



City of Middletown, Ohio

Single Audit Reports
Year ended December 31, 2010



Dave Yost • Auditor of State

Members of 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, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 14, 2011

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**CITY OF MIDDLETOWN
BUTLER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

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 Cluster:			
Community Development Block Grant Entitlements	N/A	14.218	\$ 463,744
Neighborhood Stabilization Program	N/A	14.218	\$ 1,193,921
ARRA Community Development Block Grant Entitlements	B-09-MY-39-0013	14.253	117,440
			<u>1,775,105</u>
Housing Choice Voucher Program - Section 8	N/A	14.871	10,650,907
<i>Passed Through Butler County Department of Community Development</i>			
Home Program - Investment Partnership Program	N/A	14.239	410,053
Total U.S. Department of Housing and Urban Development			<u>12,836,065</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Edward Byrne Memorial Justice Assistance Grant	2009-DJ-BX-0629	16.738	27,678
Total U.S. Department of Justice			<u>27,678</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Alcohol Impaired Driving Countermeasures Incentive Grant	N/A	20.601	27,623
Public Transportation for Urbanized Areas			
Operating Assistance	N/A	20.507	328,777
Capital Assistance	N/A	20.507	315,587
Paratransit Grant	N/A	20.507	52,799
Planning Grant	OH-90-X647-D1	20.507	56,342
ARRA Transit Capital Assistance	N/A	20.507	816,168
Total Public Transportation of Urbanized Areas			<u>1,569,673</u>
<i>Passed through Ohio Department of Transportation</i>			
Highway Planning and Construction Cin-Dayton Rd Bridge Replacement	N/A	20.205	16,385
ARRA Highway Planning and Construction Sutphin Road	N/A	20.205	186,532
ARRA Highway Planning and Construction University Blvd	N/A	20.205	1,674,315
Total Passed through Ohio Department of Transportation			<u>1,877,232</u>
Airport Improvement Program	03-1809	20.106	290,891
Total U.S. Department of Transportation			<u>3,765,419</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	32,699
Public Health Infrastructure	N/A	93.283	25,760
Public Health Emergency Preparedness (H1N1)	N/A	93.069	44,025
Block Grant Maternal and Child Health Services	9-2-01-F-AI-320	93.994	233,095
Total U.S. Department of Health and Human Services			<u>335,579</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
ARRA Energy Efficiency and Conservation Block Grant	DE-SC0002948	81.128	41,529
Total U.S. Department of Energy			<u>41,529</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 17,006,270</u>

**CITY OF MIDDLETOWN
BUTLER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2010**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

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

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

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

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

To City Council
City of Middletown, Ohio:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Ohio (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 22, 2011. 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 opinion 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-1 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Compliance And Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated September 1, 2011.

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

This report is intended solely for the information and use of City Council, 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 these specified parties.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
June 22, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To City Council
City of Middletown, Ohio:

Compliance

We have audited the City of Middletown, Ohio's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies 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, 2010, and have issued our report thereon dated June 22, 2011. 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 City Council, 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 these specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
September 1, 2011

CITY OF MIDDLETOWN, OHIO
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2010

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?	none

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 programs:	
<i>CFDA 20.205 – Highway Planning and Construction</i> <i>CFDA 14.218 & CFDA 14.253 – CDBG Entitlement Cluster</i> <i>CFDA 20.507 – Public Transportation for Urbanized Areas</i> <i>CFDA 14.871 – Housing Choice Voucher Program Section 8</i>	
Dollar threshold to distinguish between Type A and Type B Programs:	\$510,188
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

Finding 2010-1 – Audit Adjustments

During the course of our audit, we identified a misstatement in the financial statements for the year under audit that was not initially identified by the City's internal control over financial reporting. 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 misclassifications in the City's conversion process. A description of the adjustment follows:

- **Net Assets.** An audit adjustment was necessary to correct a misclassification of net assets in the City's governmental activities. When reporting net assets, invested in capital assets, net of related debt, the City did not take into account \$4,711,298 of unspent bond proceeds. This resulted in an overstatement of unrestricted net assets and a corresponding understatement of net assets, invested in capital assets, net of related debt.

Management Response: *Management concurs with the finding. Management further acknowledges that this finding relates to the process where, at year-end, cash-basis records of the City are converted to a set of financial statements prepared in accordance with Generally Accepted Accounting Principles (GAAP). This finding does not represent the misappropriation of assets or an intentional misstatement, rather it represents a misclassification of net assets. To further reduce the risk of misclassification of net assets presented in the GAAP financial statements, Management will evaluate and modify certain internal controls related to the classification of net assets in the GAAP financial statements.*

Section III – Federal Award Findings and Questioned Costs

None

Finding 2009-1 – 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 over financial reporting. 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:

- ***Intergovernmental Receivable.*** An audit adjustment was necessary to correct an overstatement of the City's intergovernmental receivable in the Housing Assistance Fund in the amount of approximately \$873,000.
- ***Special Assessment Receivable.*** An audit adjustment was necessary to correct an understatement of the City's special assessment receivable in the Special Assessment Debt Service Fund in the amount of approximately \$335,000.

Management Response: *Repeated as finding 2010-1*

Finding 2009-2 – 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 we noted the Capital Improvements Fund had appropriations which exceeded estimated resources in its original budget. We recommend the City implement procedures to ensure appropriations do not exceed the original estimated resources.

Status: *Immaterial noncompliance reported in the management letter.*

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CITY OF MIDDLETOWN, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2010

**Prepared by
Finance Department**

**Russell E. Carolus
Finance Director**

**CITY OF MIDDLETOWN, OHIO
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended December 31, 2010**

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INTRODUCTORY SECTION

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CITY OF
MIDDLETOWN

June 30th, 2011

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, 2010, 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 2009 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 48,700 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. Weatherwax added additional playability features in 2009 and 2010 to make an already beautiful golf course more fun to play. 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.

The educational program also includes a variety of teaching methods, instructional programs and extracurricular activities to meet students' special needs and interests: Highly qualified staff, Success Academy, Freshman Academy, Central Academy (non-graded school), 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 are also available to students.

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. 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. Eight state of the art elementary buildings house grades pre-school through five; two middle schools accommodate grades six through eight; and grades nine through twelve occupy Middletown High School.

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

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.

Approximately 2700 students attend classes at the Middletown campus. 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 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 Middletown Regional Airport is busy and expanding services. Many area companies utilize the services of the airport on a daily basis. The FAA report for the year ending 6/30/10 reflects 115 aircraft based at the airport, most of which are single engine aircraft, but a few are multi-engine, some helicopters and a jet. Operations (takeoffs and landings) average in excess of one hundred daily. Middletown Regional Airport's yearly report indicates 3600 charter, 17,800 general aviation, 18,600 out of town, and 50 military operations. These numbers do not include the large amount of traffic created by StartSkydiving.com. They added approximately another 10,000 operations.

A new \$7.5 million health science academy will operate as a public/private partnership between the City, Atrium Medical Center, Miami University, Cincinnati State and the Warren County Career Center to offer degrees in the field of health sciences. This partnership is the first of its kind and is being considered as a model for future developments across the State of Ohio. The City provided \$5.2 million in bond revenue to fund the building on the Atrium campus, with Greentree leasing the facility until the debt is paid. Classes are expected to begin in fall 2011. Once it is built, Greentree Health Science Academy will be an innovative facility for housing programs from high school up to master's degree classes under one roof on a hospital campus.

The City has many ongoing major projects in the downtown area. The highlights include:

1. Pendleton Art Center will bring at least fifty artists to the art studio and gallery. Renovations are now in the process.
2. Dublin House, a senior living facility, was renovated with a \$2 million grant.

3. A large parking lot and green space have replaced the vacant Swallen's Department Store and dilapidated parking garage.
4. Wausau Paper Company demolished vacant unused structures with the land being held for future development.
5. United Dairy Farmers will build a new store in the spring of 2011 along with gas pumps and seating areas with an estimated \$3 million investment.
6. Primary Health Solutions, has broken ground on a 22,000 square foot medical office at an estimated cost of \$7 million.
7. Broad Street Bash – a concert series held twice monthly in summer months in the downtown area have proven to be well attended. 2011 will be the fifth year for “The Bash.”

In December 2010, Cincinnati State Technical and Community College officials passed a resolution to partner with the City to establish a branch campus. Initial startup will center on the school's culinary arts and hospitality programs. Eventually the school will offer its full line of courses. It is estimated that 15% of Cincinnati State students are from the Middletown area.

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, 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 forward. Most property tax revenues are used by the City’s General Fund.

Assessed values and cash receipts 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>
2005	2006	\$1,052,059,851	\$ 6,234,555
2006	2007	\$1,040,123,835	\$ 5,863,424
2007	2008	\$ 860,632,226	\$ 5,839,202
2008	2009	\$884,614,180	\$ 5,188,824
2009	2010	\$884,684,180	\$ 5,095,104

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>	
2006	\$17,356,177
2007	\$18,588,763
2008	\$20,098,668
2009	\$18,720,213
2010	\$19,875,722

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. In December, 2009, City Council adopted the 2010 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 along with an aggregate stop loss of \$5.5 million. In 2010, the City Plan was administered by United Health Care.

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 2010 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, 2009.

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 2010 Comprehensive Annual Financial Report of the City of Middletown is the result of the combined efforts of the City's Finance Department, Hurst, Kelly & Co, 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, reading "Russell Carolus". The signature is written in a cursive style with a large initial "R" and "C".

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, 2009

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



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

President

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

Executive Director

CITY OF MIDDLETOWN, OHIO

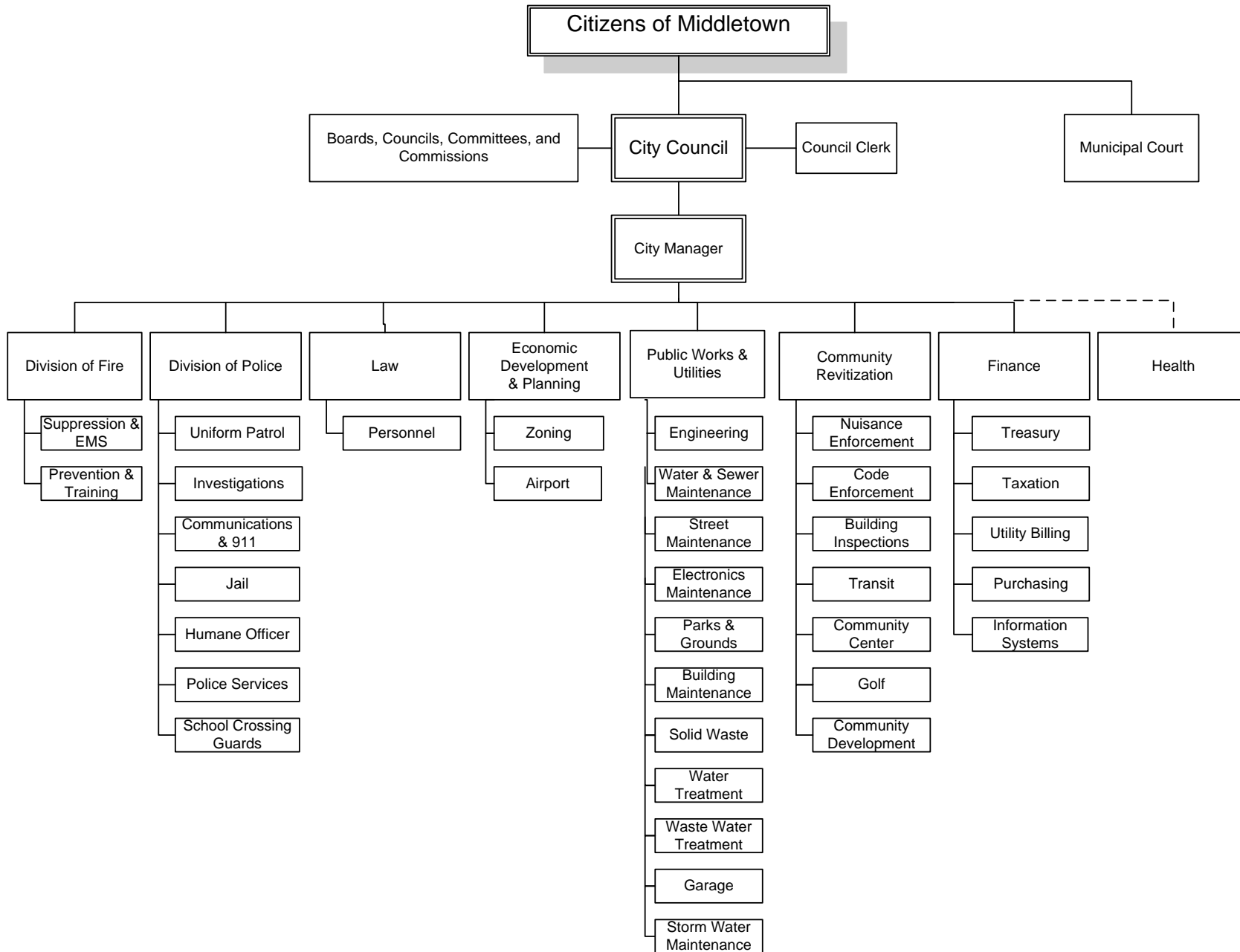
**Principal Officials
December 31, 2010**

Legislative

MayorLawrence P. Mulligan, Jr.
Council Member.....Thomas B. Allen
Council Member.....William A. Becker
Council Member..... Joshua E. Laubach
Council Member..... Anita Scott Jones
Council Member.....Daniel J. Picard
Council Member.....Andrew Smith, Jr.

Executive/Administrative

City Manager..... Judith Gilleland
Chief of Police..... Gregory J. Schwarber
Community Revitalization Director Douglas D. Adkins
Director of Court Services..... Steven P. Longworth
Economic Development DirectorMike Robinette
Finance DirectorRussell E. Carolus
Fire Chief Steven M. Botts
Health Commissioner Jacquelyn D. Phillips
Law Director..... Leslie S. Landen
Planning Director..... Martin D. Kohler
Public Works & Utilities Director David J. Duritsch, Jr.



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FINANCIAL SECTION

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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, 2010, 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 the 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, 2010, 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 22, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 17 and 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

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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 22, 2011

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, 2010. 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 COMPREHENSIVE ANNUAL FINANCIAL 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 68).

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.

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 only one indicator of its *financial health*. One should consider other; such as changes in the City's property tax base and the City's overall 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 are activities that are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. City service departments reported in governmental activities 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.
- Business-type activities are activities that are financed by fees or charges for services. 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, storm 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

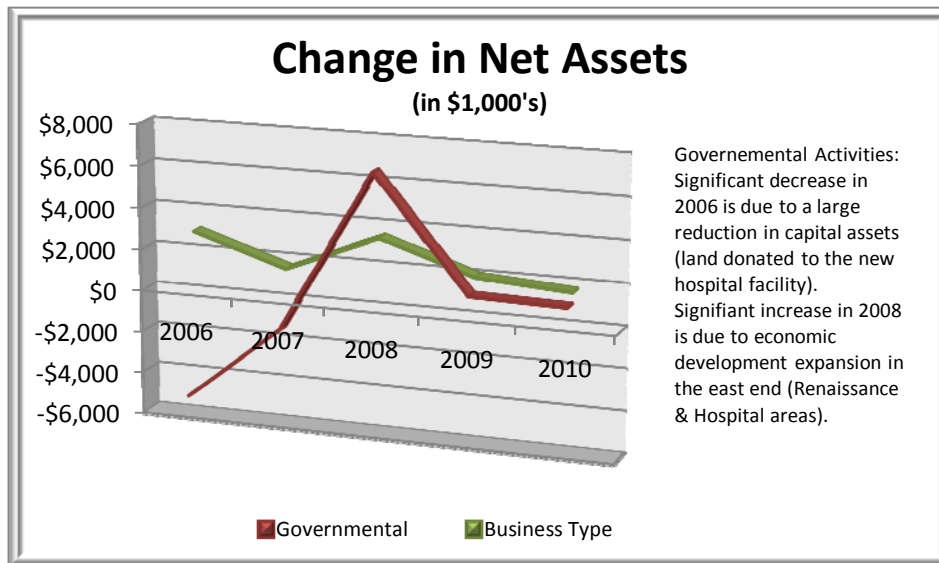
The following table presents a condensed summary of the City's overall financial position at December 31, 2010 (in thousands):

Table 1
Net Assets

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 64,495	58,078	18,395	17,506	82,890	75,584
Capital assets	<u>89,622</u>	<u>90,495</u>	<u>67,954</u>	<u>69,288</u>	<u>157,576</u>	<u>159,783</u>
Total assets	154,117	148,573	86,349	86,794	240,466	235,367
Long-term debt outstanding	36,884	32,921	16,743	18,686	53,636	51,607
Other liabilities	<u>14,866</u>	<u>14,385</u>	<u>4,272</u>	<u>4,311</u>	<u>19,129</u>	<u>18,696</u>
Total liabilities	51,750	47,306	21,015	22,997	72,765	70,303
Net assets:						
Invested in capital assets, net of debt	59,237	59,504	49,711	49,139	104,237	108,643
Restricted	35,676	31,269	1,457	1,411	37,133	32,680
Unrestricted	<u>7,454</u>	<u>10,494</u>	<u>14,166</u>	<u>13,247</u>	<u>26,331</u>	<u>23,741</u>
Total net assets	102,367	101,267	65,334	63,797	167,701	165,064
Beginning net assets	101,267	100,101	63,797	61,963	165,064	162,064
Net increase (decrease)	<u>1,100</u>	<u>1,166</u>	<u>1,537</u>	<u>1,834</u>	<u>2,637</u>	<u>3,000</u>
Ending net assets	\$ <u>102,367</u>	<u>101,267</u>	<u>65,334</u>	<u>63,797</u>	<u>167,701</u>	<u>165,064</u>

Governmental activities net assets increased by \$1,100 versus an increase of \$1,166 in 2009. Cash and other assets increased \$6,417 in 2010. The majority of this increase in cash is due to the sale of bonds for Economic Development projects and an increase in savings of the Public Safety Levy income tax for future public safety expenditures. The long term debt increased \$3,972, also due to the sale of bonds for the Economic Development projects.

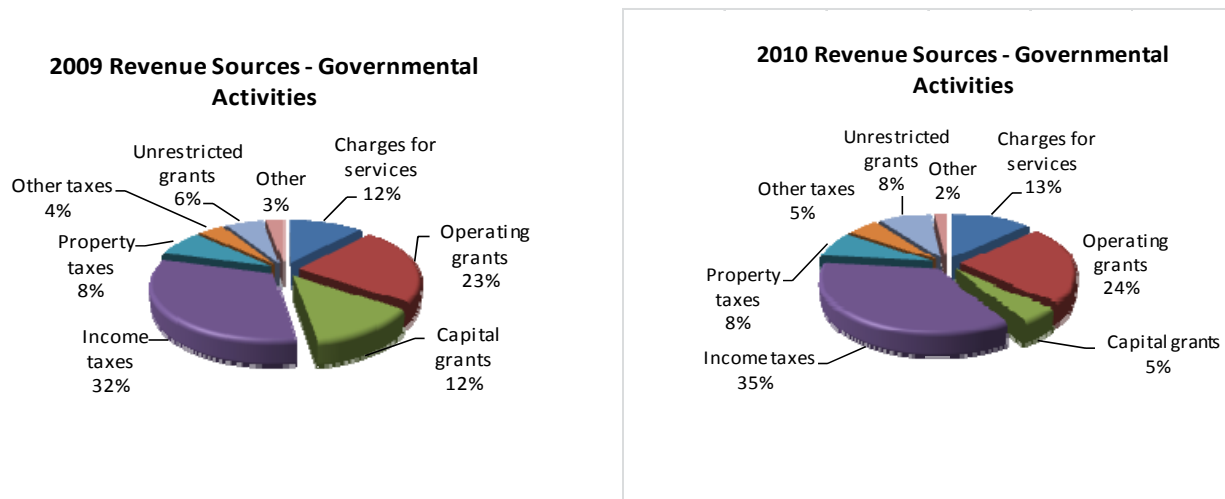
Business type activities total net assets grew by \$1,537 in 2010. While this is an increase in total net assets, it is less than the reported change of \$1,834 in the previous year. Parking operations ceased in 2010 with the related assets being disposed of (except for the land which was transferred to the General Fund). The capital asset reduction reflects this reduction. The outstanding long-term debt also decreased by \$1,943, mainly due to bond and lease payment reductions.



B. Governmental and Business-type Activities during 2010

The following Table 2 (in thousands) presents a condensed summary of the City's activities during 2010 and the resulting changes in net assets.

The largest change for governmental revenues occurred in capital grants and contributions. Capital grants and contributions accounted for \$8.7 million in 2008, \$7.4 million in 2009, and \$2.7 million in 2010. The majority of these grants were one-time ARRA grants which were used for street paving and neighborhood stabilization programs.



Income taxes and property taxes have been a concern for Middletown. Property taxes have been declining from \$4.9 million in 2008 to \$4.5 million in 2009 and \$4.5 million in 2010. This is a direct result of the national home foreclosure crises and the corresponding recession. Income tax receipts were \$20.3 million in 2010 compared to \$18.9 million in 2009 and \$19.9 million in 2008. The current economic recovery appears to have stabilized income tax revenue.

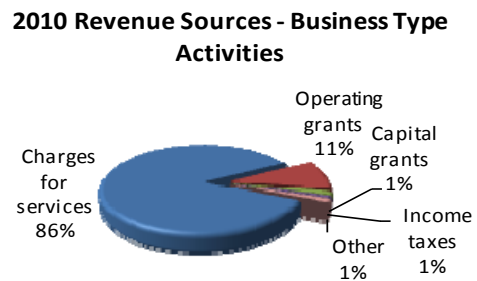
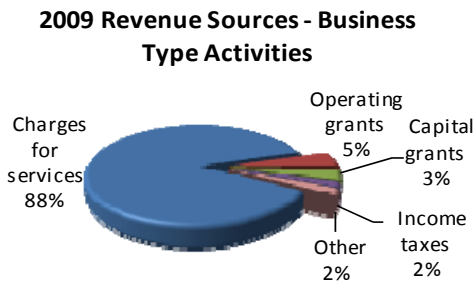
Table 2
Changes in Net Assets

	Governmental		Business- Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	2010	2009	2010	2009	2010	2009
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 7,491	7,054	20,460	19,559	27,951	26,613
Operating grants & contributions	13,472	13,682	2,481	1,101	15,953	14,783
Capital grants and contributions	<u>2,716</u>	<u>7,423</u>	<u>322</u>	<u>754</u>	<u>3,038</u>	<u>8,177</u>
Total program revenues	23,679	28,159	23,263	21,414	46,942	49,573
<u>General revenues:</u>						
Income taxes	20,345	18,942	190	344	20,535	19,286
Property taxes	4,480	4,533	0	0	4,480	4,533
Other taxes	2,949	2,427	0	0	2,949	2,427
Payments in lieu of taxes	426	928	0	0	426	928
Grants and contributions not restricted	4,852	3,667	0	0	4,852	3,667
Investment earnings	111	(151)	189	323	300	172
Other	<u>516</u>	<u>895</u>	<u>115</u>	<u>96</u>	<u>631</u>	<u>991</u>
Total general revenues	<u>33,679</u>	<u>31,241</u>	<u>494</u>	<u>763</u>	<u>34,173</u>	<u>32,004</u>
Total revenues	57,358	59,400	23,757	22,177	81,115	81,577
Expenses						
Public safety	23,951	24,250	0	0	23,951	24,250
Public health	941	1,094	0	0	941	1,094
Leisure activities	947	1,150	0	0	947	1,150
Community environment	13,318	14,621	0	0	13,318	14,621
Highways and streets	9,776	9,509	0	0	9,776	9,509
General government	6,161	6,489	0	0	6,161	6,489
Interest on long-term debt	1,241	1,179	0	0	1,241	1,179
Water	0	0	7,627	5,867	7,627	5,867
Sewer	0	0	7,172	7,092	7,172	7,092
Transit	0	0	1,020	1,867	1,020	1,867
Golf Course	0	0	1,604	1,488	1,604	1,488
Solid Waste	0	0	2,616	2,547	2,616	2,547
Storm Water	0	0	910	813	910	813
Airport	0	0	465	475	465	475
Parking	<u>0</u>	<u>0</u>	<u>37</u>	<u>137</u>	37	137
Total expenses	<u>56,335</u>	<u>58,292</u>	<u>21,451</u>	<u>20,286</u>	<u>77,786</u>	<u>78,578</u>
Increase in net assets before transfers	1,023	1,108	2,306	1,891	3,329	2,999
Transfers	77	58	(77)	(58)	0	0
Special item	<u>0</u>	<u>0</u>	<u>(692)</u>	<u>0</u>	(692)	0
Increase in net assets	1,100	1,166	1,537	1,833	2,637	2,999
Beginning net assets	101,267	100,101	63,797	61,964	165,064	162,065
Ending net assets	\$ <u>102,367</u>	<u>101,267</u>	<u>65,334</u>	<u>63,797</u>	<u>167,701</u>	<u>165,064</u>

For business type activities, program revenues increased 8.6% and general revenues decreased 35.2% over 2009 while expenses increased 5.7%. In 2010, the City parking garage was demolished and the City discontinued its parking operations. The capital assets related to parking operation were either disposed of or transferred to the governmental activities. As a result of discontinuing the parking operations, a loss

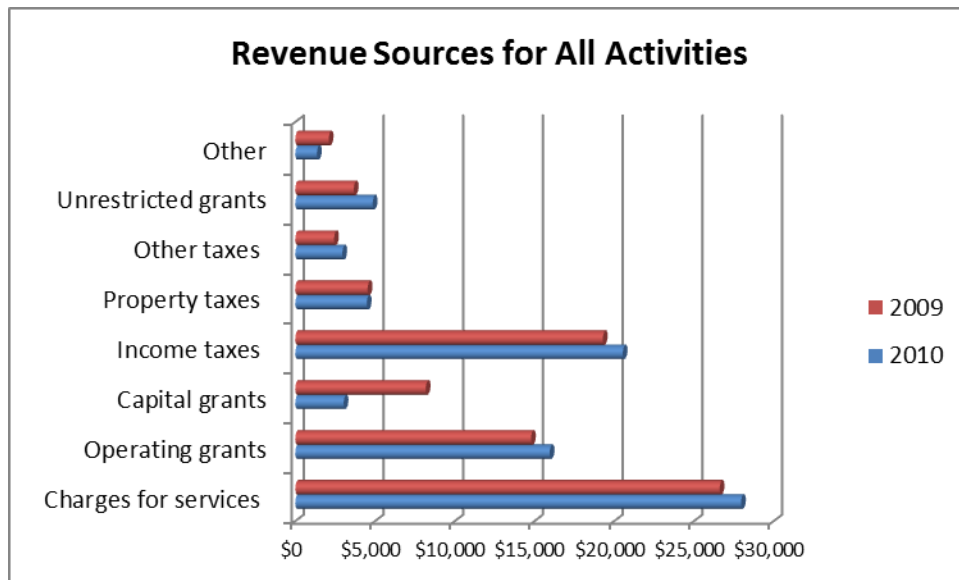
from discontinued operations of \$692 has been recorded in the financial statements and the land (\$17) has been transferred from the business type activities to the governmental activities.

