

**CITY OF MIDDLETOWN, OHIO**

Schedule of Expenditures of Federal Awards  
And Other OMB Circular A-133 Reports

Year Ended December 31, 2005





**Auditor of State  
Betty Montgomery**

Mayor and Council  
City of Middletown  
One Donham Plaza  
Middletown, Ohio 45042-1901

We have reviewed the *Independent Auditors' Report* of the City of Middletown, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

July 20, 2006

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# CITY OF MIDDLETOWN, OHIO

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**CITY OF MIDDLETOWN  
BUTLER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Community Development Block Grant Entitlements	N/A	14.218	\$ 1,145,798
Housing Assistance for Low Income Families - Section 8	N/A	14.856	8,358,115
<i>Passed Through Butler County Department of Community Development Home Program - Investment Partnership Program</i>	N/A	14.239	311,472
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>9,815,385</u></b>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Local Law Enforcement Block Grant - 2004	N/A	16.592	8,959
Public Safety Partnership and Community Policing Grant (COPS)	N/A	16.710	143,079
<b>Total U.S. Department of Justice</b>			<b><u>152,038</u></b>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Public Transportation for Urbanized Areas			
Operating Assistance	N/A	20.507	282,251
Capital Assistance	N/A	20.507	184,932
Paratransit Grant	N/A	20.507	30,883
Planning Grant	N/A	20.507	24,729
Total Public Transportation of Urbanized Areas			<u>522,795</u>
<i>Passed through Ohio Department of Transportation Federal Aviation Administration (FAA)</i>	03-1809	20.106	150,747
<b>Total U.S. Department of Transportation</b>			<b><u>673,542</u></b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed through the Ohio Department of Health Passed through the City of Hamilton, Butler County</i>			
Immunization Action Plan	182-B	93.268	41,919
Public Health Infrastructure		93.283	19,407
Block Grant Maternal and Child Health Services	9-2-01-F-AI-320	93.994	223,429
<i>Passed through Butler County ESC</i>			
Help Me Grow	9-2-001-1-MC-04	93.600	<u>332,230</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>616,985</u></b>
<b><u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u></b>			
<i>Passed Through Ohio Emergency Management Agency</i>			
Public Assistance Grant	FEMA-3198-EM-017-49840	97.036	80,029
<b>Total Federal Emergency Management Agency</b>			<b><u>80,029</u></b>
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b><u>11,337,979</u></b>



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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

To the Honorable Mayor and  
Members of the City Council  
City of Middletown, Ohio:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Ohio ("City") as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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.

## Compliance and Other Matters

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

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

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
June 8, 2006



Clark, Schaefer, Hackett & Co.

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and  
Members of the City Council  
City of Middletown Ohio:

Compliance

We have audited the compliance of City of Middletown, Ohio ("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, 2005. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Middletown, Ohio 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, 2005.

### Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be 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 Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2005, and have issued our report thereon dated June 8, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of the City of Middletown, Ohio. 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 Mayor and Members of City Council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Haskett & Co.*

Cincinnati, Ohio  
June 8, 2006

**CITY OF MIDDLETOWN OHIO**

Schedule of Findings and Questioned Costs

Year Ended December 31, 2005

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued :	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Reportable condition(s) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

**Federal Awards**

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Reportable condition(s) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	none
Identification of major programs:	
<i>CFDA 14.856 – Housing Assistance for Low Income Families – Section 8</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$340,139
Auditee qualified as low-risk auditee?	yes

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.

**CITY OF MIDDLETOWN OHIO**

Schedule of Prior Audit Findings

Year Ended December 31, 2005

The prior audit disclosed no instances of noncompliance that were required to be reported in accordance with *Government Auditing Standards* or noncompliance with requirements of major federal programs. In addition, no reportable conditions or material weaknesses with respect to internal controls over financial reporting or internal controls over compliance were reported in the prior year.

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the year ended December 31, 2005**



**CITY OF MIDDLETOWN, OHIO**

**CITY OF MIDDLETOWN, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the year ended December 31, 2005**

**Prepared by**  
**Finance Department**

**John T. Lyons**  
**Finance Director**

**CITY OF MIDDLETOWN, OHIO  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the year ended December 31, 2005**

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## **INTRODUCTORY SECTION**

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June 20, 2006

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, 2005, contains the financial statements and other financial and statistical data that provide a complete and full disclosure of all material financial aspects of the City. The responsibility for the accuracy of all data presented its completeness and fairness of presentation rests with the City of Middletown.

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

The CAFR is organized in three sections: the Introductory Section, the Financial Section and the Statistical Section. The Introductory Section contains a table of contents, letter of transmittal, organization chart, list of elected officials and a Certificate of Achievement for Excellence in Financial Reporting for the 2004 CAFR. The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, required supplemental information, the Combining Statements for non major funds and other schedules that provide detailed information relative to the Basic Financial Statements. The Statistical Section provides selected financial, economic and demographic information which may be used to indicate trends for comparative fiscal periods.

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

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

## **MIDDLETOWN**

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

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

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

### **Recreation and Shopping**

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

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

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

## **Education**

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

- The Blueprint's five-year strategic plan addresses the challenges of today (and tomorrow), shaping new approaches to education and learning. Key components include staff development, innovative programs, technology, business-education partnerships, and other programs.
- The Effective Schools Program encourages site-based decision-making that allows teachers to design specially tailored programs for the students they teach. The success of this creative program is due to dedication and effort on everyone's part - parents, teachers, and school administrators.
- The Blueprint ensures ongoing, long-range, educational planning that reflects the community's needs. Yet the focus remains the same: Prepare all students to produce a level of quality in their school work and to cultivate a set of accompanying skills and talents that will assure their future employment or education.
- In November 2004, Middletown voters approved a \$75.8 million bond issue to replace all of Middletown's elementary schools with eight new school buildings. In May 2005, voters again approved a \$14.3 million school property tax levy to pay for the operations of the Middletown school system.

## **Post-Secondary Education**

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

The Southwestern Ohio and Northern Kentucky region is home to more than 10 other highly rated colleges and universities.

## **Health Care**

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

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

## **Economic Outlook**

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

In 2005, "Middletown Moving Forward," a new community improvement corporation was formed. This group, which is comprised of local business persons and Middletown government officials, was established to assist in the City's economic efforts. In late 2005, the City contracted for the purchase of a twenty-nine acre tract located east of Interstate 75. This land will be marketed by the newly established Community Improvement Corporation to developers, the goal is job creation.

The City hired its first Economic Development Director in 2005. The new Director developed an 'Economic Development Strategic Plan' which supports the City's 2005-2010 Master Plan. The Master Plan was also completed in 2005.

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

## **Profile of the Government**

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

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

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

## **CITY SERVICES/INITIATIVES**

### **Present**

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

The City's 2005 initiatives emphasized capital improvements in the City.

### **MIDDLETOWN REGIONAL HOSPITAL**

The City of Middletown signed an agreement in December 2002 obligating it to expend \$5.5 million to acquire land for Middletown Regional Hospital which planned to relocate in the eastern edge of Middletown. In December 2003, Middletown issued general obligation bonds in the amount of \$5,640,00 to acquire land for the future Hospital. This land was acquired in January 2004. The general obligation bonds will be retired over twenty years with property taxes and local income tax revenues generated by the Hospital's \$100-\$150 million medical campus project. Construction for this project began in mid 2005. The project will be completed in 2007.

### **HOOK FIELD MUNICIPAL AIRPORT**

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

### **LAND PURCHASE**

In mid 2005, the City of Middletown purchased 30 acres of land in the vicinity of the location of the New Middletown Regional Hospital. This land will be marketed through the City's new community improvement corporation, Middletown Moving

Forward. The plan is to sell the land, which is adjacent to I-75 for a suitable economic development project.

**Future**

In 2003, a Storm Water Advisory Committee was created to identify important storm water issues in the community and recommend a course of action to resolve these issues. In 2005, City Council approved the recommendation of the Storm Water Advisory Committee for the City of Middletown to implement a Storm Water Utility for which each residence would be charged a fixed amount per month. This program began January 1, 2006, with a monthly charge of \$3.25 for each residence appearing on January water bills. Non-residential properties will be charged a rate of \$3.25 per month per equivalent residential unit or for each 2,814 square feet of impervious property surface which is the average area for a typical residential lot in the city. The Storm Water Utility fee is projected to provide approximately \$1.5 million per year to assist with storm water maintenance and capital improvement issues.

**Property Taxes/Local Income Taxes**

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

The City’s property tax rate is 5.90 mils or \$5.90 per \$1,000 of taxable valuation. Real property is assessed at 35% of 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>
2000	2001	\$ 904,046,378	\$ 5,145,762
2001	2002	\$ 924,942,063	\$ 4,856,134
2002	2003	\$1,040,477,065	\$ 5,021,099
2003	2004	\$1,045,301,496	\$ 5,679,391
2004	2005	\$1,044,098,574	\$ 5,903,584

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>	
2001	\$17,778,038
2002	\$17,904,919
2003	\$17,347,220
2004	\$18,208,511
2005	\$17,949,152

## **FINANCIAL INFORMATION**

### **Accounting Controls**

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

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

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

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

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

### **Budgetary Controls**

Detailed provisions for the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and the City Charter. The City Manager, with the assistance of the Finance Director, is required to submit to Council a tax budget of estimated revenues and expenditures for all funds, except agency funds, for the succeeding fiscal year by the first council meeting in July. The budget is required to be adopted by the legislative body by July 15 and to be submitted to the County Budget Commission by July 20 of each year. City Council is required by Charter to adopt a permanent appropriation measure for the ensuing fiscal year no later than January 1<sup>st</sup>. On November 16, 2004, City Council adopted the 2005 fiscal year permanent appropriation measure.

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

Budgetary control is maintained by an encumbrance of purchase commitment amounts prior to the release of purchase orders to vendors. Requisitions for the expenditure of

monies are submitted to the Finance Director for certification of funds and preparation of purchase order after approval of the appropriate Department Director. The purchase order is reviewed for the availability of funds and the estimate authorizes additional appropriations. Unencumbered appropriations lapse at the end of each year.

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

### **Cash Management**

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

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

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

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

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

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

### **Risk Management**

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

The City is self insured for medical claims by its employees. A stop loss policy pays all claims in excess of \$100,000 submitted by any person covered by the City. The policy also covers the City if total claims exceed \$3.8 million. The City Plan is administered by Anthem of Ohio.

### **Other Information**

#### **Independent Audit**

The State of Ohio requires an annual audit by either the Auditor of State or by an independent public accounting firm. Clark, Schaefer, Hackett & Co. performed the City’s 2005 audit. The Independent Auditors’ Report on the City’s basic financial statements is included in the financial section of this Comprehensive Annual Financial Report.

## **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Middletown for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2004.

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.

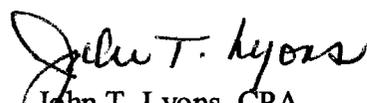
## **Acknowledgements**

The 2005 Comprehensive Annual Financial Report of the City of Middletown is the result of the combined efforts of the City's Finance Department and Clark, Schaefer, Hackett & Co., which was the City's auditor.

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

Respectfully submitted,

DEPARTMENT OF FINANCE

  
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, 2004

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.



*Carla E. Perry*

President

*Jeffrey R. Emery*

Executive Director

**CITY OF MIDDLETOWN, OHIO**

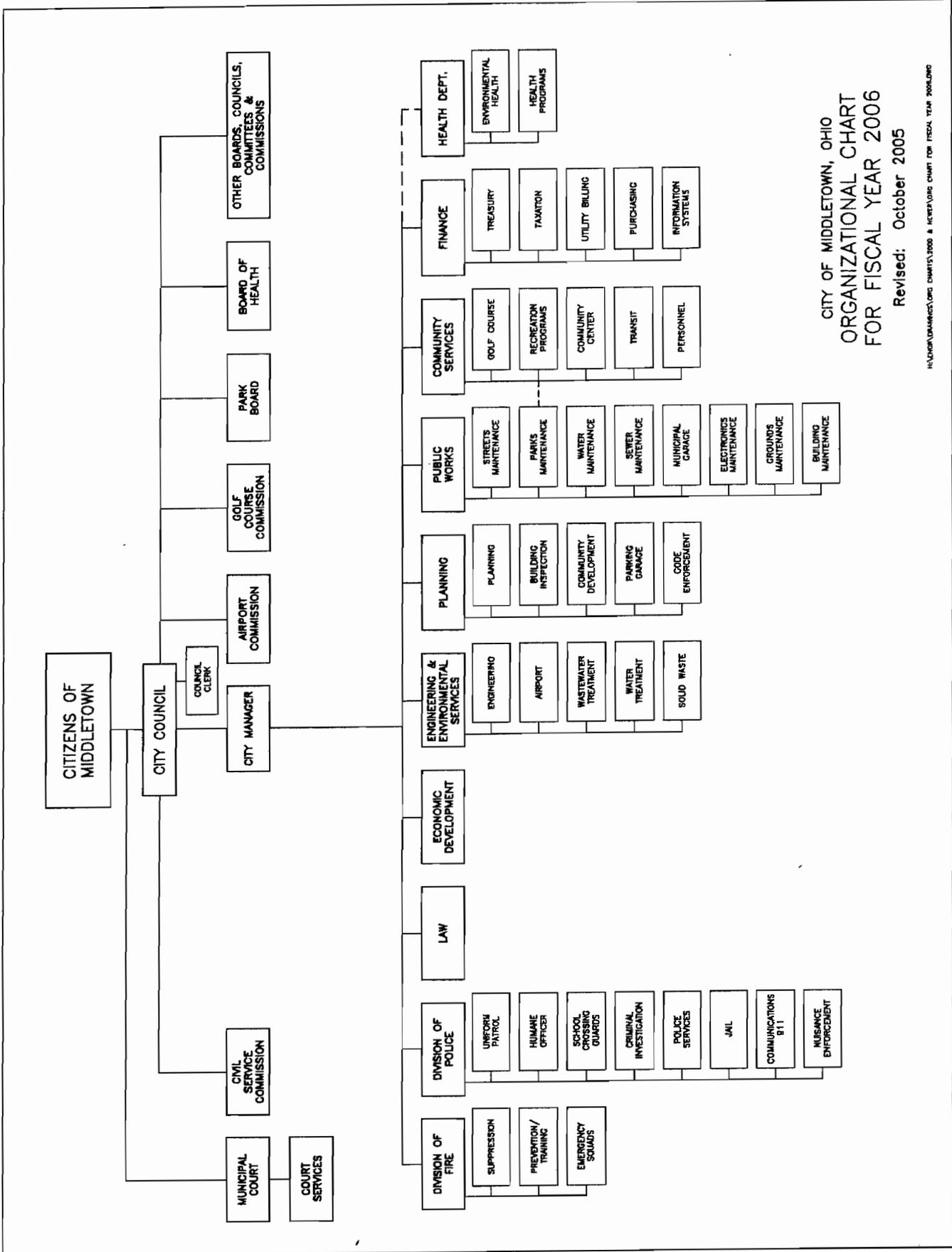
**Principal Officials  
December 31, 2005**

**Legislative**

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

**Executive/Administrative**

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



CITY OF MIDDLETOWN, OHIO  
 ORGANIZATIONAL CHART  
 FOR FISCAL YEAR 2006  
 Revised: October 2005

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## **FINANCIAL SECTION**

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**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

## **INDEPENDENT AUDITORS' REPORT**

To the City Council  
City of Middletown, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Ohio (the City), as of and for the year ended December 31, 2005, 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Ohio as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2006, on our consideration of City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 16 and 66 through 71, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
June 8, 2006

## 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, 2005. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the transmittal letter on page i, and the City's financial statements, which begin on page 18.

### I. USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements.

#### The Basic Financial Statements

- Financial Statements for the City as Whole. The Statement of Net Assets and the Statement of Activities (pages 18 and 19) provide information about the activities of the City as a whole and present a longer-term view of the City's finances.
- Individual Fund Financial Statements. Fund financial statements also reflect the City's operations in more detail than the government-wide financial statements by providing information about the City's major funds. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. These statements begin on page 20.
- Fiduciary Financial Statements. The fiduciary statements (page 36) provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.
- Notes to the Basic Financial Statements. The Notes provide helpful information explaining the City's significant accounting procedures and providing greater detail regarding financial statement components.

#### Required Supplementary Information

- Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. Schedules (pages 67 to 71) are presented for the General Fund and major special revenue funds that compare actual results to the original and final budgets for those funds.

## Supplementary Information

- Combining Financial Statements. These statements (starting on page 78) provide financial information regarding non-major individual funds, which have been aggregated in the basic financial statements.
- Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. These schedules compare actual results to the original and final budgets for the major and non-major governmental funds. These schedules begin on page 88.
- Capital Asset Schedules. Schedules (pages 150-152) showing information regarding the City's investment in capital assets.

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

#### Government-wide statements

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

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

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

- Governmental activities – City service departments reported here include the Police and Fire Divisions, the Municipal Court, the Public Works Department, the Planning Department, general government support departments and the City Health Department. Local income taxes, property taxes, and state and federal grants finance most of these activities.
- Business-type activities - The City of Middletown provides water, sewer and refuse services to its customers and charges fees to cover the costs of these operations. Other city business-type activities which are financed with fees are the City parking garage, the City airport, and the Middletown transit system and Weatherwax Golf Course.

## **B. Reporting the City's Most Significant Funds**

### Fund financial statements

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

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

## C. The City as Fiscal Agent

### Reporting the City's Fiduciary Responsibilities

The City is responsible in a fiduciary capacity for other assets that can only be used for designated beneficiaries. The financial statements for these funds are reported beginning on page 36. The City has three agency funds. The Conservancy fund records the city property tax levy which is collected on the behalf of the Miami Conservancy District. The Payroll Clearing fund accounts for the employee payroll withholdings due to other agencies and private businesses. The Municipal Court fund accounts for the activities of the Municipal Court collections which are due to other agencies and to certain individuals. The City acts as the collection agent for these separate activities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

## II. THE CITY AS A WHOLE

### A. Net assets at year-end

The following table presents a condensed summary of the City's overall financial position at December 31, 2005 (in thousands):

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

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Current and other assets	\$ 52,403	50,202	15,819	16,979	68,222	67,181
Capital assets	<u>49,286</u>	<u>44,394</u>	<u>50,217</u>	<u>47,954</u>	<u>99,503</u>	<u>92,348</u>
Total assets	101,689	94,596	66,036	64,933	167,725	159,529
Long-term debt outstanding	32,267	32,642	8,717	8,818	40,984	41,460
Other liabilities	<u>14,223</u>	<u>13,113</u>	<u>2,938</u>	<u>2,651</u>	<u>17,161</u>	<u>15,764</u>
Total liabilities	46,490	45,755	11,655	11,469	58,145	57,224
Net assets:						
Invested in capital assets, net of debt	23,946	22,142	41,012	39,549	64,958	61,691
Restricted	27,448	24,431	711	711	28,159	25,142
Unrestricted	<u>3,605</u>	<u>2,267</u>	<u>12,658</u>	<u>13,204</u>	<u>16,263</u>	<u>15,471</u>
Total net assets	54,999	48,840	54,381	53,464	109,380	102,304
Beginning net assets	48,840	46,736	53,465	51,923	102,305	98,659
Net increase	<u>6,159</u>	<u>2,104</u>	<u>916</u>	<u>1,541</u>	<u>7,075</u>	<u>3,645</u>
Ending net assets	\$ <u>54,999</u>	<u>48,840</u>	<u>54,381</u>	<u>53,464</u>	<u>109,380</u>	<u>102,304</u>

Net assets at year end increased by \$6,159 (i.e. 12.9%) versus an increase of \$2,104 in 2004 in the Governmental activities area. This change is a result of a \$4,892 increase in capital assets (i.e. land and infrastructure) and a \$3,997 increase in payments due from other governments.

Business type activities net assets grew by \$916 (i.e. 1.7%). Most of this increase came from the Airport fund capital assets. The City purchased the airport buildings owned by the airport fixed based operator in 2005.

#### **B. Governmental and Business-type Activities during 2005**

The following table (in thousands) presents a condensed summary of the City's activities during 2005 and the resulting changes in net assets. Of the total General Government revenues of \$52,829, \$22,146 (42%) was from program revenue. This means that the government relied on tax revenues and unrestricted grants to fund 58% of its public safety, public works, and other services. Local income and property taxes totaled \$23,950 in 2005. This was about 78% of the City's general revenues.

For business type activities, revenues remained close to 2004 levels as the increase in operating and capital grants offset the decreased charges for services in the City's water and sewer funds.

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

	<u>Governmental</u>		<u>Business-</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 6,165	4,070	16,666	16,891	22,831	20,961
Operating grants & contributions	14,421	6,895	1,139	184	15,560	7,079
Capital grants and contributions	<u>1,560</u>	<u>9,125</u>	<u>151</u>	<u>654</u>	<u>1,711</u>	<u>9,029</u>
Total program revenues	22,146	20,090	17,956	17,729	40,102	37,069
<u>General revenues:</u>						
Income taxes	18,009	17,959	338	238	18,347	18,197
Property taxes	5,941	5,654	-	-	5,941	5,654
Other taxes	3,046	3,445	-	-	3,046	3,445
Grants and contributions not restricted	6	69	-	-	6	69
Investment earnings	485	529	291	201	776	730
Other	<u>3,196</u>	<u>3,560</u>	<u>-</u>	<u>-</u>	<u>3,196</u>	<u>3,560</u>
Total general revenues	<u>30,683</u>	<u>31,216</u>	<u>629</u>	<u>439</u>	<u>31,312</u>	<u>31,655</u>
Total revenues	52,829	51,306	18,585	18,168	71,414	68,724
Expenses						
Public safety	22,420	22,544	-	-	22,420	22,544
Public health	1,247	1,471	-	-	1,247	1,471
Leisure activities	1,661	877	-	-	1,661	877
Community environment	11,022	13,033	-	-	11,022	13,033
Highways and streets	2,560	3,614	-	-	2,560	2,864
General government	4,674	4,389	-	-	4,674	4,389
Miscellaneous	1,636	1,832	-	-	1,636	1,832
Interest on long-term debt	1,506	1,375	-	-	1,506	1,375
Water	-	-	6,002	5,265	6,002	5,265
Sewer	-	-	5,640	5,505	5,640	5,505
Transit	-	-	1,256	1,066	1,256	1,066
Golf Course	-	-	1,881	1,727	1,881	1,727
Solid Waste	-	-	2,280	2,236	2,280	2,236
Other business type activities	-	-	554	895	554	895
Total expenses	<u>46,726</u>	<u>49,135</u>	<u>17,613</u>	<u>16,694</u>	<u>64,339</u>	<u>65,079</u>
Increase in net assets before transfers	6,103	2,171	972	1,474	7,075	3,645
Transfers	56	(67)	(56)	67	-	-
Increase in net assets	<u>6,159</u>	<u>2,104</u>	<u>916</u>	<u>1,541</u>	<u>7,075</u>	<u>3,645</u>
Beginning net assets	48,840	46,736	53,464	51,923	102,304	98,659
Ending net assets	\$ <u>54,999</u>	<u>48,840</u>	<u>54,380</u>	<u>53,464</u>	<u>109,379</u>	<u>102,304</u>

**1) Governmental activities during 2005**

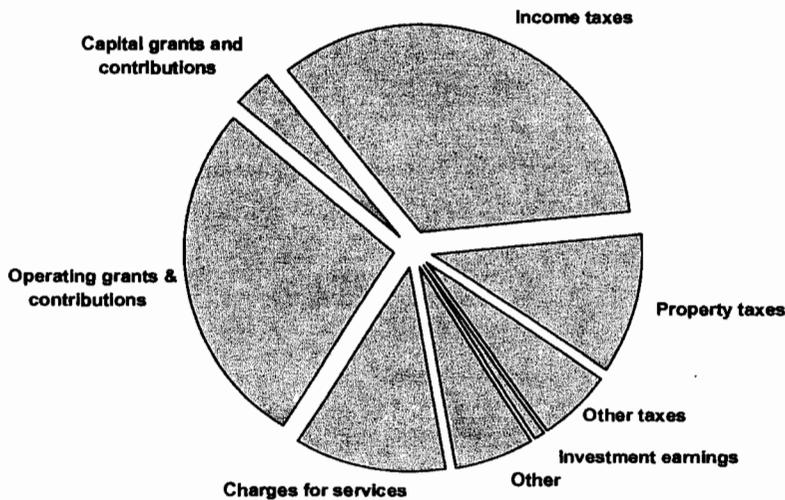
Table 3 presents the total cost of each of the government’s primary services and the net cost after deducting the revenues generated by these services. The City recouped about 48% of the cost of its services with program revenues. Public safety, the City’s most expensive program, covered about 13% of its costs with program revenues. Local tax receipts were used to fund the remaining costs of this service.

