

CITY OF MIDDLETOWN, OHIO

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

Year Ended December 31, 2007



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Middletown, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 15, 2008

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CITY OF MIDDLETOWN, OHIO

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**CITY OF MIDDLETOWN
BUTLER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

FEDERAL GRANTOR	Pass Through Entity Number	Federal CFDA Number	Expenditures
Pass Through Grantor Program Title			
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Community Development Block Grant Entitlements	N/A	14.218	\$ 797,194
Housing Assistance for Low Income Families - Section 8	N/A	14.856	9,645,454
<i>Passed Through Butler County Department of Community Development</i> Home Program - Investment Partnership Program	N/A	14.239	332,848
Total U.S. Department of Housing and Urban Development			<u>10,775,496</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
2006 Byrne Justice Assistance Grant	2006-F2135-OH-DJ	16.738	12,614
2007 Byrne Justice Assistance Grant	2007-DJ-BX-0629	16.738	177,343
			<u>189,957</u>
Public Safety Partnership and Community Policing Grant (COPS)	N/A	16.710	33,351
Total U.S. Department of Justice			<u>223,308</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Public Transportation for Urbanized Areas			
Operating Assistance	N/A	20.507	280,110
Capital Assistance	N/A	20.507	225,246
Paratransit Grant	N/A	20.507	108,158
Planning Grant	N/A	20.507	27,567
Total Public Transportation of Urbanized Areas			<u>641,081</u>
<i>Passed through Ohio Department of Transportation</i> Federal Aviation Administration (FAA)	03-1809	20.106	409,479
Total U.S. Department of Transportation			<u>1,050,560</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	31,439
Public Health Infrastructure	N/A	93.283	34,920
Block Grant Maternal and Child Health Services	9-2-01-F-AI-320	93.994	258,714
<i>Passed through Butler County ESC</i> Help Me Grow	9-2-001-1-MC-04	93.600	236,322
Total U.S. Department of Health and Human Services			<u>561,396</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
USEPA Brownfields Assessment Grant	BF96597601/056034	66.818	77,357
USEPA Brownfields Assessment Grant	BF96597601/056034	66.818	140,000
Total U.S Environmental Protection Agency			<u>217,357</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>12,828,116</u>



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

To the 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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 30, 2008. 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.

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

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

We consider the deficiency described and labeled as item 2007-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

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

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

Compliance And Other Matters

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

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

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

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
June 30, 2008



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

To the City Council
City of Middletown, Ohio:

Compliance

We have audited the compliance of City of Middletown, Ohio (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 30, 2008. 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 management, others within the City, City Council, 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 30, 2008

CITY OF MIDDLETOWN, OHIO

Schedule of Findings and Questioned Costs

Year Ended December 31, 2007

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 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?	None

Identification of major programs:

CFDA 14.856 – Housing Assistance for Low Income Families – Section 8;
CFDA 20.507 – Public Transportation for Urbanized Areas;
CFDA 20.106 – Airport Improvement Grant.

Dollar threshold to distinguish between Type A and Type B Programs:	\$384,843
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

Finding 2007-1 – Audit Adjustments

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

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

Management response: *Management concurs with the finding.*

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary of Prior Audit Findings and Questioned Costs

Finding 2006-1 – Audit Adjustments

Condition: During the course of our audit, we identified material misstatements in the financial statements 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 made during the City's conversion process.

Current Status: Partially corrected but repeated as finding 2007-1.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2007



CITY OF MIDDLETOWN, OHIO

CITY OF MIDDLETOWN, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2007

**Prepared by
Finance Department**

**Russell E. Carolus
Finance Director**

CITY OF MIDDLETOWN, OHIO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the year ended December 31, 2007

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June 30, 2008

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, 2007, 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.

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 2006 CAFR. The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, required supplemental information, the Combining Statements for non major funds and other schedules that provide detailed information relative to the Basic Financial Statements. The Statistical Section provides selected financial, economic and demographic information which may be used to indicate trends for comparative fiscal periods.

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

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

MIDDLETOWN

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

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

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

Recreation and Shopping

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

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

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

Education

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

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

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

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

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

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

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

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

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

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

Post-Secondary Education

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

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

Health Care

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

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

Economic Outlook

The City of Middletown continues to have a strong economic base in the steel and paper industries. The City’s largest employer, AK Steel, employs approximately 3,000 employees. Wausau Paper and Altivity are the city’s two largest paper manufacturers and collectively have about 500 employees.

With construction completed at its new location at SR 122 and Union Road, just east of Interstate 75, the new Medical Center will become part of the 190-acre Premier Health Campus – Middletown. The hospital expects to add nearly 1,000 jobs to the 1,900 it already employs over the next 10 years.

The City is also focused on the area immediately surrounding the new health campus and the Renaissance residential development. Middletown has engaged the services of Al Neyer, Inc., a major Cincinnati-area developer, to help master plan the 2,000 acre area known as the East End/Renaissance Area. The planning for the development of this area was highlighted in the City’s 2005-2010 Master Plan as one of nine Development Opportunity Areas. Plans for construction within the Renaissance area have been completed and are due to break ground in 2008.

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

Development on the residential side continues as Great Midwest Development finalizes its plans for Phase II of its single-family project in the East End/Renaissance Area. With the expected completion of Renaissance Boulevard in 2008, the company will begin construction of new condominiums and business offices on the site. When completed, the site is expected to see more than 400 residential units as well as several dozen office condominiums.

Profile of the Government

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

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

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

CITY SERVICES

Present

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

Property Taxes/Local Income Taxes

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

The City's property tax rate is 5.90 mils or \$5.90 per \$1,000 of taxable valuation. Real property is assessed at 35% of market value. Tangible personal property (i.e. equipment and inventory) is valued at 25% of market value. Public utility property is valued at 88% of actual value. Most property tax revenues are used by the City's General Fund. Assessed values for the past five years are as follows:

<u>Levy Year</u>	<u>Collection Year</u>	<u>Assessed Value</u>	<u>Property Tax Revenues</u> <u>(cash basis)</u>
2002	2003	\$1,040,477,065	\$ 5,021,099
2003	2004	\$1,045,301,496	\$ 5,679,391
2004	2005	\$1,044,098,574	\$ 5,903,584
2005	2006	\$1,052,059,851	\$ 5,919,731
2006	2007	\$ 919,777,172	\$ 5,536,744

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

<u>Local Income Tax Receipts (Cash Basis)</u>	
2003	\$17,347,220
2004	\$18,208,511
2005	\$17,949,152
2006	\$17,356,177
2007	\$18,588,763

In November 2007, City voters passed a 1/4% additional earnings tax for public safety operations. This tax will take effect on January 1st, 2008.

FINANCIAL INFORMATION

Accounting Controls

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

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

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

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

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

Budgetary Controls

Detailed provisions for the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and the City Charter. The City Manager, with the assistance of the Finance Director, is required to submit to Council a tax budget of estimated revenues and expenditures for all funds, except agency funds, for the succeeding fiscal year by the first council meeting in July. The budget is required to be adopted by the legislative body by July 15 and to be submitted to the County Budget Commission by July 20 of each year. City Council is required by Charter to adopt a permanent appropriation measure for the ensuing fiscal year no later than January 1st. On December 5th, 2006, City Council adopted the 2007 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 105% of the varying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, Municipal Corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority.

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

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

Risk Management

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

The proactive approach that the administration employs in addressing its ongoing operations is reflected in the composition of the City's insurance protection package and its very favorable loss experience. The City reduces exposure to risk through several initiatives. They include insurance coverage for vehicles, general liability, inland marine, building and contents, computer insurance, public officials and law enforcement liability coverage and boiler and machinery coverage. The City maintains comprehensive insurance coverage with a local government insurance pool for 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 \$100,000 submitted by any person covered by the City. The policy also covers the City if total claims exceed \$4.1 million. The City Plan is administered by Anthem of Ohio.

Other Information

Independent Audit

The State of Ohio requires an annual audit by either the Auditor of State or by an independent public accounting firm. Clark, Schaefer, Hackett & Co. performed the City's 2007 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, 2006.

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 2007 Comprehensive Annual Financial Report of the City of Middletown is the result of the combined efforts of the City's Finance Department and Clark, Schaefer, Hackett & Co., which was the City's auditor.

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

Respectfully submitted,

DEPARTMENT OF FINANCE

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, 2006

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.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF MIDDLETOWN, OHIO

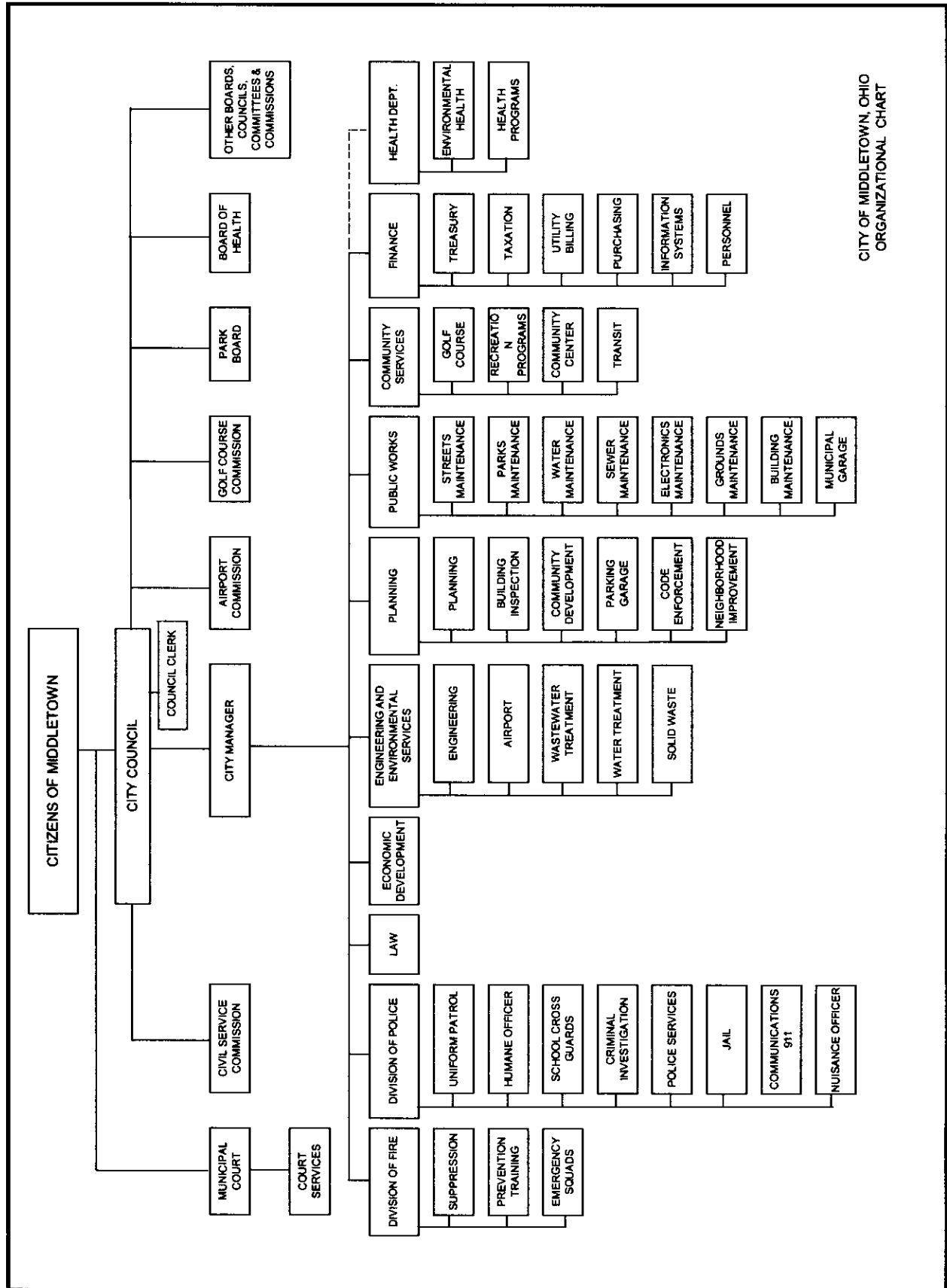
Principal Officials December 31, 2007

Legislative

Mayor.....David Schiavone
Council Member..... Christopher K. Amburgey
Council Member..... James Armbruster
Council Member..... Lalisa Lawrence
Council Member.....Anthony Marconi
Council Member.....Lawrence P. Mulligan, Jr.
Council Member..... Laura Williams

Executive/Administrative

City Manager.....Steve Husemann
Chief of Police..... Gregory J. Schwarber
Community Services Director..... Verlena L. Stewart
Director of Court Services.....Louis A. Rossi, Jr.
Economic Development Director..... William P. Murphy
Engineering & Environmental Services Director David J. Duritsch, Jr.
Finance DirectorRussell E. Carolus
Fire Chief Steven M. Botts
Health CommissionerDavid Winfough
Law Director..... Leslie S. Landen
Planning Director..... Martin D. Kohler
Public Works Director..... Ginger L. Smith



CITY OF MIDDLETOWN, OHIO
ORGANIZATIONAL CHART

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Middletown, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Ohio as of and for the year ended December 31, 2007, which collectively comprise the City of Middletown, Ohio's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Middletown, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Ohio as of December 31, 2007, 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 30, 2008, on our consideration of the City of Middletown, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 16 and 67 through 72, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Middletown, Ohio's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section 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 and statistical sections 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, Harkness & Co.

Cincinnati, Ohio
June 30, 2008

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, 2007. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the transmittal letter on page i, and the City's financial statements, which begin on page 18.

I. USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements.

The Basic Financial Statements

Financial Statements for the City as Whole. The Statement of Net Assets and the Statement of Activities (pages 18 and 19) provide information about the activities of the City as a whole and present a longer-term view of the City's finances.

Individual Fund Financial Statements. Fund financial statements also reflect the City's operations in more detail than the government-wide financial statements by providing information about the City's major funds. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. These statements begin on page 20.

Fiduciary Financial Statements. The fiduciary statements (page 36) provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Notes to the Basic Financial Statements. The Notes provide helpful information explaining the City's significant accounting procedures and providing greater detail regarding financial statement components.

Required Supplementary Information

Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. Schedules (pages 68 to 72) are presented for the General Fund and major special revenue funds that compare actual results to the original and final budgets for those funds.

Supplementary Information

Combining Financial Statements. These statements (starting on page 78) provide financial information regarding non-major individual funds, which have been aggregated in the basic financial statements.

Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. These schedules compare actual results to the original and final budgets for the major and non-major governmental funds. These schedules begin on page.

Capital Asset Schedules. Schedules (pages 152-154) showing information regarding the City's investment in capital assets.

A. Reporting the City as a Whole

Government-wide statements

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

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

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

Governmental activities – City service departments reported here include the Police and Fire Divisions, the Municipal Court, the Public Works Department, the Planning Department, general government support departments and the City Health Department. Local income taxes, property taxes, and state and federal grants finance most of these activities.

Business-type activities - The City of Middletown provides water, sewer, 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 parking garage, 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 it control and manage money for particular purposes, like water, sewer, and solid waste activities. City Council may also establish separate funds to show that it is meeting legal responsibilities for using certain taxes, grants, or other money, like grants received for community and economic development. The City's two kinds of funds –*governmental and proprietary* - use different accounting methods.

Governmental funds - Most of the City's basic services are reported in governmental funds. The fund statements present how cash flows into and out of those funds, and show the balances remaining at year-end that are available for future spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. *Information in governmental fund statements helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.* The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The government-wide financials, as previously described, present the government funds on the whole using the full accrual accounting basis. The differences between governmental activities as reported in the government-wide financial statements and as reported in the fund statements are presented in reconciliation on the right-hand side of the fund financial statements.

Proprietary funds – There are two types of proprietary funds, enterprise funds and internal service funds. Proprietary funds are reported using the full accrual accounting basis. When the City charges customers for the services it provides with the intention that the charges will fully cover the cost of the services, these activities are reported in enterprise funds. Enterprise funds are generally reported in the same way that all activities are reported in the government-wide Statements of Net Assets and Statement of Activities. In fact, the City's enterprise funds are the same funds as we report in the combined business-type activities column in the government-wide statements. The individual fund statements for enterprise funds provide more detail and additional information, such as cash flows. Internal service funds are used to report activities within the government that are centralized for efficiency in separate funds in order to provide supplies and services to the other City programs and activities. The City has two separate funds: the Municipal Garage Fund and the Employee Benefits Fund. These internal service funds are combined and shown in a separate column in the proprietary funds statements. In the government-wide financials, their activities are consolidated into the governmental and business-type activities.

C. The City as Fiscal Agent

Reporting the City's Fiduciary Responsibilities

The City is responsible in a fiduciary capacity for other assets that can only be used for designated beneficiaries. The financial statements for these funds are reported beginning on page 36. The City has 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, 2007 (in thousands):

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 54,596	54,596	19,452	19,505	74,048	74,101
Capital assets	<u>82,085</u>	<u>86,719</u>	<u>57,111</u>	<u>56,986</u>	<u>139,196</u>	<u>143,705</u>
Total assets	136,681	141,315	76,563	76,491	213,244	217,806
Long-term debt outstanding	29,006	30,573	12,660	15,342	41,662	45,915
Other liabilities	<u>14,147</u>	<u>15,925</u>	<u>5,236</u>	<u>3,911</u>	<u>19,383</u>	<u>19,836</u>
Total liabilities	43,153	46,498	17,896	19,253	61,049	65,751
Net assets:						
Invested in capital assets, net of debt	59,870	62,823	41,709	40,483	101,579	103,306
Restricted	26,695	27,064	1,255	1,105	27,950	28,169
Unrestricted	<u>6,963</u>	<u>4,930</u>	<u>15,702</u>	<u>15,650</u>	<u>22,665</u>	<u>20,580</u>
Total net assets	93,528	94,817	58,666	57,238	152,194	152,055
Beginning net assets	94,817	99,775	57,238	54,381	152,055	154,156
Net increase (decrease)	<u>(1,289)</u>	<u>-4,958</u>	<u>1,428</u>	<u>2,857</u>	<u>139</u>	<u>-2,101</u>
Ending net assets	\$ <u>93,528</u>	<u>94,817</u>	<u>58,666</u>	<u>57,238</u>	<u>152,194</u>	<u>152,055</u>

Net assets at year end decreased by \$1,289 versus a decrease of \$4,958 in 2006 in the Governmental activities area. The result of the 2006 decrease was due to a \$5,500 reduction in capital assets. Land was donated to the new Middletown Regional Hospital, which opened its new facility in December of 2007.

Business type activities net assets grew by \$1,428 (i.e. 5.25%). Most of this increase came from the receipts collected by the new Storm Water Fund established in 2007.

B. Governmental and Business-type Activities during 2007

The following table (in thousands) presents a condensed summary of the City's activities during 2007 and the resulting changes in net assets. Of the total General Government revenues of \$52,589, \$20,748 (39%) was from program revenue. This means that the government relied on tax revenues and unrestricted grants to fund 61% of its public safety, public works, and other services. Local income and property taxes totaled \$23,565,000 in 2007. This was about 45% of the City's total revenues for governmental activities.

For business type activities, total revenues decreased by \$1,667 from 2006. Charges for services for the Water and Sewer Funds were lower than expected. Although 2007 revenues were less than the previous year, so were the expenses. Total increase in net assets for 2007 was \$1,428.

Table 2
Changes in Net Assets

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 7,011	5,684	19,895	20,327	26,906	26,011
Operating grants & contributions	11,332	12,241	1,115	2,639	12,447	14,880
Capital grants and contributions	<u>2,405</u>	<u>3,047</u>	<u>473</u>	<u>172</u>	<u>2,878</u>	<u>3,219</u>
Total program revenues	20,748	20,972	21,483	23,138	42,231	44,110
<u>General revenues:</u>						
Income taxes	17,921	17,695	300	270	18,221	17,965
Property taxes	5,644	5,920	-	-	5,644	5,920
Other taxes	3,694	3,382	-	-	3,694	3,382
Grants and contributions not restricted	1,014	807	-	-	1,014	807
Investment earnings	2,327	967	549	591	2,876	1,558
Other	<u>1,241</u>	<u>3,143</u>	<u>-</u>	<u>-</u>	<u>1,241</u>	<u>3,143</u>
Total general revenues	<u>31,841</u>	<u>31,914</u>	<u>849</u>	<u>861</u>	<u>32,690</u>	<u>32,775</u>
Total revenues	52,589	52,886	22,332	23,999	74,921	76,885
Expenses						
Public safety	23,498	22,691	-	-	23,498	22,691
Public health	1,031	1,262	-	-	1,031	1,262
Leisure activities	1,565	1,096	-	-	1,565	1,096
Community environment	11,736	11,402	-	-	11,736	11,402
Highways and streets	8,890	8,377	-	-	8,890	8,377
General government	4,233	4,639	-	-	4,233	4,639
Miscellaneous	1,428	1,410	-	-	1,428	1,410
Interest on long-term debt	1,497	1,522	-	-	1,497	1,522
Water	-	-	7,510	8,027	7,510	8,027
Sewer	-	-	6,730	6,928	6,730	6,928
Transit	-	-	1,327	1,284	1,327	1,284
Golf Course	-	-	1,713	1,653	1,713	1,653
Solid Waste	-	-	2,748	2,442	2,748	2,442
Other business type activities	<u>-</u>	<u>-</u>	<u>876</u>	<u>753</u>	<u>876</u>	<u>753</u>
Total expenses	<u>53,878</u>	<u>52,399</u>	<u>20,904</u>	<u>21,087</u>	<u>74,782</u>	<u>73,486</u>
Increase in net assets before transfers	(1,289)	487	1,428	2,912	139	3,399
Transfers	-	55	-	(55)	-	-
Special item	<u>-</u>	<u>(5,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,500)</u>
Increase in net assets	(1,289)	(4,958)	1,428	2,857	139	(2,101)
Beginning net assets	94,817	99,775	57,238	54,381	152,055	154,156
Ending net assets	\$ <u>93,528</u>	<u>94,817</u>	<u>58,666</u>	<u>57,238</u>	<u>152,194</u>	<u>152,055</u>

1) Governmental activities during 2007

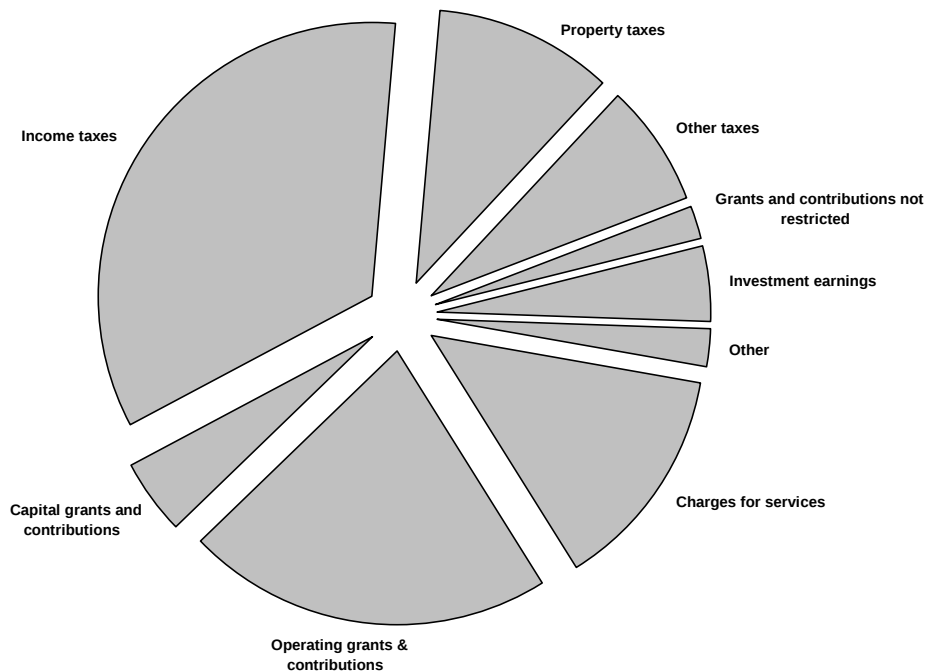
Table 3 presents the total cost of each of the government's primary services and the net cost after deducting the revenues generated by these services. The City recouped about 39% of the cost of its services with program revenues. Public safety, the City's most expensive program, covered about 18% of its costs with program revenues. Local tax receipts were used to fund the remaining costs of this service.