Operating grants increased for the business type activities due to additional federal aid for the airport, Ohio Department of Development grant for the wellfield area (Water Fund), and operational transit grants. Although the operating grants increased, capital grants for the transit system were decreased in 2010. In 2009, capital grants allowed the bus engines to be replaced at the cost of approximately \$508.



Charges for service increased in 4.6% in 2010 due to water and sewer industrial usage. There was an increase in demand from our industrial consumers accompanied by an initiative to increase billing accuracy by installing new monitoring equipment throughout our delivery system.

Business type expense increases were due largely to increased bus route services for transit and brownfield demolition projects in the water and wellfield areas.



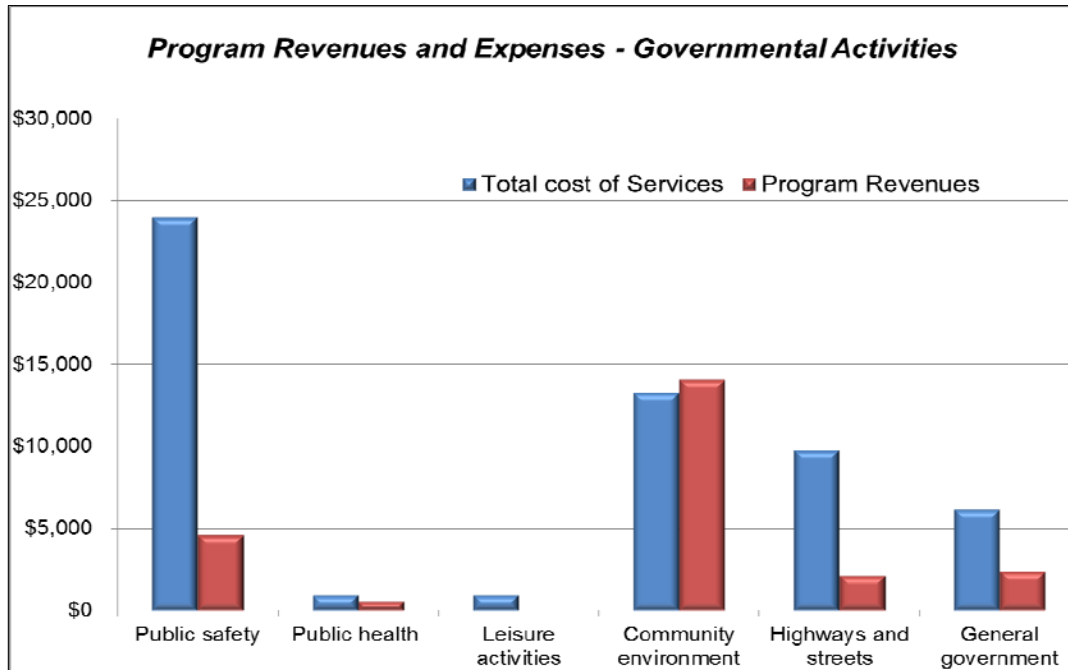
1) Governmental activities during 2010

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 42% compared to 48% in 2009 for the cost of its services with program revenues. Public safety, the City's most expensive program, covered about 19% of its costs with program revenues, which is the same level as 2009. Local tax receipts and other general revenues were used to fund the remaining costs of this service.

Community Environment, which relies heavily upon federal and state grants, covered 105% of its costs with those program revenues. Leisure activities dropped dramatically from 16% to 0% in the past year. A \$101 grant for the bike path was received in 2009 along with donations for the swimming pool which generated approximately \$76 whereas no grants were received and the swimming pool remained closed throughout 2010. Highways and streets activities relied on ARRA grants in 2009 which was reduced in 2010 causing a decline from 54% to 22% in program revenues for this activity.

Table 3
Governmental Activities

	<u>Total cost</u> <u>of Services</u>	<u>Program</u> <u>Revenues</u>	<u>Revenues</u> <u>as a % of</u> <u>Total Costs</u>	<u>Net Cost of</u> <u>Services</u>
Public safety	\$23,951	\$4,574	19%	\$19,377
Public health	941	536	57%	405
Leisure activities	947	2	0%	945
Community environment	13,318	14,049	105%	(731)
Highways and streets	9,776	2,136	22%	7,640
General government	6,161	2,382	39%	3,779
Interest on long-term debt	<u>1,241</u>	<u>0</u>	<u>0%</u>	<u>1,241</u>
Total	<u>\$56,335</u>	<u>\$23,679</u>	<u>42%</u>	<u>\$32,656</u>

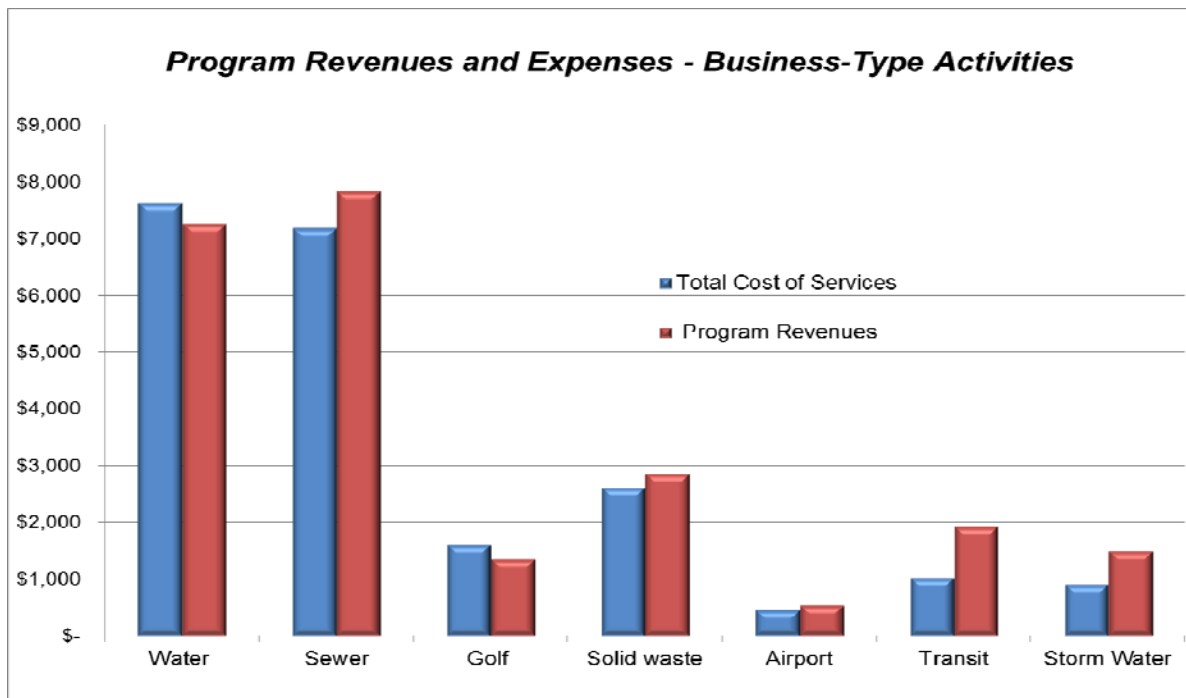


2) Business-type activities during 2010

The following table (in thousands) summarizes the business-type activities during 2010:

**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	\$ 7,627	\$ 7,250	95%	\$ (377)
Sewer	7,172	7,831	109%	659
Golf	1,604	1,358	85%	(246)
Solid waste	2,616	2,861	109%	245
Parking	37	-	0%	(37)
Airport	465	542	117%	77
Transit	1,020	1,928	189%	908
Storm Water	909	1,493	164%	584
Total	<u>\$ 21,450</u>	<u>\$ 23,263</u>	<u>108%</u>	<u>\$ 1,813</u>



The City attempts to break even on its business-type activities. All funds except Water, Golf and Parking had operating surpluses in 2010. The surpluses are used to accumulate earnings for future capital investments and debt payments. The parking garage operations ceased during 2010. The parking garage was demolished as it was more expensive to upkeep and maintain than to operate. The Golf Fund basically covers the cost of the daily operations but due to the debt service for past renovations, the revenues do not meet the total cost of services. The transit and airport funds rely upon grants and taxes to supplement their services.

III. THE CITY'S INDIVIDUAL FUNDS

A. Governmental funds

The financial statements for the City's governmental funds, using the modified accrual basis of accounting, are presented beginning on page 20. The City has forty-seven governmental funds, four of which are considered major funds. Assets of those four funds comprise approximately 65% of the total governmental funds' assets of \$62,596. The following table (in thousands) summarizes the activities of these four major funds.

Table 5
Financial Highlights
Major Governmental Funds

	General Fund	Housing Assistance	Special Assessment Debt Service	Capital Improvements
Total assets	\$ 21,799	13,863	3,351	1,859
Total liabilities	<u>9,760</u>	<u>11,538</u>	<u>3,317</u>	<u>1,050</u>
Fund balance	<u>12,039</u>	<u>2,325</u>	<u>34</u>	<u>809</u>
Unreserved fund balance	\$ <u>11,697</u>	<u>2,325</u>	<u>34</u>	<u>(1,501)</u>
Revenues	\$ 27,733	10,408	349	1,503
Expenditures	26,798	10,640	391	2,512
Other financing sources/uses	<u>(198)</u>	<u>-</u>	<u>-</u>	<u>1,007</u>
Net change in fund balance	\$ <u>737</u>	<u>(232)</u>	<u>(42)</u>	<u>(2)</u>

General Fund. Fund balance at the end of 2010 was \$12,039 including \$11,697 of unreserved fund balance. The General Fund's balance increased by \$737 in 2010. 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 decreased expenditures in 2010 including layoff of seven employees and decreasing programs such as building inspection and recreation programs. These measures were taken as a direct result of the current economic climate.

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 2010, there were approximately 1,480 authorized Section 8 units in the City of Middletown. Changes in fund balance for this fund are due to the timing of grant revenues for reimbursement of housing activities.

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. The deficit net change in fund balance is a reflection of delinquent accounts, another result of the current economic climate.

Capital Improvement Fund. This fund relies heavily upon grants for capital improvement projects. In 2010, the Capital Improvements Fund received less grants from state agencies for street improvements and bridge replacements. These improvements are encumbered for 2011 which is reflected in the unreserved fund balance of (\$1,501).

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	\$ 28,759	38,733	4,824	1,101
Total liabilities	<u>6,576</u>	<u>10,417</u>	<u>2,231</u>	<u>974</u>
Total net assets	<u>22,183</u>	<u>28,316</u>	<u>2,593</u>	<u>127</u>
Unrestricted net assets	<u>4,980</u>	<u>4,017</u>	<u>(876)</u>	<u>468</u>
Operating revenues	6,542	7,865	1,374	2,870
Operating expenses	7,404	6,776	1,553	2,581
Net non-operating revenues	646	(348)	(51)	(36)
Net contributions and transfers	<u>(30)</u>	<u>(30)</u>	<u>-</u>	<u>-</u>
Net change in net assets	\$ <u>(246)</u>	<u>712</u>	<u>(230)</u>	<u>254</u>

Water Fund. Water Fund rates are set to cover the fund's operating cost and to accumulate cash resources for future capital expenditures. Brownfield demolition projects in the wellfield areas have increased the operating expenses over the operating revenues. A 5% rate increase is planned for 2011.

Sewer Fund. The Sewer Fund ended 2010 with a positive change in net assets of \$712. The balance in the fund is to be used for large capital projects.

Golf Fund. The City Golf Fund lost \$230 in 2010. This fund owes the City's General Fund \$889 at the end of 2010 for a working capital loan. The plan is to repay this debt over the next few years.

Solid Waste Fund. The Solid Waste Fund charges to Middletown customers are set to cover the cost of the refuse contract with a private hauler and the annual debt service of \$267 on a landfill closure bond. At the end of 2010, the balance on these bond issues was \$744. These bonds will retire in 2013.

2) Internal service funds

Net assets 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 \$145 (page 155). 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. This fund maintains a required reserve for payments of claims for the time period of 90 to 120 days.

The other City internal service fund, the Municipal Garage Fund, ended the year with net assets of \$5,306. Money is being set aside for future vehicle purchases according to a multi-year plan developed by the Municipal Garage fleet manager. The Municipal Garage Fund cash balance at the end of 2010 was \$1,816 (page 155). This cash balance doubled due to reduced capital outlay purchases in 2010.

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 appropriation of \$27,173 was amended to \$27,437 with supplemental appropriations which are 1% of the original budget. The General Fund's actual expenditures on a cash basis (budget basis) were \$26,990 which is less than 1% under the amended budget.

Original 2010 appropriations were increased during the year by \$13,590 for all funds. The majority of these supplemental appropriations were for issuance and/or payment of bonds for capital projects.

V. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital assets

Capital assets are divided into two categories – depreciable and non-depreciable. Land and construction-in-progress are the only non-depreciable assets recorded for the City of Middletown. Construction-in-progress will be categorized with depreciable assets once the improvement project is completed with the exception of land. Depreciable assets include equipment, buildings, infrastructure or any other item that can be depreciated or value reduced over a period of time. Depreciation takes into account that assets will eventually become obsolete, worn out and/or of little value over a period of time.

The City had approximately \$159,783 in net capital assets in 2009 with a decrease of \$2,207 for 2010. The highlights include the following:

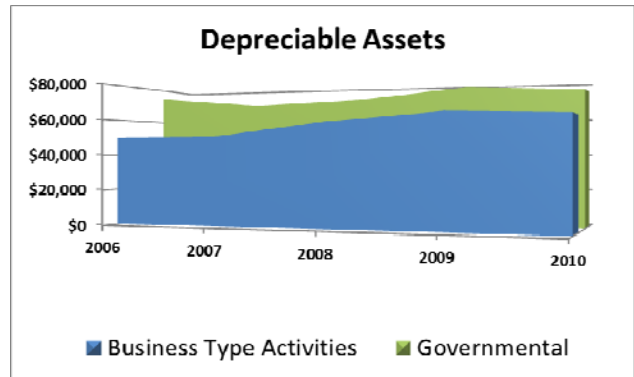
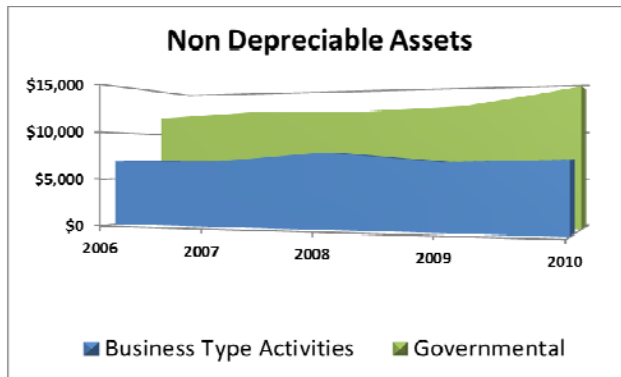
- 1) Governmental activities increased in non-depreciable assets: \$712 for land and \$1,075 for construction in progress. The Neighborhood Stabilization Program purchased property for revitalization programs totaling \$443. A total of \$217 was spent from the Downtown Improvements Fund for properties which will be used for economic development purposes.
- 2) Building purchases increased \$1,007 in the governmental activities. These purchases are for buildings on the land purchases stated above.

- 3) Land for business-type activities increased \$251 in 2010. These purchases were for right-of-way property for expansion of the storm water system.
- 4) Utility system improvements account for the majority of the infrastructure assets for business type activities which increased \$249 over the 2009 infrastructure total.

In 2009, there was a large increase in capital assets totaling \$9.9 million over 2008. The majority of the 2009 assets were due to developer contributions along with the sanitary sewer ATAD project.

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

		<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
Land	\$	13,395	7,092	20,487
Land improvements		454	793	1,247
Buildings		10,584	16,130	26,714
Equipment		6,723	6,382	13,105
Infrastructure		57,391	37,557	94,948
Construction in Progress		<u>1,075</u>	-	<u>1,075</u>
Total	\$	<u>89,622</u>	<u>67,954</u>	<u>157,576</u>



B. Debt

The City issued new general obligation debt of \$6,235 to finance improvements for the following:

- Construction of the Greentree Health Science Academy,
- Constructing a flat surface parking area in the downtown area,
- 2009 Sidewalk, Curb and Gutter program.

These bonds are reflected in the government activities on pages 54 and 55.

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

The City budgeted very conservatively for 2011. The budget process called for making significant cuts in 2010 to provide a solid budgetary plan. These cuts included lay-off of seven full time employees and elimination of seven vacant positions, reorganization of the Community Revitalization Department, no pay increases for non-union personnel, and elimination of the Recreation Division. All departments were affected but all agreed it was the best course of action. The 2011 budget expenditures are appropriated at 0.2% over the 2010 budget. A balanced budget will be achieved through the use of existing fund balances, debt issuance and other sources. In light of the economic climate, rate increases for water and sewer were not proposed even though our operational costs were rising.

Although budgets are tighter and the workforce is decreasing, there are a few bright spots.

A new health science academy is in the process of being built in the newly developed area east of Interstate 75. This facility will operate as a public/private partnership between the City, Atrium Medical Center, Miami University, Cincinnati State and Warren County Career Center to offer degrees in the field of health sciences. This partnership is the first of its kind and is being considered as a model for future developments. The city will provide the bond revenue to fund the building with Greentree Health Science Academy leasing the facility until the debt is paid. Once it is built, the Greentree Health Science Academy will be an innovative facility for housing programs and classes from high school to a master's degree under one roof on a hospital campus.

In December 2010, Cincinnati State Technical and Community College officials passed a resolution to partner with the City to establish a branch campus in Middletown. Initial startup will center on the school's culinary arts and hospitality programs. Negotiations are just beginning for this new venture.

The Pendleton Art Center, located downtown, will open its doors in the spring of 2011. Approximately fifty artists are expected to join the Center. This venture, along with the well-attended summer "Broadway Bash" concerts of local artists, has excited and rejuvenated the downtown area.

The capital improvement funds have budgeted \$9.3 million for various projects for 2011 which include the following (in thousands):

- Streets and bridges - \$4,075
- Traffic - \$225
- Parks - \$640
- Buildings - \$100
- Utility systems improvements - \$2,802
- Airport - \$200

The State recently announced that a new budget proposal would be cutting and/or reducing some of their funding to other entities and municipalities. These cuts and reductions include estate tax dividends and local government funding. These factors will have an effect on next year's budget.

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, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and equity in pooled cash, deposits and investments	\$ 31,467,044	\$ 14,506,501	\$ 45,973,545
Cash with fiscal and escrow agent	182,914	-	182,914
Receivables (net of allowance for uncollectibles):			
Income taxes	5,256,000	-	5,256,000
Property taxes	4,101,661	-	4,101,661
Payments in lieu of taxes	377,740	-	377,740
Estate taxes	74,011	-	74,011
Accounts	1,055,211	1,802,259	2,857,470
Loans	1,880,703	420,058	2,300,761
Intergovernmental	15,563,104	90,050	15,653,154
Special assessments	3,317,130	140,407	3,457,537
Inventory of supplies	797,525	485,982	1,283,507
Deferred charges	970,693	400,427	1,371,120
Internal balances	(548,954)	548,954	-
Capital assets, net			
Non-depreciable	14,470,239	7,092,233	21,562,472
Depreciable	<u>75,151,480</u>	<u>60,862,088</u>	<u>136,013,568</u>
Total assets	<u>154,116,501</u>	<u>86,348,959</u>	<u>240,465,460</u>
Liabilities			
Accounts payable and other current liabilities	2,452,256	983,603	3,435,859
Accrued wages and benefits	1,114,586	112,496	1,227,082
Other accrued liabilities	702,139	58,439	760,578
Accrued interest payable	104,349	40,050	144,399
Due to other governments	-	1,132	1,132
Due to other individuals	145,134	508,118	653,252
Unearned revenue	4,101,661	420,058	4,521,719
Notes payable	2,056,916	-	2,056,916
Non current liabilities:			
Due within one year	4,188,201	2,147,896	6,336,097
Due in more than one year	<u>36,884,248</u>	<u>16,743,251</u>	<u>53,627,499</u>
Total liabilities	<u>51,749,490</u>	<u>21,015,043</u>	<u>72,764,533</u>
Net Assets			
Invested in capital assets, net of related debt	59,237,229	49,710,801	108,948,030
Restricted for capital projects	7,371,886	-	7,371,886
Restricted for debt service	4,591,665	1,456,868	6,048,533
Restricted for housing assistance	13,702,169	-	13,702,169
Restricted for community development	4,506,533	-	4,506,533
Restricted for public safety	2,042,560	-	2,042,560
Restricted for roads	2,725,952	-	2,725,952
Restricted for other purposes	735,617	-	735,617
Unrestricted	<u>7,453,400</u>	<u>14,166,247</u>	<u>21,619,647</u>
Total net assets	<u>\$ 102,367,011</u>	<u>\$ 65,333,916</u>	<u>\$ 167,700,927</u>

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Public safety	\$ 23,950,832	\$ 4,349,781	\$ 223,790	\$ -	\$ (19,377,261)		\$ (19,377,261)
Public health and welfare	940,919	190,735	345,620	-	(404,564)		(404,564)
Leisure time activities	947,024	1,892	-	-	(945,132)		(945,132)
Community environment	13,318,014	550,421	12,902,302	596,123	730,832		730,832
Highways and streets	9,775,766	15,643	-	2,120,277	(7,639,846)		(7,639,846)
General government	6,160,682	2,382,324	-	-	(3,778,358)		(3,778,358)
Interest on long-term debt	1,241,212	-	-	-	(1,241,212)		(1,241,212)
Total governmental activities	<u>\$ 56,334,449</u>	<u>\$ 7,490,796</u>	<u>\$ 13,471,712</u>	<u>\$ 2,716,400</u>	<u>\$ (32,655,541)</u>		<u>\$ (32,655,541)</u>
Business-type activities:							
Water	\$ 7,626,766	\$ 6,499,935	\$ 749,999	\$ -	\$ -	\$ (376,832)	\$ (376,832)
Sewer	7,172,307	7,830,860	-	-	-	658,553	658,553
Golf Course	1,604,497	1,357,956	-	-	-	(246,541)	(246,541)
Solid Waste	2,616,410	2,860,671	-	-	-	244,261	244,261
Parking	36,601	-	-	-	-	(36,601)	(36,601)
Airport	464,510	251,521	290,891	-	-	77,902	77,902
Transit	1,020,124	165,781	1,440,406	321,712	-	907,775	907,775
Storm Water	909,651	1,493,166	-	-	-	583,515	583,515
Total business-type activities	<u>21,450,866</u>	<u>20,459,890</u>	<u>2,481,296</u>	<u>321,712</u>	<u>-</u>	<u>1,812,032</u>	<u>1,812,032</u>
Total	<u>\$ 77,785,315</u>	<u>\$ 27,950,686</u>	<u>\$ 15,953,008</u>	<u>\$ 3,038,112</u>	<u>\$ (32,655,541)</u>	<u>\$ 1,812,032</u>	<u>\$ (30,843,509)</u>
General revenues:							
Taxes:							
Income taxes					\$ 20,344,873	\$ 190,000	\$ 20,534,873
Property taxes					4,479,650	-	4,479,650
Other taxes					2,948,586	-	2,948,586
Payments in lieu of taxes					425,760	-	425,760
Grants and contributions not restricted to specific programs					4,851,745	-	4,851,745
Investment earnings					111,409	189,332	300,741
Miscellaneous					516,198	114,971	631,169
Transfers					76,782	(76,782)	-
Total general revenues and transfers					33,755,003	417,521	34,172,524
Loss on discontinued operations - Note 23					-	(692,447)	(692,447)
Change in net assets					1,099,462	1,537,106	2,636,568
Net assets beginning of year					101,267,549	63,796,810	165,064,359
Net assets end of year					<u>\$ 102,367,011</u>	<u>\$ 65,333,916</u>	<u>\$ 167,700,927</u>

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General	Housing Assistance
ASSETS:		
Cash and equity in pooled cash, deposits and investments	\$ 10,097,597	\$ 2,435,356
Cash with fiscal and escrow agent	182,914	-
Receivables (net of allowance for uncollectibles):		
Income taxes	5,256,000	-
Property taxes	3,022,064	-
Estate taxes	74,011	-
Accounts	832,815	-
Loans	-	-
Payments in lieu of taxes	-	-
Special assessments	-	-
Due from other funds	1,177,000	50,000
Due from other governments	1,143,566	11,377,504
Inventory of supplies	13,526	-
Total assets	\$ 21,799,493	\$ 13,862,860
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 526,538	\$ 15,557
Accrued wages and benefits	1,043,125	-
Other accrued liabilities	634,630	-
Due to other funds	117,408	-
Due to individuals	-	145,134
Notes payable	-	-
Deferred revenue	7,437,994	11,377,504
Total liabilities	9,759,695	11,538,195
Fund balances:		
Reserved for encumbrances	329,289	-
Reserved for inventory	13,526	-
Reserved for loans	-	-
Unreserved, reported in:		
General Fund	11,696,983	-
Special Revenue Funds	-	2,324,665
Debt Service Funds	-	-
Capital Project Funds	-	-
Total fund balances	12,039,798	2,324,665
Total liabilities and fund balances	\$ 21,799,493	\$ 13,862,860