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

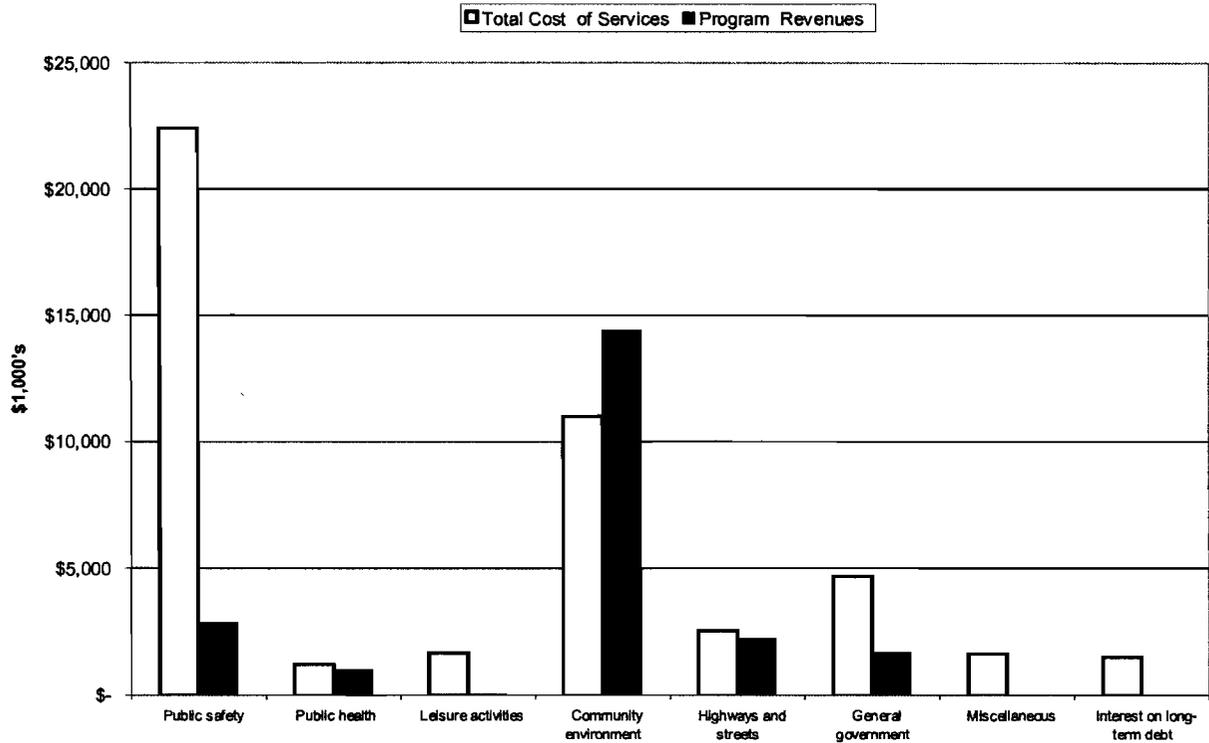
**Table 3  
Governmental Activities**

	<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	\$ 22,420	2,842	13%	(19,578)
Public health	1,247	1,005	81%	(242)
Leisure activities	1,661	18	1%	(1,643)
Community environment	11,022	14,393	131%	3,371
Highways and streets	2,561	2,204	86%	(357)
General government	4,674	1,685	36%	(2,989)
Miscellaneous	1,636	-	0%	(1,636)
Interest on long-term debt	1,506	-	0%	(1,506)
<b>Total</b>	<b>\$ 46,727</b>	<b>22,147</b>	<b>47%</b>	<b>(24,580)</b>

*Revenues by Source - Governmental Activities*



**Program Revenues and Expenses - Governmental Activities**



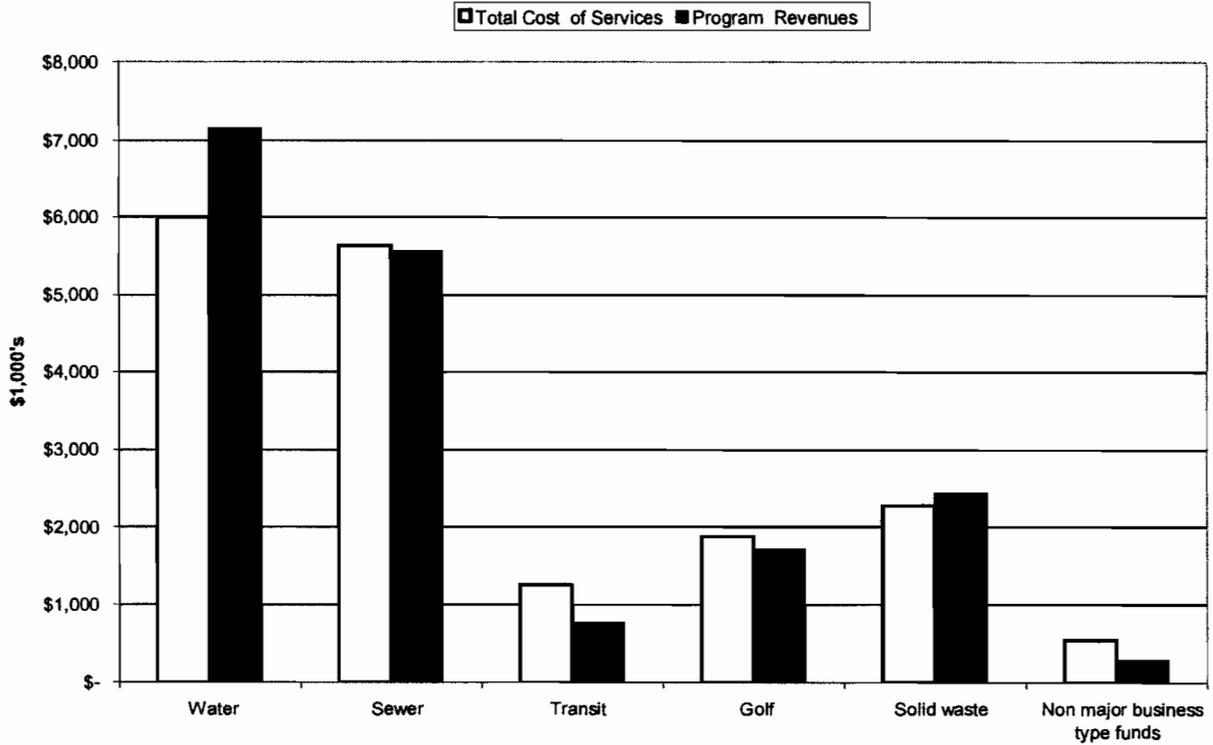
**2) Business-type activities during 2005**

The following table (in thousands) summarizes the business-type activities during 2005:

**Table 4  
Business-type Activities**

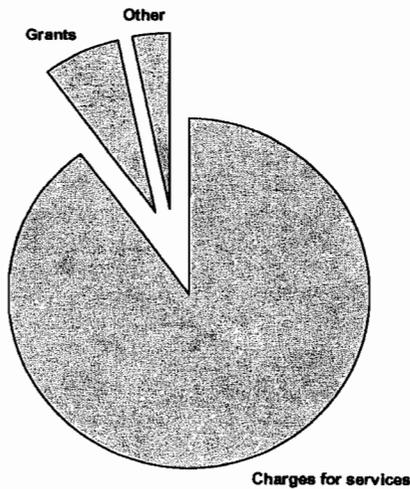
	<u>Total Cost of Services</u>	<u>Program Revenues</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Revenue from Operations</u>
Water	\$ 6,002	7,155	119%	1,153
Sewer	5,640	5,573	99%	(67)
Transit	1,256	771	61%	(485)
Golf	1,881	1,716	91%	(165)
Solid waste	2,280	2,453	108%	173
Non major business type funds	<u>554</u>	<u>286</u>	<u>52%</u>	<u>(268)</u>
Total	\$ <u>17,613</u>	<u>17,954</u>	<u>102%</u>	<u>341</u>

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



The City attempts to break even on its business-type activities and came close to that goal in 2005. The Water Fund had an operating surplus in 2005 to accumulate earnings for future capital investments. The Transit Fund deficit was covered by State and federal grants.

**Revenues by Source - Business Type Activities**



### 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 20. The City has thirty-six governmental funds, seven of which are considered major funds. Assets of those seven funds comprise (82%) of the total governmental funds' assets of \$51,571,184. The following table (rounded to nearest thousand) summarizes the activities of these seven major funds.

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

	<u>General Fund</u>	<u>Housing Assistance</u>	<u>Community Development Escrow</u>	<u>Special Assessment Debt Service</u>	<u>Capital Improvements</u>	<u>East End Development</u>	<u>Downtown Improvements</u>
Total assets \$	16,258,000	10,741,000	2,810,000	5,189,000	3,054,000	3,717,000	406,000
Total liabilities	<u>8,899,000</u>	<u>9,337,000</u>	<u>121,000</u>	<u>5,176,000</u>	<u>959,000</u>	<u>1,984,000</u>	<u>0</u>
Fund balance	<u>7,259,000</u>	<u>1,404,000</u>	<u>2,689,000</u>	<u>13,000</u>	<u>2,095,000</u>	<u>1,733,000</u>	<u>406,000</u>
Unreserved fund balance	<u>6,527,000</u>	<u>1,399,000</u>	<u>3,000</u>	<u>13,000</u>	<u>1,176,000</u>	<u>(1,858,000)</u>	<u>293,000</u>
Revenues	25,434,000	8,572,000	114,000	548,000	2,301,000	82,000	49,000
Expenditures	24,398,000	8,353,000	297,000	560,000	3,220,000	652,000	2,578,000
Other financing sources/uses	<u>(139,000)</u>	<u>0</u>	<u>0</u>	<u>(1,000)</u>	<u>(200,000)</u>	<u>4,315,000</u>	<u>0</u>
Net change in fund balance \$	<u>897,000</u>	<u>219,000</u>	<u>(183,000)</u>	<u>(13,000)</u>	<u>(1,119,000)</u>	<u>3,745,000</u>	<u>(2,529,000)</u>

**General Fund.** Fund balance at the end of 2005 was \$7,259,000, including \$6,527,000 of unreserved fund balance. This is 27% of 2005 expenditures. The General Fund's balance increased by \$897,000 in 2005. 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 2005, there were 1,554 Section 8 units in the City of Middletown.

**Community Development Escrow Fund.** This fund issues home repair loans to lower income residents. At the end of 2005, the fund balance of \$2,689,000 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.

**Capital Improvements Fund.** The \$1,176,000 unreserved fund balance in the Capital Improvements Fund will be used for future general improvements to streets, parks, and publicly owned buildings.

**East End Development Fund.** The \$1,858,000 deficit in this fund will be eliminated in 2007 when permanent financing is arranged for the Union Road Improvement Project which is recorded in this fund.

**Downtown Improvements Fund.** The \$293,000 fund balance in the Downtown Improvements Fund will be used for investment in economic development projects in the City of Middletown.

**B. Proprietary funds**

**1) Enterprise funds**

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

**Table 6  
Financial Highlights  
Enterprise Funds**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Transit Fund</u>	<u>Golf Fund</u>	<u>Solid Waste Fund</u>
Total assets	\$ 26,449,000	25,875,000	1,930,000	5,636,000	613,000
Total liabilities	<u>4,865,000</u>	<u>659,000</u>	<u>393,000</u>	<u>2,504,000</u>	<u>1,972,000</u>
Total net assets	<u>21,584,000</u>	<u>25,216,000</u>	<u>1,537,000</u>	<u>3,132,000</u>	<u>(1,359,000)</u>
Unrestricted net assets	<u>5,444,000</u>	<u>6,178,000</u>	<u>(12,000)</u>	<u>(415,000)</u>	<u>12,000</u>
Operating revenues	6,655,000	5,573,000	132,000	1,716,000	2,454,000
Operating expenses	5,782,000	5,616,000	1,256,000	1,771,000	2,165,000
Net non-operating revenues	400,000	129,000	791,000	(110,000)	(116,000)
Net change in net assets	\$ <u>1,247,000</u>	<u>57,000</u>	<u>(333,000)</u>	<u>(165,000)</u>	<u>173,000</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 2005 covered operating costs and \$342,000 was accumulated for future capital needs. The City Council increased water rates by 10% in 2005.

**Sewer Fund.** The Sewer Fund ended 2005 with a cash balance of \$5,675,000. This money was saved in anticipation of large capital needs in the next few years.

**Transit Fund.** The \$333,000 decrease in net assets in 2005 is the result of a reduction in Federal and State grants receivable at December 31, 2005.

**Golf Fund.** The City Golf Fund lost \$165,000 in 2005. This fund owed the City's General Fund \$350,000 at the end of 2005 for a working capital loan. The plan is to repay this debt over the next few years.

**Solid Waste Fund.** The Solid Waste charges to Middletown customers are set to cover the cost of the refuse contract with a private hauler and the annual debt service of \$287,000 on a landfill closure bond. At the end of 2005, the balance owed on this 1994 bond issue was \$1,790,000. The Solid Waste Fund carries a \$1,371,000 fund deficit because of this large debt liability.

## **2) Internal service funds**

Net assets at year-end and 2005 activity in the City's two internal service funds, are shown on page 29.

The City's Employee Benefits Fund made \$138,000 in 2005 and ended the year with net assets of \$138,000. The rising cost of health insurance puts a burden on the City's budget. Employer contributions to this fund have increased 8% in 2005. Future budget will allow for continuing 15% annual cost increases.

The other City internal service fund, the Municipal Garage Fund, ended the year with net assets of \$4,563,000. Money is being set aside for future vehicle purchases according to a multi-year plan developed by the Municipal Garage fleet managers. The Municipal Garage Fund cash balance at the end of 2005 was \$1,335,000.

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

The schedules comparing the City's original and final General Fund budgets to actual expenditures begin on page 67. The General Fund's original 2005 appropriation was increased during the year by \$374,000, and at year end, the General Fund's actual expenditures on a cash basis (budget basis) were \$1,138,000 (4%) 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 150-152.

The City had \$99,503,000 in net capital assets ranging from fire and police vehicles and equipment to water and sewer lines. The net capital assets reported do not include the investment in general government infrastructure made prior to 2002.

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

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

	<b>Governmental</b>	<b>Business-</b>	
	<b>Activities</b>	<b>Type</b>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Land	\$ 17,400,000	6,841,000	24,241,000
Land improvements	488,000	1,383,000	1,871,000
Buildings	12,098,000	18,379,000	30,477,000
Equipment	3,723,000	1,642,000	5,365,000
Infrastructure	0	21,972,000	21,972,000
General infrastructure	<u>15,577,000</u>	<u>0</u>	<u>15,577,000</u>
Total	<u>\$ 49,286,000</u>	<u>50,217,000</u>	<u>99,503,000</u>

The major capital assets constructed during 2005 included the following:

- Acquired land for economic development in the amount of \$ 2,500,000.
- Acquired airport buildings in the amount of \$1,555,000
- Spent \$3,000,000+ for street, curb, and gutter improvements City wide.

## **B. Debt**

The City issued \$4,315,000 in obligation bonds to fund the Towne Boulevard Extension Project. The largest issue was to refinance 2004 notes. Please refer to pages 55-58 in the Notes to the Financial Statement for detailed information on the City's debt.

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

In the last four years, Middletown has felt the affects of the national recession. Two local employers, Middletown Paperboard and Miami Packaging closed their Middletown facilities in 2002. AK Steel, the City's largest employer, eliminated two-hundred positions in its Middletown corporate office workforce in 2003. AK Steel reduced its work force further in 2004 and 2005.

The City budgeted conservatively for 2006. Revenue increases were budgeted at a 2% increase and 2005 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 2006.

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 48% over a three year period and future budgets and the City's three-year financial plan assume that the costs will continue to escalate at 15% annually.

## **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



**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and equity in pooled cash, deposits and investments	\$ 20,394,564	11,518,758	31,913,322
Cash with fiscal and escrow agent	1,040,434	-	1,040,434
Receivables (net of allowance for uncollectibles):			
Income taxes	3,203,134	-	3,203,134
Property taxes	5,725,230	-	5,725,230
Estate taxes	214,388	-	214,388
Accounts	794,232	2,025,306	2,819,538
Loans	1,865,750	564,364	2,430,114
Special assessments	5,176,567	-	5,176,567
Due from other governments	14,088,289	243,205	14,331,494
Inventory of supplies	765,992	602,618	1,368,610
Internal balances	(865,162)	865,162	-
Capital assets, net	<u>49,285,885</u>	<u>50,216,843</u>	<u>99,502,728</u>
<b>Total assets</b>	<b><u>101,689,303</u></b>	<b><u>66,036,256</u></b>	<b><u>167,725,559</u></b>
<b>Liabilities</b>			
Accounts payable and other current liabilities	1,672,504	786,037	2,458,541
Accrued wages and benefits	1,562,046	271,145	1,833,191
Accrued interest payable	201,935	75,787	277,722
Due to other governments	25,120	2,796	27,916
Unearned revenue	5,725,230	842,812	6,568,042
Notes payable	1,885,000	1,555,000	3,440,000
Non current liabilities:			
Due within one year	3,351,001	960,400	4,311,401
Due in more than one year	<u>32,267,363</u>	<u>7,161,775</u>	<u>39,429,138</u>
<b>Total liabilities</b>	<b><u>46,690,199</u></b>	<b><u>11,655,752</u></b>	<b><u>58,345,951</u></b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	23,946,414	41,011,843	64,958,257
Restricted for capital projects	5,837,806	-	5,837,806
Restricted for debt service	2,482,940	-	2,482,940
Restricted for housing assistance	10,625,218	-	10,625,218
Restricted for community development	2,688,671	-	2,688,671
Restricted for other purposes	5,813,377	711,431	6,524,808
Unrestricted	<u>3,604,678</u>	<u>12,657,230</u>	<u>16,261,908</u>
<b>Total net assets</b>	<b><u>\$ 54,999,104</u></b>	<b><u>54,380,504</u></b>	<b><u>109,379,608</u></b>

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF ACTIVITIES  
DECEMBER 31, 2005**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
Public safety	\$ 22,420,068	2,835,794	6,050	-	(19,578,224)	1,152,969	(19,578,224)
Public health and welfare	1,246,911	205,370	799,230	-	(242,311)	(66,721)	(242,311)
Leisure time activities	1,661,094	17,786	-	-	(1,643,308)	(484,537)	(1,643,308)
Community environment	11,021,824	776,984	13,616,098	-	3,371,258	173,152	3,371,258
Highways and streets	2,560,538	643,845	-	1,560,007	(356,686)	(267,601)	(356,686)
General government	4,673,919	1,685,509	-	-	(2,988,410)	342,279	(2,988,410)
Miscellaneous	1,636,356	-	-	-	(1,636,356)	-	(1,636,356)
Interest on long-term debt	1,505,839	-	-	-	(1,505,839)	-	(1,505,839)
Total governmental activities	46,726,549	6,165,288	14,421,378	1,560,007	(24,579,876)	342,279	(24,579,876)
<b>Business-type activities:</b>							
Water	6,002,437	6,655,406	500,000	-	1,152,969	1,152,969	1,152,969
Sewer	5,640,160	5,573,439	-	-	(66,721)	(66,721)	(66,721)
Transit	1,256,018	132,110	639,371	-	(484,537)	(484,537)	(484,537)
Golf Course	1,880,723	1,715,740	-	-	(164,983)	(164,983)	(164,983)
Solid Waste	2,280,492	2,453,644	-	-	173,152	173,152	173,152
Non Major	553,525	135,177	-	150,747	(267,601)	(267,601)	(267,601)
Total business-type activities	17,613,355	16,665,516	1,139,371	150,747	342,279	342,279	342,279
<b>Total</b>	\$ 64,339,904	22,830,804	15,560,749	1,710,754	(24,579,876)	342,279	(24,237,597)
<b>General revenues:</b>							
<b>Taxes:</b>							
Income taxes					18,009,428	338,200	18,347,628
Property taxes					5,940,840	-	5,940,840
Other taxes					3,046,089	-	3,046,089
Grants and contributions not restricted to specific programs					5,861	-	5,861
Investment earnings					484,552	291,446	775,998
Miscellaneous					3,195,854	-	3,195,854
Transfers					55,864	(55,864)	-
Total general revenues and transfers					30,738,488	573,782	31,312,270
Change in net assets					6,158,612	916,061	7,074,673
Net assets beginning of year					48,840,492	53,464,443	102,304,935
Net assets end of year					\$ 54,999,104	54,380,504	109,379,608

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<b>General</b>	<b>Housing Assistance</b>	<b>Community Development Escrow</b>
<b>ASSETS:</b>			
Cash and equity in pooled cash, deposits and investments	\$ 5,868,639	\$ 1,519,050	\$ 205,766
Cash with fiscal and escrow agent	-	-	963,172
Receivables (net of allowance for uncollectibles):			
Income taxes	3,203,134	-	-
Property taxes	4,220,730	-	-
Estate taxes	214,388	-	-
Accounts	609,785	-	-
Loans	-	-	1,641,422
Special assessments	-	-	-
Due from other funds	566,000	-	-
Due from other governments	1,566,189	9,221,546	-
Inventory of supplies	9,588	-	-
<b>Total assets</b>	<b>\$ 16,258,453</b>	<b>\$ 10,740,596</b>	<b>\$ 2,810,360</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 161,817	\$ -	\$ -
Accrued wages and benefits	1,356,681	-	-
Other accrued liabilities	276,548	-	-
Accrued interest payable	-	-	-
Due to other funds	87,659	-	-
Due to other governments	994	-	-
Due to individuals	11,186	115,378	121,689
Matured bonds and interest	-	-	-
Notes payable	-	-	-
Deferred revenue	7,104,651	9,221,546	-
<b>Total liabilities</b>	<b>8,999,536</b>	<b>9,336,924</b>	<b>121,689</b>
<b>Fund balances:</b>			
Reserved for encumbrances	380,006	5,149	-
Reserved for inventory	9,588	-	-
Reserved for endowments	342,568	-	-
Reserved for loans	-	-	2,685,701
Unreserved, reported in:			
General Fund	6,526,755	-	-
Special Revenue Funds	-	1,398,523	2,970
Debt Service Funds	-	-	-
Capital Project Funds	-	-	-
<b>Total fund balances</b>	<b>7,258,917</b>	<b>1,403,672</b>	<b>2,688,671</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,258,453</b>	<b>\$ 10,740,596</b>	<b>\$ 2,810,360</b>

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

<b>Special Assessment Debt Service</b>	<b>Capital Improvements</b>	<b>East End Development</b>	<b>Downtown Improvements</b>	<b>Non Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 12,632	\$ 2,109,111	\$ 3,717,453	\$ 406,131	\$ 4,510,733	\$ 18,349,515
-	-	-	-	77,262	1,040,434
-	-	-	-	-	3,203,134
-	924,500	-	-	580,000	5,725,230
-	-	-	-	-	214,388
-	-	-	-	178,952	788,737
-	-	-	-	224,328	1,865,750
5,176,567	-	-	-	-	5,176,567
-	20,000	-	-	3,109	589,109
-	-	-	-	3,300,554	14,088,289
-	-	-	-	520,443	530,031
<b>\$ 5,189,199</b>	<b>\$ 3,053,611</b>	<b>\$ 3,717,453</b>	<b>\$ 406,131</b>	<b>\$ 9,395,381</b>	<b>\$ 51,571,184</b>

\$ -	\$ 1,149	\$ 86,000	\$ -	\$ 180,971	\$ 429,937
-	-	-	-	176,408	1,533,089
-	-	-	-	46,989	323,537
-	-	12,950	-	-	12,950
-	-	-	-	312,793	400,452
-	-	-	-	24,126	25,120
-	33,229	-	-	-	281,482
-	-	-	-	77,262	77,262
-	-	1,885,000	-	-	1,885,000
5,176,567	924,500	-	-	3,501,334	25,928,598
<b>5,176,567</b>	<b>958,878</b>	<b>1,983,950</b>	<b>-</b>	<b>4,319,883</b>	<b>30,897,427</b>

-	918,697	3,591,348	112,974	1,095,611	6,103,785
-	-	-	-	520,443	530,031
-	-	-	-	-	342,568
-	-	-	-	171,908	2,857,609
-	-	-	-	-	6,526,755
-	-	-	-	1,707,235	3,108,728
12,632	-	-	-	304,763	317,395
-	1,176,036	(1,857,845)	293,157	1,275,538	886,886
<b>12,632</b>	<b>2,094,733</b>	<b>1,733,503</b>	<b>406,131</b>	<b>5,075,498</b>	<b>20,673,757</b>
<b>\$ 5,189,199</b>	<b>\$ 3,053,611</b>	<b>\$ 3,717,453</b>	<b>\$ 406,131</b>	<b>\$ 9,395,381</b>	<b>\$ 51,571,184</b>

**CITY OF MIDDLETOWN, OHIO  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

<b>Total governmental fund balances</b>	<b>\$ 20,673,757</b>
<i>Amounts reported for governmental activities in the statement of activities are different due to the following:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	49,285,885
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	1,474,856
Intergovernmental and other receivables	18,728,512
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.	566,181
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	(25,339,471)
Special assessment bonds	(2,899,299)
Compensated absences	(4,594,018)
Pension obligation payable	(2,785,576)
Accrued interest on long-term debt	<u>(111,723)</u>
<b>Net assets of governmental activities</b>	<b><u>\$ 54,999,104</u></b>



**CITY OF MIDDLETOWN, OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR YEAR ENDED DECEMBER 31, 2005**

	<b>General</b>	<b>Housing Assistance</b>	<b>Community Development Escrow</b>
<b>Revenues:</b>			
Property taxes	\$ 4,230,841	\$ -	\$ -
Municipal income taxes	13,387,338	-	-
Intergovernmental revenues	3,046,089	8,392,145	-
Charges for services	3,356,708	-	-
Fees, licenses, and permits	338,234	-	-
Fines and forfeits	142,437	-	-
Special assessments	-	-	-
Interest earnings	176,320	10,488	13,467
Miscellaneous	755,752	169,756	100,397
<b>Total revenues</b>	<b>25,433,719</b>	<b>8,572,389</b>	<b>113,864</b>
<b>Expenditures:</b>			
Current			
Public safety	17,364,922	-	-
Public health and welfare	53,559	-	-
Leisure time activities	897,339	-	-
Community environment	978,174	8,352,967	-
Highways and streets	-	-	-
General government	3,904,614	-	-
Miscellaneous	1,199,450	-	296,929
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>24,398,058</b>	<b>8,352,967</b>	<b>296,929</b>
Excess of revenues over (under) expenditures	1,035,661	219,422	(183,065)
<b>Other financing sources (uses):</b>			
Transfers-in	60,000	-	-
Transfers-out	(198,900)	-	-
Other uses	-	-	-
Issuance of bonds	-	-	-
<b>Total other financing sources (uses)</b>	<b>(138,900)</b>	<b>-</b>	<b>-</b>
Net change in fund balances	896,761	219,422	(183,065)
Fund balance, beginning of year	6,362,156	1,184,250	2,871,736
<b>Fund balance, end of year</b>	<b>\$ 7,258,917</b>	<b>\$ 1,403,672</b>	<b>\$ 2,688,671</b>

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

<b>Special Assessment Debt Service</b>	<b>Capital Improvements</b>	<b>East End Development</b>	<b>Downtown Improvements</b>	<b>Non Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 926,157	\$ -	\$ -	\$ 783,842	\$ 5,940,840
-	-	-	-	4,704,876	18,092,214
-	82,468	-	-	4,181,237	15,701,939
-	52,704	-	-	214,370	3,623,782
-	-	-	-	-	338,234
-	-	-	-	1,469,694	1,612,131
547,789	-	-	-	43,352	591,141
-	68,611	82,065	49,124	49,939	450,014
-	1,171,378	-	-	974,785	3,172,068
<b>547,789</b>	<b>2,301,318</b>	<b>82,065</b>	<b>49,124</b>	<b>12,422,095</b>	<b>49,522,363</b>
-	15,082	-	-	5,120,860	22,500,864
-	-	-	-	1,133,758	1,187,317
-	604,223	-	-	-	1,501,562
-	247,676	-	2,578,344	1,551,269	13,708,430
-	2,326,372	591,135	-	2,455,971	5,373,478
-	11,653	-	-	280,175	4,196,442
-	15,425	-	-	123,747	1,635,551
359,858	-	-	-	1,160,000	1,519,858
200,255	-	60,918	-	1,231,792	1,492,965
<b>560,113</b>	<b>3,220,431</b>	<b>652,053</b>	<b>2,578,344</b>	<b>13,057,572</b>	<b>53,116,467</b>
(12,324)	(919,113)	(569,988)	(2,529,220)	(635,477)	(3,594,104)
-	-	-	-	601,478	661,478
-	(200,000)	-	-	(206,714)	(605,614)
(805)	-	-	-	-	(805)
-	-	4,315,000	-	-	4,315,000
<b>(805)</b>	<b>(200,000)</b>	<b>4,315,000</b>	<b>-</b>	<b>394,764</b>	<b>4,370,059</b>
(13,129)	(1,119,113)	3,745,012	(2,529,220)	(240,713)	775,955
25,761	3,213,846	(2,011,509)	2,935,351	5,316,211	19,897,802
<b>\$ 12,632</b>	<b>\$ 2,094,733</b>	<b>\$ 1,733,503</b>	<b>\$ 406,131</b>	<b>\$ 5,075,498</b>	<b>\$ 20,673,757</b>

**CITY OF MIDDLETOWN, OHIO  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2005**

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**Net change in fund balances - total governmental funds** \$ 775,955

*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	6,993,053
Depreciation expense	(1,885,904)

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

Income taxes	(82,786)
Intergovernmental and other revenue	3,331,396

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

1,519,859

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

73,571

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

(12,875)

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

(4,315,000)

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.