At the same time, Community Environment, which relies heavily upon federal and state grants, covered 93% of its costs with those program revenues.

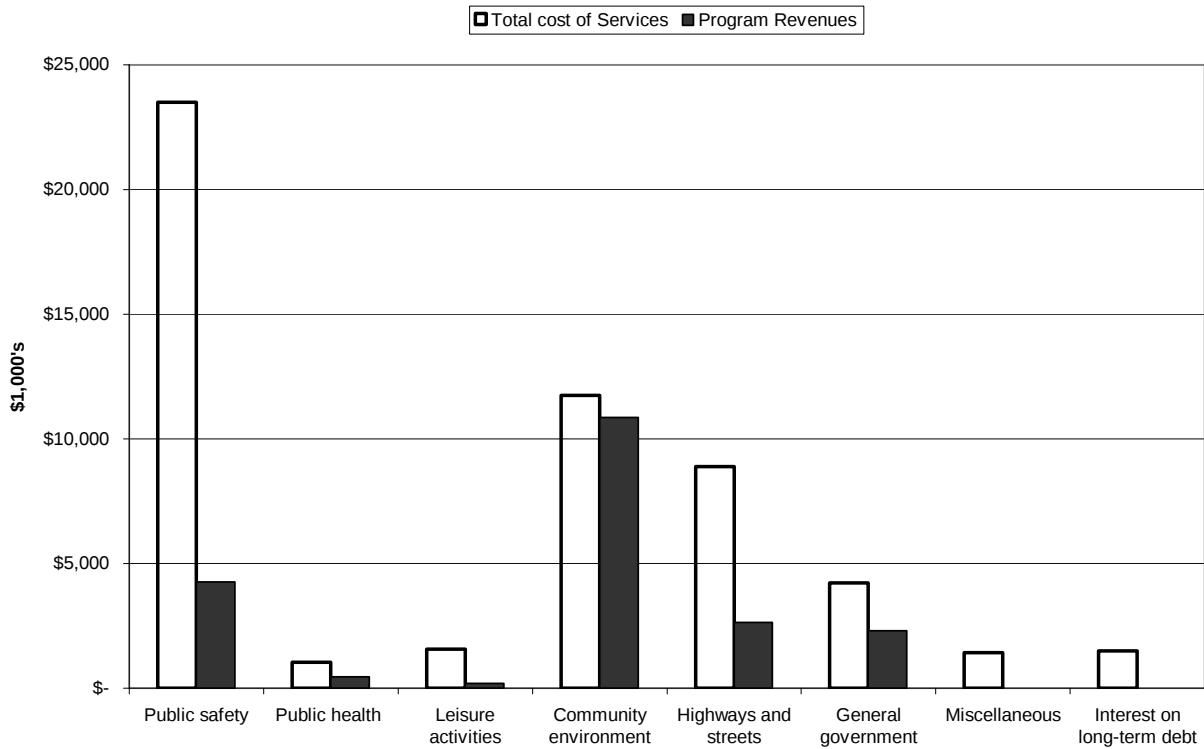
Table 3
Governmental Activities

	<u>Total cost of Services</u>	<u>Program Revenues</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Public safety	\$ 23,498	\$ 4,263	18%	\$ 19,235
Public health	1,031	464	45%	567
Leisure activities	1,565	201	13%	1,364
Community environment	11,736	10,860	93%	876
Highways and streets	8,891	2,649	30%	6,242
General government	4,233	2,311	55%	1,922
Miscellaneous	1,427	-	0%	1,427
Interest on long-term debt	1,497	-	0%	1,497
Total	<u>\$ 53,878</u>	<u>\$ 20,748</u>	39%	<u>\$ 33,130</u>

Revenues by Source - Governmental Activities



Program Revenues and Expenses - Governmental Activities



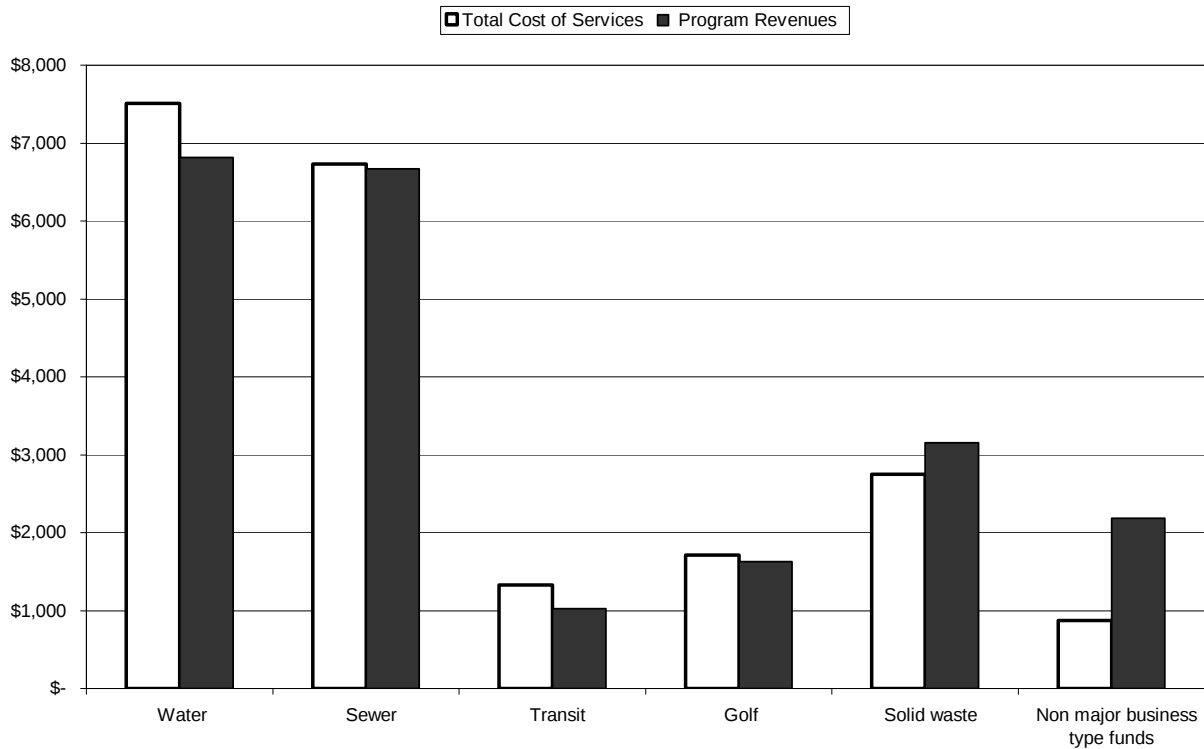
2) Business-type activities during 2007

The following table (in thousands) summarizes the business-type activities during 2007:

Table 4
Business-type Activities

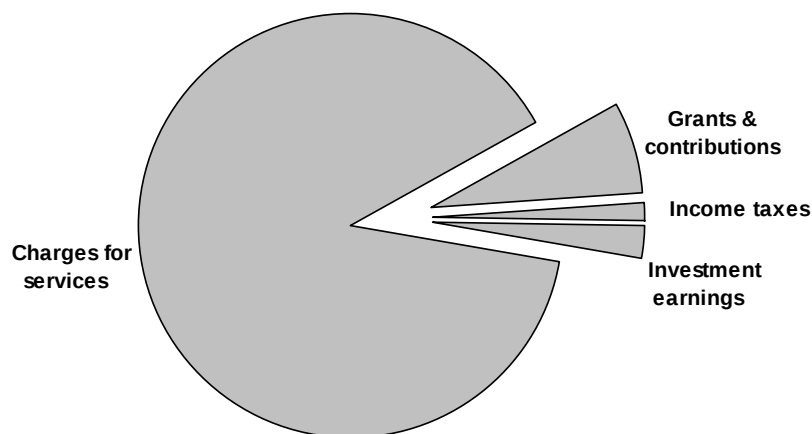
	<u>Total Cost of Services</u>	<u>Program Revenues</u>	<u>Revenues as % of Total Costs</u>	<u>Net Revenue from Operations</u>
Water	\$ 7,510	\$ 6,815	91%	\$ (695)
Sewer	6,730	6,673	99%	(57)
Transit	1,327	1,027	77%	(300)
Golf	1,713	1,629	95%	(84)
Solid waste	2,748	3,153	115%	405
Non major business type funds	876	2,186	251%	1,310
Total	<u>\$ 20,904</u>	<u>\$ 21,483</u>	<u>103%</u>	<u>\$ 579</u>

Program Revenues and Expenses - Business-Type Activities



The City attempts to break even on its business-type activities. The non major business funds had operating surpluses in 2007 to accumulate earnings for future capital investments. The Transit Fund deficit was covered by state and federal grants.

Revenues by Source - Business-Type Activities



III. THE CITY'S INDIVIDUAL FUNDS

A. Governmental funds

The financial statements for the City's governmental funds, accounted for under the modified accrual basis of accounting, are presented beginning on page 20. The City has thirty-four governmental funds, four of which are considered major funds. Assets of those four funds comprise 71% of the total governmental funds' assets of \$53,447. The following table (in thousands) summarizes the activities of these four major funds.

Table 5
Financial Highlights
Major Governmental Funds

	<u>General Fund</u>	<u>Housing Assistance</u>	<u>Community Development Escrow</u>	<u>Special Assessment Debt Service</u>
Total assets \$	18,416	12,752	2,440	4,483
Total liabilities	<u>9,342</u>	<u>9,239</u>	<u>9</u>	<u>4,412</u>
Fund balance	<u>9,074</u>	<u>3,513</u>	<u>2,431</u>	<u>71</u>
Unreserved fund balance \$	<u>8,864</u>	<u>3,513</u>	<u>768</u>	<u>71</u>
Revenues \$	26,048	10,531	36	491
Expenditures	24,636	9,651	294	447
Other financing sources/uses	<u>642</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance \$	<u>2,054</u>	<u>880</u>	<u>(258)</u>	<u>44</u>

General Fund. Fund balance at the end of 2007 was \$9,074 including \$8,864 of unreserved fund balance. This is 36% of 2007 expenditures. The General Fund's balance increased by \$2,054 in 2007. The unreserved fund balance is a "rainy day fund" and will be used to cover expenditures during economic downturns. The General Fund's positive net change in fund balance is due to decreased expenditures, specifically, personnel costs. A hiring freeze has been effect for several years and the City has experienced successful efforts in controlling health care costs as well. An increase in charges for services enhanced the revenues for 2007.

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 2007, there were 1,663 Section 8 units in the City of Middletown.

Community Development Escrow Fund. This fund issues home repair loans to lower income residents. At the end of 2007, the fund balance of \$768 was available for loans to qualified property owners residing in Middletown. The increase in expenditures is due to additional number of rehabilitation loans in 2007 leaving a decrease in fund balance of \$258.

Special Assessment Debt Service Fund. The Special Assessment Debt Service fund receives special assessment payments from Middletown property owners and passes the payments along to the owner of the City's special assessment bonds.

B. Proprietary funds

1) Enterprise funds

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

Table 6
Financial Highlights
Enterprise Funds

	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Transit</u> <u>Fund</u>	<u>Golf Fund</u>	<u>Solid</u> <u>Waste</u> <u>Fund</u>
Total assets	\$ 30,464	29,978	1,333	5,276	846
Total liabilities	<u>8,415</u>	<u>4,088</u>	<u>105</u>	<u>2,241</u>	<u>1,610</u>
Total net assets	<u>22,049</u>	<u>25,889</u>	<u>1,228</u>	<u>3,036</u>	<u>(765)</u>
Unrestricted net assets	<u>5,421</u>	<u>6,604</u>	<u>215</u>	<u>(440)</u>	<u>234</u>
Operating revenues	6,598	6,673	129	1,629	3,153
Operating expenses	7,277	6,598	1,327	1,614	2,652
Net non-operating revenues	<u>104</u>	<u>127</u>	<u>1,102</u>	<u>(94)</u>	<u>(96)</u>
Net change in net assets	\$ <u>(575)</u>	<u>201</u>	<u>(96)</u>	<u>(79)</u>	<u>405</u>

Water Fund. The Water Fund rates are set to cover the fund's operating cost and to accumulate cash resources for future capital expenditures. The Water Fund received operating grants of \$217 from the State of Ohio in 2007 versus \$1,868 in 2006.

Sewer Fund. The Sewer Fund ended 2007 with a cash balance of \$6,751. This money was saved in anticipation of large capital needs in 2008.

Transit Fund. The Transit Fund's \$96 decrease in net assets in 2007 is a result of a reduction in federal and state grants receivable at December 31, 2007.

Golf Fund. The City Golf Fund lost \$79,000 in 2007. This fund owed the City's General Fund \$405 at the end of 2007 for a working capital loan. The plan is to repay this debt over the next few years.

Solid Waste Fund. The Solid Waste charges to Middletown customers are set to cover the cost of the refuse contract with a private hauler and the annual debt service of \$290 on a landfill closure bond. At the end of 2007, the balance owed on this 1994 bond issue was \$1,415. The Solid Waste Fund carries a \$765 fund deficit because of this large debt liability.

2) Internal service funds

Net assets at year-end and 2007 activity in the City's two internal service funds, are shown on page 29.

The City's Employee Benefits Fund ended the year with net assets of \$85. The rising cost of health insurance puts a burden on the City's budget. Future budgets will allow for continuing annual cost increases.

The other City internal service fund, the Municipal Garage Fund, ended the year with net assets of \$4,351. Money is being set aside for future vehicle purchases according to a multi-year plan developed by the Municipal Garage fleet managers. The Municipal Garage Fund cash balance at the end of 2007 was \$1,801.

IV. BUDGETED ACTIVITY AND ACTUAL RESULTS

The schedules comparing the City's original and final General Fund budgets to actual expenditures begin on page 68. The General Fund's original 2007 appropriation was increased during the year by \$6,677,407 and at year end. The majority of this large increase is due from one large appropriation of \$6.3 million for the Division of Fire. The original 2007 budget only appropriated three months of the Fire Division's expenses pending the outcome of possible cutbacks. The General Fund's actual expenditures on a cash basis (budget basis) were \$1,191,000 (5%) under the amended budget.

V. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital assets

Detailed information on the City's capital assets is found in the notes to the Financial Statements on pages 51 and 52 and in the Supplemental Section on pages 152-154.

The City had \$139,196,000 in net capital assets ranging from fire and police vehicles and equipment to water and sewer lines.

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

	Governmental	Business-	
	Activities	Type	
		Activities	Total
Land	\$ 12,462,000	6,841,000	19,303,000
Land improvements	455,000	1,176,000	1,631,000
Buildings	11,000,000	18,644,000	29,644,000
Equipment	3,739,000	8,203,000	11,942,000
Infrastructure	0	22,247,000	22,247,000
General infrastructure	<u>54,429,000</u>	<u>0</u>	<u>54,429,000</u>
Total	<u>\$ 82,085,000</u>	<u>57,111,000</u>	<u>139,196,000</u>

The major capital assets activity during 2007 included the following:

Purchased right-of-way for Interstate 75 and State Route 122 for future development.
Spent \$1.5 million+ for street, curb, and gutter improvements and \$1.3 million+ for other infrastructure improvements City wide.
Approximately \$800,000 was spent for water treatment plant upgrades.
New equipment purchases for the sum of \$935,000 were made to replace existing police cars and Public Works vehicles along with new equipment for the newly formed Storm Water Maintenance Division.

B. Debt

One note for the amount of \$1,715,000 was issued for the Municipal Airport to purchase the municipal airport buildings. For more detailed information on debt, see pages 55 through 59.

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

AK Steel, which is the city's largest employer, relocated its Middletown corporate headquarters to suburban Cincinnati in August 2007. This loss of three hundred Middletown jobs will reduce Middletown's local income tax revenues by about \$400,000 in 2008.

The City has budgeted conservatively for 2008. Revenues were forecast to decrease by about 3% for the General Fund while expenditures were expected to increase by 4%. No new programs were begun and the selective hiring freeze program, which began in 2002, was continued in 2007 and will continue in 2008.

In 2008, a Finance Sub Committee and a Street Improvements Sub Committee was initiated. One of the main goals of these committees is to recommend the direction to take for the future.

Three companies are moving to the Middletown area.

Paycheck North America, a payroll and human resource industry, announced plans that they wish to consolidate and relocate to the Middletown area in 2008. The company will relocate 177 employees to the City and hire an additional fourteen employees in the next three years.

Pac National, a leading provider of mailers, announced plans to construct a 360,000 square foot facility and bring more than two-hundred jobs to the community over the next three years.

Ventilex USA, producer of fluid bed drying and cooling systems, began construction on a new office and promises to bring twenty-four new employees to the City over the next thirty-six months.

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, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equity in pooled cash, deposits and investments	\$ 23,684,676	15,242,031	38,926,707
Cash with fiscal and escrow agent	1,857,876	-	1,857,876
Receivables (net of allowance for uncollectibles):			
Income taxes	3,676,163	-	3,676,163
Property taxes	5,075,641	-	5,075,641
Estate taxes	199,634	-	199,634
Accounts	755,001	1,562,352	2,317,353
Loans	1,967,502	510,513	2,478,015
Special assessments	4,412,357	-	4,412,357
Due from other governments	13,122,665	499,263	13,621,928
Inventory of supplies	730,251	751,722	1,481,973
Internal balances	(885,681)	885,681	-
Capital assets, net			
Non-depreciable	12,462,365	6,840,571	19,302,936
Depreciable	69,622,995	50,270,648	119,893,643
Total assets	136,681,445	76,562,781	213,244,226
Liabilities			
Accounts payable and other current liabilities	1,428,610	879,456	2,308,066
Accrued wages and benefits	1,722,243	295,013	2,017,256
Accrued interest payable	118,909	69,427	188,336
Due to other governments	14,272	3,711	17,983
Unearned revenue	5,075,641	765,574	5,841,215
Notes payable	2,550,000	1,715,000	4,265,000
Non current liabilities:			
Due within one year	3,237,775	1,507,512	4,745,287
Due in more than one year	29,006,379	12,660,688	41,667,067
Total liabilities	43,153,829	17,896,381	61,050,210
Net Assets			
Invested in capital assets, net of related debt	59,870,360	41,709,455	101,579,815
Restricted for capital projects	3,806,193	-	3,806,193
Restricted for debt service	1,932,009	-	1,932,009
Restricted for housing assistance	12,629,353	-	12,629,353
Restricted for community development	2,430,727	-	2,430,727
Restricted for other purposes	5,895,652	1,255,248	7,150,900
Unrestricted	6,963,322	15,701,697	22,665,019
Total net assets	\$ 93,527,616	58,666,400	152,194,016

See accompanying notes to the basic financial statements.

CITY OF MIDDLETOWN, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>							
Governmental activities:							
Public safety	\$ 23,497,908	3,686,078	493,521	83,715	(19,234,594)		(19,234,594)
Public health and welfare	1,031,292	-	464,323	-	(566,969)		(566,969)
Leisure time activities	1,564,970	78,865	-	121,948	(1,364,157)		(1,364,157)
Community environment	11,735,786	500,825	10,359,323	-	(875,638)		(875,638)
Highways and streets	8,890,452	449,547	-	2,199,196	(6,241,709)		(6,241,709)
General government	4,232,858	2,295,926	15,000	-	(1,921,932)		(1,921,932)
Miscellaneous	1,427,497	-	-	-	(1,427,497)		(1,427,497)
Interest on long-term debt	1,497,226	-	-	-	(1,497,226)		(1,497,226)
Total governmental activities	53,877,989	7,011,241	11,332,167	2,404,859	(33,129,722)		(33,129,722)
Business-type activities:							
Water	7,510,083	6,597,929	217,357	-		(694,797)	(694,797)
Sewer	6,729,608	6,672,678	-	-		(56,930)	(56,930)
Transit	1,327,283	129,190	898,097	-		(299,996)	(299,996)
Golf Course	1,713,119	1,629,496	-	-		(83,623)	(83,623)
Solid Waste	2,747,970	3,152,681	-	-		404,711	404,711
Other	875,514	1,713,062	-	472,533		1,310,081	1,310,081
Total business-type activities	20,903,577	19,895,036	1,115,454	472,533		579,446	579,446
Total	\$ 74,781,566	26,906,277	12,447,621	2,877,392	(33,129,722)	579,446	(32,550,276)
General revenues:							
Taxes:							
Income taxes					17,920,891	300,000	18,220,891
Property taxes					5,643,510	-	5,643,510
Other taxes					3,694,147	-	3,694,147
Grants and contributions not restricted to specific programs					1,014,106	-	1,014,106
Investment earnings					2,326,782	549,435	2,876,217
Miscellaneous					1,241,140	-	1,241,140
Total general revenues					31,840,576	849,435	32,690,011
Change in net assets					(1,289,146)	1,428,881	139,735
Net assets beginning of year					94,816,762	57,237,519	152,054,281
Net assets end of year					\$ 93,527,616	58,666,400	152,194,016

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Housing Assistance
ASSETS:		
Cash and equity in pooled cash, deposits and investments	\$ 7,114,094	\$ 3,585,888
Cash with fiscal and escrow agent	1,196,404	-
Receivables (net of allowance for uncollectibles):		
Income taxes	3,676,163	-
Property taxes	3,767,666	-
Estate taxes	199,634	-
Accounts	594,043	-
Loans	-	-
Special assessments	-	-
Accrued interest	-	-
Due from other funds	505,000	50,000
Due from other governments	1,347,330	9,116,293
Inventory of supplies	15,893	-
Total assets	\$ 18,416,227	\$ 12,752,181
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 79,251	\$ 5,247
Accrued wages and benefits	1,532,807	-
Other accrued liabilities	259,509	-
Due to other funds	117,844	-
Due to other governments	1,641	-
Due to individuals	11,951	117,581
Matured bonds and interest	-	-
Notes payable	-	-
Deferred revenue	7,338,647	9,116,293
Total liabilities	9,341,650	9,239,121
Fund balances:		
Reserved for encumbrances	195,113	-
Reserved for inventory	15,893	-
Reserved for loans	-	-
Unreserved, reported in:		
General Fund	8,863,571	-
Special Revenue Funds	-	3,513,060
Debt Service Funds	-	-
Capital Project Funds	-	-
Total fund balances	9,074,577	3,513,060
Total liabilities and fund balances	\$ 18,416,227	\$ 12,752,181

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

Community Development Escrow		Special Assessment Debt Service		Non Major Governmental Funds		Total Governmental Funds	
\$	132,934	\$	70,951	\$	10,369,976	\$	21,273,843
	643,839		-		17,633		1,857,876
	-		-		-		3,676,163
	-		-		1,307,975		5,075,641
	-		-		-		199,634
	-		-		156,342		750,385
	1,662,786		-		304,716		1,967,502
	-		4,412,357		-		4,412,357
	-		-		-		-
	-		-		3,109		558,109
	-		-		2,659,042		13,122,665
	-		-		536,530		552,423
\$	2,439,559	\$	4,483,308	\$	15,355,323	\$	53,446,598
\$	-	\$	-	\$	205,347	\$	289,845
	-		-		164,494		1,697,301
	-		-		39,053		298,562
	-		-		221,346		339,190
	-		-		12,631		14,272
	8,832		-		120,580		258,944
	-		-		17,633		17,633
	-		-		2,550,000		2,550,000
	-		4,412,357		3,776,295		24,643,592
	8,832		4,412,357		7,107,379		30,109,339
	-		-		644,411		839,524
	-		-		536,530		552,423
	1,662,786		-		304,716		1,967,502
	-		-		-		8,863,571
	767,941		-		2,560,481		6,841,482
	-		70,951		649,419		720,370
	-		-		3,552,387		3,552,387
	2,430,727		70,951		8,247,944		23,337,259
\$	2,439,559	\$	4,483,308	\$	15,355,323	\$	53,446,598