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

Special Assessment Debt Service		Capital Improvements	Non Major Governmental Funds	Total Governmental Funds
\$	34,260	\$ 784,018	\$ 15,272,475	\$ 28,623,706
	-	-	-	182,914
	-	-	-	5,256,000
	-	647,399	432,198	4,101,661
	-	-	-	74,011
	-	-	193,717	1,026,532
	-	-	1,880,703	1,880,703
	-	-	377,740	377,740
	3,317,130	-	-	3,317,130
	-	385,000	1,199	1,613,199
	-	42,309	2,999,725	15,563,104
	-	-	565,708	579,234
\$	3,351,390	\$ 1,858,726	\$ 21,723,465	\$ 62,595,934
\$	-	\$ 342,466	\$ 559,561	\$ 1,444,122
	-	-	63,306	1,106,431
	-	17,757	45,379	697,766
	-	-	794,386	911,794
	-	-	-	145,134
	-	-	2,056,916	2,056,916
	3,317,130	689,708	3,489,422	26,311,758
	3,317,130	1,049,931	7,008,970	32,673,921
	-	2,309,593	5,925,906	8,564,788
	-	-	565,708	579,234
	-	-	1,880,703	1,880,703
	-	-	-	11,696,983
	-	-	4,121,523	6,446,188
	34,260	-	858,128	892,388
	-	(1,500,798)	1,362,527	(138,271)
	34,260	808,795	14,714,495	29,922,013
\$	3,351,390	\$ 1,858,726	\$ 21,723,465	\$ 62,595,934

**CITY OF MIDDLETOWN, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

Total governmental fund balances	\$ 29,922,013
<i>Amounts reported for governmental activities in the statement of activities are different due to the following:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	89,621,719
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	3,272,364
Intergovernmental and other receivables	18,937,733
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.	719,105
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	(30,515,638)
Special assessment bonds	(2,374,642)
Compensated absences	(5,026,955)
Pension obligation payable	(2,261,342)
GASB 45 life insurance liability	(645,098)
Accrued interest on long-term debt	(104,349)
Premium on bonds	(148,592)
Unamortized issuance costs	970,693
Net assets of governmental activities	<u>\$ 102,367,011</u>



**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2010**

	General	Housing Assistance
Revenues:		
Property taxes	\$ 3,418,236	\$ -
Municipal income taxes	14,370,444	-
Other taxes	-	-
Intergovernmental revenues	4,050,487	10,381,744
Charges for services	3,841,218	-
Fees, licenses, and permits	203,920	-
Fines and forfeits	197,188	-
Special assessments	-	-
Investment income	14,419	4,485
Contributions and donations	-	-
Miscellaneous	1,637,403	22,018
Total revenues	27,733,315	10,408,247
Expenditures:		
Current		
Public safety	18,831,465	-
Public health and welfare	-	-
Leisure time activities	829,245	-
Community environment	1,547,028	10,639,999
Highways and streets	-	-
General government	4,203,652	-
Miscellaneous	1,387,000	-
Debt service		
Principal retirement	-	-
Interest and fiscal charges	-	-
Total expenditures	26,798,390	10,639,999
Excess of revenues over (under) expenditures	934,925	(231,752)
Other financing sources (uses):		
Transfers-in	-	-
Transfers-out	(198,000)	-
Sale of bonds issued	-	-
Premium on bonds	-	-
Total other financing sources (uses)	(198,000)	-
Net change in fund balances	736,925	(231,752)
Fund balance, beginning of year	11,302,873	2,556,417
Fund balance, end of year	\$ 12,039,798	\$ 2,324,665

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

Special Assessment Debt Service	Capital Improvements Fund	Non Major Governmental Funds	Total Governmental Funds
\$ -	\$ 646,388	\$ 415,026	\$ 4,479,650
-	-	5,404,637	19,775,081
-	-	826,217	826,217
-	836,431	7,061,348	22,330,010
-	2,845	179,473	4,023,536
-	-	-	203,920
-	-	1,781,830	1,979,018
328,851	-	20,121	348,972
-	13,010	79,495	111,409
-	-	-	-
20,001	4,014	959,609	2,643,045
348,852	1,502,688	16,727,756	56,720,858
-	86,010	5,015,686	23,933,161
-	-	898,669	898,669
-	24,259	2,900	856,404
-	890,339	3,344,844	16,422,210
-	1,459,497	4,763,133	6,222,630
-	-	119,024	4,322,676
-	11,498	326,431	1,724,929
253,501	-	1,875,438	2,128,939
137,285	40,340	1,203,778	1,381,403
390,786	2,511,943	17,549,903	57,891,021
(41,934)	(1,009,255)	(822,147)	(1,170,163)
-	-	257,882	257,882
-	-	-	(198,000)
-	995,000	5,240,000	6,235,000
-	12,634	3,671	16,305
-	1,007,634	5,501,553	6,311,187
(41,934)	(1,621)	4,679,406	5,141,024
76,194	810,416	10,035,089	24,780,989
\$ 34,260	\$ 808,795	\$ 14,714,495	\$ 29,922,013

**CITY OF MIDDLETOWN, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Net change in fund balances - total governmental funds	\$ 5,141,024
<i>Amounts reported for governmental activities in the statement of activities are different due to the following:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period:	
Capital outlay	7,457,901
Depreciation expense	(8,135,541)
Disposal of capital assets	(195,733)
Revenues in the statement of activities that do not provide current financial resources are reported as revenues in the funds:	
Income taxes	569,792
Intergovernmental and other revenues	66,479
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	(90,246)
Bond and note issuance costs	236,086
Bond premiums on issue	(16,305)
Amortization of bond premiums	17,586
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	(6,200,000)
Issuance of special assessment bonds	(35,000)
Bond principal retirement	2,128,939
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	(23,235)
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	(157,614)
Unfunded pension liability	97,741
OPEB death benefit obligation	(23,037)
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>260,625</u>
Change in net assets of governmental activities	<u>\$ 1,099,462</u>



**CITY OF MIDDLETOWN, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010**

Business Type Activities - Enterprise Funds

	Water	Sewer	Golf Course
Assets			
Current assets:			
Equity in pooled cash and investments	\$ 5,910,834	\$ 4,128,214	\$ 4,814
Receivables			
Accounts	720,014	697,446	-
Loans	420,058	-	-
Due from other funds	-	-	-
Intergovernmental	-	-	-
Special Assessments	-	140,407	-
Inventory of supplies	242,004	181,924	62,054
Total current assets	7,292,910	5,147,991	66,868
Non Current Assets:			
Deferred charges	153,019	150,497	38,616
Capital assets:			
Land	1,152,665	152,500	3,611,550
Land Improvements	5,875	-	2,483,945
Infrastructure assets	26,415,458	43,558,352	-
Buildings	12,554,350	12,315,678	710,031
Equipment	5,738,567	9,947,157	291,124
Less: Accumulated depreciation	(24,553,170)	(32,538,336)	(2,378,177)
Total capital assets (net of accumulated depreciation)	21,313,745	33,435,351	4,718,473
Total noncurrent assets	21,466,764	33,585,848	4,757,089
Total assets	28,759,674	38,733,839	4,823,957
Liabilities			
Current liabilities:			
Accounts payable	425,436	222,484	14,931
Accrued wages and benefits	40,055	43,117	8,329
Other accrued liabilities	17,176	17,462	10,190
Accrued interest payable	5,822	23,675	3,515
Due to other funds	34,736	19,951	889,000
Due to other governments	1,132	-	-
Due to individuals	508,118	-	-
General obligation bonds payable	368,264	310,000	177,728
Lease obligation payable	389,302	389,302	-
Unearned revenue	420,058	-	-
Compensated absences (short term portion)	58,456	66,791	17,929
Other post employment benefits (short term)	20,906	14,065	360
Total current liabilities	2,289,461	1,106,847	1,121,982
Long-term liabilities:			
General obligation bonds payable	1,822,557	6,730,000	1,061,676
Premium on debt	32,353	150,497	10,257
Lease obligation	2,255,935	2,255,935	-
Compensated absences	118,684	135,606	36,400
Other post employment benefits	57,309	38,553	985
Total long-term liabilities	4,286,838	9,310,591	1,109,318
Total liabilities	6,576,299	10,417,438	2,231,300
Net Assets			
Invested in capital assets, net of related debt	16,445,334	23,599,617	3,468,812
Restricted for debt service	757,566	699,302	-
Unrestricted	4,980,475	4,017,482	(876,155)
Total net assets	\$ 22,183,375	\$ 28,316,401	\$ 2,592,657

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	
\$ 375,913	\$ 4,086,726	\$ 14,506,501	\$ 2,843,338	
288,262	96,537	1,802,259	28,679	
-	-	420,058	-	
-	-	-	286,797	
-	90,050	90,050	-	
-	-	140,407	-	
-	-	485,982	218,291	
664,175	4,273,313	17,445,257	3,377,105	
25,545	32,750	400,427	-	
382,600	1,792,918	7,092,233	195,750	
-	316,241	2,806,061	-	
-	2,957,090	72,930,900	-	
74,652	3,242,994	28,897,705	521,872	
-	3,469,551	19,446,399	10,334,868	
(46,451)	(3,702,843)	(63,218,977)	(7,858,198)	
410,801	8,075,951	67,954,321	3,194,292	
436,346	8,108,701	68,354,748	3,194,292	
1,100,521	12,382,014	85,800,005	6,571,397	
219,989	100,763	983,603	1,008,134	
-	20,995	112,496	8,155	
-	13,611	58,439	4,373	
1,974	5,064	40,050	-	
-	44,515	988,202	-	
-	-	1,132	-	
-	-	508,118	-	
243,728	65,000	1,164,720	-	
-	-	778,604	-	
-	-	420,058	-	
-	22,404	165,580	25,053	
-	3,661	38,992	6,486	
465,691	276,013	5,259,994	1,052,201	
500,407	1,440,000	11,554,640	-	
7,829	32,750	233,686	-	
-	-	4,511,870	-	
-	45,487	336,177	50,867	
-	10,031	106,878	17,776	
508,236	1,528,268	16,743,251	68,643	
973,927	1,804,281	22,003,245	1,120,844	
(341,163)	6,538,201	49,710,801	3,194,292	
-	-	1,456,868	-	
467,757	4,039,532	12,629,091	2,256,261	
\$ 126,594	\$ 10,577,733	\$ 63,796,760	\$ 5,450,553	

Adjustment to reflect consolidation of internal service fund activities	1,537,156
Total net assets from above	63,796,760
Net assets of business-type activities	\$ 65,333,916

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Business Type Activities - Enterprise Funds

	Water	Sewer	Golf Course
Operating revenues:			
Charges for services	\$ 6,499,935	\$ 7,830,860	\$ 1,357,956
Other operating revenue	42,379	34,814	16,440
Total operating revenues	6,542,314	7,865,674	1,374,396
Operating expenses:			
Personal services	2,152,700	2,211,471	705,175
Contractual services	2,670,659	2,237,990	155,195
Commodities	804,124	391,094	511,033
Depreciation	1,218,000	1,612,113	154,826
Other operating expenses	558,944	323,797	26,876
Total operating expenses	7,404,427	6,776,465	1,553,105
Operating income (loss)	(862,113)	1,089,209	(178,709)
Non-operating revenues (expenses):			
Interest revenue	96,978	48,110	-
Interest expense and fiscal charges	(200,494)	(395,842)	(51,392)
Operating grants	749,999	-	-
Income taxes	-	-	-
Gain on sale or disposal of capital assets	-	-	-
Total non-operating revenues (expenses)	646,483	(347,732)	(51,392)
Income (loss) before contributions and transfers	(215,630)	741,477	(230,101)
Capital contributions	-	-	-
Transfers-out	(29,941)	(29,941)	-
Income (loss) from continuing operations	(245,571)	711,536	(230,101)
Loss from discontinued operations See Note 23	-	-	-
Change in net assets	(245,571)	711,536	(230,101)
Total net assets, beginning of year	22,428,946	27,604,865	2,822,758
Total net assets, end of year	\$ 22,183,375	\$ 28,316,401	\$ 2,592,657

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	
\$ 2,860,671	\$ 1,910,468	\$ 20,459,890	\$ 7,728,753	
9,476	11,862	114,971	168,449	
2,870,147	1,922,330	20,574,861	7,897,202	
-	1,047,626	6,116,972	554,655	
2,578,957	633,125	8,275,926	5,801,548	
-	66,122	1,772,373	862,869	
1,659	443,488	3,430,086	847,062	
-	178,272	1,087,889	5,815	
2,580,616	2,368,633	20,683,246	8,071,949	
289,531	(446,303)	(108,385)	(174,747)	
-	44,244	189,332	17,546	
(35,794)	(62,253)	(745,775)	-	
-	1,731,297	2,481,296	-	
-	190,000	190,000	-	
-	-	-	47,975	
(35,794)	1,903,288	2,114,853	65,521	
253,737	1,456,985	2,006,468	(109,226)	
-	321,712	321,712	-	
-	(16,900)	(76,782)	-	
253,737	1,761,797	2,251,398	(109,226)	
-	(692,447)	(692,447)	-	
253,737	1,069,350	1,558,951	(109,226)	
(127,143)	9,508,383	62,237,809	5,559,779	
\$ 126,594	\$ 10,577,733	\$ 63,796,760	\$ 5,450,553	

Adjustment to reflect consolidation of Internal Service Fund Activities \$ (21,845)
Changes in net assets of enterprise funds 1,558,951
Changes in net assets of business-type activities \$ 1,537,106

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2010**

Business Type Activities - Enterprise Funds

	Water	Sewer	Golf Course
Cash flows from operating activities:			
Cash received from customers	\$ 6,394,276	\$ 7,582,554	\$ 1,361,106
Cash payments to suppliers for goods and services	(2,405,642)	(1,950,509)	(568,510)
Cash payments to employees for services	(1,807,370)	(1,865,668)	(652,852)
Miscellaneous revenues	64,663	34,814	16,372
Miscellaneous expenses	(107,513)	-	(24,922)
Cash received from interfund services provided	-	-	-
Cash payments for interfund services used	(1,442,959)	(1,398,161)	(53,644)
Net cash provided (used) by operating activities	695,455	2,403,030	77,550
Cash flows from non-capital financing activities:			
Operating grants	749,999	-	-
Advances from other funds	-	-	151,000
Transfers-out to other funds	(29,941)	(29,941)	-
Income taxes received	-	-	-
Net cash provided (used) by non-capital financing activities	720,058	(29,941)	151,000
Cash flows from capital and related financing activities:			
Sale of capital assets	-	-	-
Purchase of capital assets	(1,158,818)	(441,722)	(8,000)
Interest expense and fiscal charges	(183,732)	(396,467)	(47,002)
Repayment of debt principal	(360,062)	(300,000)	(175,090)
Repayment of capital lease obligation	(375,257)	(375,257)	-
Capital contributions	-	-	-
Net cash used by capital and related financing activities	(2,077,869)	(1,513,446)	(230,092)
Cash flows from investing activities:			
Interest income	96,978	48,110	-
Net cash provided by investing activities	96,978	48,110	-
Net change in cash and cash equivalents	(565,378)	907,753	(1,542)
Cash and pooled investments, beginning of year	6,476,212	3,220,461	6,356
Cash and pooled investments, end of year	\$ 5,910,834	\$ 4,128,214	\$ 4,814

Business Type Activities - Enterprise Funds			Governmental Activities -	
Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
\$ 2,855,477	\$ 1,953,988	\$ 20,147,401	\$ -	
(2,537,397)	(455,149)	(7,917,207)	(6,674,759)	
-	(935,710)	(5,261,600)	(465,544)	
9,476	5,298	130,623	254,405	
-	(3,237)	(135,672)	(52,385)	
-	-	-	8,355,155	
(20,000)	(1,180,616)	(4,095,380)	(87,226)	
307,556	(615,426)	2,868,165	1,329,646	
-	2,209,072	2,959,071	-	
-	(36,000)	115,000	-	
-	-	(59,882)	-	
-	190,000	190,000	-	
-	2,363,072	3,204,189	-	
-	7,000	7,000	100,830	
-	(1,596,374)	(3,204,914)	(551,911)	
(30,268)	(62,388)	(719,857)	-	
(234,411)	(65,000)	(1,134,563)	-	
-	-	(750,514)	-	
-	321,712	321,712	-	
(264,679)	(1,395,050)	(5,481,136)	(451,081)	
-	44,244	189,332	17,546	
-	44,244	189,332	17,546	
42,877	396,840	780,550	896,111	
333,036	3,689,886	13,725,951	1,947,227	
\$ 375,913	\$ 4,086,726	\$ 14,506,501	\$ 2,843,338	

continued

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2010**

Business Type Activities - Enterprise Funds

	Water	Sewer	Golf Course
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (862,113)	\$ 1,089,209	\$ (178,709)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,218,000	1,612,113	154,826
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable (net)	(105,659)	(248,306)	3,150
Decrease (increase) in special assessment receivable (net)	-	(140,407)	-
Decrease (increase) in inventory of supplies	45,216	1,336	91,046
Decrease (increase) in due from other funds	-	-	-
Increase (decrease) in accounts payable	268,761	77,978	6,210
Increase (decrease) in accrued wages and benefits	(19,035)	(18,844)	(4,858)
Increase (decrease) in other accrued liabilities	(687)	(1,345)	2,517
Increase (decrease) in due to other funds	20,906	6,831	-
Increase (decrease) in compensated absences payable	7,806	21,815	3,263
Increase (decrease) in post employment benefits	5,525	2,650	105
Increase (decrease) in due to other governments	141	-	-
Increase (decrease) in due to individuals	116,594	-	-
Total adjustments	1,557,568	1,313,821	256,259
Net cash provided (used) by operating activities	\$ 695,455	\$ 2,403,030	\$ 77,550

Business Type Activities - Enterprise Funds			Governmental Activities -	
Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
\$ 289,531	\$ (446,303)	\$ (108,385)	\$	(174,747)
1,659	443,488	3,430,086		847,062
(5,194)	41,506	(314,503)		(14,874)
-	-	(140,407)		-
-	-	137,598		(17,586)
-	-	-		626,402
21,560	46,082	420,591		60,519
-	(7,663)	(50,400)		(15,536)
-	173	658		(743)
-	(700,170)	(672,433)		-
-	7,685	40,569		14,758
-	(224)	8,056		4,391
-	-	141		-
-	-	116,594		-
18,025	(169,123)	2,976,550	\$	1,504,393
\$ 307,556	\$ (615,426)	\$ 2,868,165	\$	1,329,646

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2010**

	Total Agency Funds
Assets:	
Cash and equity in pooled cash, deposits and investments	\$ 129,915
Cash with fiscal and escrow agent	27,691
Property taxes receivable	106,440
Total assets	<u>\$ 264,046</u>
Liabilities:	
Due to other governments	\$ 172,763
Due to individuals	26,591
Unapportioned monies	64,692
Total liabilities	<u>\$ 264,046</u>

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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), Economic Development and Planning, Public Works (maintenance and construction of public improvements, water and sewer service, and waste disposal), Community Revitalization (public transit system 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) guidance for accounting and financial reporting issued on or before November 30, 1989 in its government-wide and proprietary fund financial statements to the extent that that guidance does 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, 2010**

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 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, 2010**

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.

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

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.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 bond issue in connection with the closing of the City landfill are also 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, 2010, 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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

have been recorded as a receivable. Since all assessments are due outside the available period, the entire amount has been deferred.

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

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

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

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, U. S. Treasury securities, and money market funds containing only U. S. Treasury and agency securities. Investments in U.S. Treasury 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, 2010.

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.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 2010, 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 Computer Replacement.

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:

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

INTERFUND TRANSFERS

Governmental Funds	Transfers In	Transfers Out
General Fund	\$0	\$198,000
Non Major Governmental Funds	257,882	0
Water Fund	0	29,941
Sewer Fund	0	29,941
Non Major Enterprise Funds*	<u>0</u>	<u>16,900</u>
Total	\$257,882	\$274,782

*During 2010, the business-type activities provided capital assets to the governmental activities in the amount of \$16,900 which is recorded as transfers in/out on the Statement of Activities. Therefore, transfers in and out do not equal.

The City's non-major governmental funds received \$257,882 in 2010 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 their 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 four firefighters), earn sick leave at the rate of ten hours per calendar month of service. Four 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 or greater are paid for one-half their accumulated unused sick leave up to a maximum of 464 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.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 1,564 hours.

At December 31, 2010, the total liability of the City for compensated absences was \$5,604,632.

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 2010.

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 2010 increased the original 2010 Appropriation Resolution by \$13,590,312 for all budgeted funds. The majority of these supplemental appropriations are due to four major factors: for payment of notes and issuance of bonds for providing off-street parking and demolishing an existing parking garage for the sum of \$1,999,000; for the issuance sale of a \$2,056,000 note industrial development revenue note for acquiring property for economic development purposes; an additional \$5,200,000 was appropriated for the issuance and sale of bonds for the purpose of constructing a community learning center known as the

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Greentree Health Science Academy; and an additional grant from the state of Ohio through the Clean Ohio Revitalization Fund was awarded for the demolition and remediation of a former paper mill that is located near the City's wellfield area for the sum of \$2,400,000.

Budgeted Level of Expenditures

Appropriations are made by fund and department. The legal level of control is set by fund followed by program or division within each fund. In 2011, the legal level of control is set by fund, department and/or division and by major object. 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 2010, 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, 2009, reflect an "Appropriation for prior year encumbrances."

**NOTE 3 - CASH AND EQUITY IN POOLED CASH, DEPOSITS AND INVESTMENTS,
CASH WITH FISCAL AND ESCROW AGENT**

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, 2010, are comprised of the following:

Deposits	
Petty Cash	\$ 6,225
Demand deposit accounts	<u>\$8,682,598</u>
Subtotal deposits	<u>\$8,688,823</u>
 Investments	
Money Market Funds	2,985,444
U.S. Government	31,029,763
STAR Ohio	<u>3,615,829</u>
Subtotal investments	<u>\$37,625,242</u>
 Total	 <u><u>\$46,314,065</u></u>

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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

Deposits

Custodial Credit Risk

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

At year-end, 9% (\$850,000) of the City's bank balance of \$9,728,151 was covered by Federal Deposit Insurance Corporation (FDIC).

The City's investments at December 31, 2010 are summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity Years</u>
US Treasury Bills	\$ 6,069,281	0.48
US Treasury Notes	24,954,688	0.94
Star Ohio	3,615,829	n/a
US Money Market Funds	<u>2,985,444</u>	n/a
	<u>\$ 37,625,242</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.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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

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 5705.36, the City's actual resources were less than estimated resources and appropriations were not adequately reduced resulting in deficit budgetary fund balances in the following funds:

<i>Fund</i>	<i>\$ Amount</i>
Neighborhood Stabilization Grant Fund	\$524,275
Capital Improvements Fund	\$1,846,334
2010 Sidewalk, Curb and Gutter Fund	\$93,906
Transit System Fund	\$196,420

The Neighborhood Stabilization Program Fund and Transit Fund variances are due to outstanding encumbrances at year end and will be corrected with ARRA reimbursement grants. The 2010 Sidewalk, Curb and Gutter Fund has an outstanding encumbrance and will be corrected when the special assessment bonds are issued. The Capital Improvements Fund deficit will be adjusted in 2011 by receipt of state grants for street improvements.

At December 31, 2010 (using the current financial resource measurement focus), the following funds had deficit fund balances:

Governmental Funds

- *Home Program Fund*
The \$19,726 deficit will be eliminated in 2011 with receipt of federal grant revenues for reimbursement of homeowners' assistance programs.
- *Police Pension Fund*
The \$10,929 deficit will be eliminated when the temporary loan is paid back to the General Fund in 2011.
- *Neighborhood Stabilization Fund*
The \$105,242 deficit will be eliminated in 2011 with receipt of federal grant revenues under the modified accrual basis of accounting.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

- *Downtown Improvements Fund*
The \$455,179 deficit will be eliminated when the developer purchases the property or bonds are sold.
- *2010 Sidewalk, Curb and Gutter Fund*
The \$382,636 deficit in this fund will be corrected when special assessment bonds are issued.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility 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 2010 taxes were collected was \$846,008,420. The full tax rate for all City operations for the fiscal year ended December 31, 2010, was \$5.90 per \$1,000 of assessed valuation.

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 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 public utility taxes and outstanding delinquencies that are measurable as of December 31, 2010. 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 2010 operations. The receivable is therefore offset by a credit to deferred revenue.