(239,445)

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.

788

**Change in net assets of governmental activities** \$ 6,158,612



**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

**Business Type Activities - Enterprise Funds**

	Water	Sewer	Transit System
<b>Assets:</b>			
<b>Current assets</b>			
Equity in pooled cash and investments	\$ 5,197,794	\$ 5,675,022	\$ 136,285
Receivables			
Accounts	980,354	1,044,952	-
Loans	564,364	-	-
Due from other funds	-	-	1,485
Intergovernmental	-	-	243,205
Inventory of supplies	400,044	129,771	-
<b>Total current assets</b>	<b>7,142,556</b>	<b>6,849,745</b>	<b>380,975</b>
<b>Capital assets:</b>			
Land	1,152,665	152,500	-
Land Improvements	-	-	-
Infrastructure assets	24,705,552	27,379,767	-
Buildings	11,008,628	11,465,741	1,227,000
Equipment	1,256,629	5,486,299	1,613,793
Less: Accumulated depreciation	(18,817,068)	(25,459,518)	(1,291,522)
<b>Net capital assets</b>	<b>19,306,406</b>	<b>19,024,789</b>	<b>1,549,271</b>
<b>Total assets</b>	<b>26,448,962</b>	<b>25,874,534</b>	<b>1,930,246</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	61,685	133,579	1,052
Accrued wages and benefits	94,207	97,579	35,031
Other accrued liabilities	27,118	25,922	9,076
Accrued interest payable	17,393	1,059	-
Due to other funds	3,971	10,891	17,836
Due to other governments	382	-	-
Due to individuals	285,577	-	-
General obligation bonds payable	265,000	225,000	-
Deferred Revenue	564,364	-	278,448
Notes payable	-	-	-
Compensated absences (short term portion)	57,914	56,053	17,655
<b>Total current liabilities</b>	<b>1,377,611</b>	<b>550,083</b>	<b>359,098</b>
<b>Long-term liabilities</b>			
General obligation bonds payable	3,375,000	-	-
Compensated absences	112,420	108,808	34,272
<b>Total long-term liabilities</b>	<b>3,487,420</b>	<b>108,808</b>	<b>34,272</b>
<b>Total liabilities</b>	<b>4,865,031</b>	<b>658,891</b>	<b>393,370</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	15,666,406	18,799,789	1,549,271
Restricted for debt service	473,718	237,713	-
Unrestricted	5,443,807	6,178,141	(12,395)
<b>Total net assets</b>	<b>\$ 21,583,931</b>	<b>\$ 25,215,643</b>	<b>\$ 1,536,876</b>

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

				<b>Governmental Activities -</b>	
<b>Golf Course</b>	<b>Solid Waste Disposal</b>	<b>Non Major Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>	
\$ 21,455	\$ 194,007	\$ 294,195	\$ 11,518,758	\$ 2,045,049	
-	-	-	2,025,306	5,495	
-	-	-	564,364	-	
-	-	-	1,485	197,509	
-	-	-	243,205	-	
72,803	-	-	602,618	235,961	
<b>94,258</b>	<b>194,007</b>	<b>294,195</b>	<b>14,955,736</b>	<b>2,484,014</b>	
3,611,550	382,600	1,541,256	6,840,571	195,750	
2,483,945	-	163,105	2,647,050	-	
-	-	-	52,085,319	-	
710,031	74,652	4,541,785	29,027,837	354,064	
283,124	-	453,390	9,093,235	9,320,763	
(1,546,321)	(38,156)	(2,324,584)	(49,477,169)	(6,902,356)	
<b>5,542,329</b>	<b>419,096</b>	<b>4,374,952</b>	<b>50,216,843</b>	<b>2,968,221</b>	
<b>5,636,587</b>	<b>613,103</b>	<b>4,669,147</b>	<b>65,172,579</b>	<b>5,452,235</b>	
7,407	172,931	47,100	423,754	628,923	
42,206	-	2,122	271,145	28,957	
14,080	-	510	76,706	8,625	
8,637	8,933	39,765	75,787	-	
350,000	-	359	383,057	4,594	
2,414	-	-	2,796	-	
-	-	-	285,577	-	
130,000	180,000	-	800,000	-	
-	-	-	842,812	-	
-	-	1,555,000	1,555,000	-	
28,778	-	-	160,400	-	
<b>583,522</b>	<b>361,864</b>	<b>1,644,856</b>	<b>4,877,034</b>	<b>671,099</b>	
1,865,000	1,610,000	-	6,850,000	-	
55,864	-	411	311,775	79,778	
<b>1,920,864</b>	<b>1,610,000</b>	<b>411</b>	<b>7,161,775</b>	<b>79,778</b>	
<b>2,504,386</b>	<b>1,971,864</b>	<b>1,645,267</b>	<b>12,038,809</b>	<b>750,877</b>	
3,547,329	(1,370,904)	2,819,952	41,011,843	2,968,221	
-	-	-	711,431	-	
(415,128)	12,143	203,928	11,410,496	1,733,137	
<b>\$ 3,132,201</b>	<b>\$ (1,358,761)</b>	<b>\$ 3,023,880</b>	<b>\$ 53,133,770</b>	<b>\$ 4,701,358</b>	

Adjustment to reflect the consolidation of internal service fund activities

Total net assets from above

Net assets of business-type activities

1,246,734  
53,133,770  
\$ 54,380,504

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2005**

**Business Type Activities - Enterprise Funds**

	Water	Sewer	Transit System
<b>Operating revenues:</b>			
Charges for services	\$ 6,613,081	\$ 5,564,352	\$ 105,786
Other operating revenue	42,325	9,087	26,324
<b>Total operating revenues</b>	<b>6,655,406</b>	<b>5,573,439</b>	<b>132,110</b>
<b>Operating expenses:</b>			
Personal services	1,955,858	1,991,283	651,368
Contractual services	1,721,344	1,968,645	304,351
Commodities	592,316	290,942	3,306
Depreciation	658,681	787,890	296,993
Other operating expenses	853,668	577,651	-
<b>Total operating expenses</b>	<b>5,781,867</b>	<b>5,616,411</b>	<b>1,256,018</b>
Operating income (loss)	873,539	(42,972)	(1,123,908)
<b>Non-operating revenues (expenses):</b>			
Interest revenue	120,975	153,052	-
Interest expense and fiscal charges	(220,767)	(23,749)	-
Operating grants	500,000	-	639,371
Income taxes	-	-	152,000
Loss on sale or disposal of capital assets	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>400,208</b>	<b>129,303</b>	<b>791,371</b>
Income (loss) before contributions and transfers	1,273,747	86,331	(332,537)
Transfers-out	(26,602)	(29,262)	-
<b>Change in net assets</b>	<b>1,247,145</b>	<b>57,069</b>	<b>(332,537)</b>
Total net assets, beginning of year	20,336,786	25,158,574	1,869,413
<b>Total net assets, end of year</b>	<b>\$ 21,583,931</b>	<b>\$ 25,215,643</b>	<b>\$ 1,536,876</b>

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

<b>Business Type Activities - Enterprise Funds</b>				<b>Governmental Activities -</b>	
<b>Golf Course</b>	<b>Solid Waste Disposal</b>	<b>Non Major Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>	
\$ 1,709,472	\$ 2,437,591	\$ 66,618	\$ 16,496,900	\$ 6,587,638	
6,268	16,053	68,559	168,616	74,481	
<b>1,715,740</b>	<b>2,453,644</b>	<b>135,177</b>	<b>16,665,516</b>	<b>6,662,119</b>	
948,765	-	31,584	5,578,858	635,635	
129,733	2,162,880	191,701	6,478,654	4,453,265	
446,327	-	96,081	1,428,972	757,891	
173,379	1,659	159,664	2,078,266	772,120	
72,960	-	34,730	1,539,009	100,547	
<b>1,771,164</b>	<b>2,164,539</b>	<b>513,760</b>	<b>17,103,759</b>	<b>6,719,458</b>	
(55,424)	289,105	(378,583)	(438,243)	(57,339)	
36	-	17,383	291,446	34,538	
(109,559)	(115,953)	(39,765)	(509,793)	-	
-	-	150,747	1,290,118	-	
-	-	186,200	338,200	-	
-	-	-	-	23,786	
<b>(109,523)</b>	<b>(115,953)</b>	<b>314,565</b>	<b>1,409,971</b>	<b>58,324</b>	
(164,947)	173,152	(64,018)	971,728	985	
-	-	-	(55,864)	-	
<b>(164,947)</b>	<b>173,152</b>	<b>(64,018)</b>	<b>915,864</b>	<b>985</b>	
3,297,148	(1,531,913)	3,087,898	52,217,906	4,700,373	
<b>\$ 3,132,201</b>	<b>\$ (1,358,761)</b>	<b>\$ 3,023,880</b>	<b>\$ 53,133,770</b>	<b>\$ 4,701,358</b>	
Adjustment to reflect the consolidation of Internal Service Funds activities			\$	197	
Changes in net assets of business-type activities from above				915,864	
Changes in net assets of business-type activities			\$	916,061	

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2005**

**Business Type Activities - Enterprise Funds**

	<b>Water</b>	<b>Sewer</b>	<b>Transit System</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 6,350,700	\$ 5,329,876	\$ 132,110
Cash payments to suppliers for goods and services	(1,552,139)	(1,488,591)	(31,457)
Cash payments to employees for services	(1,655,133)	(1,706,200)	(552,921)
Miscellaneous revenues	-	-	-
Miscellaneous expenses	-	-	-
Cash received from interfund services provided	-	-	-
Cash payments for interfund services used	(1,262,555)	(1,279,908)	(346,670)
Deposits and collections for other governments	45,446	-	-
<b>Net cash provided (used) by operating activities</b>	<b>1,926,319</b>	<b>855,177</b>	<b>(798,938)</b>
<b>Cash flows from non-capital financing activities:</b>			
Operating grants	500,000	-	639,371
Interfund loan receipts/payments	-	-	-
Transfers-out to other funds	(26,601)	(29,262)	-
Income taxes received	-	-	152,000
<b>Net cash provided (used) by non-capital financing activities</b>	<b>473,399</b>	<b>(29,262)</b>	<b>791,371</b>
<b>Cash flows from capital and related financing activities:</b>			
Sale of capital assets	-	-	-
Purchase of capital assets	(1,707,233)	(769,599)	(38,990)
Interest expense	(221,863)	(24,753)	-
Repayment of debt principal	(250,000)	(215,000)	-
Note proceeds	-	-	-
<b>Net cash used by capital and related financing activities</b>	<b>(2,179,096)</b>	<b>(1,009,352)</b>	<b>(38,990)</b>
<b>Cash flows from investing activities:</b>			
Interest income	120,974	153,052	-
<b>Net cash provided by investing activities</b>	<b>120,974</b>	<b>153,052</b>	<b>-</b>
Net change in cash and cash equivalents	341,596	(30,385)	(46,557)
Cash and pooled investments, beginning of year	4,856,198	5,705,407	182,842
<b>Cash and pooled investments, end of year</b>	<b>\$ 5,197,794</b>	<b>\$ 5,675,022</b>	<b>\$ 136,285</b>

<b>Business Type Activities - Enterprise Funds</b>				<b>Governmental Activities -</b>	
<b>Golf Course</b>	<b>Solid Waste Disposal</b>	<b>Non Major Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>	
\$ 1,709,472	\$ 2,453,644	\$ 132,105	\$ 16,107,907	\$ -	
(570,059)	(2,172,354)	(280,823)	(6,095,423)	(5,193,322)	
(854,974)	-	(30,854)	(4,800,082)	(528,629)	
6,268	-	3,073	9,341	-	
-	-	-	-	164,019	
(137,401)	-	-	(3,026,534)	6,740,906	
270	-	-	45,716	(102,752)	
<b>153,576</b>	<b>281,290</b>	<b>(176,499)</b>	<b>2,240,925</b>	<b>1,080,222</b>	
-	-	150,747	1,290,118	-	
150,000	-	-	150,000	-	
-	-	-	(55,863)	-	
-	-	186,200	338,200	-	
<b>150,000</b>	<b>-</b>	<b>336,947</b>	<b>1,722,455</b>	<b>-</b>	
-	-	-	-	93,280	
(77,104)	-	(1,748,246)	(4,341,172)	(627,711)	
(110,010)	(116,750)	-	(473,376)	-	
(120,000)	(170,000)	-	(755,000)	-	
-	-	1,572,383	1,572,383	-	
<b>(307,114)</b>	<b>(286,750)</b>	<b>(175,863)</b>	<b>(3,997,165)</b>	<b>(534,431)</b>	
36	-	-	274,062	34,538	
<b>36</b>	<b>-</b>	<b>-</b>	<b>274,062</b>	<b>34,538</b>	
(3,502)	(5,460)	(15,415)	240,277	580,329	
24,957	199,467	309,610	11,278,481	1,464,720	
<b>\$ 21,455</b>	<b>\$ 194,007</b>	<b>\$ 294,195</b>	<b>\$ 11,518,758</b>	<b>\$ 2,045,049</b>	

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2005**

**Business Type Activities - Enterprise Funds**

	<b>Water</b>	<b>Sewer</b>	<b>Transit System</b>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 873,539	\$ (42,972)	\$ (1,123,908)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	658,681	787,890	296,993
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable (net)	288,658	230,364	-
Decrease (increase) in inventory of supplies	130,308	5,743	-
(Decrease) increase in accounts payable	(55,705)	(135,872)	263
(Decrease) increase in accrued wages and benefits	(29,330)	(8,123)	5,010
(Decrease) increase in other accrued liabilities	9,455	6,909	3,664
(Decrease) increase in due to other funds	(6,171)	(237)	2,739
Increase (decrease) in compensated absences payable	11,438	11,475	16,301
Increase (decrease) in due to other governments	139	-	-
Increase (decrease) in due to individuals	45,307	-	-
<b>Total adjustments</b>	<b>1,052,780</b>	<b>898,149</b>	<b>324,970</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,926,319</b>	<b>\$ 855,177</b>	<b>\$ (798,938)</b>

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

<b>Business Type Activities - Enterprise Funds</b>				<b>Governmental Activities -</b>	
<b>Golf Course</b>	<b>Solid Waste Disposal</b>	<b>Non Major Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>	
\$ (55,424)	\$ 289,105	\$ (378,583)	\$ (438,243)	\$ (57,339)	
173,379	1,659	159,664	2,078,266	772,120	
-	-	-	519,022	219,708	
7,642	-	-	143,693	(25,019)	
(322)	(9,474)	41,733	(159,377)	136,628	
3,796	-	105	(28,542)	144	
4,787	-	510	25,325	3,385	
-	-	(43)	(3,712)	20,892	
19,448	-	115	58,777	9,703	
270	-	-	409	-	
-	-	-	45,307	-	
<b>209,000</b>	<b>(7,815)</b>	<b>202,084</b>	<b>2,679,168</b>	<b>\$ 1,137,561</b>	
<b>\$ 153,576</b>	<b>\$ 281,290</b>	<b>\$ (176,499)</b>	<b>\$ 2,240,925</b>	<b>\$ 1,080,222</b>	

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

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	<b>Total Agency Funds</b>
<b>Assets:</b>	
Cash and equity in pooled cash, deposits and investments	\$ 72,384
Cash with fiscal and escrow agent	168,047
Property taxes receivable	159,686
<b>Total assets</b>	<b><u>\$ 400,117</u></b>
<b>Liabilities:</b>	
Due to other governments	\$ 314,948
Due to individuals	29,562
Unapportioned monies	55,607
<b>Total liabilities</b>	<b><u>\$ 400,117</u></b>

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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

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

**A. REPORTING ENTITY**

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

**Blended Component Unit**

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

**Discretely Presented Component Units**

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

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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*Related Organization*

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

*Included within the reporting entity:*

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

**B. BASIS OF PRESENTATION**

***Government-wide Financial Statements***

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

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

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

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

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restriction on their net asset use. When both restricted and non-restricted resources are available for use, it is the City's policy to use non-restricted resources first, and then restricted resources, as they are needed.

***Fund Financial Statements***

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

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

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

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

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

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

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

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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

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

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

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

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

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

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

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

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

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

**C. BASIS OF ACCOUNTING**

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

All governmental fund types are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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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, 2005, whose availability is indeterminable and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside the available period, the entire amount has been deferred.

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

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

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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

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

**D. CASH, DEPOSITS, AND INVESTMENTS**

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

STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2005.

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.

**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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**G. INVENTORY OF SUPPLIES**

Inventory is recorded at cost (first-in, first-out). Inventory in the Governmental Funds consists of expendable items and is recorded on a consumption basis. "Consumption basis" means that the expenditure is recorded when the inventory is consumed. Recorded inventories in the Governmental Fund types are offset equally by fund balance reserves, which indicate that they do not constitute "available spendable resources."

**H. CAPITAL ASSETS**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Also included in capital assets are infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, drainage systems and similar items) constructed or acquired on or after January 1, 2002. Pursuant to GASB Statement No. 34, for all fiscal years beginning after June 15, 2006, the City must retroactively report all infrastructure assets acquired before January 1, 1980. The City expects to accomplish retroactive reporting of infrastructure prior to that deadline.

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

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

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

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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**I. CAPITALIZATION OF INTEREST**

The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the construction project and the interest earned from the temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2005, 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, 2005**

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

**INTERFUND TRANSFERS**

Governmental Funds	Transfers In	Transfers Out
General Fund	\$ 60,000	\$ 198,900
Capital Improvements Fund	0	200,000
Non Major Governmental Funds	<u>601,478</u>	<u>206,714</u>
Total	<u>\$ 661,478</u>	<u>\$ 605,614</u>

Proprietary Funds	Transfers In	Transfers Out
Water Fund	\$ 0	\$ 26,602
Sewer Fund	<u>0</u>	<u>29,262</u>
Total	<u>\$ 0</u>	<u>\$ 55,864</u>

The City's General Fund received \$60,000 in inter-fund transfers in 2005. The Litter Control Fund was closed and its cash balance of \$8,000 was transferred to the General Fund. The Civic Development Fund also transferred \$52,000 from its hotel/motel tax receipts to the General Fund to help cover General Fund expenditures for special events held throughout the year. The entire General Fund transfer out (\$198,900) went to the Computer Replacement Fund to accumulate money for future computer purchases. The \$200,000 transfer out made by the Capital Improvements Fund was for debt service.

The City's non-major governmental funds received \$601,478 in 2005. Most of these transfers were for debt service (\$200,000), to accumulate money for future computer purchases (\$254,764), and for FEMA reimbursement of snow removal costs (\$80,029).

The City's business type funds transferred out \$55,864 to accumulate money for future computer purchases.

**L. INTERGOVERNMENTAL REVENUES**

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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**M. COMPENSATED ABSENCES**

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

*Accumulated Unpaid Vacation*

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

*Accumulated Unpaid Sick Leave*

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

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

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

At December 31, 2005, the total liability of the City for compensated absences was \$5,066,193.

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

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

**BUDGETARY PROCEDURES**

*Budget*

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

**CITY OF MIDDLETOWN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

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Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized tax rates and reviews revenue estimates. The Budget Commission certifies its action to the City by September 1. As part of this certification, the City receives the Official Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. On or about January 1, the certificate is amended to include any unencumbered balances from the preceding year. The revised budget then serves as the basis for the appropriation measure. The Certificate of Estimated Resources may be further amended during the year if a new source of revenue is identified or actual revenue exceeds current estimates. The amounts reported on the budgetary statement reflect the amounts in the final Amended Certificate of Estimated Resources issued for 2005.

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. Nineteen supplemental appropriation measures were legally enacted during 2005. The supplemental appropriations increased the original 2005 Appropriation Resolution by \$18,245,233 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 2005, 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, 2004, reflect an "Appropriation for prior year encumbrances."

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**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, 2005, are comprised of the following:

<b>Deposits</b>	
Petty Cash	\$ 5,625
Demand deposit accounts	2,362,340
Subtotal deposits	\$2,367,965
 <b>Investments</b>	
Money Market Funds	162,098
U.S. Gov't and Agency Securities	27,679,970
STAR Ohio	2,984,154
Subtotal investments	\$30,826,222
<b>Total</b>	<b>\$33,194,187</b>

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

Deposits

*Custodial Credit Risk*

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

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

At year-end, \$2,969,806 of the City's bank balance of \$3,437,671 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

**Investments**

The City's investments at December 31, 2005 are as summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity Years</u>
FHLB	\$ 1,373,047	0.48
FNMA	681,486	0.53
FHLMC	1,588,044	0.85
US Treasury Bills	9,498,810	0.27
US Treasury Notes	14,538,583	1.22
Star Ohio	2,984,154	n/a
US Money Market Funds	<u>162,098</u>	n/a
	<u>\$ 30,826,222</u>	

*Credit Risk*

It is the City's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The City's investments in FHLB, FNMA and FHLMC securities were rated AAA by Standard & Poor's and AAA by Moody's. The City's investments in the U.S. Money Market Funds were rated AAA by Standard & Poor's. Investments in STAR Ohio were rated AAA by Standard & Poor's.

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City is required to disclose the amount of investments with any one issuer that represent five percent or more of total investments. Investments issued by the U.S. government, investments, and investments in external investment pools are excluded from this requirement. At December 31, 2005, over 88% of the City's investments are in these excluded categories. However, the City's investments in FHMLC are 5.1% of total investments.

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*Custodial Credit Risk*

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

*Interest Rate Risk*

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

**NOTE 4 - FUND BALANCE/NET ASSETS DEFICITS**

At December 31, 2005, the following funds had fund balance/net assets deficits:

**Special Revenue Funds**

- *Police Grants Fund*  
The \$29,193 deficit in the Police Grants Fund will be corrected in 2006 by receipt of Federal grant funds to reimburse the city for Police computer purchases.

**Capital Project Funds**

- *2004 Sidewalk, Curb and Gutter Fund*  
The \$18,368 deficit in this fund will be corrected when bonds are issued in 2006.
- *Breiel Blvd. Resurfacing Fund*  
The \$42,845 deficit in this fund will be corrected when bonds are issued in 2006.

**Enterprise Funds**

- *Solid Waste Fund*  
The \$1,358,761 deficit in this fund is the result of a 1994 bond issue to finance the closure of the City landfill. The deficit will be corrected when the bonds are fully retired.

**NOTE 5 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible (used in business) property located in the City. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 per cent of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50 per cent of cost). Tangible

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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 2005 taxes were collected was \$1,044,098,574. The full tax rate for all City operations for the fiscal year ended December 31, 2005, was \$5.90 per \$1,000 of assessed valuation.

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

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

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

Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies that are measurable as of December 31, 2005. 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 2005 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.

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**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

<b>GOVERNMENTAL ACTIVITIES</b>				
<u>Capital Asset</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Land	\$14,263,908	\$ 3,098,457	\$ 0	\$17,362,365
Land improvements	749,923	0	0	749,923
Buildings	23,567,667	308,221	0	23,875,888
Equipment	14,247,616	1,038,027	574,339	14,711,304
General infrastructure	<u>15,206,064</u>	<u>3,194,371</u>	<u>0</u>	<u>18,400,435</u>
<b>Total at Historical Cost</b>	<b>68,035,178</b>	<b>7,639,076</b>	<b>574,339</b>	<b>75,099,915</b>
Less accumulated depreciation:				
Land improvements	188,936	35,238	0	224,174
Buildings	11,157,673	620,703	0	11,778,376
Equipment	10,394,321	1,078,946	484,779	10,988,488
General infrastructure	<u>1,899,855</u>	<u>923,137</u>	<u>0</u>	<u>2,822,992</u>
<b>Total depreciation</b>	<b>23,640,785</b>	<b>2,658,024</b>	<b>484,779</b>	<b>25,814,030</b>
Capital Assets, Net	<b>\$ 44,394,393</b>	<b>\$ 4,980,740</b>	<b>\$ 89,560</b>	<b>\$ 49,285,885</b>

Depreciation was charged to governmental functions as follows:

General government	\$ 1,456,857
Leisure	140,930
Public health and welfare	40,981
Community environment	6,882
Public safety	232,308
Streets and highways	<u>780,065</u>
Total	\$2,658,024

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<b>BUSINESS-TYPE ACTIVITIES</b>				
<i>Capital Asset</i>	<i>Adjusted Beginning Balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Ending Balance</i>
Capital assets, not being depreciated:				
<i>Land</i>	\$6,840,571	\$0	\$ 0	\$6,840,571
Capital assets, being depreciated:				
Land improvements	2,483,945	163,105	0	2,647,050
Buildings	26,637,246	2,390,591	0	29,027,837
Equipment	8,923,942	187,247	17,954	9,093,235
Infrastructure	<u>50,485,090</u>	<u>1,600,229</u>	<u>0</u>	<u>52,085,319</u>
<i>Total capital asset, being depreciated</i>	88,530,223	4,341,172	17,954	92,853,441
<b><i>Totals at Historical Cost</i></b>	<b>95,370,794</b>	<b>4,341,172</b>	<b>17,954</b>	<b>99,694,012</b>
Less accumulated depreciation:				
Land improvements	1,115,762	148,522	0	1,264,284
Buildings	9,905,924	743,036	0	10,648,960
Equipment	7,066,384	402,880	17,954	7,451,310
General infrastructure	<u>29,328,786</u>	<u>783,829</u>	<u>0</u>	<u>30,112,615</u>
<i>Total depreciation</i>	47,416,856	2,078,267	17,954	49,477,169
<b><i>Total capital assets, being depreciated, net</i></b>	<b>41,113,367</b>	<b>2,262,905</b>	<b>0</b>	<b>43,376,272</b>
<b>Capital Assets, Net</b>	<b>\$ 47,953,938</b>	<b>\$ 2,262,905</b>	<b>\$ 0</b>	<b>\$ 50,216,843</b>

Depreciation was charged to business-type activities as follows:

Water	\$ 658,681
Sewer	787,890
Transit	296,993
Golf	173,379
Solid Waste	1,659
Non major funds	<u>159,666</u>
Total	\$2,078,267

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**NOTE 8 - PENSION PLANS**

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

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

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

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

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

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

The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701, 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%. For 2005, member and employer contributions were consistent across all three plans. Separate provisions for law enforcement and public safety exist only with the traditional pension plan. The 2005 employer contribution rate for local government employer units was 13.55% of covered payroll. The City of Middletown's contribution to OPERS for the years ending December 31, 2005, 2004, and 2003 were \$1,649,488, \$1,721,927, and \$1,729,334 respectively, equal to the required contributions billed to the City by OPERS.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. Middletown's contributions for the years ending December 31, 2005, 2004, and 2003 were \$2,226,657, \$2,320,382, and \$2,264,891 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, 2005, 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 \$599,794. See Note 15 for additional information on claims incurred but not reported.