**CITY OF MIDDLETOWN, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Total governmental fund balances	\$ 23,337,259
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Amounts reported for governmental activities in the statement of activities are different due to the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	82,085,360
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Income taxes receivable	2,085,197
Intergovernmental and other receivables	17,482,754

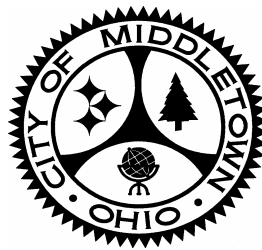
Internal service funds are used to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

	800,940
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(22,215,000)
Special assessment bonds	(3,099,442)
Compensated absences	(4,293,611)
Pension obligation payable	(2,554,565)
Accrued interest on long-term debt	(101,276)

Net assets of governmental activities	\$ 93,527,616
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CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2007

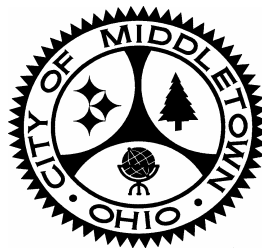
	General	Housing Assistance
Revenues:		
Property taxes	\$ 3,981,455	\$ -
Municipal income taxes	12,259,011	-
Intergovernmental revenues	3,170,608	10,447,999
Charges for services	3,923,347	-
Fees, licenses, and permits	451,724	-
Fines and forfeits	125,650	-
Special assessments	-	-
Interest earnings	643,186	24,189
Increase in investment Fair Value	1,196,404	-
Miscellaneous	296,292	58,475
Total revenues	26,047,677	10,530,663
Expenditures:		
Current		
Public safety	17,720,641	-
Public health and welfare	-	-
Leisure time activities	968,327	-
Community environment	1,163,842	9,650,701
Highways and streets	-	-
General government	3,740,989	-
Miscellaneous	1,042,361	-
Debt service		
Principal retirement	-	-
Interest and fiscal charges	-	-
Total expenditures	24,636,160	9,650,701
Excess of revenues over (under) expenditures	1,411,517	879,962
Other financing sources (uses):		
Transfers-in	642,431	-
Transfers-out	-	-
Other sources	-	-
Other uses	-	-
Total other financing sources (uses)	642,431	-
Net change in fund balances	2,053,948	879,962
Fund balance, beginning of year	7,020,629	2,633,098
Fund balance, end of year	\$ 9,074,577	\$ 3,513,060

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

Community Development Escrow		Special Assessment Debt Service		Non Major Governmental Funds		Total Governmental Funds	
\$	-	\$	-	\$	1,662,055	\$	5,643,510
	-		-		5,685,562		17,944,573
	-		-		5,234,367		18,852,974
	-		-		292,389		4,215,736
	-		-		-		451,724
	-		-		1,449,085		1,574,735
	-		491,127		-		491,127
	35,683		-		350,762		1,053,820
	-		-		-		1,196,404
	-		-		1,590,473		1,945,240
	35,683		491,127		16,264,693		53,369,843
	-		-		5,401,488		23,122,129
	-		-		1,023,749		1,023,749
	-		-		452,778		1,421,105
	-		-		939,388		11,753,931
	-		-		4,731,481		4,731,481
	-		-		341,753		4,082,742
	293,572		-		91,564		1,427,497
	-		270,818		1,285,000		1,555,818
	-		176,149		1,326,520		1,502,669
	293,572		446,967		15,593,721		50,621,121
	(257,889)		44,160		670,972		2,748,722
	-		-		200,000		842,431
	-		-		(242,432)		(242,432)
	-		-		107,830		107,830
	-		(620)		(3,686)		(4,306)
	-		(620)		61,712		703,523
	(257,889)		43,540		732,684		3,452,245
	2,688,616		27,411		7,515,260		19,885,014
\$	2,430,727	\$	70,951	\$	8,247,944	\$	23,337,259

**CITY OF MIDDLETOWN, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2007**

Net change in fund balances - total governmental funds	\$ 3,452,245
<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	2,311,616
Depreciation expense	(6,601,921)
Revenue in the statement of activities that do not provide current financial resources are to reported as revenues in the funds:	
Income taxes	(23,682)
Intergovernmental and other revenue	(1,562,749)
Repayment of bond principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	
	1,555,818
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	5,443
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.	
	(40,005)
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>(385,911)</u>
Change in net assets of governmental activities	<u>\$ (1,289,146)</u>



**CITY OF MIDDLETOWN, OHIO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007**

Business Type Activities - Enterprise Funds					
	Water		Sewer		Transit System
Assets:					
Current assets					
Equity in pooled cash and investments	\$	5,894,924	\$	6,751,175	\$ 74,161
Receivables					
Accounts		639,746		560,832	-
Loans		510,513		-	-
Due from other funds		-		-	1,485
Intergovernmental		177,643		-	244,202
Inventory of supplies		562,308		129,470	-
Total current assets		7,785,134		7,441,477	319,848
Capital assets:					
Land		1,152,665		152,500	-
Land Improvements		5,875		-	-
Infrastructure assets		25,088,841		28,324,468	-
Buildings		12,127,138		12,246,408	1,227,000
Equipment		5,329,600		9,727,759	1,682,786
Less: Accumulated depreciation		(21,025,705)		(27,914,777)	(1,897,007)
Net capital assets		22,678,414		22,536,358	1,012,779
Total assets		30,463,548		29,977,835	1,332,627
Liabilities					
Current liabilities					
Accounts payable		207,243		18,287	-
Accrued wages and benefits		100,928		115,438	38,221
Other accrued liabilities		24,544		27,572	9,119
Accrued interest payable		14,956		-	-
Due to other funds		14,514		10,416	24,204
Due to other governments		676		-	-
Due to individuals		368,535		-	-
General obligation bonds payable		295,000		-	-
Lease obligation payable		348,669		348,669	-
Unearned Revenue		688,156		-	-
Notes payable		-		-	-
Compensated absences (short term portion)		57,575		63,172	11,365
Total current liabilities		2,120,796		583,554	82,909
Long-term liabilities					
General obligation bonds payable		2,800,000		-	-
Lease obligation		3,382,213		3,382,213	-
Compensated absences		111,762		122,628	22,062
Total long-term liabilities		6,293,975		3,504,841	22,062
Total liabilities		8,414,771		4,088,395	104,971
Net Assets					
Invested in capital assests, net of related debt		15,852,532		18,805,476	1,012,779
Restricted for debt service		775,124		480,124	-
Unrestricted		5,421,121		6,603,840	214,877
Total net assets	\$	22,048,777	\$	25,889,440	\$ 1,227,656

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

					Governmental Activities -	
Golf Course	Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds		
\$ 15,792	\$ 178,283	\$ 2,327,696	\$ 15,242,031	\$ 2,410,833		
-	251,466	110,308	1,562,352	4,616		
-	-	-	510,513	-		
-	-	-	1,485	244,507		
-	-	77,418	499,263	-		
59,944	-	-	751,722	177,828		
75,736	429,749	2,515,422	18,567,366	2,837,784		
3,611,550	382,600	1,541,256	6,840,571	195,750		
2,483,945	-	257,211	2,747,031	-		
-	-	605,012	54,018,321	-		
710,031	74,652	4,541,785	30,927,014	363,139		
283,124	-	1,075,329	18,098,598	9,100,743		
(1,888,192)	(41,474)	(2,753,161)	(55,520,316)	(7,367,750)		
5,200,458	415,778	5,267,432	57,111,219	2,291,882		
5,276,194	845,527	7,782,854	75,678,585	5,129,666		
-	188,158	21,497	435,185	574,350		
30,200	-	10,226	295,013	24,942		
10,829	-	1,872	73,936	6,909		
2,571	7,152	34,748	59,427	-		
405,000	-	6,183	460,317	4,594		
3,035	-	-	3,711	-		
-	-	1,800	370,335	-		
150,000	205,000	-	650,000	-		
-	-	-	697,338	-		
-	-	77,418	765,574	-		
-	-	1,715,000	1,715,000	-		
21,748	-	6,314	160,174	-		
623,383	400,310	1,875,058	5,686,010	610,795		
1,575,000	1,210,000	-	5,585,000	-		
-	-	-	6,764,426	-		
42,217	-	12,593	311,262	81,536		
1,617,217	1,210,000	12,593	12,660,688	81,536		
2,240,600	1,610,310	1,887,651	18,346,698	692,331		
3,475,458	(999,222)	3,552,432	41,699,455	2,291,882		
-	-	-	1,255,248	-		
(439,864)	234,439	2,342,771	14,377,184	2,145,453		
\$ 3,035,594	\$ (764,783)	\$ 5,895,203	\$ 57,331,887	\$ 4,437,335		

Adjustment to reflect the consolidation of internal service fund activities

Total net assets from above

Net assets of business-type activities

1,334,513

57,331,887

\$ 58,666,400

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES OF NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

Business Type Activities - Enterprise Funds			
	Water	Sewer	Transit System
Operating revenues:			
Charges for services	\$ 6,557,446	\$ 6,663,127	\$ 127,806
Other operating revenue	40,483	9,551	1,384
Total operating revenues	6,597,929	6,672,678	129,190
Operating expenses:			
Personal services	1,936,392	2,103,363	675,608
Contractual services	2,573,323	2,515,730	339,927
Commodities	332,905	335,249	3,256
Depreciation	1,131,071	1,238,332	308,492
Other operating expenses	1,303,248	405,372	-
Total operating expenses	7,276,939	6,598,046	1,327,283
Operating income (loss)	(679,010)	74,632	(1,198,093)
Non-operating revenues (expenses):			
Interest revenue	211,060	258,251	-
Interest expense and fiscal charges	(324,896)	(131,562)	-
Operating grants	217,357	-	898,097
Income taxes	-	-	204,000
Loss on sale or disposal of capital assets	-	-	-
Total non-operating revenues (expenses)	103,521	126,689	1,102,097
Income (loss) before contributions and transfers	(575,489)	201,321	(95,996)
Transfers-out	-	-	-
Change in net assets	(575,489)	201,321	(95,996)
Total net assets, beginning of year	22,624,266	25,688,119	1,323,652
Total net assets, end of year	\$ 22,048,777	\$ 25,889,440	\$ 1,227,656

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

Business Type Activities - Enterprise Funds				Governmental Activities -	
Golf Course	Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
\$ 1,621,902	\$ 3,135,788	\$ 1,711,245	\$ 19,817,314	\$ 7,046,076	
7,594	16,893	1,817	77,722	49,189	
1,629,496	3,152,681	1,713,062	19,895,036	7,095,265	
771,461	-	187,280	5,674,104	567,307	
194,106	2,494,427	298,591	8,416,104	4,674,990	
465,475	-	25,459	1,162,344	844,750	
169,036	1,659	252,993	3,101,583	656,079	
14,336	155,822	34,695	1,913,473	58,203	
1,614,414	2,651,908	799,018	20,267,608	6,801,329	
15,082	500,773	914,044	(372,572)	293,936	
-	-	80,124	549,435	76,558	
(93,705)	(96,062)	(71,496)	(717,721)	-	
-	-	472,533	1,587,987	-	
-	-	96,000	300,000	-	
-	-	-	-	(64,653)	
(93,705)	(96,062)	577,161	1,719,701	11,905	
(78,623)	404,711	1,491,205	1,347,129	305,841	
-	-	-	-	(600,000)	
(78,623)	404,711	1,491,205	1,347,129	(294,159)	
3,114,217	(1,169,494)	4,403,998	55,984,758	4,731,494	
\$ 3,035,594	\$ (764,783)	\$ 5,895,203	\$ 57,331,887	\$ 4,437,335	
Adjustment to reflect the consolidation of Internal Service Funds activities				\$ 81,752	
Changes in net assets of business-type activities from above				1,347,129	
Changes in net assets of business-type activities				<u>\$ 1,428,881</u>	

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2007**

Business Type Activities - Enterprise Funds			
	Water	Sewer	Transit System
Cash flows from operating activities:			
Cash received from customers	\$ 6,832,108	\$ 6,903,039	\$ 127,806
Cash payments to suppliers for goods and services	(2,888,585)	(2,285,307)	(33,913)
Cash payments to employees for services	(1,678,318)	(1,830,347)	(619,670)
Miscellaneous revenues	67,142	-	1,384
Cash received from interfund services provided	-	-	-
Cash payments for interfund services used	(1,315,287)	(1,262,721)	(384,152)
Deposits and collections for other governments	41,226	-	-
Net cash provided (used) by operating activities	1,058,286	1,524,664	(908,545)
Cash flows from non-capital financing activities:			
Operating grants	578,904	-	750,940
Interfund loan receipts/payments	-	-	-
Transfers-out to other funds	-	-	-
Income taxes received	-	-	204,000
Net cash provided (used) by non-capital financing activities	578,904	0	954,940
Cash flows from capital and related financing activities:			
Sale of capital assets	-	-	-
Purchase of capital assets	(1,090,467)	(1,045,578)	(68,993)
Interest expense	(326,156)	(131,562)	-
Repayment of debt principal	(560,929)	(280,930)	-
Note proceeds	-	-	-
Net cash used by capital and related financing activities	(1,977,552)	(1,458,070)	(68,993)
Cash flows from investing activities:			
Interest income	211,060	258,251	-
Net cash provided by investing activities	211,060	258,251	-
Net change in cash and cash equivalents	(129,302)	324,845	(22,598)
Cash and pooled investments, beginning of year	6,024,226	6,426,330	96,759
Cash and pooled investments, end of year	\$ 5,894,924	\$ 6,751,175	\$ 74,161

Business Type Activities - Enterprise Funds					Governmental Activities -
Golf Course	Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
\$ 1,626,419	\$ 2,748,581	\$ 1,776,480	\$ 20,014,433	\$ -	
(681,496)	(2,333,830)	(353,452)	(8,576,583)	(5,589,827)	
(735,427)	-	(137,721)	(5,001,483)	(476,509)	
8,785	-	3,617	80,928	126,247	
-	-	(52,264)	(52,264)	6,943,946	
(42,712)	-	-	(3,004,872)	(101,556)	
56	-	-	41,282	-	
175,625	414,751	1,236,660	3,501,441	902,301	
-	-	472,533	1,802,377	-	
55,000	-	-	55,000	-	
-	-	-	-	(600,000)	
-	-	96,000	300,000	-	
55,000	-	568,533	2,157,377	(600,000)	
-	-	-	-	63,354	
-	-	(1,021,691)	(3,226,729)	(440,935)	
(94,273)	(96,993)	(78,146)	(727,130)	-	
(140,000)	(195,000)	(1,630,000)	(2,806,859)	-	
-	-	1,717,378	1,717,378	-	
(234,273)	(291,993)	(1,012,459)	(5,043,340)	(377,581)	
-	-	77,746	547,057	76,558	
-	-	77,746	547,057	76,558	
(3,648)	122,758	870,480	1,162,535	1,278	
19,440	55,525	1,457,216	14,079,496	2,409,555	
\$ 15,792	\$ 178,283	\$ 2,327,696	\$ 15,242,031	\$ 2,410,833	

continued

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2007**

Business Type Activities - Enterprise Funds			
	Water	Sewer	Transit System
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (679,010)	\$ 74,632	\$ (1,198,093)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,131,071	1,238,332	308,492
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable (net)	717,721	617,541	-
Decrease (increase) in inventory of supplies	(264,759)	7,623	-
Increase (decrease) in accounts payable	156,918	(389,541)	(5,696)
Increase (decrease) in accrued wages and benefits	(29,211)	(32,713)	2,516
Increase (decrease) in other accrued liabilities	(6,691)	(4,636)	(2,076)
Increase (decrease) in due to other funds	2,560	1,567	1,270
Increase (decrease) in compensated absences payable	(11,539)	11,859	(14,958)
Increase (decrease) in due to other governments	148	-	-
Increase (decrease) in due to individuals	41,078	-	-
Total adjustments	1,737,296	1,450,032	289,548
Net cash provided (used) by operating activities	\$ 1,058,286	\$ 1,524,664	\$ (908,545)

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

Business Type Activities - Enterprise Funds				Governmental Activities -	
Golf Course	Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
\$ 15,082	\$ 500,773	\$ 914,044	\$ (372,572)	\$ 293,936	
169,036	1,659	252,993	3,101,583	656,079	
5,708	(248,278)	71,307	1,163,999	18,149	
(1,480)	-	-	(258,616)	1,956	
(4,181)	160,597	(36,485)	(118,388)	(22,967)	
209	-	8,216	(50,983)	(784)	
(8,738)	-	1,268	(20,873)	(3,218)	
-	-	5,261	10,658	(43,221)	
(67)	-	18,256	3,551	2,371	
56	-	-	204	-	
-	-	1,800	42,878	-	
160,543	(86,022)	322,616	3,874,013	\$ 608,365	
\$ 175,625	\$ 414,751	\$ 1,236,660	\$ 3,501,441	\$ 902,301	

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007**

		Total Agency Funds
Assets:		
Cash and equity in pooled cash, deposits and investments	\$	73,074
Cash with fiscal and escrow agent		295,532
Property taxes receivable		144,093
Total assets	\$	512,699
Liabilities:		
Due to other governments	\$	371,007
Due to individuals		22,540
Unapportioned monies		119,152
Total liabilities	\$	512,699

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Related Organization

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

Included within the reporting entity:

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

B. BASIS OF PRESENTATION

Government-wide Financial Statements

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

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

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

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

Net assets are reported as restricted when constraints placed upon their use are either: 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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.

Fund Financial Statements

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

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

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

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

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

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

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

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

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.

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

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

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

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

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

C. BASIS OF ACCOUNTING

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

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

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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, 2007, whose availability is indeterminable and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside the available period, the entire amount has been deferred.

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

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

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

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.

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

D. CASH, DEPOSITS, AND INVESTMENTS

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

STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2007.

For purposes of the statements of cash flows, the City of Middletown considers the Proprietary Fund types equity in pooled cash, deposits, and investments to be highly liquid because those funds are able to withdraw (expend) cash at any time without prior notice or penalty. Restricted cash is not considered to be cash equivalents because these investments have a maturity of over three months when purchased.

E. CASH WITH FISCAL AND ESCROW AGENT

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

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

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G. INVENTORY OF SUPPLIES

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

H. CAPITAL ASSETS

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Also included in capital assets are infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, drainage systems and similar items) constructed or acquired on or after January 1, 1980.

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

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

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

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

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 2007, interest costs incurred on construction projects were not material.

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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, and the Parking Fund.

The Internal Service Fund records charges for services to all City funds, departments and other governmental units as operating revenue. Both Governmental and Proprietary Funds record these payments to the Internal Service Fund as operating expenditures/expenses.

Transactions that constitute reimbursements of a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses, as appropriate, in the reimbursing fund and as reductions of the expenditure/expense in the fund that is reimbursed.

Transfers represent transfers of resources from a fund receiving revenue to a fund through which those resources will be expended. They are recorded as other financing sources (uses) in Governmental Funds and as transfers-in (out) in Proprietary Funds. A summary of transfers by fund type follows:

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INTERFUND TRANSFERS

Governmental Funds	Transfers In	Transfers Out
General Fund	\$ 642,431	\$ 0
Internal Service Funds	0	600,000
Non Major Governmental Funds	<u>200,000</u>	<u>242,431</u>
Total	\$ 842,431	\$ 842,431

The General Fund received (\$600,000) from the internal service funds. This is due to reimbursements made for overpayments made by the General Fund. The General Fund also received \$42,431 from the Civic Development fund to help cover the labor costs associated with special events held during the year.

The City's non-major governmental funds received \$200,000 in 2007. This was a transfer for debt service from the Capital Improvements Fund.

L. INTERGOVERNMENTAL REVENUES

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

M. COMPENSATED ABSENCES

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

Accumulated Unpaid Vacation

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

Accumulated Unpaid Sick Leave

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

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

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leave up to a maximum of 264 hours. All other employees who leave City employment receive payment for one-third of the accumulated sick leave over 280 hours up to a maximum of 264 hours.

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

At December 31, 2007, the total liability of the City for compensated absences was \$4,846,583.

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 2007.

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

**CITY OF MIDDLETOWN
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may not exceed estimated resources. Supplemental appropriation measures enacted during 2007 increased the original 2007 Appropriation Resolution by \$15,465,378 for all budgeted funds. The majority of these supplemental appropriations are due to two major factors. Additional funds for the amount of \$5,481,000 were appropriated for capital projects in the Water and Sewer Funds and \$6,340,000 to complete the annual Fire Division budget. The original budget only covered the Fire Division for three months.

Budgeted Level of Expenditures

Appropriations are made by fund and department. The legal level of control is the department within each fund. City Council may alter amounts allocated to various funds during the year as the need arises by adopting modification to the appropriation measure. Management may make appropriation transfers within individual departments. Amounts shown in the budgetary financial statements represent the final amounts appropriated for 2007, 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, 2006, reflect an "Appropriation for prior year encumbrances."

**NOTE 3 - CASH AND EQUITY IN POOLED CASH, DEPOSITS AND INVESTMENTS,
CASH WITH FISCAL AGENTS AND RESTRICTED CASH AND INVESTMENTS**

The City follows the practice of pooling cash and investments with the City Treasurer except for the cash of certain accounts maintained by the Municipal Court Fund, Housing Assistance Fund, and the Community Development Escrow Fund.

CITY OF MIDDLETOWN
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Cash deposits and investments of the City as of December 31, 2007, are comprised of the following:

Deposits	
Petty Cash	\$ 5,700
Demand deposit accounts	<u>5,101,825</u>
Subtotal deposits	\$5,107,525
Investments	
Money Market Funds	1,431,581
U.S. Gov't and Agency Securities	30,586,909
STAR Ohio	<u>4,027,174</u>
Subtotal investments	<u>\$36,045,664</u>
Total	<u>\$41,153,189</u>

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, \$4,719,918 of the City's bank balance of \$5,219,918 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

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Investments

The City's investments at December 31, 2007 are as summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity Years</u>
US Treasury Bills	2,846,272	0.21
US Treasury Notes	27,740,638	1.61
Star Ohio	4,027,174	n/a
US Money Market Funds	<u>1,431,581</u>	n/a
	\$ <u>36,045,665</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 AAA by Standard & Poor's.

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City is required to disclose the amount of investments with any one issuer that represent five percent or more of total investments. Investments issued by the U.S. government, and investments in external investment pools are excluded from this requirement. At December 31, 2007, over 96% of the City's investments are in these excluded categories.

Custodial Credit Risk

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

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.

**CITY OF MIDDLETOWN
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NOTE 4 - FUND BALANCE/NET ASSETS DEFICITS

At December 31, 2007, the following funds had fund balance/net assets deficits:

Enterprise Funds

Solid Waste Fund

The \$764,783 deficit in this fund is the result of a 1994 bond issue to finance the closure of the City landfill. The deficit will be corrected when the bonds are fully retired.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible (used in business) property located in the City. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 per cent of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50 per cent of cost). Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25 per cent of true value. The assessed value upon which the 2007 taxes were collected was \$919,777,172. The full tax rate for all City operations for the fiscal year ended December 31, 2007, was \$5.90 per \$1,000 of assessed valuation.

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

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

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

Property taxes receivable represents real and tangible personal property taxes, public utility taxes, and outstanding delinquencies that are measurable as of December 31, 2007. 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 2007 operations. The receivable is therefore offset by a credit to deferred revenue.

