT CONTRACTUAL OBLIGATIONS

As of December 31, 2003, 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
Steve R. Rauch	Lime removal system	\$393,250
SK Construction	Roosevelt Ave. improvements	70,000
Frank Messer & Sons	Mall project	476,872
Endeavor Construction Ltd.	Court of Appeals building	71,424
Fryman Kuck Contractor	Sewer system telemetry	108,700
Planex Company, Inc.	Bus terminal construction	<u>266,195</u>
	Total	<u>\$1,386,441</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 \$68,329 during calendar year 2003.

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, 2003**

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 2004	77,873
Year 2005	<u>74,584</u>
Total Payments	\$ 152,457
Less: Amounts representing interest	<u>(7,996)</u>
Present Value of Minimum Lease Payments	<u>\$144,461</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%. The first payment from Monroe was received in March 2002.

NOTE 20 – SUBSEQUENT EVENT

The City received the proceeds of \$5,650,000 twenty-year bond issue on January 9, 2004. The proceeds of this general obligation bond issue were used to purchase land, which is 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 – CONDUIT DEBT

On August 1, 2003, the City of Middletown authorized a thirty-year, \$12,250,000 adjustable demand development revenue bond issue. These bonds were used to finance the construction of the new Bishop Fenwick High School in Middletown. The school will be occupied at the beginning of the 2004/2005 school year.

This is the only conduit debt issue outstanding at December 31, 2003. The City of Middletown has no obligation for this debt, which is to be repaid by the Cincinnati Archdiocese as Trustee for Bishop Fenwick High School.

CITY OF MIDDLETOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2003

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:

	General Fund	Housing Assistance	CD Escrow
GAAP basis (as reported)	(\$3,727,384)	\$591,332	(\$166,657)
Adjustments: revenue and other source accruals	2,096,742	5,028	1
Expenditures, encumbrances and other use accruals	(768,349)	(268,265)	0
Budget basis	(\$2,398,991)	\$328,095	(\$166,656)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 3,846,612	\$ 4,064,320	\$ 4,111,582	\$ 47,262
Municipal income taxes	13,706,716	13,392,422	12,648,283	(744,139)
Intergovernmental revenue	5,873,981	2,967,605	2,925,295	(42,310)
Charges for services	2,293,939	2,519,843	2,597,476	77,633
Fees, licenses, and permits	357,000	357,000	243,306	(113,694)
Fines and forfeits	9,180	13,200	12,826	(374)
Interest earnings	918,000	700,000	296,860	(403,140)
Miscellaneous	569,063	(239,649)	875,023	1,114,672
Total revenues	27,574,491	23,774,741	23,710,651	(64,090)
Expenditures:				
Current				
Public Safety				
Fire administration	167,478	169,326	167,451	1,875
Fire operations	6,076,517	6,090,325	6,038,755	51,570
Fire prevention/training	384,307	389,415	382,823	6,592
Police administration	253,675	254,675	249,828	4,847
Criminal investigation	1,487,320	1,487,320	1,379,313	108,007
Uniform patrol	4,990,707	4,990,707	4,798,177	192,530
Police services	1,662,783	1,662,783	1,582,005	80,778
Humane officer	77,164	77,164	74,873	2,291
Jail management	1,083,491	1,083,491	1,005,655	77,836
School crossing guards	35,042	35,042	34,807	235
Citizen service center	444,923	444,923	393,869	51,054
Building inspection and services	427,179	427,179	406,257	20,922
Building maintenance	768,390	768,390	726,806	41,584
Total Public safety	17,858,976	17,880,740	17,240,619	640,121
Public Health & Welfare				
Home health aides	171,382	171,382	164,416	6,966
Social health program	421,378	421,378	410,640	10,738
Total public health & welfare	592,760	592,760	575,056	17,704

continued

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Leisure Activities				
Parks & recreation administration	145,281	145,281	140,532	4,749
Community center	194,225	194,225	155,153	39,072
Douglass pool	46,545	46,545	42,659	3,886
Pools	91,228	91,228	76,224	15,004
Recreation	137,922	137,922	128,190	9,732
Job opportunity	20,066	21,066	21,038	28
Parks maintenance	468,991	489,391	476,414	12,977
Total Leisure activities	1,104,258	1,125,658	1,040,210	85,448
Community Environment				
Planning administration	265,918	265,918	166,149	99,769
Rehabilitation	249,180	249,180	225,167	24,013
Street lighting	491,092	491,092	447,677	43,415
Total community environment	1,006,190	1,006,190	838,993	167,197
General Government				
City council	281,687	281,687	246,928	34,759
City manager	542,768	542,768	527,609	15,159
Finance administration	220,007	220,007	211,807	8,200
Treasurer	343,084	343,084	330,401	12,683
Taxation	409,263	409,263	385,028	24,235
Information systems	929,430	929,430	882,403	47,027
Personnel	460,377	460,377	331,303	129,074
Law	581,055	581,055	509,451	71,604
Purchasing	129,939	129,939	129,252	687
Planning	655,173	793,053	660,656	132,397
Engineering	861,009	884,129	760,329	123,800
Total general government	5,413,792	5,574,792	4,975,167	599,625

continued

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Miscellaneous				
Non-departmental	1,044,865	1,289,865	1,257,060	32,805
Total miscellaneous	1,044,865	1,289,865	1,257,060	32,805
Total expenditures	27,020,841	27,470,005	25,927,105	1,542,900
Excess of revenues over (under) expenditures	553,650	(3,695,264)	(2,216,454)	1,478,810
Other financing sources (uses)				
Transfers-in	-	-	55,760	55,760
Transfers-out	(192,160)	(192,160)	(192,160)	-
0 Other uses	-	-	(46,137)	(46,137)
Total other financing sources (uses)	(192,160)	(192,160)	(182,537)	9,623
Excess of revenues and other financing sources over (under) expenditures and other financing uses	361,490	(3,887,424)	(2,398,991)	1,488,433
Fund balance, beginning of year	7,093,668	7,093,668	7,093,668	-
Appropriation for prior year encumbrances	494,319	494,319	494,319	-
Fund balance, end of the year	\$ 7,949,477	\$ 3,700,563	\$ 5,188,996	\$ 1,488,433

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
HOUSING ASSISTANCE FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 7,800,142	\$ 8,826,000	\$ 8,772,814	\$ (53,186)
Interest earnings	7,300	9,000	9,988	988
Miscellaneous	40,000	6,000	9,707	3,707
Total revenues	7,847,442	8,841,000	8,792,509	(48,491)
Expenditures:				
Current				
Community Environment	7,847,376	8,497,663	8,464,414	33,249
Total expenditures	7,847,376	8,497,663	8,464,414	33,249
Excess of revenues over (under) expenditures	66	343,337	328,095	(15,242)
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	66	343,337	328,095	(15,242)
Fund balance, beginning of the year	581,411	581,411	581,411	-
Fund balance, end of the year	\$ 581,477	\$ 924,748	\$ 909,506	\$ (15,242)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COMMUNITY DEVELOPMENT ESCROW
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 399,840	\$ 481,200	\$ 82,672	\$ (398,528)
Miscellaneous	-	200,000	-	(200,000)
Total revenues	399,840	681,200	82,672	(598,528)
Expenditures:				
Current				
Community Environment	585,000	585,000	249,328	335,672
Total expenditures	585,000	585,000	249,328	335,672
Excess of revenues over (under) expenditures	(185,160)	96,200	(166,656)	(262,856)
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(185,160)	96,200	(166,656)	(262,856)
Fund balance, beginning of the year	1,459,961	1,459,961	1,459,961	-
Fund balance, end of the year	\$ 1,274,801	\$ 1,556,161	\$ 1,293,305	\$ (262,856)

SUPPLEMENTAL SECTION

SPECIAL REVENUE FUNDS

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

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

Major Debt Service Fund:

SPECIAL ASSESSMENT DEBT SERVICE

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

Non Major Debt Service Funds:

GENERAL OBLIGATION DEBT SERVICE FUND

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

LIBRARY BOND DEBT SERVICE

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

CAPITAL PROJECT FUNDS

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

Major Capital Project Funds:

CAPITAL IMPROVEMENTS

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

EAST END DEVELOPMENT

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

DOWNTOWN IMPROVEMENTS

To account for improvement projects in the downtown area.

COURT OF APPEALS PROJECT

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

Non Major Capital Project Funds:

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

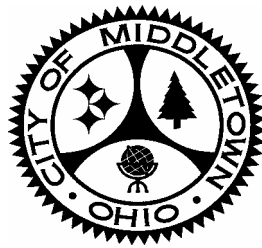
To accumulate costs for the improvement to various sidewalks, curbs, and gutters in Middletown. Property owners will be assessed for part of the cost of this project.

2002 SIDEWALK, CURB, & GUTTER

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

ROOSEVELT AVENUE IMPROVEMENTS

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



**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2003**

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 3,820,786	\$ 141,399	\$ 1,143,092	\$ 5,105,277
Cash with fiscal and escrow agent	-	87,856	-	87,856
Receivables (net of allowance for uncollectibles):				
Property taxes	587,585	-	-	587,585
Accounts	92,495	-	-	92,495
Loans	214,086	-	-	214,086
Due from other funds	3,109	-	-	3,109
Due from other governments	3,028,609	-	-	3,028,609
Inventory of supplies	289,171	-	-	289,171
Total assets	8,035,841	229,255	1,143,092	9,408,188
Liabilities:				
Accounts payable	256,532	-	4,965	261,497
Accrued wages and benefits	158,785	-	-	158,785
Other accrued liabilities	44,594	-	-	44,594
Accrued interest payable	-	-	6,906	6,906
Due to other funds	138,654	-	200,000	338,654
Due to other governments	12,921	-	-	12,921
Matured bonds and interest	-	87,856	-	87,856
Notes payable	-	-	643,000	643,000
Deferred revenue	3,381,490	-	-	3,381,490
Total liabilities	3,992,976	87,856	854,871	4,935,703
Fund balances:				
Reserved for encumbrances	235,435	-	92,477	327,912
Reserved for inventory	289,171	-	-	289,171
Reserved for loans	213,865	-	-	213,865
Unreserved and undesignated	3,304,394	141,399	195,744	3,641,537
Total fund balances	4,042,865	141,399	288,221	4,472,485
Total liabilities and fund balances	\$ 8,035,841	\$ 229,255	\$ 1,143,092	\$ 9,408,188

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2003**

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
Revenues:				
Property taxes	\$ 578,726	\$ -	\$ -	\$ 578,726
Municipal income taxes	3,284,000	637,670	8,000	3,929,670
Special assessments	-	-	80,383	80,383
Intergovernmental revenues	4,318,493	-	-	4,318,493
Charges for services	642,425	-	-	642,425
Fines and forfeits	1,151,584	-	-	1,151,584
Interest earnings	33,352	74,228	16,128	123,708
Miscellaneous	307,338	-	47,075	354,413
Total revenues	10,315,918	711,898	151,586	\$ 11,179,402
Expenditures:				
Current				
Public safety	4,863,774	-	-	4,863,774
Public health and welfare	1,281,575	-	-	1,281,575
Leisure time activities	59,421	-	-	59,421
Community environment	1,896,473	-	720	1,897,193
Highways and streets	2,187,169	-	509,220	2,696,389
General government	52,401	-	30,915	83,316
Miscellaneous	175,925	-	-	175,925
Debt service				
Principal retirement	-	915,001	-	915,001
Interest and fiscal charges	-	893,883	16,776	910,659
Total expenditures	10,516,738	1,808,884	557,631	12,883,253
Excess of revenues over (under) expenditures	(200,820)	(1,096,986)	(406,045)	(1,703,851)
Other financing sources (uses):				
Transfers-in	-	731,149	255,310	986,459
Transfers-out	(55,760)	(2,754)	(4,346)	(62,860)
Proceeds from bonds	-	-	220,000	220,000
Total other financing sources (uses)	(55,760)	728,395	470,964	1,143,599
Net change in fund balances	(256,580)	(368,591)	64,919	(560,252)
Fund balance, beginning of year	4,299,445	509,990	223,302	5,032,737
Fund balance, end of the year	\$ 4,042,865	\$ 141,399	\$ 288,221	\$ 4,472,485

