

City of Middletown, Ohio

Schedule of Expenditures of Federal Awards and
Office of Management and Budget Circular A-133 Reports

Year Ended December 31, 2008



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Middletown, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2008 through December 31, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 15, 2009

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**CITY OF MIDDLETOWN
BUTLER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Community Development Block Grant Entitlements	N/A	14.218	\$ 887,167
Housing Assistance for Low Income Families - Section 8	N/A	14.856	10,614,368
<i>Passed Through Butler County Department of Community Development</i> Home Program - Investment Partnership Program	N/A	14.239	736,619
Total U.S. Department of Housing and Urban Development			<u>12,238,154</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Public Transportation for Urbanized Areas			
Operating Assistance	N/A	20.507	268,906
Capital Assistance	N/A	20.507	164,859
Paratransit Grant	N/A	20.507	99,654
Planning Grant	N/A	20.507	36,389
Total Public Transportation of Urbanized Areas			<u>569,808</u>
<i>Passed through Ohio Department of Transportation</i> Federal Aviation Administration (FAA)	03-1809	20.106	45,073
Total U.S. Department of Transportation			<u>614,881</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Federal Emergency Preparedness & Response Directorate Assistance to Firefighters Grant Program	EMW-2006-FG-05217	97.044	247,023
<i>Passed through the Ohio Department of Public Safety</i> FEMA Windstorm (IKE) damage reimbursement grant	017-49840-00	97.036	<u>295,592</u>
Total U.S. Department of Homeland Security			<u>542,615</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed through the Ohio Department of Health</i> <i>Passed through the City of Hamilton, Butler County</i> Immunization Action Plan	182-B	93.268	35,048
Public Health Infrastructure		93.283	7,138
Block Grant Maternal and Child Health Services	9-2-01-F-AI-320	93.994	<u>290,283</u>
Total U.S. Department of Health and Human Services			<u>332,469</u>
<u>U.S. EPA</u>			
USEPA Brownfields assessment grant	BF96597601/056034	66.818	165,554
Total U.S. EPA			<u>165,554</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 13,893,673</u>

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

To the City Council
City of Middletown, Ohio:

We have audited the accompanying financial statements of the governmental activities, 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described and labeled as item 2008-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2008-2.

We noted certain matters that we reported to management of the City in a separate letter dated June 23, 2009.

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

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

Clark, Schaefer, Haskett & Co.

Cincinnati, Ohio
June 23, 2009

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

To the City Council
City of Middletown, Ohio:

Compliance

We have audited the compliance of the City of Middletown, Ohio (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, 2008, and have issued our report thereon dated June 23, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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 solely for the information and use of the City's management, the Ohio Auditor of State and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 23, 2009

**CITY OF MIDDLETOWN, OHIO
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2008**

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) 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?	no
Identification of major program:	
• <i>Housing Assistance for Low Income Families - CFDA 14.856</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$416,810
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Finding 2008-1 – Audit Adjustments

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

- **Capital Assets.** An audit adjustment was necessary to correct an understatement of the the City's capital assets in the Sewer Fund in the amount of approximately \$997,000.
- **Accounts Payable.** An audit adjustment was necessary to correct an understatement of the City's accounts payable in the Sewer Fund in the amount of approximately \$970,000.
- **Charges for Services.** An audit adjustment was necessary to correct the City's charges for services revenue in the Water and Sewer funds in the amounts of approximately \$438,000 and \$557,000 respectively due to mispostings of revenue accruals.

Management response: *Management concurs with the finding. Management acknowledges that this finding relates to the process where cash basis statements are converted to generally accepted accounting principles. The finding does not represent the misappropriation of assets or intentional misstatements. Management plans to modify internal controls appropriately by implementing a policy of a second review of amounts to be recorded as the financial records are converted from the cash basis to a generally accepted accounting principles basis.*

Finding 2008-2 – Appropriations

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total estimated resources. During our budgetary compliance review at December 31, 2008 we noted the Solid Waste Disposal Fund and Capital Improvements Fund had appropriations that exceeded estimated resources. In addition, the Sewer Fund had appropriations which exceeded estimated resources in its original budget. We recommend the City implement procedures to amend estimated resources and appropriations as necessary throughout the year.

Management response: *Management concurs with the finding and related recommendation. Procedures will be revised and/or implemented as needed.*

Section III – Federal Award Findings and Questioned Costs

None.

**CITY OF MIDDLETOWN, OHIO
Schedule of Prior Audit Findings
Year Ended December 31, 2008**

Finding 2007-1 – Audit Adjustments

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

- ***Intergovernmental Revenue.*** An audit adjustment was necessary to correct the City's intergovernmental revenue and expenditures to include funds paid on the City's behalf money by the Ohio Public Works Commission (OPWC) in the amount of approximately \$670,000.

Status: A finding related to audit adjustments was repeated in the current year.

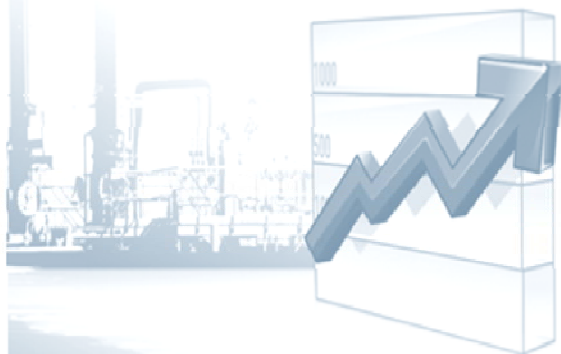


Comprehensive Annual Financial Report



For the year ended December 31, 2008

City of Middletown, Ohio



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CITY OF MIDDLETOWN, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2008

**Prepared by
Finance Department**

**Russell E. Carolus
Finance Director**

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**CITY OF MIDDLETOWN, OHIO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended December 31, 2008**

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CITY OF MIDDLETOWN, OHIO
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INTRODUCTORY SECTION



June 30, 2009

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, 2008, 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. In 2008, the City adopted GASB 45 to report other post employment benefits. The results of this pronouncement are incorporated into this report.

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 2007 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 51,000 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, offers championship-length play on a four star "Golf Digest" 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.

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

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

Education

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

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

“We have high expectations for our students in academics and behavior. Instructional delivery is one of our highest priorities. Our curriculum is extensive with an emphasis on the basic subject areas, and instructional strategies are designed to assist students in becoming successful.” —Dr. Steve Price, Superintendent of Middletown City Schools

The educational program also includes a variety of teaching methods and instructional programs and extracurricular activities to meet students’ special needs and interests: Success Academy, Central Academy (non graded school), Algebra for All, Post Secondary Education Option, Pre-School, Social Justice Class, Dual Credit Classes, Elementary Gifted and Talented Education, All Day Kindergarten in all eight elementary schools, thirteen Advanced Placement® Courses, Vocational Studies, Independent Study, Honors Courses in core subjects and Foreign Languages, Honors Diploma, Advanced Art and Music classes, Over thirty clubs and academic extracurricular activities including the award winning Marching Band, and Show Choir, and the Greater Miami Conference athletic, chess, and academic quiz teams.

The faculty stays on top of current research in the field of education by attending professional development sessions offered by the district and area universities. In-service opportunities are designed to help the staff develop and reinforce the skills necessary to meet the changing needs of their students.

“Our staff challenges and nurtures students, maintains high expectations for students, and values life long learning as a means of developing potential.” —Dr. Steve Price

Individually, the staff and students consistently earn local and state recognition. Middletown High School graduates are accepted into the best colleges and post secondary institutions in the country.

In 2003 the Middletown community passed a \$75.8 million bond issue to replace or remodel all of Middletown’s elementary schools with state of the art school buildings. Eight elementary buildings house grades pre-school through fifth grade; two middle schools accommodate grades six through eight; and grades nine through twelve occupy Middletown High School.

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

“We work hard to build a “spirit of community” where people come together for learning experiences that develops responsible and successful world citizens.” —Dr. Steve Price

Post-Secondary Education

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

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

Health Care

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

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

Economic Outlook

The City of Middletown continues to have a strong economic base in the steel and paper industries. The City’s largest employer, AK Steel, employs approximately 2,600 employees. Wausau Paper and Graphics Packaging are the city’s two largest paper manufacturers and collectively have about 500 employees.

With construction completed at its new location at SR 122 and Union Road, just east of Interstate 75, the new Medical Center will become part of the 190-acre Premier Health Campus – Middletown. The hospital expects to add nearly 800 jobs to the 2,100 it already employs over the next 10 years.

The City is also focused on the area immediately surrounding the new health campus and the Renaissance residential development. Middletown has engaged the services of Al Neyer, Inc., a major Cincinnati-area developer, to help master plan the 2,000 acre area

know as the East End/Renaissance Area. The planning for the development of this area was highlighted in the City's 2005-2010 Master Plan as one of nine Development Opportunity Areas. In 2008, PayChex, a major payroll and human resources firm, consolidated their Dayton and Cincinnati offices into this location bringing over 100 people into this rapidly developing area

In its efforts to work cooperatively with its surrounding communities, the City of Middletown entered into a Joint Economic Development District (JEDD) with Liberty Township in Butler County and the City of Mason. The Liberty Township JEDD promises additional revenue opportunities for the City as development around the newly opened Cincinnati Children's Hospital facility occurs.

Development on the residential side continues as Great Midwest Development finalizes its plans for Phase II of its single-family project in the East End/Renaissance Area. When completed, the site is expected to see more than 400 residential units as well as several dozen office condominiums.

Profile of the Government

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

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

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

CITY SERVICES

Present

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

Property Taxes/Local Income Taxes

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

The City’s property tax rate is 5.90 mils or \$5.90 per \$1,000 of taxable valuation. Real property is assessed at 35% of estimated true value. The assessed value of public utility personal property ranges from 25% to 88% for electric transmission and distribution property. General business tangible personal property tax has been phased out. General business tangible personal property tax was assessed in previous years at 25% for machinery and equipment and 23% for inventories. For collection year 2006, both types of general business and tangible personal property were assessed at 18.75%. This percentage was 12.5% for 2007, 6.25% for 2008 and will be 0 for 2009. 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>
2003	2004	\$1,045,301,496	\$ 5,679,391
2004	2005	\$1,044,098,574	\$ 5,903,584
2005	2006	\$1,052,059,851	\$ 5,919,731
2006	2007	\$1,040,123,835	\$ 5,536,744
2007	2008	\$ 860,632,226	\$ 5,643,510

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

<u>Local Income Tax Receipts (Cash Basis)</u>	
2004	\$18,208,511
2005	\$17,949,152
2006	\$17,356,177
2007	\$18,588,763
2008	\$20,098,668

FINANCIAL INFORMATION

Accounting Controls

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

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

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

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

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

Budgetary Controls

Detailed provisions for the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and the City Charter. The City Manager, with the assistance of the Finance Director, is required to submit to Council a tax budget of estimated revenues and expenditures for all funds, except agency funds, for the succeeding fiscal year by the first council meeting in July. The budget is required to be adopted by the legislative body by July 15 and to be submitted to the County Budget Commission by July 20 of each year. City Council is required by Charter to adopt a permanent appropriation measure for the ensuing fiscal year no later than January 1st. On December 20th, 2007, City Council adopted the 2008 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 a purchase order after approval of the appropriate Department Director. The purchase order is reviewed for the availability of funds and the estimate authorizes additional appropriations. Unencumbered appropriations lapse at the end of each year.

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

Cash Management

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

The City's investments comply with Section 135.14 of the Ohio Revised Code and the maximum maturity is limited to five years. 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 102% of the varying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, Municipal Corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority.

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

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

Risk Management

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

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

The City is self insured for medical claims by its employees. A stop loss policy pays all claims in excess of \$125,000 submitted by any person covered by the City. In 2008, the City Plan was 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 2008 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, 2007.

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 2008 Comprehensive Annual Financial Report of the City of Middletown is the result of the combined efforts of the City's Finance Department, Decosimo, and Clark, Schaefer, Hackett & Co., which was the City's auditor.

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

Respectfully submitted,

DEPARTMENT OF FINANCE

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

Russell E. Carolus
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Middletown
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

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



President

Executive Director

CITY OF MIDDLETOWN, OHIO

**Principal Officials
December 31, 2008**

Legislative

MayorLawrence P. Mulligan, Jr.
Council Member..... James Armbruster
Council Member.....William Becker
Council Member.....Leslie Ford
Council Member..... Anita Scott Jones
Council Member.....Anthony Marconi
Council Member.....David Schiavone

Executive/Administrative

City Manager..... Judith Gilleland
Chief of Police..... Gregory J. Schwarber
Community Revitalization Director Ginger L. Smith
Director of Court Services..... Louis A. Rossi, Jr.
Finance Director Russell E. Carolus
Fire Chief Steven M. Botts
Health Commissioner David Winfough
Law Director..... Leslie S. Landen
Planning Director Martin D. Kohler
Public Works & Utilities Director David J. Duritsch, Jr.

Citizens of Middletown

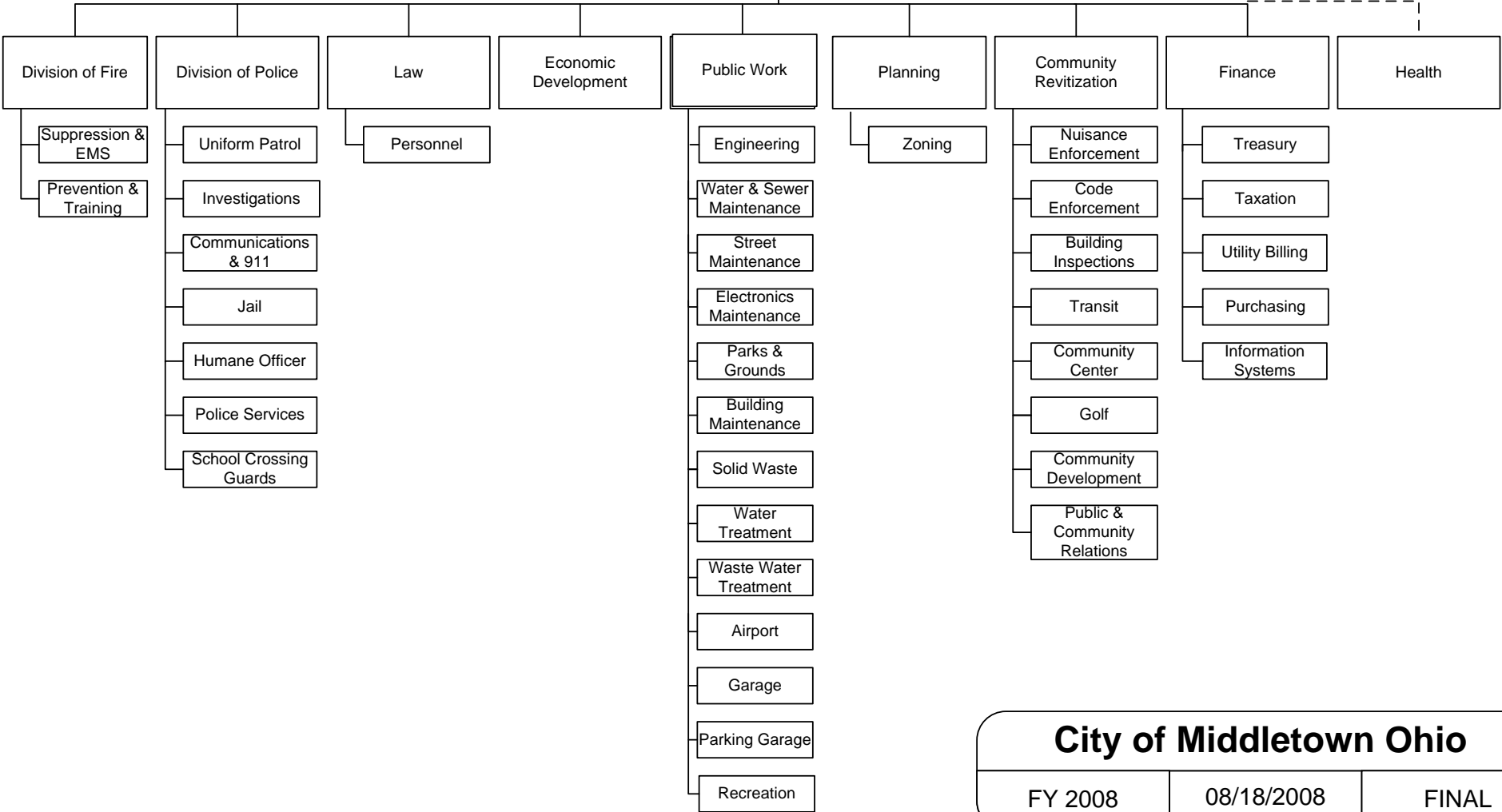
Boards, Councils, Committees, and Commissions

City Council

Council Clerk

Municipal Court

City Manager



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To City Council
City of Middletown, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Ohio (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Ohio as of December 31, 2008, 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 23, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 assessing the results of our audit.

The Management's Discussion and Analysis and other required supplementary information on pages 3 through 16 and pages 70 through 75, 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.

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cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Middletown, Ohio'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, Hachett & Co.

Cincinnati, Ohio
June 23, 2009

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, 2008. 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 (pages 37 to 69).

Required Supplementary Information

- Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. Schedules (pages 70 to 73) are presented for the General Fund and major special revenue funds that compare actual results to the original and final budgets for those funds.
- GASB 45 Schedules for Post Employment Benefits. Post employment benefits, specifically life insurance for City of Middletown retirees are presented on page 74. These schedules provide information on funding progress, employer contributions, and the benefit balance.

Supplementary Information

- Combining Financial Statements. These statements (starting on page 80) provide financial information regarding non-major individual funds, which have been aggregated in the basic financial statements.
- Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. These schedules compare actual results to the original and final budgets for the major and non-major governmental funds. These schedules begin on page 90.
- Capital Asset Schedules. Schedules (pages 160-162) 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 - are one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are 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, storm water, and refuse services to its customers and charges fees to cover the costs of these operations. Other city business-type activities which are financed with fees are the City airport, the Middletown transit system, and Weatherwax golf course.

B. Reporting the City's Most Significant Funds

Fund financial statements

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

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

C. The City as Fiscal Agent

Reporting the City's Fiduciary Responsibilities

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

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, 2008 (in thousands):

	Governmental Activities		Business-Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 58,208	54,596	21,864	19,452	80,072	74,048
Capital assets	<u>84,303</u>	<u>82,085</u>	<u>65,587</u>	<u>57,111</u>	<u>149,890</u>	<u>139,196</u>
Total assets	142,511	136,681	87,451	76,563	229,962	213,244
Long-term debt outstanding	28,345	29,006	20,557	12,660	48,902	41,666
Other liabilities	<u>14,065</u>	<u>14,147</u>	<u>4,931</u>	<u>5,236</u>	<u>18,996</u>	<u>19,383</u>
Total liabilities	42,410	43,153	25,488	17,896	67,898	61,049
Net assets:						
Invested in capital assets, net of debt	58,784	59,870	43,581	41,709	102,365	101,579
Restricted	31,509	26,695	1,367	1,255	32,876	27,950
Unrestricted	<u>9,808</u>	<u>6,963</u>	<u>17,015</u>	<u>15,702</u>	<u>26,823</u>	<u>22,665</u>
Total net assets	100,101	93,528	61,963	58,666	162,064	152,194
Beginning net assets	93,528	94,817	58,666	57,238	152,194	152,055
Net increase (decrease)	<u>6,573</u>	<u>-1,289</u>	<u>3,297</u>	<u>1,428</u>	<u>9,870</u>	<u>139</u>
Ending net assets	\$ <u>100,101</u>	<u>93,528</u>	<u>61,963</u>	<u>58,666</u>	<u>162,064</u>	<u>152,194</u>

Net assets at year end increased by \$6,573 versus a decrease of \$1,289 in 2007 in the Governmental activities area. The change in net assets is due to various factors including the .25% increase in income tax rate with the passage of the Public Safety Levy, significant developer contribution of street assets (\$4.8 million), grants, and economic development in the City's east end.

Business type activities net assets grew by \$3,297 in 2008 (i.e. 5.6%). Most of this increase is a result of additional monies collected for storm water activities and a ten percent sewer rate increase in January 2008.

B. Governmental and Business-type Activities during 2008

The following table (in thousands) presents a condensed summary of the City's activities during 2008 and the resulting changes in net assets. Of the total General Government revenues of \$62,030, \$29,126 (53%) was from program revenue. This means that the government relied on tax revenues and unrestricted grants to fund 47% of its public safety, public works, and other services. This is an improvement over 2007 as over half (61%) of the governmental services relied on tax revenues and grants to fund these services.

Local income and property taxes totaled \$24,886 in 2008. This was about 40% of the City's total revenues for governmental activities. The 5% difference from last year is due to the enactment of the Public Safety Levy which became effective January 1, 2008.

For business type activities, total revenues increased by \$1,278 from 2007. Enhanced collections for water and sewer along with a modest increase (2%) in expenses from 2007 to 2008 attributed to a net asset increase.

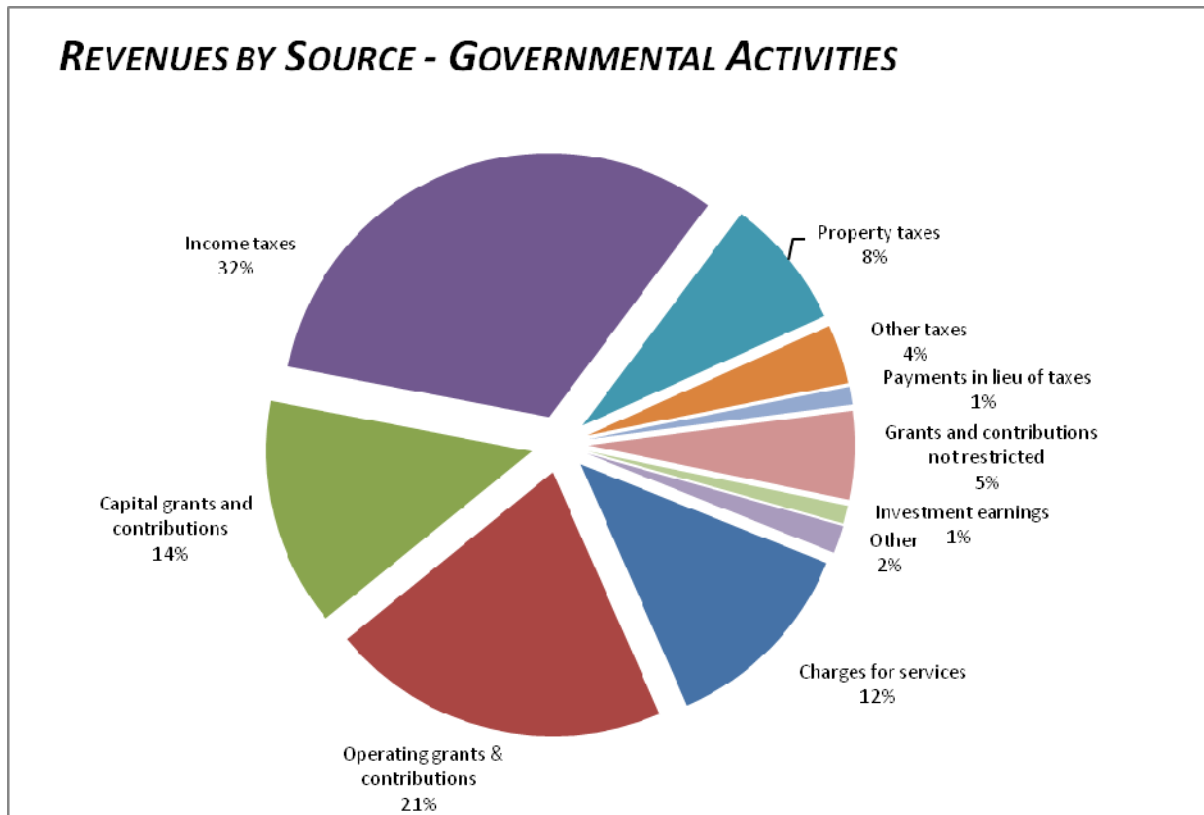
Table 2
Changes in Net Assets

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	2008	2007	2008	2007	2008	2007
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 7,640	7,011	20,017	19,895	27,657	26,906
Operating grants & contributions	12,827	11,332	1,257	1,115	14,084	12,448
Capital grants and contributions	<u>8,659</u>	<u>2,405</u>	<u>1,119</u>	<u>473</u>	<u>9,778</u>	<u>2,877</u>
Total program revenues	29,126	20,748	22,393	21,483	51,519	42,231
<u>General revenues:</u>						
Income taxes	19,921	17,921	466	300	20,387	18,221
Property taxes	4,965	5,644	-	-	4,965	5,644
Other taxes	2,248	3,694	-	-	2,248	3,694
Payments in lieu of taxes	682	-	-	-	682	-
Grants and contributions not restricted	3,349	1,014	-	-	3,349	1,014
Investment earnings	686	2,327	694	549	1,380	2,876
Other	<u>1,053</u>	<u>1,241</u>	<u>57</u>	<u>-</u>	<u>1,110</u>	<u>1,241</u>
Total general revenues	<u>32,904</u>	<u>31,841</u>	<u>1,216</u>	<u>849</u>	<u>34,121</u>	<u>32,690</u>
Total revenues	62,030	52,589	23,610	22,332	85,640	74,921
Expenses						
Public safety	23,701	23,498	-	-	23,701	23,498
Public health	1,490	1,031	-	-	1,490	1,031
Leisure activities	1,250	1,565	-	-	1,250	1,565
Community environment	15,950	11,736	-	-	15,950	11,736
Highways and streets	7,965	8,890	-	-	7,965	8,890
General government	4,073	4,233	-	-	4,073	4,233
Miscellaneous	-	1,427	-	-	-	1,427
Interest on long-term debt	1,028	1,497	-	-	1,028	1,497
Water	-	-	7,150	7,510	7,150	7,510
Sewer	-	-	6,789	6,730	6,789	6,730
Transit	-	-	1,167	1,327	1,167	1,327
Golf Course	-	-	1,563	1,713	1,563	1,713
Solid Waste	-	-	2,495	2,748	2,495	2,748
Other business type activities	<u>-</u>	<u>-</u>	<u>1,149</u>	<u>876</u>	<u>1,149</u>	<u>876</u>
Total expenses	<u>55,457</u>	<u>53,878</u>	<u>20,313</u>	<u>20,904</u>	<u>75,770</u>	<u>74,782</u>
Increase in net assets	6,573	(1,289)	3,297	1,428	9,870	139
Beginning net assets	93,528	94,817	58,666	57,238	152,194	152,055
Ending net assets	\$ <u>100,101</u>	<u>93,528</u>	<u>61,963</u>	<u>58,666</u>	<u>162,064</u>	<u>152,194</u>