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**NOTE 10 - LONG-TERM OBLIGATIONS**

Long-term obligation of the City as of December, 31, 2005, are as follows:

**A. GOVERNMENTAL ACTIVITIES**

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
<i>Special Assessment Bonds:</i>					
1985 Street Improvements	45,000	0	45,000	0	0
1985 Manchester Road Improvement	14,000	0	14,000	0	0
1986 Street Improvements	40,000	0	20,000	20,000	20,000
1988 Street Improvements	10,000	0	2,000	8,000	2,000
1990 Street Improvements	72,000	0	12,000	60,000	12,000
1991 Street Improvements	145,000	0	20,000	125,000	20,000
1992 Street Improvements	16,000	0	2,000	14,000	2,000
1993 Street Improvements	63,000	0	7,000	56,000	7,000
1994 Street Improvements	50,000	0	5,000	45,000	5,000
1995-1 Street Improvements	110,000	0	5,000	105,000	10,000
1995 Street Lighting	2,000	0	2,000	0	0
1995-2 Street Improvements	70,000	0	5,000	65,000	5,000
1996 Street Improvements	145,000	0	10,000	135,000	10,000
1996 Sewer Imp.-Dick's Creek	118,012	0	9,078	108,934	9,078
1996 Sewer Imp.-Cin/Dayton Rd.	11,988	0	922	11,066	922
1997 Sophie Street Improvements	170,000	0	10,000	160,000	10,000
1997 Dix Road Improvements	141,295	0	5,000	136,295	6,295
1998 Lewis Street Improvements	66,000	0	4,000	62,000	4,000
1999 Marshall Road Improvements	380,000	0	20,000	360,000	20,000
2000 Burbank Street Improvements	165,000	0	5,000	160,000	5,000
2000 Garfield Sidewalk Improve.	10,000	0	10,000	0	0
2001 Sidewalk, Curb (2000)	45,000	0	20,000	25,000	25,000
2001 Illinois/Longfellow Improve.	192,636	0	8,139	184,497	8,139
2001 Dick's Creek	99,900	0	4,221	95,679	4,221
2001 Oxford State Rd Water Line	62,467	0	2,639	59,828	2,639
2001 Oxford State Rd Intersection	56,000	0	3,000	53,000	3,000
2001 Sidewalk, Curb (2001)	65,000	0	30,000	35,000	35,000
2002 Sidewalk, Curb	180,000	0	45,000	135,000	45,000
2003 Sidewalk, Curb	140,279	0	25,279	115,000	25,000
2005 Roosevelt Ave. Improvements	573,580	0	8,580	565,000	20,000
<b>Total Special Assessment Bonds</b>	<b>3,259,157</b>	<b>0</b>	<b>359,858</b>	<b>2,899,299</b>	<b>316,294</b>

**CITY OF MIDDLETOWN  
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	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
<i>General Obligation Bonds:</i>					
1994 Transportation	2,260,000	0	205,000	2,055,000	215,000
1994 Recreation	390,000	0	35,000	355,000	40,000
1996 Street Improvements	1,490,000	0	95,000	1,395,000	95,000
1996 Energy Savings Improvements	115,000	0	55,000	60,000	60,000
1999 Downtown Improvements	8,780,000	0	400,000	8,380,000	420,000
2003 Court of Appeals	3,875,000	0	155,000	3,720,000	160,000
2004 MRH Land	5,310,000	0	215,000	5,095,000	215,000
2005 Towne Blvd. Extension	0	4,315,000	0	4,315,000	170,000
<b>Total General Obligation Bonds</b>	<b>22,220,000</b>	<b>4,315,000</b>	<b>1,160,000</b>	<b>25,375,000</b>	<b>1,375,000</b>
Compensated Absences	4,246,317	347,701	0	4,594,018	1,561,966
Police & Fire Pension					
Unfunded Accrued Liability	2,883,317	0	133,270	2,750,047	97,741
2000 Capital Lease (5 years)	73,571	0	73,571	0	0
<b>Total Governmental Activities</b>	<b>\$32,682,362</b>	<b>\$4,662,701</b>	<b>\$1,726,699</b>	<b>\$35,618,364</b>	<b>\$3,351,001</b>

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

**B. BUSINESS TYPE ACTIVITIES**

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
<i>General Obligation Bonds:</i>					
1994 Landfill "A"	1,775,000	0	155,000	1,620,000	165,000
1994 Landfill "B"	185,000	0	15,000	170,000	15,000
1994 Water	1,775,000	0	155,000	1,620,000	165,000
1996 Golf Course	1,655,000	0	95,000	1,560,000	105,000
1994 Sewer	440,000	0	215,000	225,000	225,000
1999 Water	2,115,000	0	95,000	2,020,000	100,000
2003 Golf	460,000	0	25,000	435,000	25,000
<b>Total General Obligation Bonds Payable by Business Type Activities</b>	<b>8,405,000</b>	<b>0</b>	<b>755,000</b>	<b>7,650,000</b>	<b>800,000</b>
Compensated Absences	417,983	54,192	0	472,175	160,400
<b>Total Business Type Activities</b>	<b>\$8,822,983</b>	<b>\$54,192</b>	<b>\$755,000</b>	<b>\$8,122,175</b>	<b>\$960,400</b>

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

The City's legal debt margin was approximately \$93,017,375 at December 31, 2005. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2005 are as follows:

<b>Police and Fire Pension Debt Schedule – 12/31/05</b>			
	<u>Police</u>	<u>Fire</u>	<u>Total</u>
2006	52,217	45,524	97,741
2007	52,217	45,524	97,741
2008	52,217	45,524	97,741
2009	52,217	45,524	97,741
2010	52,217	45,524	97,741
2011-2015	261,085	227,620	488,705
2016-2020	261,085	227,620	488,705
2021-2025	261,085	227,620	488,705
2026-2030	261,085	227,620	488,705
2031-2035	163,800	142,722	306,522
<b>Total</b>	<b>\$ 1,469,225</b>	<b>\$ 1,280,822</b>	<b>\$ 2,750,047</b>

<b>General Obligation and Assessment Bonds Schedule – 12/31/05</b>						
	<i>General Obligation Bonds</i>			<i>Assessment Bonds</i>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	1,375,000	1,182,561	2,557,561	316,294	158,116	474,410
2007	1,360,000	1,127,722	2,487,722	245,999	142,612	388,611
2008	1,410,000	1,072,597	2,482,597	250,999	129,632	380,631
2009	1,480,000	1,012,124	2,492,124	203,999	118,202	322,201
2010	1,540,000	942,299	2,482,299	175,999	107,037	283,036
2011-2015	8,030,000	3,570,220	11,600,220	873,000	383,556	1,256,556
2016-2020	7,275,000	1,620,010	8,895,010	629,009	154,440	783,440
2021-2025	3,000,000	285,880	3,285,880	204,000	25,899	229,899
<b>Total</b>	<b>\$25,375,000</b>	<b>\$10,806,753</b>	<b>\$ 36,181,753</b>	<b>\$ 2,899,299</b>	<b>\$ 1,219,495</b>	<b>\$ 4,118,785</b>

<b>BUSINESS TYPE FUNDS - General Obligation Bonds Schedule – 12/31/05</b>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	800,000	432,275	1,232,275
2007	620,000	389,259	1,009,259
2008	650,000	356,139	1,006,139
2009	680,000	319,790	999,790
2010	720,000	280,374	1,000,374
2011-2015	3,140,000	761,012	3,901,012
2016-2020	1,040,000	130,770	1,170,770
<b>Total</b>	<b>\$7,650,000</b>	<b>\$2,669,619</b>	<b>\$ 10,319,619</b>

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

The primary responsibility for the annual payments to special assessment bondholders is with the property owners on whose behalf the City has issued special assessment debt. The special assessments, which cover both principal and interest due, are collected by the Butler County Treasurer each year with the property owners' property tax payments. The collections are then sent to the City, which pays the principal and interest due. In the event of default, a lien is put on the property and it is eventually sold by the county at a tax sale. The City is then reimbursed for any special assessment bond payments it made. The City, therefore, does not maintain a reserve or sinking fund to meet its special assessment bond obligations. The police and fire pension unfunded accrued liability represents the City's portion of the unfunded prior service cost of the fund which existed at the time the fund was established in 1967 as determined by actuarial evaluation. This accrued liability has and will continue to be paid over a term of sixty-seven years in annual installments which began in 1969 and which will end in 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 obligation of the City consists of the following:

- a) A \$1,555,000 note bearing an interest rate of 4.50% for the purchase of the Municipal Airport buildings was outstanding on December 31, 2005. The note matures on June 6, 2006.
- b) A \$1,885,000 note bearing interest of 4.25% for the Union Road Improvements was outstanding on December 31, 2005. The note matures on November 2, 2006.

**General Obligation Notes**

<i>Issue</i>	<i>Beginning Balance 1/1/05</i>	<i>Note Retirement</i>	<i>Note Issue</i>	<i>Ending Balance 12/31/05</i>
Airport Facilities	0	0	\$1,555,000	\$1,555,000
Towne Blvd./Route 122	790,000	790,000	0	0
Towne Blvd. Extension	3,442,070	3,442,070	0	0
Union Road Improvements	0	0	1,885,000	1,885,000
<b>Total</b>	<b>\$ 4,232,070</b>	<b>\$ 4,232,070</b>	<b>\$ 3,440,000</b>	<b>\$ 3,440,000</b>

**NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES**

The City's interfund receivables and payables at the end of 2005 were comprised of operating advances from the General Fund to other operating funds (\$566,000); payments to the Municipal Garage Fund by the City operating funds for December 2005 services (\$197,509); payments due to operating funds by the

**CITY OF MIDDLETOWN  
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Municipal Garage Fund for overpayments (\$4,594); and operating advances from the Capital Improvements Fund to a street construction fund (\$20,000).

Inter-fund receivables and payables balances as of December 31, 2005, follow:

<b>Fund</b>	<b>Receivables</b>	<b>Payables</b>
<b>Governmental Funds:</b>		
General fund	\$566,000	\$87,659
Capital improvements fund	20,000	0
Non major government funds	<u>3,109</u>	<u>312,793</u>
<b>Total governmental funds</b>	<b>589,109</b>	<b>400,452</b>
<b>Business-type Activities:</b>		
Water	0	3,971
Sewer	0	10,891
Transit	1,485	17,836
Golf	<u>0</u>	<u>350,359</u>
<b>Total business-type activities</b>	<b>1,485</b>	<b>383,057</b>
<b>Governmental Activities - Internal Service Funds</b>		
Internal service funds	197,509	4,594
<b>Total internal service funds</b>	<b><u>197,509</u></b>	<b><u>4,594</u></b>
<b>Total all funds</b>	<b>\$788,103</b>	<b>\$788,103</b>

**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, 2005, the City had 314 policies with a total value of \$1,570,000 in force for its retired employees.

**CITY OF MIDDLETOWN  
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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 2005 was \$21,124.

**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 4.00% was used to fund health care for the year.

- 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, 2004.

**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.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

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Investment Return. The investment assumption rate for 2004 was 8.0%.

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

Health Care. Health care costs were assumed to increase 4.0% annually at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next eight years. In subsequent years (nine and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

D. OPEB's are advance-funded on an actuarially determined basis.

1. At year-end 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The number of active contributing participants for both plans used on the December 31, 2004 actuarial valuation was 355,287.
2. The rates stated in paragraph A are the actuarially determined contribution requirements for OPERS. The portion of the City's contribution that was used to fund health care benefits was \$508,312.
3. \$10.8 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004.
4. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

E. OPERS Retirement Board Adopts Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

OP & F

The Ohio Revised Code provides the statutory authority allowing OP & F's Board of Trustees to provide health care coverage to all eligible individuals. The OP & F 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 OP & F health care cost paid from the funds of the OP & F shall be

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
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included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter's employer contribution rate is 24% of covered payroll.

The OP & F 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 2004 and in 2005. 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. Beginning in 2001, all retirees and survivors have monthly health care contributions. The number of participants eligible to receive health care benefits as January 1, 2005, is 13,812 for police and 10,528 for firefighters. For the year ended December 31, 2005, the City's contribution to fund OPEB was \$409,238 for police and \$386,157 for firefighters. The OP & F's total health care expenses as of December 31, 2004, were \$102,173,796, which was net of member contributions of \$55,665,341.

**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. 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. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member political subdivisions pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage**

PEP retains up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures casualty claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. If losses exhaust PEP's net assets, APEEP covers PEP's retained casualty risk up to \$10,000,000 per year, subject to a per-claim limit of \$2,000,000. Local political subdivisions can elect additional coverage, up to a total limit of \$12,000,000 from the General Reinsurance Corporation.

**Property Coverage**

PEP retains property risks, including automobile physical damage, up to \$100,000 in any one occurrence. APEEP reinsures property losses that are greater than \$100,000 up to \$250,000 per occurrence. The Travelers Indemnity Company reinsures losses exceeding \$250,000 up to \$600,000,000 per occurrence. The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004:

<u>Casualty Coverage</u>	<u>2004</u>	<u>Property Coverage</u>	<u>2004</u>
Assets	\$30,547,049	Assets	\$3,652,970
Liabilities	(16,989,918)	Liabilities	(544,771)
Retained Earnings	<u>\$13,557,131</u>	Retained Earnings	<u>\$3,108,199</u>

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.

<u>Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims &amp; Changes In Estimate</u>	<u>Claims Payments</u>	<u>Balance At Fiscal Year End</u>
2004	\$313,900	\$3,682,218	\$3,537,734	\$458,834
2005	\$458,384	\$4,140,199	\$3,998,789	\$599,794

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

**NOTE 16 - SIGNIFICANT CONTRACTUAL OBLIGATIONS**

As of December 31, 2005, the City of Middletown has entered into the following contracts to be paid from the City's Capital Project and Enterprise Funds:

**CITY OF MIDDLETOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

Vendor	Purpose	Amount Remaining
Johnson Controls, Inc.	Water meter change-out	\$8,023,683
SK Construction	Street improvements	3,350,000
Barrett Paving Materials	Street resurfacing	353,012
York Electric, Inc.	Kensington reservoir	295,050
Camp Dress & McKee, Inc.	Biosolids upgrade	244,950
Camp Dress & McKee, Inc.	Signal replacement	143,444
	Total	<u>\$12,410,139</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 – LOAN RECEIVABLE**

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

**NOTE 19 – SUBSEQUENT EVENTS**

On December 20, 2005, the Middletown City Council authorized the issuance of a \$2,550,000 three-year industrial revenue note with JP Morgan Chase Bank N.A. The proceeds of this note were received in January 2006. The note proceeds replaced cash that the City used in late 2005 to purchase land to be held for future economic development.

On February 7, 2006, the Middletown City Council authorized a \$8,023,063 ten-year lease with Chase Equipment Leasing. The lease proceeds, which were received in mid February, will fund a water meter change-out program. The change-out program, which will cost \$9,475,147, was authorized by the City Council in late 2005. Johnson Controls, Inc. will manage this project for the City.

**CITY OF MIDDLETOWN  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2005**

**BUDGETARY ACCOUNTING**

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

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

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

	<b>General Fund</b>	<b>Housing Assistance</b>	<b>CD Escrow</b>
GAAP basis (as reported)	\$1,077,035	\$219,422	(\$183,065)
Adjustments: revenue and other source accruals	60,220	34,159	0
Expenditures, encumbrances and other use accruals	(658,076)	(5,148)	279,540
<b>Budget basis</b>	<b>\$479,179</b>	<b>\$248,433</b>	<b>\$96,475</b>

**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GENERAL FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Property taxes	\$ 4,210,010	\$ 4,178,942	\$ 4,230,841	\$ 51,899
Municipal income taxes	12,791,500	13,202,221	12,888,733	(313,488)
Intergovernmental revenue	2,778,221	3,143,221	3,368,654	225,433
Charges for services	3,575,146	3,603,871	3,399,304	(204,567)
Fees, licenses, and permits	339,047	339,047	338,959	(88)
Fines and forfeits	116,000	116,000	142,437	26,437
Interest earnings	247,640	300,000	343,608	43,608
Miscellaneous	3,406,678	886,300	916,754	30,454
<b>Total revenues</b>	<b>27,464,242</b>	<b>25,769,602</b>	<b>25,629,290</b>	<b>(140,312)</b>
<b>Expenditures:</b>				
<b>Current</b>				
<b>Public Safety</b>				
Fire administration	275,110	275,110	261,699	13,411
Fire operations	6,104,334	6,074,334	5,989,547	84,787
Fire prevention/training	289,241	331,241	331,437	(196)
Police administration	264,360	264,360	237,288	27,072
Criminal investigation	1,457,641	1,457,641	1,360,831	96,810
Uniform patrol	5,170,932	5,234,932	5,128,017	106,915
Police services	1,719,469	1,719,469	1,684,075	35,394
Humane officer	77,633	79,633	77,832	1,801
Jail management	1,112,535	1,112,535	986,687	125,848
School crossing guards	36,054	40,054	38,160	1,894
Citizen service center	354,709	303,885	287,988	15,897
Building inspection and services	402,769	412,769	407,279	5,490
Building maintenance	669,269	669,269	669,258	11
<b>Total public safety</b>	<b>17,934,056</b>	<b>17,975,232</b>	<b>17,460,098</b>	<b>515,134</b>
<b>Public Health &amp; Welfare</b>				
Social health program	58,800	63,800	62,642	1,158
<b>Total public health &amp; welfare</b>	<b>58,800</b>	<b>63,800</b>	<b>62,642</b>	<b>1,158</b>

continued

**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GENERAL FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Leisure Activities</b>				
Community services administration	93,999	144,823	132,065	12,758
Community center	193,341	196,841	171,958	24,883
Recreation	123,600	212,350	195,967	16,383
Parks maintenance	458,934	458,934	449,298	9,636
<b>Total leisure activities</b>	<b>869,874</b>	<b>1,012,948</b>	<b>949,288</b>	<b>63,660</b>
<b>Community Environment</b>				
Planning administration	165,028	165,028	163,124	1,904
Community development	260,666	328,666	325,051	3,615
Street lighting	572,200	572,200	491,456	80,744
<b>Total community environment</b>	<b>997,894</b>	<b>1,065,894</b>	<b>979,631</b>	<b>86,263</b>
<b>General Government</b>				
City council	180,737	180,737	176,141	4,596
City manager	298,766	298,766	271,511	27,255
Finance administration	202,797	202,797	193,807	8,990
Treasurer	226,948	226,948	225,470	1,478
Taxation	450,471	450,471	437,608	12,863
Information systems	887,126	887,126	723,619	163,507
Personnel	418,603	418,603	337,008	81,595
Law	538,942	538,942	506,391	32,551
Purchasing	80,435	82,435	79,810	2,625
Planning	542,682	542,682	462,974	79,708
Engineering	753,749	753,749	697,938	55,811
<b>Total general government</b>	<b>4,581,256</b>	<b>4,583,256</b>	<b>4,112,277</b>	<b>470,979</b>

continued

**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GENERAL FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Miscellaneous</b>				
Non-departmental	1,131,694	1,246,694	1,246,213	481
<b>Total miscellaneous</b>	<b>1,131,694</b>	<b>1,246,694</b>	<b>1,246,213</b>	<b>481</b>
<b>Total expenditures</b>	<b>25,573,574</b>	<b>25,947,824</b>	<b>24,810,149</b>	<b>1,137,675</b>
Excess of revenues over (under) expenditures	1,890,668	(178,222)	819,141	997,363
Other financing sources (uses)				
Transfers-in	-	60,000	60,000	-
Transfers-out	(198,903)	(198,903)	(198,900)	3
Other sources	-		31,938	31,938
Other uses	-	-	(233,000)	(233,000)
<b>Total other financing sources (uses)</b>	<b>(198,903)</b>	<b>(138,903)</b>	<b>(339,962)</b>	<b>(201,059)</b>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	1,691,765	(317,125)	479,179	796,304
Fund balance, beginning of year	4,659,740	4,659,740	4,659,740	-
Appropriation for prior year encumbrances	513,799	513,799	513,799	-
<b>Fund balance, end of the year</b>	<b>\$ 6,865,304</b>	<b>\$ 4,856,414</b>	<b>\$ 5,652,718</b>	<b>\$ 796,304</b>

**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
HOUSING ASSISTANCE FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Intergovernmental revenue	\$ 10,043,688	\$ 10,043,688	\$ 8,393,460	\$ (1,650,228)
Interest earnings	6,918	6,918	10,488	3,570
Miscellaneous	68,155	68,155	169,756	101,601
<b>Total revenues</b>	<b>10,118,761</b>	<b>10,118,761</b>	<b>8,573,704</b>	<b>(1,545,057)</b>
<b>Expenditures:</b>				
<b>Current</b>				
Community Environment	10,045,487	10,045,487	8,358,115	1,687,372
<b>Total expenditures</b>	<b>10,045,487</b>	<b>10,045,487</b>	<b>8,358,115</b>	<b>1,687,372</b>
Excess of revenues over (under) expenditures	73,274	73,274	215,589	142,315
<b>Other financing sources (uses):</b>				
Other sources	-	-	32,844	32,844
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>32,844</b>	<b>32,844</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	73,274	73,274	248,433	175,159
Fund balance, beginning of the year	1,265,469	1,265,469	1,265,469	-
<b>Fund balance, end of the year</b>	<b>\$ 1,338,743</b>	<b>\$ 1,338,743</b>	<b>\$ 1,513,902</b>	<b>\$ 175,159</b>

**REQUIRED SUPPLEMENTARY INFORMATION  
CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
COMMUNITY DEVELOPMENT ESCROW  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Revenues:				
Interest earnings	\$ 121,200	\$ 121,200	\$ 13,467	\$ (107,733)
Miscellaneous	560,000	560,000	100,397	(459,603)
<b>Total revenues</b>	<b>681,200</b>	<b>681,200</b>	<b>113,864</b>	<b>(567,336)</b>
Expenditures:				
Current				
Community Environment	-	-	1,916	(1,916)
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>1,916</b>	<b>(1,916)</b>
Excess of revenues over (under) expenditures	681,200	681,200	111,948	(569,252)
Other financing sources (uses):				
Transfers-in	-	-	-	-
Transfers-out	-	-	-	-
Other sources	-	-	-	-
Other uses	(360,000)	(360,000)	(15,473)	344,527
<b>Total other financing uses</b>	<b>(360,000)</b>	<b>(360,000)</b>	<b>(15,473)</b>	<b>344,527</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	321,200	321,200	96,475	(224,725)
Fund balance, beginning of the year	1,080,996	1,080,996	1,080,996	-
<b>Fund balance, end of the year</b>	<b>\$ 1,402,196</b>	<b>\$ 1,402,196</b>	<b>\$ 1,177,471</b>	<b>\$ (224,725)</b>



## **SUPPLEMENTAL SECTION**

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## **SPECIAL REVENUE FUNDS**

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

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

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

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

#### **ACQUISITION FOR PARKS FUND**

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

#### **HEALTH FUND**

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

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

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

#### **TAX INCREMENT EQUIVALENT FUND**

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

#### **LITTER CONTROL FUND**

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

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

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

#### **FEMA GRANT FUND**

To account for federal grant monies received through the Ohio Emergency Management Agency for approved projects under the Public Assistance Grant Program

#### **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 FUND**

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

**ENFORCEMENT/EDUCATION FUND**

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

**CIVIC DEVELOPMENT FUND**

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

**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 FUND**

To accumulate funds for projects designated by the Municipal Court.

**HOME PROGRAM FUND**

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

**COMMUNITY DEVELOPMENT FUND**

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

**POLICE PENSION FUND**

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

**FIRE PENSION FUND**

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

## **DEBT SERVICE FUNDS**

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

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

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

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

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

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

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

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

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

## **CAPITAL PROJECT FUNDS**

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

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

#### **CAPITAL IMPROVEMENTS FUND**

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

#### **EAST END DEVELOPMENT FUND**

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

#### **DOWNTOWN IMPROVEMENTS FUND**

To account for improvement projects in the downtown area.

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

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

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

#### **COMPUTER REPLACEMENT FUND**

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

#### **LEEDS FARM DEVELOPMENT FUND**

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

#### **2004 SIDEWALK, CURB, & GUTTER FUND**

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.

#### **BREIEL BLVD. RESURFACING FUND**

To accumulate costs for Breiel Boulevard resurfacing and related improvements. Property owners will be partially assessed for this project.