CITY OF MIDDLETOWN
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NOTE 6 - INCOME TAX

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

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

GOVERNMENTAL ACTIVITIES				
<u>Capital Asset</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Land	\$11,862,365	\$ 600,000	\$ 0	\$12,462,365
Land improvements	749,923	0	0	749,923
Buildings	23,894,819	31,894	0	23,926,713
Equipment	15,866,002	593,446	(565,035)	15,894,413
General infrastructure	<u>150,513,065</u>	<u>1,527,231</u>	<u>0</u>	<u>152,040,296</u>
Total at Historical Cost	202,886,174	2,752,571	(565,035)	205,073,710
Less accumulated depreciation:				
Land improvements	259,411	35,237	0	294,648
Buildings	12,351,104	575,537	0	12,926,641
Equipment	11,584,759	1,007,905	(437,008)	12,155,656
General infrastructure	<u>91,972,084</u>	<u>5,639,321</u>	<u>0</u>	<u>97,611,405</u>
Total depreciation	116,167,358	7,258,000	(437,008)	122,988,350
Capital Assets, Net	\$ 86,718,816	\$(4,505,429)	\$(128,027)	\$ 82,085,360

Depreciation was charged to governmental functions as follows:

General government	\$ 1,004,874
Leisure	147,732
Public health and welfare	38,873
Community environment	0
Public safety	443,763
Streets and highways	<u>5,622,758</u>
Total	\$7,258,000

CITY OF MIDDLETOWN
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<i>BUSINESS-TYPE ACTIVITIES</i>				
<u><i>Capital Asset</i></u>	<u><i>Beginning Balance</i></u>	<u><i>Increase</i></u>	<u><i>Decrease</i></u>	<u><i>Ending Balance</i></u>
Capital assets, not being depreciated:				
<i>Land</i>	\$6,840,571	\$0	\$ 0	\$6,840,571
Capital assets, being depreciated:				
Land improvements	2,737,344	9,687	0	2,747,031
Buildings	30,058,093	868,921	0	30,927,014
Equipment	17,028,962	1,069,636	0	18,098,598
Infrastructure	<u>52,739,836</u>	<u>1,278,485</u>	<u>0</u>	<u>54,018,321</u>
<i>Total capital asset, being depreciated</i>	<i>102,564,235</i>	<i>3,226,729</i>	<i>0</i>	<i>105,790,964</i>
<i>Totals at Historical Cost</i>	<i>109,404,806</i>	<i>3,226,729</i>	<i>0</i>	<i>112,631,535</i>
Less accumulated depreciation:				
Land improvements	1,417,418	153,619	0	1,571,037
Buildings	11,444,203	838,689	0	12,282,892
Equipment	8,637,041	1,258,122	0	9,895,163
General infrastructure	<u>30,920,071</u>	<u>851,153</u>	<u>0</u>	<u>31,771,224</u>
<i>Total depreciation</i>	<i>52,418,733</i>	<i>3,101,583</i>	<i>0</i>	<i>55,520,316</i>
<i>Total capital assets, being depreciated, net</i>	<i>50,145,502</i>	<i>125,146</i>	<i>0</i>	<i>50,270,648</i>
Capital Assets, Net	\$ 56,986,073	\$ 125,146	\$ 0	\$ 57,111,219

Depreciation was charged to business-type activities as follows:

Water	\$ 1,131,071
Sewer	1,238,332
Transit	308,492
Golf	169,036
Solid Waste	1,659
Non major funds	<u>252,993</u>
Total	\$3,101,583

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NOTE 8 - PENSION PLANS

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

A. Public Employees Retirement System of Ohio

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

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

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

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

The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701, or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for employees other than law enforcement is 9.5%. For 2007, 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 2007 employer contribution rate for local government employer units was 13.85% of covered payroll. The City of Middletown's contribution to OPERS for the years ending December 31, 2005, 2006, and 2007 were \$1,729,334, \$1,714,160, and \$1,669,700 respectively, equal to the required contributions billed to the City by OPERS.

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. Middletown's contributions for the years ending December 31, 2005, 2006, and 2007 were \$2,264,891, \$2,298,262, and \$2,266,374 respectively, equal to the required contribution for each year.

NOTE 9 - INCURRED BUT NOT REPORTED CLAIMS - HEALTH PLAN

The City of Middletown has a self-insured health plan that is accounted for in the Employee Benefits Fund. All full-time employees of the City are eligible to enroll in this plan which is administered by an independent Third Party Plan Administration Company. Claims incurred but not reported as of December 31, 2007, 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 \$523,646.

Year	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimate	Claims Payments	Balance At Fiscal Year End
2006	\$599,794	\$4,193,558	\$4,209,067	\$584,285
2007	\$584,285	\$4,250,089	\$4,310,728	\$523,646

CITY OF MIDDLETOWN
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NOTE 10 - LONG-TERM OBLIGATIONS

Long-term obligation of the City as of December, 31, 2007, are as follows:

A. GOVERNMENTAL ACTIVITIES

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
<i><u>Special Assessment Bonds:</u></i>					
1988 Street Improvements	6,000	0	3,000	3,000	3,000
1990 Street Improvements	48,000	0	12,000	36,000	12,000
1991 Street Improvements	105,000	0	20,000	85,000	20,000
1992 Street Improvements	12,000	0	2,000	10,000	2,000
1993 Street Improvements	49,000	0	7,000	42,000	7,000
1994 Street Improvements	40,000	0	5,000	35,000	5,000
1995-1 Street Improvements	95,000	0	10,000	85,000	10,000
1995-2 Street Improvements	60,000	0	5,000	55,000	5,000
1996 Street Improvements	125,000	0	10,000	115,000	10,000
1996 Sewer Imp.-Dick's Creek	99,858	0	9,078	90,780	9,078
1996 Sewer Imp.-Cin/Dayton Rd.	10,142	0	922	9,220	922
1997 Sophie Street Improvements	150,000	0	10,000	140,000	10,000
1997 Dix Road Improvements	130,000	0	10,000	120,000	10,000
1998 Lewis Street Improvements	58,000	0	4,000	54,000	4,000
1999 Marshall Road Improvements	340,000	0	20,000	320,000	20,000
2000 Burbank Street Improvements	155,000	0	5,000	150,000	10,000
2001 Illinois/Longfellow Improve.	176,358	0	8,139	168,219	8,139
2001 Dick's Creek	91,458	0	4,221	87,237	4,221
2001 Oxford State Rd Water Line	57,189	0	2,639	54,550	2,639
2001 Oxford State Rd Intersection	50,000	0	3,000	47,000	3,000
2001 Sidewalk, Curb	45,000	0	0	45,000	0
2002 Sidewalk, Curb	90,000	0	45,000	45,000	45,000
2003 Sidewalk, Curb	90,000	0	30,000	60,000	30,000
2006 Roosevelt Ave. Improvements	545,000	0	20,000	525,000	20,000
2006 Towne Blvd. Improvements	530,000	0	10,000	520,000	10,000
2007 Breiel/Fiesta Sidewalk, Curb	52,637	0	9,637	43,000	9,900
2007 Cincinnati Dayton Rd Sewer	153,681	0	4,681	149,000	5,000
2007 Fiesta Storm Sewer	5,943	0	500	5,443	500
Total Special Assessment Bonds	3,370,266	0	270,824	3,099,442	276,399

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

Note: Adjustments were made to 2001 Sidewalk Curb bond. The principal of \$45,000 was added due to an error discovered in the amortization schedule.

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
<i>General Obligation Bonds:</i>					
1994 Transportation	1,840,000	0	225,000	1,615,000	235,000
1994 Recreation	315,000	0	40,000	275,000	40,000
1996 Street Improvements	1,300,000	0	100,000	1,200,000	105,000
1999 Downtown Improvements	7,960,000	0	440,000	7,520,000	460,000
2003 Court of Appeals	3,560,000	0	160,000	3,400,000	165,000
2004 MRH Land	4,880,000	0	125,000	4,755,000	225,000
2006 Towne Blvd. Extension	3,645,000	0	195,000	3,450,000	170,000
Total General Obligation Bonds	23,500,000	0	1,285,000	22,215,000	1,400,000
Compensated Absences	4,280,024	95,123	0	4,375,147	1,463,635
Police & Fire Pension					
Unfunded Accrued Liability	2,652,306	0	97,741	2,554,565	97,741
Total Governmental Activities	\$33,802,596	\$95,123	\$1,718,558	\$32,244,154	\$3,237,775

B. BUSINESS TYPE ACTIVITIES

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
<i>General Obligation Bonds:</i>					
1994 Landfill "A"	\$1,455,000	\$0	\$175,000	\$1,280,000	\$185,000
1994 Landfill "B"	155,000	0	20,000	135,000	20,000
1994 Water	1,455,000	0	175,000	1,280,000	185,000
1996 Golf Course	1,455,000	0	115,000	1,340,000	120,000
1999 Water	1,920,000	0	105,000	1,815,000	110,000
2003 Golf	410,000	0	25,000	385,000	30,000
Total General Obligation Bonds	6,850,000	0	615,000	6,235,000	650,000
Payable by Business Type Activities	6,850,000	0	615,000	6,235,000	650,000
Lease Obligation	8,023,623	0	561,859	7,461,764	697,338
Compensated Absences	467,884	3,552	0	471,436	160,174
Total Business Type Activities	\$15,341,507	\$3,552	\$1,176,859	\$14,168,200	\$1,507,512

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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%.

The City's legal debt margin was approximately \$96,576,603 at December 31, 2007. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2007 are as follows:

Police and Fire Pension Debt Schedule – 12/31/07			
	<u>Police</u>	<u>Fire</u>	<u>Total</u>
2008	52,217	45,524	97,741
2009	52,217	45,524	97,741
2010	52,217	45,524	97,741
2011	52,217	45,524	97,741
2012	52,217	45,524	97,741
2013-2017	261,085	227,620	488,705
2018-2022	261,085	227,620	488,705
2023-2027	261,085	227,620	488,705
2028-2032	261,085	227,620	488,705
2033-2035	59,366	51,674	111,040
Total	\$ 1,364,791	\$ 1,189,774	\$ 2,554,565

General Obligation and Assessment Bonds Schedule – 12/31/07						
	<u>General Obligation Bonds</u>			<u>Assessment Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	1,400,000	1,051,074	2,451,074	276,399	164,228	440,627
2009	1,470,000	990,926	2,460,926	229,899	151,016	380,915
2010	1,530,000	921,427	2,451,427	248,499	137,991	386,490
2011	1,595,000	851,474	2,446,474	217,300	123,688	340,988
2012	1,670,000	777,178	2,447,178	190,600	112,515	303,115
2013-2017	7,800,000	2,690,302	10,490,302	934,745	404,763	1,339,508
2018-2022	5,915,000	878,307	6,793,307	570,000	180,394	750,394
2023-2026	835,000	43,378	878,378	432,000	38,308	470,308
Total	\$22,215,000	\$8,204,066	\$ 30,419,066	\$ 3,099,442	\$ 1,312,903	\$ 4,412,345

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

BUSINESS TYPE FUNDS – General Obligation Bonds Schedule 12/31/07			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	650,000	356,139	1,006,139
2009	680,000	319,790	999,790
2010	720,000	280,374	1,000,374
2011	765,000	239,317	1,004,317
2012	800,000	195,389	995,389
2013-2017	2,185,000	421,252	2,606,252
2018-2019	435,000	35,825	470,825
Total	\$6,235,000	\$1,848,084	\$8,083,084

BUSINESS TYPE FUNDS – Lease Obligation Schedule 12/31/07			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	697,338	262,909	960,247
2009	723,438	236,810	960,248
2010	750,514	209,734	960,248
2011	778,603	181,644	960,247
2012	807,744	152,503	960,247
2013-2017	3,704,127	296,903	4,001,030
Total	\$7,461,764	\$1,340,503	\$8,802,267

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

The primary responsibility for the annual payments to special assessment bondholders is with the property owners on whose behalf the City has issued special assessment debt. The special assessments, which cover both principal and interest due, are collected by the Butler County Treasurer each year with the property owners' property tax payments. The collections are then sent to the City, which pays the principal and interest due. In the event of default, a lien is put on the property and it is eventually sold by the county at a tax sale. The City is then reimbursed for any special assessment bond payments it made. The City, therefore, does not maintain a reserve or sinking fund to meet its special assessment bond obligations. The police and fire pension unfunded accrued liability represents the City's portion of the unfunded prior service cost of the fund which existed at the time the fund was established in 1967 as determined by actuarial evaluation. This accrued liability has and will continue to be paid over a term of sixty-seven years in annual installments which began in 1969 and which will end in 2036. The police and fire pension liability is paid through the police pension and fire pension Special Revenue Funds using unvoted general property tax revenue and income tax revenues.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 11 - SHORT-TERM OBLIGATIONS

Short-term obligation of the City consists of the following:

- a) A \$1,715,000 note bearing an interest rate of 4.25% for the purchase of the Municipal Airport buildings was outstanding on December 31, 2007. The note matures on June 4, 2008.
- b) A three-year \$2,550,000 note for land purchase bearing interest equal to the sum of the LIBOR rate for a Three-Month LIBOR Period multiplied by 0.76 plus 0.50% per year.

General Obligation Notes				
<i>Issue</i>	<i>Beginning Balance 1/1/07</i>	<i>Note Retirement</i>	<i>Note Issue</i>	<i>Ending Balance 12/31/07</i>
Airport Facilities	\$ 1,630,000	\$1,630,000	\$1,715,000	\$ 1,715,000
Land Purchase Note	\$ 2,550,000	0	0	\$ 2,550,000
Union Road Improvements	\$ 1,265,000	\$1,265,000	0	0
Total	\$ 5,445,000	\$ 2,895,000	\$ 1,715,000	\$ 4,265,000

NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES

The City's interfund receivables and payables at the end of 2007 were comprised of operating advances from the General Fund to other operating funds (\$505,000); payments to the Municipal Garage Fund by the City operating funds for December 2007 services (\$244,507); payments due to operating funds by the Municipal Garage Fund for overpayments (\$4,594); and operating advances from the Housing Assistance Fund to the Home Fund (\$50,000).

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

Inter-fund receivables and payables balances as of December 31, 2007, follow:

Fund	Receivables	Payables
Governmental Funds:		
General fund	\$505,000	\$117,844
Housing assistance	50,000	0
Non major government funds	<u>3,109</u>	<u>221,346</u>
Total governmental funds	558,109	339,190
Business-type Activities:		
Water	0	14,514
Sewer	0	10,416
Transit	1,485	24,204
Golf	0	405,000
Non major business type activities	<u>0</u>	<u>6,183</u>
Total business-type activities	1,485	460,317
Governmental Activities - Internal Service Funds		
Internal service funds	<u>244,507</u>	<u>4,594</u>
Total internal service funds	244,507	4,594
Total all funds	\$804,101	\$804,101

NOTE 13 - CONTINGENT LIABILITY

The City is a defendant in a number of claims and lawsuits in the normal course of operations. The impact of the claims and lawsuits cannot presently be determined; however, City management is of the opinion the ultimate settlement of these claims will not result in a material adverse effect on the City's financial position.

NOTE 14 - POST EMPLOYMENT BENEFITS

The City provides death benefits to its employees who retire voluntarily or who are forced to retire due to a disability. A life insurance policy with a face value of \$5,000 is paid for by the City for all employees who retire. As of December 31, 2007, the City had 277 policies with a total value of \$1,385,000 in force for its retired employees.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

The City records its monthly premium expenditures for these policies as a current General Fund expenditure in the general government category. The approximate cost of these policies in 2007 was \$19,163.

PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

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

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.85% of covered payroll. The portion of employer contributions, for all employers, allocated to health care was 5.0% from January 1 through June 30 and 6% from July 1 through December 31, 2007.

- B. The Ohio Revised Code provides the statutory authority to require public employers to fund post retirement health care through their contributions to OPERS.
- C. Summary of Assumptions:

Actuarial Review. The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2006.

Funding Method. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

Investment Return. The investment assumption rate for 2006 was 6.5%.

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

Health Care. Health care costs were assumed to increase annually at the projected wage inflation rate plus an additional factor ranging from 0.5% to 5% for the next eight years. In subsequent years (nine and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

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

1. The Traditional Pension and combined plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130.
2. The rates stated in Section A, above, are the actuarially determined contribution requirements for OPERS. The portion of the City's contribution that was used to fund health care benefits was \$692,043.
3. The amount of \$11.1 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006.
4. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2005, reported the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB at \$31.3 billion and \$20.2 billion, respectively.

E. OPERS Retirement Board Implements its Health Care Preservation Plan

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

OP & F

- A. OP&F provides access to post-retirement healthcare 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. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22, if attending school full-time or on a 2/3 basis. The healthcare coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that healthcare cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.
- B. The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to offer healthcare coverage to all eligible individuals.
- C. Healthcare funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree healthcare expenses. The Board defined allocation was 7.75% of covered payroll in 2006 and 6.75% of covered payroll in 2007. In addition, since July 1, 1992, most retirees and survivors were required to contribute a portion of the cost of their healthcare coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly healthcare contributions.
- D. The following OPEB disclosures are required:
 - 1) The number of participants eligible to receive healthcare benefits as of 12/31/06, the date of the last actuarial valuation available, is 14,120 for Police and 10,563 for Firefighters.
 - 2) For the year ended December 31, 2007, the city's contribution to fund OPEB was \$328,421 for police and \$325,252 for firefighters.
 - 3) OP&F's total healthcare expense for the year ending 12/31/06, the date of the last actuarial valuation available, was \$120,373,722, which was net of member contributions of \$58,532,848.

NOTE 15 - 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.

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 or \$3,000,000 as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

<u>Casualty & Property Coverage</u>	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Retained earnings	<u>\$20,219,246</u>	<u>\$19,384,290</u>

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$15.0 million and \$14.4 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for \$922,000. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the paragraph below.

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

Contributions to PEP	
2005	\$460,735
2006	\$460,084
2007	\$454,763

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.

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

NOTE 16 - SIGNIFICANT CONTRACTUAL OBLIGATIONS

As of December 31, 2007, the City of Middletown has entered into the following contracts to be paid from the City's Capital Project and Enterprise Funds:

Vendor	Purpose	Amount Remaining
Building Crafts Inc..	Sludge management	\$13,329,766
SRW Environmental Svcs.	Aeronca project	\$632,312
Sunesis Construction Co.	Cincinnati-Dayton Rd. widening	\$458,732
Malcolm Pirnie Inc.	Brownfields assessment	156,644
Camp Dresser & McKee, Inc.	Construction administration	129,000
ME Companies	Yankee Road project	<u>127,662</u>
	Total	<u>\$14,834,116</u>

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 17 - RELATED ORGANIZATION

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

NOTE 18 – LOAN RECEIVABLE

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

NOTE 19 – CONDUIT DEBT

The City of Middletown authorized the issuance of \$80,000,000 in hospital facilities revenue bonds in late November 2006. These bonds were used to finance the construction and the equipping of the new Middletown Regional Hospital. The hospital opened in late 2008. Middletown Regional Hospital will repay this debt; the City of Middletown is not obligated for this debt.

City of Middletown conduit debt issues outstanding at December 31, 2007 include:

- \$12,250,000 demand revenue bonds issued on behalf of Fenwick High School in 2003,
- \$85,000,000 hospital facilities revenue bonds issued on behalf of Middletown Regional Hospital in 2006, and
- \$80,000,000 hospital facilities bonds issued on behalf of Middletown Regional Hospital in 2007.

CITY OF MIDDLETOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007

BUDGETARY ACCOUNTING

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

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

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

	General Fund	Housing Assistance	CD Escrow
GAAP basis (as reported)	\$2,053,948	\$879,962	\$(257,889)
Adjustments: revenue and other source accruals	(579,890)	1	58,577
Expenditures, encumbrances and other use accruals	(256,470)	5,247	(146,131)
Budget basis	\$1,217,588	\$885,210	\$(345,443)

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 4,062,938	\$ 4,062,938	\$ 3,985,749	\$ (77,189)
Municipal income taxes	13,023,619	12,440,019	12,603,201	163,182
Intergovernmental revenue	2,978,220	2,978,220	3,491,057	512,837
Charges for services	3,663,566	3,663,566	3,337,378	(326,188)
Fees, licenses, and permits	351,960	351,960	381,841	29,881
Fines and forfeits	118,320	118,320	134,525	16,205
Interest earnings	300,000	300,000	643,185	343,185
Miscellaneous	856,400	869,400	879,652	10,252
Total revenues	25,355,023	24,784,423	25,456,588	672,165
Expenditures:				
Current				
Public Safety				
Fire administration	70,748	282,989	206,900	76,089
Fire operations	1,646,969	6,565,060	6,442,590	122,470
Fire prevention/training	86,740	340,962	290,557	50,405
Police administration	292,438	292,438	211,450	80,988
Criminal investigation	1,442,070	1,472,070	1,445,893	26,177
Uniform patrol	5,182,042	5,290,712	5,271,585	19,127
Police services	511,712	511,052	417,750	93,302
Police and fire dispatch	1,070,330	1,070,330	1,046,746	23,584
Humane officer	97,713	97,713	92,739	4,974
Jail management	1,115,546	1,115,546	1,063,698	51,848
School crossing guards	36,151	36,151	24,107	12,044
Citizen service center	272,158	272,138	186,896	85,242
Building inspection and services	421,524	430,524	430,517	7
Building maintenance	696,382	726,262	719,883	6,379
Total public safety	11,872,193	18,503,947	17,851,311	629,052
Leisure Activities				
Community services administration	159,466	159,001	131,878	27,123
Community center	178,279	178,083	163,150	14,933
Recreation	150,050	185,310	170,281	15,029
Parks maintenance	512,977	512,952	503,047	9,905
Total leisure activities	1,000,772	1,035,346	968,356	66,990

continued

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Community Environment				
Planning administration	172,449	172,449	168,431	4,018
Community development	417,172	418,672	415,769	2,903
Street lighting	583,237	582,624	580,500	2,124
Total community environment	1,172,858	1,173,745	1,164,700	9,045
General Government				
City council	159,556	159,556	156,841	2,715
City manager	233,863	233,863	208,111	25,752
Finance administration	197,566	197,566	181,187	16,379
Treasurer	223,477	223,000	208,793	14,207
Taxation	465,619	480,019	474,691	5,328
Information systems	851,157	836,325	745,949	90,376
Personnel	391,409	391,409	325,492	65,917
Law	524,592	524,592	469,299	55,293
Purchasing	83,947	83,908	64,035	19,873
Planning	294,807	294,807	185,075	109,732
Economic development	149,727	149,727	145,472	
Engineering	734,390	723,892	673,330	50,562
Total general government	4,310,110	4,298,664	3,838,275	456,134
Miscellaneous				
Non-departmental	995,573	1,017,211	1,014,989	2,222
Total miscellaneous	995,573	1,017,211	1,014,989	2,222
Total expenditures	19,351,506	26,028,913	24,837,631	1,191,282

continued

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Excess of revenues over (under) expenditures	6,003,517	(1,244,490)	618,957	1,863,447
Other financing sources (uses)				
Transfers-in	42,432	642,432	642,432	-
Loans to other funds			(55,000)	
Other sources	-	-	11,199	11,199
Total other financing sources (uses)	42,432	642,432	598,631	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	6,045,949	(602,058)	1,217,588	1,863,447
Fund balance, beginning of year	5,622,729	5,622,729	5,622,729	-
Appropriation for prior year encumbrances	299,545	299,545	299,545	-
Fund balance, end of the year	\$ 11,968,223	\$ 5,320,216	\$ 7,139,862	\$ 1,863,447

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
HOUSING ASSISTANCE FUND
FOR YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 11,580,000	\$ 11,580,000	\$ 10,447,032	\$ (1,132,968)
Interest earnings	8,000	8,000	24,189	16,189
Miscellaneous	67,000	67,000	58,476	(8,524)
Total revenues	11,655,000	11,655,000	10,529,697	(1,125,303)
Expenditures:				
Current				
Community Environment	11,641,572	11,636,423	9,645,454	1,990,969
Total expenditures	11,641,572	11,636,423	9,645,454	1,990,969
Excess of revenues over (under) expenditures	13,428	18,577	884,243	865,666
Other financing sources (uses):				
Other sources	-	-	967	967
Total other financing sources	-	-	967	967
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	13,428	18,577	885,210	866,633
Fund balance, beginning of the year	2,695,531	2,695,531	2,695,531	-
Appropriation for prior year encumbrances	5,149	5,149	5,149	-
Fund balance, end of the year	\$ 2,714,108	\$ 2,719,257	\$ 3,585,890	\$ 866,633

REQUIRED SUPPLEMENTARY INFORMATION
CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COMMUNITY DEVELOPMENT ESCROW
FOR YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 29,369	\$ 29,369	\$ 35,683	\$ 6,314
Miscellaneous	182,133	182,133	58,577	(123,556)
Total revenues	211,502	211,502	94,260	(117,242)
Expenditures:				
Current				
Community Environment	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	211,502	211,502	94,260	(117,242)
Other financing sources (uses):				
Other uses	(360,000)	(380,000)	(439,703)	(59,703)
Total other financing uses	(360,000)	(380,000)	(439,703)	(59,703)
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(148,498)	(168,498)	(345,443)	(176,945)
Fund balance, beginning of the year	1,122,217	1,122,217	1,122,217	-
Fund balance, end of the year	\$ 973,719	\$ 953,719	\$ 776,774	\$ (176,945)

SUPPLEMENTAL SECTION

SPECIAL REVENUE FUNDS

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

Non Major Special Revenue Funds:

AUTO AND GAS TAX FUND

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

ACQUISITION FOR PARKS FUND

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

HEALTH FUND

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

EMERGENCY MEDICAL SERVICES FUND (EMS)

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

URBAN DEVELOPMENT ACTION GRANT (UDAG) FUND

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

COURT COMPUTERIZATION FUND

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

LAW ENFORCEMENT FUND

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

MANDATORY DRUG FINE FUND

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

PROBATION SERVICES FUND

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

TERMINATION PAY FUND

To account for the expenditures resulting from the retirement or resignation of City employees.