1) Governmental activities during 2008

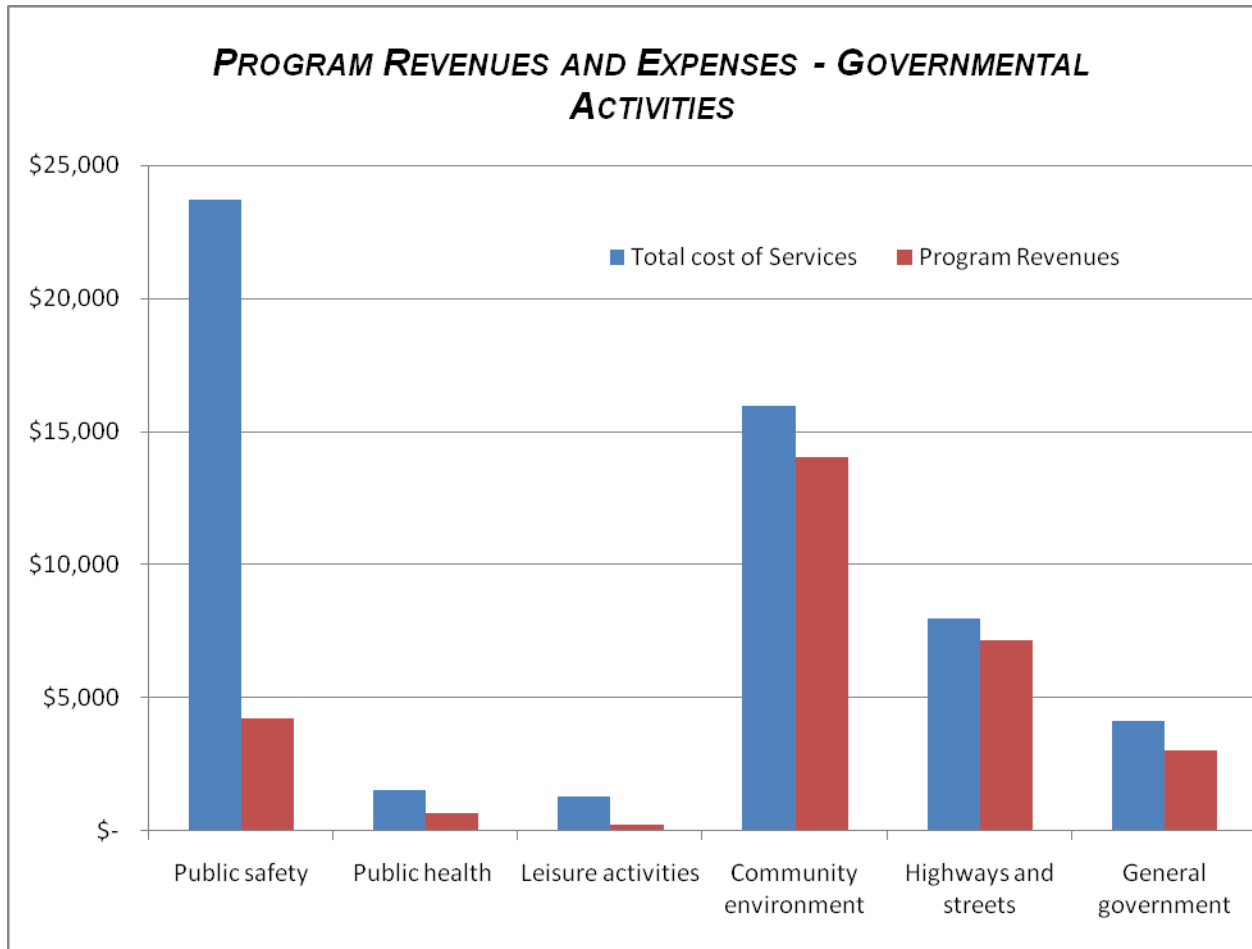
Table 3 presents the total cost of each of the government's primary services and the net cost after deducting the revenues generated by these services. The City recouped about 53% of the cost of its services with program revenues. Public safety, the City's most expensive program, covered about 18% of its costs with program revenues, the same level as 2007. Local tax receipts were used to fund the remaining costs of this service.

At the same time, Community Environment and Streets and Highways, which relies heavily upon federal and state grants, covered over 85% 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	\$ 23,701	\$ 4,170	18%	\$ 19,531
Public health	1,490	607	41%	883
Leisure activities	1,250	216	17%	1,034
Community environment	15,950	14,003	88%	1,947
Highways and streets	7,965	7,150	90%	815
General government	4,073	2,980	73%	1,093
Interest on long-term debt	1,028	-	0%	1,028
Total	<u>\$ 55,457</u>	<u>\$ 29,126</u>	<u>53%</u>	<u>\$ 26,331</u>



2) Business-type activities during 2008

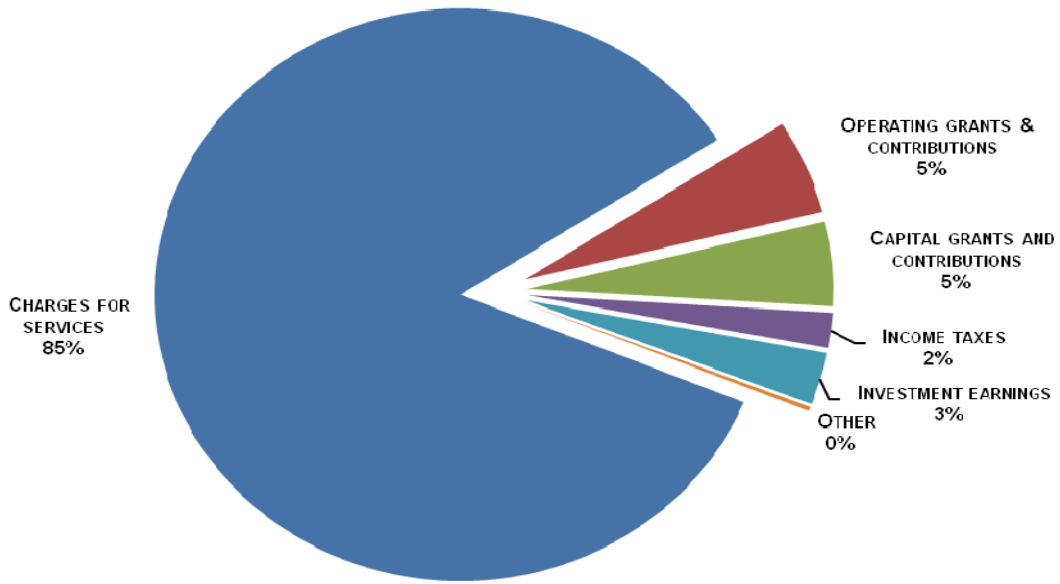
The following table (in thousands) summarizes the business-type activities during 2008:

**Table 4
Business-type Activities**

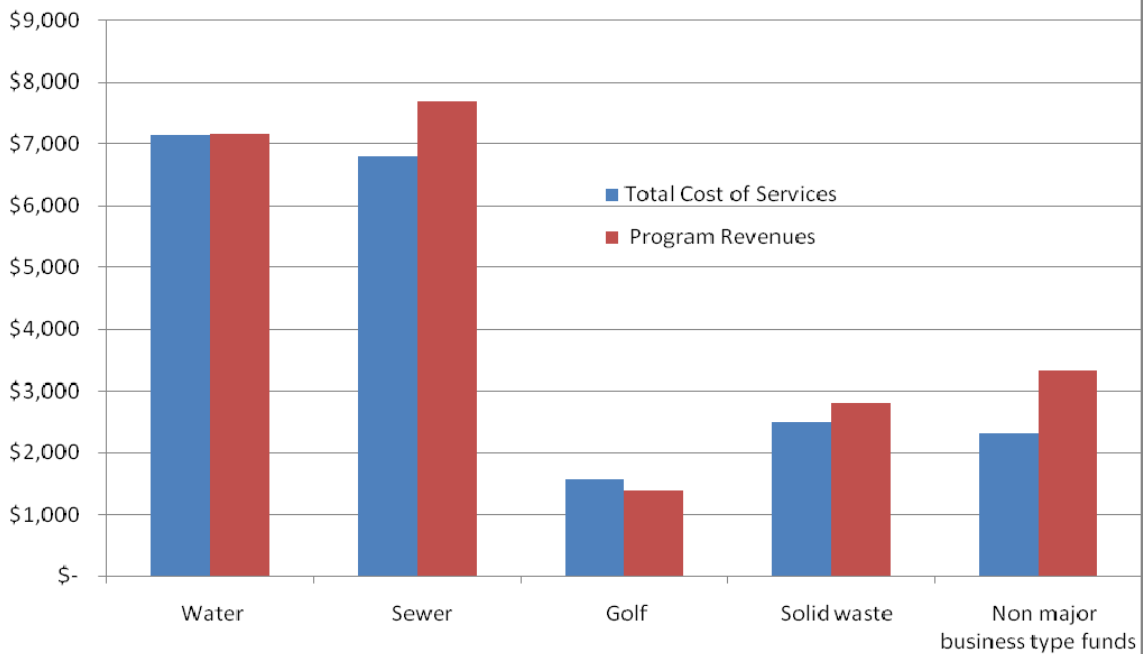
	<u>Total Cost of Services</u>	<u>Program Revenues</u>	<u>Revenues as % of Total Costs</u>	<u>Net Revenue from Operations</u>
Water	\$ 7,150	\$ 7,164	100%	\$ 14
Sewer	6,789	7,702	113%	913
Golf	1,563	1,393	89%	(170)
Solid waste	2,495	2,817	113%	322
Non major business type funds	<u>2,316</u>	<u>3,317</u>	<u>143%</u>	<u>1,001</u>
Total	<u>\$ 20,313</u>	<u>\$ 22,393</u>	<u>110%</u>	<u>\$ 2,080</u>

The City attempts to break even on its business-type activities. The sewer, solid waste, and non major business funds had operating surpluses in 2008 to accumulate earnings for future capital investments.

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



PROGRAM REVENUES AND EXPENSES - 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-nine governmental funds, three of which are considered major funds. Assets of those three funds comprise 65% of the total governmental funds' assets of \$56,163. The following table (in thousands) summarizes the activities of these three major funds.

Table 5
Financial Highlights
Major Governmental Funds

	<u>General Fund</u>	<u>Housing Assistance</u>	Special Assessment <u>Debt Service</u>
Total assets	\$ 20,918	11,359	4,087
Total liabilities	<u>9,378</u>	<u>9,533</u>	<u>4,016</u>
Fund balance	<u>11,540</u>	<u>1,826</u>	<u>71</u>
Unreserved fund balance	\$ <u>11,229</u>	<u>1,820</u>	<u>71</u>
Revenues	\$ 28,076	8,934	440
Expenditures	25,456	10,620	440
Other financing sources/uses	<u>(155)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>2,465</u>	<u>(1,686)</u>	<u>(0)</u>

General Fund. Fund balance at the end of 2008 was \$11,540 including \$11,229 of unreserved fund balance. This is 40% of 2008 expenditures. The General Fund's balance increased by \$2,465 in 2008. The unreserved fund balance is used to cover expenditures during economic downturns. The General Fund's positive net change in fund balance is due to additional revenue collected from the public safety income tax levy of .25% enacted in 2008 through 2013. The City has experienced successful efforts in controlling health care costs as well. An increase in charges for services enhanced the revenues for 2008.

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 2008, there were 1,659 Section 8 units in the City of Middletown. Changes in fund balance for this fund is due to the timing of grant revenues.

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.

B. Proprietary funds

1) Enterprise funds

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

Table 6
Financial Highlights
Enterprise Funds

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Golf Fund</u>	<u>Solid Waste Fund</u>
Total assets	\$ 30,019	39,836	5,177	1,008
Total liabilities	<u>7,777</u>	<u>12,632</u>	<u>2,302</u>	<u>1,430</u>
Total net assets	<u>22,242</u>	<u>27,204</u>	<u>2,875</u>	<u>(422)</u>
Unrestricted net assets	<u>5,880</u>	<u>6,705</u>	<u>(557)</u>	<u>387</u>
Operating revenues	6,458	7,418	1,402	2,838
Operating expenses	6,970	6,406	1,511	2,460
Net non-operating revenues (expenses)	645	1	(52)	(35)
Capital contributions	88	329	-	-
Transfers out	<u>(28)</u>	<u>(28)</u>	<u>-</u>	<u>-</u>
Net change in net assets	\$ <u>193</u>	<u>1,314</u>	<u>(161)</u>	<u>343</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. The Water Fund received operating grants of \$648 from the State of Ohio in 2008 versus \$217 in 2007.

Sewer Fund. The Sewer Fund ended 2008 with a cash balance of \$8,029 which is an increase of \$1,314 to be used in the immediate future for large capital projects.

Golf Fund. The City Golf Fund lost \$161 in 2008. This fund owes the City’s General Fund \$620 at the end of 2008 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 \$231 on a landfill closure bond. At the end of 2008, the balance owed on this 1994 bond issue was \$991. The Solid Waste Fund carries a \$422 fund deficit because of this large debt liability.

2) Internal service funds

Net assets at year-end and 2008 activity in the City's two internal service funds, are shown collectively on page 29.

The City's Employee Benefits Fund ended the year with net assets of \$117 (page 147). The rising cost of health insurance puts a burden on the City's budget, however, the City has experienced a smaller than anticipated increase due to the efforts of an employee/management sponsored health care committee. Future budgets will allow for continuing annual cost increases.

The other City internal service fund, the Municipal Garage Fund, ended the year with net assets of \$4,548. 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 2008 was \$1,466 (pages 147 and 148).

IV. BUDGETED ACTIVITY AND ACTUAL RESULTS

The schedules comparing the City's original and final General Fund budgets to actual expenditures begin on page 70. The General Fund's original 2008 appropriation was increased during the year by \$147 which is less than 1% of the original budget. The General Fund's actual expenditures on a cash basis (budget basis) were \$1,190 (4.4%) 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 50 and 51 and in the Supplemental Section on pages 160-162.

The City had approximately \$149 million in net capital assets, an increase of \$9.7 million over 2007. The majority of the additional capital assets were due to developer contributions which included:

- streets valued at \$4.8 million,
- storm sewer lines valued in excess \$700,000,
- sewer lines at \$330,000, and
- water lines valued at \$89,000.

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

	Governmental	Business-	
	Activities	Type	Total
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Land	\$ 12,263	6,841	19,104
Construction in progress	0	997	997
Land improvements	430	1,078	1,508
Buildings	10,596	17,822	28,418
Equipment	6,719	7,479	14,198
Infrastructure	<u>54,295</u>	<u>31,370</u>	<u>85,665</u>
Total	\$ <u>84,303</u>	<u>65,587</u>	<u>149,890</u>

B. Debt

Several bonds were refinanced in 2008 (page 59) which resulted in an economic gain of \$1,299. At the same time, the City replaced its airport note with a twenty-year bond. The City also issued a twenty-year bond for the new sewage ATAD (automated thermal aerobic digestion) facility. This new system will reduce the operating expenses associated with waste removal costs. These bonds are reflected in the business-type activities on page 56.

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

The City has budgeted conservatively for 2009. Revenues were forecast to decrease by about 2.8% for the General Fund while expenditures were expected to increase by 3.1%. A new economic development manager was hired in 2008 to assist the Development Director in expanding the business outreach program.

Paychex North America, a payroll and human resource industry, relocated to the Middletown area in 2008. The company relocated 177 employees to the City and plans to hire an additional fourteen employees in the next three years.

The Planning Commission approved a \$340 million coke facility (Suncoke) that will directly benefit our major employer, AK Steel. This development is currently awaiting approval from EPA for operating permits.

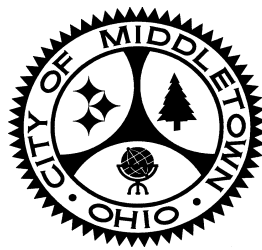
The Interstate 75 and State Route 122 interchange will be modified as part of a \$130 million project. This project includes bridge replacement along with an additional lane to improve

traffic flow in this newly developed area. The City's portion of contributed costs will be \$6.4 million. The project is slated to be completed in late 2009.

VII. REQUESTS FOR ADDITIONAL INFORMATION

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

Russell E. Carolus, Jr.
Finance Director



**CITY OF MIDDLETOWN, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and equity in pooled cash, deposits and investments	\$ 25,699,198	\$ 17,794,667	\$ 43,493,865
Cash with fiscal and escrow agent	1,015,072	-	1,015,072
Receivables (net of allowance for uncollectibles):			
Income taxes	4,031,000	-	4,031,000
Property taxes	5,198,067	-	5,198,067
Payments in Lieu of Taxes	681,732	-	681,732
Estate taxes	16,567	-	16,567
Accounts	768,126	1,619,142	2,387,268
Loans	2,125,562	496,356	2,621,918
Intergovernmental	13,511,385	306,530	13,817,915
Special assessments	4,016,194	-	4,016,194
Inventory of supplies	1,085,213	438,664	1,523,877
Deferred Charges	770,405	498,526	1,268,931
Internal balances	(710,183)	710,183	-
Capital assets, net			
Non-depreciable	12,262,955	7,837,773	20,100,728
Depreciable	72,039,845	57,749,450	129,789,295
Total assets	<u>142,511,138</u>	<u>87,451,291</u>	<u>229,962,429</u>
Liabilities			
Accounts payable and other current liabilities	1,111,728	1,496,478	2,608,206
Accrued wages and benefits	1,648,168	277,555	1,925,723
Other accrued liabilities	305,305	60,528	365,833
Accrued interest payable	107,226	52,646	159,872
Due to other governments	7,051	1,195	8,246
Due to other individuals	120,444	384,093	504,537
Unearned revenue	5,198,067	663,117	5,861,184
Notes payable	2,056,916	-	2,056,916
Non current liabilities:			
Due within one year	3,509,734	1,995,374	5,505,108
Due in more than one year	28,344,892	20,556,730	48,901,622
Total liabilities	<u>42,409,531</u>	<u>25,487,716</u>	<u>67,897,247</u>
Net Assets			
Invested in capital assets, net of related debt	58,783,680	43,581,118	102,364,798
Restricted for capital projects	4,167,849	-	4,167,849
Restricted for debt service	5,845,392	1,367,180	7,212,572
Restricted for housing assistance	11,241,399	-	11,241,399
Restricted for community development	2,407,102	-	2,407,102
Restricted for other purposes	7,848,395	-	7,848,395
Unrestricted	9,807,790	17,015,277	26,823,067
Total net assets	<u>\$ 100,101,607</u>	<u>\$ 61,963,575</u>	<u>\$ 162,065,182</u>

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

	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
Functions/Programs							
Governmental activities:							
Public safety	\$ 23,700,938	\$ 3,967,397	\$ 202,167	\$ -	\$ (19,531,374)		\$ (19,531,374)
Public health and welfare	1,490,221	183,773	423,600	-	(882,848)		(882,848)
Leisure time activities	1,250,364	161,629	55,050	-	(1,033,685)		(1,033,685)
Community environment	15,949,554	346,987	12,145,995	1,509,888	(1,946,684)		(1,946,684)
Highways and streets	7,964,601	420	-	7,149,461	(814,720)		(814,720)
General government	4,073,244	2,980,057	-	-	(1,093,187)		(1,093,187)
Interest on long-term debt	1,028,248	-	-	-	(1,028,248)		(1,028,248)
Total governmental activities	<u>\$ 55,457,170</u>	<u>\$ 7,640,263</u>	<u>\$ 12,826,812</u>	<u>\$ 8,659,349</u>	<u>\$ (26,330,746)</u>		<u>\$ (26,330,746)</u>
Business-type activities:							
Water	\$ 7,150,243	\$ 6,427,831	\$ 647,867	\$ 88,604		\$ 14,059	\$ 14,059
Sewer	6,789,475	7,372,297	-	329,710		912,532	912,532
Golf Course	1,562,777	1,393,009	-	-		(169,768)	(169,768)
Solid Waste	2,495,443	2,816,978	-	-		321,535	321,535
Parking	169,059	20,424	-	-		(148,635)	(148,635)
Airport	455,994	223,417	45,073	-		(187,504)	(187,504)
Transit	1,166,191	162,267	564,123	-		(439,801)	(439,801)
Storm Water	523,099	1,600,777	-	700,874		1,778,552	1,778,552
Total business-type activities	<u>20,312,281</u>	<u>20,017,000</u>	<u>1,257,063</u>	<u>1,119,188</u>		<u>2,080,970</u>	<u>2,080,970</u>
Total	<u>\$ 75,769,451</u>	<u>\$ 27,657,263</u>	<u>\$ 14,083,875</u>	<u>\$ 9,778,537</u>	<u>\$ (26,330,746)</u>	<u>\$ 2,080,970</u>	<u>\$ (24,249,776)</u>
General revenues:							
Taxes:							
Income taxes					\$ 19,920,927	\$ 466,100	\$ 20,387,027
Property taxes					4,965,195	-	4,965,195
Other taxes					2,247,832	-	2,247,832
Payments in lieu of taxes					681,732	-	681,732
Grants and contributions not restricted to specific programs					3,349,022	-	3,349,022
Investment earnings					686,034	693,521	1,379,555
Miscellaneous					997,551	113,028	1,110,579
Transfers					56,444	(56,444)	-
Total general revenues and transfers					<u>32,904,737</u>	<u>1,216,205</u>	<u>34,120,942</u>
Change in net assets					6,573,991	3,297,175	9,871,166
Net assets beginning of year					93,527,616	58,666,400	152,194,016
Net assets end of year					<u>\$ 100,101,607</u>	<u>\$ 61,963,575</u>	<u>\$ 162,065,182</u>

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Housing Assistance
ASSETS:		
Cash and equity in pooled cash, deposits and investments	\$ 9,548,621	\$ 1,894,452
Cash with fiscal and escrow agent	1,015,072	-
Receivables (net of allowance for uncollectibles):		
Income taxes	4,031,000	-
Property taxes	3,913,903	-
Estate taxes	16,567	-
Accounts	578,756	-
Loans	-	-
Payments in lieu of taxes	-	-
Special assessments	-	-
Due from other funds	720,000	50,000
Due from other governments	1,075,417	9,415,035
Inventory of supplies	18,886	-
Total assets	\$ 20,918,222	\$ 11,359,487
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 240,904	\$ 11,179
Accrued wages and benefits	1,447,403	-
Other accrued liabilities	211,856	-
Due to other funds	81,922	-
Due to other governments	-	-
Due to individuals	6,514	106,909
Notes payable	-	-
Deferred revenue	7,389,641	9,415,035
Total liabilities	9,378,240	9,533,123
Fund balances:		
Reserved for encumbrances	291,962	6,225
Reserved for inventory	18,886	-
Reserved for loans	-	-
Unreserved, reported in:		
General Fund	11,229,134	-
Special Revenue Funds	-	1,820,139
Debt Service Funds	-	-
Capital Project Funds	-	-
Total fund balances	11,539,982	1,826,364
Total liabilities and fund balances	\$ 20,918,222	\$ 11,359,487

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

Special Assessment Debt Service	Non Major Governmental Funds	Total Governmental Funds
\$ 70,907	\$ 12,237,450	\$ 23,751,430
-	-	1,015,072
-	-	4,031,000
-	1,284,164	5,198,067
-	-	16,567
-	173,461	752,217
-	2,125,562	2,125,562
-	681,732	681,732
4,016,194	-	4,016,194
-	-	770,000
-	3,020,933	13,511,385
-	888,153	907,039
\$ 4,087,101	\$ 20,411,455	\$ 56,776,265

\$ -	\$ 405,949	\$ 658,032
-	175,686	1,623,089
-	86,908	298,764
-	206,123	288,045
-	7,051	7,051
-	7,021	120,444
-	2,056,916	2,056,916
4,016,194	4,809,891	25,630,761
4,016,194	7,755,545	30,683,102

-	1,455,805	1,753,992
-	888,153	907,039
-	2,125,562	2,125,562
-	-	11,229,134
-	4,201,517	6,021,656
70,907	1,052,144	1,123,051
-	2,932,729	2,932,729
70,907	12,655,910	26,093,163
\$ 4,087,101	\$ 20,411,455	\$ 56,776,265

**CITY OF MIDDLETOWN, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

Total governmental fund balances	\$ 26,093,163
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Amounts reported for governmental activities in the statement of activities are different due to the following:

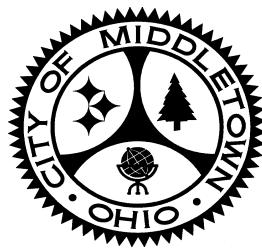
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	84,302,800
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	2,400,558
Intergovernmental and other receivables	18,032,136

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.	355,553
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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	(21,253,350)
Special assessment bonds	(2,823,043)
Compensated absences	(4,438,491)
Pension obligation payable	(2,456,824)
GASB 45 life insurance liability	(617,858)
Accrued interest on long-term debt	(107,226)
Premium on bonds	(156,216)
Unamortized issuance costs	770,405

Net assets of governmental activities	\$ 100,101,607
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**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2008**

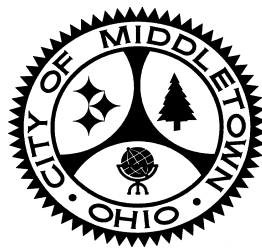
	General	Housing Assistance
Revenues:		
Property taxes	\$ 3,704,644	\$ -
Municipal income taxes	14,201,929	-
Other taxes		
Intergovernmental revenues	4,318,538	8,893,789
Charges for services	4,124,366	-
Fees, licenses, and permits	256,525	-
Fines and forfeits	76,451	-
Special assessments	-	-
Interest earnings	382,971	22,191
Contributions and donations	-	-
Miscellaneous	1,010,832	17,623
Total revenues	28,076,256	8,933,603
Expenditures:		
Current		
Public safety	18,207,406	-
Public health and welfare	148,969	-
Leisure time activities	920,315	-
Community environment	1,185,922	10,620,299
Highways and streets	-	-
General government	4,106,652	-
Miscellaneous	886,868	-
Debt service		
Principal retirement	-	-
Interest and fiscal charges	-	-
Refunding bond issuance costs	-	-
Advance refunding escrow	-	-
Total expenditures	25,456,132	10,620,299
Excess of revenues over (under) expenditures	2,620,124	(1,686,696)
Other financing sources (uses):		
Transfers-in	43,281	-
Transfers-out	(198,000)	-
Refunding bonds issued	-	-
Payment to refunded bond escrow agent	-	-
Premium on refunding bonds	-	-
Total other financing sources (uses)	(154,719)	-
Net change in fund balances	2,465,405	(1,686,696)
Fund balance, beginning of year	9,074,577	3,513,060
Fund balance, end of year	\$ 11,539,982	\$ 1,826,364