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.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

<i>GOVERNMENTAL ACTIVITIES</i>				
<i>Capital Asset</i>	<i>Beginning Balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Ending Balance</i>
Land	\$12,682,625	\$712,740	0	\$13,395,365
Construction in Progress	0	1,074,874	0	1,074,874
Land improvements	749,923	0	0	749,923
Buildings	24,277,596	1,006,935	0	25,284,531
Equipment	20,202,962	1,023,408	(748,980)	20,477,390
General infrastructure	<u>169,639,264</u>	<u>3,639,944</u>	<u>0</u>	<u>173,279,208</u>
<i>Total at Historical Cost</i>	<i>227,552,370</i>	<i>7,457,901</i>	<i>(748,980)</i>	<i>234,261,291</i>
Less accumulated depreciation:				
Land improvements	266,212	29,750	0	295,962
Buildings	14,092,106	608,888	0	14,700,994
Equipment	13,060,112	1,247,580	(553,247)	13,754,445
General infrastructure	<u>109,638,848</u>	<u>6,249,323</u>	<u>0</u>	<u>115,888,171</u>
<i>Total depreciation</i>	<i>137,057,278</i>	<i>8,135,541</i>	<i>(553,247)</i>	<i>144,639,572</i>
Capital Assets, Net	<i>\$90,495,092</i>	<i>(\$677,640)</i>	<i>(195,733)</i>	<i>\$89,621,719</i>

Depreciation was charged to governmental functions as follows:

Community environment	\$ 116,814
General government	1,262,506
Leisure	184,790
Public health and welfare	38,873
Public safety	424,655
Streets and highways	<u>6,107,903</u>
Total	<i>\$8,135,541</i>

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

<i>BUSINESS-TYPE ACTIVITIES</i>				
<i>Capital Asset</i>	<i>Beginning Balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Ending Balance</i>
Capital assets, not being depreciated:				
Land	6,840,571	268,562	(16,900)	7,092,233
Total capital assets, not being depreciated	6,840,571	268,562	(16,900)	7,092,233
Capital assets, being depreciated:				
Land improvements	2,806,061	0	0	2,806,061
Buildings	31,258,211	378,257	(2,738,763)	28,897,705
Equipment	18,967,774	629,295	(150,670)	19,446,399
General infrastructure	71,394,600	1,536,300	0	72,930,900
Total capital assets, being depreciated	124,426,646	2,543,852	(2,889,433)	124,081,065
Totals at Historical Cost	131,267,217	2,812,414	(2,906,333)	131,173,298
Less accumulated depreciation:				
Land improvements	1,884,177	145,420	(16,900)	2,012,697
Buildings	13,971,209	827,509	(2,031,505)	12,767,213
Equipment	12,037,007	1,169,148	(141,581)	13,064,574
General infrastructure	34,086,484	1,288,009	0	35,374,493
Total depreciation	61,978,877	3,430,086	(2,189,986)	63,218,977
Total capital assets, being depreciated, net	62,447,769	(886,234)	(699,447)	60,862,088
Capital Assets, Net	69,288,340	(617,672)	(716,347)	67,954,321

Depreciation was charged to business-type activities as follows:

Water	\$ 1,218,000
Sewer	1,612,113
Golf	154,826
Solid Waste	1,659
Non major funds	<u>443,488</u>
Total	\$3,430,086

During 2010, parking operations were discontinued and the business-type activities transferred land to the governmental activities.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 2010, 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 2010 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, 2008, 2009, and 2010 were \$1,669,530, \$1,875,342, and \$1,884,040 respectively, equal to the required contributions billed to the City by OPERS.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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. 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, 2008, 2009, and 2010 were \$2,344,317, \$2,298,244, and \$2,360,433 respectively, equal to the required contribution for each year.

Further post employment benefits are located in Note 15.

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, 2010, 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 \$895,147.

Year	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimate	Claims Payments	Balance At Fiscal Year End
2009	\$365,231	\$4,873,150	\$4,416,460	\$821,921
2010	\$821,921	\$5,085,921	\$5,012,695	\$895,147

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 10 - LONG TERM OBLIGATIONS

Long-term obligation of the City as of December 31, 2010 are as follows:

A. GOVERNMENTAL ACTIVITIES

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
1990 Street Improvements	12,000	0	12,000	0	0
1991 Street Improvements	45,000	0	25,000	20,000	20,000
1992 Street Improvements	6,000	0	2,000	4,000	2,000
1993 Street Improvements	28,000	0	7,000	21,000	7,000
1994 Street Improvements	25,000	0	5,000	20,000	5,000
1995-1 Street Improvements	65,000	0	10,000	55,000	10,000
1995-2 Street Improvements	45,000	0	7,000	38,000	7,000
1996 Street Improvements	95,000	0	10,000	85,000	10,000
1996 Sewer Imp.-Dick's Creek	72,624	0	9,078	63,546	9,078
1996 Sewer Imp.-Cin/Dayton Rd.	7,376	0	922	6,454	922
1997 Sophie Street Improvements	120,000	0	10,000	110,000	15,000
1997 Dix Road Improvements	100,000	0	10,000	90,000	10,000
1998 Lewis Street Improvements	45,000	0	5,000	40,000	5,000
1999 Marshall Road Improvements	280,000	0	20,000	260,000	25,000
2000 Burbank Street Improvements	130,000	0	10,000	120,000	10,000
2001 Illinois/Longfellow Improve.	166,940	0	32,559	134,381	10,853
2001 Dick's Creek	93,792	0	16,885	76,907	5,628
2001 Oxford State Rd Water Line	64,268	0	10,557	53,711	3,519
2001 Oxford State Rd Intersection	41,000	0	3,000	38,000	3,000
2004 Roosevelt Ave. Improvements	485,000	0	20,000	465,000	25,000
2006 Towne Blvd. Improvements	500,000	0	10,000	490,000	10,000
2007 Breiel/Fiesta Sidewalk, Curb	22,700	0	11,000	11,700	11,700
2007 Cincinnati Dayton Rd Sewer	139,000	0	6,000	133,000	6,000
2007 Fiesta Storm Sewer	4,443	0	500	3,943	600
2009 Sidewalk, Curb, & Gutter	0	35,000	0	35,000	5,000
Total Special Assessment Bonds	2,593,143	35,000	253,501	\$2,374,642	\$217,300

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

	Principal Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Principal Due Within One Year	Interest Paid in 2010
<i>General Obligation Bonds:</i>						
2008 Transportation	1,114,103	0	270,361	843,742	275,804	30,692
2008 Recreation	189,419	0	45,967	143,452	46,892	5,218
2008 Street Improvements	975,506	0	129,910	845,596	132,272	28,704
2008 Downtown Improvements	6,912,048	0	604,200	6,307,848	620,312	226,021
2003 Court of Appeals	3,065,000	0	175,000	2,890,000	180,000	114,638
2005 MRH Land	4,300,000	0	240,000	4,060,000	245,000	176,674
2006 Towne Blvd/SR 122/I-75	690,000	0	30,000	660,000	35,000	27,993
2006 Towne Blvd. Extension	2,415,000	0	145,000	2,270,000	155,000	96,149
SR 122/I-75 Interchange	6,530,000	0	235,000	6,295,000	240,000	253,048
2010 Downtown Parking Flat Lot	0	995,000	0	995,000	80,000	0
2010 Greentree Health Science Academy	0	5,205,000	0	5,205,000	0	0
2008 Premium	139,304	0	16,912	122,392	0	0
2009 Premium	10,569	0	551	10,018	0	0
2010 Premium	0	16,305	123	16,182	0	0
Total General Obligation Bonds	\$26,340,949	\$6,216,305	\$1,893,024	\$30,664,230	\$2,010,280	\$959,137
Compensated Absences	4,930,503	1,799,438	1,627,066	5,102,875	1,683,949	0
Police & Fire Pension						
Unfunded Accrued Liability	2,359,083	0	97,741	2,261,342	97,741	0
OPEB Death Benefit Obligation	641,932	123,792	96,364	669,360	178,931	0
Total Governmental Activities	\$36,865,610	\$8,174,535	\$3,967,696	\$41,072,449	\$4,188,201	\$959,137

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, 2010**

B. BUSINESS TYPE ACTIVITIES

	Principal Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Principal Due Within One Year	Interest Paid in 2010
<i>General Obligation Bonds:</i>						
2008 Landfill "A"	883,546	0	214,411	669,135	218,728	24,341
1994 Landfill "B"	95,000	0	20,000	75,000	25,000	5,928
2008 Water	882,931	0	214,262	668,669	218,576	24,324
2008 Golf Course	1,089,494	0	145,090	944,404	147,728	32,058
2008 Water	1,667,952	0	145,800	1,522,152	149,688	54,541
2003 Golf	325,000	0	30,000	295,000	30,000	14,945
2008 Airport	1,570,000	0	65,000	1,505,000	65,000	62,388
2008 Sewer	7,340,000	0	300,000	7,040,000	310,000	291,600
Premium	254,344	0	20,658	233,686	0	0
Total General Obligation Bonds Payable by Business Type Activities	\$14,108,267	\$0	\$1,155,221	\$12,953,046	\$1,164,720	\$510,125
Lease Obligation	6,040,988	0	750,514	5,290,474	778,604	209,734
Compensated Absences	461,188	156,373	115,804	501,757	165,580	0
OPEB Death Benefit Obligation	137,814	28,746	20,690	145,870	38,992	0
Total Business Type Activities	\$20,748,257	\$185,119	\$2,042,229	\$18,891,147	\$2,147,896	\$719,859

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
DECEMBER 31, 2010**

The City's legal debt margin was approximately \$65,023,000 at December 31, 2010. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2010 are as follows:

Police and Fire Pension Debt Schedule – 12/31/10			
	<u>Police</u>	<u>Fire</u>	<u>Total</u>
2011	\$52,217	\$45,524	\$97,741
2012	52,217	45,524	97,741
2013	52,217	45,524	97,741
2014	52,217	45,524	97,741
2015	52,217	45,524	97,741
2016-2020	261,085	227,620	488,705
2021-2025	261,085	227,620	488,705
2026-2030	261,085	227,620	488,705
2031-2034	163,800	142,722	306,522
Total	\$1,208,140	\$1,053,202	\$2,261,342

General Obligation and Assessment Bonds Schedule – 12/31/10						
	<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>
2011	\$2,010,280	\$1,278,537	\$3,288,817	\$217,300	\$124,452	\$341,752
2012	2,147,246	1,235,510	3,382,756	195,600	113,115	308,715
2013	2,272,843	1,171,762	3,444,605	194,700	102,655	297,355
2014	2,078,424	1,103,544	3,181,968	198,642	92,235	290,878
2015	2,146,622	1,033,094	3,179,716	213,700	81,200	294,900
2016-2020	10,380,223	3,900,400	14,280,624	749,700	258,078	1,007,778
2021-2025	6,030,000	1,928,883	7,958,883	594,000	89,877	683,877
2026-2030	3,450,000	651,134	4,101,134	11,000	523	11,523
Total	\$30,515,638	\$12,302,864	\$42,818,503	\$2,374,642	\$862,135	\$3,236,778

BUSINESS TYPE FUNDS – General Obligation Bonds Schedule 12/31/10			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$1,164,720	\$480,571	\$1,645,291
2012	1,197,754	449,975	1,647,729
2013	1,217,157	412,740	1,629,897
2014	761,576	374,906	1,136,482
2015	788,378	351,550	1,139,928
2016-2020	3,344,775	1,359,029	4,703,804
2021-2025	2,895,000	691,850	3,586,850
2026-2030	1,350,000	86,701	1,436,701
Total	\$12,719,360	\$4,207,322	\$16,926,682

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

BUSINESS TYPE FUNDS – Lease Obligation			
Schedule 12/31/10			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$778,604	\$181,644	\$960,248
2012	807,744	152,503	960,247
2013	837,975	122,272	960,247
2014	869,339	90,908	960,247
2015	901,875	58,372	960,247
2016- 2017	1,094,938	25,350	1,120,287
Total	\$5,290,474	\$631,049	\$5,921,523

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 2034. 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

In 2008 the City defeased various bond issues by creating separate irrevocable trust funds. New debt had been issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's financial statements. As of December 31, 2010, the amount of defeased debt outstanding amounted to \$11,750,000.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 12 - SHORT-TERM OBLIGATIONS

There were two short-term obligations in 2010. These short-term obligations consist of the following:

- (1) A renewal of a \$2,056,916 general obligation 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 2.0% per year was issued in January 2010. This note matures on January 14, 2011.
- (2) A \$995,000 note was issued June 29, 2010 for the downtown parking lot construction bearing an interest rate of 1.375% per year. This note matured on October 29, 2010 and was replaced with a bond.

General Obligation Notes

Issue	Balance, Beginning of Year	Additions	Note Retirement	Note Issue	Balance, End of Year
Land Purchase Note	\$2,056,916	\$0	\$2,056,916	\$2,056,916	\$2,056,916
Downtown Parking Lot	\$0	\$995,000	\$995,000	\$0	\$0

NOTE 13 - INTERFUND RECEIVABLES AND PAYABLES

The City's interfund receivables and payables at the end of 2010 were comprised of operating advances from the General Fund to other operating funds (\$1,177,000); operating advances from the Housing Assistance Fund (\$50,000) to the Home Fund; operating advances from the Capital Improvement Fund to the 2010 Sidewalk, Curb and Gutter Fund (\$385,000); and payments to the Municipal Garage Fund by the City operating funds for December 2010 services (\$286,797).

Inter-fund balances as of December 31, 2010 are as follows:

Fund	Receivables	Payables
Governmental Funds:		
General fund	\$1,177,000	\$117,408
Housing assistance	50,000	0
Capital improvement	385,000	0
Non major government funds	1,199	794,386
Total governmental funds	1,613,199	911,794
Enterprise Funds:		
Water	0	34,736
Sewer	0	19,951
Golf	0	889,000
Non major business type activities	0	44,515
Total enterprise funds	0	988,202
Internal Service Funds		
Internal service funds	286,797	0
Total internal service funds	286,797	0
Total all funds	\$1,899,996	\$1,899,996

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 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 2010, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

law enforcement employers contributed at 17.87%. 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.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care coverage 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 postemployment benefits were \$682,307, \$659,149 and \$697,119 for 2010, 2009 and 2008, respectively, which is 100% of the current required contributions for each year.

D. OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees 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.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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.

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.

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, 2010, 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 \$732,449 , \$711,628, and \$697,119, for 2010, 2009, and 2008 respectively, which is 100% of the required contributions for each year.

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.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 as follows:

<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

	12/31/2008	12/31/2009	12/31/2010
Number of active participants	None	None	None
Number of retired participants	357	360	361

B. Basic Valuation Results

<u>Actuarial Liability</u>	<u>Number</u>	<u>12/31/2008</u>	<u>Number</u>	<u>12/31/2009</u>	<u>Number</u>	<u>12/31/2010</u>
Regular Retirements	273	\$645,602	277	\$652,441	279	\$681,759
Disability Retirements	73	\$77,374	72	\$76,009	71	\$77,279
Waived Retirements	<u>11</u>	<u>\$51,502</u>	<u>11</u>	<u>\$51,296</u>	<u>11</u>	<u>\$56,192</u>
Subtotal	357	\$774,478	360	\$779,746	361	\$815,230
Valuation Asset		<u>\$0</u>		<u>\$0</u>		<u>\$0</u>
Unfunded Actuarial Liability		\$774,478		\$779,746		\$815,230

C. Annual Required Contribution

	For 2008	For 2009	For 2010
Normal Cost	\$0	\$0	\$0
Amortization payment of unfunded actuarial liability	\$68,766	\$68,491	\$74,278
Annual required contribution	\$68,766	\$68,491	\$74,278
Premiums paid	\$21,269	\$29,912	\$24,031

The above assumes the annual required contribution as of January 1, 2008 is to be equal to the 18 year amortization payment towards amortizing the unfunded Actual Accrued Liability.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

D. Actuarial methods and assumptions are as follows:

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)	6.0% 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 2010 was \$74,278. The City contributed premiums of \$24,031 leaving a current balance outstanding of \$50,247.

At December 31, 2010, the total actuarially calculated obligation for the plan is \$815,230. The current portion of this obligation is \$217,923 which represents the current balance outstanding for 2010 plus the unpaid balances for years prior to 2010.

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 information for this report.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 prior to January 1, 2006, the Pool retains casualty risk up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contribution to APEEP. APEEP reinsures claims exceeding \$250,000, and provides up to \$1,750,000 per claim.

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

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

Prior to January 1, 2009, Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 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. 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 reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

On or after January 1, 2009, Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$150,000 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 \$150,000 and \$500,000, Travelers will reinsure specific losses exceeding \$150,000 up to their \$600,000,000 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.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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, 2010 and 2009:

<u>Casualty & Property Coverage</u>	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets - Unrestricted	<u>\$20,631,198</u>	<u>\$21,118,036</u>

The Casualty Coverage assets and retained earnings above include approximately \$12.4 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010. PEP will collect these amounts in future annual premium billings when PEP'S related liabilities are due for payment. The District's share of these unpaid claims is approximately \$1,066,216. 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	
2007	\$454,763
2008	\$482,205
2009	\$537,813
2010	\$533,108

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool's primary liability for such payments. The Pool is a member of American Public Entity Excess Pool ("APEEP"), which is also administered by ARPCO. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. (At December 31, 2010 the Pool retained \$350,000 for casualty claims and \$150,000 for property claims). The Board of Directors and ARPCO periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

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.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 17 - SIGNIFICANT CONTRACTUAL OBLIGATIONS

As of December 31, 2010, 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
The Quandel Group, Inc	Construction of health science academy	\$4,502,749
Barrett Paving Materials, Inc.	local street improvements	\$1,839,091
Reliant Enterprises LLC	Bridge painting	\$479,921
Butler County Regional Transit	Bus shuttle service	\$332,358
Pendleton Middletown LLC	Art center project	\$250,000
Manchester Inn	Purchase of Manchester Hotel	\$225,000
Biotech Agronomics	Lime sludge removal	\$190,399
Software Solutions, Inc.	Upgrade software	\$181,980
SRW Environmental Services, Inc.	Clean Ohio Revitalization Aeronca Project	\$150,000
	Total	<u>\$ 8,151,498</u>

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 2009 Bond series which totals \$111,000,000. In 2010, Atrium called \$1,850,000 of the 2009 debt and replaced the 2006 debt series with an \$85,000,000 issue. Atrium Medical Center will repay the remainder of the debt; the City of Middletown is not obligated for this debt.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

City of Middletown conduit debt issues outstanding at December 31, 2010 include:

- \$12,250,000 demand revenue bonds issued on behalf of Fenwick High School in 2003,
- \$193,500,000 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.

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.

NOTE 22 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

In 2010 the City implemented GASB Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53 – *Accounting and Reporting for Derivative Instruments*. The implementation of these pronouncements did not have a material effect on the financial statements.

NOTE 23 – DISCONTINUED OPERATIONS

In 2010, the City discontinued its parking operations. The capital assets related to parking operation were either disposed of or transferred to the governmental activities. As a result of discontinuing the parking operations, a loss from discontinued operations of \$692,447 has been recorded in the financial statements and \$16,900 of land has been transferred from the business-type activities to the governmental activities.



**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 3,297,898	\$ 3,297,898	\$ 3,418,236	\$ 120,338
Municipal income taxes	13,403,629	13,403,629	14,280,949	877,320
Intergovernmental revenue	3,505,173	3,505,173	3,982,108	476,935
Charges for services	4,309,480	4,309,480	4,032,886	(276,594)
Fees, licenses, and permits	124,000	124,000	203,795	79,795
Fines and forfeits	209,053	209,053	208,660	(393)
Interest earnings	412,281	412,281	201,161	(211,120)
Miscellaneous	932,140	932,140	1,158,888	226,762
Total revenues	26,193,654	26,193,654	27,486,683	1,293,043
Expenditures:				
Current				
Public Safety				
Fire administration	207,223	207,223	201,081	6,142
Fire operations	7,308,273	7,308,273	7,338,503	(30,230)
Fire prevention/training	326,315	326,315	320,865	5,450
Police administration	301,871	301,871	299,609	2,262
Criminal investigation	1,362,066	1,362,066	1,344,161	17,905
Uniform patrol	5,847,689	5,847,689	5,828,305	19,384
Police services	371,976	371,976	382,179	(10,203)
Police and fire dispatch	1,186,440	1,186,440	1,123,887	62,553
Humane officer	81,841	81,841	100,072	(18,231)
Jail management	1,139,939	1,139,939	1,147,910	(7,971)
School crossing guards	17,000	17,000	13,125	3,875
Building inspection and services	250,959	250,959	255,585	(4,626)
Building maintenance	427,181	427,181	508,147	(80,966)
Total public safety	18,828,773	18,828,773	18,863,429	(26,697)
Leisure Activities				
Community center	211,078	230,728	202,973	27,755
Recreation	18,984	18,984	9,449	9,535
Parks maintenance	617,310	638,162	633,104	5,058
Total leisure activities	847,372	887,874	845,526	42,348

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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Community Environment				
Community revitalization administra	175,057	175,057	162,982	12,075
Neighborhood improvement	243,228	291,701	283,742	7,959
Community development	403,000	403,000	380,569	22,431
Street lighting	590,556	740,556	744,867	(4,311)
Total community environment	1,411,841	1,610,314	1,572,160	38,154
General Government				
City council	188,504	213,504	220,313	(6,809)
City manager	222,219	222,219	221,693	526
Finance administration	209,484	209,484	208,242	1,242
Treasurer	195,670	195,670	186,047	9,623
Taxation	526,993	526,993	540,344	(13,351)
Information systems	642,638	642,638	618,487	24,151
Personnel	381,069	381,069	321,498	59,571
Law	546,555	546,555	489,649	56,906
Purchasing	60,601	60,601	60,116	485
Planning	405,128	405,128	398,287	6,841
Economic development	262,866	262,866	254,011	8,855
Engineering	759,096	759,096	759,986	(890)
Parking Garage	20,000	20,000	19,994	6
Total general government	4,420,823	4,445,823	4,298,667	147,156
Miscellaneous				
Non-departmental	1,466,068	1,466,068	1,410,667	55,401
Total miscellaneous	1,466,068	1,466,068	1,410,667	55,401
Total expenditures	26,974,877	27,238,852	26,990,449	248,403

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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Excess of revenues over (under) expenditures	(781,223)	(1,045,198)	496,234	1,541,446
Other financing sources (uses)				
Loans to other funds	-	-	(128,000)	(128,000)
Transfers-out	(198,000)	(198,000)	(198,000)	-
Other sources	-	-	388,456	388,456
Other uses	-	-	(13,929)	(13,929)
Total other financing sources (uses)	(198,000)	(198,000)	48,527	(141,929)
Net change in fund balance	(979,223)	(1,243,198)	544,761	1,399,517
Fund balance, beginning of year	8,783,561	8,783,561	8,783,561	-
Appropriation for prior year encumbrances	310,060	310,060	310,060	-
Fund balance, end of the year	\$ 8,114,398	\$ 7,850,423	\$ 9,638,382	\$ 1,399,517

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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 11,852,918	\$ 11,852,918	\$ 10,337,766	\$ (1,515,152)
Interest earnings	22,600	22,600	4,485	(18,115)
Miscellaneous	70,000	70,000	22,018	(47,982)
Total revenues	11,945,518	11,945,518	10,364,269	(1,581,249)
Expenditures:				
Current				
Community Environment	12,055,723	12,055,723	10,626,131	1,429,592
Total expenditures	12,055,723	12,055,723	10,626,131	1,429,592
Excess of revenues over (under) expenditures	(110,205)	(110,205)	(261,862)	(151,657)
Other financing sources (uses):				
Other uses	-	-	(5,754)	(5,754)
Total other financing sources	-	-	(5,754)	(5,754)
Net change in fund balance	(110,205)	(110,205)	(267,616)	(157,411)
Fund balance, beginning of the year	2,702,972	2,702,972	2,702,972	-
Fund balance, end of the year	\$ 2,592,767	\$ 2,592,767	\$ 2,435,356	\$ (157,411)

See notes to the required supplementary informaton.

**CITY OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
GASB 45 SCHEDULES
DECEMBER 31, 2010**

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%
January 1, 2009	\$0	\$774,478	\$774,478	0%
January 1, 2010	\$0	\$795,688	\$795,688	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%
2009	\$69,736	\$23,836	34.18%
2010	\$74,278	\$24,031	32.35%

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	0	0	0	\$21,269	\$47,497	\$47,497
January 1, 2009	\$69,736	0	0	0	\$23,836	\$45,900	\$93,397
January 1, 2010	\$74,278	0	0	0	\$24,031	\$50,247	\$143,645

See notes to the required supplementary information.

**CITY OF MIDDLETOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010**

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 one major Special Revenue Fund are as follows:

	General Fund	Housing Assistance
GAAP basis (as reported)	\$736,925	(\$231,752)
Adjustments: revenue and other source accruals	141,824	(43,978)
Expenditures, encumbrances and other use accruals	(333,988)	8,114
Budget basis	\$544,761	(\$267,616)

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, 2010
Actuarial Cost Method	Single Premium Fully Paid Up Life Insurance Method
Amortization Method	18-year amortization payment of unfunded
Remaining Amortization Period	16 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

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2010**

SPECIAL REVENUE FUNDS:

Special Revenue 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.

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2010**

Non Major Special Revenue Funds continued:

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 INDIGENT DRIVERS INTERLOCK AND ALCOHOL MONITORING FUND

To accumulate funds for account for the alcohol/drug monitoring component of the court costs and fees collected by the Municipal Court.

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.

NEIGHBORHOOD STABILIZATION PROGRAM FUND

To account for monies received from the Department of Housing and Urban Development, as a result of the Housing and Economic Recovery Act of 2008, for specific neighborhood stabilization projects in concert with the City's community development block grant.

AMERICAN RECOVERY & REINVESTMENT ACT (ARRA) GRANT FUND

To account for financial assistance received from the Department of Housing and Urban Development, as a result of the American Recovery and Reinvestment Act of 2009, for specific community development block grant activities for efforts to stabilize neighborhoods and jobs.

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2010**

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.

EAST END/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.

AIRPORT/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.

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.

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.

MANCHESTER ROAD TAX INCREMENT FINANCING DISTRICT FUND

To account for the tax increment payments that will be used to retire debt associated with the redevelopment of the Manchester Road area.

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2010**

Non Major Debt Service Funds continued:

MADE INDUSTRIAL PARK TAX INCREMENT FINANCING DISTRICT FUND

To account for the tax increment payments that will be used to retire debt associated with the redevelopment of the Made Industrial Park area.

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:

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.

2009 SIDEWALK, CURB AND GUTTER FUND

To accumulate costs for the 2009 sidewalk project for designated areas. Property owners will be assessed for this project.

2010 SIDEWALK, CURB AND GUTTER FUND

To accumulate costs for the 2010 sidewalk project. Property owners will be assessed for this project.