INDIGENT DRIVER ALCOHOL TREATMENT FUND

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

ENFORCEMENT/EDUCATION FUND

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

CIVIC DEVELOPMENT FUND

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

MUNICIPAL COURT FUND

To account for fines and court costs levied by the City's Municipal Court, and to account for the operations of the Middletown Municipal Court.

POLICE GRANT FUND

To account for Federal grant money awarded to the Police Division.

COURT SPECIAL PROJECTS FUND

To accumulate funds for projects designated by the Municipal Court.

POOL FUND

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

HOME PROGRAM FUND

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

COMMUNITY DEVELOPMENT FUND

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

POLICE PENSION FUND

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

FIRE PENSION FUND

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

DEBT SERVICE FUNDS

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

Major Debt Service Fund:

SPECIAL ASSESSMENT DEBT SERVICE FUND

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

Non Major Debt Service Funds:

GENERAL OBLIGATION DEBT SERVICE FUND

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

TOWNE BOULEVARD TAX INCREMENT FINANCING 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.

CAPITAL PROJECT FUNDS

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

Non Major Capital Project Funds:

CAPITAL IMPROVEMENTS FUND

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

EAST END DEVELOPMENT FUND

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

DOWNTOWN IMPROVEMENTS FUND

To account for improvement projects in the downtown area.

COMPUTER REPLACEMENT FUND

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

PROPERTY DEVELOPMENT FUND

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

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 3,198,462	\$ 649,419	\$ 6,522,095	\$ 10,369,976
Cash with fiscal and escrow agent	-	17,633	-	17,633
Receivables (net of allowance for uncollectibles):				
Property taxes	517,096	-	790,879	1,307,975
Accounts	156,342	-	-	156,342
Loans	304,716	-	-	304,716
Due from other funds	3,109	-	-	3,109
Due from other governments	2,659,042	-	-	2,659,042
Inventory of supplies	536,530	-	-	536,530
Total assets	7,375,297	667,052	7,312,974	15,355,323
Liabilities:				
Accounts payable	160,025	-	45,322	205,347
Accrued wages and benefits	164,494	-	-	164,494
Other accrued liabilities	39,053	-	-	39,053
Due to other funds	221,346	-	-	221,346
Due to other governments	12,631	-	-	12,631
Due to individuals	-	-	120,580	120,580
Matured bonds and interest	-	17,633	-	17,633
Notes payable	-	-	2,550,000	2,550,000
Deferred revenue	2,985,416	-	790,879	3,776,295
Total liabilities	3,582,965	17,633	3,506,781	7,107,379
Fund balances:				
Reserved for encumbrances	390,605	-	253,806	644,411
Reserved for inventory	536,530	-	-	536,530
Reserved for loans	304,716	-	-	304,716
Unreserved and undesignated	2,560,481	649,419	3,552,387	6,762,287
Total fund balances	3,792,332	649,419	3,806,193	8,247,944
Total liabilities and fund balances	\$ 7,375,297	\$ 667,052	\$ 7,312,974	\$ 15,355,323

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
Revenues:				
Property taxes	\$ 531,654	\$ 309,602	\$ 820,799	\$ 1,662,055
Municipal income taxes	3,804,700	1,880,862	-	5,685,562
Intergovernmental revenues	4,228,752	-	1,005,615	5,234,367
Charges for services	238,735	-	53,654	292,389
Fines and forfeits	1,449,085	-	-	1,449,085
Interest earnings	46,875	-	303,887	350,762
Miscellaneous	522,445	287,038	780,990	1,590,473
Total revenues	10,822,246	2,477,502	2,964,945	\$ 16,264,693
Expenditures:				
Current				
Public safety	5,397,138	-	4,350	5,401,488
Public health and welfare	1,023,749	-	-	1,023,749
Leisure time activities	440,014	-	12,764	452,778
Community environment	803,110	-	136,278	939,388
Highways and streets	1,999,437	-	2,732,044	4,731,481
General government	117,141	-	224,612	341,753
Miscellaneous	77,878	-	13,686	91,564
Debt service				
Principal retirement	-	1,285,000	-	1,285,000
Interest and fiscal charges	-	1,175,183	151,337	1,326,520
Total expenditures	9,858,467	2,460,183	3,275,071	15,593,721
Excess of revenues over (under) expenditures	963,779	17,319	(310,126)	670,972
Other financing sources (uses):				
Transfers-in	-	200,000	-	200,000
Transfers-out	(42,432)	-	(200,000)	(242,432)
Other sources	20,476	-	87,354	107,830
Other uses	-	(3,686)	-	(3,686)
Total other financing sources (uses)	(21,956)	196,314	(112,646)	61,712
Net change in fund balances	941,823	213,633	(422,772)	732,684
Fund balance, beginning of year	2,850,509	435,786	4,228,965	7,515,260
Fund balance, end of the year	\$ 3,792,332	\$ 649,419	\$ 3,806,193	\$ 8,247,944

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007**

	Auto & Gas Tax	Acquisition for Parks	Health Fund	Emergency Medical Services
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 1,017,095	\$ 107,492	\$ 107,618	\$ 541,651
Receivables (net of allowance for uncollectibles):				
Property taxes	-	-	-	-
Accounts	-	-	-	-
Loans	-	-	-	-
Due from other funds	-	-	3,109	-
Due from other governments	1,198,001	-	324,982	-
Inventory of supplies	536,530	-	-	-
Total assets	2,751,626	107,492	435,709	541,651
Liabilities:				
Accounts payable	82,898	-	10,076	-
Accrued wages and benefits	52,842	-	36,158	-
Other accrued liabilities	12,390	-	10,464	-
Due to other funds	69,205	-	1,106	-
Due to other governments	-	-	12,631	-
Deferred revenue	1,007,279	-	324,982	-
Total liabilities	1,224,614	-	395,417	-
Fund balances:				
Reserved for encumbrances	42,861	-	-	309,034
Reserved for inventory	536,530	-	-	-
Reserved for loans	-	-	-	-
Unreserved and undesignated	947,621	107,492	40,292	232,617
Total fund balances	1,527,012	107,492	40,292	541,651
Total liabilities and fund balances	\$ 2,751,626	\$ 107,492	\$ 435,709	\$ 541,651

Urban Development Action Grant	Court Computer- ization	Law Enforcment Trust	Mandatory Drug Fine	Probation Services	Termination Pay	Indigent Driver Alcohol Treatment	
\$ 288,381	\$ 11,122	\$ 175,290	\$ 36,192	\$ 149,737	\$ 173,009	\$ 7,981	
-	-	-	-	-	-	-	-
-	1,490	2,025	-	-	-	-	-
202,654	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
491,035	12,612	177,315	36,192	149,737	173,009	7,981	
-	-	-	-	-	-	-	-
-	-	-	-	3,175	-	-	-
-	-	-	-	686	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,861	-	-	-
-	-	17,925	-	-	-	-	-
-	-	-	-	-	-	-	-
202,654	-	-	-	-	-	-	-
288,381	12,612	159,390	36,192	145,876	173,009	7,981	
491,035	12,612	177,315	36,192	145,876	173,009	7,981	
\$ 491,035	\$ 12,612	\$ 177,315	\$ 36,192	\$ 149,737	\$ 173,009	\$ 7,981	

(continued)

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007**

	Enforcement Education	Civic Develop- ment	Municipal Court	Police Grant	Court Special Projects
Assets:					
Cash and equity in pooled cash, deposits and investments	\$ 21,009	\$ 74,025	\$ 16,441	\$ 56,720	\$ 123,538
Receivables (net of allowance for uncollectibles):					
Property taxes	-	-	-	-	-
Accounts	-	46,393	96,401	-	10,033
Loans	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	177,343	-
Inventory of supplies	-	-	-	-	-
Total assets	21,009	120,418	112,842	234,063	133,571
Liabilities:					
Accounts payable	-	-	-	-	-
Accrued wages and benefits	-	-	68,449	-	3,870
Other accrued liabilities	-	-	14,673	-	840
Due to other funds	-	-	1,035	-	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	177,343	-
Total liabilities	-	-	84,157	177,343	4,710
Fund balances:					
Reserved for encumbrances	-	-	-	12,735	-
Reserved for inventory	-	-	-	-	-
Reserved for loans	-	-	-	-	-
Unreserved and undesignated	21,009	120,418	28,685	43,985	128,861
Total fund balances	21,009	120,418	28,685	56,720	128,861
Total liabilities and fund balances	\$ 21,009	\$ 120,418	\$ 112,842	\$ 234,063	\$ 133,571

Pool Fund	Home Program	Community Development	Police Pension	Fire Pension	Totals	
\$ 162	\$ 139,760	\$ 36,144	\$ 59,283	\$ 55,812	\$	3,198,462
-	-	-	258,548	258,548		517,096
-	-	-	-	-		156,342
-	-	102,062	-	-		304,716
-	-	-	-	-		3,109
-	667,158	291,558	-	-		2,659,042
-	-	-	-	-		536,530
162	806,918	429,764	317,831	314,360		7,375,297
-	45,347	21,704	-	-		160,025
-	-	-	-	-		164,494
-	-	-	-	-		39,053
-	50,000	100,000	-	-		221,346
-	-	-	-	-		12,631
-	667,158	291,558	258,548	258,548		2,985,416
-	762,505	413,262	258,548	258,548		3,582,965
-	-	8,050	-	-		390,605
-	-	-	-	-		536,530
-	-	102,062	-	-		304,716
162	44,413	(93,610)	59,283	55,812		2,560,481
162	44,413	16,502	59,283	55,812		3,792,332
\$ 162	\$ 806,918	\$ 429,764	\$ 317,831	\$ 314,360	\$	7,375,297

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, 2007

	Auto & Gas Tax	Acquisition for Parks	Health Fund	Emergency Medical Services
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	716,700	-	238,000	-
Intergovernmental revenues	2,376,241	-	402,579	-
Charges for services	-	45,200	193,535	-
Fines and forfeits	-	-	-	-
Interest earnings	31,367	-	-	-
Miscellaneous	137,765	-	-	-
Total revenues	3,262,073	45,200	834,114	-
Expenditures:				
Current				
Public safety	639,280	-	-	17,045
Public health and welfare	-	-	1,015,075	-
Leisure time activities	-	-	-	-
Community environment	-	-	-	-
Highways and streets	1,978,107	-	-	-
General government	-	-	-	-
Miscellaneous	-	-	-	-
Total expenditures	2,617,387	-	1,015,075	17,045
Excess of revenues over (under) expenditures	644,686	45,200	(180,961)	(17,045)
Other financing sources (uses):				
Transfers-out	-	-	-	-
Other sources	-	-	20,476	-
Total other financing sources (uses)	-	-	20,476	-
Net change in fund balances	644,686	45,200	(160,485)	(17,045)
Fund balance, beginning of year	882,326	62,292	200,777	558,696
Fund balance, end of the year	\$ 1,527,012	\$ 107,492	\$ 40,292	\$ 541,651

Urban Development Action Grant	Court Computer- ization	Law Enforcement Trust	Mandatory Drug Fine	Probation Services	Termination Pay	Indigent Driver Alcohol Treatment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	940,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	12,612	127,667	39,576	123,632	-	15,956
12,444	-	-	-	-	-	-
9,401	-	18,054	-	-	-	-
21,845	12,612	145,721	39,576	123,632	940,000	15,956
-	-	88,470	45,000	81,169	647,441	21,193
-	-	-	-	-	8,674	-
-	-	-	-	-	1,014	-
9,898	-	-	-	-	10,558	-
-	-	-	-	-	21,330	-
-	-	-	-	-	117,141	-
-	-	-	-	-	-	-
9,898	-	88,470	45,000	81,169	806,158	21,193
11,947	12,612	57,251	(5,424)	42,463	133,842	(5,237)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,947	12,612	57,251	(5,424)	42,463	133,842	(5,237)
479,088	-	120,064	41,616	103,413	39,167	13,218
\$ 491,035	\$ 12,612	\$ 177,315	\$ 36,192	\$ 145,876	\$ 173,009	\$ 7,981

(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, 2007

	Enforcement Education	Civic Develop- ment	Municipal Court	Police Grant
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	-	-	348,000	-
Intergovernmental revenues	-	-	-	223,308
Charges for services	-	-	-	-
Fines and forfeits	5,059	-	986,443	-
Interest earnings	-	-	-	2,745
Miscellaneous	-	205,573	5,493	-
Total revenues	5,059	205,573	1,339,936	226,053
Expenditures:				
Current				
Public safety	750	-	1,308,963	231,683
Public health and welfare	-	-	-	-
Leisure time activities	-	-	-	-
Community environment	-	-	-	-
Highways and streets	-	-	-	-
General government	-	-	-	-
Miscellaneous	-	77,878	-	-
Total expenditures	750	77,878	1,308,963	231,683
Excess of revenues over (under) expenditures	4,309	127,695	30,973	(5,630)
Other financing sources (uses):				
Transfers-out	-	(42,432)	-	-
Other uses	-	-	-	-
Total other financing sources (uses)	-	(42,432)	-	-
Net change in fund balances	4,309	85,263	30,973	(5,630)
Fund balance, beginning of year	16,700	35,155	(2,288)	62,350
Fund balance, end of the year	\$ 21,009	\$ 120,418	\$ 28,685	\$ 56,720

Court Special Projects	Pool Fund	Home Program	Community Development	Police Pension	Fire Pension	Totals
\$ -	\$ -	\$ -	\$ -	\$ 265,827	\$ 265,827	\$ 531,654
-	8,000	-	-	676,000	878,000	3,804,700
-	-	330,576	775,544	60,252	60,252	4,228,752
-	-	-	-	-	-	238,735
138,140	-	-	-	-	-	1,449,085
-	-	-	319	-	-	46,875
-	68,000	75,735	2,424	-	-	522,445
138,140	76,000	406,311	778,287	1,002,079	1,204,079	\$ 10,822,246
103,517	-	-	-	1,005,518	1,207,109	5,397,138
-	-	-	-	-	-	1,023,749
-	75,838	363,162	-	-	-	440,014
-	-	-	782,654	-	-	803,110
-	-	-	-	-	-	1,999,437
-	-	-	-	-	-	117,141
-	-	-	-	-	-	77,878
103,517	75,838	363,162	782,654	1,005,518	1,207,109	9,858,467
34,623	162	43,149	(4,367)	(3,439)	(3,030)	963,779
-	-	-	-	-	-	(42,432)
-	-	-	-	-	-	20,476
-	-	-	-	-	-	(21,956)
34,623	162	43,149	(4,367)	(3,439)	(3,030)	941,823
94,238	-	1,264	20,869	62,722	58,842	2,850,509
\$ 128,861	\$ 162	\$ 44,413	\$ 16,502	\$ 59,283	\$ 55,812	\$ 3,792,332

**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, 2007**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 716,700	\$ 716,700	\$ 716,700	\$ -
Intergovernmental revenue	2,059,290	2,059,290	2,348,357	289,067
Interest earnings	-	-	31,367	31,367
Miscellaneous	242,037	242,037	137,765	(104,272)
Total revenues	3,018,027	3,018,027	3,234,189	216,162
Expenditures:				
Current				
Public safety:				
Electronic Maintenance	651,831	637,431	621,353	16,078
Total public safety	651,831	637,431	621,353	16,078
Highways and streets:				
Street Maintenance	1,838,287	1,831,776	1,508,084	323,692
Grounds Maintenance	634,138	634,138	502,349	131,789
Total highways and streets	2,472,425	2,465,914	2,010,433	455,481
Total expenditures	3,124,256	3,103,345	2,631,786	471,559
Excess of revenues over (under) expenditures	(106,229)	(85,318)	602,403	687,721
Fund balance, beginning of the year	106,442	106,442	106,442	-
Appropriation for prior year encumbrances	183,614	183,614	183,614	-
Fund balance, end of the year	\$ 183,827	\$ 204,738	\$ 892,459	\$ 687,721

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Charges for services	\$ 15,000	\$ 45,000	\$ 45,200	\$ 200
Total revenues	15,000	45,000	45,200	200
Expenditures:				
Current				
Leisure activities	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	15,000	45,000	45,200	200
Fund balance, beginning of the year	62,295	62,295	62,295	-
Fund balance, end of the year	\$ 77,295	\$ 107,295	\$ 107,495	\$ 200

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 238,000	\$ 238,000	\$ 238,000	\$ -
Intergovernmental revenue	735,349	735,349	577,045	(158,304)
Charges for services	206,800	206,800	193,534	(13,266)
Total revenues	1,180,149	1,180,149	1,008,579	(171,570)
Expenditures:				
Current				
Public health and welfare:				
Health State Subsidy	15,726	16,226	15,828	398
Immunization Action Plan	41,919	41,919	41,919	-
Public Health Infrastructure	32,635	32,635	26,356	6,279
Child & Family Services	177,827	177,827	173,807	4,020
Help Me Grow	312,022	312,022	199,045	112,977
OIMRI Grant Program	149,220	149,220	84,699	64,521
Health/Environment Admin.	497,473	503,473	497,030	6,443
Total expenditures	1,226,822	1,233,322	1,038,684	194,638
Excess of revenues under expenditures	(46,673)	(53,173)	(30,105)	23,068
Other financing sources uses:				
Other uses	-	-	(2,514)	(2,514)
Total other financing uses	-	-	(2,514)	(2,514)
Excess of revenues and other financing sources under expenditures and other financing uses	(46,673)	(53,173)	(32,619)	20,554
Fund balance, beginning of the year	137,577	137,577	137,577	-
Appropriation for prior year encumbrances	2,660	2,660	2,660	-
Fund balance, end of the year	\$ 93,564	\$ 87,064	\$ 107,618	\$ 20,554

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Public safety	337,045	332,995	332,475	520
Total expenditures	337,045	332,995	332,475	520
Excess of revenues over (under) expenditures	(337,045)	(332,995)	(332,475)	520
Fund balance, beginning of the year	554,648	554,648	554,648	-
Appropriation for prior year encumbrances	10,445	10,445	10,445	-
Fund balance, end of the year	\$ 228,048	\$ 232,098	\$ 232,618	\$ 520

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 10,800	\$ 25,000	\$ 12,444	\$ (12,556)
Miscellaneous	19,300	-	20,427	20,427
Total revenues	30,100	25,000	32,871	7,871
Expenditures:				
Current				
Community environment:	284,212	290,000	28,696	261,304
Total expenditures	284,212	290,000	28,696	261,304
Excess of revenues under expenditures	(254,112)	(265,000)	4,175	269,175
Fund balance, beginning of the year	284,208	284,208	284,208	-
Fund balance, end of the year	\$ 30,096	\$ 19,208	\$ 288,383	\$ 269,175

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeitures	\$ -	\$ 70,000	\$ 11,122	\$ (58,878)
Total revenues	-	70,000	11,122	(58,878)
Expenditures:				
Current				
Miscellaneous	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues under expenditures	-	70,000	11,122	(58,878)
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ -	\$ 70,000	\$ 11,122	\$ (58,878)

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 51,500	\$ 51,500	\$ 125,642	\$ 74,142
Total revenues	51,500	51,500	143,696	92,196
Expenditures:				
Current				
Public safety:	90,000	117,000	108,663	8,337
Total expenditures	90,000	117,000	108,663	8,337
Excess of revenues under expenditures	(38,500)	(65,500)	35,033	100,533
Fund balance, beginning of the year	120,306	120,306	120,306	-
Fund balance, end of the year	\$ 81,806	\$ 54,806	\$ 155,339	\$ 100,533

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 15,000	\$ 15,000	\$ 25,348	\$ 10,348
Intergovernmental revenue	35,000	35,000	16,601	(18,399)
Total revenues	50,000	50,000	41,949	(8,051)
Expenditures:				
Current				
Public safety:	45,000	45,000	45,000	-
Total expenditures	45,000	45,000	45,000	-
Excess of revenues over (under) expenditures	5,000	5,000	(3,051)	(8,051)
Fund balance, beginning of the year	39,244	39,244	39,244	-
Fund balance, end of the year	\$ 44,244	\$ 44,244	\$ 36,193	\$ (8,051)

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 120,000	\$ 120,000	\$ 129,682	\$ 9,682
Total revenues	120,000	120,000	129,682	9,682
Expenditures:				
Current				
Public safety	120,000	120,000	79,323	40,677
Total expenditures	120,000	120,000	79,323	40,677
Excess of revenues over expenditures	-	-	50,359	50,359
Fund balance, beginning of the year	99,377	99,377	99,377	-
Fund balance, end of the year	\$ 99,377	\$ 99,377	\$ 149,736	\$ 50,359

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income Tax	\$ 350,000	\$ 940,000	\$ 940,000	\$ -
Total revenues	350,000	940,000	940,000	-
Expenditures:				
Current				
Personal services:				
Public safety	270,000	700,000	647,441	52,559
Public health & welfare	5,000	15,000	8,674	6,326
Leisure time activities	20,000	10,000	1,014	8,986
Community environment	-	25,000	10,558	14,442
General government	20,000	140,000	117,141	22,859
Highways & streets	35,000	50,000	21,330	28,670
Total expenditures	350,000	940,000	806,158	133,842
Excess of revenues over expenditures	-	-	133,842	133,842
Fund balance, beginning of the year	39,169	39,169	39,169	-
Fund balance, end of the year	\$ 39,169	\$ 39,169	\$ 173,011	\$ 133,842

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 25,000	\$ 25,000	\$ 16,555	\$ (8,445)
Total revenues	25,000	25,000	16,555	(8,445)
Expenditures:				
Current				
Public safety	25,000	25,000	21,193	3,807
Total expenditures	25,000	25,000	21,193	3,807
Excess of revenues under expenditures	-	-	(4,638)	(4,638)
Fund balance, beginning of the year	12,616	12,616	12,616	-
Fund balance, end of the year	\$ 12,616	\$ 12,616	\$ 7,978	\$ (4,638)

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 14,000	\$ 14,000	\$ 5,424	\$ (8,576)
Total revenues	14,000	14,000	5,424	(8,576)
Expenditures:				
Current				
Public Safety	12,000	12,000	750	11,250
Total expenditures	12,000	12,000	750	11,250
Excess of revenues over (under) expenditures	2,000	2,000	4,674	2,674
Fund balance, beginning of year	16,339	16,339	16,339	-
Fund balance, end of the year	\$ 18,339	\$ 18,339	\$ 21,013	\$ 2,674

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ 163,216	\$ 163,216	\$ 194,788	\$ 31,572
Total revenues	163,216	163,216	194,788	31,572
Expenditures:				
Current				
Miscellaneous	120,784	120,784	120,000	784
Total expenditures	120,784	120,784	120,000	784
Excess of revenues under expenditures	42,432	42,432	74,788	32,356
Other financing sources (uses):				
Transfers-out	(42,432)	(42,432)	(42,432)	-
Total other financing sources (uses)	(42,432)	(42,432)	(42,432)	-
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	-	-	32,356	32,356
Fund balance, beginning of the year	41,669	41,669	41,669	-
Fund balance, end of the year	\$ 41,669	\$ 41,669	\$ 74,025	\$ 32,356