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

Special Assessment Debt Service	Non Major Governmental Funds	Total Governmental Funds
\$ -	\$ 1,260,551	\$ 4,965,195
-	5,403,637	19,605,566
-	382,963	382,963
-	6,708,344	19,920,671
-	188,055	4,312,421
-	-	256,525
-	1,942,378	2,018,829
440,148	-	440,148
-	280,872	686,034
-	90,153	90,153
-	2,456,975	3,485,430
440,148	18,713,928	56,163,935
-	5,032,430	23,239,836
-	1,244,935	1,393,904
-	339,069	1,259,384
-	4,100,867	15,907,088
-	3,329,363	3,329,363
-	226,747	4,333,399
-	240,097	1,126,965
276,399	1,619,758	1,896,157
163,793	806,666	970,459
-	204,934	204,934
-	631,405	631,405
440,192	17,776,271	54,292,894
(44)	937,657	1,871,041
-	454,444	497,725
-	(243,281)	(441,281)
-	10,323,108	10,323,108
-	(9,665,000)	(9,665,000)
-	170,311	170,311
-	1,039,582	884,863
(44)	1,977,239	2,755,904
70,951	10,678,671	23,337,259
\$ 70,907	\$ 12,655,910	\$ 26,093,163

**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, 2008**

Net change in fund balances - total governmental funds	\$ 2,755,904
<i>Amounts reported for governmental activities in the statement of activities are different due to the following:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period:	
Capital outlay	10,475,358
Depreciation expense	(7,614,942)
Disposal of capital assets	(642,976)
Revenue in the statement of activities that do not provide current financial resources are to reported as revenues in the funds:	
Income taxes	315,361
Intergovernmental and other revenue	549,382
Governmental Funds report premiums, discounts, and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities:	
Amortization of bond issuance costs	(65,934)
Bond and note issuance costs	836,339
Bond premiums on issue	(170,311)
Amortization of bond premiums	14,095
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds:	
Issuance of general obligation bonds	(10,323,108)
Bond principal retirement	1,896,157
Payment to escrow agent for refunding	9,665,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	(5,950)
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Compensated absences	(144,880)
Unfunded pension liability	97,741
GASB 45 life insurance liability	(617,858)
Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue (expenses) of the internal service funds is reported with governmental activities.	
	<u>(445,387)</u>
Change in net assets of governmental activities	<u>\$ 6,573,991</u>



**CITY OF MIDDLETOWN, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008**

Business Type Activities - Enterprise Funds

	Water	Sewer	Golf Course
Assets			
Current assets:			
Equity in pooled cash and investments	\$ 6,428,339	\$ 8,029,357	\$ 6,175
Receivables			
Accounts	687,115	490,009	-
Loans	496,356	-	-
Due from other funds	-	-	-
Intergovernmental	-	-	-
Inventory of supplies	231,786	120,128	86,750
Total current assets	7,843,596	8,639,494	92,925
Non Current Assets:			
Deferred charges	198,911	168,289	51,641
Capital assets:			
Land	1,152,665	152,500	3,611,550
Land Improvements	5,875	-	2,483,945
Infrastructure assets	25,428,118	37,196,552	-
Buildings	12,144,544	12,246,408	710,031
Equipment	5,416,814	9,787,505	283,124
Construction in progress	-	997,202	-
Less: Accumulated depreciation	(22,171,997)	(29,352,302)	(2,056,465)
Total capital assets (net of accumulated depreciation)	21,976,019	31,027,865	5,032,185
Total noncurrent assets	22,174,930	31,196,154	5,083,826
Total assets	30,018,526	39,835,648	5,176,751
Liabilities			
Current liabilities:			
Accounts payable	192,208	1,075,683	8,232
Accrued wages and benefits	100,623	106,471	24,584
Other accrued liabilities	19,798	19,385	6,869
Accrued interest payable	15,104	24,915	4,227
Due to other funds	17,233	8,893	620,000
Due to other governments	835	-	360
Due to individuals	381,330	-	-
General obligation bonds payable	348,742	295,000	172,452
Lease obligation payable	361,719	361,719	-
Unearned revenue	496,356	-	-
Compensated absences (short term portion)	53,058	54,842	12,232
Other post employment benefits (short term)	10,839	7,451	185
Total current liabilities	1,997,845	1,954,359	849,141
Long-term liabilities:			
General obligation bonds payable	2,550,883	7,340,000	1,414,494
Premium on debt	43,221	168,289	13,698
Lease obligation	3,020,494	3,020,494	-
Compensated absences	102,996	106,457	23,744
Other post employment benefits	61,360	42,179	1,047
Total long-term liabilities	5,778,954	10,677,419	1,452,983
Total liabilities	7,776,799	12,631,778	2,302,123
Net Assets			
Invested in capital assets, net of related debt	15,650,960	19,842,363	3,431,541
Restricted for debt service	710,461	656,719	-
Unrestricted	5,880,306	6,704,788	(556,913)
Total net assets	\$ 22,241,727	\$ 27,203,870	\$ 2,874,628

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

Business Type Activities - Enterprise Funds			Governmental Activities -	
Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
\$ 253,248	\$ 3,077,548	\$ 17,794,667	\$ 1,947,768	
297,764	144,254	1,619,142	15,909	
-	-	496,356	-	
-	-	-	187,826	
-	306,530	306,530	-	
-	-	438,664	178,174	
551,012	3,528,332	20,655,359	2,329,677	
43,063	36,622	498,526	-	
382,600	1,541,256	6,840,571	195,750	
-	316,241	2,806,061	-	
-	1,594,041	64,218,711	-	
74,652	5,768,785	30,944,420	521,872	
-	2,929,639	18,417,082	9,607,887	
-	-	997,202	-	
(43,133)	(5,012,927)	(58,636,824)	(7,396,434)	
414,119	7,137,035	65,587,223	2,929,075	
457,182	7,173,657	66,085,749	2,929,075	
1,008,194	10,701,989	86,741,108	5,258,752	
203,644	16,711	1,496,478	453,696	
-	45,877	277,555	25,079	
-	14,476	60,528	6,541	
3,066	5,334	52,646	-	
-	23,655	669,781	-	
-	-	1,195	-	
-	2,763	384,093	-	
231,533	65,000	1,112,727	-	
-	-	723,438	-	
-	166,761	663,117	-	
-	18,528	138,659	-	
-	2,075	20,550	2,962	
438,243	361,180	5,600,767	488,278	
978,546	1,570,000	13,853,923	-	
13,199	36,622	275,029	-	
-	-	6,040,988	-	
-	37,260	270,457	89,107	
-	11,747	116,333	16,775	
991,745	1,655,629	20,556,730	105,882	
1,429,988	2,016,809	26,157,497	594,160	
(809,159)	5,465,413	43,581,118	2,929,075	
-	-	1,367,180	-	
387,365	3,219,767	15,635,313	1,735,517	
\$ (421,794)	\$ 8,685,180	\$ 60,583,611	\$ 4,664,592	

Adjustment to reflect consolidation of internal service fund activities 1,379,964
Total net assets from above 60,583,611
Net assets of business-type activities \$ 61,963,575

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES OF NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

Business Type Activities - Enterprise Funds

	Water	Sewer	Golf Course
Operating revenues:			
Charges for services	\$ 6,427,831	\$ 7,372,297	\$ 1,393,009
Other operating revenue	29,881	46,303	8,802
Total operating revenues	6,457,712	7,418,600	1,401,811
Operating expenses:			
Personal services	2,039,520	2,076,303	732,514
Contractual services	2,401,399	2,161,166	133,702
Commodities	902,563	385,136	444,405
Depreciation	1,146,292	1,437,525	168,273
Other operating expenses	480,199	346,179	32,159
Total operating expenses	6,969,973	6,406,309	1,511,053
Operating income (loss)	(512,261)	1,012,291	(109,242)
Non-operating revenues (expenses):			
Interest revenue	222,683	383,817	-
Interest expense and fiscal charges	(225,721)	(383,166)	(51,724)
Operating grants	647,867	-	-
Income taxes	-	-	-
Gain on sale or disposal of capital assets	-	-	-
Total non-operating revenues (expenses)	644,829	651	(51,724)
Income (loss) before contributions and transfers	132,568	1,012,942	(160,966)
Capital contributions	88,604	329,710	-
Transfers-out	(28,222)	(28,222)	-
Change in net assets	192,950	1,314,430	(160,966)
Total net assets, beginning of year	22,048,777	25,889,440	3,035,594
Total net assets, end of year	\$ 22,241,727	\$ 27,203,870	\$ 2,874,628

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

Business Type Activities - Enterprise Funds			Governmental Activities -	
Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
\$ 2,816,978	\$ 2,006,885	\$ 20,017,000	\$ 6,882,036	
21,454	6,588	113,028	54,546	
2,838,432	2,013,473	20,130,028	6,936,582	
-	900,828	5,749,165	602,172	
2,453,664	881,385	8,031,316	4,450,552	
-	52,538	1,784,642	1,030,177	
1,659	362,759	3,116,508	696,458	
4,984	26,555	890,076	72,082	
2,460,307	2,224,065	19,571,707	6,851,441	
378,125	(210,592)	558,321	85,141	
-	87,021	693,521	62,155	
(35,136)	(90,278)	(786,025)	-	
-	609,196	1,257,063	-	
-	466,100	466,100	-	
-	-	-	79,961	
(35,136)	1,072,039	1,630,659	142,116	
342,989	861,447	2,188,980	227,257	
-	700,874	1,119,188	-	
-	-	(56,444)	-	
342,989	1,562,321	3,251,724	227,257	
(764,783)	7,122,859	57,331,887	4,437,335	
\$ (421,794)	\$ 8,685,180	\$ 60,583,611	\$ 4,664,592	

Adjustment to reflect consolidation of Internal Service Fund Activities	\$	45,451
Changes in net assets of business type activities		3,251,724
Changes in net assets of business-type activities	\$	3,297,175

CITY OF MIDDLETOWN, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2008

Business Type Activities - Enterprise Funds

	Water	Sewer	Golf Course
Cash flows from operating activities:			
Cash received from customers	\$ 6,393,419	\$ 7,443,114	\$ 1,393,374
Cash payments to suppliers for goods and services	(2,100,693)	(1,596,422)	(625,696)
Cash payments to employees for services	(1,691,914)	(1,799,842)	(721,606)
Miscellaneous revenues	51,655	46,309	9,162
Miscellaneous expenses	(318,126)	(255,675)	-
Cash received from interfund services provided	-	-	-
Cash payments for interfund services used	(1,341,590)	(1,240,857)	(53,786)
Net cash provided (used) by operating activities	992,751	2,596,627	1,448
Cash flows from non-capital financing activities:			
Operating grants	647,867	-	-
Advances from other funds	-	-	215,000
Transfers-out to other funds	(28,222)	(28,222)	-
Income taxes received	-	-	-
Net cash provided (used) by non-capital financing activities	619,645	(28,222)	215,000
Cash flows from capital and related financing activities:			
Sale of capital assets	-	-	-
Purchase of capital assets	(452,147)	(8,931,830)	-
Capital contributions	88,604	329,710	-
Interest expense and fiscal charges	(381,263)	(358,251)	(88,011)
Repayment of debt principal	(3,231,664)	(365,000)	(1,517,728)
Repayment of capital lease obligation	(348,669)	(348,669)	-
Bond proceeds	3,036,289	8,000,000	1,379,674
Net cash used by capital and related financing activities	(1,288,850)	(1,674,040)	(226,065)
Cash flows from investing activities:			
Interest income	209,869	383,817	-
Net cash provided by investing activities	209,869	383,817	-
Net change in cash and cash equivalents	533,415	1,278,182	(9,617)
Cash and pooled investments, beginning of year	5,894,924	6,751,175	15,792
Cash and pooled investments, end of year	\$ 6,428,339	\$ 8,029,357	\$ 6,175

Business Type Activities - Enterprise Funds			Governmental Activities -	
Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
\$ 2,792,134	\$ 1,978,540	\$ 20,000,581	\$ -	
(2,423,162)	(375,428)	(7,121,401)	(5,815,101)	
-	(804,163)	(5,017,525)	(489,893)	
-	8,073	115,199	184,775	
-	(8,089)	(581,890)	(752)	
-	0	-	6,945,798	
(20,000)	(671,591)	(3,327,824)	(96,357)	
348,972	127,342	4,067,140	728,470	
-	713,629	1,361,496	-	
-	-	215,000	-	
-	-	(56,444)	-	
-	466,100	466,100	-	
-	1,179,729	1,986,152	-	
-	-	-	153,197	
-	(1,219,583)	(10,603,560)	(1,406,887)	
-	700,874	1,119,188	-	
(69,086)	(119,692)	(1,016,303)	-	
(1,515,850)	(1,795,000)	(8,425,242)	-	
-	-	(697,338)	-	
1,310,929	1,715,000	15,441,892	-	
(274,007)	(718,401)	(4,181,363)	(1,253,690)	
-	87,021	680,707	62,155	
-	87,021	680,707	62,155	
74,965	675,691	2,552,636	(463,065)	
178,283	2,401,857	15,242,031	2,410,833	
\$ 253,248	\$ 3,077,548	\$ 17,794,667	\$ 1,947,768	

continued

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR YEAR ENDED DECEMBER 31, 2008**

Business Type Activities - Enterprise Funds

	Water	Sewer	Golf Course
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (512,261)	\$ 1,012,291	\$ (109,242)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,146,292	1,437,525	168,273
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable (net)	(34,555)	70,823	-
Decrease (increase) in inventory of supplies	338,772	9,342	(26,806)
Decrease (increase) in due from other funds	-	-	-
Increase (decrease) in accounts payable	(15,035)	60,194	8,232
Increase (decrease) in accrued wages and benefits	(305)	(8,967)	(5,616)
Increase (decrease) in other accrued liabilities	(4,746)	(8,187)	(3,960)
Increase (decrease) in due to other funds	2,719	(1,523)	-
Increase (decrease) in compensated absences payable	(13,283)	(24,501)	(27,990)
Increase (decrease) in post employment benefits	72,199	49,630	1,232
Increase (decrease) in due to other governments	159	-	(2,675)
Increase (decrease) in due to individuals	12,795	-	-
Total adjustments	1,505,012	1,584,336	110,690
Net cash provided (used) by operating activities	\$ 992,751	\$ 2,596,627	\$ 1,448
Noncash investing, capital and financing activities:			
Purchase of capital assets on account	\$ -	\$ 997,202	\$ -

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

Business Type Activities - Enterprise Funds			Governmental Activities -	
Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
\$ 378,125	\$ (210,592)	\$ 558,321	\$ 85,141	
1,659	362,759	3,116,508	696,458	
(46,298)	(32,461)	(42,491)	(11,293)	
-	-	321,308	(346)	
-	-	-	56,681	
15,486	(4,786)	64,091	(120,654)	
-	1,993	(12,895)	137	
-	(1,078)	(17,971)	(368)	
-	(3,109)	(1,913)	(4,594)	
-	3,454	(62,320)	7,571	
-	13,822	136,883	19,737	
-	(3,623)	(6,139)	-	
-	963	13,758	-	
(29,153)	337,934	3,508,819	\$ 643,329	
\$ 348,972	\$ 127,342	\$ 4,067,140	\$ 728,470	
\$ -	\$ -	\$ 997,202	\$ -	

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008**

	Total Agency Funds
Assets:	
Cash and equity in pooled cash, deposits and investments	\$ 120,786
Cash with fiscal and escrow agent	190,287
Property taxes receivable	119,169
Total assets	<u>\$ 430,242</u>
Liabilities:	
Due to other governments	\$ 322,656
Due to individuals	31,458
Unapportioned monies	76,128
Total liabilities	<u>\$ 430,242</u>

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

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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), Planning and Development, Public Works (maintenance and construction of public improvements, water and sewer service, recreation), Community Revitalization (public transit system, swimming pools and golf course), Public Health Services, Municipal Court Services, and General Government Services. The financial statements of the City of Middletown, Ohio, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City follows Financial Accounting Standards Board (FASB) 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 City has elected not to follow subsequent FASB guidance. The significant accounting policies used in the preparation of these financial statements are summarized below.

A. REPORTING ENTITY

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

Blended Component Unit

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

Discretely Presented Component Units

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

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

Related Organization

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

**CITY OF MIDDLETOWN
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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 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, 2008, 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.

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

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

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

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

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

D. CASH, DEPOSITS, AND INVESTMENTS

Cash resources of individual funds, except for petty cash and specific accounts used to administer various activities are combined to form a pool of cash, deposits, and investments which is managed by the City Treasurer. Deposits and investments in the pool consist of certificates of deposit, investments in the State of Ohio STAROhio Investment Pool, 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, 2008.

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.

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E. CASH WITH FISCAL AND ESCROW AGENT

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

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

G. INVENTORY OF SUPPLIES

Inventory is recorded at cost (first-in, first-out). Inventory in the Governmental Funds consists of expendable items and is recorded on a consumption basis. "Consumption basis" means that the expenditure is recorded when the inventory is consumed. 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, 1980.

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

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

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

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

**CITY OF MIDDLETOWN
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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 2008, 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 Termination Pay Fund, the Municipal Court Fund, the Health Fund, the Police Pension Fund, the Fire Pension Fund, the General Obligation Debt Service Fund, the Transit Fund, the Municipal Airport, 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 Governmental Funds and as transfers-in (out) in Proprietary Funds. A summary of transfers by fund type follows:

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INTERFUND TRANSFERS

Governmental Funds	Transfers In	Transfers Out
General Fund	\$ 43,281	\$ 198,000
Non Major Governmental Funds	454,444	243,281
Major Proprietary Funds	<u>0</u>	<u>56,444</u>
Total	<u>\$ 497,725</u>	<u>\$ 497,725</u>

The General Fund received \$43,281 from the Civic Development fund to help cover the labor costs associated with special events held during the year.

The City's non-major governmental funds received \$454,444 in 2008 which included a \$200,000 transfer for debt service from the Capital Improvements Fund with the remaining \$254,444 coming from the General Fund, various non-major governmental funds, and the Water and Sewer Funds for computer replacement depreciation charges.

L. INTERGOVERNMENTAL REVENUES

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

M. COMPENSATED ABSENCES

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

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. Upon separation from the City, the employee (or 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.

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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, 2008, the total liability of the City for compensated absences was \$4,936,714.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

BUDGETARY PROCEDURES

Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized tax rates and reviews revenue estimates. The Budget Commission certifies its action to the City by September 1. As part of this certification, the City receives the Official Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the Certificate of Estimated Resources. On or about January 1, the certificate is amended to include any unencumbered balances from the preceding year. The revised budget then serves as the basis for the appropriation measure. The Certificate of Estimated Resources may be further amended during the year if a new source of revenue is identified or actual revenue exceeds current estimates. The amounts reported on the budgetary statement reflect the amounts in the final Amended Certificate of Estimated Resources issued for 2008.

Appropriations

An appropriation measure to control expenditures is enacted before January 1 of each year for the period from January 1 to December 31. The appropriation resolution may be adjusted and/or supplemented during the year by action of City Council as new information becomes available, but fund appropriations may not exceed estimated resources. Supplemental appropriation measures enacted during 2008 increased the original 2008 Appropriation Resolution by \$10,329,845 for all budgeted funds. The majority of these supplemental appropriations are due to three major factors: the addition of the Public Safety Levy Fund and the transfer of these funds used for the operations in the Division of Public Safety for the amount of \$3,763,396; an additional \$2,200,000 to allow expenditure of funds for Job Ready Sites Grant projects; and \$1,198,000 for capital improvement projects.

**CITY OF MIDDLETOWN
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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 2008, 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, 2007, reflect an "Appropriation for prior year encumbrances."

**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, and the Community Development Escrow Fund.

Cash deposits and investments of the City as of December 31, 2008, are comprised of the following:

Deposits	
Petty Cash	\$ 5,750
Demand deposit accounts	2,884,755
Subtotal deposits	\$2,890,505
 Investments	
Money Market Funds	1,615,120
U.S. Government Securities	31,900,938
STAR Ohio	8,425,533
Subtotal investments	\$41,941,591
Total	\$44,832,096

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"

**CITY OF MIDDLETOWN
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Deposits

Custodial Credit Risk

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

At year-end, \$2,976,043 of the City's bank balance of \$3,675,043 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, 2008 are as summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity Years</u>
US Treasury Bills	5,691,121	0.49
US Treasury Notes	26,209,817	1.26
Star Ohio	8,425,533	n/a
US Money Market Funds	<u>1,615,120</u>	n/a
	\$ <u>41,941,591</u>	

Credit Risk

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

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

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government, and investments in external investment pools are excluded from this requirement. At December 31, 2008, over 96% of the City's investments are in these excluded categories.

Custodial Credit Risk

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

Interest Rate Risk

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

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

The City is responsible for compliance with various sections of the Ohio Revised Code. Contrary to the requirements of Section 5705.39, the City's appropriations exceeded estimated resources in the following funds:

<i>Fund</i>	<i>\$ Amount</i>
Sewer Fund	\$6,673,742
Capital Improvements Fund	\$1,025,256
Solid Waste Fund	\$114,327

The variance in the Sewer Fund was part of the original budget and was corrected by the end of the year.

At December 31, 2008, the following funds had fund balance/net assets deficits:

Enterprise Funds

- *Solid Waste Fund*
The \$421,794 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.

Governmental Funds

- *Health Fund*
The \$2,409 deficit will be eliminated in 2009 with additional City contributions and grant revenue.
- *Home Fund*
The \$27,549 deficit will be eliminated in 2009 with receipt of expected grant revenues.

**CITY OF MIDDLETOWN
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NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property used in business and property located in the City. Real property taxes, other than public utility taxes, are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at thirty-five per cent of appraised market value. All property is revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established. The assessed value upon which the 2008 taxes were collected was \$860,632,000. The full tax rate for all City operations for the fiscal year ended December 31, 2007, was \$5.90 per \$1,000 of assessed valuation.

Tangible personal property taxes in one calendar year, other than public utility, are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business, other than public utilities, is assessed for ad valorem taxation purposes at 25% of its true value. Single county taxpayers may pay 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 88% of its true value. Public utility property taxes are payable annually or semi-annually with the same dates as described under real property previously.

The tangible personal property tax is being phased out over a four-year period starting with tax year 2006 and ending in 2009. This phase-out applies to most businesses. New manufacturing machinery and equipment first reported in 2006 and subsequent year returns is not subject to the personal property taxes.

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, 2008. 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 2008 operations. The receivable is therefore offset by a credit to deferred revenue.

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NOTE 6 - INCOME TAX

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

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

GOVERNMENTAL ACTIVITIES				
<u>Capital Asset</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Land	\$12,462,365	\$ 304,929	\$(504,339)	\$12,262,955
Land improvements	749,923	0	0	749,923
Buildings	23,926,713	174,482	0	24,101,195
Equipment	15,894,413	4,137,321	(621,010)	19,410,724
General infrastructure	<u>152,040,296</u>	<u>5,858,626</u>	<u>(183,941)</u>	<u>157,714,981</u>
Total at Historical Cost	205,073,710	10,475,358	(1,309,290)	214,239,778
Less accumulated depreciation:				
Land improvements	294,648	25,682	0	320,330
Buildings	12,926,641	578,745	0	13,505,386
Equipment	12,155,656	1,083,538	(547,774)	12,691,420
General infrastructure	<u>97,611,405</u>	<u>5,926,977</u>	<u>(118,540)</u>	<u>103,419,842</u>
Total depreciation	122,988,350	7,614,942	(666,314)	129,936,978
Capital Assets, Net	\$ 82,085,360	\$2,860,416	\$(642,976)	\$ 84,302,800

Depreciation was charged to governmental functions as follows:

General government	\$ 1,090,809
Leisure	159,045
Public health and welfare	38,873
Public safety	477,174
Streets and highways	<u>5,849,041</u>
Total	\$7,614,942

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<i>BUSINESS-TYPE ACTIVITIES</i>				
<u>Capital Asset</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 6,840,571	\$ -	\$ -	\$ 6,840,571
Construction in progress	-	997,202	-	997,202
Total capital assets, not being depreciated	6,840,571	997,202	-	7,837,773
Capital assets, being depreciated:				
Land improvements	2,747,031	59,030	-	2,806,061
Buildings	30,927,014	25,656	(8,250)	30,944,420
Equipment	18,098,598	318,484	-	18,417,082
Infrastructure	54,018,321	10,200,390	-	64,218,711
Total capital asset, being depreciated	105,790,964	10,603,560	(8,250)	116,386,274
Totals at Historical Cost	112,631,535	11,600,762	(8,250)	124,224,047
Less accumulated depreciation:				
Land improvements	1,571,037	156,570	-	1,727,607
Buildings	12,282,892	839,581	-	13,122,473
Equipment	9,895,163	1,042,527	-	10,937,690
General infrastructure	31,771,224	1,077,830	-	32,849,054
Total depreciation	<u>55,520,316</u>	<u>3,116,508</u>	<u>-</u>	<u>58,636,824</u>
Total capital assets, being depreciated, net	50,270,648	7,487,052	(8,250)	57,749,450
Capital Assets, Net	\$ 57,111,219	\$ 8,484,254	\$ (8,250)	\$ 65,587,223

Depreciation was charged to business-type activities as follows:

Water	\$ 1,146,292
Sewer	1,437,525
Golf	168,273
Solid Waste	1,659
Non major funds	<u>362,759</u>
Total	\$3,116,508

**CITY OF MIDDLETOWN
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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 Fire Pension Fund (OP&F) 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, OPERS invests employer contributions 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) 222-5601 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 10%. For 2008, member and employer contributions were consistent across all three plans. Separate divisions for law enforcement and public safety exist only with the traditional pension plan. The 2008 employer contribution rate for local government employer units was 14% of covered payroll. The City of Middletown's contribution to OPERS for the years ending December 31, 2006, 2007, and 2008 were \$1,714,160, \$1,669,700, and \$1,669,530 respectively, equal to the required contributions billed to the City by OPERS.

B. The Ohio Police and Fire Pension Fund

The City of Middletown contributes to the Ohio Police and Fire Pension Fund, a cost sharing, multiple-employer, defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries.

**CITY OF MIDDLETOWN
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Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. Middletown's contributions for the years ending December 31, 2006, 2007, and 2008 were \$2,298,262, \$2,266,374, and \$2,344,317 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, 2008, 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 \$365,231.