**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2010**

	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	\$ 5,257,114	\$ 858,128	\$ 9,157,233	\$ 15,272,475
Receivables (net of allowance for uncollectibles):				
Property taxes	432,198	-	-	432,198
Accounts	185,731	-	7,986	193,717
Loans	1,880,703	-	-	1,880,703
Payment in lieu of taxes	-	377,740	-	377,740
Due from other funds	1,199	-	-	1,199
Due from other governments	2,995,318	4,407	-	2,999,725
Inventory of supplies	565,708	-	-	565,708
Total assets	\$ 11,317,971	\$ 1,240,275	\$ 9,165,219	\$ 21,723,465
Liabilities:				
Accounts payable	\$ 357,040	\$ -	\$ 202,521	\$ 559,561
Accrued wages and benefits	63,306	-	-	63,306
Other accrued liabilities	45,379	-	-	45,379
Due to other funds	409,386	-	385,000	794,386
Notes payable	-	-	2,056,916	2,056,916
Deferred revenue	3,107,275	382,147	-	3,489,422
Total liabilities	3,982,386	382,147	2,644,437	7,008,970
Fund balances:				
Reserved for encumbrances	767,651	-	5,158,255	5,925,906
Reserved for inventory	565,708	-	-	565,708
Reserved for loans	1,880,703	-	-	1,880,703
Unreserved and undesignated	4,121,523	858,128	1,362,527	6,342,178
Total fund balances	7,335,585	858,128	6,520,782	14,714,495
Total liabilities and fund balances	\$ 11,317,971	\$ 1,240,275	\$ 9,165,219	\$ 21,723,465

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
Revenues:				
Property taxes	\$ 415,026	\$ -	\$ -	\$ 415,026
Municipal income taxes	3,116,700	2,279,937	8,000	5,404,637
Other taxes	-	826,217	-	826,217
Intergovernmental revenues	6,932,483	-	128,865	7,061,348
Charges for services	179,473	-	-	179,473
Fines and forfeits	1,781,830	-	-	1,781,830
Special assessments	-	-	20,121	20,121
Investment income	32,457	498	46,540	79,495
Miscellaneous	435,253	457,724	66,632	959,609
Total revenues	12,893,222	3,564,376	270,158	16,727,756
Expenditures:				
Current				
Public safety	5,015,686	-	-	5,015,686
Public health and welfare	898,669	-	-	898,669
Leisure time activities	2,900	-	-	2,900
Community environment	2,455,035	-	889,809	3,344,844
Highways and streets	4,378,284	-	384,849	4,763,133
General government	-	-	119,024	119,024
Miscellaneous	293,976	28,285	4,170	326,431
Debt service				
Principal retirement	-	1,875,438	-	1,875,438
Interest and fiscal charges	-	959,137	244,641	1,203,778
Total expenditures	13,044,550	2,862,860	1,642,493	17,549,903
Excess of revenues over (under) expenditures	(151,328)	701,516	(1,372,335)	(822,147)
Other financing sources (uses):				
Transfers-in	-	-	257,882	257,882
Sale of bonds	-	151,261	5,088,739	5,240,000
Premium on bonds	-	-	3,671	3,671
Total other financing sources (uses)	-	151,261	5,350,292	5,501,553
Net change in fund balances	(151,328)	852,777	3,977,957	4,679,406
Fund balance, beginning of year	7,486,913	5,351	2,542,825	10,035,089
Fund balance, end of the year	\$ 7,335,585	\$ 858,128	\$ 6,520,782	\$ 14,714,495

**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2010**

	Auto & Gas Tax	Acquisition for Parks	Health Fund	Emergency Medical Services	Urban Development Action Grant	Court Computer- ization
Assets:						
Cash and equity in pooled cash, deposits and investments	\$ 1,315,453	\$ 107,492	\$ 59,973	\$ 25,513	\$ 134,291	\$ 54,160
Receivables (net of allowance for uncollectibles):						
Property taxes	-	-	-	-	-	-
Accounts	19,934	-	2,295	-	-	4,847
Loans	-	-	-	-	264,937	-
Due from other funds	-	-	-	-	-	-
Due from other governments	1,051,116	-	70,825	38,475	-	-
Inventory of supplies	565,708	-	-	-	-	-
Total assets	\$ 2,952,211	\$ 107,492	\$ 133,093	\$ 63,988	\$ 399,228	\$ 59,007
Liabilities:						
Accounts payable	\$ 127,759	\$ 2,900	\$ 26,220	\$ 38,793	\$ 5,000	\$ 13,218
Accrued wages and benefits	21,218	-	11,169	-	-	-
Other accrued liabilities	9,980	-	22,491	-	-	-
Due to other funds	67,302	-	428	-	-	-
Deferred revenue	878,305	-	62,973	3,937	-	-
Total liabilities	1,104,564	2,900	123,281	42,730	5,000	13,218
Fund balances:						
Reserved for encumbrances	137,023	-	-	3,949	15,000	-
Reserved for inventory	565,708	-	-	-	-	-
Reserved for loans	-	-	-	-	264,937	-
Unreserved and undesignated	1,144,916	104,592	9,812	17,309	114,291	45,789
Total fund balances	1,847,647	104,592	9,812	21,258	394,228	45,789
Total liabilities and fund balances	\$ 2,952,211	\$ 107,492	\$ 133,093	\$ 63,988	\$ 399,228	\$ 59,007

Law Enforcement Trust	Mandatory Drug Fine	Probation Services	Termination Pay	Indigent Driver Alcohol Treatment	Enforce- ment Education	Civic Develop- ment
\$ 62,558	\$ 285,682	\$ 269,900	\$ 539,975	\$ 34,269	\$ 32,702	\$ 181,887
-	-	-	-	-	-	-
-	2,857	8,327	-	540	480	45,466
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 62,558	\$ 288,539	\$ 278,227	\$ 539,975	\$ 34,809	\$ 33,182	\$ 227,353
\$ 470	\$ -	\$ 1,963	\$ -	\$ -	\$ -	\$ -
-	-	1,545	-	-	-	-
631	-	593	-	-	-	-
541	-	-	-	-	-	-
-	-	-	-	-	-	-
1,642	-	4,101	-	-	-	-
-	-	-	-	-	1,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
60,916	288,539	274,126	539,975	34,809	32,182	227,353
60,916	288,539	274,126	539,975	34,809	33,182	227,353
\$ 62,558	\$ 288,539	\$ 278,227	\$ 539,975	\$ 34,809	\$ 33,182	\$ 227,353

(continued)

**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2010**

	Municipal Court	Police Grant	Court IDIAM	Court Special Projects	Pool Fund	Home Program
Assets:						
Cash and equity in pooled cash, deposits and investments	\$ 556,492	\$ 177,769	\$ 9,594	\$ 418,446	\$ 17,946	\$ 34,222
Receivables (net of allowance for uncollectibles):						
Property taxes	-	-	-	-	-	-
Accounts	90,440	-	619	9,926	-	-
Loans	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	37,070	-	-	-	298,045
Inventory of supplies	-	-	-	-	-	-
Total assets	\$ 646,932	\$ 214,839	\$ 10,213	\$ 428,372	\$ 17,946	\$ 332,267
Liabilities:						
Accounts payable	\$ 18,534	\$ -	\$ -	\$ 3,019	\$ -	\$ 3,948
Accrued wages and benefits	28,604	770	-	-	-	-
Other accrued liabilities	11,684	-	-	-	-	-
Due to other funds	929	-	-	-	-	50,000
Deferred revenue	-	37,070	-	-	-	298,045
Total liabilities	59,751	37,840	-	3,019	-	351,993
Fund balances:						
Reserved for encumbrances	-	57,800	-	-	-	-
Reserved for inventory	-	-	-	-	-	-
Reserved for loans	-	-	-	-	-	-
Unreserved and undesignated	587,181	119,199	10,213	425,353	17,946	(19,726)
Total fund balances	587,181	176,999	10,213	425,353	17,946	(19,726)
Total liabilities and fund balances	\$ 646,932	\$ 214,839	\$ 10,213	\$ 428,372	\$ 17,946	\$ 332,267

Community Development	Community Development Escrow	Police Pension	Fire Pension	Neighborhood Stabilization Program	ARRA Act Grant	Totals
\$ 115,046	\$ 690,277	\$ 2,071	\$ 27,473	\$ 28,604	\$ 75,319	\$ 5,257,114
-	-	217,971	214,227	-	-	432,198
-	-	-	-	-	-	185,731
99,869	1,515,897	-	-	-	-	1,880,703
-	1,199	-	-	-	-	1,199
743,068	-	13,322	13,322	730,075	-	2,995,318
-	-	-	-	-	-	565,708
\$ 957,983	\$ 2,207,373	\$ 233,364	\$ 255,022	\$ 758,679	\$ 75,319	\$ 11,317,971
\$ 81,370	\$ -	\$ -	\$ -	\$ 33,846	\$ -	\$ 357,040
-	-	-	-	-	-	63,306
-	-	-	-	-	-	45,379
102,186	-	13,000	-	100,000	75,000	409,386
638,028	-	231,293	227,549	730,075	-	3,107,275
821,584	-	244,293	227,549	863,921	75,000	3,982,386
-	-	-	-	552,879	-	767,651
-	-	-	-	-	-	565,708
99,869	1,515,897	-	-	-	-	1,880,703
36,530	691,476	(10,929)	27,473	(658,121)	319	4,121,523
136,399	2,207,373	(10,929)	27,473	(105,242)	319	7,335,585
\$ 957,983	\$ 2,207,373	\$ 233,364	\$ 255,022	\$ 758,679	\$ 75,319	\$ 11,317,971

**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, 2010**

	Auto & Gas Tax	Acquisition for Parks	Health Fund	Emergency Medical Services	Urban Development Action Grant	Court Computer- ization
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	514,000	-	165,000	-	-	-
Intergovernmental revenues	2,146,588	-	293,053	34,538	-	-
Charges for services	-	-	179,473	-	-	-
Fines and forfeits	-	-	-	-	-	73,112
Interest earnings	19,199	-	-	-	4,009	-
Miscellaneous	134,329	-	13,405	-	-	-
Total revenues	2,814,116	-	650,931	34,538	4,009	73,112
Expenditures:						
Current						
Public safety	499,800	-	-	34,593	-	57,167
Public health and welfare	-	-	745,217	153,452	-	-
Leisure time activities	-	2,900	-	-	-	-
Community environment	-	-	-	-	220,597	-
Highways and streets	2,495,229	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	2,995,029	2,900	745,217	188,045	220,597	57,167
Net change in fund balances	(180,913)	(2,900)	(94,286)	(153,507)	(216,588)	15,945
Fund balance, beginning of year	2,028,560	107,492	104,098	174,765	610,816	29,844
Fund balance, end of the year	\$ 1,847,647	\$ 104,592	\$ 9,812	\$ 21,258	\$ 394,228	\$ 45,789

Law Enforcement Trust	Mandatory Drug Fine	Probation Services	Termination Pay	Indigent Driver Alcohol Treatment	Enforce- ment Education	Civic Develop- ment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	310,000	-	-	-
-	-	-	-	4,555	-	-
-	-	-	-	-	-	-
-	56,820	159,563	-	13,363	25,602	-
-	-	-	-	-	-	-
-	27,506	-	-	-	-	200,624
-	84,326	159,563	310,000	17,918	25,602	200,624
163,854	18,857	127,610	63,872	-	11,742	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	15,488	-	-	-
-	-	-	-	-	-	191,806
163,854	18,857	127,610	79,360	-	11,742	191,806
(163,854)	65,469	31,953	230,640	17,918	13,860	8,818
224,770	223,070	242,173	309,335	16,891	19,322	218,535
\$ 60,916	\$ 288,539	\$ 274,126	\$ 539,975	\$ 34,809	\$ 33,182	\$ 227,353

(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, 2010**

	Municipal Court	Police Grant	Court IDIAM	Court Special Projects	Pool Fund	Home Program
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	400,000	-	-	-	-	-
Intergovernmental revenues	-	57,041	-	-	-	364,924
Charges for services	-	-	-	-	-	-
Fines and forfeits	1,281,908	-	7,092	164,370	-	-
Interest earnings	-	2,220	-	-	-	-
Miscellaneous	20,028	21,600	-	-	-	-
Total revenues	1,701,936	80,861	7,092	164,370	-	364,924
Expenditures:						
Current						
Public safety	1,524,366	53,867	-	53,283	-	-
Public health and welfare	-	-	-	-	-	-
Leisure time activities	-	-	-	-	-	-
Community environment	-	-	-	-	-	398,143
Highways and streets	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	1,524,366	53,867	-	53,283	-	398,143
Net change in fund balances	177,570	26,994	7,092	111,087	-	(33,219)
Fund balance, beginning of year	409,611	150,005	3,121	314,266	17,946	13,493
Fund balance, end of the year	\$ 587,181	\$ 176,999	\$ 10,213	\$ 425,353	\$ 17,946	\$ (19,726)

Community Development	Community Development Escrow	Police Pension	Fire Pension	Neighborhood Stabilization Program	ARRA Act Grant	Totals
\$ -	\$ -	\$ 208,449	\$ 206,577	\$ -	\$ -	\$ 415,026
-	-	756,000	971,700	-	-	3,116,700
586,645	-	95,833	95,832	1,210,818	2,042,656	6,932,483
-	-	-	-	-	-	179,473
-	-	-	-	-	-	1,781,830
269	6,760	-	-	-	-	32,457
6,730	11,031	-	-	-	-	435,253
593,644	17,791	1,060,282	1,274,109	1,210,818	2,042,656	\$ 12,893,222
-	-	1,083,637	1,323,038	-	-	5,015,686
-	-	-	-	-	-	898,669
-	-	-	-	-	-	2,900
512,787	-	-	-	1,214,473	109,035	2,455,035
-	-	-	-	-	1,867,567	4,378,284
-	95,272	3,449	3,449	-	-	293,976
512,787	95,272	1,087,086	1,326,487	1,214,473	1,976,602	13,044,550
80,857	(77,481)	(26,804)	(52,378)	(3,655)	66,054	(151,328)
55,542	2,284,854	15,875	79,851	(101,587)	(65,735)	7,486,913
\$ 136,399	\$ 2,207,373	\$ (10,929)	\$ 27,473	\$ (105,242)	\$ 319	\$ 7,335,585

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 514,000	\$ 514,000	\$ 514,000	\$ -
Intergovernmental revenue	2,238,405	2,238,405	2,143,022	(95,383)
Interest earnings	23,089	23,089	19,199	(3,890)
Rentals and leases	-	-	300	300
Miscellaneous	149,161	149,161	114,095	(35,066)
Total revenues	2,924,655	2,924,655	2,790,616	(134,039)
Expenditures:				
Current				
Public safety:				
Electronic Maintenance	615,777	615,777	715,454	(99,677)
Total public safety	615,777	615,777	715,454	(99,677)
Highways and streets:				
Street Maintenance	1,931,218	2,076,218	1,985,588	90,630
Grounds Maintenance	699,017	699,018	672,725	26,293
Total highways and streets	2,630,235	2,775,236	2,658,313	116,923
Total expenditures	3,246,012	3,391,013	3,373,767	17,246
Net change in fund balance	(321,357)	(466,358)	(583,151)	(151,285)
Fund balance, beginning of the year	1,481,863	1,481,863	1,481,863	-
Appropriation for prior year encumbrances	196,017	196,017	196,017	-
Fund balance, end of the year	\$ 1,356,523	\$ 1,211,522	\$ 1,094,729	\$ (151,285)

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Charges for services	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Total revenues	5,000	5,000	-	(5,000)
Expenditures:				
Current				
Leisure activities	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	5,000	5,000	-	(5,000)
Fund balance, beginning of the year	107,492	107,492	107,492	-
Fund balance, end of the year	\$ 112,492	\$ 112,492	\$ 107,492	\$ (5,000)

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 165,000	\$ 165,000	\$ 165,000	\$ -
Intergovernmental revenue	314,603	314,603	353,876	39,273
Charges for services	194,072	194,072	177,330	(16,742)
Miscellaneous	103,000	103,000	13,405	(89,595)
Total revenues	776,675	776,675	709,611	(67,064)
Expenditures:				
Current				
Public health and welfare:				
Health State Subsidy	8,772	8,772	8,771	1
Immunization Action Plan	39,216	49,020	34,267	14,753
Public Health Infranstructure	26,650	26,650	26,241	409
Child & Family Services	82,965	93,388	93,384	4
OIMRI Grant Program	150,000	150,000	142,025	7,975
Health/Evironment Admin.	422,861	468,098	468,002	96
Total expenditures	730,464	795,928	772,690	23,238
Excess of revenues under expenditures	46,211	(19,253)	(63,079)	(43,826)
Other financing sources uses:				
Other uses	-	-	(296)	(296)
Total other financing uses	-	-	(296)	(296)
Net change in fund balance	46,211	(19,253)	(63,375)	(44,122)
Fund balance, beginning of the year	123,348	123,348	123,348	-
Fund balance, end of the year	\$ 169,559	\$ 104,095	\$ 59,973	\$ (44,122)

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ -	\$ 140,800	\$ -	\$ (140,800)
Total revenues	-	140,800	-	(140,800)
Expenditures:				
Current				
Public safety	210,000	210,000	157,401	52,599
Total expenditures	210,000	210,000	157,401	52,599
Net change in fund balance	(210,000)	(69,200)	(157,401)	(88,201)
Fund balance, beginning of the year	148,669	148,669	148,669	-
Appropriation for prior year encumbrances	30,296	30,296	30,296	-
Fund balance, end of the year	\$ (31,035)	\$ 109,765	\$ 21,564	\$ (88,201)

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 6,440	\$ 6,440	\$ 4,009	\$ (2,431)
Miscellaneous	180,000	180,000	44,437	(135,563)
Total revenues	186,440	186,440	48,446	(137,994)
Expenditures:				
Current				
Community environment:	250,000	300,000	230,422	69,578
Total expenditures	250,000	300,000	230,422	69,578
Net change in fund balance	(63,560)	(113,560)	(181,976)	(68,416)
Fund balance, beginning of the year	301,267	301,267	301,267	-
Fund balance, end of the year	\$ 237,707	\$ 187,707	\$ 119,291	\$ (68,416)

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeitures	\$ 76,000	\$ 76,000	\$ 73,721	\$ (2,279)
Total revenues	76,000	76,000	73,721	(2,279)
Expenditures:				
Current				
Miscellaneous	100,000	100,000	43,948	56,052
Total expenditures	100,000	100,000	43,948	56,052
Net change in fund balance	(24,000)	(24,000)	29,773	53,773
Fund balance, beginning of the year	24,387	24,387	24,387	-
Fund balance, end of the year	\$ 387	\$ 387	\$ 54,160	\$ 53,773

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 120,000	\$ 120,000	\$ -	\$ (120,000)
Total revenues	120,000	120,000	-	(120,000)
Expenditures:				
Current				
Public safety:	200,828	200,828	162,212	38,616
Total expenditures	200,828	200,828	162,212	38,616
Net change in fund balance	(80,828)	(80,828)	(162,212)	(81,384)
Fund balance, beginning of the year	224,770	224,770	224,770	-
Fund balance, end of the year	\$ 143,942	\$ 143,942	\$ 62,558	\$ (81,384)

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 30,000	\$ 30,000	\$ 31,263	\$ 1,263
Intergovernmental revenue	370,000	370,000	24,233	(345,767)
Miscellaneous	-	-	27,506	27,506
Total revenues	400,000	400,000	83,002	(316,998)
Expenditures:				
Current				
Public safety:	30,000	78,000	22,509	55,491
Total expenditures	30,000	78,000	22,509	55,491
Net change in fund balance	370,000	322,000	60,493	(261,507)
Fund balance, beginning of the year	225,189	225,189	225,189	-
Fund balance, end of the year	\$ 595,189	\$ 547,189	\$ 285,682	\$ (261,507)

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 150,000	\$ 150,000	\$ 160,170	\$ 10,170
Total revenues	150,000	150,000	160,170	10,170
Expenditures:				
Current				
Public safety	149,585	149,585	126,227	23,358
Total expenditures	149,585	149,585	126,227	23,358
Net change in fund balance	415	415	33,943	33,528
Fund balance, beginning of the year	235,957	235,957	235,957	-
Fund balance, end of the year	\$ 236,372	\$ 236,372	\$ 269,900	\$ 33,528

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income Tax	\$ 270,000	\$ 310,000	\$ 310,000	\$ -
Total revenues	270,000	310,000	310,000	-
Expenditures:				
Current				
Personal services:				
Public safety	240,000	240,000	90,483	149,517
Public health & welfare	10,000	10,000	-	10,000
Leisure time activities	10,000	10,000	8,766	1,234
Community environment	35,000	75,000	15,052	59,948
General government	30,000	30,000	29,787	213
Highways & streets	25,000	25,000	15,488	9,512
Total expenditures	350,000	390,000	159,576	230,424
Net change in fund balance	(80,000)	(80,000)	150,424	230,424
Fund balance, beginning of the year	389,551	389,551	389,551	-
Fund balance, end of the year	\$ 309,551	\$ 309,551	\$ 539,975	\$ 230,424

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 25,000	\$ 25,000	\$ 13,327	\$ (11,673)
Intergovernmental revenue	-	-	4,556	4,556
Total revenues	25,000	25,000	17,883	(7,117)
Expenditures:				
Current				
Public safety	25,000	25,000	-	25,000
Total expenditures	25,000	25,000	-	25,000
Net change in fund balance	-	-	17,883	17,883
Fund balance, beginning of the year	16,386	16,386	16,386	-
Fund balance, end of the year	\$ 16,386	\$ 16,386	\$ 34,269	\$ 17,883

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 7,000	\$ 7,000	\$ 25,721	\$ 18,721
Total revenues	7,000	7,000	25,721	18,721
Expenditures:				
Current				
Public Safety	12,975	12,975	12,741	234
Total expenditures	12,975	12,975	12,741	234
Net change in fund balance	(5,975)	(5,975)	12,980	18,955
Fund balance, beginning of year	18,722	18,722	18,722	-
Fund balance, end of the year	\$ 12,747	\$ 12,747	\$ 31,702	\$ 18,955

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ 222,200	\$ 222,200	\$ 199,197	\$ (23,003)
Total revenues	222,200	222,200	199,197	(23,003)
Expenditures:				
Current				
Miscellaneous	203,640	203,640	191,806	11,834
Total expenditures	203,640	203,640	191,806	11,834
Net change in fund balance	18,560	18,560	7,391	(11,169)
Fund balance, beginning of the year	159,646	159,646	159,646	-
Appropriation for prior year encumbrances	14,850	14,850	14,850	-
Fund balance, end of the year	\$ 193,056	\$ 193,056	\$ 181,887	\$ (11,169)

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 400,000	\$ 400,000	\$ 400,000	\$ -
Fines and forfeits	1,168,838	1,168,838	1,371,091	202,253
Miscellaneous	9,274	9,274	20,028	10,754
Total revenues	1,578,112	1,578,112	1,791,119	213,007
Expenditures:				
Current				
Public safety:	1,533,000	1,533,000	1,531,431	1,569
Total expenditures	1,533,000	1,533,000	1,531,431	1,569
Net change in fund balance	45,112	45,112	259,688	214,576
Fund balance, beginning of the year	296,804	296,804	296,804	-
Fund balance, end of the year	\$ 341,916	\$ 341,916	\$ 556,492	\$ 214,576

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 139,973	\$ 139,973	\$ 55,301	\$ (84,672)
Interest earnings	1,000	1,000	2,220	1,220
Miscellaneous	-	-	23,340	23,340
Total revenues	140,973	140,973	80,861	(60,112)
Expenditures:				
Current				
Public safety:				
Step Grant	-	-	24,398	(24,398)
Dare Grant	30,000	-	-	-
Body Armor Grant	-	28,700	33,400	(4,700)
Local Police Grants	-	30,000	10,666	19,334
Block Grant	-	-	145	(145)
Byrne Memorial Grant	109,973	109,973	43,750	66,223
Total expenditures	139,973	168,673	112,359	56,314
Net change in fund balance	1,000	(27,700)	(31,498)	(3,798)
Fund balance, beginning of the year	151,467	151,467	151,467	-
Fund balance, end of the year	\$ 152,467	\$ 123,767	\$ 119,969	\$ (3,798)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COURT IDIAM FUND
FOR YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines & forfeits	\$ 5,000	\$ 5,000	\$ 7,023	\$ 2,023
Total revenues	5,000	5,000	7,023	2,023
Expenditures:				
Current				
Public safety:	5,000	5,000	-	5,000
Total expenditures	5,000	5,000	-	5,000
Net change in fund balance	-	-	7,023	7,023
Fund balance, beginning of the year	2,571	2,571	2,571	-
Fund balance, end of the year	\$ 2,571	\$ 2,571	\$ 9,594	\$ 7,023

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines & forfeits	\$ 150,000	\$ 150,000	\$ 165,725	\$ 15,725
Total revenues	150,000	150,000	165,725	15,725
Expenditures:				
Current				
Public safety:	250,000	250,000	54,111	195,889
Total expenditures	250,000	250,000	54,111	195,889
Net change in fund balance	(100,000)	(100,000)	111,614	211,614
Fund balance, beginning of the year	306,832	306,832	306,832	-
Fund balance, end of the year	\$ 206,832	\$ 206,832	\$ 418,446	\$ 211,614

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
POOL FUND
FOR YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Community environment:	-	17,497	-	17,497
Total expenditures	-	17,497	-	17,497
Net change in fund balance	-	(17,497)	-	17,497
Fund balance, beginning of the year	17,946	17,946	17,946	-
Fund balance, end of the year	\$ 17,946	\$ 449	\$ 17,946	\$ 17,497

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 443,832	\$ 443,832	\$ 362,062	\$ (81,770)
Miscellaneous	-	-	2,862	2,862
Total revenues	443,832	443,832	364,924	(78,908)
Expenditures:				
Current				
Community environment:	400,000	440,000	410,052	29,948
Total expenditures	400,000	440,000	410,052	29,948
Net change in fund balance	43,832	3,832	(45,128)	(48,960)
Fund balance, beginning of the year	79,350	79,350	79,350	-
Fund balance, end of the year	\$ 123,182	\$ 83,182	\$ 34,222	\$ (48,960)

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 808,961	\$ 808,961	\$ 481,605	\$ (327,356)
Interest earnings	-	-	269	269
Miscellaneous	5,000	5,000	6,730	1,730
Total revenues	813,961	813,961	488,604	(325,357)
Expenditures:				
Current				
Community environment:	808,961	857,873	512,656	345,217
Total expenditures	808,961	857,873	512,656	345,217
Net change in fund balance	5,000	(43,912)	(24,052)	19,860
Fund balance, beginning of the year	90,186	90,186	90,186	-
Fund balance, end of the year	\$ 95,186	\$ 46,274	\$ 66,134	\$ 19,860