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 348,000	\$ 348,000	\$ 348,000	\$ -
Fines and forfeits	987,000	987,000	960,995	(26,005)
Miscellaneous	8,354	8,354	5,494	(2,860)
Total revenues	1,343,354	1,343,354	1,314,489	(28,865)
Expenditures:				
Current				
Public safety:	1,331,498	1,331,498	1,316,947	14,551
Total expenditures	1,331,498	1,331,498	1,316,947	14,551
Excess of revenues over expenditures	11,856	11,856	(2,458)	(14,314)
Fund balance, beginning of the year	18,722	18,722	18,722	-
Fund balance, end of the year	\$ 30,578	\$ 30,578	\$ 16,264	\$ (14,314)

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 15,000	\$ 214,393	\$ 223,308	\$ 8,915
Interest earnings	1,000	1,000	2,745	1,745
Total revenues	16,000	215,393	226,053	10,660
Expenditures:				
Current				
Public safety:				
Dare Grant	-	-	106	(106)
E911 System Upgrade Grant	23,214	23,214	23,214	-
2002 Cops More Grant	21,922	32,873	34,235	(1,362)
2004 Federal Block Grant	14,940	14,940	12,024	2,916
Safety Council Grant	-	18,664	18,430	234
Total expenditures	60,076	89,691	88,009	1,682
Excess of revenues under expenditures	(44,076)	125,702	138,044	12,342
Other financing sources (uses):				
Other uses	-	(158,679)	(158,679)	-
Total other financing sources (uses)	-	(158,679)	(158,679)	-
Excess of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(44,076)	(32,977)	(20,635)	12,342
Fund balance, beginning of the year	19,484	19,484	19,484	-
Appropriation for prior year encumbrances	45,136	45,136	45,136	-
Fund balance, end of the year	\$ 20,544	\$ 31,643	\$ 43,985	\$ 12,342

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines & forfeits	\$ 220,000	\$ 220,000	\$ 137,440	\$ (82,560)
Total revenues	220,000	220,000	137,440	(82,560)
Expenditures:				
Current				
Public safety:	220,000	220,000	106,783	113,217
Total expenditures	220,000	220,000	106,783	113,217
Excess of revenues under expenditures	-	-	30,657	30,657
Fund balance, beginning of the year	92,880	92,880	92,880	-
Fund balance, end of the year	\$ 92,880	\$ 92,880	\$ 123,537	\$ 30,657

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 721,000	\$ 721,000	\$ 345,210	\$ (375,790)
Miscellaneous	-	-	75,735	75,735
Total revenues	721,000	721,000	420,945	(300,055)
Expenditures:				
Current				
Community environment:	721,000	721,000	332,847	388,153
Total expenditures	721,000	721,000	332,847	388,153
Excess of revenues over (under) expenditures	-	-	88,098	88,098
Fund balance, beginning of the year	51,663	51,663	51,663	-
Fund balance, end of the year	\$ 51,663	\$ 51,663	\$ 139,761	\$ 88,098

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
SUNSET POOL FUND
FOR YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous revenue	\$ -	\$ 82,000	\$ 68,000	\$ (14,000)
Municipal income tax	-	8,000	8,000	-
Total revenues	-	90,000	76,000	(14,000)
Expenditures:				
Current				
Community environment:	-	90,000	75,838	14,162
Total expenditures	-	90,000	75,838	14,162
Excess of revenues over (under) expenditures	-	-	162	162
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ -	\$ -	\$ 162	\$ 162

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 897,421	\$ 897,421	\$ 775,543	\$ (121,878)
Interest earnings	1,000	1,000	319	(681)
Rentals & leases	2,500	2,500	-	(2,500)
Miscellaneous	87,000	87,000	23,323	(63,677)
Total revenues	987,921	987,921	799,185	(188,736)
Expenditures:				
Current				
Community environment:	986,921	986,921	805,244	181,677
Total expenditures	986,921	986,921	805,244	181,677
Excess of revenues over (under) expenditures	1,000	1,000	(6,059)	(7,059)
Fund balance, beginning of the year	34,153	34,153	34,153	-
Fund balance, end of the year	\$ 35,153	\$ 35,153	\$ 28,094	\$ (7,059)

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 305,267	\$ 305,267	\$ 265,828	\$ (39,439)
Intergovernmental revenue	26,250	26,250	60,252	34,002
Municipal income taxes	676,000	676,000	676,000	-
Total revenues	1,007,517	1,007,517	1,002,080	(5,437)
Expenditures:				
Current				
Public safety:	1,036,513	1,036,513	1,005,518	30,995
Total expenditures	1,036,513	1,036,513	1,005,518	30,995
Excess of revenues over (under) expenditures	(28,996)	(28,996)	(3,438)	25,558
Fund balance, beginning of the year	62,711	62,711	62,711	-
Fund balance, end of the year	\$ 33,715	\$ 33,715	\$ 59,273	\$ 25,558

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 305,267	\$ 305,267	\$ 265,827	\$ (39,440)
Intergovernmental revenue	93,250	93,250	60,252	(32,998)
Municipal income taxes	878,000	878,000	878,000	-
Total revenues	1,276,517	1,276,517	1,204,079	(72,438)
Expenditures:				
Current				
Public safety:	1,209,612	1,209,612	1,207,109	2,503
Total expenditures	1,209,612	1,209,612	1,207,109	2,503
Excess of revenues over (under) expenditures	66,905	66,905	(3,030)	(69,935)
Fund balance, beginning of the year	58,838	58,838	58,838	-
Fund balance, end of the year	\$ 125,743	\$ 125,743	\$ 55,808	\$ (69,935)

CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2007

	General Obligation Debt Service	Towne Boulevard Tax Increment Financing District	Downtown Tax Increment Financing District	Aeronca Tax Increment Financing District	Totals
Assets					
Cash and equity in pooled cash, deposits and investments	\$ 345,915	\$ 228,631	\$ 73,725	\$ 1,148	\$ 649,419
Cash with fiscal and escrow agent	17,633	-	-	-	17,633
Total assets	363,548	228,631	73,725	1,148	667,052
Liabilities					
Matured bonds and interest	17,633	-	-	-	17,633
Total liabilities	17,633	-	-	-	17,633
Fund balance:					
Unreserved and undesignated	345,915	228,631	73,725	1,148	649,419
Total fund balance	345,915	228,631	73,725	1,148	649,419
Total liabilities and fund balance	\$ 363,548	\$ 228,631	\$ 73,725	\$ 1,148	\$ 667,052

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON MAJOR DEBT SERVICE FUNDS
FOR YEAR ENDED DECEMBER 31, 2007**

	General Obligation Debt Service	Towne Boulevard Tax Increment Financing District	Downtown Tax Increment Financing District	Aeronca Tax Increment Financing District	Totals
Revenues					
Municipal income taxes	\$ 1,880,862	\$ -	\$ -	\$ -	\$ 1,880,862
Property taxes	-	286,332	22,122	1,148	309,602
Miscellaneous revenues	287,038	-	-	-	287,038
Total revenues	2,167,900	286,332	22,122	1,148	2,477,502
Expenditures					
Debt service					
Principal retirement	1,090,000	195,000	-	-	1,285,000
Interest and fiscal charges	1,070,183	105,000	-	-	1,175,183
Total expenditures	2,160,183	300,000	-	-	2,460,183
Excess of revenues over (under) expenditures	7,717	(13,668)	22,122	1,148	17,319
Other financing sources (uses)					
Transfers-in	200,000	-	-	-	200,000
Other uses	-	(3,686)	-	-	(3,686)
Total other financing sources (uses)	200,000	(3,686)	-	-	196,314
Net change in fund balance	207,717	(17,354)	22,122	1,148	213,633
Fund balance, beginning of the year	138,198	245,985	51,603	-	435,786
Fund balance, end of the year	\$ 345,915	\$ 228,631	\$ 73,725	\$ 1,148	\$ 649,419

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 450,000	\$ 450,000	\$ 449,548	\$ (452)
Miscellaneous	-	-	41,579	41,579
Total revenues	450,000	450,000	491,127	41,127
Expenditures:				
Debt service	450,544	450,544	447,587	2,957
Total expenditures	450,544	450,544	447,587	2,957
Excess of revenues over (under) expenditures	(544)	(544)	43,540	44,084
Fund balance, beginning of the year	27,411	27,411	27,411	-
Fund balance, end of the year	\$ 26,867	\$ 26,867	\$ 70,951	\$ 44,084

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 1,880,862	\$ 1,880,862	\$ 1,880,862	\$ -
Miscellaneous	287,038	287,038	287,038	-
Total revenues	2,167,900	2,167,900	2,167,900	-
Expenditures:				
Debt service	2,405,900	2,405,900	2,160,182	245,718
Total expenditures	2,405,900	2,405,900	2,160,182	245,718
Excess of revenues under expenditures	(238,000)	(238,000)	7,718	245,718
Other financing sources:				
Transfers-in	200,000	200,000	200,000	-
Total other financing sources	200,000	200,000	200,000	-
Excess of revenues and other financing sources over (under) expenditures	(38,000)	(38,000)	207,718	245,718
Fund balance, beginning of the year	138,197	138,197	138,197	-
Fund balance, end of the year	\$ 100,197	\$ 100,197	\$ 345,915	\$ 245,718

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
TOWNE BLVD TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 80,000	\$ 100,000	\$ 286,332	\$ 186,332
Total revenues	80,000	100,000	286,332	186,332
Expenditures:				
Current				
Debt service	54,000	304,000	303,687	313
Total expenditures	54,000	304,000	303,687	313
Excess of revenues over expenditures	26,000	(204,000)	(17,355)	186,645
Fund balance, beginning of the year	245,986	245,986	245,986	-
Fund balance, end of the year	\$ 271,986	\$ 41,986	\$ 228,631	\$ 186,645

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ -	\$ 12,000	\$ 22,123	\$ 10,123
Total revenues	-	12,000	22,123	10,123
Expenditures:				
Current				
Debt service	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	12,000	22,123	10,123
Fund balance, beginning of the year	51,603	51,603	51,603	-
Fund balance, end of the year	\$ 51,603	\$ 63,603	\$ 73,726	\$ 10,123

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, 2007

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

CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2007

	Capital Improvements	East End Development
Assets		
Cash and equity in pooled cash, deposits and investments	\$ 910,466	\$ 589,050
Receivables (net of allowance for uncollectibles):		
Property taxes	790,879	-
Total assets	1,701,345	589,050
Liabilities		
Accounts payable	45,322	-
Notes payable	-	-
Due to individuals	120,580	-
Deferred revenue	790,879	-
Total liabilities	956,781	-
Fund balances:		
Reserved for encumbrances	252,720	-
Unreserved and undesignated	491,844	589,050
Total fund balances	744,564	589,050
Total liabilities and fund balances	\$ 1,701,345	\$ 589,050

Downtown Improvements		Computer Replacement		Property Development		Totals	
\$	2,582,691	\$	1,274,682	\$	1,165,206	\$	6,522,095
	-		-		-		790,879
	2,582,691		1,274,682		1,165,206		7,312,974
	-		-		-		45,322
	2,550,000		-		-		2,550,000
	-		-		-		120,580
	-		-		-		790,879
	2,550,000		-		-		3,506,781
	1,086		-		-		253,806
	31,605		1,274,682		1,165,206		3,552,387
	32,691		1,274,682		1,165,206		3,806,193
\$	2,582,691	\$	1,274,682	\$	1,165,206	\$	7,312,974

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR CAPITAL PROJECT FUNDS
FOR YEAR ENDED DECEMBER 31, 2007**

	Capital Improvements	East End Development
Revenues		
Property taxes	\$ 820,799	\$ -
Intergovernmental revenues	985,272	20,343
Charges for services	53,654	-
Interest earnings	67,116	74,865
Miscellaneous	1,000	66
Total revenues	1,927,841	95,274
Expenditures		
Current		
Public safety	4,350	-
Leisure time activities	12,764	-
Community environment	25,837	6,022
Highways & streets	2,393,767	338,277
General government	139,974	-
Miscellaneous	13,686	-
Debt service		
Interest and fiscal charges	-	45,512
Total expenditures	2,590,378	389,811
Excess of revenues over (under) expenditures	(662,537)	(294,537)
Other financing sources (uses)		
Transfers-out	(200,000)	-
Other Sources	87,354	-
Total other financing sources (uses)	(112,646)	-
Net change in fund balances	(775,183)	(294,537)
Fund balance, beginning of year	1,519,747	883,587
Fund balance, end of the year	\$ 744,564	\$ 589,050

Downtown Improvements	Computer Replacement	Property Development	Totals
\$ -	\$ -	\$ -	\$ 820,799
-	-	-	1,005,615
-	-	-	53,654
110,608	51,298	-	303,887
-	134,875	645,049	780,990
110,608	186,173	645,049	2,964,945
-	-	-	4,350
-	-	-	12,764
26,996	-	77,423	136,278
-	-	-	2,732,044
-	84,638	-	224,612
-	-	-	13,686
105,825	-	-	151,337
132,821	84,638	77,423	3,275,071
(22,213)	101,535	567,626	(310,126)
-	-	-	(200,000)
-	-	-	87,354
-	-	-	(112,646)
(22,213)	101,535	567,626	(422,772)
54,904	1,173,147	597,580	4,228,965
\$ 32,691	\$ 1,274,682	\$ 1,165,206	\$ 3,806,193

**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, 2007**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 914,800	\$ 914,800	\$ 820,799	\$ (94,001)
Intergovernmental revenue	380,000	80,000	197,463	117,463
Charges for services	30,000	30,000	53,654	23,654
Interest earnings	60,000	60,000	67,116	7,116
Miscellaneous	334,170	434,170	138,810	(296,360)
Total revenues	1,718,970	1,518,970	1,277,842	(242,128)
Expenditures:				
Current				
Public safety	59,279	59,279	57,784	1,495
Leisure time activities	10,000	10,000	9,987	13
Community environment	37,488	18,735	18,683	52
Highways and streets	2,482,732	2,750,130	2,019,173	730,957
General government	46,081	40,704	60,954	(20,250)
Total expenditures	2,635,580	2,878,848	2,166,581	712,267
Excess of revenues over (under) expenditures	(916,610)	(1,359,878)	(888,739)	470,139
Other financing sources (uses):				
Transfers-out	(200,000)	(200,000)	(200,000)	-
Other sources	-	-	95,350	95,350
Total other financing sources (uses)	(200,000)	(200,000)	(104,650)	95,350
Excess of revenues and other financing sources over (under) expenditures	(1,116,610)	(1,559,878)	(993,389)	565,489
Fund balance, beginning of the year	690,569	690,569	690,569	-
Appropriation for prior year encumbrances	930,754	930,754	930,754	-
Fund balance, end of the year	\$ 504,713	\$ 61,445	\$ 627,934	\$ 565,489

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 72,000	\$ 72,000	\$ 74,865	\$ 2,865
Miscellaneous revenue	-	-	66	66
Total revenues	72,000	72,000	74,931	2,931
Expenditures:				
Current				
Highways and streets	1,477,341	418,940	329,193	89,747
Debt Service				
Principal retirement	1,277,850	1,271,425	1,271,425	-
Interest expense	67,000	67,000	53,613	13,387
Total expenditures	2,822,191	1,757,365	1,654,231	103,134
Excess of revenues under expenditures	(2,750,191)	(1,685,365)	(1,579,300)	106,065
Other financing sources:				
Proceeds from notes	1,400,000	1,400,000	-	(1,400,000)
Total other financing sources	1,400,000	1,400,000	-	(1,400,000)
Excess of revenues and other financing sources under expenditures	(1,350,191)	(285,365)	(1,579,300)	(1,293,935)
Fund balance, beginning of the year	678,160	678,160	678,160	-
Appropriation for prior year encumbrances	1,490,191	1,490,191	1,490,191	-
Fund balance, end of the year	\$ 818,160	\$ 1,882,986	\$ 589,051	\$ (1,293,935)

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 82,109	\$ 82,109	\$ 110,608	\$ 28,499
Total revenues	82,109	82,109	110,608	28,499
Expenditures:				
Current				
Community environment	91,532	90,082	28,082	62,000
Debt Service				
Interest expense	115,000	115,000	116,033	(1,033)
Total expenditures	91,532	205,082	144,115	60,967
Excess of revenues under expenditures	(9,423)	(122,973)	(33,507)	89,466
Fund balance, beginning of the year	2,600,580	2,600,580	2,600,580	-
Appropriation for prior year encumbrances	14,532	14,532	14,532	-
Fund balance, end of the year	\$ 2,605,689	\$ 2,492,139	\$ 2,581,605	\$ 89,466

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 21,681	\$ 29,500	\$ 51,298	\$ 21,798
Miscellaneous	45,500	45,500	134,875	89,375
Total revenues	67,181	75,000	186,173	111,173
Expenditures:				
Current				
General government	302,591	271,547	84,640	186,907
Total expenditures	302,591	271,547	84,640	186,907
Excess of revenues under expenditures	(235,410)	(196,547)	101,533	298,080
Fund balance, beginning of the year	1,120,554	1,120,554	1,120,554	-
Appropriation for prior year encumbrances	52,591	52,591	52,591	-
Fund balance, end of the year	\$ 937,735	\$ 976,598	\$ 1,274,678	\$ 298,080

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ 18,000	\$ 618,590	\$ 645,049	\$ 26,459
Total revenues	18,000	618,590	645,049	26,459
Expenditures:				
Current				
Community environment	36,750	106,000	77,423	28,577
Total expenditures	36,750	106,000	77,423	28,577
Excess of revenues under expenditures	(18,750)	512,590	567,626	55,036
Fund balance, beginning of the year	596,831	596,831	596,831	-
Appropriation for prior year encumbrances	750	750	750	-
Fund balance, end of the year	\$ 578,831	\$ 1,110,171	\$ 1,165,207	\$ 55,036

ENTERPRISE FUNDS

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

WATER

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

SEWER

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

TRANSIT SYSTEM

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

GOLF COURSE

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

SOLID WASTE DISPOSAL

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

PARKING GARAGE

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

AIRPORT

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

STORM SEWER

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

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF NET ASSETS
NON MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2007**

	Business Type Activities - Enterprise Funds			
	Parking Garage	Airport	Storm Water	Totals
Assets:				
Current assets				
Equity in pooled cash, deposits and investments	\$ 40,760	\$ 198,379	\$ 2,088,557	\$ 2,327,696
Receivables (net of allowance for uncollectibles):				
Accounts	-	-	110,308	110,308
Due from other governments	-	77,418	-	77,418
Total current assets	40,760	275,797	2,198,865	2,515,422
Capital assets:				
Land	16,900	1,524,356	-	1,541,256
Land Improvements	-	257,211	-	257,211
Infrastructure assets	-	353,510	251,502	605,012
Buildings	2,738,763	1,803,022	-	4,541,785
Equipment	12,120	632,440	430,769	1,075,329
Less: Accumulated depreciation	(1,909,403)	(786,143)	(57,615)	(2,753,161)
Net capital assets	858,380	3,784,396	624,656	5,267,432
Total assets	899,140	4,060,193	2,823,521	7,782,854
Liabilities:				
Current liabilities				
Accounts payable	-	-	21,497	21,497
Accrued wages and benefits	2,159	-	8,067	10,226
Other accrued liabilities	312	-	1,560	1,872
Accrued interest payable	-	34,748	-	34,748
Due to other funds	618	1,942	3,623	6,183
Due to individuals	-	1,800	-	1,800
Deferred Revenue	-	77,418	-	77,418
Notes payable	-	1,715,000	-	1,715,000
Compensated absences (short term portion)			6,314	6,314
Total current liabilities	3,089	1,830,908	41,061	1,875,058
Long-term liabilities:				
Compensated absences payable	335	-	12,258	12,593
Total long-term liabilities	335	-	12,258	12,593
Total liabilities	3,424	1,830,908	53,319	1,887,651
Net Assets:				
Invested in capital assests, net of related debt	858,380	2,069,396	624,656	3,552,432
Unrestricted	37,336	159,889	2,145,546	2,342,771
Total net assets	\$ 895,716	\$ 2,229,285	\$ 2,770,202	\$ 5,895,203

CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET ASSETS
 NON MAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

Business Type Activities - Enterprise Funds				
	Parking Garage	Airport	Storm Water	Totals
Operating revenues:				
Charges for services	\$ 30,591	\$ 223,217	\$ 1,457,437	\$ 1,711,245
Other operating revenue	1,817	-	-	1,817
Total operating revenues	32,408	223,217	1,457,437	1,713,062
Operating expenses:				
Personal services	30,998	-	156,282	187,280
Contractual services	77,420	160,670	60,501	298,591
Commodities	-	4,000	21,459	25,459
Depreciation	61,669	137,080	54,244	252,993
Other operating expenses	1,753	1,949	30,993	34,695
Total operating expenses	171,840	303,699	323,479	799,018
Operating income (loss)	(139,432)	(80,482)	1,133,958	914,044
Non-operating revenues (expenses):				
Interest revenue	-	2,378	77,746	80,124
Interest expense and fiscal charges	-	(71,496)	-	(71,496)
Operating grants	-	472,533	-	472,533
Income taxes	96,000	-	-	96,000
Total non-operating revenues (expenses)	96,000	403,415	77,746	577,161
Change in net assets	(43,432)	322,933	1,211,704	1,491,205
Total net assets, beginning of year	939,148	1,906,352	1,558,498	4,403,998
Total net assets, end of year	\$ 895,716	\$ 2,229,285	\$ 2,770,202	\$ 5,895,203

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Business Type Activities - Enterprise Funds

	Parking Garage	Airport	Storm Water	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 30,591	\$ 223,217	\$ 1,522,672	\$ 1,776,480
Cash payments to suppliers for goods and services	(82,169)	(219,967)	(51,316)	(353,452)
Cash payments to employees for services	(31,457)	-	(106,264)	(137,721)
Miscellaneous revenues	1,817	1,800	-	3,617
Cash payments for interfund services used	-	-	(52,264)	(52,264)
Net cash provided by operating activities	(81,218)	5,050	1,312,828	1,236,660
Cash flows from non-capital financing activities:				
Operating grants	-	472,533	-	472,533
Income taxes received	96,000	-	-	96,000
Net cash provided by non-capital financing activities	96,000	472,533	-	568,533
Cash flows from capital and related financing activities:				
Purchase of capital assets	-	(406,830)	(614,861)	(1,021,691)
Interest expense	-	(78,146)	-	(78,146)
Repayment of debt principal	-	(1,630,000)	-	(1,630,000)
Note proceeds	-	1,717,378	-	1,717,378
Net cash provided by capital and related financing activities	-	(397,598)	(614,861)	(1,012,459)
Cash flows from investing activities:				
Interest income	-	-	77,746	77,746
Net cash provided by investing activities	-	-	77,746	77,746
Net increase in cash and cash equivalents	14,782	79,985	775,713	870,480
Cash and cash equivalents, beginning of year	25,978	118,394	1,312,844	1,457,216
Cash and cash equivalents, end of year	\$ 40,760	\$ 198,379	\$ 2,088,557	\$ 2,327,696

continued

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

(continued)	Parking Garage	Airport	Storm Water	Totals
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (139,432)	\$ (80,482)	\$ 1,133,958	\$ 914,044
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	61,669	137,080	54,244	252,993
Changes in assets and liabilities:				
Increase (decrease) in accounts receivable (net)	-	-	71,307	71,307
Decrease (increase) in accounts payable	(3,464)	(54,518)	21,497	(36,485)
Increase (decrease) in accrued wages and benefits	149	-	8,067	8,216
Increase (decrease) in other accrued liabilities	(292)	-	1,560	1,268
Increase (decrease) in due to other funds	468	1,170	3,623	5,261
Increase (decrease) in compensated absences payable	(316)	-	18,572	18,256
Increase (Decrease) in due to individuals	-	1,800	-	1,800
Total adjustments	58,214	85,532	178,870	322,616
Net cash provided (used) by operating activities	\$ (81,218)	\$ 5,050	\$ 1,312,828	\$ 1,236,660