**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2003**

	Auto & Gas Tax	Acquisition for Parks	Health Fund	Emergency Medical Services	Tax Increment Equivalent
Assets:					
Cash and equity in pooled cash, deposits and investments	\$ 219,164	\$ 17,342	\$ 139,389	\$ 1,773,909	\$ 133,190
Receivables (net of allowance for uncollectibles):					
Property taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Loans	-	-	-	-	-
Due from other funds	-	-	3,109	-	-
Due from other governments	872,145	-	442,936	-	-
Inventory of supplies	289,171	-	-	-	-
Total assets	1,380,480	17,342	585,434	1,773,909	133,190
Liabilities:					
Accounts payable	6,069	-	56,275	-	1,650
Accrued wages and benefits	59,933	-	41,115	-	-
Other accrued liabilities	16,309	-	11,197	-	-
Due to other funds	23,854	-	912	-	-
Due to other governments	-	-	12,921	-	-
Deferred revenue	735,049	-	421,843	-	-
Total liabilities	841,214	-	544,263	-	1,650
Fund balances:					
Reserved for encumbrances	87,020	-	11,224	600	-
Reserved for inventory	289,171	-	-	-	-
Reserved for loans	-	-	-	-	-
Unreserved and undesignated	163,075	17,342	29,947	1,773,309	131,540
Total fund balances	539,266	17,342	41,171	1,773,909	131,540
Total liabilities and fund balances	\$ 1,380,480	\$ 17,342	\$ 585,434	\$ 1,773,909	\$ 133,190

Litter Control	Urban Development Action Grant	Court Computerization	Law Enforcement	Mandatory Drug Fine	Probation Services	Termination Pay
\$ -	\$ 805,927	\$ 16,796	\$ 66,858	\$ 5,702	\$ 63,503	\$ 5,642
-	-	-	-	-	-	-
-	-	-	-	2,225	7,376	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	805,927	16,796	66,858	7,927	70,879	5,642
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,320	-	-	-	1,133	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,320	-	-	-	1,133	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(11,320)	805,927	16,796	66,858	6,794	70,879	5,642
(11,320)	805,927	16,796	66,858	6,794	70,879	5,642
\$ -	\$ 805,927	\$ 16,796	\$ 66,858	\$ 7,927	\$ 70,879	\$ 5,642

(continued)

**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2003**

	Indigent Driver Alcohol Treatment	Enforcement Education	Civic Develop- ment	Municipal Court	Police Grant
Assets:					
Cash and equity in pooled cash, deposits and investments	\$ 22,653	\$ 24,173	\$ 459	\$ 8,703	\$ 107,359
Receivables (net of allowance for uncollectibles):					
Property taxes	-	-	-	-	-
Accounts	-	-	5,697	70,504	-
Loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	309,047
Inventory of supplies	-	-	-	-	-
Total assets	22,653	24,173	6,156	79,207	416,406
Liabilities:					
Accounts payable	-	-	-	1,350	2,041
Accrued wages and benefits	-	-	-	56,976	761
Other accrued liabilities	-	-	-	15,376	1,712
Due to other funds	-	-	-	1,435	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	301,765
Total liabilities	-	-	-	75,137	306,279
Fund balances:					
Reserved for encumbrances	-	-	-	234	58,628
Reserved for inventory	-	-	-	-	-
Reserved for loans	-	-	-	-	-
Unreserved and undesignated	22,653	24,173	6,156	3,836	51,499
Total fund balances	22,653	24,173	6,156	4,070	110,127
Total liabilities and fund balances	\$ 22,653	\$ 24,173	\$ 6,156	\$ 79,207	\$ 416,406

Court Special Projects	Home Program	Community Development	Police Pension	Fire Pension	Totals
\$ 217,065	\$ 17,366	\$ 109,003	\$ 43,702	\$ 22,881	\$ 3,820,786
-	-	-	293,911	293,674	587,585
6,693	-	-	-	-	92,495
-	-	214,086	-	-	214,086
-	-	-	-	-	3,109
-	518,019	886,462	-	-	3,028,609
-	-	-	-	-	289,171
223,758	535,385	1,209,551	337,613	316,555	8,035,841
7,399	69,233	112,515	-	-	256,532
-	-	-	-	-	158,785
-	-	-	-	-	44,594
-	-	100,000	-	-	138,654
-	-	-	-	-	12,921
-	448,786	886,462	293,911	293,674	3,381,490
7,399	518,019	1,098,977	293,911	293,674	3,992,976
-	-	77,729	-	-	235,435
-	-	-	-	-	289,171
-	-	213,865	-	-	213,865
216,359	17,366	(181,020)	43,702	22,881	3,304,394
216,359	17,366	110,574	43,702	22,881	4,042,865
\$ 223,758	\$ 535,385	\$ 1,209,551	\$ 337,613	\$ 316,555	\$ 8,035,841

**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, 2003**

	Auto & Gas Tax	Acquisition for Parks	Health Fund	Emergency Medical Services	Tax Increment Equivalent
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	918,000	-	350,000	-	-
Intergovernmental revenues	1,816,170	-	609,748	-	-
Charges for services	-	1,200	186,439	454,786	-
Fines and forfeits	-	-	-	-	-
Interest earnings	4,360	-	-	-	-
Miscellaneous	133,464	-	9,665	-	-
Total revenues	2,871,994	1,200	1,155,852	454,786	-
Expenditures:					
Current					
Public safety	617,123	-	-	237,631	-
Public health and welfare	-	-	1,281,575	-	-
Leisure time activities	-	50,000	-	-	-
Community environment	-	-	-	-	2,872
Highways and streets	2,166,359	-	-	-	-
General government	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total expenditures	2,783,482	50,000	1,281,575	237,631	2,872
Excess of revenues over (under) expenditures	88,512	(48,800)	(125,723)	217,155	(2,872)
Other financing sources (uses):					
Transfers-out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	88,512	(48,800)	(125,723)	217,155	(2,872)
Fund balance, beginning of year	450,754	66,142	166,894	1,556,754	134,412
Fund balance, end of the year	\$ 539,266	\$ 17,342	\$ 41,171	\$ 1,773,909	\$ 131,540

Litter Control	Urban Development Action Grant	Court Computerization	Law Enforcement	Mandatory Drug Fine	Probation Services	Termination Pay
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16,000	-	-	-	-	-	258,000
56,600	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	28,113	34,121	54,251	-
-	17,434	-	-	-	-	-
-	-	-	4,296	-	-	-
72,600	17,434	-	32,409	34,121	54,251	258,000
-	-	5,419	46,534	44,248	29,905	194,231
-	-	-	-	-	-	-
-	-	-	-	-	-	9,421
72,600	-	-	-	-	-	21,790
-	-	-	-	-	-	20,810
-	-	-	-	-	-	52,401
-	-	-	-	-	-	-
72,600	-	5,419	46,534	44,248	29,905	298,653
-	17,434	(5,419)	(14,125)	(10,127)	24,346	(40,653)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	17,434	(5,419)	(14,125)	(10,127)	24,346	(40,653)
(11,320)	788,493	22,215	80,983	16,921	46,533	46,295
\$ (11,320)	\$ 805,927	\$ 16,796	\$ 66,858	\$ 6,794	\$ 70,879	\$ 5,642

(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, 2003**

	Indigent Driver Alcohol Treatment	Enforce- ment Education	Civic Develop- ment	Municipal Court	Police Grant
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	-	-	-	190,000	-
Intergovernmental revenues	-	-	-	-	208,748
Charges for services	-	-	-	-	-
Fines and forfeits	14,109	11,039	-	944,781	-
Interest earnings	-	-	-	-	1,297
Miscellaneous	-	-	131,594	5,767	940
Total revenues	14,109	11,039	131,594	1,140,548	210,985
Expenditures:					
Current					
Public safety	22,290	466	-	1,272,391	113,835
Public health and welfare	-	-	-	-	-
Leisure time activities	-	-	-	-	-
Community environment	-	-	-	-	-
Highways and streets	-	-	-	-	-
General government	-	-	-	-	-
Miscellaneous	-	-	175,925	-	-
Total expenditures	22,290	466	175,925	1,272,391	113,835
Excess of revenues over (under) expenditures	(8,181)	10,573	(44,331)	(131,843)	97,150
Other financing sources (uses):					
Transfers-out	-	-	-	-	(55,760)
Total other financing sources (uses)	-	-	-	-	(55,760)
Net change in fund balances	(8,181)	10,573	(44,331)	(131,843)	41,390
Fund balance, beginning of year	30,834	13,600	50,487	135,913	68,737
Fund balance, end of the year	\$ 22,653	\$ 24,173	\$ 6,156	\$ 4,070	\$ 110,127

Court Special Projects	Home Program	Community Develop- ment	Police Pension	Fire Pension	Totals
\$ -	\$ -	\$ -	\$ 289,363	\$ 289,363	\$ 578,726
-	-	-	632,000	920,000	3,284,000
-	751,761	822,440	26,513	26,513	4,318,493
-	-	-	-	-	642,425
65,170	-	-	-	-	1,151,584
-	-	10,261	-	-	33,352
-	-	21,612	-	-	307,338
65,170	751,761	854,313	947,876	1,235,876	\$ 10,315,918
11,538	-	-	1,046,617	1,221,546	4,863,774
-	-	-	-	-	1,281,575
-	-	-	-	-	59,421
-	730,014	1,069,197	-	-	1,896,473
-	-	-	-	-	2,187,169
-	-	-	-	-	52,401
-	-	-	-	-	175,925
11,538	730,014	1,069,197	1,046,617	1,221,546	10,516,738
53,632	21,747	(214,884)	(98,741)	14,330	(200,820)
-	-	-	-	-	(55,760)
-	-	-	-	-	(55,760)
53,632	21,747	(214,884)	(98,741)	14,330	(256,580)
162,727	(4,381)	325,458	142,443	8,551	4,299,445
\$ 216,359	\$ 17,366	\$ 110,574	\$ 43,702	\$ 22,881	\$ 4,042,865

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
AUTO AND GAS TAX FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 918,000	\$ 918,000	\$ 918,000	\$ -
Intergovernmental revenue	1,900,878	1,984,718	1,918,831	(65,887)
Interest earnings	7,935	7,935	4,360	(3,575)
Miscellaneous	131,464	139,464	133,464	(6,000)
Total revenues	2,958,277	3,050,117	2,974,655	(75,462)
Expenditures:				
Current				
Public safety:				
Electronic Maintenance	726,370	726,370	649,464	76,906
Total public safety	726,370	726,370	649,464	76,906
Highways and streets:				
Street Maintenance	1,628,318	1,847,968	1,832,748	15,220
Grounds Maintenance	608,536	608,536	595,881	12,655
Total highways and streets	2,236,854	2,456,504	2,428,629	27,875
Total expenditures	2,963,224	3,182,874	3,078,093	104,781
Excess of revenues over (under) expenditures	(4,947)	(132,757)	(103,438)	29,319
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(4,947)	(132,757)	(103,438)	29,319
Fund balance, beginning of the year	120,913	120,913	120,913	-
Appropriation for prior year encumbrances	114,667	114,667	114,667	-
Fund balance, end of the year	\$ 230,633	\$ 102,823	\$ 132,142	\$ 29,319

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
ACQUISITION FOR PARKS FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Charges for services	\$ 105,000	\$ 4,000	\$ 1,200	\$ (2,800)
Miscellaneous		1,000	-	(1,000)
Total revenues	105,000	5,000	1,200	(3,800)
Expenditures:				
Current				
Leisure activities	50,000	50,000	50,000	-
Total expenditures	50,000	50,000	50,000	-
Excess of revenues over (under) expenditures	55,000	(45,000)	(48,800)	(3,800)
Fund balance, beginning of the year	66,145	66,145	66,145	-
Fund balance, end of the year	\$ 121,145	\$ 21,145	\$ 17,345	\$ (3,800)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
HEALTH FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
Intergovernmental revenue	781,651	797,994	651,536	(146,458)
Charges for services	200,000	183,657	186,439	2,782
Miscellaneous	-	-	9,665	9,665
Total revenues	1,331,651	1,331,651	1,197,640	(134,011)
Expenditures:				
Current				
Public health and welfare:				
Health State Subsidy	14,738	14,738	9,882	4,856
Immunization Action Plan	41,919	41,919	41,919	-
Child & Family Services	267,324	267,324	319,887	(52,563)
Early Start	381,144	381,144	297,284	83,860
CHIPS Outreach	41,200	41,200	20,550	20,650
Health/Environment Admin.	626,395	636,060	611,911	24,149
Total expenditures	1,372,720	1,382,385	1,301,433	80,952
Excess of revenues over (under) expenditures	(41,069)	(50,734)	(103,793)	(53,059)
Other financing sources (uses):				
Other sources	-	-	8,021	8,021
Total other financing sources (uses)	-	-	8,021	8,021
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(41,069)	(50,734)	(95,772)	(45,038)
Fund balance, beginning of the year	164,912	164,912	164,912	-
Appropriation for prior year encumbrances	2,750	2,750	2,750	-
Fund balance, end of the year	\$ 126,593	\$ 116,928	\$ 71,890	\$ (45,038)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
EMS FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Charges for Services	\$ 208,080	\$ 450,000	\$ 454,786	\$ 4,786
Total revenues	208,080	450,000	454,786	4,786
Expenditures:				
Current				
Public safety	1,692,352	1,692,352	322,201	1,370,151
Total expenditures	1,692,352	1,692,352	322,201	1,370,151
Excess of revenues over (under) expenditures	(1,484,272)	(1,242,352)	132,585	1,374,937
Fund balance, beginning of the year	1,381,924	1,381,924	1,381,924	-
Appropriation for prior year encumbrances	234,001	234,001	234,001	-
Fund balance, end of the year	\$ 131,653	\$ 373,573	\$ 1,748,510	\$ 1,374,937