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 6,300	6,300	6,762	\$ 462
Miscellaneous	88,000	88,000	176,876	88,876
Total revenues	94,300	94,300	183,638	89,338
Expenditures:				
Current				
Community Environment	242,000	242,000	15,758	226,242
Total expenditures	242,000	242,000	15,758	226,242
Excess of revenues over (under) expenditures	(147,700)	(147,700)	167,880	315,580
Other financing sources (uses):				
Other uses	-	-	(5,315)	(5,315)
Total other financing uses	-	-	(5,315)	(5,315)
Net change in fund balance	(147,700)	(147,700)	162,565	310,265
Fund balance, beginning of the year	527,712	527,712	527,712	-
Fund balance, end of the year	\$ 380,012	\$ 380,012	\$ 690,277	\$ 310,265

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 264,275	\$ 264,275	\$ 208,449	\$ (55,826)
Intergovernmental revenue	76,000	76,000	95,833	19,833
Municipal income taxes	756,000	756,000	756,000	-
Total revenues	1,096,275	1,096,275	1,060,282	(35,993)
Expenditures:				
Current				
Public safety:	1,088,086	1,088,086	1,087,086	1,000
Total expenditures	1,088,086	1,088,086	1,087,086	1,000
Excess of revenues over (under) expenditures	8,189	8,189	(26,804)	(34,993)
Other financing sources (uses):				
Other sources		-	13,000	13,000
Total other financing sources (uses)	-	-	13,000	13,000
Net change in fund balance	8,189	8,189	(13,804)	(21,993)
Fund balance, beginning of the year	15,875	15,875	15,875	-
Fund balance, end of the year	\$ 24,064	\$ 24,064	\$ 2,071	\$ (21,993)

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 264,275	\$ 264,275	\$ 206,577	\$ (57,698)
Intergovernmental revenue	76,000	76,000	95,833	19,833
Municipal income taxes	971,700	971,700	971,700	-
Total revenues	1,311,975	1,311,975	1,274,110	(37,865)
Expenditures:				
Current				
Public safety:	1,337,025	1,337,025	1,326,488	10,537
Total expenditures	1,337,025	1,337,025	1,326,488	10,537
Net change in fund balance	(25,050)	(25,050)	(52,378)	(27,328)
Fund balance, beginning of the year	79,851	79,851	79,851	-
Fund balance, end of the year	\$ 54,801	\$ 54,801	\$ 27,473	\$ (27,328)

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
NEIGHBORHOOD STABILIZATION PROGRAM FUND
FOR YEAR ENDED DECEMBER 31, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 2,200,000	\$ 2,200,000	\$ 1,210,818	\$ (989,182)
Total revenues	2,200,000	2,200,000	1,210,818	(989,182)
Expenditures:				
Current				
Community environment:	2,200,000	2,200,000	1,746,799	453,201
Total expenditures	2,200,000	2,200,000	1,746,799	453,201
Net change in fund balance	-	-	(535,981)	(535,981)
Fund balance, beginning of the year	(103,294)	(103,294)	(103,294)	-
Appropriation for prior year encumbrances	115,000	115,000	115,000	-
Fund balance, end of the year	\$ 11,706	\$ 11,706	\$ (524,275)	\$ (535,981)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
AMERICAN RECOVERY AND REINVESTMENT ACT GRANT FUND
FOR YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 3,000,000	\$ 3,000,000	\$ 2,308,910	\$ (691,090)
Total revenues	3,000,000	3,000,000	2,308,910	(691,090)
Expenditures:				
Current				
Community environment:	3,000,000	3,000,000	2,244,541	755,459
Total expenditures	3,000,000	3,000,000	2,244,541	755,459
Net change in fund balance	-	-	64,369	64,369
Fund balance, beginning of the year	10,950	10,950	10,950	-
Fund balance, end of the year	\$ 10,950	\$ 10,950	\$ 75,319	\$ 64,369



**CITY OF MIDDLETOWN, OHIO
 COMBINING BALANCE SHEET
 NON MAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2010**

	General Obligation Debt Service	East End - Towne Blvd Tax Increment Financing District	Downtown Tax Increment Financing District	Aeronca Tax Increment Financing District	Airport - Riverfront Tax Increment Financing District
Assets					
Cash and equity in pooled cash, deposits and investments	\$ 328,658	\$ 219,212	\$ 13,343	\$ 1,944	\$ 2,665
Receivables (net of allowance for uncollectibles):					
Payments in lieu of taxes	-	189,882	14,535	650	1,613
Due from other governments	4,407	-	-	-	-
Total assets	\$ 333,065	\$ 409,094	\$ 27,878	\$ 2,594	\$ 4,278
Liabilities					
Deferred revenue	\$ 4,407	\$ 189,882	\$ 14,535	\$ 650	\$ 1,613
Total liabilities	4,407	189,882	14,535	650	1,613
Fund balance:					
Unreserved and undesignated	328,658	219,212	13,343	1,944	2,665
Total fund balance	328,658	219,212	13,343	1,944	2,665
Total liabilities and fund balance	\$ 333,065	\$ 409,094	\$ 27,878	\$ 2,594	\$ 4,278

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	Manchester Road Tax Increment Financing District	Made Industrial Park Tax Increment Financing	Totals
\$ 22,643	\$ 127,339	\$ 125,622	\$ 16,037	\$ 378	\$ 287	\$ 858,128
10,202	119,454	35,073	6,044	-	287	377,740
-	-	-	-	-	-	4,407
\$ 32,845	\$ 246,793	\$ 160,695	\$ 22,081	\$ 378	\$ 574	\$ 1,240,275
\$ 10,202	\$ 119,454	\$ 35,073	\$ 6,044	\$ -	\$ 287	\$ 382,147
10,202	119,454	35,073	6,044	-	287	382,147
22,643	127,339	125,622	16,037	378	287	858,128
22,643	127,339	125,622	16,037	378	287	858,128
\$ 32,845	\$ 246,793	\$ 160,695	\$ 22,081	\$ 378	\$ 574	\$ 1,240,275

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON MAJOR DEBT SERVICE FUNDS
FOR YEAR ENDED DECEMBER 31, 2010**

	General Obligation Debt Service	East End - Towne Blvd Tax Increment Financing District	Downtown Tax Increment Financing District	Aeronca Tax Increment Financing District	Airport - Riverfront Tax Increment Financing District
Revenues					
Municipal income taxes	\$ 2,279,937	\$ -	\$ -	\$ -	\$ -
Other taxes	-	251,505	31,530	4,818	4,743
Investment income	498	-	-	-	-
Miscellaneous revenues	303,347	112,313	-	-	-
Total revenues	2,583,782	363,818	31,530	4,818	4,743
Expenditures					
Debt service					
Principal retirement	1,875,438	-	-	-	-
Interest and fiscal charges	959,137	-	-	-	-
Miscellaneous	-	2,220	4,413	555	2,086
Total expenditures	2,834,575	2,220	4,413	555	2,086
Excess of revenues over (under) expenditures	(250,793)	361,598	27,117	4,263	2,657
Other financing sources (uses)					
Sale of bonds	151,261	-	-	-	-
Total other financing sources (uses)	151,261	-	-	-	-
Net change in fund balance	(99,532)	361,598	27,117	4,263	2,657
Fund balance, beginning of the year	428,190	(142,386)	(13,774)	(2,319)	8
Fund balance, end of the year	\$ 328,658	\$ 219,212	\$ 13,343	\$ 1,944	\$ 2,665

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	Manchester Road Tax Increment Financing District	Made Industrial Park Tax Increment Financing	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,279,937
32,919	385,558	96,616	17,479	-	1,049	826,217
-	-	-	-	-	-	498
-	24,922	10,445	6,697	-	-	457,724
32,919	410,480	107,061	24,176	-	1,049	3,564,376
-	-	-	-	-	-	1,875,438
-	-	-	-	-	-	959,137
18,249	-	-	-	-	762	28,285
18,249	-	-	-	-	762	2,862,860
14,670	410,480	107,061	24,176	-	287	701,516
-	-	-	-	-	-	151,261
-	-	-	-	-	-	151,261
14,670	410,480	107,061	24,176	-	287	852,777
7,973	(283,141)	18,561	(8,139)	378	-	5,351
\$ 22,643	\$ 127,339	\$ 125,622	\$ 16,037	\$ 378	\$ 287	\$ 858,128

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 389,490	\$ 389,490	\$ 304,505	\$ (84,985)
Miscellaneous	-	-	24,345	24,345
Total revenues	389,490	389,490	328,850	(60,640)
Expenditures:				
Debt service	391,493	391,493	370,784	20,709
Total expenditures	391,493	391,493	370,784	20,709
Net change in fund balance	(2,003)	(2,003)	(41,934)	(39,931)
Fund balance, beginning of the year	76,194	76,194	76,194	-
Fund balance, end of the year	\$ 74,191	\$ 74,191	\$ 34,260	\$ (39,931)

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 2,279,937	\$ 2,279,937	\$ 2,279,937	\$ -
Interest earnings	-	-	498	498
Miscellaneous	289,638	289,638	303,346	13,708
Total revenues	2,569,575	2,569,575	2,583,781	14,206
Expenditures:				
Debt service	2,844,575	2,844,575	2,834,574	10,001
Total expenditures	2,844,575	2,844,575	2,834,574	10,001
Excess of revenues under expenditures	(275,000)	(275,000)	(250,793)	24,207
Other financing sources:				
Proceeds from bonds	-	151,261	151,261	-
Total other financing sources	-	151,261	151,261	-
Net change in fund balance	(275,000)	(123,739)	(99,532)	24,207
Fund balance, beginning of the year	428,190	428,190	428,190	-
Fund balance, end of the year	\$ 153,190	\$ 304,451	\$ 328,658	\$ 24,207

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 EAST END/TOWNE BLVD TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 150,000	\$ 150,000	\$ 251,506	\$ 101,506
Total revenues	150,000	150,000	251,506	101,506
Expenditures:				
Current				
Miscellaneous	120,000	120,000	63,845	56,155
Total expenditures	120,000	120,000	63,845	56,155
Net change in fund balance	30,000	30,000	187,661	157,661
Fund balance, beginning of the year	31,551	31,551	31,551	-
Fund balance, end of the year	\$ 61,551	\$ 61,551	\$ 219,212	\$ 157,661

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 28,000	\$ 28,000	\$ 15,766	\$ (12,234)
Total revenues	28,000	28,000	15,766	(12,234)
Expenditures:				
Current				
Miscellaneous	22,400	22,400	3,651	18,749
Total expenditures	22,400	22,400	3,651	18,749
Net change in fund balance	5,600	5,600	12,115	6,515
Fund balance, beginning of the year	1,228	1,228	1,228	-
Fund balance, end of the year	\$ 6,828	\$ 6,828	\$ 13,343	\$ 6,515

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 2,420	\$ 2,420	\$ 2,409	\$ (11)
Total revenues	2,420	2,420	2,409	(11)
Expenditures:				
Current				
Miscellaneous	2,600	3,700	1,759	1,941
Total expenditures	2,600	3,700	1,759	1,941
Net change in fund balance	(180)	(1,280)	650	1,930
Fund balance, beginning of the year	1,294	1,294	1,294	-
Fund balance, end of the year	\$ 1,114	\$ 14	\$ 1,944	\$ 1,930

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 AIRPORT/RIVERFRONT TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 2,102	\$ 2,102	\$ 1,614	\$ (488)
Total revenues	2,102	2,102	1,614	(488)
Expenditures:				
Current				
Miscellaneous	2,347	2,347	-	2,347
Total expenditures	2,347	2,347	-	2,347
Net change in fund balance	(245)	(245)	1,614	1,859
Fund balance, beginning of the year	1,051	1,051	1,051	-
Fund balance, end of the year	\$ 806	\$ 806	\$ 2,665	\$ 1,859

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 13,140	\$ 13,140	\$ 10,202	\$ (2,938)
Total revenues	13,140	13,140	10,202	(2,938)
Expenditures:				
Current				
Miscellaneous	16,092	16,092	-	16,092
Total expenditures	16,092	16,092	-	16,092
Net change in fund balance	(2,952)	(2,952)	10,202	13,154
Fund balance, beginning of the year	12,441	12,441	12,441	-
Fund balance, end of the year	\$ 9,489	\$ 9,489	\$ 22,643	\$ 13,154

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 TOWNE MALL/HOSPITAL TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 227,579	\$ 327,579	\$ 385,557	\$ 57,978
Total revenues	227,579	327,579	385,557	57,978
Expenditures:				
Current				
Miscellaneous	218,476	318,476	269,526	48,950
Total expenditures	218,476	318,476	269,526	48,950
Net change in fund balance	9,103	9,103	116,031	106,928
Fund balance, beginning of the year	11,308	11,308	11,308	-
Fund balance, end of the year	\$ 20,411	\$ 20,411	\$ 127,339	\$ 106,928

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 RENAISSANCE NORTH TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 114,186	\$ 114,186	\$ 96,615	\$ (17,571)
Total revenues	114,186	114,186	96,615	(17,571)
Expenditures:				
Current				
Miscellaneous	109,618	109,618	62,400	47,218
Total expenditures	109,618	109,618	62,400	47,218
Net change in fund balance	4,568	4,568	34,215	29,647
Fund balance, beginning of the year	91,407	91,407	91,407	-
Fund balance, end of the year	\$ 95,975	\$ 95,975	\$ 125,622	\$ 29,647

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
RENAISSANCE SOUTH TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 31,030	\$ 31,030	\$ 17,478	\$ (13,552)
Total revenues	31,030	31,030	17,478	(13,552)
Expenditures:				
Current				
Miscellaneous	1,871	21,871	11,592	10,279
Total expenditures	1,871	21,871	11,592	10,279
Net change in fund balance	29,159	9,159	5,886	(3,273)
Fund balance, beginning of the year	10,151	10,151	10,151	-
Fund balance, end of the year	\$ 39,310	\$ 19,310	\$ 16,037	\$ (3,273)

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 MANCHESTER ROAD TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Miscellaneous	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of the year	378	378	378	-
Fund balance, end of the year	\$ 378	\$ 378	\$ 378	\$ -

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 MADE INDUSTRIAL PARK TAX INCREMENT FINANCING FUND
 FOR YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ -	\$ -	\$ 287	\$ 287
Total revenues	-	-	287	287
Expenditures:				
Current				
Miscellaneous	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	287	287
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ -	\$ -	\$ 287	\$ 287

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2010**

	East End Development	Downtown Improvements	Computer Replacement	Property Development	2009 Sidewalk, Curb and Gutter	2010 Sidewalk, Curb and Gutter	Totals
Assets							
Cash and equity in pooled cash, deposits and investments	\$ 4,859,862	\$ 1,636,901	\$ 1,813,445	\$ 846,874	\$ -	\$ 151	\$ 9,157,233
Receivables (net of allowance for uncollectibles):							
Receivables	-	5,773	-	-	-	2,213	7,986
Total assets	\$ 4,859,862	\$ 1,642,674	\$ 1,813,445	\$ 846,874	\$ -	\$ 2,364	\$ 9,165,219
Liabilities							
Accounts payable	\$ 130,595	\$ 40,937	\$ 22,639	\$ 8,350	\$ -	\$ -	\$ 202,521
Notes payable	-	2,056,916	-	-	-	-	2,056,916
Due to other funds	-	-	-	-	-	385,000	385,000
Total liabilities	130,595	2,097,853	22,639	8,350	-	385,000	2,644,437
Fund balances:							
Reserved for encumbrances	4,372,154	463,280	201,363	27,401	-	94,057	5,158,255
Unreserved and undesignated	357,113	(918,459)	1,589,443	811,123	-	(476,693)	1,362,527
Total fund balances	4,729,267	(455,179)	1,790,806	838,524	-	(382,636)	6,520,782
Total liabilities and fund balances	\$ 4,859,862	\$ 1,642,674	\$ 1,813,445	\$ 846,874	\$ -	\$ 2,364	\$ 9,165,219

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR CAPITAL PROJECT FUNDS
FOR YEAR ENDED DECEMBER 31, 2010**

	East End Development	Downtown Improvements	Computer Replacement	Property Development	2009 Sidewalk, Curb and Gutter	2010 Sidewalk, Curb and Gutter	Totals
Revenues							
Municipal income taxes	\$ -	\$ -	\$ 8,000	\$ -	\$ -	\$ -	\$ 8,000
Intergovernmental revenues	-	-	128,865	-	-	-	128,865
Special Assessments	-	-	-	-	20,121	-	20,121
Investment income	1,346	24,172	21,022	-	-	-	46,540
Miscellaneous	-	37,715	15,500	11,204	-	2,213	66,632
Total revenues	1,346	61,887	173,387	11,204	20,121	2,213	270,158
Expenditures							
Current							
Community environment	130,595	560,146	-	199,068	-	-	889,809
Highways and streets	-	-	-	-	-	384,849	384,849
General government	-	-	119,024	-	-	-	119,024
Miscellaneous	4,170	-	-	-	-	-	4,170
Debt service							
Interest and fiscal charges	198,050	46,395	-	-	196	-	244,641
Total expenditures	332,815	606,541	119,024	199,068	196	384,849	1,642,493
Excess of revenues over (under) expenditures	(331,469)	(544,654)	54,363	(187,864)	19,925	(382,636)	(1,372,335)
Other financing sources (uses)							
Transfers-in	-	-	257,882	-	-	-	257,882
Sale of bonds issued	5,053,739	-	-	-	35,000	-	5,088,739
Premium on bonds	2,983	-	-	-	688	-	3,671
Total other financing sources (uses)	5,056,722	-	257,882	-	35,688	-	5,350,292
Net change in fund balances	4,725,253	(544,654)	312,245	(187,864)	55,613	(382,636)	3,977,957
Fund balance, beginning of year	4,014	89,475	1,478,561	1,026,388	(55,613)	-	2,542,825
Fund balance, end of the year	\$ 4,729,267	\$ (455,179)	\$ 1,790,806	\$ 838,524	\$ -	\$ (382,636)	\$ 6,520,782

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 730,182	\$ 730,182	\$ 646,388	\$ (83,794)
Intergovernmental revenue	3,370,245	3,370,245	836,431	(2,533,814)
Charges for services	20,000	20,000	2,845	(17,155)
Interest earnings	30,000	30,000	13,010	(16,990)
Miscellaneous	452,000	452,000	4,015	(447,986)
Total revenues	4,602,427	4,602,427	1,502,689	(3,099,739)
Expenditures:				
Current				
Public safety	50,000	50,000	93,347	(43,347)
Leisure time activities	545,000	545,000	159,495	385,505
Community environment	-	995,000	1,015,368	(20,368)
Highways and streets	3,965,000	3,965,000	3,638,528	326,472
General government	-	-	11,498	(11,498)
Debt Service				
Principal retirement	-	995,000	995,000	-
Interest expense	-	-	4,560	(4,560)
Total expenditures	4,560,000	6,550,000	5,917,796	632,204
Excess of revenues over (under) expenditures	42,427	(1,947,573)	(4,415,107)	(2,467,535)
Other financing sources (uses):				
Other uses	-	-	(349,730)	(349,730)
Proceeds from bonds	-	-	1,007,634	1,007,634
Proceeds from notes	-	1,000,000	997,060	(2,940)
Total other financing sources (uses)	-	1,000,000	1,654,964	654,964
Net change in fund balance	42,427	(947,573)	(2,760,143)	(1,812,571)
Fund balance, beginning of the year	230,900	230,900	230,900	-
Appropriation for prior year encumbrances	682,909	682,909	682,909	-
Fund balance, end of the year	\$ 956,236	\$ (33,764)	\$ (1,846,334)	\$ (1,812,571)

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ -	\$ -	\$ 1,345	\$ 1,345
Total revenues	-	-	1,345	1,345
Expenditures:				
Current				
Community environment	-	5,009,779	4,502,749	507,030
Debt Service				
Issuance costs	-	207,832	207,832	-
Total expenditures	-	5,217,611	4,710,581	507,030
Excess of revenues under expenditures	-	(5,217,611)	(4,709,236)	508,375
Other financing sources:				
Other uses	-	(4,015)	(4,015)	-
Proceeds from bonds	-	5,217,611	5,048,739	(168,872)
Premium on bonds	-	-	17,611	17,611
Total other financing sources	-	5,213,596	5,062,335	(151,261)
Net change in fund balance	-	(4,015)	353,099	357,114
Fund balance, beginning of the year	4,014	4,014	4,014	-
Fund balance, end of the year	\$ 4,014	\$ (1)	\$ 357,113	\$ 357,114

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 50,000	\$ 50,000	\$ 24,173	\$ (25,827)
Miscellaneous	-	-	31,941	31,941
Total revenues	50,000	50,000	56,114	6,114
Expenditures:				
Current				
Community environment	20,000	860,000	1,019,878	(159,878)
Debt Service				
Principal retirement	2,100,000	2,100,000	2,056,916	43,084
Interest expense	150,000	150,000	46,395	103,605
Total expenditures	2,270,000	3,110,000	3,123,189	(13,189)
Excess of revenues under expenditures	(2,220,000)	(3,060,000)	(3,067,075)	(7,075)
Other financing sources (uses):				
Proceeds from notes	\$ 2,250,000	2,250,000	2,056,916	(193,084)
Total other financing sources (uses)	2,250,000	2,250,000	2,056,916	(193,084)
Net change in fund balance	30,000	(810,000)	(1,010,159)	(200,159)
Fund balance, beginning of the year	2,035,014	2,035,014	2,035,014	-
Appropriation for prior year encumbrances	116,942	116,942	116,942	-
Fund balance, end of the year	\$ 2,181,956	\$ 1,341,956	\$ 1,141,797	\$ (200,159)

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Interest earnings	35,139	35,139	21,021	(14,118)
Miscellaneous	55,120	55,120	144,366	89,246
Total revenues	98,259	98,259	173,387	75,128
Expenditures:				
Current				
General government	435,000	435,000	321,099	113,901
Total expenditures	435,000	435,000	321,099	113,901
Excess of revenues under expenditures	(336,741)	(336,741)	(147,712)	189,029
Other financing sources:				
Transfers-in	257,882	257,882	257,882	-
Total other financing sources	257,882	257,882	257,882	-
Net change in fund balance	(78,859)	(78,859)	110,170	189,029
Fund balance, beginning of the year	1,440,384	1,440,384	1,440,384	-
Appropriation for prior year encumbrances	39,269	39,269	39,269	-
Fund balance, end of the year	\$ 1,400,794	\$ 1,400,794	\$ 1,589,823	\$ 189,029

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 11,204	\$ 11,204
Total revenues	-	-	11,204	11,204
Expenditures:				
Current				
Community environment	255,000	255,000	226,469	28,531
Total expenditures	255,000	255,000	226,469	28,531
Net change in fund balance	(255,000)	(255,000)	(215,265)	39,735
Fund balance, beginning of the year	1,011,388	1,011,388	1,011,388	-
Appropriation for prior year encumbrances	15,000	15,000	15,000	-
Fund balance, end of the year	\$ 771,388	\$ 771,388	\$ 811,123	\$ 39,735

CITY OF MIDDLETOWN, OHIO
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
 2009 SIDEWALK, CURB AND GUTTER FUND
 FOR YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous revenue	\$ -	\$ -	\$ 12,213	\$ 12,213
Total revenues	-	-	12,213	12,213
Expenditures:				
Current				
Debt Service				
Principal retirement	40,000	40,000	196	39,804
Total expenditures	40,000	40,000	196	39,804
Excess of revenues under expenditures	(40,000)	(40,000)	12,017	52,017
Other financing sources:				
Other uses	-	-	(48,092)	(48,092)
Proceeds from notes	40,000	-	-	-
Proceeds from bonds	-	40,000	35,688	(4,312)
Total other financing sources	40,000	40,000	(12,404)	(52,404)
Net change in fund balance	-	-	(387)	(387)
Fund balance, beginning of the year	387	387	387	-
Fund balance, end of the year	\$ 387	\$ 387	\$ -	\$ (387)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
2010 SIDEWALK, CURB AND GUTTER FUND
FOR YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous revenue	\$ -	\$ -	\$ -	-
Total revenues	-	-	-	-
Expenditures:				
Current				
Highways and streets	150,000	478,906	478,906	-
Total expenditures	150,000	478,906	478,906	-
Excess of revenues under expenditures	(150,000)	(478,906)	(478,906)	-
Other financing sources:				
Other sources	-	-	385,000	385,000
Proceeds from notes	150,000	478,907	-	(478,907)
Total other financing sources	150,000	478,907	385,000	(93,907)
Net change in fund balance	-	1	(93,906)	(93,907)
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ -	\$ 1	\$ (93,906)	\$ (93,907)

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2010**

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.

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.