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2005**

	<b>Non Major Special Revenue Funds</b>	<b>Non Major Debt Service Funds</b>	<b>Non Major Capital Project Funds</b>	<b>Total Non Major Governmental Funds</b>
<b>Assets:</b>				
Cash and equity in pooled cash, deposits and investments	\$ 2,614,757	\$ 304,763	\$ 1,591,213	\$ 4,510,733
Cash with fiscal and escrow agent	-	77,262	-	77,262
Receivables (net of allowance for uncollectibles):				
Property taxes	580,000	-	-	580,000
Accounts	178,952	-	-	178,952
Loans	224,328	-	-	224,328
Due from other funds	3,109	-	-	3,109
Due from other governments	3,300,554	-	-	3,300,554
Inventory of supplies	520,443	-	-	520,443
<b>Total assets</b>	<b>7,422,143</b>	<b>382,025</b>	<b>1,591,213</b>	<b>9,395,381</b>
<b>Liabilities:</b>				
Accounts payable	170,197	-	10,774	180,971
Accrued wages and benefits	176,408	-	-	176,408
Other accrued liabilities	46,989	-	-	46,989
Due to other funds	249,793	-	63,000	312,793
Due to other governments	24,126	-	-	24,126
Matured bonds and interest	-	77,262	-	77,262
Deferred revenue	3,501,334	-	-	3,501,334
<b>Total liabilities</b>	<b>4,168,847</b>	<b>77,262</b>	<b>73,774</b>	<b>4,319,883</b>
<b>Fund balances:</b>				
Reserved for encumbrances	853,710	-	241,901	1,095,611
Reserved for inventory	520,443	-	-	520,443
Reserved for loans	171,908	-	-	171,908
Unreserved and undesignated	1,707,235	304,763	1,275,538	3,287,536
<b>Total fund balances</b>	<b>3,253,296</b>	<b>304,763</b>	<b>1,517,439</b>	<b>5,075,498</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,422,143</b>	<b>\$ 382,025</b>	<b>\$ 1,591,213</b>	<b>\$ 9,395,381</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON MAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

	<b>Non Major Special Revenue Funds</b>	<b>Non Major Debt Service Funds</b>	<b>Non Major Capital Project Funds</b>	<b>Total Non Major Governmental Funds</b>
<b>Revenues:</b>				
Property taxes	\$ 588,334	\$ 195,508	\$ -	\$ 783,842
Municipal income taxes	3,076,650	1,620,226	8,000	4,704,876
Special assessments	-	-	43,352	43,352
Intergovernmental revenues	4,181,237	-	-	4,181,237
Charges for services	214,370	-	-	214,370
Fines and forfeits	1,469,694	-	-	1,469,694
Interest earnings	21,820	-	28,119	49,939
Miscellaneous	342,512	312,726	319,547	974,785
<b>Total revenues</b>	<b>9,894,617</b>	<b>2,128,460</b>	<b>399,018</b>	<b>\$ 12,422,095</b>
<b>Expenditures:</b>				
<b>Current</b>				
Public safety	5,115,101	-	5,759	5,120,860
Public health and welfare	1,133,758	-	-	1,133,758
Community environment	1,527,759	-	23,510	1,551,269
Highways and streets	2,351,406	-	104,565	2,455,971
General government	79,800	-	200,375	280,175
Miscellaneous	123,747	-	-	123,747
<b>Debt service</b>				
Principal retirement	-	1,160,000	-	1,160,000
Interest and fiscal charges	-	1,231,792	-	1,231,792
<b>Total expenditures</b>	<b>10,331,571</b>	<b>2,391,792</b>	<b>334,209</b>	<b>13,057,572</b>
Excess of revenues over (under) expenditures	(436,954)	(263,332)	64,809	(635,477)
<b>Other financing sources (uses):</b>				
Transfers-in	80,029	266,685	254,764	601,478
Transfers-out	(140,029)	-	(66,685)	(206,714)
<b>Total other financing sources (uses)</b>	<b>(60,000)</b>	<b>266,685</b>	<b>188,079</b>	<b>394,764</b>
Net change in fund balances	(496,954)	3,353	252,888	(240,713)
Fund balance, beginning of year	3,750,250	301,410	1,264,551	5,316,211
<b>Fund balance, end of the year</b>	<b>\$ 3,253,296</b>	<b>\$ 304,763</b>	<b>\$ 1,517,439</b>	<b>\$ 5,075,498</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2005**

	<b>Auto &amp; Gas Tax</b>	<b>Acquisition for Parks</b>	<b>Health Fund</b>	<b>Emergency Medical Services</b>
<b>Assets:</b>				
Cash and equity in pooled cash, deposits and investments	\$ 12,283	\$ 49,792	\$ 177,192	\$ 1,202,982
Receivables (net of allowance for uncollectibles):				
Property taxes	-	-	-	-
Accounts	-	-	-	-
Loans	-	-	-	-
Due from other funds	-	-	3,109	-
Due from other governments	1,009,661	-	504,871	-
Inventory of supplies	520,443	-	-	-
<b>Total assets</b>	<b>1,542,387</b>	<b>49,792</b>	<b>685,172</b>	<b>1,202,982</b>
<b>Liabilities:</b>				
Accounts payable	7,230	-	24,627	21,898
Accrued wages and benefits	58,443	-	48,022	-
Other accrued liabilities	18,035	-	11,136	-
Due to other funds	94,199	-	716	-
Due to other governments	-	-	24,126	-
Deferred revenue	720,332	-	460,568	-
<b>Total liabilities</b>	<b>898,239</b>	<b>-</b>	<b>569,195</b>	<b>21,898</b>
<b>Fund balances:</b>				
Reserved for encumbrances	90,046	-	-	531,076
Reserved for inventory	520,443	-	-	-
Reserved for loans	-	-	-	-
Unreserved and undesignated	33,659	49,792	115,977	650,008
<b>Total fund balances</b>	<b>644,148</b>	<b>49,792</b>	<b>115,977</b>	<b>1,181,084</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,542,387</b>	<b>\$ 49,792</b>	<b>\$ 685,172</b>	<b>\$ 1,202,982</b>

<b>Tax Increment Equivalent</b>	<b>Litter Control</b>	<b>Urban Development Action Grant</b>	<b>FEMA Grant</b>	<b>Law Enforcement</b>	<b>Mandatory Drug Fine</b>	<b>Probation Services</b>	<b>Termination Pay</b>
\$ 26,581	\$ -	\$ 463,576	\$ -	\$ 105,899	\$ 16,038	\$ 59,055	\$ 213,911
-	-	-	-	-	-	-	-
-	-	-	-	-	45,627	5,058	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<b>26,581</b>	<b>-</b>	<b>463,576</b>	<b>-</b>	<b>105,899</b>	<b>61,665</b>	<b>64,113</b>	<b>213,911</b>
4,421	-	-	-	-	240	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	240	23,000	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<b>4,421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240</b>	<b>23,240</b>	<b>-</b>	<b>-</b>
-	-	-	-	11,592	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
22,160	-	463,576	-	94,067	38,425	64,113	213,911
<b>22,160</b>	<b>-</b>	<b>463,576</b>	<b>-</b>	<b>105,659</b>	<b>38,425</b>	<b>64,113</b>	<b>213,911</b>
<b>\$ 26,581</b>	<b>\$ -</b>	<b>\$ 463,576</b>	<b>\$ -</b>	<b>\$ 105,899</b>	<b>\$ 61,665</b>	<b>\$ 64,113</b>	<b>\$ 213,911</b>

(continued)

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2005**

	<b>Indigent Driver Alcohol Treatment</b>	<b>Enforcement Education</b>	<b>Civic Develop- ment</b>	<b>Municipal Court</b>	<b>Police Grant</b>
<b>Assets:</b>					
Cash and equity in pooled cash, deposits and investments	\$ 17,349	\$ 29,005	\$ 848	\$ 13,524	\$ 807
Receivables (net of allowance for uncollectibles):					
Property taxes	-	-	-	-	-
Accounts	350	720	36,725	78,823	-
Loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	195,409
Inventory of supplies	-	-	-	-	-
<b>Total assets</b>	<b>17,699</b>	<b>29,725</b>	<b>37,573</b>	<b>92,347</b>	<b>196,216</b>
<b>Liabilities:</b>					
Accounts payable	-	20,350	37,573	251	-
Accrued wages and benefits	-	-	-	66,375	-
Other accrued liabilities	-	-	-	16,931	-
Due to other funds	-	-	-	1,400	30,000
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	195,409
<b>Total liabilities</b>	<b>-</b>	<b>20,350</b>	<b>37,573</b>	<b>84,957</b>	<b>225,409</b>
<b>Fund balances:</b>					
Reserved for encumbrances	-	-	-	-	82,684
Reserved for inventory	-	-	-	-	-
Reserved for loans	-	-	-	-	-
Unreserved and undesignated	17,699	9,375	-	7,390	(111,877)
<b>Total fund balances</b>	<b>17,699</b>	<b>9,375</b>	<b>-</b>	<b>7,390</b>	<b>(29,193)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,699</b>	<b>\$ 29,725</b>	<b>\$ 37,573</b>	<b>\$ 92,347</b>	<b>\$ 196,216</b>

<b>Court Special Projects</b>	<b>Home Program</b>	<b>Community Development</b>	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Totals</b>
\$ 87,666	\$ 13,544	\$ 82,243	\$ 27,887	\$ 14,575	\$ 2,614,757
-	-	-	290,000	290,000	580,000
11,649	-	-	-	-	178,952
-	-	224,328	-	-	224,328
-	-	-	-	-	3,109
-	737,165	853,448	-	-	3,300,554
-	-	-	-	-	520,443
<b>99,315</b>	<b>750,709</b>	<b>1,160,019</b>	<b>317,887</b>	<b>304,575</b>	<b>7,422,143</b>
-	17,280	36,327	-	-	170,197
3,568	-	-	-	-	176,408
887	-	-	-	-	46,989
-	-	100,238	-	-	249,793
-	-	-	-	-	24,126
-	691,577	853,448	290,000	290,000	3,501,334
<b>4,455</b>	<b>708,857</b>	<b>990,013</b>	<b>290,000</b>	<b>290,000</b>	<b>4,168,847</b>
14,929	7,200	116,183	-	-	853,710
-	-	-	-	-	520,443
-	-	171,908	-	-	171,908
79,931	34,652	(118,085)	27,887	14,575	1,707,235
<b>94,860</b>	<b>41,852</b>	<b>170,006</b>	<b>27,887</b>	<b>14,575</b>	<b>3,253,296</b>
<b>\$ 99,315</b>	<b>\$ 750,709</b>	<b>\$ 1,160,019</b>	<b>\$ 317,887</b>	<b>\$ 304,575</b>	<b>\$ 7,422,143</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON MAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005**

	Auto & Gas Tax	Acquisition for Parks	Health Fund	Emergency Medical Services
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	634,250	-	371,000	-
Intergovernmental revenues	1,957,603	-	669,683	-
Charges for services	-	9,000	205,370	-
Fines and forfeits	-	-	-	-
Interest earnings	1,443	-	-	-
Miscellaneous	145,754	-	-	5,989
<b>Total revenues</b>	<b>2,739,050</b>	<b>9,000</b>	<b>1,246,053</b>	<b>5,989</b>
<b>Expenditures:</b>				
Current				
Public safety	416,465	-	-	268,530
Public health and welfare	-	-	1,133,758	-
Community environment	-	-	-	-
Highways and streets	2,351,406	-	-	-
General government	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total expenditures</b>	<b>2,767,871</b>	<b>-</b>	<b>1,133,758</b>	<b>268,530</b>
Excess of revenues over (under) expenditures	(28,821)	9,000	112,295	(262,541)
<b>Other financing sources (uses):</b>				
Transfers-in	80,029	-	-	-
Transfers-out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>80,029</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	51,208	9,000	112,295	(262,541)
Fund balance, beginning of year	592,940	40,792	3,682	1,443,625
<b>Fund balance, end of the year</b>	<b>\$ 644,148</b>	<b>\$ 49,792</b>	<b>\$ 115,977</b>	<b>\$ 1,181,084</b>

<b>Tax Increment Equivalent</b>	<b>Litter Control</b>	<b>Urban Development Action Grant</b>	<b>FEMA Grant</b>	<b>Law Enforcement</b>	<b>Mandatory Drug Fine</b>	<b>Probation Services</b>	<b>Termination Pay</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	16,000	-	-	-	-	-	350,000
-	54,098	-	80,029	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	85,962	78,592	50,682	-
-	-	12,664	-	-	-	-	-
-	-	-	-	2,500	-	-	-
-	<b>70,098</b>	<b>12,664</b>	<b>80,029</b>	<b>88,462</b>	<b>78,592</b>	<b>50,682</b>	<b>350,000</b>
-	-	-	-	36,165	45,210	98,370	109,954
-	-	-	-	-	-	-	-
80,606	62,098	61,178	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	79,800
-	-	-	-	-	-	-	-
<b>80,606</b>	<b>62,098</b>	<b>61,178</b>	<b>-</b>	<b>36,165</b>	<b>45,210</b>	<b>98,370</b>	<b>189,754</b>
(80,606)	8,000	(48,514)	80,029	52,297	33,382	(47,688)	160,246
-	-	-	-	-	-	-	-
-	(8,000)	-	(80,029)	-	-	-	-
-	<b>(8,000)</b>	<b>-</b>	<b>(80,029)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(80,606)	-	(48,514)	-	52,297	33,382	(47,688)	160,246
102,766	-	512,090	-	53,362	5,043	111,801	53,665
<b>\$ 22,160</b>	<b>\$ -</b>	<b>\$ 463,576</b>	<b>\$ -</b>	<b>\$ 105,659</b>	<b>\$ 38,425</b>	<b>\$ 64,113</b>	<b>\$ 213,911</b>

(continued)

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Indigent Driver Alcohol Treatment</b>	<b>Enforce-ment Education</b>	<b>Civic Develop-ment</b>	<b>Municipal Court</b>
<b>Revenues:</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	-	-	-	125,400
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	16,096	8,200	-	1,073,021
Interest earnings	-	-	-	-
Miscellaneous	-	-	177,408	2,532
<b>Total revenues</b>	<b>16,096</b>	<b>8,200</b>	<b>177,408</b>	<b>1,200,953</b>
<b>Expenditures:</b>				
<b>Current</b>				
Public safety	21,170	24,500	-	1,361,765
Public health and welfare	-	-	-	-
Community environment	-	-	-	-
Highways and streets	-	-	-	-
General government	-	-	-	-
Miscellaneous	-	-	123,747	-
<b>Total expenditures</b>	<b>21,170</b>	<b>24,500</b>	<b>123,747</b>	<b>1,361,765</b>
Excess of revenues over (under) expenditures	(5,074)	(16,300)	53,661	(160,812)
<b>Other financing sources (uses):</b>				
Transfers-in	-	-	-	-
Transfers-out	-	-	(52,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(52,000)</b>	<b>-</b>
Net change in fund balances	(5,074)	(16,300)	1,661	(160,812)
Fund balance, beginning of year	22,773	25,675	(1,661)	168,202
<b>Fund balance, end of the year</b>	<b>\$ 17,699</b>	<b>\$ 9,375</b>	<b>\$ -</b>	<b>\$ 7,390</b>

<b>Police Grant</b>	<b>Court Special Projects</b>	<b>Home Program</b>	<b>Community Development</b>	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Totals</b>
\$ -	\$ -	\$ -	\$ -	\$ 294,167	\$ 294,167	\$ 588,334
-	-	-	-	695,000	885,000	3,076,650
62,272	-	361,174	942,818	26,780	26,780	4,181,237
-	-	-	-	-	-	214,370
-	157,141	-	-	-	-	1,469,694
558	-	-	7,155	-	-	21,820
1,000	-	-	7,329	-	-	342,512
<b>63,830</b>	<b>157,141</b>	<b>361,174</b>	<b>957,302</b>	<b>1,015,947</b>	<b>1,205,947</b>	<b>\$ 9,894,617</b>
153,038	353,574	-	-	1,030,827	1,195,533	5,115,101
-	-	-	-	-	-	1,133,758
-	-	317,752	1,006,125	-	-	1,527,759
-	-	-	-	-	-	2,351,406
-	-	-	-	-	-	79,800
-	-	-	-	-	-	123,747
<b>153,038</b>	<b>353,574</b>	<b>317,752</b>	<b>1,006,125</b>	<b>1,030,827</b>	<b>1,195,533</b>	<b>10,331,571</b>
(89,208)	(196,433)	43,422	(48,823)	(14,880)	10,414	(436,954)
-	-	-	-	-	-	80,029
-	-	-	-	-	-	(140,029)
-	-	-	-	-	-	<b>(60,000)</b>
(89,208)	(196,433)	43,422	(48,823)	(14,880)	10,414	(496,954)
60,015	291,293	(1,570)	218,829	42,767	4,161	3,750,250
<b>\$ (29,193)</b>	<b>\$ 94,860</b>	<b>\$ 41,852</b>	<b>\$ 170,006</b>	<b>\$ 27,887</b>	<b>\$ 14,575</b>	<b>\$ 3,253,296</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
AUTO AND GAS TAX FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Municipal income tax	\$ 454,250	\$ 634,250	\$ 634,250	\$ -
Intergovernmental revenue	2,271,596	2,271,596	1,936,184	(335,412)
Interest earnings	1,261	1,261	1,443	182
Miscellaneous	237,878	257,878	145,754	(112,124)
<b>Total revenues</b>	<b>2,964,985</b>	<b>3,164,985</b>	<b>2,717,631</b>	<b>(447,354)</b>
<b>Expenditures:</b>				
Current				
Public safety:				
Electronic Maintenance	646,402	646,402	608,919	37,483
<b>Total public safety</b>	<b>646,402</b>	<b>646,402</b>	<b>608,919</b>	<b>37,483</b>
Highways and streets:				
Street Maintenance	1,843,128	1,920,128	1,860,096	60,032
Grounds Maintenance	612,402	621,402	601,548	19,854
<b>Total highways and streets</b>	<b>2,455,530</b>	<b>2,541,530</b>	<b>2,461,644</b>	<b>79,886</b>
<b>Total expenditures</b>	<b>3,101,932</b>	<b>3,187,932</b>	<b>3,070,563</b>	<b>117,369</b>
Excess of revenues over (under) expenditures	(136,947)	(22,947)	(352,932)	(329,985)
<b>Other financing sources (uses):</b>				
Transfers-in	-	\$ 80,000	\$ 80,029	29
Other sources	-	-	20,000	20,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>80,000</b>	<b>100,029</b>	<b>20,029</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(136,947)	57,053	(252,903)	(309,956)
Fund balance, beginning of the year	40,338	40,338	40,338	-
Appropriation for prior year encumbrances	134,799	134,799	134,799	-
<b>Fund balance, end of the year</b>	<b>\$ 38,190</b>	<b>\$ 232,190</b>	<b>\$ (77,766)</b>	<b>\$ (309,956)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
ACQUISITION FOR PARKS FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Charges for services	\$ 150,000	\$ 10,000	\$ 9,000	\$ (1,000)
<b>Total revenues</b>	<b>150,000</b>	<b>10,000</b>	<b>9,000</b>	<b>(1,000)</b>
Expenditures:				
Current				
Leisure activities	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of revenues over expenditures	150,000	10,000	9,000	(1,000)
Fund balance, beginning of the year	40,795	40,795	40,795	-
<b>Fund balance, end of the year</b>	<b>\$ 190,795</b>	<b>\$ 50,795</b>	<b>\$ 49,795</b>	<b>\$ (1,000)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FEMA GRANT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 80,029	\$ 80,029	\$ -
<b>Total revenues</b>	<b>-</b>	<b>80,029</b>	<b>80,029</b>	<b>-</b>
<b>Expenditures:</b>				
Current				
Public safety	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of revenues over expenditures	-	80,029	80,029	-
<b>Other financing sources (uses):</b>				
Transfers-out	-	(80,029)	(80,029)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(80,029)</b>	<b>(80,029)</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	-	-	-
Fund balance, beginning of the year	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
HEALTH FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Municipal income taxes	\$ 371,000	\$ 371,000	\$ 371,000	\$ -
Intergovernmental revenue	668,850	693,850	635,859	(57,991)
Charges for services	195,343	195,343	205,370	10,027
<b>Total revenues</b>	<b>1,235,193</b>	<b>1,260,193</b>	<b>1,212,229</b>	<b>(47,964)</b>
<b>Expenditures:</b>				
Current				
Public health and welfare:				
Health State Subsidy	15,941	15,941	15,444	497
Immunization Action Plan	41,919	41,919	41,919	-
Public Health Infrastructure	22,450	22,450	19,407	3,043
Child & Family Services	234,550	234,550	205,786	28,764
Help Me Grow	347,990	347,990	332,230	15,760
OIMRI Grant Program	-	34,259	17,643	16,616
Health/Environment Admin.	507,821	514,821	460,171	54,650
<b>Total expenditures</b>	<b>1,170,671</b>	<b>1,211,930</b>	<b>1,092,600</b>	<b>119,330</b>
Excess of revenues under expenditures	64,522	48,263	119,629	71,366
<b>Other financing sources uses:</b>				
Other sources	-	-	13,249	13,249
<b>Total other financing uses</b>	<b>-</b>	<b>-</b>	<b>13,249</b>	<b>13,249</b>
Excess of revenues and other financing sources under expenditures and other financing uses	64,522	48,263	132,878	84,615
Fund balance, beginning of the year	40,839	40,839	40,839	-
Appropriation for prior year encumbrances	3,475	3,475	3,475	-
<b>Fund balance, end of the year</b>	<b>\$ 108,836</b>	<b>\$ 92,577</b>	<b>\$ 177,192</b>	<b>\$ 84,615</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
EMS FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Revenues:				
Charges for Services	\$ 157,616	\$ -	\$ -	-
Miscellaneous	-	6,000	5,989	(11)
<b>Total revenues</b>	<b>157,616</b>	<b>6,000</b>	<b>5,989</b>	<b>(11)</b>
Expenditures:				
Current				
Public safety	641,709	1,037,443	799,606	237,837
<b>Total expenditures</b>	<b>641,709</b>	<b>1,037,443</b>	<b>799,606</b>	<b>237,837</b>
Excess of revenues over (under) expenditures	(484,093)	(1,031,443)	(793,617)	237,826
Fund balance, beginning of the year	1,388,518	1,388,518	1,388,518	-
Appropriation for prior year encumbrances	55,109	55,109	55,109	-
<b>Fund balance, end of the year</b>	<b>\$ 959,534</b>	<b>\$ 412,184</b>	<b>\$ 650,010</b>	<b>\$ 237,826</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
TAX INCREMENT EQUIVALENT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenditures:				
Current				
Miscellaneous	40,000	96,000	81,111	14,889
<b>Total expenditures</b>	<b>40,000</b>	<b>96,000</b>	<b>81,111</b>	<b>14,889</b>
Excess of revenues under expenditures	(40,000)	(96,000)	(81,111)	14,889
Fund balance, beginning of the year	107,693	107,693	107,693	-
<b>Fund balance, end of the year</b>	<b>\$ 67,693</b>	<b>\$ 11,693</b>	<b>\$ 26,582</b>	<b>\$ 14,889</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
LITTER CONTROL FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Municipal income taxes	\$ 16,000	\$ 16,000	\$ 16,000	\$ -
Intergovernmental revenue	56,600	56,600	54,098	(2,502)
<b>Total revenues</b>	<b>72,600</b>	<b>72,600</b>	<b>70,098</b>	<b>(2,502)</b>
<b>Expenditures:</b>				
Current				
Community environment:	72,600	64,600	62,098	2,502
<b>Total expenditures</b>	<b>72,600</b>	<b>64,600</b>	<b>62,098</b>	<b>2,502</b>
Excess of revenues over (under) expenditures	-	8,000	8,000	-
<b>Other financing sources (uses):</b>				
Transfers-out	-	(8,000)	(8,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(8,000)</b>	<b>(8,000)</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	-	-	-	-
Fund balance, beginning of the year	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
URBAN DEVELOPMENT ACTION GRANT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Revenues:				
Interest earnings	\$ 25,000	\$ 25,000	\$ 12,664	\$ (12,336)
<b>Total revenues</b>	<b>25,000</b>	<b>25,000</b>	<b>12,664</b>	<b>(12,336)</b>
Expenditures:				
Current				
Community environment:	96,794	289,794	61,178	228,616
<b>Total expenditures</b>	<b>96,794</b>	<b>289,794</b>	<b>61,178</b>	<b>228,616</b>
Excess of revenues under expenditures	(71,794)	(264,794)	(48,514)	216,280
Fund balance, beginning of the year	488,829	488,829	488,829	-
Appropriation for prior year encumbrances	23,260	23,260	23,260	-
<b>Fund balance, end of the year</b>	<b>\$ 440,295</b>	<b>\$ 247,295</b>	<b>\$ 463,575</b>	<b>\$ 216,280</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
LAW ENFORCEMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Fines and forfeits	\$ 50,000	\$ 50,000	\$ 85,962	\$ 35,962
Miscellaneous	-	-	2,500	2,500
<b>Total revenues</b>	<b>50,000</b>	<b>50,000</b>	<b>88,462</b>	<b>38,462</b>
<b>Expenditures:</b>				
Current				
Public safety:	65,949	65,949	51,466	14,483
<b>Total expenditures</b>	<b>65,949</b>	<b>65,949</b>	<b>51,466</b>	<b>14,483</b>
Excess of revenues under expenditures	(15,949)	(15,949)	36,996	52,945
Fund balance, beginning of the year	53,361	53,361	53,361	-
Appropriation for prior year encumbrances	3,949	3,949	3,949	-
<b>Fund balance, end of the year</b>	<b>\$ 41,361</b>	<b>\$ 41,361</b>	<b>\$ 94,306</b>	<b>\$ 52,945</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
MANDATORY DRUG FINE FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Fines and forfeits	\$ 50,000	\$ 50,000	\$ 31,342	\$ (18,658)
Intergovernmental revenue	-	-	1,624	1,624
<b>Total revenues</b>	<b>50,000</b>	<b>50,000</b>	<b>32,966</b>	<b>(17,034)</b>
<b>Expenditures:</b>				
Current				
Public safety:	45,000	45,000	44,970	30
<b>Total expenditures</b>	<b>45,000</b>	<b>45,000</b>	<b>44,970</b>	<b>30</b>
Excess of revenues over (under) expenditures	5,000	5,000	(12,004)	(17,004)
<b>Other financing sources:</b>				
Other sources	-	-	20,000	20,000
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>20,000</b>
Excess of revenues and other financing sources over expenditures and other financing sources	5,000	5,000	7,996	2,996
Fund balance, beginning of the year	8,043	8,043	8,043	-
<b>Fund balance, end of the year</b>	<b>\$ 13,043</b>	<b>\$ 13,043</b>	<b>\$ 16,039</b>	<b>\$ 2,996</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
PROBATION SERVICES FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Fines and forfeits	\$ 80,000	\$ 80,000	\$ 49,845	\$ (30,155)
<b>Total revenues</b>	<b>80,000</b>	<b>80,000</b>	<b>49,845</b>	<b>(30,155)</b>
<b>Expenditures:</b>				
Current				
Public safety	75,000	120,000	98,370	21,630
<b>Total expenditures</b>	<b>75,000</b>	<b>120,000</b>	<b>98,370</b>	<b>21,630</b>
Excess of revenues over expenditures	5,000	(40,000)	(48,525)	(8,525)
Fund balance, beginning of the year	107,578	107,578	107,578	-
<b>Fund balance, end of the year</b>	<b>\$ 112,578</b>	<b>\$ 67,578</b>	<b>\$ 59,053</b>	<b>\$ (8,525)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
TERMINATION PAY FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Municipal income Tax	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
<b>Total revenues</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>	<b>-</b>
<b>Expenditures:</b>				
Current				
Personal services:				
Public safety	200,000	200,000	109,954	90,046
General government	150,000	150,000	79,800	70,200
<b>Total expenditures</b>	<b>350,000</b>	<b>350,000</b>	<b>189,754</b>	<b>160,246</b>
Excess of revenues over expenditures	-	-	160,246	160,246
Fund balance, beginning of the year	53,666	53,666	53,666	-
<b>Fund balance, end of the year</b>	<b>\$ 53,666</b>	<b>\$ 53,666</b>	<b>\$ 213,912</b>	<b>\$ 160,246</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
INDIGENT DRIVER ALCOHOL TREATMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Fines and forfeits	\$ 22,000	\$ 22,000	\$ 16,321	\$ (5,679)
<b>Total revenues</b>	<b>22,000</b>	<b>22,000</b>	<b>16,321</b>	<b>(5,679)</b>
<b>Expenditures:</b>				
Current				
Public safety	25,000	25,000	21,170	3,830
<b>Total expenditures</b>	<b>25,000</b>	<b>25,000</b>	<b>21,170</b>	<b>3,830</b>
Excess of revenues under expenditures	(3,000)	(3,000)	(4,849)	(1,849)
Fund balance, beginning of the year	22,195	22,195	22,195	-
<b>Fund balance, end of the year</b>	<b>\$ 19,195</b>	<b>\$ 19,195</b>	<b>\$ 17,346</b>	<b>\$ (1,849)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
ENFORCEMENT/EDUCATION FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 14,000	\$ 14,000	\$ 7,480	\$ (6,520)
<b>Total revenues</b>	<b>14,000</b>	<b>14,000</b>	<b>7,480</b>	<b>(6,520)</b>
Expenditures:				
Current				
Public Safety	30,444	30,444	24,500	5,944
<b>Total expenditures</b>	<b>30,444</b>	<b>30,444</b>	<b>24,500</b>	<b>5,944</b>
Excess of revenues over (under) expenditures	(16,444)	(16,444)	(17,020)	(576)
Fund balance, beginning of year	25,680	25,680	25,680	-
Appropriation for prior year encumbrances	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ 9,236</b>	<b>\$ 9,236</b>	<b>\$ 8,660</b>	<b>\$ (576)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
CIVIC DEVELOPMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ 180,000	\$ 180,000	\$ 172,848	\$ (7,152)
<b>Total revenues</b>	<b>180,000</b>	<b>180,000</b>	<b>172,848</b>	<b>(7,152)</b>
Expenditures:				
Current				
Miscellaneous	120,000	120,000	120,000	-
<b>Total expenditures</b>	<b>120,000</b>	<b>120,000</b>	<b>120,000</b>	<b>-</b>
Excess of revenues under expenditures	60,000	60,000	52,848	(7,152)
Other financing sources (uses):				
Transfers-out	(60,000)	(60,000)	(52,000)	8,000
<b>Total other financing     sources (uses)</b>	<b>(60,000)</b>	<b>(60,000)</b>	<b>(52,000)</b>	<b>8,000</b>
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	-	-	848	848
Fund balance, beginning of the year	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 848</b>	<b>\$ 848</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
MUNICIPAL COURT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Municipal income tax	\$ 125,400	\$ 125,400	\$ 125,400	\$ -
Fines and forfeits	1,176,700	1,176,700	1,071,396	(105,304)
Miscellaneous	10,000	10,000	2,531	(7,469)
<b>Total revenues</b>	<b>1,312,100</b>	<b>1,312,100</b>	<b>1,199,327</b>	<b>(112,773)</b>
<b>Expenditures:</b>				
Current				
Public safety:	1,337,373	1,377,373	1,355,574	21,799
<b>Total expenditures</b>	<b>1,337,373</b>	<b>1,377,373</b>	<b>1,355,574</b>	<b>21,799</b>
Excess of revenues over expenditures	(25,273)	(65,273)	(156,247)	(90,974)
Fund balance, beginning of the year	169,592	169,592	169,592	-
<b>Fund balance, end of the year</b>	<b>\$ 144,319</b>	<b>\$ 104,319</b>	<b>\$ 13,345</b>	<b>\$ (90,974)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
POLICE GRANT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Intergovernmental revenue	\$ 306,835	\$ 326,835	\$ 62,273	\$ (264,562)
Interest earnings	1,000	1,000	558	(442)
Miscellaneous	-	1,000	30,999	29,999
<b>Total revenues</b>	<b>307,835</b>	<b>328,835</b>	<b>93,830</b>	<b>(235,005)</b>
<b>Expenditures:</b>				
Current				
Public safety:				
Dare Grant	17,859	17,859	1,000	16,859
Fingerprint Machine Replacement	-	39,928	39,928	-
E911 System Upgrade Grant	-	23,214	23,214	-
2002 Cops More Grant	247,835	247,835	162,621	85,214
2004 Federal Block Grant	-	-	8,959	(8,959)
Safety Council Grant	40,000	-	-	-
<b>Total expenditures</b>	<b>305,694</b>	<b>328,836</b>	<b>235,722</b>	<b>93,114</b>
Excess of revenues under expenditures	2,141	(1)	(141,892)	(141,891)
Fund balance, beginning of the year	59,016	59,016	59,016	-
Appropriation for prior year encumbrances	1,000	1,000	1,000	-
<b>Fund balance, end of the year</b>	<b>\$ 62,157</b>	<b>\$ 60,015</b>	<b>\$ (81,876)</b>	<b>\$ (141,891)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
COURT SPECIAL PROJECTS FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Fines & forfeits	\$ 63,500	\$ 150,000	\$ 156,944	\$ 6,944
<b>Total revenues</b>	<b>63,500</b>	<b>150,000</b>	<b>156,944</b>	<b>6,944</b>
<b>Expenditures:</b>				
Current				
Public safety:	154,721	379,721	370,021	9,700
<b>Total expenditures</b>	<b>154,721</b>	<b>379,721</b>	<b>370,021</b>	<b>9,700</b>
Excess of revenues under expenditures	(91,221)	(229,721)	(213,077)	16,644
Fund balance, beginning of the year	171,091	171,091	171,091	-
Appropriation for prior year encumbrances	114,721	114,721	114,721	-
<b>Fund balance, end of the year</b>	<b>\$ 194,591</b>	<b>\$ 56,091</b>	<b>\$ 72,735</b>	<b>\$ 16,644</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
HOME PROGRAM FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Intergovernmental revenue	\$ 394,000	\$ 394,000	\$ 315,586	\$ (78,414)
<b>Total revenues</b>	<b>394,000</b>	<b>394,000</b>	<b>315,586</b>	<b>(78,414)</b>
<b>Expenditures:</b>				
Current				
Community environment:	394,000	394,000	311,472	82,528
<b>Total expenditures</b>	<b>394,000</b>	<b>394,000</b>	<b>311,472</b>	<b>82,528</b>
Excess of revenues over (under) expenditures	-	-	4,114	4,114
Fund balance, beginning of the year	2,230	2,230	2,230	-
<b>Fund balance, end of the year</b>	<b>\$ 2,230</b>	<b>\$ 2,230</b>	<b>\$ 6,344</b>	<b>\$ 4,114</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
COMMUNITY DEVELOPMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Intergovernmental revenue	\$ 1,375,241	\$ 1,545,241	\$ 942,818	\$ (602,423)
Miscellaneous	-	-	63,865	63,865
<b>Total revenues</b>	<b>1,375,241</b>	<b>1,545,241</b>	<b>1,006,683</b>	<b>(538,558)</b>
<b>Expenditures:</b>				
Current				
Community environment:	1,407,833	1,407,833	1,145,798	262,035
<b>Total expenditures</b>	<b>1,407,833</b>	<b>1,407,833</b>	<b>1,145,798</b>	<b>262,035</b>
Excess of revenues over (under) expenditures	(32,592)	137,408	(139,115)	(276,523)
Fund balance, beginning of the year	29,284	29,284	29,284	-
Appropriation for prior year encumbrances	75,882	75,882	75,882	-
<b>Fund balance, end of the year</b>	<b>\$ 72,574</b>	<b>\$ 242,574</b>	<b>\$ (33,949)</b>	<b>\$ (276,523)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
POLICE PENSION FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Property taxes	\$ 289,563	\$ 289,563	\$ 294,167	\$ 4,604
Intergovernmental revenue	29,080	29,080	26,780	(2,300)
Municipal income taxes	710,000	710,000	695,000	(15,000)
<b>Total revenues</b>	<b>1,028,643</b>	<b>1,028,643</b>	<b>1,015,947</b>	<b>(12,696)</b>
<b>Expenditures:</b>				
Current				
Public safety:	1,047,134	1,047,134	1,030,827	16,307
<b>Total expenditures</b>	<b>1,047,134</b>	<b>1,047,134</b>	<b>1,030,827</b>	<b>16,307</b>
Excess of revenues over (under) expenditures	(18,491)	(18,491)	(14,880)	3,611
Fund balance, beginning of the year	42,755	42,755	42,755	-
<b>Fund balance, end of the year</b>	<b>\$ 24,264</b>	<b>\$ 24,264</b>	<b>\$ 27,875</b>	<b>\$ 3,611</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
FIRE PENSION FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Property taxes	\$ 289,563	\$ 289,563	\$ 294,167	\$ 4,604
Intergovernmental revenue	25,230	25,230	26,780	1,550
Municipal income taxes	993,850	885,000	885,000	-
<b>Total revenues</b>	<b>1,308,643</b>	<b>1,199,793</b>	<b>1,205,947</b>	<b>6,154</b>
<b>Expenditures:</b>				
Current				
Public safety:	1,157,409	1,237,409	1,195,533	41,876
<b>Total expenditures</b>	<b>1,157,409</b>	<b>1,237,409</b>	<b>1,195,533</b>	<b>41,876</b>
Excess of revenues over (under) expenditures	151,234	(37,616)	10,414	48,030
Fund balance, beginning of the year	4,156	4,156	4,156	-
<b>Fund balance, end of the year</b>	<b>\$ 155,390</b>	<b>\$ (33,460)</b>	<b>\$ 14,570</b>	<b>\$ 48,030</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR DEBT SERVICE FUNDS  
 DECEMBER 31, 2005**