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
TAX INCREMENT EQUIVALENT FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 70,380	\$ -	\$ -	-
Total revenues	70,380	-	-	-
Expenditures:				
Current				
Miscellaneous	40,836	40,836	1,221	39,615
Total expenditures	40,836	40,836	1,221	39,615
Excess of revenues over (under) expenditures	29,544	(40,836)	(1,221)	39,615
Fund balance, beginning of the year	134,412	134,412	134,412	-
Fund balance, end of the year	\$ 163,956	\$ 93,576	\$ 133,191	\$ 39,615

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
LITTER CONTROL FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	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	56,600	(3,400)
Total revenues	76,000	76,000	72,600	(3,400)
Expenditures:				
Current				
Community environment:	76,000	76,000	72,600	3,400
Total expenditures	76,000	76,000	72,600	3,400
Excess of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Other sources	-	14,000	-	(14,000)
Total other financing sources (uses)	-	14,000	-	(14,000)
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	-	14,000	-	(14,000)
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ -	\$ 14,000	\$ -	\$ (14,000)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
URBAN DEVELOPMENT ACTION GRANT FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 34,500	\$ 22,160	\$ 17,435	\$ (4,725)
Miscellaneous	57,810	-	-	-
Total revenues	92,310	22,160	17,435	(4,725)
Expenditures:				
Current				
Community environment:	780,000	780,000	-	780,000
Total expenditures	780,000	780,000	-	780,000
Excess of revenues over (under) expenditures	(687,690)	(757,840)	17,435	775,275
Fund balance, beginning of the year	788,492	788,492	788,492	-
Fund balance, end of the year	\$ 100,802	\$ 30,652	\$ 805,927	\$ 775,275

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COURT COMPUTERIZATION FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Public safety:	10,000	10,000	5,419	4,581
Total expenditures	10,000	10,000	5,419	4,581
Excess of revenues over (under) expenditures	(10,000)	(10,000)	(5,419)	4,581
Fund balance, beginning of the year	22,214	22,214	22,214	-
Fund balance, end of the year	\$ 12,214	\$ 12,214	\$ 16,795	\$ 4,581

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
LAW ENFORCEMENT FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 52,530	\$ 51,500	\$ 51,503	\$ 3
Miscellaneous	-	-	4,296	4,296
Total revenues	52,530	51,500	55,799	4,299
Expenditures:				
Current				
Public safety:	51,684	51,684	46,534	5,150
Total expenditures	51,684	51,684	46,534	5,150
Excess of revenues over (under) expenditures	846	(184)	9,265	9,449
Fund balance, beginning of the year	57,408	57,408	57,408	-
Appropriation for prior year encumbrances	184	184	184	-
Fund balance, end of the year	\$ 58,438	\$ 57,408	\$ 66,857	\$ 9,449

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
MANDATORY DRUG FINE FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 40,800	\$ 49,131	\$ 33,674	\$ (15,457)
Miscellaneous	-	-	-	-
Total revenues	40,800	49,131	33,674	(15,457)
Expenditures:				
Current				
Public safety:	40,000	44,000	43,527	473
Total expenditures	40,000	44,000	43,527	473
Excess of revenues over (under) expenditures	800	5,131	(9,853)	(14,984)
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	800	5,131	(9,853)	(14,984)
Fund balance, beginning of the year	15,555	15,555	15,555	-
Fund balance, end of the year	\$ 16,355	\$ 20,686	\$ 5,702	\$ (14,984)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROBATION SERVICES FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 45,900	\$ 75,000	\$ 52,295	\$ (22,705)
Total revenues	45,900	75,000	52,295	(22,705)
Expenditures:				
Current				
Public safety	75,000	75,000	29,904	45,096
Total expenditures	75,000	75,000	29,904	45,096
Excess of revenues over (under) expenditures	(29,100)	-	22,391	22,391
Fund balance, beginning of the year	41,112	41,112	41,112	-
Fund balance, end of the year	\$ 12,012	\$ 41,112	\$ 63,503	\$ 22,391

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
TERMINATION PAY FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income Tax	\$ 360,500	\$ 302,000	\$ 258,000	\$ (44,000)
Total revenues	360,500	302,000	258,000	(44,000)
Expenditures:				
Current				
Personal services:				
Public safety	156,500	169,000	194,231	(25,231)
Leisure time activities	10,000	10,000	9,421	579
Community environment	55,000	55,000	21,790	33,210
General government	40,500	61,000	52,401	8,599
Highways & streets	40,000	40,000	20,810	19,190
Total expenditures	302,000	335,000	298,653	36,347
Excess of revenues over (under) expenditures	58,500	(33,000)	(40,653)	(7,653)
Fund balance, beginning of the year	46,296	46,296	46,296	-
Fund balance, end of the year	\$ 104,796	\$ 13,296	\$ 5,643	\$ (7,653)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
INDIGENT DRIVER ALCOHOL TREATMENT FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 25,500	\$ 25,000	\$ 18,797	\$ (6,203)
Total revenues	25,500	25,000	18,797	(6,203)
Expenditures:				
Current				
Public safety	25,000	26,000	25,160	840
Total expenditures	25,000	26,000	25,160	840
Excess of revenues over (under) expenditures	500	(1,000)	(6,363)	(5,363)
Fund balance, beginning of the year	29,013	29,013	29,013	-
Fund balance, end of the year	\$ 29,513	\$ 28,013	\$ 22,650	\$ (5,363)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
ENFORCEMENT/EDUCATION FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 14,280	\$ 14,000	\$ 9,011	\$ (4,989)
Total revenues	14,280	14,000	9,011	(4,989)
Expenditures:				
Current				
Public Safety	4,935	4,935	500	4,435
Total expenditures	4,935	4,935	500	4,435
Excess of revenues over (under) expenditures	9,345	9,065	8,511	(554)
Fund balance, beginning of year	15,667	15,667	15,667	-
Fund balance, end of the year	\$ 25,012	\$ 24,732	\$ 24,178	\$ (554)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
CIVIC DEVELOPMENT FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ 177,447	\$ 177,447	\$ 158,913	\$ (18,534)
Total revenues	177,447	177,447	158,913	(18,534)
Expenditures:				
Current				
Miscellaneous	177,446	178,446	175,926	2,520
Total expenditures	177,446	178,446	175,926	2,520
Excess of revenues over (under) expenditures	1	(999)	(17,013)	(16,014)
Fund balance, beginning of the year	17,471	17,471	17,471	-
Fund balance, end of the year	\$ 17,472	\$ 16,472	\$ 458	\$ (16,014)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
MUNICIPAL COURT FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 175,000	\$ 190,000	\$ 190,000	\$ -
Intergovernmental revenue	-	-	-	-
Fines and forfeits	1,103,618	1,016,308	950,251	(66,057)
Miscellaneous	2,500	14,860	5,767	(9,093)
Total revenues	1,281,118	1,221,168	1,146,018	(75,150)
Expenditures:				
Current				
Public safety:	1,285,859	1,285,859	1,267,772	18,087
Total expenditures	1,285,859	1,285,859	1,267,772	18,087
Excess of revenues over (under) expenditures	(4,741)	(64,691)	(121,754)	(57,063)
Fund balance, beginning of the year	130,223	130,223	130,223	-
Appropriation for prior year encumbrances	-	-	-	-
Fund balance, end of the year	\$ 125,482	\$ 65,532	\$ 8,469	\$ (57,063)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
POLICE GRANT FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 63,872	\$ 422,008	\$ 204,466	\$ (217,542)
Interest earnings	1,100	1,100	1,297	197
Miscellaneous	-	56,760	941	(55,819)
Total revenues	64,972	479,868	206,704	(273,164)
Expenditures:				
Current				
Public safety:				
Step Grant	34,317	34,317	25,562	8,755
Dare Grant	41,160	41,160	35,594	5,566
Body Armor Grant	184	184	184	-
2001 Federal Block Grant	17,903	17,903	17,903	-
2002 Federal Block Grant	24,628	62,653	24,628	38,025
2002 Cops More Grant	253,000	253,000	7,165	245,835
2003 Federal Block Grant	-	24,461	19,097	5,364
Safety Council Grant	35,000	55,000	49,728	5,272
Total expenditures	406,192	488,678	179,861	308,817
Excess of revenues over (under) expenditures	(341,220)	(8,810)	26,843	35,653
Other financing sources (uses):				
Transfers-out	-	(55,760)	(55,760)	-
Total other financing sources (uses)	-	(55,760)	(55,760)	-
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(341,220)	(64,570)	(28,917)	35,653
Fund balance, beginning of the year	73,464	73,464	73,464	-
Appropriation for prior year encumbrances	4,184	4,184	4,184	-
Fund balance, end of the year	\$ (263,572)	\$ 13,078	\$ 48,731	\$ 35,653

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COURT SPECIAL PROJECTS FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines & forfeits	\$ 56,100	\$ 55,000	\$ 64,070	\$ 9,070
Total revenues	56,100	55,000	64,070	9,070
Expenditures:				
Current				
Public safety:	40,000	40,000	4,139	35,861
Total expenditures	40,000	40,000	4,139	35,861
Excess of revenues over (under) expenditures	16,100	15,000	59,931	44,931
Fund balance, beginning of the year	157,133	157,133	157,133	-
Fund balance, end of the year	\$ 173,233	\$ 172,133	\$ 217,064	\$ 44,931

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
HOME PROGRAM FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 479,370	\$ 1,100,000	\$ 682,528	\$ (417,472)
Total revenues	479,370	1,100,000	682,528	(417,472)
Expenditures:				
Current				
Community environment:	470,000	1,039,572	664,841	374,731
Total expenditures	470,000	1,039,572	664,841	374,731
Excess of revenues over (under) expenditures	9,370	60,428	17,687	(42,741)
Other financing sources (uses):				
Other uses	-	-	(7,000)	(7,000)
Total other financing sources (uses)	-	-	(7,000)	(7,000)
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	9,370	60,428	10,687	(49,741)
Fund balance, beginning of the year	6,679	6,679	6,679	-
Fund balance, end of the year	\$ 16,049	\$ 67,107	\$ 17,366	\$ (49,741)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COMMUNITY DEVELOPMENT FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 1,600,000	\$ 1,741,500	\$ 977,678	\$ (763,822)
Total revenues	1,600,000	1,741,500	977,678	(763,822)
Expenditures:				
Current				
Community environment:	1,712,474	1,712,474	1,094,501	617,973
Total expenditures	1,712,474	1,712,474	1,094,501	617,973
Excess of revenues over (under) expenditures	(112,474)	29,026	(116,823)	(145,849)
Fund balance, beginning of the year	(88,556)	(88,556)	(88,556)	-
Appropriation for prior year encumbrances	176,474	176,474	176,474	-
Fund balance, end of the year	\$ (24,556)	\$ 116,944	\$ (28,905)	\$ (145,849)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
POLICE PENSION FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 269,500	\$ 282,020	\$ 289,364	\$ 7,344
Intergovernmental revenue	35,000	24,250	26,513	2,263
Municipal income taxes	737,000	632,000	632,000	-
Total revenues	1,041,500	938,270	947,877	9,607
Expenditures:				
Current				
Public safety:	1,058,080	1,058,080	1,046,618	11,462
Total expenditures	1,058,080	1,058,080	1,046,618	11,462
Excess of revenues over (under) expenditures	(16,580)	(119,810)	(98,741)	21,069
Fund balance, beginning of the year	142,432	142,432	142,432	-
Fund balance, end of the year	\$ 125,852	\$ 22,622	\$ 43,691	\$ 21,069