TRANSIT SYSTEM

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

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, 2010**

Business Type Activities - Enterprise Funds

	Parking Garage	Airport	Transit	Storm Water	Totals
Assets:					
Current assets					
Equity in pooled cash, deposits and investments	\$ -	\$ 195,377	\$ 230,913	\$ 3,660,436	\$ 4,086,726
Receivables (net of allowance for uncollectibles):					
Accounts	-	8,351	1,776	86,410	96,537
Intergovernmental	-	-	90,050	-	90,050
Total current assets	-	203,728	322,739	3,746,846	4,273,313
Non Current Assets:					
Deferred charges	-	32,750	-	-	32,750
Capital assets:					
Land	-	1,524,356	-	268,562	1,792,918
Land Improvements	-	316,241	-	-	316,241
Infrastructure assets	-	577,810	-	2,379,280	2,957,090
Buildings	-	1,803,022	1,370,702	69,270	3,242,994
Equipment	-	618,440	2,214,736	636,375	3,469,551
Less: Accumulated depreciation	-	(1,201,606)	(2,102,918)	(398,319)	(3,702,843)
Total capital assets (net of accumulated depreciation)	-	3,638,263	1,482,520	2,955,168	8,075,951
Total noncurrent assets	-	3,671,013	1,482,520	2,955,168	8,108,701
Total assets	-	3,874,741	1,805,259	6,702,014	12,382,014
Liabilities:					
Current liabilities					
Accounts payable	-	14,427	34,245	52,091	100,763
Accrued wages and benefits	-	-	13,925	7,070	20,995
Other accrued liabilities	-	4,706	5,929	2,976	13,611
Accrued interest payable	-	5,064	-	-	5,064
Due to other funds	-	2,429	20,731	21,355	44,515
General obligation bonds payable	-	65,000	-	-	65,000
Compensated absences (short term)	-	-	14,925	7,479	22,404
Other post employment benefits (short term)	-	-	3,661	-	3,661
Total current liabilities	-	91,626	93,416	90,971	276,013
Long-term liabilities:					
General obligation bonds payable	-	1,440,000	-	-	1,440,000
Premium on debt	-	32,750	-	-	32,750
Compensated absences payable	-	-	30,303	15,184	45,487
Other post employment benefits	-	-	10,031	-	10,031
Total long-term liabilities	-	1,472,750	40,334	15,184	1,528,268
Total liabilities	-	1,564,376	133,750	106,155	1,804,281
Net Assets:					
Invested in capital assets, net of related debt	-	2,100,513	1,482,520	2,955,168	6,538,201
Unrestricted	-	209,852	188,989	3,640,691	4,039,532
Total net assets	\$ -	\$ 2,310,365	\$ 1,671,509	\$ 6,595,859	\$ 10,577,733

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET ASSETS
 NON MAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010**

Business Type Activities - Enterprise Funds

	Parking Garage	Airport	Transit	Storm Water	Totals
Operating revenues:					
Charges for services	\$ -	\$ 251,521	\$ 165,781	\$ 1,493,166	\$ 1,910,468
Other operating revenue	1,152	5,612	5,098	-	11,862
Total operating revenues	1,152	257,133	170,879	1,493,166	1,922,330
Operating expenses:					
Personal services	-	-	664,272	383,354	1,047,626
Contractual services	10,906	241,910	170,710	209,599	633,125
Commodities	-	6,237	4,175	55,710	66,122
Depreciation	25,695	141,561	154,216	122,016	443,488
Other operating expenses	-	12,549	26,751	138,972	178,272
Total operating expenses	36,601	402,257	1,020,124	909,651	2,368,633
Operating income (loss)	(35,449)	(145,124)	(849,245)	583,515	(446,303)
Non-operating revenues (expenses):					
Interest revenue	-	-	-	44,244	44,244
Interest expense and fiscal charges	-	(62,253)	-	-	(62,253)
Operating grants	-	290,891	1,440,406	-	1,731,297
Income taxes	-	90,000	100,000	-	190,000
Total non-operating revenues (expenses)	-	318,638	1,540,406	44,244	1,903,288
Income (loss) before contributions and transfers	(35,449)	173,514	691,161	627,759	1,456,985
Capital contributions	-	-	321,712	-	321,712
Transfers out	(16,900)	-	-	-	(16,900)
Income (loss) from continuing operations	(52,349)	173,514	1,012,873	627,759	1,761,797
Loss from discontinued operations See Note 23	(692,447)	-	-	-	(692,447)
Change in net assets	(744,796)	173,514	1,012,873	627,759	1,069,350
Total net assets, beginning of year	744,796	2,136,851	658,636	5,968,100	9,508,383
Total net assets, end of year	\$ -	\$ 2,310,365	\$ 1,671,509	\$ 6,595,859	\$ 10,577,733

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Business Type Activities - Enterprise Funds

	Parking Garage	Airport	Transit	Storm Water	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 1,152	\$ 252,489	\$ 164,005	\$ 1,536,342	\$ 1,953,988
Cash payments to suppliers for goods and services	(13,708)	(241,557)	(97,105)	(102,779)	(455,149)
Cash payments to employees for services	-	-	(622,481)	(313,229)	(935,710)
Miscellaneous revenues	-	200	5,098	-	5,298
Miscellaneous expenses	-	91	-	(3,328)	(3,237)
Cash payments for interfund services used	-	(16,805)	(838,271)	(325,540)	(1,180,616)
Deposits and collections for other governments	-	-	-	-	-
Net cash provided by operating activities	(12,556)	(5,582)	(1,388,754)	791,466	(615,426)
Cash flows from non-capital financing activities:					
Operating grants	-	290,891	1,918,181	-	2,209,072
Interfund advances	-	-	(36,000)	-	(36,000)
Income taxes received	-	90,000	100,000	-	190,000
Net cash provided by non-capital financing activities	-	380,891	1,982,181	-	2,363,072
Cash flows from capital and related financing activities:					
Sale of capital assets	-	7,000	-	-	7,000
Purchase of capital assets	-	(205,425)	(684,617)	(706,332)	(1,596,374)
Interest expense	-	(62,388)	-	-	(62,388)
Repayment of debt principal	-	(65,000)	-	-	(65,000)
Capital contributions	-	-	321,712	-	321,712
Net cash provided by capital and related financing activities	-	(325,813)	(362,905)	(706,332)	(1,395,050)
Cash flows from investing activities:					
Interest income	-	-	-	44,244	44,244
Net cash provided by investing activities	-	-	-	44,244	44,244
Net increase (decrease) in cash and cash equivalents	(12,556)	49,496	230,522	129,378	396,840
Cash and cash equivalents, beginning of year	12,556	145,881	391	3,531,058	3,689,886
Cash and cash equivalents, end of year	\$ -	\$ 195,377	\$ 230,913	\$ 3,660,436	\$ 4,086,726

continued

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

(continued)	Parking Garage	Airport	Transit	Storm Water	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (35,449)	\$ (145,124)	\$ (849,245)	\$ 583,515	\$ (446,303)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	25,695	141,561	154,216	122,016	443,488
Changes in assets and liabilities:					
Increase (decrease) in accounts receivable (net)	-	106	(1,776)	43,176	41,506
Decrease (increase) in accounts payable	(497)	(3,505)	22,955	27,129	46,082
Increase (decrease) in accrued wages and benefits	(402)	-	(6,379)	(882)	(7,663)
Increase (decrease) in other accrued liabilities	-	90	(289)	372	173
Increase (decrease) in due to other funds	-	1,290	(712,034)	10,574	(700,170)
Increase (decrease) in compensated absences payable	-	-	2,119	5,566	7,685
Increase (decrease) in other post employment benefits	(1,903)	-	1,679	-	(224)
Increase (Decrease) in due to individuals	-	-	-	-	-
Total adjustments	22,893	139,542	(539,509)	207,951	(169,123)
Net cash provided (used) by operating activities	\$ (12,556)	\$ (5,582)	\$ (1,388,754)	\$ 791,466	\$ (615,426)

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 5,960,718	\$ 5,960,718	\$ 6,394,278	\$ 433,560
Other operating revenues	16,225	16,225	64,663	48,438
Total operating revenues	5,976,943	5,976,943	6,458,941	481,998
Operating expenses				
Water Administration	377,812	377,812	378,187	(375)
Water Treatment	2,130,967	2,130,967	2,155,781	(24,814)
Water Maintenance	1,513,007	1,513,007	1,540,668	(27,661)
Administrative Support	862,498	862,498	862,498	-
Water Capital Reserve	1,100,000	1,472,502	1,735,624	(263,122)
Wellfield Protection	210,000	3,362,817	2,160,128	1,202,689
Total operating expenses	6,194,284	9,719,603	8,832,886	886,717
Operating income (loss)	(217,341)	(3,742,660)	(2,373,945)	1,368,715
Non-operating revenues (expenses)				
Interest revenue	124,522	124,522	74,694	(49,828)
Interest expenses & fiscal charges	(183,732)	(183,732)	(183,732)	(0)
Debt retirement	(735,319)	(735,319)	(735,319)	(0)
Operating grants	-	2,402,817	749,999	(1,652,818)
Other sources	-	-	116,735	116,735
Total non-operating revenues (expenses)	(794,529)	1,608,288	22,376	(1,585,912)
Income (loss) before operating transfers	(1,011,870)	(2,134,372)	(2,351,569)	(217,197)
Operating transfers-out	(29,941)	(29,941)	(29,941)	-
Total transfers	(29,941)	(29,941)	(29,941)	-
Net income (loss)	(1,041,811)	(2,164,313)	(2,381,510)	(217,197)
Retained earnings, beginning of the year	5,523,735	5,523,735	5,523,735	-
Appropriation for prior year encumbrances	952,476	952,476	952,476	-
Retained earnings, end of the year	\$ 5,434,400	\$ 4,311,898	\$ 4,094,701	\$ (217,197)

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 7,179,599	\$ 7,179,599	\$ 7,572,554	\$ 392,955
Other operating revenues	-	-	44,814	44,814
Total operating revenues	7,179,599	7,179,599	7,617,368	437,769
Operating expenses				
Sewer Administration	347,371	347,371	344,896	2,475
Sewer Treatment	3,183,444	3,183,444	2,805,895	377,549
Sewer Maintenance	911,900	911,900	905,981	5,919
Environmental Services Administration	219,796	219,796	224,357	(4,561)
Administrative Support	862,498	862,498	862,498	-
Sewer Capital Reserve	1,400,000	1,400,000	868,230	531,770
Total operating expenses	6,925,009	6,925,009	6,011,857	913,152
Operating income (loss)	254,590	254,590	1,605,511	1,350,921
Non-operating revenues (expenses)				
Interest revenue	54,356	54,356	48,112	(6,244)
Interest expenses & fiscal charges	(396,467)	(396,467)	(396,467)	-
Debt retirement	(675,257)	(675,257)	(675,257)	-
Total non-operating revenues (expenses)	(1,017,368)	(1,017,368)	(1,023,612)	(6,244)
Income (loss) before operating transfers	(762,778)	(762,778)	581,899	1,344,677
Operating transfers-out	(29,941)	(29,941)	(29,941)	-
Total transfers	(29,941)	(29,941)	(29,941)	-
Net income (loss)	(792,719)	(792,719)	551,958	1,344,677
Retained earnings, beginning of the year	2,968,967	2,968,967	2,968,967	-
Appropriation for prior year encumbrances	251,495	251,495	251,495	-
Retained earnings, end of the year	\$ 2,427,743	\$ 2,427,743	\$ 3,772,420	\$ 1,344,677

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 1,695,000	\$ 1,695,000	\$ 1,361,106	\$ (333,894)
Other operating revenues	5,000	5,000	16,372	11,372
Total operating revenues	1,700,000	1,700,000	1,377,478	(322,522)
Operating expenses				
Golf Maintenance	803,012	803,012	723,977	79,035
Golf Clubhouse	652,722	652,722	581,973	70,749
Golf Improvements	2,400	2,400	2,400	-
Total operating expenses	1,458,134	1,458,134	1,308,350	149,784
Operating income (loss)	241,866	241,866	69,128	(172,738)
Non-operating revenues (expenses)				
Interest expenses & fiscal charges	(47,003)	(47,003)	(47,002)	1
Debt retirement	(175,090)	(175,090)	(175,090)	-
Other sources	-	-	151,422	151,422
Total non-operating revenues (expenses)	(222,093)	(222,093)	(70,670)	151,423
Net income (loss)	19,773	19,773	(1,542)	(21,315)
Retained earnings, beginning of the year	6,356	6,356	6,356	-
Retained earnings, end of the year	\$ 26,129	\$ 26,129	\$ 4,814	\$ (21,315)

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,977,965	\$ 2,977,965	\$ 2,855,476	\$ (122,489)
Other operating revenues	101	101	9,476	9,375
Total operating revenues	2,978,066	2,978,066	2,864,952	(113,114)
Operating expenses	2,644,187	2,644,187	2,556,630	87,557
Administrative Support	20,000	20,000	20,000	-
Total operating expenses	2,664,187	2,664,187	2,576,630	87,557
Operating income (loss)	313,879	313,879	288,322	(25,557)
Non-operating expenses				
Interest expenses & fiscal charges	(30,269)	(30,269)	(30,268)	1
Debt retirement	(234,411)	(234,411)	(234,411)	-
Total non-operating expenses	(264,680)	(264,680)	(264,679)	1
Net income (loss)	49,199	49,199	23,643	(25,556)
Retained earnings, beginning of the year	316,028	316,028	316,028	-
Appropriation for prior year encumbrances	17,008	17,008	17,008	-
Retained earnings, end of the year	\$ 382,235	\$ 382,235	\$ 356,679	\$ (25,556)

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Fines and forfeits	\$ -	\$ -	\$ 1,150	\$ 1,150
Total operating revenues	-	-	1,150	1,150
Operating expenses				
Parking Garage	-	13,708	13,708	-
Total operating expenses	-	13,708	13,708	-
Net income (loss)	-	(13,708)	(12,558)	1,150
Retained earnings, beginning of the year	9,467	9,467	9,467	-
Appropriation for prior year encumbrances	3,091	3,091	3,091	-
Retained earnings, end of the year	\$ 12,558	\$ (1,150)	\$ (0)	\$ 1,150

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 258,336	\$ 258,336	\$ 259,489	\$ 1,153
Other operating revenues	-	-	200	200
Total operating revenues	258,336	258,336	259,688	1,352
Operating expenses				
Airport Improvements	220,000	220,000	227,507	(7,507)
Airport	214,438	244,438	243,384	1,054
Total operating expenses	434,438	464,438	470,891	(6,453)
Operating income (loss)	(176,102)	(206,102)	(211,203)	(5,101)
Non-operating revenues (expenses)				
Interest revenue	-	1,136	-	(1,136)
Interest expenses & fiscal charges	(62,388)	(62,388)	(62,388)	-
Debt retirement	(65,000)	(65,000)	(65,000)	-
Operating grants	150,000	150,000	290,891	140,891
Other sources	-	-	90	90
Income taxes	90,000	90,000	90,000	-
Total non-operating revenues	112,612	112,612	253,593	140,981
Net income (loss)	(63,490)	(93,490)	42,390	135,880
Retained earnings, beginning of the year	137,251	137,251	137,251	-
Appropriation for prior year encumbrances	8,630	8,630	8,630	-
Retained earnings, end of the year	\$ 82,391	\$ 52,391	\$ 188,271	\$ 135,880

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 168,300	\$ 168,300	\$ 164,005	\$ (4,295)
Other operating revenues	6,000	6,000	6,101	101
Total operating revenues	174,300	174,300	170,106	(4,194)
Operating expenses	2,059,904	2,333,510	2,277,306	56,204
Total operating expenses	2,059,904	2,333,510	2,277,306	56,204
Operating income (loss)	(1,885,604)	(2,159,210)	(2,107,200)	52,010
Non-operating revenues (expenses)				
Operating grants	1,788,776	2,821,736	1,846,389	(975,347)
Other uses	-	-	(36,000)	(36,000)
Income tax	100,000	100,000	100,000	-
Total non-operating revenues (expenses)	1,888,776	2,921,736	1,910,389	(1,011,347)
Net income (loss)	3,172	762,526	(196,811)	(959,337)
Retained earnings, beginning of the year	(693,614)	(693,614)	(693,614)	-
Appropriation for prior year encumbrances	694,005	694,005	694,005	-
Retained earnings, end of the year	\$ 3,563	\$ 762,917	\$ (196,420)	\$ (959,337)

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)
STORM WATER FUND
FOR YEAR ENDED DECEMBER 31, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 1,587,339	\$ 1,587,339	\$ 1,536,342	\$ (50,997)
Total operating revenues	1,587,339	1,587,339	1,536,342	(50,997)
Operating expenses				
Administrative Support	103,000	103,000	103,000	-
Storm Sewer Maint	688,245	688,245	696,312	(8,067)
Sewer Capital Reserve	1,100,000	1,248,498	812,446	436,052
Total operating expenses	1,891,245	2,039,743	1,611,758	427,985
Operating income (loss)	(303,906)	(452,404)	(75,416)	376,988
Non-operating revenues (expenses)				
Interest revenue	70,883	70,883	44,243	(26,640)
Total non-operating revenues (expenses)	70,883	70,883	44,243	(26,640)
Net income (loss)	(233,023)	(381,521)	(31,173)	350,348
Retained earnings, beginning of the year	3,468,977	3,468,977	3,468,977	-
Appropriation for prior year encumbrances	62,081	62,081	62,081	-
Retained earnings, end of the year	\$ 3,298,035	\$ 3,149,537	\$ 3,499,885	\$ 350,348

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2010**

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, 2010**

	Municipal Garage	Employee Benefits Fund	Totals
Assets:			
Current assets:			
Equity in pooled cash, deposits and investments	\$ 1,815,890	\$ 1,027,448	\$ 2,843,338
Receivables (net of allowance for uncollectibles):			
Accounts	16,117	12,562	28,679
Due from other funds	286,797	-	286,797
Inventory of supplies	218,291	-	218,291
Total current assets	2,337,095	1,040,010	3,377,105
Capital assets:			
Land	195,750	-	195,750
Buildings	521,872	-	521,872
Equipment	10,334,868	-	10,334,868
Less: Accumulated depreciation	(7,858,198)	-	(7,858,198)
Net capital assets	3,194,292	-	3,194,292
Total assets	5,531,387	1,040,010	6,571,397
Liabilities:			
Current liabilities:			
Accounts payable	112,987	895,147	1,008,134
Accrued wages and benefits	8,155	-	8,155
Other accrued liabilities	4,373	-	4,373
Compensated absences payable	25,053	-	25,053
Other post employment benefits	6,486	-	6,486
Total current liabilities	157,054	895,147	1,052,201
Long-term liabilities:			
Compensated absences payable	50,867	-	50,867
Other post employment benefits	17,776	-	17,776
Total long-term liabilities	68,643	-	68,643
Total liabilities	225,697	895,147	1,120,844
Net assets:			
Invested in capital assets, net of related debt	3,194,292	-	3,194,292
Unrestricted	2,111,398	144,863	2,256,261
Total net assets	\$ 5,305,690	\$ 144,863	\$ 5,450,553

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Municipal Garage	Employee Benefits Fund	Totals
Operating revenues:			
Charges for services	\$ 2,780,947	\$ 4,947,806	\$ 7,728,753
Other operating revenues	86,628	81,821	168,449
Total operating revenues	2,867,575	5,029,627	7,897,202
Operating expenses:			
Personal services	554,655	-	554,655
Contractual services	715,627	5,085,921	5,801,548
Commodities	862,869	-	862,869
Depreciation	847,062	-	847,062
Other operating expenses	5,815	-	5,815
Total operating expenses	2,986,028	5,085,921	8,071,949
Operating income (loss)	(118,453)	(56,294)	(174,747)
Non-operating revenues (expenses):			
Interest revenue	17,546	-	17,546
Loss on sale of equipment	47,975	-	47,975
Total non-operating revenues (expenses)	65,521	-	65,521
Change in net assets	(52,932)	(56,294)	(109,226)
Total net assets, beginning of the year	5,358,622	201,157	5,559,779
Total net assets, end of the year	\$ 5,305,690	\$ 144,863	\$ 5,450,553

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Municipal Garage	Employee Benefits Fund	Totals
Cash flows from operating activities:			
Cash payments to suppliers for goods and services	\$ (1,662,064)	\$ (5,012,695)	\$ (6,674,759)
Cash payments to employees for services	(465,544)	-	(465,544)
Miscellaneous revenue	185,146	69,259	254,405
Miscellaneous expenses	(52,385)	-	(52,385)
Cash received from interfund services provided	3,407,349	4,947,806	8,355,155
Cash payments for interfund services used	(87,226)	-	(87,226)
Net cash provided by operating activities	1,325,276	4,370	1,329,646
Cash flows from capital and related financing activities:			
Sale of capital assets	100,830	-	100,830
Purchase of capital assets	(551,911)	-	(551,911)
Net cash used by capital and related financing activities	(451,081)	-	(451,081)
Cash flows from investing activities:			
Interest income	17,546	-	17,546
Net cash provided by investing activities	17,546	-	17,546
Net increase (decrease) in cash and cash equivalents	891,741	4,370	896,111
Cash and cash equivalents, beginning of year	924,149	1,023,078	1,947,227
Cash and cash equivalents, end of year	\$ 1,815,890	\$ 1,027,448	\$ 2,843,338

**CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010**

(continued)	Municipal Garage	Employee Benefits Fund	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (118,453)	\$ (56,294)	\$ (174,747)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	847,062	-	847,062
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(2,312)	(12,562)	(14,874)
Decrease (increase) in due from other funds	626,402	-	626,402
Decrease (increase) in supplies inventory	(17,586)	-	(17,586)
Decrease (increase) in accounts payable	(12,707)	73,226	60,519
Increase (decrease) in accrued wages	(15,536)	-	(15,536)
Increase (decrease) in accrued liabilities	(743)	-	(743)
Increase (decrease) in compensated absences	14,758	-	14,758
Increase (decrease) in post employment benefits	4,391	-	4,391
Total adjustments	1,443,729	60,664	1,504,393
Net cash provided by operating activities	\$ 1,325,276	\$ 4,370	\$ 1,329,646

**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, 2010**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 3,035,753	\$ 3,035,753	\$ 3,610,042	\$ 574,289
Total operating revenues	3,035,753	3,035,753	3,610,042	574,289
Operating expenses				
Personal services	600,716	600,716	551,786	48,930
Contractual services	449,491	449,491	821,424	(371,933)
Commodities	850,841	850,841	850,613	228
Other operating expenses	1,102,115	1,102,115	745,912	356,203
Total operating expenses	3,003,163	3,003,163	2,969,735	33,428
Operating income (loss)	32,590	32,590	640,307	607,717
Non-operating revenues (expenses)				
Interest revenue	13,183	13,183	-	(13,183)
Total non-operating revenues (expenses)	13,183	13,183	-	(13,183)
Net income	45,773	45,773	640,307	594,534
Retained earnings, beginning of the year	344,690	344,690	344,690	-
Appropriation for prior year encumbrances	579,459	579,459	579,459	-
Retained earnings, end of the year	\$ 969,922	\$ 969,922	\$ 1,564,456	\$ 594,534

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, 2010

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 5,131,036	\$ 5,131,036	\$ 5,017,064	\$ (113,972)
Total operating revenues	5,131,036	5,131,036	5,017,064	(113,972)
Operating expenses				
Contractual services	4,773,628	5,123,628	5,012,694	110,934
Total operating expenses	4,773,628	5,123,628	5,012,694	110,934
Net income	357,408	7,408	4,370	(3,038)
Retained earnings, beginning of the year	1,023,078	1,023,078	1,023,078	-
Retained earnings, end of the year	\$ 1,380,486	\$ 1,030,486	\$ 1,027,448	\$ (3,038)

**CITY OF MIDDLETOWN
AGENCY FUNDS
DECEMBER 31, 2010**

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 ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 DECEMBER 31, 2010

	Conser- vancy	Payroll Clearing	Municipal Court	Joint Economic Development District I	Totals
Assets:					
Cash and equity in pooled cash, deposits and investments	\$ 9,984	\$ -	\$ 63,592	\$ 56,339	\$ 129,915
Cash with fiscal and escrow agent	-	27,691	-	-	27,691
Property taxes receivable	94,354	-	-	12,086	106,440
Total assets	104,338	27,691	63,592	68,425	264,046
Liabilities:					
Due to other governments	104,338	-	-	68,425	172,763
Due to individuals	-	-	26,591	-	26,591
Unapportioned monies	-	27,691	37,001	-	64,692
Total liabilities	\$ 104,338	\$ 27,691	\$ 63,592	\$ 68,425	\$ 264,046

CITY OF MIDDLETOWN, OHIO
 COMBINING SCHEDULE OF CHANGES
 IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

CONSERVANCY				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 16,165	\$ 137,445	\$ 143,626	\$ 9,984
Property taxes receivable	61,961	94,354	61,961	94,354
Total assets	78,126	231,799	205,587	104,338
Liabilities:				
Due to other governments	78,126	231,799	205,587	104,338
Total liabilities	\$ 78,126	\$ 231,799	\$ 205,587	\$ 104,338

CITY OF MIDDLETOWN, OHIO
 COMBINING SCHEDULE OF CHANGES
 IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

PAYROLL CLEARING				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash with fiscal and escrow agent	\$ 26,058	\$ 23,492,993	\$ 23,491,360	\$ 27,691
Total assets	26,058	23,492,993	23,491,360	27,691
Liabilities:				
Due to other governments	-	5,721,982	5,721,982	-
Due to individuals	1,017	17,020,848	17,021,865	-
Unapportioned monies	25,041	750,162	747,512	27,691
Total liabilities	\$ 26,058	\$ 23,492,992	\$ 23,491,359	\$ 27,691

CITY OF MIDDLETOWN, OHIO
 COMBINING SCHEDULE OF CHANGES
 IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

MUNICIPAL COURT				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 81,793	\$ 4,519,181	\$ 4,537,382	\$ 63,592
Total assets	81,793	4,519,181	4,537,382	63,592
Liabilities:				
Due to other governments	-	804,443	804,443	-
Due to individuals	35,403	1,497,095	1,505,907	26,591
Unapportioned monies	46,390	2,217,643	2,227,032	37,001
Total liabilities	\$ 81,793	\$ 4,519,181	\$ 4,537,382	\$ 63,592

CITY OF MIDDLETOWN, OHIO
 COMBINING SCHEDULE OF CHANGES
 IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

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	\$ 55,061	\$ 755,332	\$ 754,054	\$ 56,339
Income taxes receivable	12,086	385,219	385,219	12,086
Total assets	67,147	1,140,551	1,139,273	\$ 68,425
Liabilities:				
Due to other governments	67,147	755,332	754,054	68,425
Total liabilities	\$ 67,147	\$ 755,332	\$ 754,054	\$ 68,425

STATISTICAL SECTION

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 These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	169
Revenue Capacity These schedules contain information to help the reader assess one of the government's most significant local revenue source, the property tax.	176
Debt Capacity 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.	180
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	185
Operating Information 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.	187