	<b>General Obligation Debt Service</b>	<b>Towne Boulevard Tax Increment Financing District</b>	<b>Totals</b>
<b>Assets</b>			
Cash and equity in pooled cash, deposits and investments	\$ 171,755	\$ 133,008	\$ 304,763
Cash with fiscal and escrow agent	77,262	-	77,262
<b>Total assets</b>	<b>249,017</b>	<b>133,008</b>	<b>382,025</b>
<b>Liabilities</b>			
Matured bonds and interest	77,262	-	77,262
<b>Total liabilities</b>	<b>77,262</b>	<b>-</b>	<b>77,262</b>
<b>Fund balance:</b>			
Unreserved and undesignated	171,755	133,008	304,763
<b>Total fund balance</b>	<b>171,755</b>	<b>133,008</b>	<b>304,763</b>
<b>Total liabilities and fund balance</b>	<b>\$ 249,017</b>	<b>\$ 133,008</b>	<b>\$ 382,025</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NON MAJOR DEBT SERVICE FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2005**

	<b>General Obligation Debt Service</b>	<b>Towne Boulevard Tax Increment Financing District</b>	<b>Totals</b>
<b>Revenues</b>			
Municipal income taxes	\$ 1,620,226	\$ -	\$ 1,620,226
Property taxes	-	195,508	195,508
Miscellaneous revenues	312,726	-	312,726
<b>Total revenues</b>	<b>1,932,952</b>	<b>195,508</b>	<b>2,128,460</b>
<b>Expenditures</b>			
Debt service			
Principal retirement	1,160,000	-	1,160,000
Interest and fiscal charges	1,139,712	92,080	1,231,792
<b>Total expenditures</b>	<b>2,299,712</b>	<b>92,080</b>	<b>2,391,792</b>
Excess of revenues over (under) expenditures	(366,760)	103,428	(263,332)
<b>Other financing sources (uses)</b>			
Interfund transfers-in	266,685	-	266,685
<b>Total other financing sources (uses)</b>	<b>266,685</b>	<b>-</b>	<b>266,685</b>
Net change in fund balance	(100,075)	103,428	3,353
Fund balance, beginning of the year	271,830	29,580	301,410
<b>Fund balance, end of the year</b>	<b>\$ 171,755</b>	<b>\$ 133,008</b>	<b>\$ 304,763</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
SPECIAL ASSESSMENT DEBT SERVICE FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 543,000	\$ 543,000	\$ 547,789	\$ 4,789
<b>Total revenues</b>	<b>543,000</b>	<b>543,000</b>	<b>547,789</b>	<b>4,789</b>
Expenditures:				
Debt service	551,886	561,886	560,917	969
<b>Total expenditures</b>	<b>551,886</b>	<b>561,886</b>	<b>560,917</b>	<b>969</b>
Excess of revenues over (under) expenditures	(8,886)	(18,886)	(13,128)	5,758
Other financing sources (uses):				
Other uses	-	(30,000)	(30,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(30,000)</b>	<b>(30,000)</b>	<b>-</b>
Excess of revenues and other financing sources over(under) expenditures	(8,886)	(48,886)	(43,128)	5,758
Fund balance, beginning of the year	55,761	55,761	55,761	-
<b>Fund balance, end of the year</b>	<b>\$ 46,875</b>	<b>\$ 6,875</b>	<b>\$ 12,633</b>	<b>\$ 5,758</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GENERAL OBLIGATION DEBT SERVICE FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Municipal income taxes	\$ 1,700,226	\$ 1,620,000	\$ 1,620,226	\$ 226
Property taxes	-	24,000	24,389	389
Miscellaneous	288,338	288,338	288,336	(2)
<b>Total revenues</b>	<b>1,988,564</b>	<b>1,932,338</b>	<b>1,932,951</b>	<b>613</b>
<b>Expenditures:</b>				
Debt service	2,339,772	2,339,772	2,299,712	40,060
<b>Total expenditures</b>	<b>2,339,772</b>	<b>2,339,772</b>	<b>2,299,712</b>	<b>40,060</b>
Excess of revenues under expenditures	(351,208)	(407,434)	(366,761)	(39,447)
<b>Other financing sources:</b>				
Operating transfers-in	200,000	266,000	266,685	685
<b>Total other financing sources</b>	<b>200,000</b>	<b>266,000</b>	<b>266,685</b>	<b>685</b>
Excess of revenues and other financing sources over (under) expenditures	(151,208)	(141,434)	(100,076)	(41,358)
Fund balance, beginning of the year	271,831	271,831	271,831	-
<b>Fund balance, end of the year</b>	<b>\$ 120,623</b>	<b>\$ 130,397</b>	<b>\$ 171,755</b>	<b>\$ (41,358)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
TOWNE BLVD TAX INCREMENT FINANCING FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 47,350	\$ 180,000	\$ 195,508	\$ 15,508
<b>Total revenues</b>	<b>47,350</b>	<b>180,000</b>	<b>195,508</b>	<b>15,508</b>
Expenditures:				
Current				
Debt service	-	93,000	92,080	920
<b>Total expenditures</b>	<b>-</b>	<b>93,000</b>	<b>92,080</b>	<b>920</b>
Excess of revenues over expenditures	47,350	87,000	103,428	16,428
Fund balance, beginning of the year	29,580	29,580	29,580	-
<b>Fund balance, end of the year</b>	<b>\$ 76,930</b>	<b>\$ 116,580</b>	<b>\$ 133,008</b>	<b>\$ 16,428</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 NON MAJOR CAPITAL PROJECTS FUNDS  
 DECEMBER 31, 2005**

	<b>Court of Appeals Project</b>	<b>Computer Replacement</b>	<b>Leeds Farm Development</b>	<b>2004 Sidewalk, Curb &amp; Gutter</b>	<b>Breiel Blvd Resurfacing</b>	<b>Totals</b>
<b>Assets</b>						
Cash and equity in pooled cash, deposits and investments	\$ -	\$ 1,069,503	\$ 519,923	\$ 1,632	\$ 155	\$ 1,591,213
<b>Total assets</b>	<b>-</b>	<b>1,069,503</b>	<b>519,923</b>	<b>1,632</b>	<b>155</b>	<b>1,591,213</b>
<b>Liabilities</b>						
Accounts payable	-	10,774	-	-	-	10,774
Due to other funds	-	-	-	20,000	43,000	63,000
<b>Total liabilities</b>	<b>-</b>	<b>10,774</b>	<b>-</b>	<b>20,000</b>	<b>43,000</b>	<b>73,774</b>
<b>Fund balances:</b>						
Reserved for encumbrances	-	241,151	750	-	-	241,901
Unreserved and undesignated	-	817,578	519,173	(18,368)	(42,845)	1,275,538
<b>Total fund balances</b>	<b>-</b>	<b>1,058,729</b>	<b>519,923</b>	<b>(18,368)</b>	<b>(42,845)</b>	<b>1,517,439</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 1,069,503</b>	<b>\$ 519,923</b>	<b>\$ 1,632</b>	<b>\$ 155</b>	<b>\$ 1,591,213</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NON MAJOR CAPITAL PROJECT FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Court of Appeals Project</b>	<b>Computer Replacement</b>	<b>Leeds Farm Development</b>	<b>2004 Sidewalk, Curb &amp; Gutter</b>	<b>Breiel Blvd Resurfacing</b>	<b>Totals</b>
<b>Revenues</b>						
Municipal income taxes	\$ -	\$ 8,000	\$ -	\$ -	\$ -	\$ 8,000
Special assessments	-	-	-	10,604	32,748	43,352
Interest earnings	482	27,637	-	-	-	28,119
Miscellaneous	-	54,800	264,747	-	-	319,547
<b>Total revenues</b>	<b>482</b>	<b>90,437</b>	<b>264,747</b>	<b>10,604</b>	<b>32,748</b>	<b>399,018</b>
<b>Expenditures</b>						
Current						
Public safety	5,759	-	-	-	-	5,759
Community environment	-	-	23,510	-	-	23,510
Highways & streets	-	-	-	28,972	75,593	104,565
General government	-	200,375	-	-	-	200,375
<b>Total expenditures</b>	<b>5,759</b>	<b>200,375</b>	<b>23,510</b>	<b>28,972</b>	<b>75,593</b>	<b>334,209</b>
Excess of revenues over (under) expenditures	(5,277)	(109,938)	241,237	(18,368)	(42,845)	64,809
<b>Other financing sources (uses)</b>						
Interfund transfers-in	-	254,764	-	-	-	254,764
Interfund transfers-out	(66,685)	-	-	-	-	(66,685)
<b>Total other financing sources (uses)</b>	<b>(66,685)</b>	<b>254,764</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>188,079</b>
Net change in fund balances	(71,962)	144,826	241,237	(18,368)	(42,845)	252,888
Fund balance, beginning of year	71,962	913,903	278,686	-	-	1,264,551
<b>Fund balance, end of the year</b>	<b>\$ -</b>	<b>\$ 1,058,729</b>	<b>\$ 519,923</b>	<b>\$ (18,368)</b>	<b>\$ (42,845)</b>	<b>\$ 1,517,439</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
CAPITAL IMPROVEMENTS FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Property taxes	\$ 828,593	\$ 922,000	\$ 926,157	\$ 4,157
Intergovernmental revenue	1,765,000	75,000	82,468	7,468
Charges for services	20,000	20,000	52,704	32,704
Interest earnings	35,000	35,000	68,611	33,611
Miscellaneous	331,407	940,000	1,171,378	173,083
<b>Total revenues</b>	<b>2,980,000</b>	<b>1,992,000</b>	<b>2,301,318</b>	<b>251,023</b>
<b>Expenditures:</b>				
Current				
Public safety	3,400	279,225	129,142	150,083
Leisure time activities	646,514	681,514	613,105	68,409
Community environment	276,524	291,524	289,336	2,188
Highways and streets	3,678,671	3,648,671	3,060,064	588,607
General government	261,800	66,800	58,460	8,340
<b>Total expenditures</b>	<b>4,866,909</b>	<b>4,967,734</b>	<b>4,150,107</b>	<b>817,627</b>
Excess of revenues over (under) expenditures	(1,886,909)	(2,975,734)	(1,848,789)	(1,126,945)
<b>Other financing sources (uses):</b>				
Operating transfers-out	(200,000)	(220,000)	(220,000)	-
Other uses	-	(55,796)	(55,796)	-
<b>Total other financing sources (uses)</b>	<b>(200,000)</b>	<b>(275,796)</b>	<b>(275,796)</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures	(2,086,909)	(3,251,530)	(2,124,585)	(1,126,945)
Fund balance, beginning of the year	2,462,034	2,462,034	2,462,034	-
Appropriation for prior year encumbrances	851,821	851,821	851,821	-
<b>Fund balance, end of the year</b>	<b>\$ 1,226,946</b>	<b>\$ 62,325</b>	<b>\$ 1,189,270</b>	<b>\$ (1,126,945)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
EAST END DEVELOPMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Interest earnings	\$ 5,000	\$ 5,000	\$ 68,105	\$ 63,105
Intergovernmental revenue	2,165,000	700,000	-	(700,000)
Miscellaneous revenue	-	-	5,161	5,161
<b>Total revenues</b>	<b>2,170,000</b>	<b>705,000</b>	<b>73,266</b>	<b>(631,734)</b>
<b>Expenditures:</b>				
Current				
Highways and streets	8,373,282	4,772,413	4,154,698	617,715
Debt Service				
Principal retirement	-	4,281,250	4,281,250	-
Interest expense	-	94,619	94,619	-
<b>Total expenditures</b>	<b>9,148,282</b>	<b>9,148,282</b>	<b>8,530,567</b>	<b>617,715</b>
Excess of revenues under expenditures	(6,978,282)	(8,443,282)	(8,457,301)	(14,019)
<b>Other financing sources:</b>				
Proceeds from notes	500,000	1,900,000	1,898,961	(1,039)
Proceeds from bonds	4,318,000	4,318,000	4,315,000	(3,000)
<b>Total other financing sources</b>	<b>4,818,000</b>	<b>6,218,000</b>	<b>6,213,961</b>	<b>(4,039)</b>
Excess of revenues and other financing sources under expenditures	(2,160,282)	(2,225,282)	(2,243,340)	(18,058)
Fund balance, beginning of the year	1,996,785	1,996,785	1,996,785	-
Appropriation for prior year encumbrances	286,663	286,663	286,663	-
<b>Fund balance, end of the year</b>	<b>\$ 123,166</b>	<b>\$ 58,166</b>	<b>\$ 40,108</b>	<b>\$ (18,058)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
DOWNTOWN IMPROVEMENTS FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Revenues:				
Interest earnings	\$ 83,781	\$ 83,781	\$ 49,124	\$ (34,657)
<b>Total revenues</b>	<b>83,781</b>	<b>83,781</b>	<b>49,124</b>	<b>(34,657)</b>
Expenditures:				
Current				
Community environment	109,305	2,694,305	2,691,319	2,986
<b>Total expenditures</b>	<b>109,305</b>	<b>2,694,305</b>	<b>2,691,319</b>	<b>2,986</b>
Excess of revenues under expenditures	(25,524)	(2,610,524)	(2,642,195)	(31,671)
Fund balance, beginning of the year	2,825,736	2,825,736	2,825,736	-
Appropriation for prior year encumbrances	109,616	109,616	109,616	-
<b>Fund balance, end of the year</b>	<b>\$ 2,909,828</b>	<b>\$ 324,828</b>	<b>\$ 293,157</b>	<b>\$ (31,671)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
COURT OF APPEALS PROJECT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ -	\$ 1,000	\$ 481	\$ (519)
<b>Total revenues</b>	<b>-</b>	<b>1,000</b>	<b>481</b>	<b>(519)</b>
Expenditures:				
Current				
Public Safety	5,759	5,759	5,759	-
<b>Total expenditures</b>	<b>5,759</b>	<b>5,759</b>	<b>5,759</b>	<b>-</b>
Excess of revenues under expenditures	(5,759)	(4,759)	(5,278)	(519)
Other financing sources (uses):				
Operating transfers-out		(66,685)	(66,685)	
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(66,685)</b>	<b>(66,685)</b>	<b>-</b>
Excess of revenues and other financing sources over (under) expenditures	(5,759)	(71,444)	(71,963)	(519)
Fund balance, beginning of the year	66,204	66,204	66,204	-
Appropriation for prior year encumbrances	5,759	5,759	5,759	-
<b>Fund balance, end of the year</b>	<b>\$ 66,204</b>	<b>\$ 519</b>	<b>\$ -</b>	<b>\$ (519)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
COMPUTER REPLACEMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
<b>Revenues:</b>				
Municipal income taxes	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Interest earnings	15,159	15,159	27,637	12,478
Miscellaneous	45,500	45,500	54,800	9,300
<b>Total revenues</b>	<b>68,659</b>	<b>68,659</b>	<b>90,437</b>	<b>21,778</b>
<b>Expenditures:</b>				
Current				
General government	780,420	1,022,608	437,615	584,993
<b>Total expenditures</b>	<b>780,420</b>	<b>1,022,608</b>	<b>437,615</b>	<b>584,993</b>
Excess of revenues under expenditures	(711,761)	(953,949)	(347,178)	606,771
<b>Other financing sources:</b>				
Operating transfers-in	252,107	252,107	254,764	2,657
<b>Total other financing sources</b>	<b>252,107</b>	<b>252,107</b>	<b>254,764</b>	<b>2,657</b>
Excess of revenues and other financing sources under expenditures	(459,654)	(701,842)	(92,414)	609,428
Fund balance, beginning of the year	890,344	890,344	890,344	-
Appropriation for prior year encumbrances	30,420	30,420	30,420	-
<b>Fund balance, end of the year</b>	<b>\$ 461,110</b>	<b>\$ 218,922</b>	<b>\$ 828,350</b>	<b>\$ 609,428</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
LEEDS FARM DEVELOPMENT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 264,747	\$ 264,747
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>264,747</b>	<b>264,747</b>
Expenditures:				
Current				
Community environment	27,750	27,750	24,260	3,490
<b>Total expenditures</b>	<b>27,750</b>	<b>27,750</b>	<b>24,260</b>	<b>3,490</b>
Excess of revenues under expenditures	(27,750)	(27,750)	240,487	268,237
Fund balance, beginning of the year	277,936	277,936	277,936	-
Appropriation for prior year encumbrances	750	750	750	-
<b>Fund balance, end of the year</b>	<b>\$ 250,936</b>	<b>\$ 250,936</b>	<b>\$ 519,173</b>	<b>\$ 268,237</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
2004 SIDEWALK, CURB & GUTTER FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ -	\$ -	\$ 10,604	\$ 10,604
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>10,604</b>	<b>10,604</b>
Expenditures:				
Current				
Highways and streets	200,000	30,000	28,972	1,028
<b>Total expenditures</b>	<b>200,000</b>	<b>30,000</b>	<b>28,972</b>	<b>1,028</b>
Excess of revenues under expenditures	(200,000)	(30,000)	(18,368)	11,632
Other financing sources:				
Operating transfers-in	-	30,000	20,000	(10,000)
Proceeds from bonds	200,000	-	-	-
<b>Total other financing sources</b>	<b>200,000</b>	<b>30,000</b>	<b>20,000</b>	<b>(10,000)</b>
Excess of revenues and other financing sources over (under) expenditures	-	-	1,632	1,632
Fund balance, beginning of the year	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,632</b>	<b>\$ 1,632</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
BRETEL BOULEVARD RESURFACING FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Revenues:</b>				
Special assessments	\$ -	\$ -	\$ 32,749	\$ 32,749
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>32,749</b>	<b>32,749</b>
<b>Expenditures:</b>				
Current				
Highways and streets	200,000	8,978	75,593	(66,615)
<b>Total expenditures</b>	<b>200,000</b>	<b>8,978</b>	<b>75,593</b>	<b>(66,615)</b>
Excess of revenues under expenditures	(200,000)	(8,978)	(42,844)	99,364
<b>Other financing sources:</b>				
Operating transfers-in		-	43,000	43,000
Proceeds from notes	200,000	200,000	-	(200,000)
<b>Total other financing sources</b>	<b>200,000</b>	<b>200,000</b>	<b>43,000</b>	<b>(157,000)</b>
Excess of revenues and other financing sources over (under) expenditures	-	191,022	156	(57,636)
Fund balance, beginning of the year	-	-	-	-
<b>Fund balance, end of the year</b>	<b>\$ -</b>	<b>\$ 191,022</b>	<b>\$ 156</b>	<b>\$ (57,636)</b>