Year	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimate	Claims Payments	Balance At Fiscal Year End
2007	\$584,285	\$4,250,089	\$4,310,728	\$523,646
2008	\$523,646	\$4,138,034	\$4,296,449	\$365,231

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 10 - LONG-TERM OBLIGATIONS

Long-term obligation of the City as of December 31, 2008 are as follows:

A. GOVERNMENTAL ACTIVITIES

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
1988 Street Improvements	\$3,000	\$0	\$3,000	\$0	\$0
1990 Street Improvements	36,000	0	12,000	24,000	12,000
1991 Street Improvements	85,000	0	20,000	65,000	20,000
1992 Street Improvements	10,000	0	2,000	8,000	2,000
1993 Street Improvements	42,000	0	7,000	35,000	7,000
1994 Street Improvements	35,000	0	5,000	30,000	5,000
1995-1 Street Improvements	85,000	0	10,000	75,000	10,000
1995-2 Street Improvements	55,000	0	5,000	50,000	5,000
1996 Street Improvements	115,000	0	10,000	105,000	10,000
1996 Sewer Imp.-Dick's Creek	90,780	0	9,078	81,702	9,078
1996 Sewer Imp.-Cin/Dayton Rd.	9,220	0	922	8,298	922
1997 Sophie Street Improvements	140,000	0	10,000	130,000	10,000
1997 Dix Road Improvements	120,000	0	10,000	110,000	10,000
1998 Lewis Street Improvements	54,000	0	4,000	50,000	5,000
1999 Marshall Road Improvements	320,000	0	20,000	300,000	20,000
2000 Burbank Street Improvements	150,000	0	10,000	140,000	10,000
2001 Illinois/Longfellow Improve.	168,219	0	8,139	160,080	8,139
2001 Dick's Creek	87,234	0	4,221	83,013	4,221
2001 Oxford State Rd Water Line	54,546	0	2,639	51,907	2,639
2001 Oxford State Rd Intersection	47,000	0	3,000	44,000	3,000
2001 Sidewalk, Curb	45,000	0	0	45,000	0
2002 Sidewalk, Curb	45,000	0	45,000	0	0
2003 Sidewalk, Curb	60,000	0	30,000	30,000	30,000
2004 Roosevelt Ave. Improvements	525,000	0	20,000	505,000	20,000
2006 Towne Blvd. Improvements	520,000	0	10,000	510,000	10,000
2007 Breiel/Fiesta Sidewalk, Curb	43,000	0	9,900	33,100	10,400
2007 Cincinnati Dayton Rd Sewer	149,000	0	5,000	144,000	5,000
2007 Fiesta Storm Sewer	5,443	0	500	4,943	500
Total Special Assessment Bonds	\$3,099,442	\$0	\$276,399	\$2,823,043	\$229,899

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

	Principal Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Principal Due Within One Year	Interest Paid in 2008
<i>General Obligation Bonds:</i>						
1994 Transportation	\$1,615,000	\$0	\$1,615,000	\$0	\$0	\$0
2008 Transportation	0	1,653,010	272,175	1,380,835	266,732	32,510
1994 Recreation	275,000	0	275,000	0	0	0
2008 Recreation	0	281,044	46,275	234,769	45,350	5,527
1996 Street Improvements	1,200,000	0	1,200,000	0	0	0
2008 Street Improvements	0	1,235,326	132,272	1,103,054	127,548	25,911
1999 Downtown Improvements	7,520,000	0	7,035,000	485,000	485,000	51,961
2008 Downtown Improvements	0	7,153,728	149,036	7,004,692	92,644	170,824
2003 Court of Appeals	3,400,000	0	165,000	3,235,000	170,000	123,438
2005 MRH Land	4,755,000	0	225,000	4,530,000	230,000	188,169
2006 Towne Blvd/SR 122/I-75	750,000	0	30,000	720,000	30,000	10,383
2006 Towne Blvd. Extension	2,700,000	0	140,000	2,560,000	145,000	124,971
2008 Premium	0	170,311	14,095	156,216	0	0
Total General Obligation Bonds	\$22,215,000	\$10,493,419	\$11,298,853	\$21,409,566	\$1,592,274	\$733,694
Compensated Absences	4,375,147	379,423	226,972	4,527,598	1,494,107	0
Police & Fire Pension						
Unfunded Accrued Liability	2,554,565	0	97,741	2,456,824	97,741	0
OPEB Death Benefit Obligation	0	637,595	0	637,595	95,713	0
Total Governmental Activities	\$32,244,154	\$11,510,437	\$11,899,965	\$31,854,626	\$3,509,734	\$733,694

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

B. BUSINESS TYPE ACTIVITIES

	Principal Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Principal Due Within One Year	Interest Paid in 2008
<i>General Obligation Bonds:</i>						
1994 Landfill "A"	\$1,280,000	\$0	\$1,280,000	\$0	\$0	\$0
2008 Landfill "A"	0	1,310,929	215,850	1,095,079	211,533	25,782
1994 Landfill "B"	135,000	0	20,000	115,000	20,000	8,378
1994 Water	1,280,000	0	1,280,000	0	0	0
2008 Water	0	1,310,017	215,700	1,094,317	211,386	25,765
1996 Golf Course	1,340,000	0	1,340,000	0	0	0
2008 Golf Course	0	1,379,674	147,728	1,231,946	142,452	28,939
1999 Water	1,815,000	0	1,700,000	115,000	115,000	6,269
2008 Water	0	1,726,272	35,964	1,690,308	22,356	47,491
2003 Golf	385,000	0	30,000	355,000	30,000	17,135
2008 Airport	0	1,715,000	80,000	1,635,000	65,000	48,593
2008 Sewer	0	8,000,000	365,000	7,635,000	295,000	226,796
Premium	0	292,267	17,238	275,029	0	0
Total General Obligation Bonds Payable by Business Type Activities	\$6,235,000	\$15,734,159	\$6,727,480	\$15,241,679	\$1,112,727	\$435,148
Lease Obligation	7,461,764	0	697,338	6,764,426	723,438	262,909
Compensated Absences OPEB Death Benefit Obligation	471,436	97,854	160,174	409,116	138,659	0
	0	136,883	0	136,883	20,550	0
Total Business Type Activities	\$14,168,200	\$15,968,896	\$7,584,992	\$22,552,104	\$1,995,374	\$698,057

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

LEASE OBLIGATION

The City entered into a \$8,023,623 eleven-year lease obligation in February 2006. The lease proceeds were used to replace almost all of the 18,000 commercial and residential water meters in Middletown. The monthly lease payments due are split evenly between the City's Water and Sewer Funds. The Lease agreement requires the City to pay interest only for the first twelve months of the lease period with principal payments beginning in March 2007. The interest rate on this lease is 3.68%.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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The City's legal debt margin was approximately \$90,366,000 at December 31, 2008. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2008 are as follows:

Police and Fire Pension Debt Schedule – 12/31/08			
	<u>Police</u>	<u>Fire</u>	<u>Total</u>
2009	\$52,217	\$45,524	\$97,741
2010	52,217	45,524	97,741
2011	52,217	45,524	97,741
2012	52,217	45,524	97,741
2013	52,217	45,524	97,741
2014-2018	261,085	227,620	488,705
2019-2023	261,085	227,620	488,705
2024-2028	261,085	227,620	488,705
2029-2033	261,085	227,620	488,705
2034	7,149	6,150	13,299
Total	\$ 1,312,574	\$ 1,144,250	\$ 2,456,824

General Obligation and Assessment Bonds Schedule – 12/31/08						
	<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>
2009	\$1,592,274	\$764,854	\$2,357,128	\$229,899	\$151,016	\$380,915
2010	1,640,437	706,088	2,346,525	248,499	137,991	386,490
2011	1,690,280	661,690	2,351,970	217,300	123,688	340,988
2012	1,727,246	614,631	2,341,877	190,600	112,515	303,115
2013	1,772,843	560,221	2,333,064	189,700	102,155	291,855
2014-2018	7,693,698	1,972,047	9,665,745	887,045	353,209	1,240,254
2019-2023	5,026,572	585,745	5,612,317	583,000	149,639	732,639
2024-2026	110,000	7,095	117,095	277,000	18,463	295,463
Total	\$21,253,350	\$5,872,371	\$27,125,721	\$2,823,043	\$1,148,676	\$3,971,719

BUSINESS TYPE FUNDS – General Obligation Bonds Schedule 12/31/08			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$1,112,727	\$542,209	\$1,654,936
2010	1,134,563	509,223	1,643,786
2011	1,164,720	479,714	1,644,434
2012	1,197,754	449,193	1,646,947
2013	1,217,157	412,045	1,629,202
2014-2018	3,721,302	1,622,065	5,343,367
2019-2023	2,833,427	958,817	3,792,244
2024-2027	2,585,000	280,714	2,865,714
Total	\$14,966,650	\$5,253,980	\$20,220,630

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

BUSINESS TYPE FUNDS – Lease Obligation Schedule 12/31/08			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$723,438	\$236,810	\$960,248
2010	750,514	209,734	960,248
2011	778,603	181,644	960,247
2012	807,744	152,503	960,247
2013	837,975	122,272	960,247
2014-2017	2,866,152	174,632	3,040,784
Total	\$6,764,426	\$1,077,595	\$7,842,021

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 – DEFEASED DEBT

On March 6, 2008, the City issued general obligation bonds of \$16,050,000 (par value) with varying coupon rates of 2.50% - 5.00% and an all inclusive cost (AIC) rate of 3.77% to advance refund previously issued term bonds with varying coupon rates of 5.00% – 6.05% and a total par value of \$15,155,000. The term bonds mature on various dates beginning on December 1, 2013 and ending on December 1, 2019 and are callable on March 9, 2008.

The general obligation bonds were issued at a premium of \$248,667 (from 100.728% to 108.357% of par) and, after paying issuance costs of \$316,585, the net proceeds were \$15,982,082. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called. The refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the City's government-wide financial statements.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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As a result of the advance refunding, the City reduced its total debt service requirements by \$1,519,085, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,299,129.

Description	General obligation bonds issued	Interest Rate	Term bonds refunded	Interest Rate	Call Date	Maturity Date	Reduction in debt service	Economic Gain
1994 Transportation	\$1,653,010	2.50 – 3.00%	\$1,615,000	6.05%	03/09/08	12/01/13	\$168,591	\$149,860
1994 Recreation	281,044	2.50 – 3.00%	275,000	6.05%	03/09/08	12/01/13	28,664	25,479
1994 Landfill A	1,310,929	2.00 – 3.00%	1,280,000	6.05%	03/09/08	12/01/13	133,702	118,848
1994 Water	1,310,017	2.00 – 3.50%	1,280,000	6.05%	03/09/08	12/01/13	133,609	118,765
1996 Street Improvements	1,235,326	2.50 – 3.25%	1,200,000	5.20 – 5.70%	04/09/08	12/01/16	146,390	125,780
1996 Golf Course	1,379,674	2.50 – 3.25%	1,340,000	5.20 – 5.70%	04/09/08	12/01/16	163,495	140,477
1999 Downtown Improvements	7,153,728	2.50 – 4.50%	6,575,000	5.00 – 5.75%	12/01/09	12/01/19	599,877	499,408
1999 Water	1,726,272	2.50 – 4.50%	1,590,000	5.00 – 5.75%	12/01/09	12/01/19	144,757	120,512
Totals	\$16,050,000		\$15,155,000				\$1,519,085	\$1,299,129

NOTE 12 - SHORT-TERM OBLIGATIONS

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

- a) A \$1,715,000 note bearing an interest rate of 4.25% for the purchase of the Municipal Airport buildings was outstanding on December 31, 2007. This note matured on June 4, 2008 and was replaced with a bond.
- b) A three-year \$2,550,000 note for land purchase bearing interest equal to the sum of the LIBOR rate for a Three-Month LIBOR Period multiplied by 0.76 plus 0.50% per year. A portion of the land was sold and the proceeds were used to retire a portion of the note. This note matures on January 16, 2009.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

General Obligation Notes

<i>Issue</i>	<i>Beginning Balance 1/1/08</i>	<i>Note Retirement</i>	<i>Note Issue</i>	<i>Ending Balance 12/31/08</i>
Airport Facilities	\$ 1,715,000	\$ 1,715,000	\$ 0	\$ 0
Land Purchase Note	2,550,000	493,084	0	2,056,916
Total	\$ 4,265,000	\$ 2,208,000	\$ 0	\$ 2,056,916

NOTE 13 - INTERFUND RECEIVABLES AND PAYABLES

The City's interfund receivables and payables at the end of 2008 were comprised of operating advances from the General Fund to other operating funds (\$720,000); payments to the Municipal Garage Fund by the City operating funds for December 2008 services (\$187,826); and operating advances from the Housing Assistance Fund to the Home Fund (\$50,000).

Inter-fund receivables and payables balances as of December 31, 2008, follow:

Fund	Receivables	Payables
Governmental Funds:		
General fund	\$720,000	\$81,922
Housing assistance	50,000	0
Non major government funds	<u>0</u>	<u>206,123</u>
Total governmental funds	770,000	288,045
Business-type Activities:		
Water	0	17,233
Sewer	0	8,893
Golf		620,000
Non major business type activities	<u>0</u>	<u>23,655</u>
Total business-type activities	0	669,781
Governmental Activities - Internal Service Funds		
Internal service funds	<u>187,826</u>	<u>0</u>
Total internal service funds	187,826	0
Total all funds	\$957,826	\$957,826

NOTE 14 - CONTINGENT LIABILITY

The City is a defendant in a number of claims and lawsuits in the normal course of operations. The impact of the claims and lawsuits cannot presently be determined; however, City management is of the

**CITY OF MIDDLETOWN
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opinion the ultimate settlement of these claims will not result in a material adverse effect on the City's financial position.

NOTE 15 - POST EMPLOYMENT BENEFITS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

A. Plan Description

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

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

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

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

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 17.40%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

**CITY OF MIDDLETOWN
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OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. City Contributions

The City's actual contributions that were used to fund post employment benefits were approximately \$849,765, \$692,043 and \$754,979 for 2008, 2007 and 2006, respectively.

D. OPERS Retirement Board Implements its Health Care Preservation Plan

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

OHIO POLICE AND FIRE PENSION FUND

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

A. Plan Description

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

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

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

B. Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan. OP&F maintains funds for health care in two separate accounts.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

C. City Contributions

The City's actual contributions that were used to pay postemployment benefits were approximately \$697,119, \$653,673 and \$808,419 for 2008, 2007 and 2006, respectively.

Life Insurance Benefit

Other Postemployment Benefit Obligations

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

The City currently offers insurance (death benefits) coverage for their retirees. These benefits are in addition to the normal PERS and OP&F OPEB benefits currently being received by employees and retirees. These benefits have been determined by the City to represent an OPEB obligation as described by GASB 45. Plan provisions and benefits are described below:

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

<i>Type of retirement:</i>	<i>Benefits:</i>
Regular retirements	\$5,000 insurance coverage for the rest of the life of the retiree
Disability retirements	\$5,000 insurance coverage to age 75, then \$2,000 insurance coverage for the rest of the life of the retiree
Retirees with waived coverage	Insurance coverage in the amount currently waived continues for the rest of the life of the retiree

As required by GASB 45, key actuarial valuation results and contribution requirements are described below:

A. Participant Data

	1/1/2008	12/31/2008
Number of active participants	None	None
Number of retired participants	369	357

B. Basic Valuation Results

<u>Actuarial Liability</u>	<u>Number</u>	<u>01/01/2008</u>	<u>Number</u>	<u>12/31/2008</u>
Regular Retirements	273	\$625,399	273	\$645,602
Disability Retirements	73	\$75,871	73	\$77,374
Waived Retirements	<u>11</u>	<u>\$49,265</u>	<u>11</u>	<u>\$51,502</u>
Subtotal	357	\$750,535	357	\$774,478
Those who died in 2008	<u>12</u>	<u>\$38,711</u>		
Grand Total	369	\$789,246	357	\$774,478

Valuation Asset	\$0	\$0
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Unfunded Actuarial Liability	\$789,246	\$774,478
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C. Annual Required Contribution	For 2008
Normal Cost	\$0
18 year amortization payment of unfunded actuarial liability	\$68,766
Annual required contribution	\$68,766
Premiums paid during 2008	\$21,269

D. Actuarial methods and assumptions are as follows:

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

VALUATION ASSUMPTIONS

Mortality table	1983 Group Annuity Mortality Table (separate tables for males and females)
Withdrawal (termination) rates	None assumed. All currently retired.
Discount rates (interest rate)	6.% compounded annually
Valuation assets	At this time, it is anticipated that life insurance company premiums will be paid when they become due for the retirees. No assets have been set aside by the City for any pre-funding.
Expense and/or contingency loading	None

ACTUARIAL METHODS

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

The annual required contribution for 2008 was \$68,766. The City contributed premiums of \$21,269 leaving a current balance outstanding of \$47,497.

In adopting GASB 45, the City has elected to use the allowed prospective method. At December 31, 2008, the total actuarially calculated obligation for the plan is \$774,478. The current portion of this obligation is \$116,263 which represents the unpaid portion from 2008 of \$47,497 in addition to the annual required contribution due in 2009 of \$68,766.

As required by GASB 45, additional schedules, including a schedule of funding progress have been included and are presented as part of the required supplementary for this report.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 16 - RISK MANAGEMENT

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

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For occurrences on or after January 1, 2006, the Pool retains casualty risk up to \$350,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contribution to APEEP. APEEP reinsures claims exceeding \$350,000, and provides up to \$2,650,000 per claim and \$10,000,000 in aggregate per year.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000 General Reinsurance Corporation.

Property Coverage

Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for a specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined PEP members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit.

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 PEP member. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007:

<u>Casualty & Property Coverage</u>	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Retained earnings	<u>\$20,459,329</u>	<u>\$20,219,246</u>

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

At December 31, 2008 and 2007, respectively, casualty coverage liabilities noted above include approximately \$12.9 million and \$15.0 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$964,000. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the paragraph below.

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

Contributions to PEP	
2006	\$460,084
2007	\$454,763
2008	\$482,205

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 17 - SIGNIFICANT CONTRACTUAL OBLIGATIONS

As of December 31, 2008, the City of Middletown has entered into the following contracts to be paid from the City's Capital Project and Enterprise Funds:

Vendor	Purpose	Amount Remaining
Building Crafts, Inc.	Sludge management	\$5,545,558
Broshear Contractors, Inc.	Woods Creek Drive project	\$691,757
Sutphen Fire Equipment	Fire pumper purchase	\$457,004
Rumpke Container Svc, Inc.	Refuse collection	\$310,110
Morton International, Inc.	Rock salt for streets	\$346,150
Statewide Ford Lincoln Mercury	Police cars (9)	\$208,800
Life Star Rescue, Inc.	Ambulance purchase	\$166,225
SRW Environmental Svcs.	Aeronca project	\$150,000
Carmeuse Lime & Stone	Chemicals to treat drinking water	\$132,131
Warren County Engineers	Water main relocation	<u>\$100,891</u>
	Total	<u>\$8,108,626</u>

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 18 - RELATED ORGANIZATION

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

NOTE 19 – LOAN RECEIVABLE

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

NOTE 20 – CONDUIT DEBT

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

City of Middletown conduit debt issues outstanding at December 31, 2008 include:

- \$12,250,000 demand revenue bonds issued on behalf of Fenwick High School in 2003,
- \$196,000,000 hospital facilities revenue bonds issued on behalf of Atrium Medical Center.

NOTE 21- JOINT ECONOMIC DEVELOPMENT DISTRICTS

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

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

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

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

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 3,767,665	\$ 3,767,665	\$ 3,915,808	\$ 148,143
Municipal income taxes	11,676,022	13,020,582	14,191,184	1,170,602
Intergovernmental revenue	3,486,350	3,486,350	4,274,977	788,627
Charges for services	3,651,897	3,651,897	3,842,481	190,584
Fees, licenses, and permits	363,890	363,890	254,270	(109,620)
Fines and forfeits	144,300	144,300	65,201	(79,099)
Interest earnings	500,500	500,500	564,303	63,803
Miscellaneous	880,000	880,000	937,721	57,721
Total revenues	24,470,624	25,815,184	28,045,945	2,230,761
Expenditures:				
Current				
Public Safety				
Fire administration	303,259	303,259	265,914	37,345
Fire operations	6,759,684	6,769,684	6,743,967	25,717
Fire prevention/training	343,008	333,008	288,574	44,434
Police administration	291,388	296,388	292,975	3,413
Criminal investigation	1,523,655	1,432,655	1,398,561	34,094
Uniform patrol	5,536,201	5,622,201	5,564,268	57,933
Police services	429,632	429,632	380,041	49,591
Police and fire dispatch	1,137,206	1,137,206	1,113,894	23,312
Humane officer	103,897	103,897	101,709	2,188
Jail management	1,169,377	1,169,377	1,069,673	99,704
School crossing guards	37,405	37,405	19,491	17,914
Neighborhood improvement	231,235	231,235	190,873	40,362
Building inspection and services	452,984	452,984	444,953	8,031
Building maintenance	789,251	789,006	759,869	29,137
Total public safety	19,108,182	19,107,937	18,634,762	473,175
Leisure Activities				
Community revitalization administration	45,098	72,098	71,546	552
Community center	185,400	185,400	170,899	14,501
Recreation	187,241	251,854	245,222	6,632
Parks maintenance	516,391	514,047	481,167	32,880
Total leisure activities	934,130	1,023,399	968,834	54,565

continued

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Community Environment				
Planning administration	185,902	185,902	167,697	18,205
Community development	457,998	457,998	361,726	96,272
Street lighting	586,571	611,571	605,142	6,429
Total community environment	1,230,471	1,255,471	1,134,565	120,906
General Government				
City council	174,874	174,873	160,586	14,287
City manager	264,238	272,238	256,408	15,830
Finance administration	214,545	214,545	187,288	27,257
Treasurer	245,145	245,145	224,596	20,549
Taxation	521,022	520,989	509,954	11,035
Information systems	929,562	929,562	793,505	136,057
Personnel	447,420	447,413	362,732	84,681
Law	582,332	582,332	536,393	45,939
Purchasing	59,117	59,117	56,416	2,701
Planning	298,884	298,884	229,943	68,941
Economic development	162,421	186,921	160,548	
Engineering	799,703	799,703	714,241	85,462
Total general government	4,699,263	4,731,722	4,192,610	512,739
Miscellaneous				
Non-departmental	913,175	913,175	911,467	1,708
Total miscellaneous	913,175	913,175	911,467	1,708
Total expenditures	26,885,221	27,031,704	25,842,238	1,189,466

continued

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Excess of revenues over (under) expenditures	(2,414,597)	(1,216,520)	2,203,707	3,420,227
Other financing sources (uses)				
Transfers-in	43,281	43,281	39,806	(3,475)
Loans to other funds	-	-	(215,000)	(215,000)
Transfers-out	(198,000)	(198,000)	(198,000)	-
Other sources	-	-	206	206
Total other financing sources (uses)	(154,719)	(154,719)	(372,988)	(218,475)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(2,569,316)	(1,371,239)	1,830,719	3,201,752
Fund balance, beginning of year	7,139,862	7,139,862	7,139,862	-
Appropriation for prior year encumbrances	230,957	230,957	230,957	-
Fund balance, end of the year	\$ 4,801,503	\$ 5,999,580	\$ 9,201,538	\$ 3,201,752

See notes to the required supplementary informaton.

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
HOUSING ASSISTANCE FUND
FOR YEAR ENDED DECEMBER 31, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 9,700,000	\$ 9,700,000	\$ 8,894,753	\$ (805,247)
Interest earnings	20,000	20,000	22,192	2,192
Miscellaneous	80,000	80,000	17,623	(62,377)
Total revenues	9,800,000	9,800,000	8,934,568	(865,432)
Expenditures:				
Current				
Community Environment	11,734,723	11,734,723	10,620,593	1,114,130
Total expenditures	11,734,723	11,734,723	10,620,593	1,114,130
Excess of revenues over (under) expenditures	(1,934,723)	(1,934,723)	(1,686,025)	248,698
Other financing sources (uses):				
Other uses	-	-	(11,638)	(11,638)
Total other financing sources	-	-	(11,638)	(11,638)
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(1,934,723)	(1,934,723)	(1,697,663)	237,060
Fund balance, beginning of the year	3,585,890	3,585,890	3,585,890	-
Fund balance, end of the year	\$ 1,651,167	\$ 1,651,167	\$ 1,888,227	\$ 237,060

See notes to the required supplementary informaton.

**CITY OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
GASB 45 SCHEDULES
DECEMBER 31, 2008**

LIFE INSURANCE PLAN FOR RETIREES

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)	Funded Ratio (2)/(3)
1	2	3	4	5
January 1, 2008	\$0	\$789,246	\$789,246	0%
December 31, 2008	\$0	\$774,478	\$774,478	0%

Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Premiums Paid	Percentage Contributed
1	2	3	4=3/2 x 100%
2008	\$68,766	\$21,269	30.93%

Net Other Postemployment Benefit (OPEB) Balance

Valuation Date	ARC	Interest on Net OPEB Obligation	ARC Adjustment (UAAL) (3)-(2)	Amort Factor	Contribution	Change in Net OPEB Obligation	Net OPEB Obligation Balance
1	2	3	4	5	6	7	8
January 1, 2008	\$68,766	-	-	-	\$21,269	\$47,497	\$47,497

See notes to the required supplementary information.

**CITY OF MIDDLETOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008**

NOTE 1 - BUDGETARY ACCOUNTING

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

- i) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- ii) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- iii) Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than 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 Fund are as follows:

	General Fund	Housing Assistance
GAAP basis (as reported)	\$2,465,405	\$(1,686,696)
Adjustments: revenue and other source accruals	(33,580)	965
Expenditures, encumbrances and other use accruals	(601,106)	(11,932)
Budget basis	\$1,830,719	\$(1,697,663)

NOTE 2 - LIFE INSURANCE BENEFITS

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

Valuation Date	January 1, 2008
Actuarial Cost Method	Single Premium Fully Paid Up Life Insurance Method
Amortization Method	18-year amortization payment of unfunded
Remaining Amortization Period	18 years
Asset Valuation Method	Insurance company premium paid when due. No pre-funding.
Actuarial Assumptions:	
Mortality Table	1083 Group Annuity Mortality Table (Separate tables for males and females)
Discount Rate (Interest Rate)	6.0% per annum. Compounded annually

SPECIAL REVENUE FUNDS

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

Non Major Special Revenue Funds:

AUTO AND GAS TAX 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.

URBAN DEVELOPMENT ACTION GRANT (UDAG) FUND

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

COURT COMPUTERIZATION FUND

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

LAW ENFORCEMENT FUND

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

MANDATORY DRUG FINE FUND

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

PROBATION SERVICES FUND

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

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.