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
FIRE PENSION FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 267,500	\$ 282,020	\$ 289,364	\$ 7,344
Intergovernmental revenue	35,000	24,250	26,513	2,263
Municipal income taxes	881,000	920,000	920,000	-
Total revenues	1,183,500	1,226,270	1,235,877	9,607
Expenditures:				
Current				
Public safety:	1,227,611	1,227,611	1,221,548	6,063
Total expenditures	1,227,611	1,227,611	1,221,548	6,063
Excess of revenues over (under) expenditures	(44,111)	(1,341)	14,329	15,670
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(44,111)	(1,341)	14,329	15,670
Fund balance, beginning of the year	8,548	8,548	8,548	-
Fund balance, end of the year	\$ (35,563)	\$ 7,207	\$ 22,877	\$ 15,670

**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2003**

	General Obligation Debt Service	Library Bond Debt Service	Totals
Assets			
Cash and equity in pooled cash, deposits and investments	\$ 141,399	\$ -	\$ 141,399
Cash with fiscal and escrow agent	87,856	-	87,856
Total assets	229,255	-	229,255
Liabilities			
Matured bonds and interest	87,856	-	87,856
Total liabilities	87,856	-	87,856
Fund balance:			
Unreserved and undesignated	141,399	-	141,399
Total fund balance	141,399	-	141,399
Total liabilities and fund balance	\$ 229,255	\$ -	\$ 229,255

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NON MAJOR DEBT SERVICE FUNDS
 FOR YEAR ENDED DECEMBER 31, 2003**

	General Obligation Debt Service	Library Bond Debt Service	Totals
Revenues			
Municipal income taxes	\$ 637,670	\$ -	\$ 637,670
Interest earnings	74,228	-	74,228
Total revenues	711,898	-	711,898
Expenditures			
Debt service			
Principal retirement	725,387	189,614	915,001
Interest and fiscal charges	873,383	20,500	893,883
Total expenditures	1,598,770	210,114	1,808,884
Excess of revenues over (under) expenditures	(886,872)	(210,114)	(1,096,986)
Other financing sources (uses)			
Interfund transfers-in	731,149	-	731,149
Interfund transfers-out	-	(2,754)	(2,754)
Total other financing sources (uses)	731,149	(2,754)	728,395
Net change in fund balance	(155,723)	(212,868)	(368,591)
Fund balance, beginning of the year	297,122	212,868	509,990
Fund balance, end of the year	\$ 141,399	\$ -	\$ 141,399

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
SPECIAL ASSESSMENT DEBT SERVICE FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 593,640	\$ 577,000	\$ 557,435	\$ (19,565)
Total revenues	593,640	577,000	557,435	(19,565)
Expenditures:				
Debt service	506,996	507,996	507,966	30
Total expenditures	506,996	507,996	507,966	30
Excess of revenues over (under) expenditures	86,644	69,004	49,469	(19,535)
Other financing sources (uses):				
Other uses	-	-	(50,000)	(50,000)
Total other financing sources (uses)	-	-	(50,000)	(50,000)
Excess of revenues and other financing sources over (under) expenditures	86,644	69,004	(531)	(69,535)
Fund balance, beginning of the year	12,921	12,921	12,921	-
Fund balance, end of the year	\$ 99,565	\$ 81,925	\$ 12,390	\$ (69,535)

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL OBLIGATION DEBT SERVICE FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 637,670	\$ 637,670	\$ 637,670	\$ -
Miscellaneous	-	75,000	74,229	(771)
Total revenues	637,670	712,670	711,899	(771)
Expenditures:				
Debt service	1,524,543	1,598,773	1,598,770	3
Total expenditures	1,524,543	1,598,773	1,598,770	3
Excess of revenues over (under) expenditures	(886,873)	(886,103)	(886,871)	(768)
Other financing sources (uses):				
Operating transfers-in	1,337,670	700,000	731,149	31,149
Total other financing sources (uses)	1,337,670	700,000	731,149	31,149
Excess of revenues and other financing sources over(under) expenditures	450,797	(186,103)	(155,722)	30,381
Fund balance, beginning of the year	297,121	297,121	297,121	-
Fund balance, end of the year	\$ 747,918	\$ 111,018	\$ 141,399	\$ 30,381

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
LIBRARY BOND DEBT SERVICE FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ -	\$ -	\$ -	-
Total revenues	-	-	-	-
Expenditures:				
Debt service	-	212,913	212,866	47
Total expenditures	-	212,913	212,866	47
Excess of revenues over (under) expenditures	-	(212,913)	(212,866)	47
Fund balance, beginning of the year	212,866	212,866	212,866	-
Fund balance, end of the year	\$ 212,866	\$ (47)	\$ -	\$ 47

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2003**

	Computer Replace- ment	Leeds Farm Develop- ment	2003 Sidewalk, Curb & Gutter	2002 Sidewalk, Curb & Gutter	Roosevelt Avenue Improve- ments	Totals
Assets						
Cash and equity in pooled cash, deposits and investments	\$ 831,375	\$ 299,210	\$ 10,083		\$ 2,424	\$ 1,143,092
Total assets	\$ 831,375	\$ 299,210	\$ 10,083	\$ -	\$ 2,424	\$ 1,143,092
Liabilities						
Accounts payable	4,965	-	-	-	-	4,965
Accrued interest payable	-	-	-	-	6,906	6,906
Notes payable	-	-	-	-	643,000	643,000
Due to other funds	-	-	200,000	-	-	200,000
Total liabilities	4,965	0	200,000	-	649,906	854,871
Fund balances:						
Reserved for encumbrances	62,480	-	9,997	-	20,000	92,477
Unreserved and undesignated	763,930	299,210	(199,914)	-	(667,482)	195,744
Total fund balances	826,410	299,210	(189,917)	-	(647,482)	288,221
Total liabilities and fund balances	\$ 831,375	\$ 299,210	\$ 10,083	\$ -	\$ 2,424	\$ 1,143,092

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NON MAJOR CAPITAL PROJECT FUNDS
FOR YEAR ENDED DECEMBER 31, 2003**

	Computer Replace- ment	Leeds Farm Develop- ment	2003 Sidewalk, Curb & Gutter	2002 Sidewalk, Curb & Gutter	Roosevelt Avenue Improve- ments	Totals
Revenues						
Municipal income taxes	\$ 8,000	\$ -	\$ -	\$ -	\$ -	\$ 8,000
Special assessments	-	-	-	80,383	-	80,383
Interest earnings	15,317	-	-	148	663	16,128
Miscellaneous	45,500	1,575	-	-	-	47,075
Total revenues	68,817	1,575	0	80,531	663	151,586
Expenditures						
Current						
Community environment	-	720	-	-	-	720
Highways & streets	-	-	189,917	-	319,303	509,220
General government	30,915	-	-	-	-	30,915
Debt service						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	3,800	12,976	16,776
Total expenditures	30,915	720	189,917	3,800	332,279	557,631
Excess of revenues over (under) expenditures	37,902	855	(189,917)	76,731	(331,616)	(406,045)
Other financing sources (uses)						
Interfund transfers-in	242,310	-	-	13,000	-	255,310
Interfund transfers-out	-	-	-	(4,346)	-	(4,346)
Proceeds from bonds	-	-	-	220,000	-	220,000
Total other financing sources (uses)	242,310	-	0	228,654	0	470,964
Net change in fund balances	280,212	855	(189,917)	305,385	(331,616)	64,919
Fund balance, beginning of the year	546,198	298,355	-	(305,385)	(315,866)	223,302
Fund balance, end of the year	\$ 826,410	\$ 299,210	\$ (189,917)	\$ -	\$ (647,482)	\$ 288,221

CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
CAPITAL IMPROVEMENTS FUND
FOR YEAR ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 808,310	\$ 882,000	\$ 897,574	\$ 15,574
Municipal income taxes	1,000,000	1,000,000	1,000,000	-
Intergovernmental revenue	71,407	2,460,000	1,659,700	(800,300)
Charges for services	20,000	20,000	26,583	6,583
Interest earnings	60,000	60,000	35,165	(24,835)
Miscellaneous	190,000	190,000	205,578	15,578
Total revenues	2,149,717	4,612,000	3,824,600	(787,400)
Expenditures:				
Current				
Public safety	153,872	153,872	153,872	-
Leisure time activities	104,744	91,744	130,293	(38,549)
Community environment	-	20,000	46,218	(26,218)
Highways and streets	2,970,744	6,028,591	3,864,721	2,163,870
General government	194,837	400,838	150,498	250,340
Total expenditures	3,424,197	6,695,045	4,345,602	2,349,443
Excess of revenues over (under) expenditures	(1,274,480)	(2,083,045)	(521,002)	1,562,043
Other financing sources (uses):				
Operating transfers-in	-	-	4,346	4,346
Operating transfers-out	(200,000)	(213,000)	(213,000)	-
Other sources	-	-	(200,000)	(200,000)
Other uses	-	-	(46,943)	-
Total other financing sources (uses)	(200,000)	(213,000)	(455,597)	(195,654)
Excess of revenues and other financing sources over (under) expenditures	(1,474,480)	(2,296,045)	(976,599)	1,366,389
Fund balance, beginning of the year	1,210,533	1,210,533	1,210,533	-
Appropriation for prior year encumbrances	1,310,482	1,310,482	1,310,482	-
Fund balance, end of the year	\$ 1,046,535	\$ 224,970	\$ 1,544,416	\$ 1,366,389

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
DOWNTOWN IMPROVEMENTS FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 150,000	\$ 75,000	\$ 85,383	\$ 10,383
Total revenues	150,000	75,000	85,383	10,383
Expenditures:				
Current				
Community environment	3,676,570	3,716,570	1,923,681	1,792,889
Total expenditures	3,676,570	3,716,570	1,923,681	1,792,889
Excess of revenues over (under) expenditures	(3,526,570)	(3,641,570)	(1,838,298)	1,803,272
Other financing sources (uses):				
Operating transfers-out	(300,000)	(300,000)	(300,000)	-
Total other financing sources (uses)	(300,000)	(300,000)	(300,000)	-
Excess of revenues and other financing sources over (under) expenditures	(3,826,570)	(3,941,570)	(2,138,298)	1,803,272
Fund balance, beginning of the year	3,067,730	3,067,730	3,067,730	-
Appropriation for prior year encumbrances	1,827,256	1,827,256	1,827,256	-
Fund balance, end of the year	\$ 1,068,416	\$ 953,416	\$ 2,756,688	\$ 1,803,272

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COURT OF APPEALS PROJECT FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous revenue	\$ -	\$ 24,000	\$ 24,145	\$ 145
Interest earnings	-	17,000	16,585	(415)
Total revenues	-	41,000	40,730	(270)
Expenditures:				
Current				
Contractual services				
Public Safety	1,694,445	1,894,487	1,860,898	33,589
Debt Service				
Principal retirement	3,655,000	3,655,000	3,655,000	-
Interest expense	91,375	91,375	91,121	254
Total expenditures	5,440,820	5,640,862	5,607,019	33,843
Excess of revenues over (under) expenditures	(5,440,820)	(5,599,862)	(5,566,289)	33,573
Other financing sources (uses):				
Proceeds from notes	-	3,888,962	3,888,962	-
Total other financing sources (uses)	-	3,888,962	3,888,962	-
Excess of revenues and other financing sources over (under) expenditures	(5,440,820)	(1,710,900)	(1,677,327)	33,573
Fund balance, beginning of the year	44,503	44,503	44,503	-
Appropriation for prior year encumbrances	1,694,445	1,694,445	1,694,445	-
Fund balance, end of the year	\$ (3,701,872)	\$ 28,048	\$ 61,621	\$ 33,573

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
EAST END DEVELOPMENT FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest Earnings	\$ -	\$ 40,000	\$ 75,248	\$ 35,248
Miscellaneous revenue	-	-	240,444	240,444
Total revenues	-	40,000	315,692	275,692
Expenditures:				
Current				
Highways and streets	1,806,337	1,893,803	1,810,679	83,124
Community environment	775,000	775,000	423,636	351,364
Debt Service				
Principal retirement	4,187,000	4,187,000	4,187,000	-
Interest expense	87,000	87,000	92,732	(5,732)
Total expenditures	6,855,337	6,942,803	6,514,047	428,756
Excess of revenues over (under) expenditures	(6,855,337)	(6,902,803)	(6,198,355)	704,448
Other financing sources (uses):				
Proceeds from notes	4,384,000	4,344,000	4,207,337	(136,663)
Total other financing sources (uses)	4,384,000	4,344,000	4,207,337	(136,663)
Excess of revenues and other financing sources over (under) expenditures	(2,471,337)	(2,558,803)	(1,991,018)	567,785
Fund balance, beginning of the year	2,987,217	2,987,217	2,987,217	-
Appropriation for prior year encumbrances	1,122,938	1,122,938	1,122,938	-
Fund balance, end of the year	\$ 1,638,818	\$ 1,551,352	\$ 2,119,137	\$ 567,785