## **PROPRIETARY FUNDS**

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

### **PARKING GARAGE**

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

### **WATER**

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

### **SEWER**

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

### **AIRPORT**

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

### **TRANSIT SYSTEM**

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

### **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, 2005**

**Business Type Activities - Enterprise Funds**

	<b>Parking Garage</b>	<b>Airport</b>	<b>Totals</b>
<b>Assets:</b>			
Current assets			
Equity in pooled cash, deposits and investments	\$ 28,358	\$ 265,837	\$ 294,195
<b>Total current assets</b>	<b>28,358</b>	<b>265,837</b>	<b>294,195</b>
Capital assets:			
Land	16,900	1,524,356	1,541,256
Land Improvements	-	163,105	163,105
Buildings	2,738,763	1,803,022	4,541,785
Equipment	12,120	441,270	453,390
Less: Accumulated depreciation	(1,786,065)	(538,519)	(2,324,584)
<b>Net capital assets</b>	<b>981,718</b>	<b>3,393,234</b>	<b>4,374,952</b>
<b>Total assets</b>	<b>1,010,076</b>	<b>3,659,071</b>	<b>4,669,147</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	5,214	41,886	47,100
Accrued wages and benefits	2,122	-	2,122
Other accrued liabilities	510	-	510
Accrued interest payable	-	39,765	39,765
Due to other funds	133	226	359
Notes payable	-	1,555,000	1,555,000
<b>Total current liabilities</b>	<b>7,979</b>	<b>1,636,877</b>	<b>1,644,856</b>
Long-term liabilities			
Compensated absences payable	411	-	411
<b>Total long-term liabilities</b>	<b>411</b>	<b>-</b>	<b>411</b>
<b>Total liabilities</b>	<b>8,390</b>	<b>1,636,877</b>	<b>1,645,267</b>
<b>Net Assets</b>			
Invested in capital assests, net of related debt	981,718	1,838,234	2,819,952
Unrestricted	19,968	183,960	203,928
<b>Total net assets</b>	<b>\$ 1,001,686</b>	<b>\$ 2,022,194</b>	<b>\$ 3,023,880</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET ASSETS  
 NON MAJOR PROPRIETARY FUNDS  
 DECEMBER 31, 2005**

**Business Type Activities - Enterprise Funds**

	<b>Parking Garage</b>	<b>Airport</b>	<b>Totals</b>
Operating revenues:			
Charges for services	\$ 37,748	\$ 28,870	\$ 66,618
Other operating revenue	3,072	65,487	68,559
<b>Total operating revenues</b>	<b>40,820</b>	<b>94,357</b>	<b>135,177</b>
Operating expenses:			
Personal services	31,584	-	31,584
Contractual services	108,619	83,082	191,701
Commodities	2,581	93,500	96,081
Depreciation	61,669	97,995	159,664
Other operating expenses	1,693	33,037	34,730
<b>Total operating expenses</b>	<b>206,146</b>	<b>307,614</b>	<b>513,760</b>
Operating income (loss)	(165,326)	(213,257)	(378,583)
Non-operating revenues (expenses):			
Interest revenue	-	17,383	17,383
Interest expense and fiscal charges	-	(39,765)	(39,765)
Operating grants	-	150,747	150,747
Income taxes	86,200	100,000	186,200
<b>Total non-operating revenues (expenses)</b>	<b>86,200</b>	<b>228,365</b>	<b>314,565</b>
Change in net assets	(79,126)	15,108	(64,018)
Total net assets, beginning of year	1,080,812	2,007,086	3,087,898
<b>Total net assets, end of year</b>	<b>\$ 1,001,686</b>	<b>\$ 2,022,194</b>	<b>\$ 3,023,880</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 NON MAJOR PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005**

**Business Type Activities - Enterprise Funds**

	<b>Parking Garage</b>	<b>Airport</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 37,748	\$ 94,357	\$ 132,105
Cash payments to suppliers for goods and services	(112,711)	(168,112)	(280,823)
Cash payments to employees for services	(30,854)	-	(30,854)
Miscellaneous revenues	3,073	-	3,073
<b>Net cash provided by operating activities</b>	<b>(102,744)</b>	<b>(73,755)</b>	<b>(176,499)</b>
<b>Cash flows from non-capital financing activities:</b>			
Operating grants	-	150,747	150,747
Income taxes received	86,200	100,000	186,200
<b>Net cash provided by non-capital financing activities</b>	<b>86,200</b>	<b>250,747</b>	<b>336,947</b>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	-	(1,748,246)	(1,748,246)
Note proceeds	-	1,572,383	1,572,383
<b>Net cash provided by capital and related financing activities</b>	<b>-</b>	<b>(175,863)</b>	<b>(175,863)</b>
Net increase in cash and cash equivalents	(16,544)	1,129	(15,415)
Cash and cash equivalents, beginning of year	44,902	264,708	309,610
<b>Cash and cash equivalents, end of year</b>	<b>\$ 28,358</b>	<b>\$ 265,837</b>	<b>\$ 294,195</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF CASH FLOWS  
 NON MAJOR PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>(continued)</b>	<b>Parking Garage</b>	<b>Airport</b>	<b>Totals</b>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (165,326)	\$ (213,257)	\$ (378,583)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	61,669	97,995	159,664
Changes in assets and liabilities:			
(Increase) decrease in accounts payable	452	41,281	41,733
(Increase) decrease in accrued wages and benefits	105	-	105
(Increase) decrease in other accrued liabilities	510	-	510
(Decrease) increase in due to other funds	(269)	226	(43)
Increase (decrease) in compensated absences payable	115	-	115
<b>Total adjustments</b>	<b>62,582</b>	<b>139,502</b>	<b>202,084</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (102,744)</b>	<b>\$ (73,755)</b>	<b>\$ (176,499)</b>

**CITY OF MIDDLETOWN, OHIO**  
**SCHEDULE OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**WATER FUND**  
**FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 7,041,299	\$ 6,164,652	\$ 6,308,376	\$ 143,724
Other operating revenues	266,225	266,225	72,165	(194,060)
<b>Total operating revenues</b>	<b>7,307,524</b>	<b>6,430,877</b>	<b>6,380,541</b>	<b>(50,336)</b>
Operating expenses				
Water Administration	354,403	354,403	331,641	22,762
Water Treatment	1,910,202	1,910,202	1,860,897	49,305
Water Maintenance	1,477,823	1,526,823	1,439,076	87,747
Administrative Support	775,661	775,661	775,661	-
Water Capital Reserve	3,143,366	7,880,940	6,285,351	1,595,589
Wellfield Protection	132,899	132,899	51,194	81,705
<b>Total operating expenses</b>	<b>7,794,354</b>	<b>12,580,928</b>	<b>10,743,820</b>	<b>1,837,108</b>
Operating income (loss)	(486,830)	(6,150,051)	(4,363,279)	1,786,772
Non-operating revenues (expenses)				
Interest revenue	55,664	55,664	91,134	35,470
Interest expenses & fiscal charges	-	(221,863)	(221,863)	-
Debt retirement	-	(250,000)	(250,000)	-
Proceeds from notes	-	4,700,000	-	(4,700,000)
Other sources	-	500,000	545,446	45,446
<b>Total non-operating revenues (expenses)</b>	<b>55,664</b>	<b>4,783,801</b>	<b>164,717</b>	<b>(4,619,084)</b>
Income (loss) before operating transfers	(431,166)	(1,366,250)	(4,198,562)	(2,832,312)
Operating transfers-out	-	(26,602)	(26,602)	-
<b>Total transfers</b>	<b>-</b>	<b>(26,602)</b>	<b>(26,602)</b>	<b>-</b>
Net income (loss)	(431,166)	(1,392,852)	(4,225,164)	(2,832,312)
Retained earnings, beginning of the year	3,337,069	3,337,069	3,337,069	-
Appropriation for prior year encumbrances	1,519,762	1,519,762	1,519,762	-
<b>Retained earnings, end of the year</b>	<b>\$ 4,425,665</b>	<b>\$ 3,463,979</b>	<b>\$ 631,667</b>	<b>\$ (2,832,312)</b>

**CITY OF MIDDLETOWN, OHIO**  
**SCHEDULE OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**SEWER FUND**  
**FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 5,967,383	\$ 5,717,383	\$ 5,329,789	\$ (387,594)
Other operating revenues	-	-	88	88
<b>Total operating revenues</b>	<b>5,967,383</b>	<b>5,717,383</b>	<b>5,329,877</b>	<b>(387,506)</b>
Operating expenses				
Sewer Administration	222,718	252,718	250,051	2,667
Sewer Treatment	2,769,176	2,769,176	2,485,798	283,378
Sewer Maintenance	859,664	864,664	769,964	94,700
Environmental Services Administration	171,974	177,974	168,019	9,955
Administrative Support	877,661	877,661	877,661	-
Sewer Capital Reserve	6,542,884	11,580,457	5,400,256	6,180,201
<b>Total operating expenses</b>	<b>11,444,077</b>	<b>16,522,650</b>	<b>9,951,749</b>	<b>6,570,901</b>
Operating income (loss)	(5,476,694)	(10,805,267)	(4,621,872)	6,183,395
Non-operating revenues (expenses)				
Interest revenue	193,611	190,724	153,052	(37,672)
Interest expenses & fiscal charges	-	(29,028)	(24,753)	4,275
Debt retirement	-	(215,000)	(215,000)	-
Proceeds from notes	1,500,000	3,000,000	-	(3,000,000)
<b>Total non-operating revenues (expenses)</b>	<b>1,693,611</b>	<b>2,946,696</b>	<b>(86,701)</b>	<b>(3,033,397)</b>
Income (loss) before operating transfers	(3,783,083)	(7,858,571)	(4,708,573)	3,149,998
Operating transfers-out	(25,827)	(26,602)	(29,262)	(2,660)
<b>Total transfers</b>	<b>(25,827)</b>	<b>(26,602)</b>	<b>(29,262)</b>	<b>(2,660)</b>
Net income (loss)	(3,808,910)	(7,885,173)	(4,737,835)	3,147,338
Retained earnings, beginning of the year	5,102,582	5,102,582	5,102,582	-
Appropriation for prior year encumbrances	602,827	602,827	602,827	-
<b>Retained earnings, end of the year</b>	<b>\$ 1,896,499</b>	<b>\$ (2,179,764)</b>	<b>\$ 967,574</b>	<b>\$ 3,147,338</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
TRANSIT SYSTEM FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 86,000	\$ 86,000	\$ 105,786	\$ 19,786
Other operating revenues	500	500	26,324	25,824
<b>Total operating revenues</b>	<b>86,500</b>	<b>86,500</b>	<b>132,110</b>	<b>45,610</b>
Operating expenses	860,827	952,656	970,700	(18,044)
<b>Total operating expenses</b>	<b>860,827</b>	<b>952,656</b>	<b>970,700</b>	<b>(18,044)</b>
Operating income (loss)	(774,327)	(866,156)	(838,590)	27,566
Non-operating revenues (expenses)				
Operating grants	574,655	574,655	639,370	64,715
Income tax	152,000	152,000	152,000	-
<b>Total non-operating     revenues (expenses)</b>	<b>726,655</b>	<b>726,655</b>	<b>791,370</b>	<b>64,715</b>
Income (loss) before operating transfers	(47,672)	(139,501)	(47,220)	92,281
Retained earnings, beginning of the year	140,971	140,971	140,971	-
Appropriation for prior year encumbrances	41,875	41,875	41,875	-
<b>Retained earnings, end of the year</b>	<b>\$ 135,174</b>	<b>\$ 43,345</b>	<b>\$ 135,626</b>	<b>\$ 92,281</b>

**CITY OF MIDDLETOWN, OHIO**  
**SCHEDULE OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**GOLF COURSE FUND**  
**FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
<b>Operating revenues</b>				
Charges for services	\$ 1,932,000	\$ 1,932,000	\$ 1,709,473	\$ (222,527)
Other operating revenues	6,000	6,000	6,268	268
<b>Total operating revenues</b>	<b>1,938,000</b>	<b>1,938,000</b>	<b>1,715,741</b>	<b>(222,259)</b>
<b>Operating expenses</b>				
Golf Maintenance	964,266	964,266	872,226	92,040
Golf Clubhouse	779,484	779,484	748,464	31,020
Golf Improvements	2,400	24,400	21,248	3,152
<b>Total operating expenses</b>	<b>1,746,150</b>	<b>1,768,150</b>	<b>1,641,938</b>	<b>126,212</b>
Operating income (loss)	191,850	169,850	73,803	(96,047)
<b>Non-operating revenues (expenses)</b>				
Interest revenue	1,250	1,250	36	(1,214)
Interest expenses & fiscal charges	-	(109,048)	(110,010)	(962)
Debt retirement	-	(120,000)	(120,000)	-
Other sources	-	150,000	150,135	135
<b>Total non-operating revenues (expenses)</b>	<b>1,250</b>	<b>(77,798)</b>	<b>(79,839)</b>	<b>(2,041)</b>
Income (loss) before operating transfers	193,100	92,052	(6,036)	(98,088)
Retained earnings, beginning of the year	20,629	20,629	20,629	-
Appropriation for prior year encumbrances	4,329	4,329	4,329	-
<b>Retained earnings, end of the year</b>	<b>\$ 218,058</b>	<b>\$ 117,010</b>	<b>\$ 18,922</b>	<b>\$ (98,088)</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
SOLID WASTE DISPOSAL FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,514,240	\$ 2,514,240	\$ 2,437,591	\$ (76,649)
Other operating revenues	14,000	14,000	16,053	2,053
<b>Total operating revenues</b>	<b>2,528,240</b>	<b>2,528,240</b>	<b>2,453,644</b>	<b>(74,596)</b>
Operating expenses	2,302,986	2,302,986	2,222,260	80,726
<b>Total operating expenses</b>	<b>2,302,986</b>	<b>2,302,986</b>	<b>2,222,260</b>	<b>80,726</b>
Operating income (loss)	225,254	225,254	231,384	6,130
Non-operating expenses				
Interest expenses & fiscal charges	-	(116,751)	(116,750)	1
Debt retirement	-	(170,000)	(170,000)	-
<b>Total non-operating expenses</b>	<b>-</b>	<b>(286,751)</b>	<b>(286,750)</b>	<b>1</b>
Income (loss) before operating transfers	225,254	(61,497)	(55,366)	6,131
Retained earnings, beginning of the year	124,284	124,284	124,284	-
Appropriation for prior year encumbrances	75,184	75,184	75,184	-
<b>Retained earnings, end of the year</b>	<b>\$ 424,722</b>	<b>\$ 137,971</b>	<b>\$ 144,102</b>	<b>\$ 6,131</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
PARKING GARAGE FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Operating revenues				
Charges for services	\$ 31,620	\$ 31,620	\$ 37,748	\$ 6,128
Fines and forfeits	5,100	5,100	3,072	(2,028)
<b>Total operating revenues</b>	<b>36,720</b>	<b>36,720</b>	<b>40,820</b>	<b>4,100</b>
Operating expenses				
Parking Enforcement	33,468	35,468	34,437	1,031
Parking Garage	89,127	99,127	109,127	(10,000)
<b>Total operating expenses</b>	<b>122,595</b>	<b>134,595</b>	<b>143,564</b>	<b>(8,969)</b>
Operating income (loss)	(85,875)	(97,875)	(102,744)	(4,869)
Non-operating revenues (expenses)				
Other uses	-	(10,000)	-	10,000
Income taxes	86,200	86,200	86,200	-
<b>Total non-operating revenues (expenses)</b>	<b>86,200</b>	<b>76,200</b>	<b>86,200</b>	<b>10,000</b>
Income (loss) before operating transfers	325	(21,675)	(16,544)	5,131
Retained earnings, beginning of the year	38,638	38,638	38,638	-
Appropriation for prior year encumbrances	6,260	6,260	6,260	-
<b>Retained earnings, end of the year</b>	<b>\$ 45,223</b>	<b>\$ 23,223</b>	<b>\$ 28,354</b>	<b>\$ 5,131</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
AIRPORT FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 72,000	\$ 102,000	\$ 91,705	\$ (10,295)
Other operating revenues	-	-	2,653	2,653
<b>Total operating revenues</b>	<b>72,000</b>	<b>102,000</b>	<b>94,358</b>	<b>(7,642)</b>
Operating expenses				
Airport Improvements	361,500	361,500	361,254	246
Airport	72,000	1,798,900	1,798,841	59
<b>Total operating expenses</b>	<b>433,500</b>	<b>2,160,400</b>	<b>2,160,095</b>	<b>305</b>
Operating income (loss)	(361,500)	(2,058,400)	(2,065,737)	(7,337)
Non-operating revenues				
Proceeds from notes	-	1,555,000	1,572,383	17,383
Operating grants	304,000	304,000	150,747	(153,253)
Income taxes	-	100,000	100,000	-
<b>Total non-operating revenues</b>	<b>304,000</b>	<b>1,959,000</b>	<b>1,823,130</b>	<b>(135,870)</b>
Income (loss) before operating transfers	(57,500)	(99,400)	(242,608)	(143,208)
Net income (loss)	(57,500)	(99,400)	(242,608)	(143,208)
Retained earnings, beginning of the year	233,203	233,203	233,203	-
Appropriation for prior year encumbrances	31,500	31,500	31,500	-
<b>Retained earnings, end of the year</b>	<b>\$ 207,203</b>	<b>\$ 165,303</b>	<b>\$ 22,095</b>	<b>\$ (143,208)</b>

## **INTERNAL SERVICE FUNDS**

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

### **MUNICIPAL GARAGE**

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

### **EMPLOYEE BENEFITS**

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

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
DECEMBER 31, 2005**

	<b>Municipal Garage</b>	<b>Employee Benefits Fund</b>	<b>Totals</b>
<b>Assets:</b>			
<b>Current assets:</b>			
Equity in pooled cash, deposits and investments	\$ 1,335,059	\$ 709,990	\$ 2,045,049
Receivables (net of allowance for uncollectibles):			
Accounts	5,495	-	5,495
Due from other funds	197,509	-	197,509
Inventory of supplies	235,961	-	235,961
<b>Total current assets</b>	<b>1,774,024</b>	<b>709,990</b>	<b>2,484,014</b>
<b>Capital assets:</b>			
Land	195,750	-	195,750
Buildings	354,064	-	354,064
Equipment	9,320,763	-	9,320,763
Less: Accumulated depreciation	(6,902,356)	-	(6,902,356)
<b>Net capital assets</b>	<b>2,968,221</b>	<b>-</b>	<b>2,968,221</b>
<b>Total assets</b>	<b>4,742,245</b>	<b>709,990</b>	<b>5,452,235</b>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	57,150	571,773	628,923
Accrued wages and benefits	28,957	-	28,957
Other accrued liabilities	8,625	-	8,625
Due to other funds	4,594	-	4,594
<b>Total current liabilities</b>	<b>99,326</b>	<b>571,773</b>	<b>671,099</b>
<b>Long-term liabilities:</b>			
Compensated absences payable	79,778	-	79,778
<b>Total long-term liabilities</b>	<b>79,778</b>	<b>-</b>	<b>79,778</b>
<b>Total liabilities</b>	<b>179,104</b>	<b>571,773</b>	<b>750,877</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	2,968,221	-	2,968,221
Unrestricted	1,594,920	138,217	1,733,137
<b>Total liabilities and total net assets</b>	<b>\$ 4,742,245</b>	<b>\$ 709,990</b>	<b>\$ 5,452,235</b>

**CITY OF MIDDLETOWN, OHIO  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUNDS  
 DECEMBER 31, 2005**

	<b>Municipal Garage</b>	<b>Employee Benefits Fund</b>	<b>Totals</b>
Operating revenues:			
Charges for services	\$ 2,345,781	\$ 4,241,857	\$ 6,587,638
Other operating revenues	66,479	8,002	74,481
<b>Total operating revenues</b>	<b>2,412,260</b>	<b>4,249,859</b>	<b>6,662,119</b>
Operating expenses:			
Personal services	635,635	-	635,635
Contractual services	341,097	4,112,168	4,453,265
Commodities	757,891	-	757,891
Depreciation	772,120	-	772,120
Other operating expenses	100,547	-	100,547
<b>Total operating expenses</b>	<b>2,607,290</b>	<b>4,112,168</b>	<b>6,719,458</b>
Operating income	(195,030)	137,691	(57,339)
Non-operating revenues (expenses):			
Interest revenue	34,538	-	34,538
Gain (Loss) on sale of equipment	23,786	-	23,786
<b>Total non-operating revenues (expenses)</b>	<b>58,324</b>	<b>-</b>	<b>58,324</b>
Change in net assets	(136,706)	137,691	985
Total net assets, beginning of the year	4,699,847	526	4,700,373
<b>Total net assets, end of the year</b>	<b>\$ 4,563,141</b>	<b>\$ 138,217</b>	<b>\$ 4,701,358</b>

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
DECEMBER 31, 2005**

	<b>Municipal Garage</b>	<b>Employee Benefits Fund</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>			
Cash payments to suppliers for goods and services	\$ (1,194,543)	\$ (3,998,779)	\$ (5,193,322)
Cash payments to employees for services	(528,629)	-	(528,629)
Miscellaneous revenue	156,017	8,002	164,019
Cash received from quasi-external operating activities	2,499,049	4,241,857	6,740,906
Cash payments for quasi-external operating activities	(102,752)	-	(102,752)
<b>Net cash provided by operating activities</b>	<b>829,142</b>	<b>251,080</b>	<b>1,080,222</b>
<b>Cash flows from capital and related financing activities:</b>			
Sale of capital assets	93,280	-	93,280
Purchase of capital assets	(627,711)	-	(627,711)
<b>Net cash used by capital and related financing activities</b>	<b>(534,431)</b>	<b>-</b>	<b>(534,431)</b>
<b>Cash flows from investing activities:</b>			
Interest income	34,538	-	34,538
<b>Net cash provided by investing activities</b>	<b>34,538</b>	<b>-</b>	<b>34,538</b>
Net increase (decrease) in cash and cash equivalents	329,249	251,080	580,329
Cash and cash equivalents, beginning of year	1,005,810	458,910	1,464,720
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,335,059</b>	<b>\$ 709,990</b>	<b>\$ 2,045,049</b>

**CITY OF MIDDLETOWN, OHIO  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
DECEMBER 31, 2005**

<b>(continued)</b>	<b>Municipal Garage</b>	<b>Employee Benefits Fund</b>	<b>Totals Totals</b>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ (195,030)	\$ 137,691	\$ (57,339)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	772,120	-	772,120
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	219,708	-	219,708
Decrease (increase) in due from other funds	20,892	-	20,892
Decrease (increase) in supplies inventory	(25,019)	-	(25,019)
Increase (decrease) in accounts payable	23,239	113,389	136,628
Decrease (increase) in accrued wages	144	-	144
Decrease (increase) in accrued liabilities	3,385	-	3,385
Decrease (increase) in compensated absences	9,703	-	9,703
<b>Total adjustments</b>	<b>1,024,172</b>	<b>113,389</b>	<b>1,137,561</b>
<b>Net cash provided by operating activities</b>	<b>\$ 829,142</b>	<b>\$ 251,080</b>	<b>\$ 1,080,222</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
MUNICIPAL GARAGE FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,310,487	\$ 2,310,487	\$ 2,748,346	\$ 437,859
<b>Total operating revenues</b>	<b>2,310,487</b>	<b>2,310,487</b>	<b>2,748,346</b>	<b>437,859</b>
Operating expenses				
Personal services	613,879	623,879	622,404	1,475
Contractual services	283,579	343,459	340,868	2,591
Commodities	687,398	789,398	785,372	4,026
Other operating expenses	1,410,412	1,366,402	1,363,599	2,803
<b>Total operating expenses</b>	<b>2,995,268</b>	<b>3,123,138</b>	<b>3,112,243</b>	<b>10,895</b>
Operating income (loss)	(684,781)	(812,651)	(363,897)	(448,754)
Non-operating revenues (expenses)				
Interest revenue	31,866	31,866	34,538	2,672
Proceeds from notes	224,000	224,000	-	(224,000)
<b>Total non-operating revenues (expenses)</b>	<b>255,866</b>	<b>255,866</b>	<b>34,538</b>	<b>(221,328)</b>
Net income	(428,915)	(556,785)	(329,359)	205,636
Retained earnings, beginning of the year	697,889	697,889	697,889	-
Appropriation for prior year encumbrances	307,918	307,918	307,918	-
<b>Retained earnings, end of the year</b>	<b>\$ 576,892</b>	<b>\$ 449,022</b>	<b>\$ 676,448</b>	<b>\$ 205,636</b>

**CITY OF MIDDLETOWN, OHIO  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)  
EMPLOYEE BENEFITS FUND  
FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance From Final Budget</b>
Operating revenues				
Charges for services	\$ 4,445,547	\$ 4,445,547	\$ 4,249,859	\$ (195,688)
<b>Total operating revenues</b>	<b>4,445,547</b>	<b>4,445,547</b>	<b>4,249,859</b>	<b>(195,688)</b>
Operating expenses				
Contractual services	4,394,675	4,394,675	3,998,779	395,896
<b>Total operating expenses</b>	<b>4,394,675</b>	<b>4,394,675</b>	<b>3,998,779</b>	<b>395,896</b>
Net income	50,872	50,872	251,080	200,208
Retained earnings, beginning of the year	458,910	458,910	458,910	-
<b>Retained earnings, end of the year</b>	<b>\$ 509,782</b>	<b>\$ 509,782</b>	<b>\$ 709,990</b>	<b>\$ 200,208</b>

## **AGENCY FUNDS**

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

### **CONSERVANCY**

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

### **PAYROLL CLEARING**

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

### **MUNICIPAL COURT**

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

**CITY OF MIDDLETOWN, OHIO  
 COMBINING BALANCE SHEET  
 FIDUCIARY FUNDS  
 FOR YEAR ENDED DECEMBER 31, 2005**

	<b>Conservancy</b>	<b>Payroll Clearing</b>	<b>Municipal Court</b>	<b>Totals</b>
<b>Assets:</b>				
Cash and equity in pooled cash, deposits and investments	\$ 2,006	\$ -	\$ 70,378	\$ 72,384
Cash with fiscal and escrow agent	-	168,047	-	168,047
Property taxes receivable	159,686	-	-	159,686
<b>Total assets</b>	<b>161,692</b>	<b>168,047</b>	<b>70,378</b>	<b>400,117</b>
<b>Liabilities:</b>				
Due to other governments	161,692	153,256	-	314,948
Due to individuals	-	128	29,434	29,562
Unapportioned monies	-	14,663	40,944	55,607
<b>Total liabilities</b>	<b>\$ 161,692</b>	<b>\$ 168,047</b>	<b>\$ 70,378</b>	<b>\$ 400,117</b>

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

	<b>CONSERVANCY</b>			<b>Balance End of Year</b>
	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	
<b>Assets:</b>				
Cash and equity in pooled cash, deposits and investments	\$ 133	\$ 146,052	\$ 144,179	\$ 2,006
Property taxes receivable	159,738	146,000	146,052	159,686
<b>Total assets</b>	<b>159,871</b>	<b>292,052</b>	<b>290,231</b>	<b>161,692</b>
<b>Liabilities:</b>				
Due to other governments	159,871	292,052	290,231	161,692
<b>Total liabilities</b>	<b>\$ 159,871</b>	<b>\$ 292,052</b>	<b>\$ 290,231</b>	<b>\$ 161,692</b>