POOL FUND

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

HOME PROGRAM FUND

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

COMMUNITY DEVELOPMENT FUND

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

COMMUNITY DEVELOPMENT ESCROW FUND

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

POLICE PENSION FUND

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

FIRE PENSION FUND

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

DEBT SERVICE FUNDS

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

Non Major Debt Service Funds:

GENERAL OBLIGATION DEBT SERVICE FUND

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

TOWNE BOULEVARD TAX INCREMENT FINANCING DISTRICT FUND

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

DOWNTOWN TAX INCREMENT FINANCING DISTRICT FUND

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

AERONCA TAX INCREMENT FINANCING DISTRICT FUND

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

RIVERFRONT TAX INCREMENT FINANCING DISTRICT FUND

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

MILLER ROAD NORTH TAX INCREMENT FINANCING DISTRICT FUND

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

TOWNE MALL HOSPITAL TAX INCREMENT FINANCING DISTRICT FUND

To account for the tax increment payments that will be used to retire debt associated with the redevelopment of this district. This is a new fund and there has been no activity for 2008.

RENAISSANCE NORTH TAX INCREMENT FINANCING DISTRICT FUND

To account for the tax increment payments that will be used to retire debt associated with the redevelopment of this district. This is a new fund and there has been no activity for 2008.

RENAISSANCE SOUTH TAX INCREMENT FINANCING DISTRICT FUND

To account for the tax increment payments that will be used to retire debt associated with the redevelopment of this district. This is a new fund and there has been no activity for 2008.

CAPITAL PROJECT FUNDS

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

Non Major Capital Project Funds:

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.

COMPUTER REPLACEMENT FUND

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

PROPERTY DEVELOPMENT FUND

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

**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2008**

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 4,942,914	\$ 1,135,183	\$ 6,159,353	\$ 12,237,450
Receivables (net of allowance for uncollectibles):				
Property taxes	542,248	-	741,916	1,284,164
Accounts	173,461	-	-	173,461
Loans	2,125,562	-	-	2,125,562
Payment in lieu of taxes	-	681,732	-	681,732
Due from other governments	2,689,213	24,415	307,305	3,020,933
Inventory of supplies	888,153	-	-	888,153
Total assets	11,361,551	1,841,330	7,208,574	20,411,455
Liabilities:				
Accounts payable	120,878	83,039	202,032	405,949
Accrued wages and benefits	175,686	-	-	175,686
Other accrued liabilities	47,047	-	39,861	86,908
Due to other funds	206,123	-	-	206,123
Due to other governments	7,051	-	-	7,051
Due to individuals	7,021	-	-	7,021
Notes payable	-	-	2,056,916	2,056,916
Deferred revenue	3,054,523	706,147	1,049,221	4,809,891
Total liabilities	3,618,329	789,186	3,348,030	7,755,545
Fund balances:				
Reserved for encumbrances	527,990	-	927,815	1,455,805
Reserved for inventory	888,153	-	-	888,153
Reserved for loans	2,125,562	-	-	2,125,562
Unreserved and undesignated	4,201,517	1,052,144	2,932,729	8,186,390
Total fund balances	7,743,222	1,052,144	3,860,544	12,655,910
Total liabilities and fund balances	\$ 11,361,551	\$ 1,841,330	\$ 7,208,574	\$ 20,411,455

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2008**

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
Revenues:				
Property taxes	\$ 510,788	\$ -	\$ 749,763	\$ 1,260,551
Municipal income taxes	3,486,000	1,909,637	8,000	5,403,637
Other taxes	-	382,963	-	382,963
Intergovernmental revenues	4,784,213	-	1,924,131	6,708,344
Charges for services	181,973	-	6,082	188,055
Fines and forfeits	1,942,378	-	-	1,942,378
Interest earnings	91,362	-	189,510	280,872
Contributions and donations	40,000	-	50,153	90,153
Miscellaneous	598,156	279,400	1,579,419	2,456,975
Total revenues	11,634,870	2,572,000	4,507,058	18,713,928
Expenditures:				
Current				
Public safety	4,994,708	-	37,722	5,032,430
Public health and welfare	1,244,935	-	-	1,244,935
Leisure time activities	116,088	-	222,981	339,069
Community environment	1,631,887	-	2,468,980	4,100,867
Highways and streets	1,847,642	-	1,481,721	3,329,363
General government	15,960	-	210,787	226,747
Miscellaneous	220,206	5,680	14,211	240,097
Debt service				
Principal retirement	-	1,619,758	-	1,619,758
Interest and fiscal charges	-	735,917	70,749	806,666
Refunding bond issuance costs	-	204,934	-	204,934
Advance refunding escrow	-	631,405	-	631,405
Total expenditures	10,071,426	3,197,694	4,507,151	17,776,271
Excess of revenues over (under) expenditures	1,563,444	(625,694)	(93)	937,657
Other financing sources (uses):				
Transfers-in	-	200,000	254,444	454,444
Transfers-out	(43,281)	-	(200,000)	(243,281)
Refunding bonds issued	-	10,323,108	-	10,323,108
Payment to refunded bond escrow agent	-	(9,665,000)	-	(9,665,000)
Premium on refunding bonds	-	170,311	-	170,311
Total other financing sources (uses)	(43,281)	1,028,419	54,444	1,039,582
Net change in fund balances	1,520,163	402,725	54,351	1,977,239
Fund balance, beginning of year	6,223,059	649,419	3,806,193	10,678,671
Fund balance, end of the year	\$ 7,743,222	\$ 1,052,144	\$ 3,860,544	\$ 12,655,910

**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2008**

	Auto & Gas Tax	Acquisition for Parks	Health Fund	Emergency Medical Services
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 1,541,867	\$ 107,492	\$ 72,203	\$ 419,493
Receivables (net of allowance for uncollectibles):				
Property taxes	-	-	-	-
Accounts	420	-	5,250	-
Loans	-	-	-	-
Due from other governments	1,171,855	-	151,763	-
Inventory of supplies	888,153	-	-	-
Total assets	3,602,295	107,492	229,216	419,493
Liabilities:				
Accounts payable	34,676	-	15,904	19,195
Accrued wages and benefits	53,265	-	33,095	-
Other accrued liabilities	12,244	-	22,349	-
Due to other funds	53,323	-	1,463	-
Due to other governments	-	-	7,051	-
Due to individuals	-	-	-	-
Deferred revenue	1,000,736	-	151,763	-
Total liabilities	1,154,244	-	231,625	19,195
Fund balances:				
Reserved for encumbrances	460,496	-	-	56,944
Reserved for inventory	888,153	-	-	-
Reserved for loans	-	-	-	-
Unreserved and undesignated	1,099,402	107,492	(2,409)	343,354
Total fund balances	2,448,051	107,492	(2,409)	400,298
Total liabilities and fund balances	\$ 3,602,295	\$ 107,492	\$ 229,216	\$ 419,493

Urban Development Action Grant	Court Computer- ization	Law Enforcement Trust	Mandatory Drug Fine	Probation Services	Termination Pay	Indigent Driver Alcohol Treatment
\$ 289,919	\$ 42,905	\$ 140,319	\$ 366,026	\$ 216,394	\$ 261,052	\$ 1,576
-	-	-	-	-	-	-
-	5,849	-	815	11,015	-	585
205,214	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
495,133	48,754	140,319	366,841	227,409	261,052	2,161
-	12,638	2,987	-	105	-	-
-	-	-	-	2,731	13,514	-
-	-	-	-	427	-	-
-	-	55	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	12,638	3,042	-	3,263	13,514	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
205,214	-	-	-	-	-	-
289,919	36,116	137,277	366,841	224,146	247,538	2,161
495,133	36,116	137,277	366,841	224,146	247,538	2,161
\$ 495,133	\$ 48,754	\$ 140,319	\$ 366,841	\$ 227,409	\$ 261,052	\$ 2,161

(continued)

**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2008**

	Enforcement Education	Civic Develop- ment	Municipal Court	Police Grant	Court Special Projects
Assets:					
Cash and equity in pooled cash, deposits and investments	\$ 22,715	\$ 130,222	\$ 205,978	\$ 61,581	\$ 175,313
Receivables (net of allowance for uncollectibles):					
Property taxes	-	-	-	-	-
Accounts	540	50,257	86,240	-	12,490
Loans	-	-	-	-	-
Due from other governments	-	-	-	5,819	-
Inventory of supplies	-	-	-	-	-
Total assets	23,255	180,479	292,218	67,400	187,803
Liabilities:					
Accounts payable	-	-	6,878	-	-
Accrued wages and benefits	-	-	70,970	817	1,294
Other accrued liabilities	-	-	11,881	146	-
Due to other funds	-	-	1,282	-	-
Due to other governments	-	-	-	-	-
Due to individuals	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	91,011	963	1,294
Fund balances:					
Reserved for encumbrances	-	-	-	10,550	-
Reserved for inventory	-	-	-	-	-
Reserved for loans	-	-	-	-	-
Unreserved and undesignated	23,255	180,479	201,207	55,887	186,509
Total fund balances	23,255	180,479	201,207	66,437	186,509
Total liabilities and fund balances	\$ 23,255	\$ 180,479	\$ 292,218	\$ 67,400	\$ 187,803

Pool Fund	Home Program	Community Development	Community Development Escrow	Police Pension	Fire Pension	Totals
\$ 18	\$ 31,003	\$ 58,607	\$ 591,670	\$ 88,159	\$ 118,402	\$ 4,942,914
-	-	-	-	271,123	271,125	542,248
-	-	-	-	-	-	173,461
-	-	97,895	1,822,453	-	-	2,125,562
-	300,539	1,056,045	-	1,596	1,596	2,689,213
-	-	-	-	-	-	888,153
18	331,542	1,212,547	2,414,123	360,878	391,123	11,361,551
-	8,552	19,943	-	-	-	120,878
-	-	-	-	-	-	175,686
-	-	-	-	-	-	47,047
-	50,000	100,000	-	-	-	206,123
-	-	-	-	-	-	7,051
-	-	-	7,021	-	-	7,021
-	300,539	1,056,045	-	272,719	272,721	3,054,523
-	359,091	1,175,988	7,021	272,719	272,721	3,618,329
-	-	-	-	-	-	527,990
-	-	-	-	-	-	888,153
-	-	97,895	1,822,453	-	-	2,125,562
18	(27,549)	(61,336)	584,649	88,159	118,402	4,201,517
18	(27,549)	36,559	2,407,102	88,159	118,402	7,743,222
\$ 18	\$ 331,542	\$ 1,212,547	\$ 2,414,123	\$ 360,878	\$ 391,123	\$ 11,361,551

**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, 2008**

	Auto & Gas Tax	Acquisition for Parks	Health Fund	Emergency Medical Services
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	578,000	-	290,000	-
Intergovernmental revenues	2,542,786	-	349,796	247,023
Charges for services	-	-	181,973	-
Fines and forfeits	-	-	-	-
Interest earnings	44,892	-	-	-
Contributions and donations	-	-	-	-
Miscellaneous	144,954	-	1,800	-
Total revenues	3,310,632	-	823,569	247,023
Expenditures:				
Current				
Public safety	541,951	-	-	19,195
Public health and welfare	-	-	866,270	369,181
Leisure time activities	-	-	-	-
Community environment	-	-	-	-
Highways and streets	1,847,642	-	-	-
General government	-	-	-	-
Miscellaneous	-	-	-	-
Total expenditures	2,389,593	-	866,270	388,376
Excess of revenues over (under) expenditures	921,039	-	(42,701)	(141,353)
Other financing sources (uses):				
Transfers-out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	921,039	-	(42,701)	(141,353)
Fund balance, beginning of year	1,527,012	107,492	40,292	541,651
Fund balance, end of the year	\$ 2,448,051	\$ 107,492	\$ (2,409)	\$ 400,298

Urban Development Action Grant	Court Computer- ization	Law Enforcement Trust	Mandatory Drug Fine	Probation Services	Termination Pay	Indigent Driver Alcohol Treatment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	350,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	68,964	45,369	350,649	165,981	-	19,078
38,939	-	-	-	-	-	-
-	40,000	-	-	-	-	-
-	-	3,874	-	-	-	-
38,939	108,964	49,243	350,649	165,981	350,000	19,078
-	85,460	89,281	20,000	87,711	177,316	24,898
-	-	-	-	-	9,484	-
-	-	-	-	-	60,894	-
34,841	-	-	-	-	11,817	-
-	-	-	-	-	-	-
-	-	-	-	-	15,960	-
-	-	-	-	-	-	-
34,841	85,460	89,281	20,000	87,711	275,471	24,898
4,098	23,504	(40,038)	330,649	78,270	74,529	(5,820)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,098	23,504	(40,038)	330,649	78,270	74,529	(5,820)
491,035	12,612	177,315	36,192	145,876	173,009	7,981
\$ 495,133	\$ 36,116	\$ 137,277	\$ 366,841	\$ 224,146	\$ 247,538	\$ 2,161

(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, 2008**

	Enforcement Education	Civic Develop- ment	Municipal Court	Police Grant	Court Special Projects
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	-	-	500,000	-	-
Intergovernmental revenues	-	-	-	5,819	-
Charges for services	-	-	-	-	-
Fines and forfeits	6,876	-	1,132,595	-	152,866
Interest earnings	-	-	-	2,612	-
Contributions and donations	-	-	-	-	-
Miscellaneous	-	266,813	7,364	38,580	-
Total revenues	6,876	266,813	1,639,959	47,011	152,866
Expenditures:					
Current					
Public safety	4,630	-	1,467,437	37,294	95,218
Public health and welfare	-	-	-	-	-
Leisure time activities	-	-	-	-	-
Community environment	-	-	-	-	-
Highways and streets	-	-	-	-	-
General government	-	-	-	-	-
Miscellaneous	-	163,471	-	-	-
Total expenditures	4,630	163,471	1,467,437	37,294	95,218
Excess of revenues over (under) expenditures	2,246	103,342	172,522	9,717	57,648
Other financing sources (uses):					
Transfers-out	-	(43,281)	-	-	-
Total other financing sources (uses)	-	(43,281)	-	-	-
Net change in fund balances	2,246	60,061	172,522	9,717	57,648
Fund balance, beginning of year	21,009	120,418	28,685	56,720	128,861
Fund balance, end of the year	\$ 23,255	\$ 180,479	\$ 201,207	\$ 66,437	\$ 186,509

Pool Fund	Home Program	Community Development	Community Development Escrow	Police Pension	Fire Pension	Totals
\$ -	\$ -	\$ -	\$ -	\$ 255,396	\$ 255,392	\$ 510,788
-	-	-	-	760,000	1,008,000	3,486,000
-	627,861	845,405	-	82,756	82,767	4,784,213
-	-	-	-	-	-	181,973
-	-	-	-	-	-	1,942,378
-	-	128	4,791	-	-	91,362
-	-	-	-	-	-	40,000
55,050	-	59,930	19,791	-	-	598,156
55,050	627,861	905,463	24,582	1,098,152	1,346,159	\$ 11,634,870
-	-	-	-	1,065,013	1,279,304	4,994,708
-	-	-	-	-	-	1,244,935
55,194	-	-	-	-	-	116,088
-	699,823	885,406	-	-	-	1,631,887
-	-	-	-	-	-	1,847,642
-	-	-	-	-	-	15,960
-	-	-	48,207	4,263	4,265	220,206
55,194	699,823	885,406	48,207	1,069,276	1,283,569	10,071,426
(144)	(71,962)	20,057	(23,625)	28,876	62,590	1,563,444
-	-	-	-	-	-	(43,281)
-	-	-	-	-	-	(43,281)
(144)	(71,962)	20,057	(23,625)	28,876	62,590	1,520,163
162	44,413	16,502	2,430,727	59,283	55,812	6,223,059
\$ 18	\$ (27,549)	\$ 36,559	\$ 2,407,102	\$ 88,159	\$ 118,402	\$ 7,743,222

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 578,000	\$ 578,000	\$ 578,000	\$ -
Intergovernmental revenue	2,092,883	2,092,883	2,562,393	469,510
Interest earnings	11,021	11,021	44,891	33,870
Miscellaneous	245,516	245,516	144,534	(100,982)
Total revenues	2,927,420	2,927,420	3,329,818	402,398
Expenditures:				
Current				
Public safety:				
Electronic Maintenance	688,163	688,163	649,047	39,116
Total public safety	688,163	688,163	649,047	39,116
Highways and streets:				
Street Maintenance	1,799,882	2,394,202	2,025,300	368,902
Grounds Maintenance	672,563	672,563	614,744	57,819
Total highways and streets	2,472,445	3,066,765	2,640,044	426,721
Total expenditures	3,160,608	3,754,928	3,289,091	465,837
Excess of revenues over (under) expenditures	(233,188)	(827,508)	40,727	868,235
Fund balance, beginning of the year	892,459	892,459	892,459	-
Appropriation for prior year encumbrances	124,633	124,633	124,633	-
Fund balance, end of the year	\$ 783,904	\$ 189,584	\$ 1,057,819	\$ 868,235

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Charges for services	\$ 15,000	\$ 15,000	\$ -	\$ (15,000)
Total revenues	15,000	15,000	-	(15,000)
Expenditures:				
Current				
Leisure activities	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	15,000	15,000	-	(15,000)
Fund balance, beginning of the year	107,492	107,492	107,492	-
Fund balance, end of the year	\$ 122,492	\$ 122,492	\$ 107,492	\$ (15,000)

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 290,000	\$ 290,000	\$ 290,000	\$ -
Intergovernmental revenue	414,134	414,134	349,796	(64,338)
Charges for services	214,892	214,892	183,774	(31,118)
Miscellaneous	-	-	1,800	1,800
Total revenues	919,026	919,026	825,370	(93,656)
Expenditures:				
Current				
Public health and welfare:				
Health State Subsidy	15,746	15,746	15,354	392
Immunization Action Plan	41,919	41,919	26,859	15,060
Public Health Infranstructure	29,422	29,422	26,523	2,899
Child & Family Services	177,047	177,047	177,037	10
OIMRI Grant Program	150,000	150,000	145,386	4,614
Health/Evironment Admin.	535,166	535,166	476,677	58,489
Total expenditures	949,300	949,300	867,836	81,464
Excess of revenues under expenditures	(30,274)	(30,274)	(42,466)	(12,192)
Other financing sources uses:				
Other sources	-	-	7,051	7,051
Total other financing uses	-	-	7,051	7,051
Excess of revenues and other financing sources under expenditures and other financing uses	(30,274)	(30,274)	(35,415)	(5,141)
Fund balance, beginning of the year	107,618	107,618	107,618	-
Fund balance, end of the year	\$ 77,344	\$ 77,344	\$ 72,203	\$ (5,141)

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ -	\$ 278,000	\$ 247,023	\$ (30,977)
Total revenues	-	278,000	247,023	(30,977)
Expenditures:				
Current				
Public safety	492,081	491,826	445,321	46,505
Total expenditures	492,081	491,826	445,321	46,505
Excess of revenues over (under) expenditures	(492,081)	(213,826)	(198,298)	15,528
Fund balance, beginning of the year	232,618	232,618	232,618	-
Appropriation for prior year encumbrances	309,034	309,034	309,034	-
Fund balance, end of the year	\$ 49,571	\$ 327,826	\$ 343,354	\$ 15,528

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 10,800	\$ 10,800	\$ 9,983	\$ (817)
Miscellaneous	19,300	19,300	27,746	8,446
Total revenues	30,100	30,100	37,729	7,629
Expenditures:				
Current				
Community environment:	284,212	284,212	36,193	248,019
Total expenditures	284,212	284,212	36,193	248,019
Excess of revenues under expenditures	(254,112)	(254,112)	1,536	255,648
Fund balance, beginning of the year	288,383	288,383	288,383	-
Fund balance, end of the year	\$ 34,271	\$ 34,271	\$ 289,919	\$ 255,648

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 COURT COMPUTERIZATION FUND
 FOR YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeitures	\$ 50,000	\$ 60,000	\$ 64,605	\$ 4,605
Miscellaneous	-	40,000	40,000	-
Total revenues	50,000	100,000	104,605	4,605
Expenditures:				
Current				
Miscellaneous	20,000	84,766	72,822	11,944
Total expenditures	20,000	84,766	72,822	11,944
Excess of revenues under expenditures	30,000	15,234	31,783	16,549
Fund balance, beginning of the year	11,122	11,122	11,122	-
Fund balance, end of the year	\$ 41,122	\$ 26,356	\$ 42,905	\$ 16,549

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 51,500	\$ 60,000	\$ 47,396	\$ (12,604)
Miscellaneous	-	-	3,873	3,873
Total revenues	51,500	60,000	51,269	(8,731)
Expenditures:				
Current				
Public safety:	104,950	93,450	86,239	7,211
Total expenditures	104,950	93,450	86,239	7,211
Excess of revenues under expenditures	(53,450)	(33,450)	(34,970)	(1,520)
Fund balance, beginning of the year	155,339	155,339	155,339	-
Appropriation for prior year encumbrances	19,950	19,950	19,950	-
Fund balance, end of the year	\$ 121,839	\$ 141,839	\$ 140,319	\$ (1,520)

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 20,000	\$ 20,000	\$ 24,945	\$ 4,945
Intergovernmental revenue	30,000	280,000	324,888	44,888
Total revenues	50,000	300,000	349,833	49,833
Expenditures:				
Current				
Public safety:	20,000	20,000	20,000	-
Total expenditures	20,000	20,000	20,000	-
Excess of revenues over (under) expenditures	30,000	280,000	329,833	49,833
Fund balance, beginning of the year	36,193	36,193	36,193	-
Fund balance, end of the year	\$ 66,193	\$ 316,193	\$ 366,026	\$ 49,833

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 125,000	\$ 160,000	\$ 154,966	\$ (5,034)
Total revenues	125,000	160,000	154,966	(5,034)
Expenditures:				
Current				
Public safety	120,000	240,020	88,308	151,712
Total expenditures	120,000	240,020	88,308	151,712
Excess of revenues over expenditures	5,000	(80,020)	66,658	146,678
Fund balance, beginning of the year	149,736	149,736	149,736	-
Fund balance, end of the year	\$ 154,736	\$ 69,716	\$ 216,394	\$ 146,678

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income Tax	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
Total revenues	350,000	350,000	350,000	-
Expenditures:				
Current				
Personal services:				
Public safety	200,000	200,000	163,805	36,195
Public health & welfare	10,000	10,000	9,484	516
Leisure time activities	100,000	100,000	60,894	39,106
Community environment	15,000	15,000	11,817	3,183
General government	25,000	25,000	15,959	9,041
Total expenditures	350,000	350,000	261,959	88,041
Excess of revenues over expenditures	-	-	88,041	88,041
Fund balance, beginning of the year	173,011	173,011	173,011	-
Fund balance, end of the year	\$ 173,011	\$ 173,011	\$ 261,052	\$ 88,041

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 25,000	\$ 25,000	\$ 18,495	\$ (6,505)
Total revenues	25,000	25,000	18,495	(6,505)
Expenditures:				
Current				
Public safety	25,000	25,000	24,897	103
Total expenditures	25,000	25,000	24,897	103
Excess of revenues under expenditures	-	-	(6,402)	(6,402)
Fund balance, beginning of the year	7,978	7,978	7,978	-
Fund balance, end of the year	\$ 7,978	\$ 7,978	\$ 1,576	\$ (6,402)

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 14,000	\$ 7,000	\$ 6,331	\$ (669)
Total revenues	14,000	7,000	6,331	(669)
Expenditures:				
Current				
Public Safety	9,975	9,975	4,629	5,346
Total expenditures	9,975	9,975	4,629	5,346
Excess of revenues over (under) expenditures	4,025	(2,975)	1,702	4,677
Fund balance, beginning of year	21,013	21,013	21,013	-
Fund balance, end of the year	\$ 25,038	\$ 18,038	\$ 22,715	\$ 4,677

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ 200,000	\$ 200,000	\$ 219,478	\$ 19,478
Total revenues	200,000	200,000	219,478	19,478
Expenditures:				
Current				
Miscellaneous	156,719	156,719	120,000	36,719
Total expenditures	156,719	156,719	120,000	36,719
Excess of revenues under expenditures	43,281	43,281	99,478	56,197
Other financing sources (uses):				
Transfers-out	(43,281)	(43,281)	(43,281)	-
Total other financing sources (uses)	(43,281)	(43,281)	(43,281)	-
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	-	-	56,197	56,197
Fund balance, beginning of the year	74,025	74,025	74,025	-
Fund balance, end of the year	\$ 74,025	\$ 74,025	\$ 130,222	\$ 56,197

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Fines and forfeits	990,670	990,670	1,142,756	152,086
Miscellaneous	14,721	14,721	7,364	(12,568)
Total revenues	1,505,391	1,505,391	1,650,120	139,518
Expenditures:				
Current				
Public safety:	1,500,791	1,500,791	1,460,406	40,385
Total expenditures	1,500,791	1,500,791	1,460,406	40,385
Excess of revenues over expenditures	4,600	4,600	189,714	179,903
Fund balance, beginning of the year	16,264	16,264	16,264	-
Fund balance, end of the year	\$ 20,864	\$ 20,864	\$ 205,978	\$ 179,903

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 182,663	\$ 182,663	\$ -	\$ (182,663)
Interest earnings	1,000	1,000	2,613	1,613
Miscellaneous	-	-	38,581	38,581
Total revenues	183,663	183,663	41,194	(142,469)
Expenditures:				
Current				
Public safety:				
Step Grant	#REF!	-	4,536	(4,536)
E911 System Upgrade Grant	11,715	11,715	11,715	-
Body Armor Grant	-	-	19,984	(19,984)
Local Police Grants	-	24,500	9,314	15,186
2002 Federal Block Grant	-	-	314	(314)
2002 Cops More Grant	1,020	1,020	1,020	-
Byrne Memorial Grant	182,663	158,163	-	158,163
Total expenditures	#REF!	195,398	46,883	148,515
Excess of revenues under expenditures	#REF!	(11,735)	(5,689)	6,046
Fund balance, beginning of the year	43,985	43,985	43,985	-
Appropriation for prior year encumbrances	12,735	12,735	12,735	-
Fund balance, end of the year	#REF!	\$ 44,985	\$ 51,031	\$ 6,046

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines & forfeits	\$ 220,000	\$ 160,000	\$ 150,410	\$ (9,590)
Total revenues	220,000	160,000	150,410	(9,590)
Expenditures:				
Current				
Public safety:	220,000	220,000	98,634	121,366
Total expenditures	220,000	220,000	98,634	121,366
Excess of revenues under expenditures	-	(60,000)	51,776	111,776
Fund balance, beginning of the year	123,537	123,537	123,537	-
Fund balance, end of the year	\$ 123,537	\$ 63,537	\$ 175,313	\$ 111,776

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
SUNSET POOL FUND
FOR YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous revenue	\$ 80,000	\$ 80,000	\$ 55,050	\$ (24,950)
Total revenues	80,000	80,000	55,050	(24,950)
Expenditures:				
Current				
Community environment:	70,000	70,000	55,194	14,806
Total expenditures	70,000	70,000	55,194	14,806
Excess of revenues over (under) expenditures	10,000	10,000	(144)	(10,144)
Fund balance, beginning of the year	162	162	162	-
Fund balance, end of the year	\$ 10,162	\$ 10,162	\$ 18	\$ (10,144)