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COMPUTER REPLACEMENT FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ -	\$ 8,000	\$ 8,000	\$ -
Interest earnings	46,014	20,000	15,317	(4,683)
Miscellaneous	-	45,500	45,500	-
Total revenues	46,014	73,500	68,817	(4,683)
Expenditures:				
Current				
General government	120,160	120,160	93,395	26,765
Total expenditures	120,160	120,160	93,395	26,765
Excess of revenues over (under) expenditures	(74,146)	(46,660)	(24,578)	22,082
Other financing sources (uses):				
Operating transfers-in	282,000	242,310	242,310	-
Total other financing sources (uses)	282,000	242,310	242,310	-
Excess of revenues and other financing sources over (under) expenditures	207,854	195,650	217,732	22,082
Fund balance, beginning of the year	546,195	546,195	546,195	-
Fund balance, end of the year	\$ 754,049	\$ 741,845	\$ 763,927	\$ 22,082

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
LEEDS FARM DEVELOPMENT FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 1,575	\$ 1,575
Total revenues	-	-	1,575	1,575
Expenditures:				
Current				
Community environment	56,500	56,500	14,641	41,859
Total expenditures	56,500	56,500	14,641	41,859
Excess of revenues over (under) expenditures	(56,500)	(56,500)	(13,066)	43,434
Excess of revenues and other financing sources over (under) expenditures	(56,500)	(56,500)	(13,066)	43,434
Fund balance, beginning of the year	312,276	312,276	312,276	-
Fund balance, end of the year	\$ 255,776	\$ 255,776	\$ 299,210	\$ 43,434

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

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Highways and streets	280,000	280,000	199,915	80,085
Total expenditures	280,000	280,000	199,915	80,085
Excess of revenues over (under) expenditures	(280,000)	(280,000)	(199,915)	80,085
Other financing sources (uses):				
Other sources	-	-	200,000	200,000
Proceeds from notes	280,000	280,000	-	(280,000)
Total other financing sources (uses)	280,000	280,000	200,000	(80,000)
Excess of revenues and other financing sources over(under) expenditures	-	-	85	85
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ -	\$ -	\$ 85	\$ 85

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
2002 SIDEWALK, CURB & GUTTER FUND
FOR YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ -	\$ 80,000	\$ 80,383	\$ 383
Interest earnings	-	-	81	81
Total revenues	-	80,000	80,464	464
Expenditures:				
Current				
Debt Service				
Principal retirement	390,000	390,000	390,000	-
Interest expense	13,000	13,000	9,678	3,322
Total expenditures	403,000	403,000	399,678	3,322
Excess of revenues over (under) expenditures	(403,000)	(323,000)	(319,214)	(2,858)
Other financing sources (uses):				
Operating transfers-in	-	12,531	13,000	469
Operating transfers-out	-	(8,697)	(4,345)	4,352
Proceeds from bonds	403,000	221,000	220,067	(933)
Total other financing sources (uses)	403,000	224,834	228,722	3,888
Excess of revenues and other financing sources over(under) expenditures	-	(98,166)	(90,492)	1,030
Fund balance, beginning of the year	(1,131)	(1,131)	(1,131)	-
Appropriation for prior year encumbrances	91,623	91,623	91,623	-
Fund balance, end of the year	\$ 90,492	\$ (7,674)	\$ -	\$ 1,030

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

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Highways and streets	409,143	429,143	429,143	-
Debt Service				
Principal retirement	630,000	630,000	630,000	-
Interest expense	16,000	16,000	13,970	2,030
Total expenditures	1,055,143	1,075,143	1,073,113	2,030
Excess of revenues over (under) expenditures	(1,055,143)	(1,075,143)	(1,073,113)	(2,030)
Other financing sources (uses):				
Proceeds from notes	-	676,000	643,663	32,337
Total other financing sources (uses)	-	676,000	643,663	32,337
Excess of revenues and other financing sources over(under) expenditures	-	(399,143)	(429,450)	30,307
Fund balance, beginning of the year	2,730	2,730	2,730	-
Appropriation for prior year encumbrances	409,143	409,143	409,143	-
Fund balance, end of the year	\$ 411,873	\$ 12,730	\$ (17,577)	\$ 30,307

PROPRIETARY FUNDS

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

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, 2003**

Business Type Activities - Enterprise Funds

	Parking Garage	Airport	City Centre Mall	Totals
Assets:				
Current assets				
Equity in pooled cash, deposits and investments	\$ 1,903	\$ 60,599	\$ -	\$ 62,502
Receivables (net of allowance for uncollectibles):				
Due from other governments	-	167,042	-	167,042
Total current assets	1,903	227,641	-	229,544
Capital assets:				
Land	16,900	1,515,537	536,600	2,069,037
Buildings	2,692,371	231,881	251,200	3,175,452
Equipment	12,120	427,270	-	439,390
Less: Accumulated depreciation	(1,662,727)	(414,930)	(66,986)	(2,144,643)
Net capital assets	1,058,664	1,759,758	720,814	3,539,236
Total assets	1,060,567	1,987,399	720,814	3,768,780
Liabilities				
Current liabilities				
Accounts payable	6,797	-	-	6,797
Accrued wages and benefits	1,685	-	-	1,685
Other accrued liabilities	446	-	-	446
Due to other funds	10,566	-	-	10,566
Total current liabilities	19,494	-	-	19,494
Total liabilities	19,494	-	-	19,494
Net Assets				
Invested in capital assests, net of related debt	1,058,664	1,759,758	720,814	3,539,236
Unrestricted	(17,591)	227,641	-	210,050
Total net assets	\$ 1,041,073	\$ 1,987,399	\$ 720,814	\$ 3,749,286

**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, 2003**

Business Type Activities - Enterprise Funds

	Parking Garage	Airport	City Centre Mall	Totals
Operating revenues:				
Charges for services	\$ 30,702	\$ 52,189	\$ 32,111	\$ 115,002
Other operating revenue	5,200	-	-	5,200
Total operating revenues	35,902	52,189	32,111	120,202
Operating expenses:				
Personal services	43,617	-	-	43,617
Contractual services	72,974	29,736	26,804	129,514
Commodities	388	6,117	-	6,505
Depreciation	60,638	25,153	5,582	91,373
Other operating expenses	1,596	-	-	1,596
Total operating expenses	179,213	61,006	32,386	272,605
Operating income (loss)	(143,311)	(8,817)	(275)	(152,403)
Non-operating revenues (expenses):				
Operating grants	-	170,105	-	170,105
Income taxes	105,000	-	-	105,000
Total non-operating revenues (expenses)	105,000	170,105	0	275,105
Income (loss) before operating transfers	(38,311)	161,288	(275)	122,702
Operating transfers-in	-	-	-	-
Operating transfers-out	-	-	(228,394)	(228,394)
Change in net assets	(38,311)	161,288	(228,669)	(105,692)
Total net assets, beginning of year	1,079,384	1,826,111	949,483	3,854,978
Total net assets, end of year	\$ 1,041,073	\$ 1,987,399	\$ 720,814	\$ 3,749,286

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CASH FLOWS
 NON MAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003**

Business Type Activities - Enterprise Funds

	Parking Garage	Airport	City Centre Mall	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 30,702	\$ 43,925	\$ 32,111	\$ 106,738
Cash payments to suppliers for goods and services	(65,681)	(37,643)	(26,804)	(130,128)
Cash payments to employees for services	(42,495)	-	-	(42,495)
Miscellaneous revenues	5,200	-	-	5,200
Cash payments for services used	(9,578)	-	-	(9,578)
Net cash provided by operating activities	(81,852)	6,282	5,307	(70,263)
Cash flows from non-capital financing activities:				
Operating grants	-	11,327	-	11,327
Interfund loan receipts/payments	(22,000)	-	-	(22,000)
Operating transfers-out to other funds	-	-	(228,394)	(228,394)
Income taxes received	105,000	-	-	105,000
Net cash provided by non-capital financing activities	83,000	11,327	(228,394)	(134,067)
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	(214,212)	-	(214,212)
Net cash provided by capital and related financing activities	-	(214,212)	-	(214,212)
Net increase in cash and cash equivalents	1,148	(196,603)	(223,087)	(418,542)
Cash and cash equivalents, beginning of year	755	257,202	223,087	481,044
Cash and cash equivalents, end of year	\$ 1,903	\$ 60,599	\$ -	\$ 62,502

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

(continued)	Parking Garage	Airport	City Centre Mall	Totals
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (143,311)	\$ (8,817)	\$ (275)	\$ (152,403)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	60,638	25,153	5,582	91,373
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable (net)	-	(8,264)	-	(8,264)
(Decrease) increase in accounts payable	3,131	(1,790)	-	1,341
(Decrease) increase in accrued wages and benefits	(1,308)	-	-	(1,308)
(Decrease) increase in other accrued liabilities	(203)	-	-	(203)
(Decrease) increase in due to other funds	131	-	-	131
Decrease (increase) in compensated absences payable	(930)	-	-	(930)
Total adjustments	61,459	15,099	5,582	82,140
Net cash provided (used) by operating activities	\$ (81,852)	\$ 6,282	\$ 5,307	\$ (70,263)

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

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 5,090,390	\$ 5,766,575	\$ 5,561,423	\$ (205,152)
Other operating revenues	1,225	13,225	241,007	227,782
Total operating revenues	5,091,615	5,779,800	5,802,430	22,630
Operating expenses				
Water Administration	345,561	345,561	313,873	31,688
Water Treatment	1,767,059	1,767,059	1,739,993	27,066
Water Maintenance	1,291,869	1,306,869	1,284,064	22,805
Administrative Support	731,135	731,135	731,135	-
Water Capital Reserve	1,788,386	2,552,086	1,952,620	599,466
Wellfield Protection	124,701	124,701	87,313	37,388
Total operating expenses	6,048,711	6,827,411	6,108,998	718,413
Operating income (loss)	(957,096)	(1,047,611)	(306,568)	(695,783)
Non-operating revenues (expenses)				
Interest revenue	40,911	40,911	61,186	20,275
Interest expenses & fiscal charges	(258,818)	(258,818)	(252,953)	5,865
Debt retirement	(370,000)	(370,000)	(370,000)	-
Proceeds from notes	120,000	120,000	120,000	-
Other sources	-	-	20,216	20,216
Total non-operating revenues (expenses)	(467,907)	(467,907)	(421,551)	46,356
Income (loss) before operating transfers	(1,425,003)	(1,515,518)	(728,119)	(649,427)
Operating transfers-out	(25,075)	(25,075)	(25,075)	-
Total transfers	(25,075)	(25,075)	(25,075)	-
Net income (loss)	(1,450,078)	(1,540,593)	(753,194)	(649,427)
Retained earnings, beginning of the year	2,960,892	2,960,892	2,960,892	-
Appropriation for prior year encumbrances	1,064,067	1,064,067	1,064,067	-
Retained earnings, end of the year	\$ 2,574,881	\$ 2,484,366	\$ 3,271,765	\$ (649,427)

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

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 4,738,331	\$ 5,787,894	\$ 5,065,234	\$ (722,660)
Other operating revenues	-	-	1,855	1,855
Total operating revenues	4,738,331	5,787,894	5,067,089	(720,805)
Operating expenses				
Sewer Administration	307,958	311,958	304,515	7,443
Sewer Treatment	2,964,275	2,986,155	2,569,548	416,607
Sewer Maintenance	703,842	703,842	647,024	56,818
Environmental Services Administration	158,558	158,558	150,714	7,844
Administrative Support	731,135	754,255	754,255	-
Sewer Capital Reserve	3,643,035	5,243,035	2,069,422	3,173,613
Total operating expenses	8,508,803	10,157,803	6,495,478	3,662,325
Operating income (loss)	(3,770,472)	(4,369,909)	(1,428,389)	(4,383,130)
Non-operating revenues (expenses)				
Interest revenue	314,195	230,427	149,524	(80,903)
Interest expenses & fiscal charges	(49,288)	(49,288)	(46,288)	3,000
Debt retirement	(190,000)	(190,000)	(190,000)	-
Proceeds from notes	3,000,000	3,000,000	-	-
Total non-operating revenues (expenses)	3,074,907	2,991,139	(86,764)	(77,903)
Income (loss) before operating transfers	(695,565)	(1,378,770)	(1,515,153)	(4,461,033)
Operating transfers-out	(25,075)	(25,075)	(25,075)	-
Total transfers	(25,075)	(25,075)	(25,075)	-
Net income (loss)	(720,640)	(1,403,845)	(1,540,228)	(4,461,033)
Retained earnings, beginning of the year	5,818,269	5,818,269	5,818,269	-
Appropriation for prior year encumbrances	1,279,266	1,279,266	1,279,266	-
Retained earnings, end of the year	\$ 6,376,895	\$ 5,693,690	\$ 5,557,307	\$ (4,461,033)