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 6,835,957	\$ 6,995,957	\$ 6,858,682	\$ (137,275)
Other operating revenues	16,225	16,225	67,142	50,917
Total operating revenues	6,852,182	7,012,182	6,925,824	(86,358)
Operating expenses				
Water Administration	364,062	364,062	352,620	11,442
Water Treatment	2,180,544	2,153,367	2,084,129	69,238
Water Maintenance	1,514,422	1,549,219	1,493,162	56,057
Administrative Support	822,899	822,899	822,899	-
Water Capital Reserve	2,100,842	2,533,772	2,237,723	296,049
Wellfield Protection	1,470,581	1,470,581	1,463,523	7,058
Total operating expenses	8,453,350	8,893,900	8,454,056	439,844
Operating income (loss)	(1,601,168)	(1,881,718)	(1,528,232)	353,486
Non-operating revenues (expenses)				
Interest revenue	86,232	86,232	184,401	98,169
Interest expenses & fiscal charges	(338,375)	(338,375)	(326,157)	12,218
Debt retirement	(560,930)	(560,930)	(560,844)	86
Operating grants	-	480,000	578,904	98,904
Other sources	-	-	40,599	40,599
Total non-operating revenues (expenses)	(813,073)	(333,073)	(83,097)	249,976
Net income (loss)	(2,414,241)	(2,214,791)	(1,611,329)	603,462
Retained earnings, beginning of the year	3,763,922	3,763,922	3,763,922	-
Appropriation for prior year encumbrances	2,260,935	2,260,935	2,260,935	-
Retained earnings, end of the year	\$ 3,610,616	\$ 3,810,066	\$ 4,413,528	\$ 603,462

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 6,548,920	\$ 6,548,920	\$ 6,893,490	\$ 344,570
Other operating revenues	-	-	9,551	9,551
Total operating revenues	6,548,920	6,548,920	6,903,041	354,121
Operating expenses				
Sewer Administration	264,562	274,562	270,750	3,812
Sewer Treatment	3,019,092	3,003,564	2,847,909	155,655
Sewer Maintenance	1,004,254	1,003,753	950,942	52,811
Environmental Services Administration	196,481	196,481	188,075	8,406
Administrative Support	822,899	822,899	822,899	-
Sewer Capital Reserve	11,648,619	16,619,156	15,074,201	1,544,955
Total operating expenses	16,955,907	21,920,415	20,154,776	1,765,639
Operating income (loss)	(10,406,987)	(15,371,495)	(13,251,735)	2,119,760
Non-operating revenues (expenses)				
Interest revenue	186,516	186,516	258,251	71,735
Interest expenses & fiscal charges	(143,780)	(143,780)	(131,562)	12,218
Debt retirement	(280,930)	(280,930)	(280,844)	86
Proceeds from notes	5,000,000	5,000,000	-	(5,000,000)
Total non-operating revenues (expenses)	4,761,806	4,761,806	(154,155)	(4,915,961)
Net income (loss)	(5,645,181)	(10,609,689)	(13,405,891)	(2,796,202)
Retained earnings, beginning of the year	5,190,104	5,190,104	5,190,104	-
Appropriation for prior year encumbrances	1,236,229	1,236,229	1,236,229	-
Retained earnings, end of the year	\$ 781,152	\$ (4,183,356)	\$ (6,979,558)	\$ (2,796,202)

**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, 2007**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 115,000	\$ 115,000	\$ 127,806	\$ 12,806
Other operating revenues	10,000	10,000	1,380	(8,620)
Total operating revenues	125,000	125,000	129,186	4,186
Operating expenses	1,063,246	1,160,025	1,107,918	52,107
Total operating expenses	1,063,246	1,160,025	1,107,918	52,107
Operating income (loss)	(938,246)	(1,035,025)	(978,732)	56,293
Non-operating revenues (expenses)				
Operating grants	644,018	817,818	750,940	(66,878)
Income tax	204,000	204,000	204,000	-
Total non-operating revenues (expenses)	848,018	1,021,818	954,940	(66,878)
Net income (loss)	(90,228)	(13,207)	(23,792)	(10,585)
Retained earnings, beginning of the year	27,547	27,547	27,547	-
Appropriation for prior year encumbrances	69,214	69,214	69,214	-
Retained earnings, end of the year	\$ 6,533	\$ 83,554	\$ 72,969	\$ (10,585)

**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, 2007**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 1,896,000	\$ 1,896,000	\$ 1,626,418	\$ (269,582)
Other operating revenues	4,000	4,000	8,785	4,785
Total operating revenues	1,900,000	1,900,000	1,635,203	(264,797)
Operating expenses				
Golf Maintenance	866,436	866,436	804,095	62,341
Golf Clubhouse	726,836	726,836	655,540	71,296
Total operating expenses	1,593,272	1,593,272	1,459,635	133,637
Operating income (loss)	306,728	306,728	175,568	(131,160)
Non-operating revenues (expenses)				
Interest expenses & fiscal charges	(97,671)	(97,671)	(94,273)	3,399
Debt retirement	(145,000)	(145,000)	(140,000)	5,000
Other sources	-	-	55,191	55,191
Other uses	(75,000)	-	-	-
Total non-operating revenues (expenses)	(317,671)	(242,671)	(179,082)	63,590
Net income (loss)	(10,943)	64,057	(3,514)	(67,571)
Retained earnings, beginning of the year	19,308	19,308	19,308	-
Retained earnings, end of the year	\$ 8,365	\$ 83,365	\$ 15,795	\$ (67,571)

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,828,520	\$ 2,864,520	\$ 2,730,992	\$ (133,528)
Other operating revenues	10,800	10,800	17,589	6,789
Total operating revenues	2,839,320	2,875,320	2,748,581	(126,739)
Operating expenses	2,560,915	2,560,915	2,560,909	6
Administrative Support	20,000	20,000	20,000	-
Total operating expenses	2,580,915	2,580,915	2,580,909	6
Operating income (loss)	258,405	294,405	167,672	(126,733)
Non-operating expenses				
Interest expenses & fiscal charges	(96,993)	(96,993)	(96,993)	-
Debt retirement	(195,000)	(195,000)	(195,000)	-
Total non-operating expenses	(291,993)	(291,993)	(291,993)	-
Net income (loss)	(33,588)	2,412	(124,321)	(126,733)
Retained earnings, beginning of the year	3,114	3,114	3,114	-
Appropriation for prior year encumbrances	52,412	52,412	52,412	-
Retained earnings, end of the year	\$ 21,938	\$ 57,938	\$ (68,795)	\$ (126,733)

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 32,898	\$ 32,898	\$ 30,591	\$ (2,307)
Fines and forfeits	5,306	5,306	1,818	(3,488)
Total operating revenues	38,204	38,204	32,409	(5,795)
Operating expenses				
Parking Enforcement	34,391	34,391	34,389	2
Parking Garage	85,050	85,050	79,237	5,813
Total operating expenses	119,441	119,441	113,626	5,815
Operating income (loss)	(81,237)	(81,237)	(81,217)	20
Non-operating revenues (expenses)				
Income taxes	96,000	96,000	96,000	-
Total non-operating revenues (expenses)	96,000	96,000	96,000	-
Net income (loss)	14,763	14,763	14,783	20
Retained earnings, beginning of the year	25,975	25,975	25,975	-
Retained earnings, end of the year	\$ 40,738	\$ 40,738	\$ 40,758	\$ 20

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 212,000	\$ 212,000	\$ 223,219	\$ 11,219
Total operating revenues	212,000	212,000	223,219	11,219
Operating expenses				
Airport Improvements	252,105	573,060	486,257	86,803
Airport	1,909,750	1,934,750	1,921,356	13,394
Total operating expenses	2,161,855	2,507,810	2,407,613	100,197
Operating income (loss)	(1,949,855)	(2,295,810)	(2,184,394)	111,416
Non-operating revenues				
Proceeds from notes	1,730,000	1,730,000	1,712,378	(17,622)
Operating grants	151,000	485,000	472,533	(12,467)
Other sources	-	-	1,830	1,830
Total non-operating revenues	1,881,000	2,215,000	2,186,741	(28,259)
Net income (loss)	(68,855)	(80,810)	2,347	83,157
Retained earnings, beginning of the year	26,285	26,285	26,285	-
Appropriation for prior year encumbrances	92,105	92,105	92,105	-
Retained earnings, end of the year	\$ 49,535	\$ 37,580	\$ 120,737	\$ 83,157

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (NON-GAAP BASIS)
STORM SEWER FUND
FOR YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 1,500,000	\$ 1,500,000	\$ 1,522,672	\$ 22,672
Total operating revenues	1,500,000	1,500,000	1,522,672	22,672
Operating expenses				
Storm Sewer Maint	-	878,104	720,388	157,716
Sewer Capital Reserve	988,439	986,424	398,642	587,782
Total operating expenses	988,439	1,864,528	1,119,030	745,498
Operating income (loss)	511,561	(364,528)	403,642	768,170
Non-operating revenues (expenses)				
Interest revenue	9,572	9,572	77,747	68,175
Total non-operating revenues (expenses)	9,572	9,572	77,747	68,175
Net income (loss)	521,133	(354,956)	481,388	836,344
Retained earnings, beginning of the year	1,074,405	1,074,405	1,074,405	-
Appropriation for prior year encumbrances	238,439	238,439	238,439	-
Retained earnings, end of the year	\$ 1,833,977	\$ 957,888	\$ 1,794,232	\$ 836,344

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, 2007**

	Municipal Garage	Employee Benefits Fund	Totals
Assets:			
Current assets:			
Equity in pooled cash, deposits and investments	\$ 1,801,353	\$ 609,480	\$ 2,410,833
Receivables (net of allowance for uncollectibles):			
Accounts	4,616	-	4,616
Due from other funds	244,507	-	244,507
Inventory of supplies	177,828	-	177,828
Total current assets	2,228,304	609,480	2,837,784
Capital assets:			
Land	195,750	-	195,750
Buildings	363,139	-	363,139
Equipment	9,100,743	-	9,100,743
Less: Accumulated depreciation	(7,367,750)	-	(7,367,750)
Net capital assets	2,291,882	-	2,291,882
Total assets	4,520,186	609,480	5,129,666
Liabilities:			
Current liabilities:			
Accounts payable	50,704	523,646	574,350
Accrued wages and benefits	24,942	-	24,942
Other accrued liabilities	6,909	-	6,909
Due to other funds	4,594	-	4,594
Total current liabilities	87,149	523,646	610,795
Long-term liabilities:			
Compensated absences payable	81,536	-	81,536
Total long-term liabilities	81,536	-	81,536
Total liabilities	168,685	523,646	692,331
Net assets:			
Invested in capital assets, net of related debt	2,291,882	-	2,291,882
Unrestricted	2,059,619	85,834	2,145,453
Total net assets	\$ 4,351,501	\$ 85,834	\$ 4,437,335

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

	Municipal Garage	Employee Benefits Fund	Totals
Operating revenues:			
Charges for services	\$ 2,723,365	\$ 4,322,711	\$ 7,046,076
Other operating revenues	40,643	8,546	49,189
Total operating revenues	2,764,008	4,331,257	7,095,265
Operating expenses:			
Personal services	567,307	-	567,307
Contractual services	424,901	4,250,089	4,674,990
Commodities	844,750	-	844,750
Depreciation	656,079	-	656,079
Other operating expenses	58,203	-	58,203
Total operating expenses	2,551,240	4,250,089	6,801,329
Operating income (loss)	212,768	81,168	293,936
Non-operating revenues (expenses):			
Interest revenue	76,558	-	76,558
Loss on sale of equipment	(64,653)	-	(64,653)
Total non-operating revenues (expenses)	11,905	-	11,905
Change in net assets	224,673	81,168	305,841
Transfers out	(300,000)	(300,000)	(600,000)
Total net assets, beginning of the year	4,426,828	304,666	4,731,494
Total net assets, end of the year	\$ 4,351,501	\$ 85,834	\$ 4,437,335

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Municipal Garage	Employee Benefits Fund	Totals
Cash flows from operating activities:			
Cash payments to suppliers for goods and services	\$ (1,279,099)	\$ (4,310,728)	\$ (5,589,827)
Cash payments to employees for services	(476,509)	-	(476,509)
Miscellaneous revenue	117,701	8,546	126,247
Cash received from quasi-external operating activities	2,616,790	4,327,156	6,943,946
Cash payments for quasi-external operating activities	(101,556)	-	(101,556)
Net cash provided by operating activities	877,327	24,974	902,301
Cash flows from non-capital financing activities:			
Transfers out	(300,000)	(300,000)	(600,000)
Net cash used by non-capital financing activities	(300,000)	(300,000)	(600,000)
Cash flows from capital and related financing activities:			
Sale of capital assets	63,354	-	63,354
Purchase of capital assets	(440,935)	-	(440,935)
Net cash used by capital and related financing activities	(377,581)	-	(377,581)
Cash flows from investing activities:			
Interest income	76,558	-	76,558
Net cash provided by investing activities	76,558	-	76,558
Net increase (decrease) in cash and cash equivalents	276,304	(275,026)	1,278
Cash and cash equivalents, beginning of year	1,525,049	884,506	2,409,555
Cash and cash equivalents, end of year	\$ 1,801,353	\$ 609,480	\$ 2,410,833

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

(continued)	Municipal Garage	Employee Benefits Fund	Totals
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 212,768	\$ 81,168	\$ 293,936
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	656,079	-	656,079
Changes in assets and liabilities:			
Increase (decrease) in accounts receivable	13,704	4,445	18,149
Decrease (increase) in due from other funds	(43,221)		(43,221)
Increase (decrease) in supplies inventory	1,956	-	1,956
Decrease (increase) in accounts payable	37,672	(60,639)	(22,967)
Decrease (increase) in accrued wages	(784)	-	(784)
Decrease (increase) in accrued liabilities	(3,218)	-	(3,218)
Increase (decrease) in compensated absences	2,371	-	2,371
Total adjustments	664,559	(56,194)	608,365
Net cash provided by operating activities	\$ 877,327	\$ 24,974	\$ 902,301

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,719,571	\$ 2,719,571	\$ 2,797,845	\$ 78,274
Total operating revenues	2,719,571	2,719,571	2,797,845	78,274
Operating expenses				
Personal services	651,580	651,580	568,938	82,642
Contractual services	309,162	309,162	438,097	(128,935)
Commodities	723,131	722,000	821,087	(99,087)
Other operating expenses	1,300,462	1,273,048	868,352	404,696
Total operating expenses	2,984,335	2,955,790	2,696,474	259,316
Operating income (loss)	(264,764)	(236,219)	101,371	337,590
Non-operating revenues (expenses)				
Interest revenue	30,605	30,605	76,558	45,953
Total non-operating revenues (expenses)	30,605	30,605	76,558	45,953
Income (loss) before operating transfers	(234,159)	(205,614)	177,929	383,543
Operating transfers-out	-	(300,000)	(300,000)	-
Net income	(234,159)	(505,614)	(122,071)	383,543
Retained earnings, beginning of the year	1,315,779	1,315,779	1,315,779	-
Appropriation for prior year encumbrances	209,266	209,266	209,266	-
Retained earnings, end of the year	\$ 1,290,886	\$ 1,019,431	\$ 1,402,974	\$ 383,543

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, 2007

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 4,437,370	\$ 4,437,370	\$ 4,335,702	\$ (101,668)
Total operating revenues	4,437,370	4,437,370	4,335,702	(101,668)
Operating expenses				
Contractual services	4,598,595	4,598,595	4,310,728	287,867
Total operating expenses	4,598,595	4,598,595	4,310,728	287,867
Income (loss) before operating transfers	(161,225)	(161,225)	24,974	186,199
Operating transfers-out	-	(300,000)	(300,000)	-
Net income	(161,225)	(461,225)	(275,026)	186,199
Retained earnings, beginning of the year	884,506	884,506	884,506	-
Retained earnings, end of the year	\$ 723,281	\$ 423,281	\$ 609,480	\$ 186,199

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
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007

	Conser- vancy	Payroll Clearing	Municipal Court	Joint Economic Development District I	Totals
Assets:					
Cash and equity in pooled cash, deposits and investments	\$ 7,148	\$ -	\$ 65,525	\$ 401	\$ 73,074
Cash with fiscal and escrow agent	-	295,532	-	-	295,532
Property taxes receivable	144,093	-	-	-	144,093
Total assets	151,241	295,532	65,525	401	512,699
Liabilities:					
Due to other governments	151,241	219,365	-	401	371,007
Due to individuals	-	470	22,070	-	22,540
Unapportioned monies	-	75,697	43,455	-	119,152
Total liabilities	\$ 151,241	\$ 295,532	\$ 65,525	\$ 401	\$ 512,699

CITY OF MIDDLETOWN, OHIO
STATEMENT OF CHANGES
IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

CONSERVANCY				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 3,319	\$ 147,782	\$ 143,953	\$ 7,148
Property taxes receivable	154,375	137,500	147,782	144,093
Total assets	157,694	285,282	291,735	151,241
Liabilities:				
Due to other governments	157,694	285,282	291,735	151,241
Total liabilities	\$ 157,694	\$ 285,282	\$ 291,735	\$ 151,241

CITY OF MIDDLETOWN, OHIO
STATEMENT OF CHANGES
IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

PAYROLL CLEARING				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash with fiscal and escrow agent	\$ 202,185	\$ 18,037,350	\$ 17,944,003	\$ 295,532
Total assets	202,185	18,037,350	17,944,003	295,532
Liabilities:				
Due to other governments	186,834	5,589,240	5,556,709	219,365
Due to individuals	73	11,808,248	11,807,851	470
Unapportioned monies	15,278	639,862	579,443	75,697
Total liabilities	\$ 202,185	\$ 18,037,350	\$ 17,944,003	\$ 295,532

CITY OF MIDDLETOWN, OHIO
STATEMENT OF CHANGES
IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

MUNICIPAL COURT				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 71,474	\$ 3,441,175	\$ 3,447,124	\$ 65,525
Total assets	71,474	3,441,175	3,447,124	65,525
Liabilities:				
Due to other governments	-	522,970	522,970	-
Due to individuals	28,131	1,124,487	1,130,548	22,070
Unapportioned monies	43,343	1,793,718	1,793,606	43,455
Total liabilities	\$ 71,474	\$ 3,441,175	\$ 3,447,124	\$ 65,525

CITY OF MIDDLETOWN, OHIO
STATEMENT OF CHANGES
IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

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	\$ 14,421	\$ 229,857	\$ 243,877	\$ 401
Income taxes receivable	-	236,753	236,753	-
Total assets	14,421	466,610	480,630	\$ 401
Liabilities:				
Due to other governments	14,421	466,610	480,630	\$ 401
Total liabilities	\$ 14,421	\$ 466,610	\$ 480,630	\$ 401

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

CITY OF MIDDLETOWN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCES
DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Governmental funds capital assets:		
Land and land improvements	\$ 12,951,228	\$ 12,351,228
Buildings	23,563,574	23,531,680
Infrastructure	152,105,296	150,578,065
Machinery and equipment	6,661,247	6,508,736
Total governmental funds capital assets	<u>\$ 195,281,345</u>	<u>\$ 192,969,709</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 17,878,968	\$ 17,753,432
Special revenue funds	4,974,367	4,974,367
Capital project funds	172,428,010	170,241,910
Total governmental funds capital assets	<u>\$ 195,281,345</u>	<u>\$ 192,969,709</u>

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

CITY OF MIDDLETOWN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
DECEMBER 31, 2007

Function and Activity	Machinery and Equipment	Land and Land Improvements	Buildings	Infrastructure	Total
General Government:					
City Manager/City Council	\$ 163,506	\$ -	\$ -	\$ -	\$ 163,506
Finance	1,643,954	277,050	-	-	1,921,004
Law	11,500	-	-	-	11,500
Planning/Economic Development	20,082	3,667,182	-	-	3,687,264
Bldg. Maint.	124,650	-	9,856	-	134,506
Engineering	77,914	-	-	-	77,914
Income Tax	13,792	-	-	-	13,792
Miami Conservancy	-	-	7,660	-	7,660
City Building/Library	-	-	12,825,916	-	12,825,916
Leisure:					
Douglass Park	-	95,850	6,365	-	102,215
Parks Maintenance	426,514	-	-	-	426,514
Recreation/Community Center	372,297	123,050	1,558,454	-	2,053,801
Smith Park	91,456	-	58,116	17,328	149,572
Sunset Park	-	310,400	1,053,214	-	1,363,614
Other Parks	6,550	4,089,936	518,810	349,802	4,965,098
Public health:					
Health & Environment	6,200	-	-	-	6,200
Social Health	107,237	8,100	483,262	-	598,599
Senior Citizens Center & Cemetery	-	1,643,250	1,037,961	-	2,681,211
Public safety:					
Fire	1,269,080	205,750	861,168	-	2,335,998
Police	1,711,246	5,950	592,688	-	2,309,884
Electronic Maintenance	318,543	-	427,865	-	746,408
Municipal Court	71,027	-	292,447	-	363,474
Police Grants	33,858	-	-	-	33,858
12th District Court	-	-	3,542,930	-	3,542,930
Streets and highways:					
Street Maintenance	191,841	-	286,862	-	478,703
Street system	-	2,524,710	-	151,738,166	154,262,876
Total governmental funds capital assets	<u>\$ 6,661,247</u>	<u>\$ 12,951,228</u>	<u>\$ 23,563,574</u>	<u>\$ 152,105,296</u>	<u>\$ 195,281,345</u>

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

CITY OF MIDDLETOWN
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

Function and Activity	Governmental Funds Capital Assets January 1, 2007	Additions	Deductions	Governmental Funds Capital Assets December 31, 2007
General Government:				
City Manager/City Council	\$ 163,506	\$ -	\$ -	\$ 163,506
Finance	1,862,515	58,489	-	1,921,004
Law	11,500	-	-	11,500
Planning/Economic Development	3,687,264	-	-	3,687,264
Bldg. Maint.	134,506	-	-	134,506
Engineering	50,939	26,975	-	77,914
Income Tax	13,792	-	-	13,792
Miami Conservancy	7,660	-	-	7,660
City Building/Library	12,825,916	-	-	12,825,916
Leisure:				
Recreation & Community Center	2,053,801	-	-	2,053,801
Parks Maintenance	426,514	-	-	426,514
Sunset Park	1,363,614	-	-	1,363,614
Douglass Park	102,215	-	-	102,215
Smith Park	149,572	17,328	-	166,900
Other Parks	4,965,098	-	-	4,965,098
Public health:				
Health & Environment	6,200	-	-	6,200
Social Health	598,599	-	-	598,599
Senior Citizens Center	2,681,211	-	-	2,681,211
Public safety:				
Fire	2,335,998	-	-	2,335,998
Police	2,210,943	98,941	-	2,309,884
Electronic Maintenance	746,408	-	-	746,408
Municipal Court	363,474	-	-	363,474
Police Grants	33,858	-	-	33,858
12th District Court	3,542,930	-	-	3,542,930
Streets and highways:				
Street Maintenance	478,703	-	-	478,703
Street system	152,152,973	2,109,903	-	154,262,876
Total governmental funds capital assets	<u>\$ 192,969,709</u>	<u>\$ 2,311,636</u>	<u>\$ -</u>	<u>\$ 195,281,345</u>

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

STATISCAL SECTION

STATISTICAL SECTION

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	156
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	163
These schedules contain information to help the reader assess one of the government's most significant local revenue source, the property tax.	
Debt Capacity	167
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	172
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	174
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