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 735,000	\$ 735,000	\$ 589,765	\$ (145,235)
Miscellaneous	-	-	38,096	38,096
Total revenues	735,000	735,000	627,861	(107,139)
Expenditures:				
Current				
Community environment:	760,000	760,000	736,619	23,381
Total expenditures	760,000	760,000	736,619	23,381
Excess of revenues over (under) expenditures	(25,000)	(25,000)	(108,758)	(83,758)
Fund balance, beginning of the year	139,761	139,761	139,761	-
Fund balance, end of the year	\$ 114,761	\$ 114,761	\$ 31,003	\$ (83,758)

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 900,000	\$ 900,000	\$ 845,405	\$ (54,595)
Interest earnings	280	280	128	(152)
Miscellaneous	7,000	7,000	64,097	57,097
Total revenues	907,280	907,280	909,630	2,350
Expenditures:				
Current				
Community environment:	913,463	913,463	887,167	26,296
Total expenditures	913,463	913,463	887,167	26,296
Excess of revenues over (under) expenditures	(6,183)	(6,183)	22,463	28,646
Fund balance, beginning of the year	28,094	28,094	28,094	-
Appropriation for prior year encumbrances	8,050	8,050	8,050	-
Fund balance, end of the year	\$ 29,961	\$ 29,961	\$ 58,607	\$ 28,646

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 39,000	\$ 39,000	\$ 4,792	\$ (34,208)
Miscellaneous	80,419	80,419	57,661	(22,758)
Total revenues	119,419	119,419	62,453	(56,966)
Expenditures:				
Current				
Community Environment	17,000	17,000	-	17,000
Total expenditures	17,000	17,000	-	17,000
Excess of revenues over (under) expenditures	102,419	102,419	62,453	(39,966)
Other financing sources (uses):				
Other uses	(495,000)	(495,000)	(247,557)	247,444
Total other financing uses	(495,000)	(495,000)	(247,557)	247,444
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(392,581)	(392,581)	(185,104)	207,478
Fund balance, beginning of the year	776,774	776,774	776,774	-
Fund balance, end of the year	\$ 384,193	\$ 384,193	\$ 591,670	\$ 207,478

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 258,548	\$ 258,548	\$ 255,395	\$ (3,153)
Intergovernmental revenue	83,250	83,250	82,767	(483)
Municipal income taxes	760,000	760,000	760,000	-
Total revenues	1,101,798	1,101,798	1,098,162	(3,636)
Expenditures:				
Current				
Public safety:	1,104,569	1,104,569	1,069,276	35,293
Total expenditures	1,104,569	1,104,569	1,069,276	35,293
Excess of revenues over (under) expenditures	(2,771)	(2,771)	28,886	31,657
Fund balance, beginning of the year	59,273	59,273	59,273	-
Fund balance, end of the year	\$ 56,502	\$ 56,502	\$ 88,159	\$ 31,657

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 258,548	\$ 258,548	\$ 255,395	\$ (3,153)
Intergovernmental revenue	83,250	83,250	82,767	(483)
Municipal income taxes	1,008,000	1,008,000	1,008,000	-
Total revenues	1,349,798	1,349,798	1,346,162	(3,636)
Expenditures:				
Current				
Public safety:	1,350,839	1,350,839	1,283,568	67,271
Total expenditures	1,350,839	1,350,839	1,283,568	67,271
Excess of revenues over (under) expenditures	(1,041)	(1,041)	62,594	63,635
Fund balance, beginning of the year	55,808	55,808	55,808	-
Fund balance, end of the year	\$ 54,767	\$ 54,767	\$ 118,402	\$ 63,635

COMBINING BALANCE SHEET
NON MAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2008

	General Obligation Debt Service	Towne Boulevard Tax Increment Financing District	Downtown Tax Increment Financing District	Aeronca Tax Increment Financing District
Assets				
Cash and equity in pooled cash, deposits and investments	\$ 616,768	\$ 384,605	\$ 108,940	\$ 2,301
Due from other governments	-	9,766	-	-
Payments in lieu of taxes	-	248,689	32,962	4,639
Total assets	616,768	643,060	141,902	6,940
Liabilities				
Accounts Payable	-	83,039	-	-
Deferred revenue	-	258,455	32,962	4,639
Total liabilities	0	341,494	32,962	4,639
Fund balance:				
Unreserved and undesignated	616,768	301,566	108,940	2,301
Total fund balance	616,768	301,566	108,940	2,301
Total liabilities and fund balance	\$ 616,768	\$ 643,060	\$ 141,902	\$ 6,940

Riverfront Tax Increment Financing District	Miller Road North Tax Increment Financing District	Towne Mall Hospital Increment Financing District	Renaissance North Tax Increment Financing District	Renaissance South Tax Increment Financing District	Totals
\$ 831	\$ 21,738	\$ -	\$ -	\$ -	\$ 1,135,183
-	-	9,766	4,761	122	24,415
3,564	18,844	248,689	121,236	3,109	681,732
4,395	40,582	258,455	125,997	3,231	1,841,330
-	-	-	-	-	83,039
3,564	18,844	258,455	125,997	3,231	706,147
3,564	18,844	258,455	125,997	3,231	789,186
831	21,738	-	-	-	1,052,144
831	21,738	-	-	-	1,052,144
\$ 4,395	\$ 40,582	\$ 258,455	\$ 125,997	\$ 3,231	\$ 1,841,330

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON MAJOR DEBT SERVICE FUNDS
FOR YEAR ENDED DECEMBER 31, 2008**

	General Obligation Debt Service	Towne Boulevard Tax Increment Financing District	Downtown Tax Increment Financing District	Aeronca Tax Increment Financing District
Revenues				
Municipal income taxes	\$ 1,909,637	\$ -	\$ -	\$ -
Other taxes	-	324,026	35,215	1,153
Miscellaneous revenues	279,400	-	-	-
Total revenues	2,189,037	324,026	35,215	1,153
Expenditures				
Debt service				
Principal retirement	1,479,758	140,000	-	-
Interest and fiscal charges	630,506	105,411	-	-
Refunding bond issuance costs	204,934	-	-	-
Advance refunding escrow	631,405	-	-	-
Miscellaneous	-	5,680	-	-
Total expenditures	2,946,603	251,091	-	-
Excess of revenues over (under) expenditures	(757,566)	72,935	35,215	1,153
Other financing sources (uses)				
Transfers-in	200,000	-	-	-
Refunding bonds issued	10,323,108	-	-	-
Payment to refunded bond escrow agent	(9,665,000)	-	-	-
Premium on refunding bond	170,311	-	-	-
Total other financing sources (uses)	1,028,419	-	-	-
Net change in fund balance	270,853	72,935	35,215	1,153
Fund balance, beginning of the year	345,915	228,631	73,725	1,148
Fund balance, end of the year	\$ 616,768	\$ 301,566	\$ 108,940	\$ 2,301

Riverfront Tax Increment Financing District	Miller Road North Tax Increment Financing District	Towne Mall Hospital Increment Financing District	Renaissance North Tax Increment Financing District	Renaissance South Tax Increment Financing District	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,909,637
831	21,738	-	-	-	382,963
-	-	-	-	-	279,400
831	21,738	-	-	-	2,572,000
-	-	-	-	-	1,619,758
-	-	-	-	-	735,917
-	-	-	-	-	204,934
-	-	-	-	-	631,405
-	-	-	-	-	5,680
-	-	-	-	-	3,197,694
831	21,738	-	-	-	(625,694)
-	-	-	-	-	200,000
-	-	-	-	-	10,323,108
-	-	-	-	-	(9,665,000)
-	-	-	-	-	170,311
-	-	-	-	-	1,028,419
831	21,738	-	-	-	402,725
-	-	-	-	-	649,419
\$ 831	\$ 21,738	\$ -	\$ -	\$ -	\$ 1,052,144

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 443,000	\$ 443,000	\$ 440,149	\$ (2,851)
Total revenues	443,000	443,000	440,149	(2,851)
Expenditures:				
Debt service	445,627	445,627	440,193	5,434
Total expenditures	445,627	445,627	440,193	5,434
Excess of revenues over (under) expenditures	(2,627)	(2,627)	(44)	2,583
Fund balance, beginning of the year	70,951	70,951	70,951	-
Fund balance, end of the year	\$ 68,324	\$ 68,324	\$ 70,907	\$ 2,583

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 1,909,637	\$ 1,909,637	\$ 1,909,637	\$ -
Miscellaneous	288,438	288,438	288,438	-
Total revenues	2,198,075	2,198,075	2,198,075	-
Expenditures:				
Debt service	2,401,074	2,201,074	2,128,438	72,636
Total expenditures	2,401,074	2,201,074	2,128,438	72,636
Excess of revenues under expenditures	(202,999)	(2,999)	69,637	72,636
Other financing sources:				
Transfers-in	200,000	200,000	200,000	-
Proceeds from bonds	-	-	1,216	1,216
Total other financing sources	200,000	200,000	201,216	1,216
Excess of revenues and other financing sources over (under) expenditures	(2,999)	197,001	270,853	73,852
Fund balance, beginning of the year	345,915	345,915	345,915	-
Fund balance, end of the year	\$ 342,916	\$ 542,916	\$ 616,768	\$ 73,852

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 280,000	\$ 280,000	\$ 407,065	\$ 127,065
Total revenues	280,000	280,000	407,065	127,065
Expenditures:				
Current				
Debt service	56,000	256,000	251,091	4,909
Total expenditures	56,000	256,000	251,091	4,909
Excess of revenues over expenditures	224,000	24,000	155,974	131,974
Fund balance, beginning of the year	228,631	228,631	228,631	-
Fund balance, end of the year	\$ 452,631	\$ 252,631	\$ 384,605	\$ 131,974

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 DOWNTOWN TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ -	\$ 24,200	\$ 35,214	\$ 11,014
Total revenues	-	24,200	35,214	11,014
Expenditures:				
Current				
Debt service	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	24,200	35,214	11,014
Fund balance, beginning of the year	73,726	73,726	73,726	-
Fund balance, end of the year	\$ 73,726	\$ 97,926	\$ 108,940	\$ 11,014

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 AERONCA TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2008

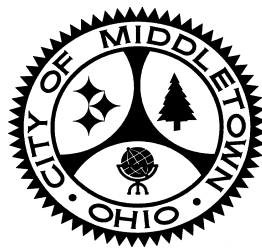
	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ -	\$ 1,153	\$ 1,153	\$ -
Total revenues	-	1,153	1,153	-
Expenditures:				
Current				
Debt service	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	1,153	1,153	-
Fund balance, beginning of the year	1,148	1,148	1,148	-
Fund balance, end of the year	\$ 1,148	\$ 2,301	\$ 2,301	\$ -

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 RIVERFRONT TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ -	\$ -	\$ 831	\$ 831
Total revenues	-	-	831	831
Expenditures:				
Current				
Debt service	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	831	831
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ -	\$ -	\$ 831	\$ 831

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 NORTH MILLER ROAD TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ -	\$ -	\$ 21,738	\$ 21,738
Total revenues	-	-	21,738	21,738
Expenditures:				
Current				
Debt service	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	-	21,738	21,738
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ -	\$ -	\$ 21,738	\$ 21,738



CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR CAPITAL PROJECTS FUNDS
 DECEMBER 31, 2008

	Capital Improvements	East End Development
Assets		
Cash and equity in pooled cash, deposits and investments	\$ 582,828	\$ 610,879
Receivables (net of allowance for uncollectibles):		
Property taxes	741,916	-
Due from other governments	117,005	-
Total assets	1,441,749	610,879
Liabilities		
Accounts payable	194,848	-
Other accrued liabilities	39,861	-
Notes payable	-	-
Deferred revenue	858,921	-
Total liabilities	1,093,630	-
Fund balances:		
Reserved for encumbrances	819,807	-
Unreserved and undesignated	(471,688)	610,879
Total fund balances	348,119	610,879
Total liabilities and fund balances	\$ 1,441,749	\$ 610,879

	Downtown Improvements	Computer Replacement	Property Development	Totals
\$	2,577,652	\$ 1,425,725	\$ 962,269	\$ 6,159,353
	-	-	-	741,916
	-	-	190,300	307,305
	2,577,652	1,425,725	1,152,569	7,208,574
	5,593	-	1,591	202,032
	-	-	-	39,861
	2,056,916	-	-	2,056,916
	-	-	190,300	1,049,221
	2,062,509	-	191,891	3,348,030
	1,086	65,014	41,908	927,815
	514,057	1,360,711	918,770	2,932,729
	515,143	1,425,725	960,678	3,860,544
\$	2,577,652	\$ 1,425,725	\$ 1,152,569	\$ 7,208,574

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR CAPITAL PROJECT FUNDS
FOR YEAR ENDED DECEMBER 31, 2008**

	Capital Improvements	East End Development
Revenues		
Property taxes	\$ 749,763	\$ -
Municipal income taxes	-	-
Intergovernmental revenues	483,886	-
Charges for services	6,082	-
Interest earnings	29,118	21,246
Contributions and donations	50,153	-
Miscellaneous	249,643	583
Total revenues	1,568,645	21,829
Expenditures		
Current		
Public safety	37,722	-
Leisure time activities	222,981	-
Community environment	8,455	-
Highways and streets	1,481,721	-
General government	-	-
Miscellaneous	14,211	-
Debt service		
Interest and fiscal charges	-	-
Total expenditures	1,765,090	-
Excess of revenues over (under) expenditures	(196,445)	21,829
Other financing sources (uses)		
Transfers-in	-	-
Transfers-out	(200,000)	-
Total other financing sources (uses)	(200,000)	-
Net change in fund balances	(396,445)	21,829
Fund balance, beginning of year	744,564	589,050
Fund balance, end of the year	\$ 348,119	\$ 610,879

	Downtown Improvements	Computer Replacement	Property Development	Totals	
\$	-	\$	-	\$	749,763
	-	8,000	-		8,000
	-	-	1,440,245		1,924,131
	-	-	-		6,082
	91,260	47,886	-		189,510
	-	-	-		50,153
	493,084	51,500	784,609		1,579,419
	584,344	107,386	2,224,854		4,507,058
	-	-	-		37,722
	-	-	-		222,981
	31,143	-	2,429,382		2,468,980
	-	-	-		1,481,721
	-	210,787	-		210,787
	-	-	-		14,211
	70,749	-	-		70,749
	101,892	210,787	2,429,382		4,507,151
	482,452	(103,401)	(204,528)		(93)
	-	254,444	-		254,444
	-	-	-		(200,000)
	-	254,444	-		54,444
	482,452	151,043	(204,528)		54,351
	32,691	1,274,682	1,165,206		3,806,193
\$	515,143	\$ 1,425,725	\$ 960,678	\$	3,860,544

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 790,879	\$ 790,879	\$ 749,763	\$ (41,116)
Intergovernmental revenue	261,245	261,245	340,888	79,643
Charges for services	20,000	20,000	6,082	(13,918)
Interest earnings	50,485	50,485	29,119	(21,366)
Miscellaneous	470,000	570,000	299,795	(270,205)
Total revenues	1,592,609	1,692,609	1,425,647	(266,962)
Expenditures:				
Current				
Public safety	61,923	594,923	64,587	530,336
Leisure time activities	66,326	278,900	257,538	21,362
Highways and streets	1,758,726	2,523,073	2,123,268	399,805
General government	31,435	31,435	38,176	(6,741)
Total expenditures	1,918,410	3,428,331	2,483,569	944,762
Excess of revenues over (under) expenditures	(325,801)	(1,735,722)	(1,057,922)	677,800
Other financing sources (uses):				
Transfers-out	(200,000)	(200,000)	(200,000)	-
Other uses	-	-	(80,719)	(80,719)
Total other financing sources (uses)	(200,000)	(200,000)	(280,719)	(80,719)
Excess of revenues and other financing sources over (under) expenditures	(525,801)	(1,935,722)	(1,338,641)	597,081
Fund balance, beginning of the year	627,934	627,934	627,934	-
Appropriation for prior year encumbrances	282,532	282,532	282,532	-
Fund balance, end of the year	\$ 384,665	\$ (1,025,256)	\$ (428,175)	\$ 597,081

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ -	\$ 19,500	\$ 21,245	\$ 1,745
Miscellaneous revenue	-	-	583	583
Total revenues	-	19,500	21,828	2,328
Expenditures:				
Current				
Highways and streets	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues under expenditures	-	19,500	21,828	2,328
Fund balance, beginning of the year	589,051	589,051	589,051	-
Fund balance, end of the year	\$ 589,051	\$ 608,551	\$ 610,879	\$ 2,328

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 65,721	\$ 65,721	\$ 91,260	\$ 25,539
Miscellaneous	-	493,000	493,084	84
Total revenues	65,721	558,721	584,344	25,623
Expenditures:				
Current				
Community environment	78,086	78,086	26,636	51,450
Debt Service				
Principal retirement	-	493,000	493,084	(84)
Interest expense	115,000	115,000	70,749	44,251
Total expenditures	193,086	686,086	590,469	95,617
Excess of revenues under expenditures	(127,365)	(127,365)	(6,125)	121,240
Fund balance, beginning of the year	2,581,605	2,581,605	2,581,605	-
Appropriation for prior year encumbrances	1,086	1,086	1,086	-
Fund balance, end of the year	\$ 2,455,326	\$ 2,455,326	\$ 2,576,566	\$ 121,240

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Interest earnings	50,712	50,712	47,889	(2,823)
Miscellaneous	54,218	54,218	51,500	(2,718)
Total revenues	112,930	112,930	107,389	(5,541)
Expenditures:				
Current				
General government	432,500	432,500	275,800	156,700
Total expenditures	432,500	432,500	275,800	156,700
Excess of revenues under expenditures	(319,570)	(319,570)	(168,411)	151,159
Other financing sources:				
Transfers-in	254,444	254,444	254,444	-
Total other financing sources	254,444	254,444	254,444	-
Excess of revenues and other financing sources under expenditures	(65,126)	(65,126)	86,033	151,159
Fund balance, beginning of the year	1,274,678	1,274,678	1,274,678	-
Fund balance, end of the year	\$ 1,209,552	\$ 1,209,552	\$ 1,360,711	\$ 151,159

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 PROPERTY DEVELOPMENT FUND
 FOR YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental Revenue	\$ -	\$ 2,200,000	\$ 1,440,247	\$ (759,753)
Miscellaneous	14,400	276,400	784,610	508,210
Total revenues	14,400	2,476,400	2,224,857	(251,543)
Expenditures:				
Current				
Community environment	102,000	2,499,300	2,471,294	28,006
Total expenditures	102,000	2,499,300	2,471,294	28,006
Excess of revenues under expenditures	(87,600)	(22,900)	(246,437)	(223,537)
Fund balance, beginning of the year	1,165,207	1,165,207	1,165,207	-
Fund balance, end of the year	\$ 1,077,607	\$ 1,142,307	\$ 918,770	\$ (223,537)

ENTERPRISE FUNDS

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

WATER

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

SEWER

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

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.

PARKING GARAGE

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

AIRPORT

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

STORM SEWER

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

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF NET ASSETS
NON MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2008**

Business Type Activities - Enterprise Funds

	Parking Garage	Airport	Transit	Storm Water	Totals
Assets:					
Current assets					
Equity in pooled cash, deposits and investments	\$ 29,965	\$ 173,588	\$ 11,134	\$ 2,862,861	\$ 3,077,548
Receivables (net of allowance for uncollectibles):					
Accounts	246	6,330	1,127	136,551	144,254
Intergovernmental	-	-	306,530	-	306,530
Total current assets	30,211	179,918	318,791	2,999,412	3,528,332
Non Current Assets:					
Deferred charges	-	36,622	-	-	36,622
Capital assets:					
Land	16,900	1,524,356	-	-	1,541,256
Land Improvements	-	316,241	-	-	316,241
Infrastructure assets	-	372,385	-	1,221,656	1,594,041
Buildings	2,738,763	1,803,022	1,227,000	-	5,768,785
Equipment	12,120	632,440	1,682,786	602,293	2,929,639
Less: Accumulated depreciation	(1,971,072)	(926,594)	(1,959,910)	(155,351)	(5,012,927)
Total capital assets (net of accumulated depreciation)	796,711	3,721,850	949,876	1,668,598	7,137,035
Total noncurrent assets	796,711	3,758,472	949,876	1,668,598	7,173,657
Total assets	826,922	3,938,390	1,268,667	4,668,010	10,701,989
Liabilities:					
Current liabilities					
Accounts payable	971	10,536	1,057	4,147	16,711
Accrued wages and benefits	1,335	-	35,161	9,381	45,877
Other accrued liabilities	34	4,563	7,063	2,816	14,476
Accrued interest payable	-	5,334	-	-	5,334
Due to other funds	224	491	18,823	4,117	23,655
Unearned revenue	-	-	166,761	-	166,761
Due to individuals	-	2,763	-	-	2,763
General obligation bonds payable	-	65,000	-	-	65,000
Compensated absences (short term)	-	-	14,525	4,003	18,528
Other post employment benefits (short term)	284	-	1,791	-	2,075
Total current liabilities	2,848	88,687	245,181	24,464	361,180
Long-term liabilities:					
General obligation bonds payable	-	1,570,000	-	-	1,570,000
Premium on debt	-	36,622	-	-	36,622
Compensated absences payable	-	-	29,489	7,771	37,260
Other post employment benefits	1,606	-	10,141	-	11,747
Total long-term liabilities	1,606	1,606,622	39,630	7,771	1,655,629
Total liabilities	4,454	1,695,309	284,811	32,235	2,016,809
Net Assets:					
Invested in capital assets, net of related debt	796,711	2,050,228	949,876	1,668,598	5,465,413
Unrestricted	25,757	192,853	33,980	2,967,177	3,219,767
Total net assets	\$ 822,468	\$ 2,243,081	\$ 983,856	\$ 4,635,775	\$ 8,685,180

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
NON MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

Business Type Activities - Enterprise Funds

	Parking Garage	Airport	Transit	Storm Water	Totals
Operating revenues:					
Charges for services	\$ 20,424	\$ 223,417	\$ 162,267	\$ 1,600,777	\$ 2,006,885
Other operating revenue	1,387	-	5,201	-	6,588
Total operating revenues	21,811	223,417	167,468	1,600,777	2,013,473
Operating expenses:					
Personal services	35,103	-	668,757	196,968	900,828
Contractual services	70,456	207,916	431,023	171,990	881,385
Commodities	76	6,124	3,468	42,870	52,538
Depreciation	61,669	140,451	62,903	97,736	362,759
Other operating expenses	1,755	11,225	40	13,535	26,555
Total operating expenses	169,059	365,716	1,166,191	523,099	2,224,065
Operating income (loss)	(147,248)	(142,299)	(998,723)	1,077,678	(210,592)
Non-operating revenues (expenses):					
Interest revenue	-	-	-	87,021	87,021
Interest expense and fiscal charges	-	(90,278)	-	-	(90,278)
Operating grants	-	45,073	564,123	-	609,196
Income taxes	74,000	201,300	190,800	-	466,100
Total non-operating revenues (expenses)	74,000	156,095	754,923	87,021	1,072,039
Income (loss) before contributions and operating transfers	(73,248)	13,796	(243,800)	1,164,699	861,447
Capital contributions	-	-	-	700,874	700,874
Change in net assets	(73,248)	13,796	(243,800)	1,865,573	1,562,321
Total net assets, beginning of year	895,716	2,229,285	1,227,656	2,770,202	7,122,859
Total net assets, end of year	\$ 822,468	\$ 2,243,081	\$ 983,856	\$ 4,635,775	\$ 8,685,180

CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CASH FLOWS
 NON MAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Business Type Activities - Enterprise Funds

	Parking Garage	Airport	Transit	Storm Water	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 20,176	\$ 222,614	\$ 161,143	\$ 1,574,607	\$ 1,978,540
Cash payments to suppliers for goods and services	(67,398)	(187,983)	(36,507)	(83,540)	(375,428)
Cash payments to employees for services	(34,648)	-	(595,775)	(173,740)	(804,163)
Miscellaneous revenues	1,387	-	6,686	-	8,073
Miscellaneous expenses	-	(8,049)	(40)	-	(8,089)
Cash payments for interfund services used	(4,312)	(20,149)	(457,890)	(189,240)	(671,591)
Net cash provided by operating activities	(84,795)	6,433	(922,383)	1,128,087	127,342
Cash flows from non-capital financing activities:					
Operating grants	-	45,073	668,556	-	713,629
Income taxes received	74,000	201,300	190,800	-	466,100
Net cash provided by non-capital financing activities	74,000	246,373	859,356	-	1,179,729
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	(77,905)	-	(1,141,678)	(1,219,583)
Interest expense	-	(119,692)	-	-	(119,692)
Repayment of debt principal	-	(1,795,000)	-	-	(1,795,000)
Capital contributions	-	-	-	700,874	700,874
Bond proceeds	-	1,715,000	-	-	1,715,000
Net cash provided by capital and related financing activities	-	(277,597)	-	(440,804)	(718,401)
Cash flows from investing activities:					
Interest income	-	-	-	87,021	87,021
Net cash provided by investing activities	-	-	-	87,021	87,021
Net increase in cash and cash equivalents	(10,795)	(24,791)	(63,027)	774,304	675,691
Cash and cash equivalents, beginning of year	40,760	198,379	74,161	2,088,557	2,401,857
Cash and cash equivalents, end of year	\$ 29,965	\$ 173,588	\$ 11,134	\$ 2,862,861	\$ 3,077,548

continued

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

(continued)	Parking Garage	Airport	Transit	Storm Water	Totals
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ (147,248)	\$ (142,299)	\$ (998,723)	\$ 1,077,678	\$ (210,592)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	61,669	140,451	62,903	97,736	362,759
Changes in assets and liabilities:					
Increase (decrease) in accounts receivable (net)	(246)	(6,330)	358	(26,243)	(32,461)
Decrease (increase) in accounts payable	971	10,536	1,057	(17,350)	(4,786)
Increase (decrease) in accrued wages and benefits	(824)	4,563	(3,060)	1,314	1,993
Increase (decrease) in other accrued liabilities	(278)	-	(2,056)	1,256	(1,078)
Increase (decrease) in due to other funds	(394)	(1,451)	(5,381)	4,117	(3,109)
Increase (decrease) in compensated absences payable	(335)	-	10,587	(6,798)	3,454
Increase (decrease) in other post employment benefits	1,890	-	11,932	-	13,822
Increase (Decrease) in due to other governments	-	-	-	(3,623)	(3,623)
Increase (Decrease) in due to individuals	-	963	-	-	963
Total adjustments	62,453	148,732	76,340	50,409	337,934
Net cash provided (used) by operating activities	\$ (84,795)	\$ 6,433	\$ (922,383)	\$ 1,128,087	\$ 127,342