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

	<b>PAYROLL CLEARING</b>			<b>Balance End of Year</b>
	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	
<b>Assets:</b>				
Cash with fiscal and escrow agent	\$ 19,379	\$ 15,903,667	\$ 15,754,999	\$ 168,047
<b>Total assets</b>	<b>19,379</b>	<b>15,903,667</b>	<b>15,754,999</b>	<b>168,047</b>
<b>Liabilities:</b>				
Due to other governments	-	5,390,855	5,237,599	153,256
Due to individuals	6,556	10,009,828	10,016,256	128
Unapportioned monies	12,823	502,984	501,144	14,663
<b>Total liabilities</b>	<b>\$ 19,379</b>	<b>\$ 15,903,667</b>	<b>\$ 15,754,999</b>	<b>\$ 168,047</b>

**CITY OF MIDDLETOWN, OHIO  
STATEMENT OF CHANGES  
IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

	<b>MUNICIPAL COURT</b>			
	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance End of Year</b>
<b>Assets:</b>				
Cash and equity in pooled cash, deposits and investments	\$ 82,608	\$ 3,225,748	\$ 3,237,978	\$ 70,378
<b>Total assets</b>	<b>82,608</b>	<b>3,225,748</b>	<b>3,237,978</b>	<b>70,378</b>
<b>Liabilities:</b>				
Due to other governments	-	489,501	489,501	-
Due to individuals	31,588	968,960	971,114	29,434
Unapportioned monies	51,020	1,767,287	1,777,363	40,944
<b>Total liabilities</b>	<b>\$ 82,608</b>	<b>\$ 3,225,748</b>	<b>\$ 3,237,978</b>	<b>\$ 70,378</b>

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

**CITY OF MIDDLETOWN  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
COMPARATIVE SCHEDULES BY SOURCES  
DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Governmental funds capital assets:		
Land and land improvements	\$ 17,851,228	\$ 14,818,081
Buildings	23,521,824	23,213,603
Infrastructure	18,465,435	15,206,064
Machinery and equipment	5,384,040	5,012,425
Total governmental funds capital assets	<u>\$ 65,222,527</u>	<u>\$ 58,250,173</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 23,002,549	\$ 26,293,341
Special revenue funds	4,281,106	3,963,047
Capital project funds	37,938,872	27,993,785
Total governmental funds capital assets	<u>\$ 65,222,527</u>	<u>\$ 58,250,173</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, 2005**

Function and Activity	Machinery and Equipment	Land and Land Improvements	Buildings	Infrastructure	Total
<b>General Government:</b>					
City Manager/City Council	\$ 163,506	\$ -	\$ -	\$ -	\$ 163,506
Finance	1,579,154	5,777,050	-	-	7,356,204
Law	11,500	-	-	-	11,500
Planning/Economic Development	20,082	3,667,182	-	-	3,687,264
Bldg. Maint.	124,650	-	-	-	124,650
Engineering	50,939	-	-	-	50,939
Income Tax	13,792	-	-	-	13,792
Miami Conservancy	-	-	7,660	-	7,660
City Building/Library	-	-	12,825,916	-	12,825,916
<b>Leisure:</b>					
Douglass Park	-	95,850	6,365	-	102,215
Parks Maintenance	426,514	-	-	-	426,514
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	6,550	4,089,936	518,810	338,362	4,953,658
<b>Public health:</b>					
Health & Environment	6,200	-	-	-	6,200
Social Health	107,237	8,100	483,262	-	598,599
Senior Citizens Center & Cemetery	-	1,643,250	1,037,961	-	2,681,211
<b>Public safety:</b>					
Fire	730,490	205,750	861,168	-	1,797,408
Police	1,184,609	5,950	560,794	-	1,751,353
Electronic Maintenance	289,794	-	427,865	-	717,659
Municipal Court	71,027	-	292,447	-	363,474
Police Grants	33,858	-	-	-	33,858
12th District Court	-	-	3,542,930	-	3,542,930
<b>Streets and highways:</b>					
Street Maintenance	191,841	-	286,862	-	478,703
Street system	-	1,924,710	-	18,127,073	20,051,783
<b>Total governmental funds capital assets</b>	<u><u>\$ 5,384,040</u></u>	<u><u>\$ 17,851,228</u></u>	<u><u>\$ 23,521,824</u></u>	<u><u>\$ 18,465,435</u></u>	<u><u>\$ 65,222,527</u></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, 2005**

Function and Activity	Governmental Funds Capital Assets January 1, 2005	Additions	Deductions	Governmental Funds Capital Assets December 31, 2005
<b>General Government:</b>				
City Manager/City Council	\$ 33,230	\$ 130,276	\$ -	\$ 163,506
Finance	7,345,274	10,930	-	7,356,204
Law	11,500	-	-	11,500
Planning/Economic Development	1,126,009	2,561,255	-	3,687,264
Bldg. Maint.	124,650	-	-	124,650
Engineering	50,939	-	-	50,939
Income Tax	13,792	-	-	13,792
Miami Conservancy	7,660	-	-	7,660
City Building/Library	12,825,916	-	-	12,825,916
<b>Leisure:</b>				
Recreation & Community Center	2,053,801	-	-	2,053,801
Parks Maintenance	441,114	-	(14,600)	426,514
Sunset Park	1,363,614	-	-	1,363,614
Douglass Park	102,215	-	-	102,215
Smith Park	58,116	-	-	58,116
Other Parks	4,947,108	6,550	-	4,953,658
<b>Public health:</b>				
Health & Environment	6,200	-	-	6,200
Social Health	598,599	-	-	598,599
Senior Citizens Center	2,681,211	-	-	2,681,211
<b>Public safety:</b>				
Fire	1,748,124	49,284	-	1,797,408
Police	1,552,470	198,883	-	1,751,353
Electronic Maintenance	711,283	6,376	-	717,659
Municipal Court	77,127	292,447	(6,100)	363,474
Police Grants	33,858	-	-	33,858
12th District Court	3,537,140	5,790	-	3,542,930
<b>Streets and highways:</b>				
Street Maintenance	478,703	-	-	478,703
Street system	16,320,520	3,731,263	-	20,051,783
<b>Total governmental funds capital assets</b>	<b>\$ 58,250,173</b>	<b>\$ 6,993,054</b>	<b>\$ (20,700)</b>	<b>\$ 65,222,527</b>

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

## **STATISTICAL SECTION**

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

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

	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Public safety	\$16,559	\$17,667	\$17,962	\$18,753	\$19,457	\$20,863	\$23,775	\$23,596	\$22,142	\$22,358
Public health and welfare	1,178	1,138	1,098	1,246	1,548	1,699	1,996	1,832	1,457	1,184
Leisure time activities	946	959	957	1,264	1,022	1,072	1,233	1,152	1,060	1,499
Community environment	4,958	3,975	3,694	4,423	7,468	11,195	14,991	12,441	13,024	13,705
Highways and streets	4,043	5,179	3,946	3,255	4,618	5,139	7,401	7,432	3,787	5,373
General government	3,888	3,641	3,915	4,693	4,676	4,804	5,124	4,203	4,104	4,168
Principal and interest	2,067	1,955	1,615	1,676	2,429	2,509	2,573	2,447	2,762	3,180
Other	794	1,381	975	1,098	1,245	1,001	1,371	2,221	7,353	1,636
<b>Total expenditures</b>	<b>\$34,433</b>	<b>\$35,895</b>	<b>\$34,162</b>	<b>\$36,408</b>	<b>\$42,461</b>	<b>\$48,282</b>	<b>\$58,464</b>	<b>\$55,324</b>	<b>\$55,689</b>	<b>\$53,103</b>

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

Source: City of Middletown Finance Department

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

	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Property taxes	\$4,439	\$4,809	\$4,593	\$4,837	\$5,140	\$4,773	\$5,019	\$5,588	\$5,654	\$5,941
Municipal income tax	14,361	14,959	15,975	17,614	16,970	19,230	17,764	15,443	17,376	18,092
Intergov'tal revenues	7,381	7,734	8,477	9,024	11,952	13,808	16,308	17,781	17,940	15,702
Charges for services	1,129	1,119	1,273	1,802	1,371	2,568	3,730	2,915	3,758	3,624
Special assessments	810	903	690	980	810	816	625	638	659	591
Licenses and permits	615	179	437	337	308	335	274	245	312	338
Interest earnings	985	758	1,073	1,179	1,974	1,905	1,111	730	498	617
Fines and forfeitures	1,162	1,149	1,218	1,152	1,272	1,301	1,259	1,164	1,499	1,612
Miscellaneous	875	1,593	1,803	1,276	1,544	1,515	2,178	1,715	2,076	3,172
Increase in Investment Fair Value	0	0	0	0	0	394	92	262	13	0
<b>Total revenues</b>	<b>\$31,757</b>	<b>\$33,203</b>	<b>\$35,539</b>	<b>\$38,201</b>	<b>\$41,339</b>	<b>\$46,645</b>	<b>\$48,360</b>	<b>\$46,481</b>	<b>\$49,785</b>	<b>\$49,690</b>

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

Source: City of Middletown Finance Department

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

<b>Collection Year</b>	<b>(1) Billed</b>	<b>(2) Collected</b>	<b>Percentage Collected</b>
1996	\$4,278,253	\$4,235,524	99.00
1997	\$4,516,177	\$4,439,402	103.16
1998	\$4,663,640	\$4,780,081	98.44
1999	\$4,727,232	\$4,497,007	95.13
2000	\$5,175,830	\$4,836,820	93.45
2001	\$5,208,503	\$5,145,762	98.80
2002	\$4,789,377	\$4,856,134	93.40
2003	\$6,097,196	\$5,021,099	82.35
2004	\$6,167,279	\$5,679,391	92.09
2005	\$6,160,182	\$6,264,782	101.70

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

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

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

<b>Tax Levy/ Collection Year</b>	<b>Real Property</b>		<b>Personal Property (1)</b>	
	<b>Assessed</b>	<b>Estimated Actual</b>	<b>Assessed</b>	<b>Estimated Actual</b>
1995/1996	\$479,889,030	\$1,371,111,514	\$159,765,906	\$639,063,624
1996/1997	\$532,779,540	\$1,522,227,257	\$177,047,357	\$708,189,428
1997/1998	\$564,341,260	\$1,612,403,600	\$202,162,822	\$808,651,288
1998/1999	\$570,896,656	\$1,631,133,029	\$188,367,171	\$753,468,684
1999/2000	\$622,983,930	\$1,779,954,085	\$210,395,072	\$841,580,288
2000/2001	\$636,123,788	\$1,817,496,628	\$215,164,970	\$860,659,880
2001/2002	\$652,340,540	\$1,863,830,207	\$237,371,433	\$949,485,732
2002/2003	\$752,102,840	\$2,148,865,365	\$248,818,345	\$995,273,380
2003/2004	\$753,911,130	\$2,154,031,908	\$252,765,976	\$1,011,063,904
2004/2005	\$752,108,030	\$2,148,880,193	\$253,353,463	\$1,013,413,852

(1) Other than public utility.

(2) Real and tangible personal property

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

<b>Public Utility (2)</b>		<b>Totals</b>		<b>Assessed Value as a Percent of Estimated Actual Value</b>	<b>Tax Levy/ Collection Year</b>
<b>Assessed</b>	<b>Estimated Actual</b>	<b>Assessed</b>	<b>Estimated Actual</b>		
\$55,223,380	\$220,893,520	\$694,878,316	\$2,231,068,658	31.15	1995/1996
\$54,505,910	\$218,023,640	\$764,332,807	\$2,448,440,325	31.22	1996/1997
\$53,128,190	\$212,512,760	\$819,632,272	\$2,633,567,648	31.12	1997/1998
\$54,545,990	\$218,183,960	\$813,809,721	\$2,602,785,673	31.27	1998/1999
\$55,443,990	\$158,411,400	\$888,822,992	\$2,779,945,773	31.97	1999/2000
\$52,757,620	\$211,030,480	\$904,046,378	\$2,889,186,988	31.29	2000/2001
\$35,230,090	\$140,920,360	\$924,942,063	\$2,954,236,299	31.31	2001/2002
\$39,555,880	\$158,223,520	\$1,040,477,065	\$3,302,362,265	31.51	2002/2003
\$38,624,390	\$154,497,560	\$1,045,301,496	\$3,319,593,372	31.49	2003/2004
\$38,637,081	\$154,548,324	\$1,044,098,574	\$3,316,842,369	31.48	2004/2005

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

<b>City of Middletown</b>							
<b>Collec- tion Year</b>	<b>Operating</b>	<b>Police and Fire Pension</b>	<b>Debt Retirement</b>	<b>City of Middletown Total</b>	<b>Butler County</b>	<b>Middletown City School District</b>	<b>Total</b>
1996	5.26	0.60	0.63	6.49	7.44	40.13	54.06
1997	5.26	0.60	0.56	6.42	8.45	38.56	53.43
1998	5.26	0.60	0.56	6.42	8.45	38.56	53.43
1999	5.26	0.60	0.61	6.47	8.44	38.49	53.40
2000	5.26	0.60	0.45	6.31	8.45	37.26	52.02
2001	5.26	0.60	0.00	5.86	8.45	37.26	51.57
2002	5.26	0.60	0.00	5.86	8.75	36.71	51.32
2003	5.26	0.60	0.00	5.86	8.74	40.03	54.63
2004	5.30	0.60	0.00	5.90	8.74	40.01	54.65
2005	5.30	0.60	0.00	5.90	8.74	40.01	54.65

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

Source: Butler County Auditor's Office

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

<b>Collection Year</b>	<b>Billed</b>	<b>Collected</b>	<b>Percentage Collected</b>	<b>Accumulated Delinquent</b>
1996	\$557,611	\$560,260	100.5%	\$189,364
1997	\$523,002	\$591,053	113.0%	\$68,051
1998	\$625,000	\$626,228	100.2%	\$66,823
1999	\$706,541	\$747,284	105.8%	\$26,080
2000	\$748,297	\$731,531	97.8%	\$42,846
2001	\$879,850	\$864,013	98.2%	\$40,309
2002	\$741,490	\$623,248	84.1%	\$83,226
2003	\$500,939	\$557,436	111.3%	\$26,729
2004	\$473,941	\$518,116	109.3%	(\$17,446)
2005	\$560,113	\$547,789	97.8%	(\$5,122)

(1) Presented on a cash basis.

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

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<b>Less Debt Payable from Enterprise Funds</b>	<b>Net General Bonded Debt</b>	<b>Ratio of Net General Bonded Debt to Assessed Value</b>	<b>Per Capital Net General Bonded Debt</b>	<b>Fiscal Year</b>
\$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	1.96%	\$398	2003
\$8,405,000	\$25,272,747	2.42%	\$490	2004
\$7,650,000	\$27,892,274	2.67%	\$540	2005

**CITY OF MIDDLETOWN, OHIO  
 COMPUTATION OF LEGAL DEBT MARGIN  
 UNVOTED DEBT LIMIT (5.5 %)  
 December 31, 2005  
 Table 8 (A)**

<b>Assessed valuations:</b>		
<b>Total assessed property value</b>		<b><u><u>\$ 1,044,098,574</u></u></b>
 <b>Legal unvoted debt margin:</b>		
Unvoted debt limit 5.5% of assessed valuation		\$ 57,425,422
Total unvoted bonded debt outstanding at December 31, 2005	\$ 35,924,299	
Less: Unvoted general obligation bonds to be paid from enterprise fund revenues	(7,650,000)	
Unvoted general obligation bonds issued to fund urban renewal projects	(8,380,000)	
Unvoted general obligation bonds issued in anticipation of the collection of special assessments (1)	<u>(2,899,299)</u>	
Total unvoted bonded debt outstanding at December 31, 2005	16,995,000	
Less: Cash in debt service fund	<u>382,025</u>	
Net subject to 5.5% limit		<u>\$ 16,612,975</u>
<b>Total legal unvoted debt margin</b>		<b><u><u>\$ 40,812,447</u></u></b>

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

Source: City of Middletown Finance Department

**CITY OF MIDDLETOWN, OHIO  
 COMPUTATION OF LEGAL DEBT MARGIN  
 VOTED AND UNVOTED DEBT LIMIT (10.5%)  
 December 31, 2005  
 Table 8 (B)**

<b>Assessed valuations:</b>		
<b>Total assessed property value</b>		<b><u><u>\$ 1,044,098,574</u></u></b>
 <b>Legal voted and unvoted debt margin:</b>		
Voted and unvoted debt limit 10.5% of assessed valuation		\$ 109,630,350
 Total voted and unvoted bonded debt outstanding at December 31, 2005		
	\$ 35,924,299	
Less: Unvoted general obligation bonds to be paid from enterprise fund and internal service fund revenues	(7,650,000)	
Unvoted general obligation bonds issued to fund urban renewal projects	(8,380,000)	
Unvoted general obligation bonds issued in anticipation of the collection of special assessments (1)	<u>(2,899,299)</u>	
Total voted and unvoted bonded debt outstanding at December 31, 2005	16,995,000	
Less: Cash in debt service fund	<u>382,025</u>	
Net subject to 10.5% limit		<u>16,612,975</u>
<b>Total legal voted and unvoted debt margin</b>		<b><u><u>\$ 93,017,375</u></u></b>

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

Source: City of Middletown Finance Department

**CITY OF MIDDLETOWN, OHIO  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 December 31, 2005  
 Table 9**

<b>Political Subdivision</b>	<b>General Bonded Debt</b>	<b>Percent Applicable to City</b>	<b>City's Share</b>
City of Middletown	\$25,375,000	100.0	\$25,375,000
Butler County	47,410,000	13.8	6,542,580
Warren County	<u>5,695,000</u>	8.1	<u>461,295</u>
<b>Total</b>	<b>\$78,480,000</b>		<b>\$32,378,875</b>

Source: Butler and Warren County Auditor's Offices.

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest and Fiscal Charges</b>	<b>Debt Service</b>	<b>Total General Expenditures</b>	<b>Ratio of Debt Service to Total General Expenditures</b>
1996	\$1,347,000	\$720,426	\$2,067,426	\$34,433,034	6.0
1997	\$1,117,018	\$838,579	\$1,955,597	\$35,895,394	5.4
1998	\$875,743	\$715,908	\$1,591,651	\$34,345,520	4.6
1999	\$913,376	\$754,426	\$1,667,802	\$36,408,780	4.6
2000	\$1,236,780	\$1,191,866	\$2,428,646	\$42,175,729	5.8
2001	\$1,231,658	\$1,136,965	\$2,368,623	\$48,280,677	4.9
2002	\$1,287,144	\$1,077,457	\$2,364,601	\$58,552,771	4.0
2003	\$1,312,229	\$1,004,621	\$2,316,850	\$56,042,253	4.1
2004	\$1,407,000	\$1,354,823	\$2,761,823	\$56,402,465	4.9
2005	\$ 1,519,859	\$ 1,432,046	\$2,951,905	\$53,709,096	5.5

Source: City of Middletown Finance Department

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

Fiscal Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage

*Water*

1996	\$5,209,994	\$4,040,121	\$1,169,873	\$165,000	\$170,464	\$335,464	3.49
1997	\$5,130,879	\$3,839,969	\$1,290,910	\$165,000	\$160,774	\$325,774	3.96
1998	\$4,991,289	\$3,965,041	\$1,026,248	\$110,000	\$151,152	\$261,152	3.93
1999	\$5,140,331	\$4,492,751	\$647,580	\$115,000	\$173,331	\$288,331	2.25
2000	\$5,338,202	\$2,886,657	\$2,451,545	\$400,000	\$285,062	\$685,062	3.58
2001	\$5,359,076	\$3,686,196	\$1,672,880	\$385,000	\$275,433	\$660,433	2.53
2002	\$5,554,681	\$4,133,045	\$1,421,636	\$380,000	\$264,805	\$644,805	2.20
2003	\$6,003,832	\$4,156,378	\$1,847,454	\$370,000	\$252,953	\$622,953	2.97
2004	\$6,592,467	\$4,827,316	\$1,765,151	\$360,000	\$236,601	\$596,601	2.96
2005	\$7,017,121	\$4,458,469	\$2,558,652	\$250,000	\$221,863	\$471,863	5.42

*Sewer*

1996	\$6,364,374	\$5,150,628	\$1,213,746	\$180,000	\$237,320	\$417,320	2.91
1997	\$5,888,343	\$3,970,440	\$1,917,903	\$195,000	\$140,565	\$335,565	5.72
1998	\$5,824,247	\$4,142,245	\$1,682,002	\$150,000	\$152,100	\$302,100	5.57
1999	\$6,153,529	\$4,011,458	\$2,142,071	\$160,000	\$81,285	\$241,285	8.88
2000	\$6,229,722	\$3,053,316	\$3,176,406	\$170,000	\$73,605	\$243,605	13.04
2001	\$5,831,642	\$3,892,100	\$1,939,542	\$175,000	\$65,105	\$240,105	8.08
2002	\$5,504,843	\$4,365,161	\$1,139,682	\$185,000	\$56,093	\$241,093	4.73
2003	\$5,216,613	\$4,426,056	\$790,557	\$190,000	\$46,288	\$236,288	3.35
2004	\$5,536,464	\$4,477,944	\$1,058,520	\$205,000	\$36,028	\$241,028	4.39
2005	\$5,482,929	\$4,551,493	\$931,436	\$215,000	\$24,753	\$239,753	3.88

- (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, 2005  
Table 12 (A)**

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*Population*

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

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*Housing and Income Statistics*

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

Source: 2000 U.S. Census

**CITY OF MIDDLETOWN, OHIO  
DEMOGRAPHIC STATISTICS  
December 31, 2005  
Table 12 (B)**

*2000 Census of Employed Persons*

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

Source: 2000 U.S. Census

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

<i>Employment Data</i>			<i>Unemployment Percentage Rates</i>		
<b>Year</b>	<b>Employed County/MSA</b>	<b>Unemployed County/MSA</b>	<b>City of Middletown</b>	<b>Butler County</b>	<b>State of Ohio</b>
1996	160,700	7,000	6.20	4.20	5.00
1997	168,900	6,200	5.30	3.50	4.60
1998	174,800	6,100	5.10	3.40	4.30
1999	179,600	6,000	4.80	3.20	4.30
2000	167,300	6,200	5.40	3.60	4.00
2001	168,000	7,000	6.10	4.00	4.40
2002	186,500	9,100	6.90	4.70	5.70
2003	190,900	9,200	6.80	4.60	6.20
2004	173,600	9,800	6.30	5.40	6.10
2005	175,500	9,800	6.10	5.30	5.90

Source: Ohio Labor Market Information

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

Fiscal Year	Industrial and Commercial Construction		Residential Construction		Property Value		
	# of Permits	Value	# of Permits	Value	Industrial and Commercial	Residential	Nontaxable
1996	142	\$ 18,421,031	348	\$ 13,699,542	\$348,714,108	\$321,858,490	\$82,453,310
1997	127	\$ 14,558,059	343	\$ 13,263,369	\$325,297,899	\$326,422,380	\$81,611,112
1998	165	\$ 32,841,518	448	\$ 12,117,541	\$324,836,171	\$369,256,300	\$81,726,156
1999	174	\$ 16,537,595	382	\$ 12,200,500	\$378,357,482	\$387,992,590	\$94,985,310
2000	146	\$ 14,776,814	326	\$ 7,716,633	\$359,643,120	\$438,941,970	\$94,553,410
2001	228	\$ 23,418,645	290	\$ 12,587,619	\$366,412,190	\$446,452,110	\$95,632,110
2002	152	\$ 16,516,930	261	\$ 6,670,195	\$200,062,910	\$450,904,030	\$94,616,100
2003	146	\$ 18,579,768	246	\$ 10,728,669	\$218,052,540	\$532,027,110	\$93,712,155
2004	144	\$ 14,004,686	230	\$ 9,942,907	\$218,001,620	\$534,228,700	\$95,586,398
2005	177	\$ 35,017,175	296	\$ 8,638,940	\$219,781,320	\$557,781,320	\$96,011,311

(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, 2005  
Table 14**

*Real Property: Excluding Public Utility*

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Total Assessed
A.K. Steel	Steel manufacturing	\$ 15,095,550	2.01%
Southwestern Ohio Steel	Steel processing	7,597,140	1.01%
Precision Strip, Inc.	Steel processing	4,166,220	0.55%
Garden Manor	Retirement home	3,567,860	0.47%
Bavarian Woods Apartments	Apartment complex	2,272,110	0.30%
Trnity Place Comm.	Apartment complex	2,033,000	0.27%
Bay West Paper Corp	Paper and packaging	1,817,680	0.24%
Riverside Village LTD PRT	Apartment complex	1,765,950	0.23%
Akers Packaging	Box manufacturing	1,684,400	0.22%
Jefferson Smurfit Corp.	Paper and packaging	1,630,510	0.22%
<b>Total</b>		<b>\$ 41,630,420</b>	<b>5.54%</b>

*Tangible Personal: Excluding Public Utility*

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Total Assessed
A.K. Steel	Steel manufacturing	\$ 138,716,746	54.75%
Bay West Paper Company	Paper and packaging	13,787,918	5.44%
Jefferson Smurfit Corporation	Paper and packaging	6,464,705	2.55%
Southwestern Ohio Steel	Steel processing	5,874,038	2.32%
Aeronca, Inc.	Aircraft parts manufacturing	4,928,763	1.95%
Messer Greisheim Industries	Steel trimming	4,801,673	1.90%
Air Products & Chemicals	Industrial gas manufacturing	4,055,892	1.60%
Precision Strip	Steel processing	2,259,593	0.89%
<b>Total</b>		<b>\$ 180,889,328</b>	<b>71.40%</b>

Source: Butler County Auditor's Office

**CITY OF MIDDLETOWN, OHIO  
MISCELLANEOUS STATISTICS  
December 31, 2005  
Table 15**

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<b>Date of incorporation</b>	1837
<b>Form of government</b>	Council - Manager
<b>Number of employees</b>	427
<b>Area</b>	25.8 square miles
<b>Miles of streets</b>	231
<b>Fire protection:</b>	
Number of stations	5
Number of sworn firemen	84
<b>Police protection:</b>	
Number of stations	1
Number of sworn policemen	85
<b>Municipal water department:</b>	
Number of customers	19,877
Miles of water mains	340
<b>Sewers:</b>	
Miles of sanitary and storm sewer	311
<b>Building permits issued 2004</b>	
<b>Recreation:</b>	
Parks	36 (31 developed, 5 undeveloped)
Pools	2
Community center	1
Senior activity center	1
Golf courses:	
Municipal	1
Private	2
<b>Transportation</b>	
<b>Air:</b>	
Number of airports	1
Number of freight airlines	1
<b>Land:</b>	
Local bus lines	1
<b>Rail:</b>	
Number of railroad systems	2
<b>Education:</b>	
Miami University - Middletown Students	3,000

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 1, 2006**