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental Activities									
Invested in Capital Assets, Net of Related Debt	\$ 59,237	59,504	58,169	59,871	62,823	68,722	22,142	21,613	18,601
Restricted:									
Capital Projects	7,372	3,527	4,168	3,806	4,229	5,838	5,402	3,703	-
Debt Service	4,592	4,495	5,845	1,932	2,466	2,483	2,700	1,768	443
Housing Assistance	13,702	11,897	11,241	12,629	12,608	10,625	-	-	-
Other Purposes	10,010	11,351	10,256	8,327	7,761	8,502	16,329	15,413	5,463
Unrestricted	7,454	10,494	10,366	6,963	4,930	3,605	2,267	4,239	21,526
Total Governmental Activities Net Assets	\$ 102,367	101,268	100,045	93,528	94,817	99,775	48,840	46,736	46,033
Business-Type Activities									
Invested in Capital Assets, Net of Related Debt	\$ 49,711	49,139	49,847	41,709	40,483	41,012	39,549	38,968	36,568
Restricted:									
Other Purposes	1,457	1,411	1,367	1,255	1,105	711	711	716	712
Unrestricted	14,166	13,247	10,779	15,702	15,650	12,658	13,204	12,239	13,145
Total Business-Type Activities Net Assets	\$ 65,334	63,797	61,993	58,666	57,238	54,381	53,464	51,923	50,425

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 Nine Years
(Accrual Basis of Accounting)
(amounts expressed in thousands)

Table 2

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses									
Governmental activities:									
Community environment	\$ 13,318	14,621	15,950	11,736	11,402	11,022	13,033	12,476	10,981
General government	6,161	6,489	4,073	4,233	4,639	4,674	4,389	4,248	5,625
Leisure	947	1,150	1,250	1,565	1,096	1,661	877	1,146	1,315
Public health	941	1,094	1,490	1,031	1,262	1,247	1,471	1,859	1,991
Public safety	23,951	24,250	23,701	23,498	22,691	22,420	22,544	22,128	22,174
Highways and streets	9,776	9,509	7,965	10,318	9,787	4,196	5,446	3,485	4,532
Interest on long-term debt	1,241	1,179	1,028	1,497	1,522	1,506	1,375	1,215	1,197
Total governmental activities expenses	56,335	58,292	55,457	53,878	52,399	46,726	49,135	46,557	47,815
Business-type activities:									
Water	7,627	5,867	7,588	7,510	8,027	6,002	5,265	5,397	5,625
Sanitary Sewer	7,172	7,092	7,374	6,730	6,928	5,640	5,505	5,734	5,627
Golf	1,604	1,488	1,563	1,713	1,653	1,881	1,727	1,879	1,869
Solid Waste	2,616	2,547	2,496	2,748	2,442	2,280	2,236	2,290	1,939
Non major enterprise funds	2,432	3,292	2,314	2,203	2,037	1,810	1,961	1,321	1,896
Total business-type activities expenses	21,451	20,286	21,335	20,904	21,087	17,613	16,694	16,621	16,956
Total primary government expenses	\$ 77,786	78,578	76,792	74,782	73,486	64,339	65,829	63,178	64,771
Program Revenue									
Governmental activities:									
Charges for services:									
Community environment	\$ 550	192	347	501	896	777	447	16	651
General government	2,382	2,704	2,980	2,296	1,744	2,329	1,589	1,528	1,478
Highways and streets	16	-	-	449	498	-	18	-	-
Leisure	2	1	162	79	45	18	23	34	38
Public health	191	167	184	-	204	205	200	329	637
Public safety	4,350	3,990	3,967	3,686	2,297	2,836	1,793	2,422	2,445
Operating grants & contributions	13,472	13,682	12,827	11,332	12,241	14,421	6,895	10,007	11,713
Capital grants & contributions	2,716	7,423	4,203	2,405	3,047	1,560	9,125	1,985	115
Total governmental activities program revenue	\$ 23,679	28,159	24,670	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 Nine Years
(Accrual Basis of Accounting)
(amounts expressed in thousands)

Table 2

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Business-type activities:									
Charges for services:									
Water	\$ 6,500	6,038	6,866	6,598	6,980	6,655	6,711	6,228	5,433
Sanitary Sewer	7,831	7,210	7,930	6,673	7,122	5,574	5,791	5,460	5,546
Golf course	1,358	1,408	1,393	1,629	1,635	1,716	1,765	1,668	1,799
Solid Waste	2,861	2,825	2,817	3,153	2,596	2,454	2,423	2,330	2,021
Other business-type activities	1,910	2,078	2,007	1,842	1,994	267	201	206	215
Operating grants & contributions	2,481	1,101	1,257	1,115	2,639	1,139	184	31	417
Capital grants & contributions	322	754	1,119	473	172	151	654	1,985	2,150
Total business-type activities program revenue	23,263	21,414	23,389	21,483	23,138	17,956	17,729	17,908	17,581
Total primary government program revenue	\$ 46,942	49,573	48,059	42,231	44,110	40,102	37,819	34,229	34,658
Net (Expense)/Revenue									
Governmental activities	\$ (32,656)	(30,133)	(30,787)	(33,130)	(31,427)	(24,580)	(29,045)	(30,236)	(30,738)
Business-type activities	1,812	1,128	2,054	579	2,051	343	1,035	1,287	625
Total primary government net expense	(30,844)	(29,005)	(28,733)	(32,551)	(29,376)	(24,237)	(28,010)	(28,949)	(30,113)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Income taxes	\$ 20,345	18,942	19,921	17,921	17,695	18,009	17,960	16,417	17,764
Property taxes	4,480	4,534	4,965	5,644	5,920	5,941	5,654	5,588	5,042
Other taxes	2,949	2,427	2,248	3,694	3,382	3,046	3,445	3,849	3,436
Grants/contributions not restricted	4,852	3,666	3,349	1,014	807	6	69	2,300	4,366
Investment earnings	111	(151)	686	2,327	967	485	529	1,006	1,101
Miscellaneous	942	1,823	6,135	1,241	3,143	3,196	3,560	1,445	49
Transfers	77	58	-	-	55	56	(67)	334	1,868
Total governmental activities general revenues	33,756	31,299	37,304	31,841	31,969	30,739	31,150	30,939	33,626
Business-type activities:									
Income taxes	\$ 190	344	466	300	270	338	238	245	230
Grants/contributions not restricted	-	-	-	-	-	-	201	245	216
Investment earnings	189	323	694	549	591	291	-	-	377
Transfers	(77)	96	-	-	(55)	(56)	67	(279)	(49)
Miscellaneous	115	(58)	113	-	-	-	-	-	116
Total business type activities general revenues	417	705	1,273	849	806	573	506	211	890
Total primary government general revenues	\$ 34,173	32,004	38,577	32,690	32,775	31,312	31,656	31,150	34,516
Special item	\$ (692)	-	-	-	(5,500)	-	-	-	-
Changes in Net Assets									
Governmental activities	\$ 1,100	1,166	6,517	(1,289)	(4,958)	6,159	2,105	703	2,888
Business-type activities	1,537	1,833	3,327	1,428	2,857	916	1,541	1,498	1,515
Total primary government	\$ 2,637	2,999	9,844	139	(2,101)	7,075	3,646	2,201	4,403

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 Nine Years
(Accrual Basis of Accounting)
(amounts expressed in thousands)
Table 3

Fiscal Year	Income Tax	Property Tax	Other Taxes	Total
2010	\$ 20,345	\$ 4,480	\$ 2,948	\$ 27,773
2009	\$ 19,286	\$ 4,533	\$ 2,427	\$ 26,246
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

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved	\$ 343	326	311	211	229	732	355	509	417	221
Unreserved	11,697	10,977	11,229	8,864	6,792	6,527	6,007	7,119	10,938	10,193
Total General Fund	\$ 12,040	11,303	11,540	9,075	7,021	7,259	6,362	7,628	11,355	10,414
All Other Governmental Funds										
Reserved	\$ 10,682	3,764	4,476	3,148	5,138	4,457	5,225	9,197	8,608	(221)
Unreserved, undesignated, reported in:										
Capital project funds	(138)	2,499	6,021	3,552	1,823	4,258	2,541	(1,091)	6,709	6,709
Debt service funds	892	82	1,123	720	317	327	124	443	649	650
Special revenue funds	6,446	7,133	2,933	6,842	5,440	4,117	4,169	3,852	4,184	4,184
Total All Other Governmental Funds	17,882	13,478	14,553	14,262	12,718	13,159	12,059	12,401	20,150	11,322
Total Governmental Funds	\$ 29,922	24,781	26,093	23,337	19,739	20,418	18,421	20,029	31,505	21,736

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues										
Property taxes	\$ 4,480	4,533	4,965	5,643	5,920	5,941	5,654	5,588	5,019	4,773
Municipal income taxes	19,775	18,640	19,606	17,944	17,061	18,092	17,376	15,443	17,764	19,231
Intergovernmental revenues	22,330	23,325	19,921	18,853	19,159	15,702	17,940	17,781	16,308	13,808
Charges for services	4,024	4,449	4,312	4,216	3,286	3,624	3,758	2,915	3,730	2,568
Fees, licenses, and permits	204	187	257	452	417	338	312	245	274	335
Fines and forfeits	1,979	1,774	2,019	1,575	1,483	1,612	1,499	1,164	1,259	1,301
Special assessments	349	385	440	491	498	591	659	638	625	816
Investment earnings	111	(151)	686	1,054	861	450	498	730	1,111	1,764
Miscellaneous	3,469	2,575	3,958	3,142	3,385	3,172	2,089	1,976	2,270	1,908
Total revenues	56,721	55,717	56,164	53,370	52,070	49,522	49,785	46,480	48,360	46,504
Expenditures										
Current:										
General Government	4,323	4,060	4,334	4,083	4,306	4,196	4,104	4,203	5,124	4,804
Public safety	23,933	23,873	23,240	23,122	23,791	22,501	22,142	23,596	23,775	20,863
Public health and welfare	899	1,084	1,394	1,024	1,220	1,187	1,457	1,832	1,996	1,699
Leisure time activities	856	1,466	1,259	1,421	1,064	1,502	1,060	1,152	1,233	1,071
Community environment	16,422	14,616	15,907	11,754	11,377	13,708	13,024	12,441	14,991	11,195
Highways and streets	6,223	12,008	3,329	4,731	6,587	5,373	3,787	7,432	7,401	5,139
Miscellaneous	1,725	3,422	1,127	1,427	1,410	1,636	7,353	2,080	1,371	976
Debt Service										
Principal retirement	2,129	1,822	1,896	1,556	1,661	1,520	1,407	1,238	1,356	1,300
Interest and fiscal charges	1,381	1,277	971	1,503	1,527	1,493	1,355	1,209	1,217	1,209
Bond issuance costs	-	-	836	-	-	-	-	141	-	-
Total expenditures	57,891	63,628	54,293	50,621	52,943	53,116	55,689	55,324	58,464	48,256
Excess (deficiency) of revenues over expenditures	\$ (1,170)	(7,911)	1,871	2,749	(873)	(3,594)	(5,904)	(8,844)	(10,104)	(1,752)

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Continued										
Other Financing Sources (Uses)										
Transfers in	\$ 258	1,075	2,842	842	497	661	765	1,047	1,290	2,784
Transfers out	(198)	(1,017)	(2,785)	(242)	(442)	(606)	(713)	(768)	(1,379)	(1,751)
Issuance of bonds	6,235	6,530	10,323	-	58	4,315	6,216	4,250	-	716
Other uses	-	11	(9,665)	(4)	(29)	-	-	-	-	-
Other sources	16	-	170	107	-	-	-	-	-	-
Total other financing sources (uses)	<u>6,311</u>	<u>6,599</u>	<u>885</u>	<u>703</u>	<u>84</u>	<u>4,370</u>	<u>6,268</u>	<u>4,529</u>	<u>(89)</u>	<u>1,749</u>
Net change in Fund Balances	<u>\$ 5,141</u>	<u>(1,312)</u>	<u>2,756</u>	<u>3,452</u>	<u>(789)</u>	<u>776</u>	<u>364</u>	<u>(4,315)</u>	<u>(10,193)</u>	<u>(3)</u>
Asset Additions	\$ 7,458	14,607	10,475	2,753	5,649	7,639	7,005	7,217	9,676	586
Non capital expenditures	\$ 50,433	49,021	43,818	47,868	47,294	45,477	48,684	48,107	48,788	47,670
Debt service as a % of noncapital expenditures	6.96%	6.32%	8.45%	6.39%	6.74%	6.63%	5.67%	5.38%	5.27%	5.26%

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Property taxes	\$ 4,480	4,533	4,965	5,643	5,920	5,941	5,654	5,588	5,019	4,773
Municipal income taxes	\$ 19,775	18,640	19,606	17,944	17,061	18,092	17,376	15,443	17,764	19,231

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		Direct Tax Rate	Assessed Value as a Percent of Estimated Actual Value
	Assessed	Estimated Actual	Assessed	Estimated Actual	Assessed	Estimated Actual	Assessed	Estimated Actual		
2000/2001	\$636,124	\$1,817,497	\$215,165	\$860,660	\$52,758	\$211,030	\$904,046	\$2,889,187	6.47	31.29
2001/2002	\$652,341	\$1,863,830	\$237,371	\$949,486	\$35,230	\$140,920	\$924,942	\$2,954,236	6.31	31.31
2002/2003	\$751,960	\$2,148,865	\$248,818	\$995,273	\$39,698	\$158,224	\$1,040,477	\$3,302,362	5.86	31.51
2003/2004	\$753,911	\$2,154,032	\$252,766	\$1,011,064	\$38,624	\$154,498	\$1,045,301	\$3,319,593	5.86	31.49
2004/2005	\$752,108	\$2,148,880	\$253,353	\$1,013,414	\$38,637	\$154,548	\$1,044,099	\$3,316,842	5.86	31.48
2005/2006	\$777,301	\$2,220,861	\$238,133	\$952,532	\$36,625	\$146,501	\$1,052,060	\$3,319,895	8.90	31.69
2006/2007	\$796,561	\$2,214,750	\$200,461	\$739,474	\$43,102	\$171,800	\$1,040,124	\$3,126,024	5.90	33.27
2007/2008	\$698,478	\$1,990,520	\$129,635	\$739,474	\$32,519	\$130,000	\$860,632	\$2,859,994	5.90	30.09
2008/2009	\$850,845	\$2,395,651	\$0	\$0	\$33,839	\$135,100	\$884,684	\$2,530,751	5.90	34.96
2009/2010	\$810,367	\$2,315,335	\$0	\$0	\$35,641	\$143,750	\$846,008	\$2,459,085	5.90	34.40

Real property is reappraised every six years with a State mandated update of the current market in the third year following each reappraisal. Pursuant to statutory requirements for sexennial reappraisals, in 2008 the County Auditor adjusted the true value of taxable real property to reflect then current fair market values. These adjustments were first reflected in the 2008 duplicate (collection year 2009) and in the ad valorem taxes distributed to the City in 2009 and thereafter.

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. 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, 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 10% and 2 1/2% 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
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
2009	5.30	0.60	0.00	5.90	9.75	47.68	63.33
2010	5.30	0.60	0.00	5.90	9.75	48.93	64.58

(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, 2010
Table 9

Top Ten Property Taxpayers (real property)

2001 Calendar year/ 2000 Tax Year			2010 Calendar year/ 2009 Tax Year		
	<u>Value</u>	<u>% of Total</u>		<u>Value</u>	<u>% of Total</u>
AK Steel	\$ 22,171,250	53.02%	Duke Energy Ohio Inc.	\$ 31,131,440	43.00%
Southwestern Ohio Steel	\$ 3,647,250	8.72%	Southwestern Ohio Steel	\$ 13,160,100	18.18%
Garden Manor	\$ 3,248,850	7.77%	Compartir LLC	\$ 6,365,070	8.79%
Trinity Place Community	\$ 2,358,450	5.64%	Garden Manor	\$ 4,154,670	5.74%
Churck of God	\$ 1,940,190	4.64%	Trinity Place Community	\$ 4,028,020	5.56%
Bavarian Woods	\$ 1,813,220	4.34%	Sam Boymel	\$ 3,978,830	5.50%
Pre Finish Metals	\$ 1,742,760	4.17%	Bavarian Woods	\$ 2,865,170	3.96%
Old Towne-American Housing	\$ 1,647,490	3.94%	Pre Finish Metals	\$ 2,563,510	3.54%
Armco, Inc.	\$ 1,634,780	3.91%	Armco, Inc.	\$ 2,090,660	2.89%
Jefferson Smurfit Corp.	\$ 1,612,860	3.86%	Old Towne-American Housing	\$ 2,060,340	2.85%
TOTAL	\$ 41,817,100	100.00%		\$ 72,397,810	100.00%

2001 data does not include public utility

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
2010	5.90	\$4,313	\$4,017	93.14%
2009	5.90	\$6,130	\$5,722	93.34%
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%

Information not available for delinquent property tax collections

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	Police & Fire Pension Accrued Liability	Capital Leases	General Obligation Bonds	Capital Leases			
2010	\$ 30,664	\$ 2,375	\$ 2,261	\$ -	\$ 12,953	\$ 5,290	\$ 51,282	4.87%	\$ 1,053
2009	\$ 26,341	\$ 2,593	\$ 2,359	\$ -	\$ 14,108	\$ 6,041	\$ 49,083	4.87%	\$ 1,002
2008	\$ 21,410	\$ 2,823	\$ 2,457	\$ -	\$ 14,967	\$ 6,765	\$ 45,965	4.56%	\$ 894
2007	\$ 22,215	\$ 3,099	\$ 2,555	\$ -	\$ 6,235	\$ 7,462	\$ 39,011	3.87%	\$ 754
2006	\$ 24,010	\$ 3,325	\$ 2,652	\$ -	\$ 6,850	\$ 8,024	\$ 42,209	4.14%	\$ 827
2005	\$ 25,375	\$ 2,899	\$ 2,750	\$ -	\$ 7,650	\$ -	\$ 35,924	3.52%	\$ 696
2004	\$ 22,220	\$ 3,259	\$ 2,848	\$ 74	\$ 8,405	\$ -	\$ 33,958	3.33%	\$ 658
2003	\$ 17,815	\$ 2,857	\$ 2,946	\$ 155	\$ 9,125	\$ -	\$ 29,952	2.94%	\$ 580
2002	\$ 14,705	\$ 2,955	\$ 3,043	\$ 223	\$ 9,315	\$ -	\$ 27,198	2.67%	\$ 527
2001	\$ 15,595	\$ 3,352	\$ 3,141	\$ 223	\$ 9,960	\$ -	\$ 29,130	2.85%	\$ 564

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 & Business-Type 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)
2010	\$43,617	\$548	\$43,069	4.15%	\$896
2009	\$40,449	\$460	\$39,989	4.70%	\$825
2008	\$36,652	\$617	\$36,035	4.14%	\$713
2007	\$28,450	\$346	\$28,104	3.31%	\$550
2006	\$30,350	\$138	\$30,212	2.92%	\$595
2005	\$33,025	\$172	\$32,853	3.14%	\$640
2004	\$30,625	\$272	\$30,353	2.93%	\$593
2003	\$26,940	\$141	\$26,799	2.58%	\$522
2002	\$24,020	\$297	\$23,723	2.31%	\$465
2001	\$25,555	\$284	\$25,271	2.76%	\$495

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 176 for property value data

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 185.

CITY OF MIDDLETOWN, OHIO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
As of December 31, 2009
(amounts expressed in thousands)
Table 13

Political Subdivision	General Bonded Debt	Percent Applicable to City	City's Share
City of Middletown	\$30,664	100.0	\$30,664
Butler County	74,165	13.0	\$9,641
Warren County	<u>7,754</u>	1.6	<u>120</u>
Total	\$112,583		\$40,426

Source: Butler and Warren County Auditor's Offices.

Percent applicable to City's share is estimated based upon past records for Butler County.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Debt limit	\$ 94,925	97,119	109,250	109,757	109,630	110,466	109,213	90,366	92,892	88,831	
Total net debt applicable to limit	5,725	5,185	8,655	13,535	16,995	16,050	15,610	13,920	19,429	24,356	
Legal debt margin	\$ 89,200	91,934	100,595	96,222	92,635	94,416	93,603	76,446	73,463	64,475	
Total net debt applicable to the limit as a percentage of debt limit	6.03%	5.34%	7.92%	12.33%	15.50%	14.53%	14.29%	15.40%	20.92%	27.42%	
										Assessed value	\$884,684
										Add back: exempt real property	-
										Total assed value	<u>884,684</u>
										Debt limit (10.5%) of total asses value	88,831
										Debt applicable to limit:	
										General obligation bond	24,356
										Less: Amount set aside for repayment of general obligation debt	<u>(548)</u>
										Total net debt applicable to limit	<u>23,808</u>
										Legal debt margin	<u><u>65,023</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

Debt Service				
Tax Year	Special Assessment Collections	Principal	Interest & Fiscal Charges	Coverage
2010	\$328,851	\$253,500	\$137,991	0.84
2009	\$385,101	\$229,900	\$149,915	1.01
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

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)
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	51,583	\$1,019,951	\$19,773	36.2	n/a	7,302	6.30
2005	51,187	\$1,005,006	\$19,634	34.5	n/a	7,198	6.00
2006	51,018	\$1,001,687	\$19,634	34.5	16 yrs - 13% 12 yrs - 67%	11,539	7.10
2007	51,739	\$1,015,844	\$19,634	34.5	16 yrs - 13% 12 yrs - 67%	11,539	6.00
2008	51,422	\$1,009,620	\$19,634	34.5	16 yrs - 13% 12 yrs - 67%	11,539	7.20
2009	49,000	\$1,006,607	\$20,543	36.4	16 yrs - 13% 12 yrs - 67%	11,366	11.20
2010	48,694	\$1,000,321	\$20,543	35.9	16 yrs - 13% 12 yrs - 67%	11,755	9.60

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 and Seven Years Ago
Table 17

Employer	2010		
	Employees	Rank	Percentage of Total City Employment
AK Steel	2,354	1	11.8%
Atrium Medical Center	2,225	2	11.2%
Middletown City School District	1,309	3	6.6%
Kroger's	850	4	4.3%
Meijer's Store	663	5	3.3%
Miami University	615	6	3.1%
McDonald's	548	7	2.8%
Garden Manor Extended Care	532	8	2.7%
City of Middletown	485	9	2.4%
Walmart	424	10	2.1%
2003			
AK Steel	4,072	1	42.3%
Middletown Regional Hospital	1,470	2	15.3%
Robert Lee Brown, Inc.	1,170	3	12.2%
Middletown City School District	986	4	10.2%
City of Middletown	531	5	5.5%
Jefferson Smurfit Corporation	354	6	3.7%
McGraw/Kokosing	349	7	3.6%
Aeronca	255	8	2.6%
Miami University	250	9	2.6%
Southwest Ohio Steel, Inc	190	10	2.0%

Note: Data for Principal Employers not available before 2003.

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

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	51	57	54	47	42	44	40	40	40	38
Public safety										
Police										
Officers	89	89	93	90	89	86	80	80	80	80
Civilians	46	46	49	45	45	40	36	37	37	37
Fire										
Firefighters & officers	90	90	90	87	87	84	84	84	84	84
Civilians	1	1	1	1	1	1	1	1	1	1
Other	38	36	36	33	28	33	35	32	32	26
Highways and streets										
Maintenance	21	19	19	17	18	17	15	15	15	15
Leisure Time Activities	11	11	11	10	7	7	8	8	8	7
Community Environment	5	1	2	2	7	7	6	4	7	8
Public health & welfare	11	11	11	7	6	6	5	5	4	4
Water	31	32	32	32	33	32	32	32	31	31
Sewer	36	35	35	34	34	35	35	32	31	32
Storm Water	0	0	0	0	0	0	4	4	6	6
Golf Course	8	8	8	8	8	8	7	7	6	6
Transit	9	9	9	9	8	8	8	8	8	7
Parking	1	1	1	0	0	0	0	0	0	0
Internal Services	11	11	11	10	10	10	10	9	9	9
Total	459	457	462	432	423	418	406	398	399	391

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

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Fire										
Number of fire responses	791	742	708	718	604	916	660	695	566	1,888
Average response time (minutes)	4.0	4.0	4.1	4.2	4.3	4.3	4.7	4.9	4.5	4.6
Emergency medical calls	5,751	5,951	6,153	6,159	6,557	6,700	6,954	7,807	7,969	8,158
Police										
Calls for service	43,930	46,807	44,285	42,547	42,563	47,348	42,830	42,135	46,727	43,696
Number of arrests	7,998	7,840	7,069	7,525	8,223	8,370	7,799	7,235	8,106	8,417
Response time for priority calls (minutes)	4.9	4.8	5.3	5.4	5.5	5.7	5.6	5.6	5.8	5.2
Traffic accidents	2,305	2,170	2,140	1,965	1,877	1,892	1,822	1,790	1,562	1,630
Average daily jail population	65	69	55	55	58	53	49	50	49	51
Recreation and leisure										
Community center admissions	8,830	6,556	14,382	8,042	9,125	8,548	6,208	9,244	10,179	2,011
Transit										
Unlinked passenger trips	202,373	188,840	195,687	194,079	233,750	253,587	250,142	247,979	198,333	210,397
Water										
Average daily water pumpage (million gallons per day)	8.30	8.46	8.11	8.12	8.23	8.00	8.36	7.55	7.38	7.68
Number of water accounts	19,869	19,869	19,877	19,877	19,877	19,877	19,649	19,060	19,381	19,200
Sewer										
Average daily flow (million gallons per day)	16.4	17.5	16.4	14.1	16.5	16.2	15.6	17.9	16.1	16.6
Sewer mains cleaned (feet)	9,639	300,000	40,417	98,502	19,217	21,475	36,590	188,504	153,442	180,895

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

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	231	231	231	231	231	239	240	240
Traffic Lights	116	112	108	110	114	110	110	112	113	111
Water:										
Water mains (miles)	332	332	337	338	340	340	340	343	343	343
Sewer:										
Sanitary & storm (miles)	299	299	307	309	311	311	311	319	320	320
Leisure & recreation:										
Parks	34	36	36	36	36	36	36	36	36	36
Swimming pools	2	2	2	2	0	0	1	1	0	0
Community Centers	1	1	1	1	1	1	1	1	1	1
Golf Courses (public)	1	1	1	1	1	1	1	1	1	1

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Dave Yost • 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 27, 2011**