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 6,708,250	\$ 6,708,250	\$ 6,380,462	\$ (327,788)
Other operating revenues	16,225	16,225	51,655	35,430
Total operating revenues	6,724,475	6,724,475	6,432,117	(292,358)
Operating expenses				
Water Administration	385,958	385,958	338,928	47,030
Water Treatment	2,265,054	2,265,054	2,123,417	141,637
Water Maintenance	1,614,571	1,614,571	1,451,846	162,725
Administrative Support	847,586	847,586	847,586	-
Water Capital Reserve	1,926,528	1,849,434	817,133	1,032,301
Wellfield Protection	942,763	936,063	936,002	61
Total operating expenses	7,982,460	7,898,666	6,514,912	1,383,754
Operating income (loss)	(1,257,985)	(1,174,191)	(82,795)	1,091,396
Non-operating revenues (expenses)				
Interest revenue	119,273	171,273	209,868	38,595
Interest expenses & fiscal charges	(310,930)	(244,266)	(210,980)	33,286
Debt retirement	(643,669)	(710,333)	(710,333)	-
Operating grants	-	626,006	647,867	21,861
Other sources	-	-	12,953	12,953
Total non-operating revenues (expenses)	(835,326)	(157,320)	(50,625)	106,695
Income (loss) before operating transfers	(2,093,311)	(1,331,511)	(133,420)	1,198,091
Operating transfers-out	(28,222)	(28,222)	(28,222)	-
Total transfers	(28,222)	(28,222)	(28,222)	-
Net income (loss)	(2,121,533)	(1,359,733)	(161,642)	1,198,091
Retained earnings, beginning of the year	4,413,528	4,413,528	4,413,528	-
Appropriation for prior year encumbrances	1,481,399	1,481,399	1,481,399	-
Retained earnings, end of the year	\$ 3,773,394	\$ 4,535,194	\$ 5,733,285	\$ 1,198,091

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 7,992,432	\$ 8,092,432	\$ 7,443,115	\$ (649,317)
Other operating revenues	-	-	41,651	41,651
Total operating revenues	7,992,432	8,092,432	7,484,766	(607,666)
Operating expenses				
Sewer Administration	268,459	273,459	272,942	517
Sewer Treatment	3,249,532	3,249,532	2,729,025	520,507
Sewer Maintenance	889,572	889,572	784,849	104,723
Environmental Services Administration	212,233	212,233	202,383	9,850
Administrative Support	847,586	847,586	847,586	-
Sewer Capital Reserve	14,855,767	14,855,767	14,558,878	296,889
Total operating expenses	20,323,149	20,328,149	19,395,663	932,486
Operating income (loss)	(12,330,717)	(12,235,717)	(11,910,897)	324,820
Non-operating revenues (expenses)				
Interest revenue	60,109	365,109	383,817	18,708
Interest expenses & fiscal charges	(531,455)	(412,423)	(358,250)	54,173
Debt retirement	(594,637)	(713,669)	(713,669)	-
Proceeds from bonds	-	8,004,652	8,004,652	-
Total non-operating revenues (expenses)	(1,065,983)	7,243,669	7,316,550	72,881
Income (loss) before operating transfers	(13,396,700)	(4,992,048)	(4,594,348)	397,700
Operating transfers-out	(28,222)	(28,222)	(28,222)	-
Total transfers	(28,222)	(28,222)	(28,222)	-
Net income (loss)	(13,424,922)	(5,020,270)	(4,622,570)	397,700
Retained earnings, beginning of the year	(6,979,558)	(6,979,558)	(6,979,558)	-
Appropriation for prior year encumbrances	13,730,738	13,730,738	13,730,738	-
Retained earnings, end of the year	\$ (6,673,742)	\$ 1,730,910	\$ 2,128,610	\$ 397,700

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 117,300	\$ 117,300	\$ 161,143	\$ 43,843
Other operating revenues	10,000	10,000	6,686	(3,314)
Total operating revenues	127,300	127,300	167,829	40,529
Operating expenses	1,065,669	1,155,669	1,090,210	65,459
Total operating expenses	1,065,669	1,155,669	1,090,210	65,459
Operating income (loss)	(938,369)	(1,028,369)	(922,381)	105,988
Non-operating revenues (expenses)				
Operating grants	663,338	663,338	668,556	5,218
Income tax	318,000	318,000	190,800	(127,200)
Total non-operating revenues (expenses)	981,338	981,338	859,356	(121,982)
Net income (loss)	42,969	(47,031)	(63,025)	(15,994)
Retained earnings, beginning of the year	72,969	72,969	72,969	-
Appropriation for prior year encumbrances	1,190	1,190	1,190	-
Retained earnings, end of the year	\$ 117,128	\$ 27,128	\$ 11,134	\$ (15,994)

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 1,966,000	\$ 1,966,000	\$ 1,393,007	\$ (572,993)
Other operating revenues	4,000	4,000	6,899	2,899
Total operating revenues	1,970,000	1,970,000	1,399,906	(570,094)
Operating expenses				
Golf Maintenance	928,233	928,233	752,034	176,199
Golf Clubhouse	801,800	801,800	649,050	152,750
Total operating expenses	1,730,033	1,730,033	1,401,084	328,949
Operating income (loss)	239,967	239,967	(1,178)	(241,145)
Non-operating revenues (expenses)				
Interest expenses & fiscal charges	(90,846)	(63,118)	(46,074)	17,044
Debt retirement	(150,000)	(177,728)	(177,728)	-
Other sources	-	-	215,360	215,360
Total non-operating revenues (expenses)	(240,846)	(240,846)	(8,442)	232,404
Net income (loss)	(879)	(879)	(9,620)	(8,741)
Retained earnings, beginning of the year	15,795	15,795	15,795	-
Retained earnings, end of the year	\$ 14,916	\$ 14,916	\$ 6,175	\$ (8,741)

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,754,000	\$ 2,754,000	\$ 2,768,188	\$ 14,188
Other operating revenues	11,550	11,550	14,964	3,414
Total operating revenues	2,765,550	2,765,550	2,783,152	17,602
Operating expenses	2,747,347	2,747,343	2,747,271	72
Administrative Support	20,000	20,000	20,000	-
Total operating expenses	2,767,347	2,767,343	2,767,271	72
Operating income (loss)	(1,797)	(1,793)	15,881	17,674
Non-operating expenses				
Interest expenses & fiscal charges	(85,818)	(54,968)	(34,160)	20,808
Debt retirement	(205,000)	(235,850)	(235,850)	-
Total non-operating expenses	(290,818)	(290,818)	(270,010)	20,808
Net income (loss)	(292,615)	(292,611)	(254,129)	38,482
Retained earnings, beginning of the year	(68,795)	(68,795)	(68,795)	-
Appropriation for prior year encumbrances	247,079	247,079	247,079	-
Retained earnings, end of the year	\$ (114,331)	\$ (114,327)	\$ (75,845)	\$ 38,482

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 31,062	\$ 31,062	\$ 20,179	\$ (10,883)
Fines and forfeits	2,550	2,550	1,387	(1,163)
Total operating revenues	33,612	33,612	21,566	(12,046)
Operating expenses				
Parking Enforcement	35,534	39,534	38,960	574
Parking Garage	86,751	82,751	67,399	15,352
Total operating expenses	122,285	122,285	106,359	15,926
Operating income (loss)	(88,673)	(88,673)	(84,793)	3,880
Non-operating revenues (expenses)				
Income taxes	74,000	74,000	74,000	-
Total non-operating revenues (expenses)	74,000	74,000	74,000	-
Net income (loss)	(14,673)	(14,673)	(10,793)	3,880
Retained earnings, beginning of the year	40,758	40,758	40,758	-
Retained earnings, end of the year	\$ 26,085	\$ 26,085	\$ 29,965	\$ 3,880

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 208,445	\$ 208,445	\$ 219,851	\$ 11,406
Total operating revenues	208,445	208,445	219,851	11,406
Operating expenses				
Airport Improvements	235,478	235,478	134,520	100,958
Airport	204,943	199,943	208,408	(8,465)
Total operating expenses	440,421	435,421	342,928	92,493
Operating income (loss)	(231,976)	(226,976)	(123,077)	103,899
Non-operating revenues (expenses)				
Interest expenses & fiscal charges	-	(216,300)	(121,278)	95,022
Debt retirement	(1,810,000)	(1,795,000)	(1,795,000)	-
Proceeds from bonds	1,810,000	1,810,000	1,716,586	(93,414)
Operating grants	150,000	150,000	45,073	(104,927)
Other sources	-	-	2,732	2,732
Income taxes	-	201,300	201,300	-
Total non-operating revenues	150,000	150,000	49,413	(100,587)
Net income (loss)	(81,976)	(76,976)	(73,664)	3,312
Retained earnings, beginning of the year	120,737	120,737	120,737	-
Appropriation for prior year encumbrances	77,671	77,671	77,671	-
Retained earnings, end of the year	\$ 116,432	\$ 121,432	\$ 124,744	\$ 3,312

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)
STORM SEWER FUND
FOR YEAR ENDED DECEMBER 31, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 1,549,431	\$ 1,549,431	\$ 1,574,606	\$ 25,175
Total operating revenues	1,549,431	1,549,431	1,574,606	25,175
Operating expenses				
Administrative Support	100,000	100,000	100,000	-
Storm Sewer Maint	638,486	638,317	533,417	104,900
Sewer Capital Reserve	958,383	953,007	325,485	627,522
Total operating expenses	1,696,869	1,691,324	958,902	732,422
Operating income (loss)	(147,438)	(141,893)	615,704	757,597
Non-operating revenues (expenses)				
Interest revenue	66,185	66,185	87,021	20,836
Total non-operating revenues (expenses)	66,185	66,185	87,021	20,836
Income (loss) before operating transfers	(81,253)	(75,708)	702,725	778,433
Retained earnings, beginning of the year	1,794,232	1,794,232	1,794,232	-
Appropriation for prior year encumbrances	294,325	294,325	294,325	-
Retained earnings, end of the year	\$ 2,007,304	\$ 2,012,849	\$ 2,791,282	\$ 778,433

INTERNAL SERVICE FUNDS

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

MUNICIPAL GARAGE

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

EMPLOYEE BENEFITS

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

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2008**

	Municipal Garage	Employee Benefits Fund	Totals
Assets:			
Current assets:			
Equity in pooled cash, deposits and investments	\$ 1,465,603	\$ 482,165	\$ 1,947,768
Receivables (net of allowance for uncollectibles):			
Accounts	15,909	-	15,909
Due from other funds	187,826	-	187,826
Inventory of supplies	178,174	-	178,174
Total current assets	1,847,512	482,165	2,329,677
Capital assets:			
Land	195,750	-	195,750
Buildings	521,872	-	521,872
Equipment	9,607,887	-	9,607,887
Less: Accumulated depreciation	(7,396,434)	-	(7,396,434)
Net capital assets	2,929,075	-	2,929,075
Total assets	4,776,587	482,165	5,258,752
Liabilities:			
Current liabilities:			
Accounts payable	88,465	365,231	453,696
Accrued wages and benefits	25,079	-	25,079
Other accrued liabilities	6,541	-	6,541
Other post employment benefits	2,962	-	2,962
Total current liabilities	123,047	365,231	488,278
Long-term liabilities:			
Compensated absences payable	89,107	-	89,107
Other post employment benefits	16,775	-	16,775
Total long-term liabilities	105,882	-	105,882
Total liabilities	228,929	365,231	594,160
Net assets:			
Invested in capital assets, net of related debt	2,929,075	-	2,929,075
Unrestricted	1,618,583	116,934	1,735,517
Total net assets	\$ 4,547,658	\$ 116,934	\$ 4,664,592

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

	Municipal Garage	Employee Benefits Fund	Totals
Operating revenues:			
Charges for services	\$ 2,719,983	\$ 4,162,053	\$ 6,882,036
Other operating revenues	47,465	7,081	54,546
Total operating revenues	2,767,448	4,169,134	6,936,582
Operating expenses:			
Personal services	602,172	-	602,172
Contractual services	312,518	4,138,034	4,450,552
Commodities	1,030,177	-	1,030,177
Depreciation	696,458	-	696,458
Other operating expenses	72,082	-	72,082
Total operating expenses	2,713,407	4,138,034	6,851,441
Operating income (loss)	54,041	31,100	85,141
Non-operating revenues (expenses):			
Interest revenue	62,155	-	62,155
Gain on sale of equipment	79,961	-	79,961
Total non-operating revenues (expenses)	142,116	-	142,116
Change in net assets	196,157	31,100	227,257
Total net assets, beginning of the year	4,351,501	85,834	4,437,335
Total net assets, end of the year	\$ 4,547,658	\$ 116,934	\$ 4,664,592

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Municipal Garage	Employee Benefits Fund	Totals
Cash flows from operating activities:			
Cash payments to suppliers for goods and services	\$ (1,518,652)	\$ (4,296,449)	\$ (5,815,101)
Cash payments to employees for services	(489,893)	-	(489,893)
Miscellaneous revenue	184,775	-	184,775
Miscellaneous expenses	(752)	-	(752)
Cash received from quasi-external operating activities	2,776,664	4,169,134	6,945,798
Cash payments for quasi-external operating activities	(96,357)	-	(96,357)
Net cash provided by operating activities	855,785	(127,315)	728,470
Cash flows from capital and related financing activities:			
Sale of capital assets	153,197	-	153,197
Purchase of capital assets	(1,406,887)	-	(1,406,887)
Net cash used by capital and related financing activities	(1,253,690)	-	(1,253,690)
Cash flows from investing activities:			
Interest income	62,155	-	62,155
Net cash provided by investing activities	62,155	-	62,155
Net increase (decrease) in cash and cash equivalents	(335,750)	(127,315)	(463,065)
Cash and cash equivalents, beginning of year	1,801,353	609,480	2,410,833
Cash and cash equivalents, end of year	\$ 1,465,603	\$ 482,165	\$ 1,947,768

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008**

(continued)	Municipal Garage	Employee Benefits Fund	Totals
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 54,041	\$ 31,100	\$ 85,141
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	696,458	-	696,458
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(11,293)	-	(11,293)
Increase (decrease) in due from other funds	56,681	-	56,681
Decrease (increase) in supplies inventory	(346)	-	(346)
Decrease (increase) in accounts payable	37,761	(158,415)	(120,654)
Decrease (increase) in accrued wages	137	-	137
Decrease (increase) in accrued liabilities	(368)	-	(368)
Increase (decrease) in compensated absences	7,571	-	7,571
Decrease (increase) in due to other funds	(4,594)	-	(4,594)
Decrease (increase) in other post employment benefits	19,737	-	19,737
Total adjustments	801,744	(158,415)	643,329
Net cash provided by operating activities	\$ 855,785	\$ (127,315)	\$ 728,470

**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, 2008**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,831,670	\$ 2,906,670	\$ 2,961,439	\$ 54,769
Total operating revenues	2,831,670	2,906,670	2,961,439	54,769
Operating expenses				
Personal services	614,419	614,419	574,711	39,708
Contractual services	380,737	499,331	469,066	30,265
Commodities	781,600	1,067,600	1,062,986	4,614
Other operating expenses	1,859,161	2,185,901	2,217,027	(31,126)
Total operating expenses	3,635,917	4,367,251	4,323,790	43,461
Operating income (loss)	(804,247)	(1,460,581)	(1,362,351)	98,230
Non-operating revenues (expenses)				
Interest revenue	59,453	59,453	62,155	2,702
Total non-operating revenues (expenses)	59,453	59,453	62,155	2,702
Net income	(744,794)	(1,401,128)	(1,300,196)	100,932
Retained earnings, beginning of the year	1,402,974	1,402,974	1,402,974	-
Appropriation for prior year encumbrances	398,376	398,376	398,376	-
Retained earnings, end of the year	\$ 1,056,556	\$ 400,222	\$ 501,154	\$ 100,932

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, 2008

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 5,015,028	\$ 5,015,028	\$ 4,169,134	\$ (845,894)
Total operating revenues	5,015,028	5,015,028	4,169,134	(845,894)
Operating expenses				
Contractual services	5,150,426	5,150,426	4,296,449	853,977
Total operating expenses	5,150,426	5,150,426	4,296,449	853,977
Net income	(135,398)	(135,398)	(127,315)	8,083
Retained earnings, beginning of the year	609,480	609,480	609,480	-
Retained earnings, end of the year	\$ 474,082	\$ 474,082	\$ 482,165	\$ 8,083

AGENCY FUNDS

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

CONSERVANCY

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

PAYROLL CLEARING

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

MUNICIPAL COURT

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

JOINT ECONOMIC DEVELOPMENT DISTRICT I

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

CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 DECEMBER 31, 2008

	Conser- vancy	Payroll Clearing	Municipal Court	Joint Economic Development District I	Totals
Assets:					
Cash and equity in pooled cash, deposits and investments	\$ 11,860	\$ -	\$ 80,819	\$ 28,107	\$ 120,786
Cash with fiscal and escrow agent	-	190,287	-	-	190,287
Property taxes receivable	107,083	-	-	12,086	119,169
Total assets	118,943	190,287	80,819	40,193	430,242
Liabilities:					
Due to other governments	118,943	163,520	-	40,193	322,656
Due to individuals	-	920	30,538	-	31,458
Unapportioned monies	-	25,847	50,281	-	76,128
Total liabilities	\$ 118,943	\$ 190,287	\$ 80,819	\$ 40,193	\$ 430,242

CITY OF MIDDLETOWN, OHIO
 COMBINING SCHEDULE OF CHANGES
 IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

CONSERVANCY				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 7,148	\$ 148,745	\$ 144,033	\$ 11,860
Property taxes receivable	144,093	111,735	148,745	107,083
Total assets	151,241	260,480	292,778	118,943
Liabilities:				
Due to other governments	151,241	260,480	292,778	118,943
Total liabilities	\$ 151,241	\$ 260,480	\$ 292,778	\$ 118,943

CITY OF MIDDLETOWN, OHIO
 COMBINING SCHEDULE OF CHANGES
 IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

	PAYROLL CLEARING			
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash with fiscal and escrow agent	\$ 295,532	\$ 21,654,999	\$ 21,760,244	\$ 190,287
Total assets	295,532	21,654,999	21,760,244	190,287
Liabilities:				
Due to other governments	219,365	5,775,245	5,831,090	163,520
Due to individuals	470	15,174,538	15,174,088	920
Unapportioned monies	75,697	705,216	755,066	25,847
Total liabilities	\$ 295,532	\$ 21,654,999	\$ 21,760,244	\$ 190,287

CITY OF MIDDLETOWN, OHIO
 COMBINING SCHEDULE OF CHANGES
 IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

MUNICIPAL COURT				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 65,525	\$ 3,894,170	\$ 3,878,876	\$ 80,819
Total assets	65,525	3,894,170	3,878,876	80,819
Liabilities:				
Due to other governments	-	609,545	609,545	-
Due to individuals	22,070	1,218,563	1,210,095	30,538
Unapportioned monies	43,455	2,066,062	2,059,236	50,281
Total liabilities	\$ 65,525	\$ 3,894,170	\$ 3,878,876	\$ 80,819

CITY OF MIDDLETOWN, OHIO
 COMBINING SCHEDULE OF CHANGES
 IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

JOINT ECONOMIC DEVELOPMENT DISTRICT I

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 401	\$ 377,344	\$ 349,638	\$ 28,107
Income taxes receivable	-	408,297	396,211	12,086
Total assets	401	785,641	745,849	\$ 40,193
Liabilities:				
Due to other governments	401	785,641	745,849	\$ 40,193
Total liabilities	\$ 401	\$ 785,641	\$ 745,849	\$ 40,193

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, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Governmental funds capital assets:		
Land and land improvements	\$ 12,817,128	\$ 12,951,228
Buildings	23,579,323	23,563,574
Infrastructure	157,714,981	152,105,296
Machinery and equipment	9,802,837	6,661,247
Total governmental funds capital assets	<u>\$ 203,914,269</u>	<u>\$ 195,281,345</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 18,143,970	\$ 17,878,968
Special revenue funds	4,974,367	4,974,367
Capital project funds	175,932,932	172,428,010
Developer contributions	4,863,000	-
Total governmental funds capital assets	<u>\$ 203,914,269</u>	<u>\$ 195,281,345</u>

Note: 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, 2008

Function and Activity	Machinery and Equipment	Land and Land Improvements	Buildings	Infrastructure	Total
General Government:					
City Manager/City Council	\$ 163,506	\$ -	\$ -	\$ -	\$ 163,506
Finance	1,656,953	277,050	-	-	1,934,003
Law	11,500	-	-	-	11,500
Planning/Economic Development	2,371,153	3,162,843	-	-	5,533,996
Bldg. Maint.	124,650	-	9,856	-	134,506
Engineering	77,914	-	-	-	77,914
Income Tax	13,792	-	-	-	13,792
Miami Conservancy	-	-	7,660	-	7,660
City Building/Library	-	-	12,825,916	-	12,825,916
Leisure:					
Douglass Park	216,551	95,850	6,365	-	318,766
Parks Maintenance	426,514	-	-	-	426,514
Recreation/Community Center	372,297	123,050	1,374,513	-	1,869,860
Smith Park	91,456	19,288	58,116	17,328	186,188
Sunset Park	-	310,400	1,053,214	-	1,363,614
Other Parks	112,505	4,135,958	518,810	266,617	5,033,890
Public health:					
Health & Environment	6,200	-	-	-	6,200
Social Health	107,237	8,100	483,262	-	598,599
Senior Citizens Center & Cemetery	-	1,643,250	1,037,961	-	2,681,211
Public safety:					
Fire	1,577,859	205,750	861,168	-	2,644,777
Police	1,857,481	5,950	608,437	-	2,471,868
Electronic Maintenance	318,543	-	427,865	-	746,408
Municipal Court	71,027	-	292,447	-	363,474
Police Grants	33,858	-	-	-	33,858
12th District Court	-	-	3,726,871	-	3,726,871
Streets and highways:					
Street Maintenance	191,841	-	286,862	-	478,703
Street system	-	2,829,639	-	157,431,036	160,260,675
Total governmental funds capital assets	<u>\$ 9,802,837</u>	<u>\$ 12,817,128</u>	<u>\$ 23,579,323</u>	<u>\$ 157,714,981</u>	<u>\$ 203,914,269</u>

Note: 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, 2008

Function and Activity	Governmental Funds Capital Assets January 1, 2008	Additions	Deductions	Governmental Funds Capital Assets December 31, 2008
General Government:				
City Manager/City Council	\$ 163,506	\$ -	\$ -	\$ 163,506
Finance	1,921,004	12,999	-	1,934,003
Law	11,500	-	-	11,500
Planning/Economic Development	3,687,264	2,204,603	357,871	5,533,996
Bldg. Maint.	134,506	-	-	134,506
Engineering	77,914	-	-	77,914
Income Tax	13,792	-	-	13,792
Miami Conservancy	7,660	-	-	7,660
City Building/Library	12,825,916	-	-	12,825,916
Leisure:				
Recreation & Community Center	2,053,801	-	183,941	1,869,860
Parks Maintenance	426,514	-	-	426,514
Sunset Park	1,363,614	-	-	1,363,614
Douglass Park	102,215	216,551	-	318,766
Smith Park	166,900	19,288	-	186,188
Other Parks	4,965,098	68,792	-	5,033,890
Public health:				
Health & Environment	6,200	-	-	6,200
Social Health	598,599	-	-	598,599
Senior Citizens Center	2,681,211	-	-	2,681,211
Public safety:				
Fire	2,335,998	308,779	-	2,644,777
Police	2,309,884	161,984	-	2,471,868
Electronic Maintenance	746,408	-	-	746,408
Municipal Court	363,474	-	-	363,474
Police Grants	33,858	-	-	33,858
12th District Court	3,542,930	183,941	-	3,726,871
Streets and highways:				
Street Maintenance	478,703	-	-	478,703
Street system	154,262,876	6,144,267	146,468	160,260,675
Total governmental funds capital assets	<u>\$ 195,281,345</u>	<u>\$ 9,321,204</u>	<u>\$ 688,280</u>	<u>\$ 203,914,269</u>

Note: 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

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

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

CONTENTS	PAGE
Financial Trends	164
These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	
Revenue Capacity	171
These schedules contain information to help the reader assess one of the government’s most significant local revenue source, the property tax.	
Debt Capacity	175
These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	
Demographic and Economic Information	180
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	
Operating Information	182
These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	

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

	2008	2007	2006	2005	2004	2003	2002
Governmental Activities							
Invested in Capital Assets, Net of Related Debt	\$ 58,784	59,871	62,823	68,722	22,142	21,613	18,601
Restricted:							
Capital Projects	4,168	3,806	4,229	5,838	5,402	3,703	-
Debt Service	5,845	1,932	2,466	2,483	2,700	1,768	443
Housing Assistance	11,241	12,629	12,608	10,625	-	-	-
Other Purposes	10,256	8,327	7,761	8,502	16,329	15,413	5,463
Unrestricted	<u>9,808</u>	<u>6,963</u>	<u>4,930</u>	<u>3,605</u>	<u>2,267</u>	<u>4,239</u>	<u>21,526</u>
Total Governmental Activities Net Assets	\$ <u>100,102</u>	<u>93,528</u>	<u>94,817</u>	<u>99,775</u>	<u>48,840</u>	<u>46,736</u>	<u>46,033</u>
Business-Type Activities							
Invested in Capital Assets, Net of Related Debt	\$ 43,581	41,709	40,483	41,012	39,549	38,968	36,568
Restricted:							
Other Purposes	1,367	1,255	1,105	711	711	716	712
Unrestricted	<u>17,015</u>	<u>15,702</u>	<u>15,650</u>	<u>12,658</u>	<u>13,204</u>	<u>12,239</u>	<u>13,145</u>
Total Business-Type Activities Net Assets	\$ <u>61,963</u>	<u>58,666</u>	<u>57,238</u>	<u>54,381</u>	<u>53,464</u>	<u>51,923</u>	<u>50,425</u>

The year 2002 was the first year to report all activities using the accrual basis of accounting.