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

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 90,000	\$ 90,000	\$ 85,618	\$ (4,382)
Other operating revenues	6,000	-	711	711
Total operating revenues	96,000	90,000	86,329	(3,671)
Operating expenses	1,750,971	1,814,761	1,658,966	155,795
Total operating expenses	1,750,971	1,814,761	1,658,966	155,795
Operating income (loss)	(1,654,971)	(1,724,761)	(1,572,637)	152,124
Non-operating revenues (expenses)				
Operating grants	667,717	1,396,895	1,128,907	(267,988)
Other sources	-	-	31,171	31,171
Income tax	140,000	140,000	140,000	-
Total non-operating revenues(expenses)	807,717	1,536,895	1,300,078	(236,817)
Net income (loss)	(847,254)	(187,866)	(272,559)	(84,693)
Retained earnings, beginning of the year	(576,024)	(576,024)	(576,024)	-
Appropriation for prior year encumbrances	764,645	764,645	764,645	-
Retained earnings, end of the year	\$ (658,633)	\$ 755	\$ (83,938)	\$ (84,693)

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

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,581,683	\$ 1,877,000	\$ 1,659,850	\$ (217,150)
Other operating revenues	3,600	6,000	5,953	(47)
Total operating revenues	2,585,283	1,883,000	1,665,803	(217,197)
Operating expenses				
Golf Maintenance	913,697	913,697	867,139	46,558
Golf Clubhouse	792,854	792,854	721,265	71,589
Golf Improvements	38,307	38,307	24,869	13,438
Total operating expenses	1,744,858	1,744,858	1,613,273	131,585
Operating income (loss)	840,425	138,142	52,530	(85,612)
Non-operating revenues (expenses)				
Interest revenue	-	2,150	1,959	(191)
Interest expenses & fiscal charges	(113,828)	(113,828)	(110,437)	3,391
Debt retirement	(575,000)	(575,000)	(575,000)	-
Proceeds from bonds	-	480,000	480,000	-
Other sources	-	390,000	131,697	(258,303)
Other uses	-	(75,000)	-	-
Total non-operating revenues (expenses)	(688,828)	(371,678)	(71,781)	(255,103)
Income (loss) before operating transfers	151,597	(233,536)	(19,250)	(340,714)
Net income (loss)	151,597	(233,536)	(19,250)	(340,714)
Retained earnings, beginning of the year	56,964	56,964	56,964	-
Appropriation for prior year encumbrances	7,190	7,190	7,190	-
Retained earnings, end of the year	\$ 215,751	\$ (169,382)	\$ 44,904	\$ (340,714)

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

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,242,820	\$ 2,409,480	\$ 2,318,167	\$ (91,313)
Other operating revenues	13,000	13,000	11,666	(1,334)
Total operating revenues	2,255,820	2,422,480	2,329,833	(92,647)
Operating expenses	2,284,057	2,284,057	2,169,149	114,908
Total operating expenses	2,284,057	2,284,057	2,169,149	114,908
Operating income (loss)	(28,237)	138,423	160,684	22,261
Non-operating revenues (expenses)				
Interest expenses & fiscal charges	(133,981)	(133,981)	(133,980)	1
Debt retirement	(155,000)	(155,000)	(155,000)	-
Total non-operating revenues (expenses)	(288,981)	(288,981)	(288,980)	1
Income (loss) before operating transfers	(317,218)	(150,558)	(128,296)	22,262
Net income (loss)	(317,218)	(150,558)	(128,296)	22,262
Retained earnings, beginning of the year	200,496	200,496	200,496	-
Appropriation for prior year encumbrances	94,378	94,378	94,378	-
Retained earnings, end of the year	\$ (22,344)	\$ 144,316	\$ 166,578	\$ 22,262

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

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 48,500	\$ 48,500	\$ 30,702	\$ (17,798)
Fines and forfeits	7,500	7,500	4,575	(2,925)
Other operating revenues	3,303	30,000	625	(29,375)
Total operating revenues	59,303	86,000	35,902	(50,098)
Operating expenses				
Parking Administration	39,379	39,379	17,056	22,323
Parking Enforcement	33,781	35,781	35,288	493
Parking Garage	86,577	86,577	66,764	19,813
Total operating expenses	159,737	161,737	119,108	42,629
Operating income (loss)	(100,434)	(75,737)	(83,206)	(7,469)
Non-operating revenues (expenses)				
Other sources	-	30,000	(22,000)	(52,000)
Income taxes	95,000	105,000	105,000	-
Total non-operating revenues (expenses)	95,000	135,000	83,000	(52,000)
Income (loss) before operating transfers	(5,434)	59,263	(206)	(59,469)
Net income (loss)	(100,434)	59,263	(206)	(59,469)
Retained earnings, beginning of the year	752	752	752	-
Retained earnings, end of the year	\$ (99,682)	\$ 60,015	\$ 546	\$ (59,469)

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

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 54,000	\$ 70,000	\$ 43,925	\$ (26,075)
Total operating revenues	54,000	70,000	43,925	(26,075)
Operating expenses				
Airport Improvements	32,586	243,703	243,605	98
Airport	50,000	53,000	52,033	967
Total operating expenses	82,586	296,703	295,638	1,065
Operating income (loss)	(28,586)	(226,703)	(251,713)	(25,010)
Non-operating revenues (expenses)				
Operating grants	20,000	12,000	11,327	(673)
Total non-operating revenues (expenses)	20,000	12,000	11,327	(673)
Net income (loss)	(8,586)	(214,703)	(240,386)	(25,683)
Retained earnings, beginning of the year	243,197	243,197	243,197	-
Appropriation for prior year encumbrances	14,000	14,000	14,000	-
Retained earnings, end of the year	\$ 248,611	\$ 42,494	\$ 16,811	\$ (25,683)

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

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services				
Other operating revenues	\$ -	\$ 79,110	\$ 32,109	\$ (47,001)
Total operating revenues	-	79,110	32,109	(47,001)
Operating expenses				
Mall Property Management	70,850	70,850	26,801	44,049
Total operating expenses	70,850	70,850	26,801	44,049
Operating income (loss)	(70,850)	8,260	5,308	(2,952)
Income (loss) before operating transfers	(70,850)	8,260	5,308	(2,952)
Operating transfers-out	-	(228,395)	(228,394)	-
Total transfers	-	(228,395)	(228,394)	-
Net income (loss)	(70,850)	8,260	(223,086)	(2,952)
Retained earnings, beginning of the year	223,086	223,086	223,086	-
Appropriation for prior year encumbrances	-	-	-	-
Retained earnings, end of the year	\$ 152,236	\$ 231,346	\$ -	\$ (2,952)

INTERNAL SERVICE FUNDS

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

MUNICIPAL GARAGE

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

EMPLOYEE BENEFITS

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

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2003**

	Municipal Garage	Employee Benefits Fund	Totals
Assets:			
Current assets:			
Equity in pooled cash, deposits and investments	\$ 920,983	\$ 313,900	\$ 1,234,883
Receivables (net of allowance for uncollectibles):			
Accounts	3,372	-	3,372
Due from other funds	159,302	-	159,302
Inventory of supplies	121,436	-	121,436
Total current assets	1,205,093	313,900	1,518,993
Capital assets:			
Land	195,750	-	195,750
Buildings	354,064	-	354,064
Equipment	10,390,342	-	10,390,342
Less: Accumulated depreciation	(7,405,786)	-	(7,405,786)
Net capital assets	3,534,370	-	3,534,370
Total assets	4,739,463	313,900	5,053,363
Liabilities:			
Current liabilities:			
Accounts payable	38,093	250,000	288,093
Accrued wages and benefits	29,388	-	29,388
Other accrued liabilities	8,154	-	8,154
Accrued interest payable	-	-	0
Due to other funds	4,594	-	4,594
Notes payable	-	-	0
Total current liabilities	80,229	250,000	330,229
Long-term liabilities:			
Compensated absences payable	74,550	-	74,550
Total long-term liabilities	74,550	-	74,550
Total liabilities	154,779	250,000	404,779
Net assets:			
Unrestricted	4,584,684	63,900	4,648,584
Total liabilities and total net assets	\$ 4,739,463	\$ 313,900	\$ 5,053,363

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR YEAR ENDED DECEMBER 31, 2003**

	Municipal Garage	Employee Benefits Fund	Totals
Operating revenues:			
Charges for services	\$ 2,457,414	\$ 3,409,263	\$ 5,866,677
Other operating revenues	82,337	238,098	320,435
Total operating revenues	2,539,751	3,647,361	6,187,112
Operating expenses:			
Personal services	605,280	-	605,280
Contractual services	362,096	3,578,438	3,940,534
Commodities	599,946	-	599,946
Depreciation	754,942	-	754,942
Other operating expenses	70,645	-	70,645
Total operating expenses	2,392,909	3,578,438	5,971,347
Operating income	146,842	68,923	215,765
Non-operating revenues (expenses):			
Interest revenue	14,791	-	14,791
Interest expense	(1,041)	-	(1,041)
Gain (Loss) on sale of equipment	(106,056)	-	(106,056)
Total non-operating revenues (expenses)	(92,306)	-	(92,306)
Change in net assets	54,536	68,923	123,459
Total net assets, beginning of the year	4,530,148	(5,023)	4,525,125
Total net assets, end of the year	\$ 4,584,684	\$ 63,900	\$ 4,648,584

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR YEAR ENDED DECEMBER 31, 2003**

	Municipal Garage	Employee Benefits Fund	Totals
Cash flows from operating activities:			
Cash payments to suppliers for goods and services	\$ (1,022,289)	\$ (3,578,438)	\$ (4,600,727)
Cash payments to employees for services	(525,348)	-	(525,348)
Miscellaneous revenue	44,791	238,098	282,889
Cash received from quasi-external operating activities	2,476,439	3,409,263	5,885,702
Cash payments for quasi-external operating activities	(89,954)	-	(89,954)
Net cash provided by operating activities	883,639	68,923	952,562
Cash flows from capital and related financing activities:			
Sale of capital assets	72,669	-	72,669
Purchase of capital assets	(694,255)	-	(694,255)
Interest expense	(8,446)	-	(8,446)
Principal payments	(368,229)	-	(368,229)
Sale of notes	-	-	-
Net cash used by capital and related financing activities	(998,261)	-	(998,261)
Cash flows from investing activities:			
Interest income	14,791	-	14,791
Net cash provided by investing activities	14,791	-	14,791
Net increase (decrease) in cash and cash equivalents	(99,831)	68,923	(30,908)
Cash and cash equivalents, beginning of year	1,020,814	244,977	1,265,791
Cash and cash equivalents, end of year	\$ 920,983	\$ 313,900	\$ 1,234,883

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR YEAR ENDED DECEMBER 31, 2003**

(continued)	Municipal Garage	Employee Benefits Fund	Totals Totals
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 95,142	\$ 68,923	\$ 164,065
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	754,942	-	754,942
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	14,154	-	14,154
Decrease (increase) in due from other funds	19,025		19,025
(Increase) decrease in supplies inventory	(6,839)	-	(6,839)
(Decrease) Increase in accounts payable	9,060	-	9,060
Increase (decrease) in accrued wages	764	-	764
(Decrease) in accrued liabilities	2,306	-	2,306
Increase (decrease) in compensated absences	(1,915)	-	(1,915)
Total adjustments	791,497	0	791,497
Net cash provided by operating activities	\$ 886,639	\$ 68,923	\$ 955,562

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

	Original Budget	Final Budget	Actual	Variance From Final Budget
Charges for services	\$ 2,569,876	\$ 2,520,467	\$ 2,593,899	\$ 73,432
Total operating revenues	2,569,876	2,520,467	2,593,899	73,432
Operating expenses				
Personal services	596,932	596,932	604,127	(7,195)
Contractual services	279,373	315,373	360,187	(44,814)
Commodities	574,588	622,677	594,894	27,783
Other operating expenses	1,134,380	1,140,041	1,023,564	116,477
Total operating expenses	2,585,273	2,675,023	2,582,772	92,251
Operating income (loss)	(15,397)	(154,556)	11,127	(18,819)
Non-operating revenues (expenses)				
Interest revenue	-	28,556	14,791	13,765
Interest expenses and fiscal charges	(8,446)	(8,446)	(8,446)	-
Debt retirement	(368,229)	(368,229)	(368,229)	-
Total non-operating revenues(expenses)	(376,675)	(348,119)	(361,884)	13,765
Net income	(392,072)	(502,675)	(350,757)	(5,054)
Retained earnings, beginning of the year	674,131	674,131	674,131	-
Appropriation for prior year encumbrances	346,685	346,685	346,685	-
Retained earnings, end of the year	\$ 628,744	\$ 518,141	\$ 670,059	\$ (5,054)

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

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 3,366,040	\$ 3,609,000	\$ 3,647,361	\$ 38,361
Total operating revenues	3,366,040	3,609,000	3,647,361	38,361
Operating expenses				
Contractual services	3,357,330	3,707,330	3,578,438	128,892
Total operating expenses	3,357,330	3,707,330	3,578,438	128,892
Net income	8,710	(98,330)	68,923	(90,531)
Retained earnings, beginning of the year	244,977	244,977	244,977	-
Retained earnings, end of the year	\$ 253,687	\$ 146,647	\$ 313,900	\$ (90,531)

AGENCY FUNDS

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

CONSERVANCY

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

PAYROLL CLEARING

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

MUNICIPAL COURT

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

SAWYER TRUST

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

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF CHANGES
IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2003**

	CONSERVANCY			
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 8,065	\$ 110,684	\$ 118,048	\$ 701
Property taxes receivable	-	119,354	-	119,354
Total assets	8,065	230,038	118,048	120,055
 Liabilities:				
Due to other governments	8,065	230,038	118,048	120,055
Total liabilities	\$ 8,065	\$ 230,038	\$ 118,048	\$ 120,055

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF CHANGES
IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2003**

	PAYROLL CLEARING			
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash with fiscal and escrow agent	\$ 82,339	\$ 12,713,970	\$ 12,702,768	\$ 93,541
Total assets	82,339	12,713,970	12,702,768	93,541
Liabilities:				
Due to other funds	353	471,381	458,802	12,932
Due to other governments	74,633	5,714,547	5,715,819	\$ 73,361
Due to individuals	7,353	6,528,042	6,528,147	7,248
Total liabilities	\$ 82,339	\$ 12,713,970	\$ 12,702,768	\$ 93,541

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF CHANGES
IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2003**

	MUNICIPAL COURT			
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 44,110	\$ 2,569,845	\$ 2,536,279	\$ 77,676
Total assets	44,110	2,569,845	2,536,279	77,676
Liabilities:				
Due to other funds	-	1,125,702	1,125,702	-
Due to other governments	-	390,363	390,363	-
Due to individuals	32,754	637,724	631,154	39,324
Unapportioned monies	11,356	416,056	389,060	38,352
Total liabilities	\$ 44,110	\$ 2,569,845	\$ 2,536,279	\$ 77,676

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF CHANGES
IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2003**

	SAWYER TRUST			
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 7,837	\$ 189	\$ 8,026	\$ -
Total assets	7,837	189	8,026	-
Liabilities:				
Due to individuals	7,837	189	8,026	-
Total liabilities	\$ 7,837	\$ 189	\$ 8,026	\$ -

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, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Governmental funds capital assets:		
Land and land improvements	\$ 9,318,081	\$ 7,783,487
Buildings	23,056,477	21,220,183
Infrastructure	13,920,863	8,631,893
Machinery and equipment	4,949,266	4,815,870
Total governmental funds capital assets	<u>\$ 51,244,687</u>	<u>\$ 42,451,433</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 29,625,256	\$ 29,881,289
Special revenue funds	3,963,047	3,938,251
Capital project funds	17,656,384	8,631,893
Total governmental funds capital assets	<u>\$ 51,244,687</u>	<u>\$ 42,451,433</u>

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

CITY OF MIDDLETOWN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
DECEMBER 31, 2003

Function and Activity	Machinery and Equipment	Land and Land Improvements	Buildings	Infrastructure	Total
General Government:					
City Manager/City Council	\$ 33,230	\$ -	\$ -	\$ -	\$ 33,230
Finance	1,561,690	277,050	-	-	1,838,740
Law	11,500	-	-	-	11,500
Planning	5,207	1,105,927	-	-	1,111,134
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
Leisure:					
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	-	4,608,746
Public health:					
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
Public safety:					
Fire	663,743	205,750	851,184	-	1,720,677
Police	971,423	5,950	487,451	-	1,464,824
Electronic Maintenance	283,418	-	427,865	-	711,283
Municipal Court	77,127	-	-	-	77,127
Police Grants	33,858	-	-	-	33,858
12th District Court	-	-	3,453,357	-	3,453,357
Streets and highways:					
Street Maintenance	191,841	-	286,862	-	478,703
Street system	-	1,452,818	-	13,920,863	15,373,681
Total governmental funds capital assets	<u>\$ 4,949,266</u>	<u>\$ 9,318,081</u>	<u>\$ 23,056,477</u>	<u>\$ 13,920,863</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 OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

Function and Activity	Governmental Funds Capital Assets January 1, 2003	Additions	Deductions	Governmental Funds Capital Assets December 31, 2003
General Government:				
City Manager/City Council	\$ 27,430	\$ 5,800	\$ -	\$ 33,230
Finance	1,838,690	7,639	7,589	1,838,740
Law	11,500	-	-	11,500
Planning	1,111,134	-	-	1,111,134
Bldg. Maint.	111,641	13,009	-	124,650
Engineering	50,939	-	-	50,939
Income Tax	19,992	-	6,200	13,792
Miami Conservancy	7,660	-	-	7,660
City Building/Library	12,825,916	-	-	12,825,916
Leisure:				
Recreation & Community Center	2,022,758	31,043	-	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	21,986	36,130	-	58,116
Other Parks	4,526,969	81,777	-	4,608,746
Public health:				
Health & Environment	6,200	-	-	6,200
Social Health	573,820	24,779	-	598,599
Senior Citizens Center	2,681,211	-	-	2,681,211
Public safety:				
Fire	1,634,699	85,978	-	1,720,677
Police	1,504,788	-	39,964	1,464,824
Electronic Maintenance	661,152	50,131	-	711,283
Municipal Court	77,127	-	-	77,127
Police Grants	33,858	-	-	33,858
12th District Court	1,684,423	1,768,934	-	3,453,357
Streets and highways:				
Street Maintenance	478,703	-	-	478,703
Street system	8,631,893	6,741,788	-	15,373,681
Total governmental funds capital assets	\$ 42,451,432	\$ 8,847,008	\$ 53,753	\$ 51,244,687

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

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Public safety	\$14,450	\$15,529	\$16,559	\$17,667	\$17,962	\$18,753	\$19,457	\$20,863	\$23,775	\$23,596
Public health and welfare	899	1,120	1,178	1,138	1,098	1,246	1,548	1,699	1,996	1,832
Leisure time activities	937	875	946	959	957	1,264	1,022	1,072	1,233	1,152
Community environment	4,045	5,407	4,958	3,975	3,694	4,423	7,468	11,195	14,991	12,441
Highways and streets	3,469	2,983	4,043	5,179	3,946	3,255	4,618	5,139	7,401	7,432
General government	3,986	3,827	3,888	3,641	3,915	4,693	4,676	4,804	5,124	4,203
Principal and interest	4,694	1,937	2,067	1,955	1,615	1,676	2,429	2,509	2,573	2,447
Other	681	705	794	1,381	975	1,098	1,245	1,001	1,371	2,221
Total expenditures	\$33,161	\$32,383	\$34,433	\$35,895	\$34,162	\$36,408	\$42,461	\$48,282	\$58,464	\$55,324

(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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Property taxes	\$4,067	\$4,236	\$4,439	\$4,809	\$4,593	\$4,837	\$5,140	\$4,773	\$5,019	\$5,588
Municipal income tax	12,781	13,661	14,361	14,959	15,975	17,614	16,970	19,230	17,764	15,443
Intergov'tal revenues	7,043	6,821	7,381	7,734	8,477	9,024	11,952	13,808	16,308	17,781
Charges for services	982	1,214	1,129	1,119	1,273	1,802	1,371	2,568	3,730	2,915
Special assessments	647	623	810	903	690	980	810	816	625	638
Licenses and permits	408	435	615	179	437	337	308	335	274	245
Interest earnings	486	801	985	758	1,073	1,179	1,974	1,905	1,111	730
Fines and forfeitures	907	933	1,162	1,149	1,218	1,152	1,272	1,301	1,259	1,164
Miscellaneous	1,164	758	875	1,593	1,803	1,276	1,544	1,515	2,178	1,715
Increase in Investment Fair Value	0	0	0	0	0	0	0	394	92	262
Total revenues	\$28,485	\$29,482	\$31,757	\$33,203	\$35,539	\$38,201	\$41,339	\$46,645	\$48,360	\$46,480

(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**

Collection Year	(1) Billed	(2) Collected	Percentage Collected
1994	\$4,195,749	\$4,124,426	98.30
1995	\$4,278,253	\$4,235,524	99.00
1996	\$4,516,177	\$4,439,402	98.30
1997	\$4,633,640	\$4,780,081	103.16
1998	\$4,727,232	\$4,561,403	98.44
1999	\$5,175,830	\$4,837,000	93.45
2000	\$5,208,503	\$5,145,764	98.80
2001	\$4,789,377	\$4,856,136	101.39
2002	\$5,420,160	\$5,062,541	93.40
2003	\$6,097,196	\$5,587,882	91.65

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

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

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

Tax Levy/ Collection Year	Real Property		Personal Property (1)	
	Assessed	Estimated Actual	Assessed	Estimated Actual
1992/1993	\$386,523,770	\$1,104,353,629	\$184,235,170	\$736,940,680
1993/1994	\$429,178,780	\$1,226,225,086	\$156,254,003	\$625,016,012
1994/1995	\$472,913,080	\$1,351,180,229	\$142,102,798	\$568,411,192
1995/1996	\$479,889,030	\$1,371,111,514	\$159,765,906	\$639,063,624
1996/1997	\$532,779,540	\$1,522,227,257	\$177,047,357	\$708,189,428
1997/1998	\$564,341,260	\$1,612,403,600	\$202,162,822	\$808,651,288
1998/1999	\$570,896,656	\$1,631,133,029	\$188,367,171	\$753,468,684
1999/2000	\$622,983,930	\$1,779,954,085	\$210,395,072	\$841,580,288
2000/2001	\$636,123,788	\$1,817,496,628	\$215,164,970	\$860,659,880
2001/2002	\$652,340,540	\$1,863,830,207	\$237,371,433	\$949,485,732
2002/2003	\$752,102,840	\$2,148,865,365	\$248,818,345	\$995,273,380

(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.

Public Utility (2)		Totals		Assessed Value	Tax Levy/
Assessed	Estimated Actual	Assessed	Estimated Actual	as a Percent of Estimated Actual Value	Collection Year
\$51,268,100	\$204,915,200	\$622,027,040	\$2,046,209,509	30.40	1992/1993
\$54,163,150	\$216,484,394	\$639,595,933	\$2,067,725,492	30.93	1993/1994
\$55,286,720	\$221,146,880	\$670,302,598	\$2,160,738,301	31.02	1994/1995
\$55,223,380	\$220,893,520	\$694,878,316	\$2,231,068,658	31.15	1995/1996
\$54,505,910	\$218,023,640	\$764,332,807	\$2,448,440,325	31.22	1996/1997
\$53,128,190	\$212,512,760	\$819,632,272	\$2,633,567,648	31.12	1997/1998
\$54,545,990	\$218,183,960	\$813,809,721	\$2,602,785,673	31.27	1998/1999
\$55,443,990	\$158,411,400	\$888,822,992	\$2,779,945,773	31.97	1999/2000
\$52,757,620	\$211,030,480	\$904,046,378	\$2,889,186,988	31.29	2000/2001
\$35,230,090	\$140,920,360	\$924,942,063	\$2,954,236,299	31.31	2001/2002
\$39,555,880	\$158,223,520	\$1,040,477,065	\$3,302,362,265	31.51	2002/2003

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

City of Middletown							
Collec- tion Year	Operating	Police and Fire Pension	Debt Retirement	City of Middletown Total	Butler County	Middletown City School District	Total
1994	5.26	0.60	0.70	6.56	7.44	32.88	46.88
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

(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**

Collection Year	Billed	Collected	Percentage Collected	Accumulated Delinquent
1994	\$531,607	\$511,722	96.3%	\$191,009
1995	\$507,808	\$506,804	99.8%	\$192,013
1996	\$557,611	\$560,260	100.5%	\$189,364
1997	\$523,002	\$591,053	113.0%	\$68,051
1998	\$625,000	\$626,228	100.2%	\$66,823
1999	\$706,541	\$747,284	105.8%	\$26,080
2000	\$748,297	\$731,531	97.8%	\$42,846
2001	\$879,850	\$864,013	98.2%	\$40,309
2002	\$741,490	\$623,248	84.1%	\$83,226
2003	\$500,939	\$557,436	111.3%	\$26,729

(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

Fiscal Year	Population (1)	Assessed Value	Gross General Bonded Debt	Less Cash Available in Debt Service Funds
1994	48,494	\$639,595,933	\$17,117,536	\$290,897
1995	48,902	\$670,302,598	\$17,731,765	\$347,950
1996	49,522	\$694,878,316	\$21,425,482	\$371,374
1997	50,231	\$764,332,807	\$20,627,803	\$120,395
1998	50,836	\$819,632,272	\$19,513,498	\$147,041
1999	51,003	\$813,809,721	\$31,624,840	\$493,064
2000	51,605	\$888,822,992	\$30,379,429	\$1,085,021
2001	51,605	\$904,046,378	\$28,907,439	\$749,433
2002	51,605	\$924,942,063	\$26,965,296	\$628,368
2003	51,605	\$1,040,477,065	\$29,797,297	\$141,400

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

Source: City of Middletown Finance Department.