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

Table 2

	2008	2007	2006	2005	2004	2003	2002
Expenses							
Governmental activities:							
Community environment	\$ 15,950	11,736	11,402	11,022	13,033	12,476	10,981
General government	4,073	4,233	4,639	4,674	4,389	4,248	5,625
Leisure	1,250	1,565	1,096	1,661	877	1,146	1,315
Public health	1,490	1,031	1,262	1,247	1,471	1,859	1,991
Public safety	23,701	23,498	22,691	22,420	22,544	22,128	22,174
Highways and streets	7,965	10,318	9,787	4,196	5,446	3,485	4,532
Interest on long-term debt	1,028	1,497	1,522	1,506	1,375	1,215	1,197
Total governmental activities expenses	55,457	53,878	52,399	46,726	49,135	46,557	47,815
Business-type activities:							
Water	7,150	7,510	8,027	6,002	5,265	5,397	5,625
Sanitary Sewer	6,789	6,730	6,928	5,640	5,505	5,734	5,627
Golf	1,563	1,713	1,653	1,881	1,727	1,879	1,869
Solid Waste	2,496	2,748	2,442	2,280	2,236	2,290	1,939
Non major enterprise funds	2,314	2,203	2,037	1,810	1,961	1,321	1,896
Total business-type activities expenses	20,312	20,904	21,087	17,613	16,694	16,621	16,956
Total primary government expenses	\$ 75,769	74,782	73,486	64,339	65,829	63,178	64,771
Program Revenue							
Governmental activities:							
Charges for services:							
Community environment	\$ 347	501	896	777	447	16	651
General government	2,980	2,296	1,744	2,329	1,589	1,528	1,478
Highways and streets	-	449	498	-	18	-	-
Leisure	162	79	45	18	23	34	38
Public health	184	-	204	205	200	329	637
Public safety	3,967	3,686	2,297	2,836	1,793	2,422	2,445
Operating grants & contributions	12,827	11,332	12,241	14,421	6,895	10,007	11,713
Capital grants & contributions	8,659	2,405	3,047	1,560	9,125	1,985	115
Total governmental activities program revenue	\$ 29,126	20,748	20,972	22,146	20,090	16,321	17,077

The year 2002 was the first year to report all activities using the accrual basis of accounting.

continued

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

Table 2

	2008	2007	2006	2005	2004	2003	2002
Business-type activities:							
Charges for services:							
Water	\$ 6,428	6,598	6,980	6,655	6,711	6,228	5,433
Sanitary Sewer	7,372	6,673	7,122	5,574	5,791	5,460	5,546
Golf course	1,393	1,629	1,635	1,716	1,765	1,668	1,799
Solid Waste	2,817	3,153	2,596	2,454	2,423	2,330	2,021
Other business-type activities	2,007	1,842	1,994	267	201	206	215
Operating grants & contributions	1,257	1,115	2,639	1,139	184	31	417
Capital grants & contributions	1,119	473	172	151	654	1,985	2,150
Total business-type activities program revenue	<u>22,393</u>	<u>21,483</u>	<u>23,138</u>	<u>17,956</u>	<u>17,729</u>	<u>17,908</u>	<u>17,581</u>
Total primary government program revenue	<u>\$ 51,519</u>	<u>42,231</u>	<u>44,110</u>	<u>40,102</u>	<u>37,819</u>	<u>34,229</u>	<u>34,658</u>
Net (Expense)/Revenue							
Governmental activities	\$ (26,331)	(33,130)	(31,427)	(24,580)	(29,045)	(30,236)	(30,738)
Business-type activities	2,081	579	2,051	343	1,035	1,287	625
Total primary government net expense	<u>(24,250)</u>	<u>(32,551)</u>	<u>(29,376)</u>	<u>(24,237)</u>	<u>(28,010)</u>	<u>(28,949)</u>	<u>(30,113)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Income taxes	\$ 19,921	17,921	17,695	18,009	17,960	16,417	17,764
Property taxes	4,965	5,644	5,920	5,941	5,654	5,588	5,042
Other taxes	2,248	3,694	3,382	3,046	3,445	3,849	3,436
Grants/contributions not restricted	3,349	1,014	807	6	69	2,300	4,366
Investment earnings	686	2,327	967	485	529	1,006	1,101
Miscellaneous	1,680	1,241	3,143	3,196	3,560	1,445	49
Transfers	56	-	55	56	(67)	334	1,868
Total governmental activities general revenues	<u>32,905</u>	<u>31,841</u>	<u>31,969</u>	<u>30,739</u>	<u>31,150</u>	<u>30,939</u>	<u>33,626</u>
Business-type activities:							
Income taxes	\$ 466	300	270	338	238	245	230
Grants/contributions not restricted	-	-	-	-	201	245	216
Investment earnings	693	549	591	291	-	-	377
Transfers	(56)	-	(55)	(56)	67	(279)	(49)
Miscellaneous	113	-	-	-	-	-	116
Total business type activities general revenues	<u>1,216</u>	<u>849</u>	<u>806</u>	<u>573</u>	<u>506</u>	<u>211</u>	<u>890</u>
Total primary government general revenues	<u>\$ 34,121</u>	<u>32,690</u>	<u>32,775</u>	<u>31,312</u>	<u>31,656</u>	<u>31,150</u>	<u>34,516</u>
Special item	\$ -	-	(5,500)	-	-	-	-
Changes in Net Assets							
Governmental activities	\$ 6,574	(1,289)	(4,958)	6,159	2,105	703	2,888
Business-type activities	3,297	1,428	2,857	916	1,541	1,498	1,515
Total primary government	<u>\$ 9,871</u>	<u>139</u>	<u>(2,101)</u>	<u>7,075</u>	<u>3,646</u>	<u>2,201</u>	<u>4,403</u>

The year 2002 was the first year to report all activities using the accrual basis of accounting.

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

Fiscal Year	Income Tax	Property Tax	Other Taxes	Total
2008	\$ 20,387	\$ 4,965	\$ 2,248	\$ 27,600
2007	\$ 18,221	\$ 5,644	\$ 3,694	\$ 27,559
2006	\$ 17,966	\$ 5,920	\$ 3,382	\$ 27,268
2005	\$ 18,009	\$ 5,941	\$ 3,046	\$ 26,996
2004	\$ 17,960	\$ 5,654	\$ 3,445	\$ 27,059
2003	\$ 16,417	\$ 5,588	\$ 3,849	\$ 25,854
2002	\$ 17,764	\$ 5,042	\$ 3,436	\$ 26,242

The year 2002 was the first year to report all activities using the accrual basis of accounting.

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund										
Reserved	\$ 311	211	229	732	355	509	417	221	469	462
Unreserved	11,229	8,864	6,792	6,527	6,007	7,119	10,938	10,193	9,959	11,370
Total General Fund	\$ 11,540	9,075	7,021	7,259	6,362	7,628	11,355	10,414	10,428	11,832
All Other Governmental Funds										
Reserved	\$ 4,476	3,148	5,138	4,457	5,225	9,197	8,608	(221)	8,564	4,559
Unreserved, undesignated, reported in:										
Capital project funds	6,021	3,552	1,823	4,258	2,541	(1,091)	6,709	6,709	7,386	9,964
Debt service funds	1,123	720	317	327	124	443	649	650	885	372
Special revenue funds	2,933	6,842	5,440	4,117	4,169	3,852	4,184	4,184	3,501	3,627
Total All Other Governmental Funds	14,553	14,262	12,718	13,159	12,059	12,401	20,152	11,322	20,336	18,522
Total Governmental Funds	\$ 26,093	23,337	19,739	20,418	18,421	20,029	31,507	21,736	30,764	30,354

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues										
Property taxes	\$ 4,965	5,643	5,920	5,941	5,654	5,588	5,019	4,773	5,140	4,837
Municipal income taxes	19,606	17,944	17,061	18,092	17,376	15,443	17,764	19,231	16,970	17,614
Intergovernmental revenues	19,921	18,853	19,159	15,702	17,940	17,781	16,308	13,808	11,952	9,024
Charges for services	4,312	4,216	3,286	3,624	3,758	2,915	3,730	2,568	1,371	1,802
Fees, licenses, and permits	257	452	417	338	312	245	274	335	308	337
Fines and forfeits	2,019	1,575	1,483	1,612	1,499	1,164	1,259	1,301	1,272	1,152
Special assessments	440	491	498	591	659	638	625	816	810	980
Interest earnings	686	1,054	861	450	498	730	1,111	1,764	1,890	1,113
Miscellaneous	3,958	3,142	3,385	3,172	2,089	1,976	2,270	1,908	1,542	1,240
Total revenues	56,164	53,370	52,070	49,522	49,785	46,480	48,360	46,504	41,255	38,099
Expenditures										
Current:										
General Government	4,334	4,083	4,306	4,196	4,104	4,203	5,124	4,804	4,676	4,693
Public safety	23,240	23,122	23,791	22,501	22,142	23,596	23,775	20,863	19,457	18,753
Public health and welfare	1,394	1,024	1,220	1,187	1,457	1,832	1,996	1,699	1,548	1,548
Leisure time activities	1,259	1,421	1,064	1,502	1,060	1,152	1,233	1,071	1,022	1,264
Community environment	15,907	11,754	11,377	13,708	13,024	12,441	14,991	11,195	7,467	4,423
Highways and streets	3,329	4,731	6,587	5,373	3,787	7,432	7,401	5,139	4,618	3,255
Miscellaneous	1,127	1,427	1,410	1,636	7,353	2,080	1,371	976	1,602	1,070
Debt Service										
Principal retirement	1,896	1,556	1,661	1,520	1,407	1,238	1,356	1,300	1,237	914
Interest and fiscal charges	971	1,503	1,527	1,493	1,355	1,209	1,217	1,209	1,192	762
Bond issuance costs	836					141	-	-	-	-
Total expenditures	54,293	50,621	52,943	53,116	55,689	55,324	58,464	48,256	42,819	36,682
Excess (deficiency) of revenues over expenditures	\$ 1,871	2,749	(873)	(3,594)	(5,904)	(8,844)	(10,104)	(1,752)	(1,564)	1,417

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Other Financing Sources (Uses)										
Transfers in	\$ 498	842	497	661	765	1,047	1,290	2,784	4,125	10,712
Transfers out	(441)	(242)	(442)	(606)	(713)	(768)	(1,379)	(1,751)	(2,741)	(8,003)
Issuance of bonds	10,323	-	58	4,315	6,216	4,250	-	716	223	10,981
Other uses	(9,665)	(4)	(29)	-	-	-	-	-	-	-
Other sources	170	107	-	-	-	-	-	-	-	-
Capital lease	-	-	-	-	-	-	-	-	362	-
Total other financing sources (uses)	885	703	84	4,370	6,268	4,529	(89)	1,749	1,969	13,690
Net change in Fund Balances	\$ 2,756	3,452	(789)	776	364	(4,315)	(10,193)	(3)	405	15,107
Debt service as a % of total expenditures	6.82%	6.04%	6.02%	5.67%	4.96%	4.68%	4.40%	5.20%	5.67%	4.57%

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Property taxes	\$ 4,965	5,643	5,920	5,941	5,654	5,588	5,019	4,773	5,140	4,837
Municipal income taxes	\$ 19,606	17,945	17,061	18,092	17,376	15,443	17,764	19,231	16,970	17,614

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

Tax Levy/ Collection Year	Real Property		Personal Property (1)		Public Utility (2)		Totals		Assessed Value as a Percent of Estimated Actual Value
	Assessed	Estimated Actual	Assessed	Estimated Actual	Assessed	Estimated Actual	Assessed	Estimated Actual	
1998/1999	\$570,897	\$1,631,133	\$188,367	\$753,469	\$54,546	\$218,184	\$813,810	\$2,602,786	31.27
1999/2000	\$622,984	\$1,779,954	\$210,395	\$841,580	\$55,444	\$158,411	\$888,823	\$2,779,946	31.97
2000/2001	\$636,124	\$1,817,497	\$215,165	\$860,660	\$52,758	\$211,030	\$904,046	\$2,889,187	31.29
2001/2002	\$652,341	\$1,863,830	\$237,371	\$949,486	\$35,230	\$140,920	\$924,942	\$2,954,236	31.31
2002/2003	\$751,960	\$2,148,865	\$248,818	\$995,273	\$39,698	\$158,224	\$1,040,477	\$3,302,362	31.51
2003/2004	\$753,911	\$2,154,032	\$252,766	\$1,011,064	\$38,624	\$154,498	\$1,045,301	\$3,319,593	31.49
2004/2005	\$752,108	\$2,148,880	\$253,353	\$1,013,414	\$38,637	\$154,548	\$1,044,099	\$3,316,842	31.48
2005/2006	\$777,301	\$2,220,861	\$238,133	\$952,532	\$36,625	\$146,501	\$1,052,060	\$3,319,895	31.69
2006/2007	\$796,561	\$1,994,116	\$200,461	\$739,474	\$43,102	\$42,408	\$1,040,124	\$2,775,998	37.47
2007/2008	\$698,478	\$1,995,651	\$129,635	\$739,474	\$32,519	\$42,408	\$860,632	\$2,777,533	30.99

Real property is reappraised every six years with a State mandated update of the current market in the third year following each reappraisal.

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

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

- (1) Other than public utility.
- (2) Real and tangible personal property

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

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

City of Middletown							
Collection Year	Operating	Police and Fire Pension	Debt Retirement	City of Middletown Total	Butler County	Middletown City School District	Total
1999	5.26	0.60	0.56	6.42	8.45	38.56	53.43
2000	5.26	0.60	0.61	6.47	8.44	38.49	53.40
2001	5.26	0.60	0.45	6.31	8.45	37.26	52.02
2002	5.26	0.60	0.00	5.86	8.45	37.26	51.57
2003	5.26	0.60	0.00	5.86	8.75	36.71	51.32
2004	5.26	0.60	0.00	5.86	8.74	40.03	54.63
2005	5.30	0.60	0.00	5.90	8.74	40.01	54.65
2006	5.30	0.60	0.00	5.90	9.44	47.06	62.40
2007	5.30	0.60	0.00	5.90	10.95	47.06	63.91
2008	5.30	0.60	0.00	5.90	10.45	47.68	64.03

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

Source: Butler County Auditor's Office

CITY OF MIDDLETOWN, OHIO
Principal Property Taxpayers
December 31, 2008
(amounts expressed in thousands)
Table 9

Real Property

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Total Assessed
Cincinnati Gas & Electric	Public utility	\$ 56,841	43.11%
A K Steel Corp.	Steel manufacturing	\$ 30,191	23.74%
Precision Strip, Inc.	Steel processing	\$ 8,332	5.93%
Southwestern Ohio Steel	Steel processing	\$ 8,124	5.75%
Garden Manor	Retirement home	\$ 7,136	5.68%
Bavarian Woods Apartments	Apartment complex	\$ 4,544	4.09%
Liberty Retirement Properites	Apartment complex	\$ 4,066	3.66%
Chaka-Chak LLC	Apartment complex	\$ 3,978	2.94%
Texas Eastern Transmission	Gas pipeline	\$ 3,636	2.58%
Bay West Paper Corp	Paper and packaging	\$ 1,770	2.52%
Total		\$ 128,618	100.00%

Tangible personal property tax was replaced over a four year period by the Commercial Activities Tax beginning in 2006.

Source: Butler County Auditor's Office

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

Collected within the Fiscal Year of the Levy

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year (Millage)	Amount Levied	Amount Collected	Percentage of Levy Collected
2008	5.90	\$ 6,009	\$ 5,764	95.92%
2007	5.90	\$ 6,207	\$ 6,206	99.98%
2006	5.90	\$ 6,160	\$ 5,941	96.44%
2005	5.90	\$ 6,167	\$ 5,654	91.68%
2004	5.86	\$ 6,097	\$ 5,588	91.65%
2003	5.86	\$ 5,420	\$ 5,019	92.60%
2002	5.86	\$ 5,298	\$ 4,773	90.09%
2001	6.31	\$ 5,608	\$ 5,140	91.65%
2000	6.47	\$ 5,265	\$ 4,837	91.87%
1999	6.42	\$ 5,262	\$ 4,593	87.29%

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

Fiscal Year	Governmental Activities			Business-Type Activities		Total	Percentage of Personal Income	Per Capita (1)
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
2008	\$ 21,410	\$ 2,823	\$ -	\$ 15,242	\$ 6,765	\$ 46,240	4.59%	\$ 896
2007	\$ 22,215	\$ 3,099	\$ -	\$ 6,235	\$ 7,462	\$ 39,011	3.87%	\$ 756
2006	\$ 24,010	\$ 3,325	\$ -	\$ 6,850	\$ 8,024	\$ 42,209	4.14%	\$ 818
2005	\$ 25,375	\$ 2,899	\$ -	\$ 7,650	\$ -	\$ 35,924	3.52%	\$ 696
2004	\$ 22,220	\$ 3,259	\$ 74	\$ 8,405	\$ -	\$ 33,958	3.33%	\$ 658
2003	\$ 17,815	\$ 2,857	\$ 155	\$ 9,125	\$ -	\$ 29,952	2.94%	\$ 580
2002	\$ 14,705	\$ 2,955	\$ 223	\$ 9,315	\$ -	\$ 27,198	2.67%	\$ 527
2001	\$ 15,595	\$ 3,352	\$ 223	\$ 9,960	\$ -	\$ 29,130	2.85%	\$ 564
2000	\$ 16,455	\$ 3,007	\$ 291	\$ 10,565	\$ -	\$ 30,318	2.97%	\$ 588
1999	\$ 17,290	\$ 3,186	\$ -	\$ 11,160	\$ -	\$ 31,636	5.29%	\$ 687

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

CITY OF MIDDLETOWN, OHIO
Ratios of General Bonded Debt Outstanding for Governmental Activities
Last Ten Years
(amounts expressed in thousands, except per capita amount)
Table 12

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value (1) of Property	Per Capita (2)
2008	\$21,410	\$617	\$20,793	2.49%	\$415
2007	\$22,215	\$346	\$21,869	2.14%	\$430
2006	\$24,010	\$138	\$23,872	2.28%	\$465
2005	\$25,375	\$172	\$25,203	2.43%	\$492
2004	\$22,220	\$272	\$21,948	2.13%	\$431
2003	\$17,815	\$141	\$17,674	1.71%	\$345
2002	\$14,705	\$297	\$14,408	1.59%	\$285
2001	\$15,595	\$284	\$15,311	1.73%	\$302
2000	\$16,455	\$279	\$16,176	1.85%	\$319
1999	\$17,290	\$28	\$17,262	2.12%	\$376

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

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 173 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 182.

CITY OF MIDDLETOWN, OHIO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
As of December 31, 2008
(amounts expressed in thousands)
Table 13

Political Subdivision	General Bonded Debt	Percent Applicable to City	City's Share
City of Middletown	\$21,410	100.0	\$21,410
Butler County	57,030	13.8	\$7,870
Warren County	<u>4,386,220</u>	2.5	<u>111,410</u>
Total	\$4,464,660		\$140,690

Source: Butler and Warren County Auditor's Offices.

Actual percentage unavailable from Butler County at time of printing.
Percent applicable to City is estimated from past data for Butler County.

CITY OF MIDDLETOWN, OHIO
Legal Debt Margin Information
Last Ten Years
(amounts expressed in thousands)
Table 14

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Debt limit	\$ 85,450	93,326	94,925	97,119	109,250	109,757	109,630	110,466	109,213	90,366	
Total net debt applicable to limit	6,755	6,606	5,725	5,185	8,655	13,535	16,995	16,050	15,610	13,920	
Legal debt margin	\$ 78,695	86,720	89,200	91,934	100,595	96,222	92,635	94,416	93,603	76,446	
Total net debt applicable to the limit as a percentage of debt limit	7.91%	7.08%	6.03%	5.34%	7.92%	12.33%	15.50%	14.53%	14.29%	15.40%	
										Assessed value	\$860,632
										Add back: exempt real property	-
										Total assessed value	<u>860,632</u>
										Debt limit (10.5%) of total asses value	90,366
										Debt applicable to limit:	
										General obligation bond	13,920
										Less: Amount set aside for repayment of general obligation debt	<u>(1,001)</u>
										Total net debt applicable to limit	<u>12,919</u>
										Legal debt margin	<u><u>77,447</u></u>

Note: Under state finance law, the City of Middletown's outstanding general obligation debt should not exceed ten and one-half percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

CITY OF MIDDLETOWN, OHIO
Pledged-Revenue Coverage
Last Ten Years
Table 15

Tax Year	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest & Fiscal Charges	
2008	\$589,343	\$276,399	\$163,173	1.34
2007	\$581,144	\$270,818	\$176,149	1.30
2006	\$498,210	\$296,295	\$187,135	1.03
2005	\$547,790	\$359,859	\$201,059	0.98
2004	\$489,116	\$312,000	\$162,746	1.03
2003	\$557,436	\$233,000	\$184,966	1.33
2002	\$623,248	\$397,144	\$204,857	1.04
2001	\$603,269	\$371,658	\$213,702	1.03
2000	\$632,469	\$401,780	\$215,524	1.02
1999	\$747,284	\$428,376	\$303,056	1.02
1998	\$632,469	\$400,743	\$233,574	1.00

CITY OF MIDDLETOWN, OHIO
Demographic and Economic Statistics
Last Ten Years
Table 16

Year	Population (1)	Personal Income (in 1,000's)	Per Capita Personal Income (1)	Median Age (1)	Education Level in Years of Formal Schooling (1)	School Enrollment (3)	Unemployment Rate (2)
1999	46,022	\$ 597,734	\$ 12,988	n/a	n/a	9,566	4.80
2000	51,605	\$ 1,020,386	\$ 19,773	36.2	n/a	9,343	5.40
2001	51,950	\$ 1,027,207	\$ 19,773	36.2	n/a	7,818	6.00
2002	51,894	\$ 1,026,100	\$ 19,773	36.2	n/a	7,836	7.90
2003	51,752	\$ 1,023,292	\$ 19,773	36.2	n/a	7,631	6.30
2004	51,616	\$ 1,020,603	\$ 19,773	36.2	n/a	7,302	6.30
2005	51,232	\$ 1,005,889	\$ 19,634	34.5	n/a	7,198	6.00
2006	51,072	\$ 1,002,748	\$ 19,634	34.5	16 yrs - 12% 12 yrs - 80%	11,539	7.10
2007	51,303	\$ 1,007,283	\$ 19,634	34.5	16 yrs - 12% 12 yrs - 80%	11,539	6.00
2008	51,303	\$ 1,007,283	\$ 19,634	34.5	16 yrs - 12% 12 yrs - 80%	11,539	7.20

Data Sources:

- (1) Bureau of the Census
- (2) State Department of Labor
- (3) School District

Note: Population, median age, and personal income information are based on the 2000 Census. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF MIDDLETOWN, OHIO
Principal Employers
Current Year
Table 17

Employer	2008		
	Employees	Rank	Percentage of Total City Employment
AK Steel	2,608	1	13.1%
CBS Personnel Services, LLC	2,219	2	11.1%
Atrium Medical Center	1,772	3	8.9%
Middletown City School District	1,274	4	6.4%
Graycor Industrial Construction	757	5	3.8%
Miami University	544	6	2.7%
McGraw/Kokosing	617	7	3.1%
CM Temporary Services, Inc.	611	8	3.1%
Garden Manor Extended Care	583	9	2.9%
Kroger's	566	10	2.8%

Note: Comparative information for 1999 is unavailable.

CITY OF MIDDLETOWN, OHIO
Full-time Equivalent City Government Employees by Function
Last Ten Years
Table 18

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	50	50	51	57	54	47	42	44	40	40
Public safety										
Police										
Officers	89	89	89	89	93	90	89	86	80	80
Civilians	41	41	46	46	49	45	45	40	36	37
Fire										
Firefighters & officers	89	90	90	90	90	87	87	84	84	84
Civilians	1	1	1	1	1	1	1	1	1	1
Other	30	31	38	36	36	33	28	33	35	32
Highways and streets										
Maintenance	20	21	21	19	19	17	18	17	15	15
Leisure Time Activities	11	10	11	11	11	10	7	7	8	8
Community Environment	6	5	5	1	2	2	7	7	6	4
Public health & welfare	14	13	11	11	11	7	6	6	5	5
Water	33	32	31	32	32	32	33	32	32	32
Sewer	36	36	36	35	35	34	34	35	35	32
Storm Water	0	0	0	0	0	0	0	0	4	4
Golf Course	8	8	8	8	8	8	8	8	7	7
Transit	9	9	9	9	9	9	8	8	8	8
Parking	1	1	1	1	1	0	0	0	0	0
Internal Services	11	11	11	11	11	10	10	10	10	9
Total	449	448	459	457	462	432	423	418	406	398

CITY OF MIDDLETOWN, OHIO
Operating Indicators by Function
Last Ten Years
Table 19

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Fire										
Number of fire responses	918	811	791	742	708	718	604	916	660	695
Average response time (minutes)	3.5	3.6	4.0	4.0	4.1	4.2	4.3	4.3	4.7	4.9
Emergency medical calls	5,457	5,606	5,751	5,951	6,153	6,159	6,557	6,700	6,954	7,807
Police										
Calls for service	43,480	45,851	43,930	46,807	44,285	42,547	42,563	47,348	42,830	42,135
Number of arrests	6,570	7,089	7,998	7,840	7,069	7,525	8,223	8,370	7,799	7,235
Response time for priority calls (minutes)	5.0	5.0	4.9	4.8	5.3	5.4	5.5	5.7	5.6	5.6
Traffic accidents	2,725	2,499	2,305	2,170	2,140	1,965	1,877	1,892	1,822	1,790
Average daily jail population	60	65	65	69	55	55	58	53	49	50
Recreation and leisure										
Community center admissions	7,030	9,613	8,830	6,556	14,382	8,042	9,125	8,548	6,208	
Transit										
Unlinked passenger trips	201,669	205,602	202,373	188,840	195,687	194,079	233,750	253,587	250,142	247,979
Water										
Average daily water pumpage (million gallons per day)	8.80	8.60	8.30	8.46	8.11	8.12	8.23	8.00	8.36	7.55
Number of water accounts	19,773	19,869	19,869	19,869	19,877	19,877	19,877	19,877	19,649	19,060
Sewer										
Average daily flow (million gallons per day)	17.8	16.6	16.4	17.5	16.4	14.1	16.5	16.2	15.6	17.9
Sewer mains cleaned (feet)	68,965	9,078	9,639	300,000	40,417	98,502	19,217	21,475	36,590	188,504

CITY OF MIDDLETOWN, OHIO
Capital Asset Statistics by Function
Last Ten Years
Table 20

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety:										
Fire stations	5	5	5	5	5	5	5	5	5	5
Police stations	1	1	1	1	1	1	1	1	1	1
Highways and streets:										
Streets (miles)	229	229	229	229	231	231	231	231	231	239
Traffic Lights	116	118	116	112	108	110	114	110	110	112
Water:										
Water mains (miles)	331	332	332	332	337	338	340	340	340	343
Sewer:										
Sanitary & storm (miles)	296	299	299	299	307	309	311	311	311	319
Leisure & recreation:										
Parks	34	34	34	36	36	36	36	36	36	36
Swimming pools	2	2	2	2	2	2	0	0	1	1
Community Centers	1	1	1	1	1	1	1	1	1	1
Golf Courses	1	1	1	1	1	1	1	1	1	1



Mary Taylor, CPA
Auditor of State

CITY OF MIDDLETOWN

BUTLER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 29, 2009**