Less Debt Payable from Enterprise Funds	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Per Capital Net General Bonded Debt	Fiscal Year
\$8,717,000	\$8,109,639	1.27%	\$167	1994
\$8,240,000	\$9,143,815	1.36%	\$187	1995
\$9,995,000	\$11,059,108	1.59%	\$223	1996
\$9,570,000	\$10,937,408	1.43%	\$218	1997
\$9,105,000	\$10,261,457	1.25%	\$202	1998
\$11,160,000	\$19,971,776	2.45%	\$392	1999
\$10,565,000	\$18,729,408	2.11%	\$363	2000
\$9,960,000	\$18,198,006	2.01%	\$353	2001
\$9,315,000	\$17,021,928	1.84%	\$330	2002
\$9,125,000	\$20,530,897	1.97%	\$398	2003

**CITY OF MIDDLETOWN, OHIO
 COMPUTATION OF LEGAL DEBT MARGIN
 UNVOTED DEBT LIMIT (5.5 %)
 December 31, 2003
 Table 8 (A)**

Assessed valuations:		
Total assessed property value		<u><u>\$ 1,040,477,065</u></u>
Legal unvoted debt margin:		
Unvoted debt limit 5.5% of assessed valuation		\$ 57,226,239
Total unvoted bonded debt outstanding at December 31, 2003	\$ 29,797,297	
Less: Unvoted general obligation bonds to be paid from enterprise fund revenues	(9,125,000)	
Unvoted general obligation bonds issued to fund urban renewal projects	(9,160,000)	
Unvoted general obligation bonds issued in anticipation of the collection of special assessments (1)	<u>(2,857,297)</u>	
Total	8,655,000	
Less: Cash in debt service fund	<u>141,400</u>	
Net subject to 5.5% limit		<u>\$ 8,513,600</u>
Total legal unvoted debt margin		<u><u>\$ 48,712,639</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 LEGAL DEBT MARGIN
 VOTED AND UNVOTED DEBT LIMIT (10.5%)
 December 31, 2003
 Table 8 (B)**

Assessed valuations:		
Total assessed property value		<u><u>\$ 1,040,477,065</u></u>
Legal voted and unvoted debt margin:		
Voted and unvoted debt limit 10.5% of assessed valuation		\$ 109,250,092
Total voted and unvoted bonded debt outstanding at December 31, 2003	\$ 29,797,297	
Less: Unvoted general obligation bonds to be paid from enterprise fund and internal service fund revenues	(9,125,000)	
Unvoted general obligation bonds issued to fund urban renewal projects	(9,160,000)	
Unvoted general obligation bonds issued in anticipation of the collection of special assessments (1)	<u>(2,857,297)</u>	
Total	8,655,000	
Less: Cash in debt service fund	<u>141,400</u>	
Net subject to 10.5% limit		<u>8,513,600</u>
Total legal voted and unvoted debt margin		<u><u>\$ 100,736,492</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, 2003
Table 9

Political Subdivision	General Bonded Debt	Percent Applicable to City	City's Share
City of Middletown	\$17,815,000	100.0	\$17,815,000
Butler County	45,480,000	13.8	6,276,240
Warren County	<u>900,000</u>	8.1	<u>72,900</u>
Total	\$64,195,000		\$24,164,141

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

Fiscal Year	Principal	Interest and Fiscal Charges	Debt Service	Total General Expenditures	Ratio of Debt Service to Total General Expenditures
1994	\$870,000	\$510,580	\$1,380,580	\$33,380,497	4.1
1995	\$1,140,771	\$783,299	\$1,924,070	\$32,383,058	5.9
1996	\$1,347,000	\$720,426	\$2,067,426	\$34,433,034	6.0
1997	\$1,117,018	\$838,579	\$1,955,597	\$35,895,394	5.4
1998	\$875,743	\$715,908	\$1,591,651	\$34,345,520	4.6
1999	\$913,376	\$754,426	\$1,667,802	\$36,408,780	4.6
2000	\$1,236,780	\$1,191,866	\$2,428,646	\$42,175,729	5.8
2001	\$1,231,658	\$1,136,965	\$2,368,623	\$48,280,677	4.9
2002	\$1,287,144	\$1,077,457	\$2,364,601	\$58,552,771	4.0
2003	\$1,312,229	\$1,004,621	\$2,316,850	\$56,042,253	4.1

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			Coverage
				Principal	Interest	Total	
<i>Water</i>							
1994	\$5,245,029	\$3,970,845	\$1,274,184	\$222,500	\$200,198	\$422,698	3.01
1995	\$5,072,962	\$4,307,645	\$765,317	\$683,200	\$228,390	\$911,590	0.84
1996	\$5,209,994	\$4,040,121	\$1,169,873	\$165,000	\$170,464	\$335,464	3.49
1997	\$5,130,879	\$3,839,969	\$1,290,910	\$165,000	\$160,774	\$325,774	3.96
1998	\$4,991,289	\$3,965,041	\$1,026,248	\$110,000	\$151,152	\$261,152	3.93
1999	\$5,140,331	\$4,492,751	\$647,580	\$115,000	\$173,331	\$288,331	2.25
2000	\$5,338,202	\$2,886,657	\$2,451,545	\$400,000	\$285,062	\$685,062	3.58
2001	\$5,359,076	\$3,686,196	\$1,672,880	\$385,000	\$275,433	\$660,433	2.53
2002	\$5,554,681	\$4,133,045	\$1,421,636	\$380,000	\$264,805	\$644,805	2.20
2003	\$6,003,832	\$4,156,378	\$1,847,454	\$370,000	\$252,953	\$622,953	2.97

Sewer

1994	\$7,054,831	\$4,239,582	\$2,815,249	\$233,750	\$212,370	\$446,120	6.31
1995	\$6,371,050	\$4,055,246	\$2,315,804	\$502,071	\$259,050	\$761,121	3.04
1996	\$6,364,374	\$5,150,628	\$1,213,746	\$180,000	\$237,320	\$417,320	2.91
1997	\$5,888,343	\$3,970,440	\$1,917,903	\$195,000	\$140,565	\$335,565	5.72
1998	\$5,824,247	\$4,142,245	\$1,682,002	\$150,000	\$152,100	\$302,100	5.57
1999	\$6,153,529	\$4,011,458	\$2,142,071	\$160,000	\$81,285	\$241,285	8.88
2000	\$6,229,722	\$3,053,316	\$3,176,406	\$170,000	\$73,605	\$243,605	13.04
2001	\$5,831,642	\$3,892,100	\$1,939,542	\$175,000	\$65,105	\$240,105	8.08
2002	\$5,504,843	\$4,365,161	\$1,139,682	\$185,000	\$56,093	\$241,093	4.73
2003	\$5,216,613	\$4,426,056	\$790,557	\$190,000	\$46,288	\$236,288	3.35

(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, 2003
Table 12 (A)**

Population

Year	City of Middletown	Butler County
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

	City of Middletown	Butler County	State of Ohio
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, 2003
Table 12 (B)**

2000 Census of Employed Persons

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

Source: 2000 U.S. Census

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

<i>Employment Data</i>			<i>Unemployment Percentage Rates</i>		
Year	Employed County/MSA	Unemployed County/MSA	City of Middletown	Butler County	State of Ohio
1994	152,400	8,600	7.90	5.37	5.53
1995	159,000	6,600	6.20	4.20	4.90
1996	160,800	6,800	6.10	3.40	4.90
1997	169,600	6,100	5.20	3.56	4.60
1998	172,500	5,900	5.00	3.40	4.20
1999	180,200	6,000	4.80	3.20	4.30
2000	183,600	5,700	4.50	3.00	4.10
2001	188,000	6,500	4.50	3.30	4.50
2002	189,200	7,200	5.50	4.40	5.70
2003	194,700	9,100	6.50	4.50	6.10

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

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

Fiscal Year	Industrial and Commercial Construction		Residential Construction		Property Value		
	# of Permits	Value	# of Permits	Value	Industrial and Commercial	Residential	Nontaxable
1994	123	\$23,076,415	520	\$ 13,866,723	\$336,802,163	\$302,793,770	\$88,184,630
1995	167	\$21,916,721	402	\$ 11,443,868	\$348,714,108	\$321,858,490	\$90,386,060
1996	142	\$18,421,031	348	\$ 13,699,542	\$325,297,899	\$326,422,380	\$82,453,310
1997	127	\$14,558,059	343	\$ 13,263,369	\$324,836,171	\$369,256,300	\$81,611,112
1998	165	\$32,841,518	448	\$ 12,117,541	\$378,357,482	\$387,992,590	\$81,726,156
1999	174	\$16,537,595	382	\$ 12,200,500	\$359,643,120	\$438,941,970	\$94,985,310
2000	146	\$14,776,814	326	\$ 7,716,633	\$366,412,190	\$446,452,110	\$94,553,410
2001	228	\$23,418,645	290	\$ 12,587,619	\$200,062,910	\$450,904,030	\$95,632,110
2002	152	\$16,516,930	261	\$ 6,670,195	\$218,052,540	\$532,027,110	\$94,616,100
2003	146	\$18,579,768	246	\$ 10,728,669	\$218,001,620	\$534,228,700	\$93,712,155

(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, 2003
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	2.92%
Precision Strip	Steel processing	4,163,700	0.55%
Southwestern Ohio Steel	Steel processing	4,061,850	0.54%
Garden Manor	Retirement home	3,567,790	0.47%
Trinity Place Comm	Apartment complex	2,466,920	0.33%
Bavarian Woods	Apartment complex	2,271,850	0.30%
Bay West Paper Company	Paper and packaging	1,780,300	0.24%
Riverside Village LTD	Apartment complex	1,765,880	0.23%
Akers Packaging	Box manufacturing	1,684,510	0.22%
Jefferson Smurfit Corporation	Paper and packaging	1,630,590	0.22%
Total		\$ 45,368,100	6.03%

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	54.47%
Bay West Paper Company	Paper and packaging	14,035,140	5.64%
Jefferson Smurfit Corporation	Paper and packaging	6,319,360	2.54%
Southwestern Ohio Steel	Steel processing	5,753,220	2.31%
Aeronca, Inc.	Aircraft parts manufacturing	4,817,950	1.94%
Messer Greisheim Industries	Steel trimming	4,698,310	1.89%
Air Products & Chemicals	Industrial gas manufacturing	3,972,470	1.60%
Pre Finish Metals, Inc.	Metal processing	3,874,190	1.56%
Pilot Chemical Company	Industrial gas manufacturing	3,871,170	1.56%
J & F Steel Corporation	Steel processing	2,363,860	0.95%
Total		\$ 185,232,500	74.44%

Source: Butler County Auditor's Office

**CITY OF MIDDLETOWN, OHIO
MISCELLANEOUS STATISTICS
December 31, 2003
Table 15**

Date of incorporation	1837
Form of government	Council - Manager
Number of employees	466
Area	25.8 square miles
Miles of streets	231
Fire protection:	
Number of stations	5
Number of sworn firemen	89
Police protection:	
Number of stations	1
Number of sworn policemen	89
Municipal water department:	
Number of customers	19,877
Miles of water mains	337
Sewers:	
Miles of sanitary and storm sewer	307
Building permits issued 2003	392
Recreation:	
Parks	36 (31 developed, 5 undeveloped)
Pools	2
Community center	1
Senior activity center	1
Golf courses:	
Municipal	1
Private	2
Transportation	
Air:	
Number of airports	1
Number of freight airlines	1
Land:	
Interstate bus lines	1
Local bus lines	1
Rail:	
Number of railroad systems	2
Education:	
Miami University - Middletown Students	2,856

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



**Auditor of State
Betty Montgomery**

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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 19, 2004**