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

	2007	2006	2005	2004	2003	2002
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$ 59,871	62,823	68,722	22,142	21,613	18,601
Restricted:						
Capital Projects	3,806	4,229	5,838	5,402	3,703	-
Debt Service	1,932	2,466	2,483	2,700	1,768	443
Housing Assistance	12,629	12,608	10,625	-	-	-
Community Development	2,431	2,689	2,689	-	-	-
Other Purposes	5,896	5,072	5,813	16,329	15,413	5,463
Unrestricted	6,963	4,930	3,605	2,267	4,239	21,526
Total Governmental Activities						
Net Assets	\$ <u>93,528</u>	<u>94,817</u>	<u>99,775</u>	<u>48,840</u>	<u>46,736</u>	<u>46,033</u>
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	\$ 41,709	40,483	41,012	39,549	38,968	36,568
Restricted:						
Other Purposes	1,255	1,105	711	711	716	712
Unrestricted	15,702	15,650	12,658	13,204	12,239	13,145
Total Business-Type Activities						
Net Assets	\$ <u>58,666</u>	<u>57,238</u>	<u>54,381</u>	<u>53,464</u>	<u>51,923</u>	<u>50,425</u>

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

CITY OF MIDDLETOWN, OHIO
Changes in Net Assets
Last Six Years
(Accrual Basis of Accounting)
(amounts expressed in thousands)
Table 2

	2007	2006	2005	2004	2003	2002
Expenses						
Governmental activities:						
Community environment	\$ 11,736	11,402	11,022	13,033	12,476	10,981
General government	4,233	4,639	4,674	4,389	4,248	5,625
Leisure	1,565	1,096	1,661	877	1,146	1,315
Public health	1,031	1,262	1,247	1,471	1,859	1,991
Public safety	23,498	22,691	22,420	22,544	22,128	22,174
Highways and streets	8,890	8,377	2,560	3,614	1,405	3,161
Miscellaneous	1,428	1,410	1,636	1,832	2,080	1,371
Interest on long-term debt	1,497	1,522	1,506	1,375	1,215	1,197
Total governmental activities expenses	<u>53,878</u>	<u>52,399</u>	<u>46,726</u>	<u>49,135</u>	<u>46,557</u>	<u>47,815</u>
Business-type activities:						
Water	7,510	8,027	6,002	5,265	5,397	5,625
Sanitary Sewer	6,730	6,928	5,640	5,505	5,734	5,627
Transit	1,327	1,284	1,256	1,066	1,048	1,008
Golf	1,713	1,653	1,881	1,727	1,879	1,869
Solid Waste	2,748	2,442	2,280	2,236	2,290	1,939
Non major enterprise funds	876	753	554	895	273	888
Total business-type activities expenses	<u>20,904</u>	<u>21,087</u>	<u>17,613</u>	<u>16,694</u>	<u>16,621</u>	<u>16,956</u>
Total primary government expenses	<u>\$ 74,782</u>	<u>73,486</u>	<u>64,339</u>	<u>65,829</u>	<u>63,178</u>	<u>64,771</u>
Program Revenue						
Governmental activities:						
Charges for services:						
Community environment	\$ 501	896	777	447	16	651
General government	2,296	1,744	644	1,589	1,528	1,478
Highways and streets	449	498	-	18	-	-
Leisure	79	45	18	23	34	38
Public health	-	204	205	200	329	637
Public safety	3,686	2,297	2,836	1,793	2,422	2,445
Miscellaneous	-	-	1,685	-	-	-
Operating grants & contributions	11,332	12,241	14,421	6,895	10,007	11,713
Capital grants & contributions	2,405	3,047	1,560	9,125	1,985	115
Total governmental activities program revenue	<u>\$ 20,748</u>	<u>20,972</u>	<u>22,146</u>	<u>20,090</u>	<u>16,321</u>	<u>17,077</u>

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 Six Years
(Accrual Basis of Accounting)
(amounts expressed in thousands)
Table 2

	2007	2006	2005	2004	2003	2002
Business-type activities:						
Charges for services:						
Water	\$ 6,598	6,980	6,655	6,711	6,228	5,433
Sanitary Sewer	6,673	7,122	5,574	5,791	5,460	5,546
Transit	129	125	132	89	86	85
Golf course	1,629	1,635	1,716	1,765	1,668	1,799
Solid Waste	3,153	2,596	2,454	2,423	2,330	2,021
Other business-type activities	1,713	1,869	135	112	120	130
Operating grants & contributions	1,115	2,639	1,139	184	31	417
Capital grants & contributions	473	172	151	654	1,985	2,150
Total business-type activities						
program revenue	21,483	23,138	17,956	17,729	17,908	17,581
Total primary government program						
revenue	\$ 42,231	44,110	40,102	37,819	34,229	34,658
Net (Expense)/Revenue						
Governmental activities	\$ (33,130)	(31,427)	(24,580)	(29,045)	(30,236)	(30,738)
Business-type activities	579	2,051	343	1,035	1,287	625
Total primary government net expense	(32,551)	(29,376)	(24,237)	(28,010)	(28,949)	(30,113)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Income taxes	\$ 17,921	17,695	18,009	17,960	16,417	17,764
Property taxes	5,644	5,920	5,941	5,654	5,588	5,042
Other taxes	3,694	3,382	3,046	3,445	3,849	3,436
Grants/contributions not restricted	1,014	807	6	69	2,300	4,366
Investment earnings	2,327	967	485	529	1,006	1,101
Miscellaneous	1,241	3,143	3,196	3,560	1,445	49
Transfers	-	55	56	(67)	334	1,868
Total governmental activities general						
revenues	31,841	31,969	30,739	31,150	30,939	33,626
Business-type activities:						
Income taxes	\$ 300	270	338	238	245	230
Grants/contributions not restricted	-	-	-	201	245	216
Investment earnings	549	591	291	-	-	377
Transfers	-	(55)	(56)	67	(279)	(49)
Miscellaneous	-	-	-	-	-	116
Total business type activities general						
revenues	849	806	573	506	211	890
Total primary government general						
revenues	\$ 32,690	32,775	31,312	31,656	31,150	34,516
Special item	\$ -	(5,500)	-	-	-	-
Changes in Net Assets						
Governmental activities	\$ (1,289)	(4,958)	6,159	2,105	703	2,888
Business-type activities	1,428	2,857	916	1,541	1,498	1,515
Total primary government	\$ 139	(2,101)	7,075	3,646	2,201	4,403

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

Fiscal Year	Income Tax	Property Tax	Other Taxes	Total
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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund										
Reserved	\$ 211	229	732	355	509	417	221	469	462	63
Unreserved	8,864	6,792	6,527	6,007	7,119	10,938	10,193	9,959	11,370	8,739
Total General Fund	<u>\$ 9,075</u>	<u>7,021</u>	<u>7,259</u>	<u>6,362</u>	<u>7,628</u>	<u>11,355</u>	<u>10,414</u>	<u>10,428</u>	<u>11,832</u>	<u>8,802</u>
All Other Governmental Funds										
Reserved	\$ 3,148	5,138	4,457	5,225	9,197	8,608	(221)	8,564	4,559	1,111
Unreserved, undesignated, reported in:										
Capital project funds	3,552	1,823	4,258	2,541	(1,091)	6,709	6,709	7,386	9,964	1,750
Debt service funds	720	317	327	124	443	649	650	885	372	147
Special revenue funds	<u>6,842</u>	<u>5,440</u>	<u>4,117</u>	<u>4,169</u>	<u>3,852</u>	<u>4,184</u>	<u>4,184</u>	<u>3,501</u>	<u>3,627</u>	<u>3,136</u>
Total All Other Governmental Funds	<u>14,262</u>	<u>12,718</u>	<u>13,159</u>	<u>12,059</u>	<u>12,401</u>	<u>20,152</u>	<u>11,322</u>	<u>20,336</u>	<u>18,522</u>	<u>6,144</u>
Total Governmental Funds	<u><u>\$ 23,337</u></u>	<u><u>19,739</u></u>	<u><u>20,418</u></u>	<u><u>18,421</u></u>	<u><u>20,029</u></u>	<u><u>31,507</u></u>	<u><u>21,736</u></u>	<u><u>30,764</u></u>	<u><u>30,354</u></u>	<u><u>14,946</u></u>

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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues										
Property taxes	\$ 5,643	5,920	5,941	5,654	5,588	5,019	4,773	5,140	4,837	4,593
Municipal income taxes	17,944	17,061	18,092	17,376	15,443	17,764	19,231	16,970	17,614	15,975
Intergovernmental revenues	18,853	19,159	15,702	17,940	17,781	16,308	13,808	11,952	9,024	8,476
Charges for services	4,216	3,286	3,624	3,758	2,915	3,730	2,568	1,371	1,802	1,273
Fees, licenses, and permits	452	417	338	312	245	274	335	308	337	438
Fines and forfeits	1,575	1,483	1,612	1,499	1,164	1,259	1,301	1,272	1,152	1,218
Special assessments	491	498	591	659	638	625	816	810	980	690
Interest earnings	1,054	861	450	498	730	1,111	1,764	1,890	1,113	1,014
Miscellaneous	3,142	3,385	3,172	2,089	1,976	2,270	1,908	1,542	1,240	1,803
Total revenues	53,370	52,070	49,522	49,785	46,480	48,360	46,504	41,255	38,099	35,480
Expenditures										
Current:										
General Government	4,083	4,306	4,196	4,104	4,203	5,124	4,804	4,676	4,693	3,915
Public safety	23,122	23,791	22,501	22,142	23,596	23,775	20,863	19,457	18,753	17,962
Public health and welfare	1,024	1,220	1,187	1,457	1,832	1,996	1,699	1,548	1,548	1,098
Leisure time activities	1,421	1,064	1,502	1,060	1,152	1,233	1,071	1,022	1,264	956
Community environment	11,754	11,377	13,708	13,024	12,441	14,991	11,195	7,467	4,423	3,694
Highways and streets	4,731	6,587	5,373	3,787	7,432	7,401	5,139	4,618	3,255	3,946
Miscellaneous	1,427	1,410	1,636	7,353	2,080	1,371	976	1,602	1,070	975
Debt Service										
Principal retirement	1,556	1,661	1,520	1,407	1,238	1,356	1,300	1,237	914	876
Interest and fiscal charges	1,503	1,527	1,493	1,355	1,209	1,217	1,209	1,192	762	740
Bond issuance costs					141	-	-	-	-	-
Total expenditures	50,621	52,943	53,116	55,689	55,324	58,464	48,256	42,819	36,682	34,162
Excess (deficiency) of										
revenues over expenditures	\$ 2,749	(873)	(3,594)	(5,904)	(8,844)	(10,104)	(1,752)	(1,564)	1,417	1,318

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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Other Financing Sources (Uses)										
Transfers in	\$ 842	497	661	765	1,047	1,290	2,784	4,125	10,712	1,866
Transfers out	(242)	(442)	(606)	(713)	(768)	(1,379)	(1,751)	(2,741)	(8,003)	(562)
Issuance of bonds	-	58	4,315	6,216	4,250	-	716	223	10,981	226
Other uses	(4)	(29)	-	-	-	-	-	-	-	-
Other sources	107	-	-	-	-	-	-	-	-	-
Capital lease	-	-	-	-	-	-	-	362	-	-
Total other financing sources (uses)	703	84	4,370	6,268	4,529	(89)	1,749	1,969	13,690	1,530
Net change in Fund Balances	\$ 3,452	(789)	776	364	(4,315)	(10,193)	(3)	405	15,107	2,848
Debt service as a % of total expenditures	6.04%	6.02%	5.67%	4.96%	4.68%	4.40%	5.20%	5.67%	4.57%	4.73%

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

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Property taxes	\$ 5,643	5,920	5,941	5,654	5,588	5,019	4,773	5,140	4,837	4,593
Municipal income taxes	\$ 17,945	17,061	18,092	17,376	15,443	17,764	19,231	16,970	17,614	15,975

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

Tax Levy/ Collection Year	Real Property		Personal Property (1)		Public Utility (2)		Totals		Assessed Value as a Percent of Estimated Actual Value
	Assessed	Estimated Actual	Assessed	Estimated Actual	Assessed	Estimated Actual	Assessed	Estimated Actual	
1997/1998	\$564,341	\$1,612,404	\$202,163	\$808,651	\$53,128	\$212,513	\$819,632	\$2,633,568	31.12
1998/1999	\$570,897	\$1,631,133	\$188,367	\$753,469	\$54,546	\$218,184	\$813,810	\$2,602,786	31.27
1999/2000	\$622,984	\$1,779,954	\$210,395	\$841,580	\$55,444	\$158,411	\$888,823	\$2,779,946	31.97
2000/2001	\$636,124	\$1,817,497	\$215,165	\$860,660	\$52,758	\$211,030	\$904,046	\$2,889,187	31.29
2001/2002	\$652,341	\$1,863,830	\$237,371	\$949,486	\$35,230	\$140,920	\$924,942	\$2,954,236	31.31
2002/2003	\$752,103	\$2,148,865	\$248,818	\$995,273	\$39,556	\$158,224	\$1,040,477	\$3,302,362	31.51
2003/2004	\$753,911	\$2,154,032	\$252,766	\$1,011,064	\$38,624	\$154,498	\$1,045,301	\$3,319,593	31.49
2004/2005	\$752,108	\$2,148,880	\$253,353	\$1,013,414	\$38,637	\$154,548	\$1,044,099	\$3,316,842	31.48
2005/2006	\$777,301	\$2,220,861	\$238,133	\$952,532	\$36,625	\$146,501	\$1,052,060	\$3,319,895	31.69
2006/2007	\$697,940	\$1,994,116	\$184,869	\$739,474	\$36,968	\$42,408	\$919,777	\$2,775,998	33.13

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

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

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

(1) Other than public utility.

(2) Real and tangible personal property

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

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

City of Middletown							
Collection Year	Operating	Police and Fire Pension	Debt Retirement	City of Middletown Total	Butler County	Middletown City School District	Total
1998	5.26	0.60	0.56	6.42	8.45	38.56	53.43
1999	5.26	0.60	0.61	6.47	8.44	38.49	53.40
2000	5.26	0.60	0.45	6.31	8.45	37.26	52.02
2001	5.26	0.60	0.00	5.86	8.45	37.26	51.57
2002	5.26	0.60	0.00	5.86	8.75	36.71	51.32
2003	5.26	0.60	0.00	5.86	8.74	40.03	54.63
2004	5.30	0.60	0.00	5.90	8.74	40.01	54.65
2005	5.30	0.60	0.00	5.90	9.44	47.06	62.40
2006	5.30	0.60	0.00	5.90	10.95	47.06	63.91
2007	5.30	0.60	0.00	5.90	10.45	47.68	64.03

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

Source: Butler County Auditor's Office

CITY OF MIDDLETOWN, OHIO
Principal Property Taxpayers
December 31, 2007
(amounts expressed in thousands)
Table 9

Real Property

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Total Assessed
Cincinnati Gas & Electric	Public utility	\$ 56,841	43.60%
A K Steel Corp.	Steel manufacturing	\$ 30,191	23.16%
Precision Strip, Inc.	Steel processing	\$ 8,332	6.39%
Southwestern Ohio Steel	Steel processing	\$ 8,124	6.23%
Garden Manor	Retirement home	\$ 7,136	5.47%
Bavarian Woods Apartments	Apartment complex	\$ 4,544	3.49%
Chaka-Chak LLC	Apartment complex	\$ 4,066	3.12%
Texas Eastern Transmission	Gas pipeline	\$ 3,978	3.05%
Bay West Paper Corp	Paper and packaging	\$ 3,635	2.79%
Riverside Village LTD PRT	Apartment complex	\$ 3,532	2.70%
Total		\$ 130,379	100.00%

Tangible Personal Property

Name of Taxpayer	Nature of Business	Assessed Valuation	Percentage of Total Assessed
A.K. Steel	Steel manufacturing	\$ 113,172	76.68%
Bay West Paper Company	Paper and packaging	\$ 8,652	5.86%
Misa Metals, Inc.	Steel processing	\$ 6,904	4.68%
Jefferson Smurfit Corporation	Paper and packaging	\$ 4,073	2.76%
Pilot Chemical Company	Industrial gas manufacturing	\$ 3,015	2.04%
Air Products & Chemicals	Industrial gas manufacturing	\$ 2,840	1.92%
Precision Strip	Steel processing	\$ 2,488	1.69%
Middletown Tube Works	Steel processing	\$ 2,309	1.56%
Cohen Brothers, Inc.	Scrap metal	\$ 2,258	1.53%
Inland Paperboard	Paper and packaging	\$ 1,887	1.28%
Total		\$ 147,598	100.00%

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

Source: Butler County Auditor's Office

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

Collected within the Fiscal Year of the Levy

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year (Millage)	Amount Levied	Amount Collected	Percentage of Levy Collected
2007	5.90	\$ 6,009	\$ 5,764	95.92%
2006	5.90	\$ 6,207	\$ 6,206	99.98%
2005	5.90	\$ 6,160	\$ 5,941	96.44%
2004	5.90	\$ 6,167	\$ 5,654	91.68%
2003	5.86	\$ 6,097	\$ 5,588	91.65%
2002	5.86	\$ 5,420	\$ 5,019	92.60%
2001	5.86	\$ 5,298	\$ 4,773	90.09%
2000	6.31	\$ 5,608	\$ 5,140	91.65%
1999	6.47	\$ 5,265	\$ 4,837	91.87%
1998	6.42	\$ 5,262	\$ 4,593	87.29%

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

Fiscal Year	Governmental Activities			Business-Type Activities		Total	Percentage of Personal Income	Per Capita (1)
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
2007	\$ 22,215	\$ 3,099	\$ -	\$ 6,235	\$ 7,462	\$ 39,011	3.82%	\$ 756
2006	\$ 24,010	\$ 3,325	\$ -	\$ 6,850	\$ 8,024	\$ 42,209	4.14%	\$ 818
2005	\$ 25,375	\$ 2,899	\$ -	\$ 7,650	\$ -	\$ 35,924	3.52%	\$ 696
2004	\$ 22,220	\$ 3,259	\$ 74	\$ 8,405	\$ -	\$ 33,958	3.33%	\$ 658
2003	\$ 17,815	\$ 2,857	\$ 155	\$ 9,125	\$ -	\$ 29,952	2.94%	\$ 580
2002	\$ 14,705	\$ 2,955	\$ 223	\$ 9,315	\$ -	\$ 27,198	2.67%	\$ 527
2001	\$ 15,595	\$ 3,352	\$ 223	\$ 9,960	\$ -	\$ 29,130	2.85%	\$ 564
2000	\$ 16,455	\$ 3,007	\$ 291	\$ 10,565	\$ -	\$ 30,318	2.97%	\$ 588
1999	\$ 17,290	\$ 3,186	\$ -	\$ 11,160	\$ -	\$ 31,636	5.29%	\$ 687
1998	\$ 7,250	\$ 3,158	\$ -	\$ 9,105	\$ -	\$ 19,513	3.26%	\$ 424

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

(1) See the Schedule of Demographic and Economic Statistics on page 169 for personal income and population data.

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value (1) of Property	Per Capita (2)
2007	\$22,215	\$346	\$21,869	2.13%	\$430
2006	\$24,010	\$138	\$23,872	2.61%	\$465
2005	\$25,375	\$172	\$25,203	2.41%	\$492
2004	\$22,220	\$272	\$21,948	2.13%	\$431
2003	\$17,815	\$141	\$17,674	1.70%	\$345
2002	\$14,705	\$297	\$14,408	1.41%	\$285
2001	\$15,595	\$284	\$15,311	1.69%	\$302
2000	\$16,455	\$279	\$16,176	1.82%	\$319
1999	\$17,290	\$28	\$17,262	1.95%	\$376
1998	\$7,250	\$19	\$7,231	0.89%	\$158

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 160 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 160.

CITY OF MIDDLETOWN, OHIO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
As of December 31, 2007
(amounts expressed in thousands)
Table 13

Political Subdivision	General Bonded Debt	Percent Applicable to City	City's Share
City of Middletown	\$22,215	100.0	\$22,215
Butler County	60,045	13.8	\$8,286
Warren County	<u>12,057</u>	2.2	<u>265</u>
Total	\$94,317		\$30,766

Source: Butler and Warren County Auditor's Offices.

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

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

		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$	86,601	85,450	93,326	94,925	97,119	109,250	109,757	109,630	110,466	96,576
Total net debt applicable to limit		7,250	6,755	6,606	5,725	5,185	8,655	13,535	16,995	16,050	15,610
Legal debt margin	\$	79,351	78,695	86,720	89,200	91,934	100,595	96,222	92,635	94,416	80,966
Total net debt applicable to the limit as a percentage of debt limit		8.37%	7.91%	7.08%	6.03%	5.34%	7.92%	12.33%	15.50%	14.53%	16.16%
											Assessed value
											\$919,777
											Add back: exempt real property
											-
											<u>919,777</u>
											Debt limit (10.5%) of total asses value
											96,576
											Debt applicable to limit:
											General obligation bond
											16,050
											Less: Amount set aside for repayment of general obligation debt
											<u>(575)</u>
											Total net debt applicable to limit
											<u>15,475</u>
											Legal debt margin
											<u><u>81,101</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 the law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

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

Tax Year	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest & Fiscal Charges	
2007	\$581,144	\$270,818	\$176,149	1.30
2006	\$495,329	\$296,295	\$187,135	1.02
2005	\$547,790	\$359,859	\$201,059	0.98
2004	\$518,116	\$312,000	\$162,746	1.09
2003	\$557,436	\$233,000	\$184,966	1.33
2002	\$623,248	\$397,144	\$204,857	1.04
2001	\$603,269	\$371,658	\$213,702	1.03
2000	\$632,469	\$401,780	\$215,524	1.02
1999	\$747,284	\$428,376	\$303,056	1.02
1998	\$632,469	\$400,743	\$233,574	1.00

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

Year	Population (1)	Personal Income (in 1,000's)	Per Capita Personal Income (1)	Median Age (1)	Education Level in Years of Formal Schooling (3)	School Enrollment (3)	Unemployment Rate (2)
1998	46,022	\$ 597,734	\$ 12,988	n/a	n/a	9,662	5.10
1999	46,022	\$ 597,734	\$ 12,988	n/a	n/a	9,566	4.80
2000	51,605	\$ 1,020,386	\$ 19,773	36.2	n/a	9,343	5.40
2001	51,605	\$ 1,020,386	\$ 19,773	36.2	n/a	7,818	6.10
2002	51,605	\$ 1,020,386	\$ 19,773	36.2	n/a	7,836	6.90
2003	51,605	\$ 1,020,386	\$ 19,773	36.2	n/a	7,631	6.80
2004	51,605	\$ 1,020,386	\$ 19,773	36.2	n/a	7,302	6.30
2005	51,605	\$ 1,020,386	\$ 19,773	36.2	n/a	7,198	6.10
2006	51,605	\$ 1,020,386	\$ 19,773	36.2	16 yrs - 13% 12 yrs - 63%	6,925	7.10
2007	51,605	\$ 1,020,386	\$ 19,773	36.2	16 yrs - 13% 12 yrs - 63%	6,408	5.10

Data Sources:

(1) Bureau of the Census

(2) State Department of Labor

(3) School District

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

CITY OF MIDDLETOWN, OHIO
Principal Employers
Current Year
Table 17

Employer	2007		Percentage of Total City Employment
	Employees	Rank	
AK Steel	4,651	1	39.8%
Middletown Regional Hospital	1,836	2	15.7%
Middletown City School District	1,248	3	10.7%
City of Middletown	514	4	4.4%
Strom Engineering Corp.	1,181	5	10.1%
Bay West Paper (Wausau)	197	6	1.7%
National Workforce Assistance	505	7	4.3%
Stone Container Corp. (Activity)	314	8	2.7%
Miami University	667	9	5.7%
Garden Manor Extended Care	563	10	4.8%

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

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government	50	50	50	51	57	54	47	42	43	35
Public safety										
Police										
Officers	88	89	89	89	89	93	90	89	85	85
Civilians	41	41	45	46	46	49	45	45	43	43
Fire										
Firefighters & officers	89	89	90	90	90	90	87	87	84	84
Civilians	1	1	1	1	1	1	1	1	1	1
Other	38	38	37	38	36	36	33	32	33	33
Highways and streets										
Maintenance	20	20	21	21	19	19	17	18	17	12
Leisure Time Activities	13	11	10	11	11	11	10	8	9	10
Community Environment	6	6	5	5	1	2	2	2	2	4
Public health & welfare	13	14	13	11	11	11	7	6	6	5
Water	41	33	32	31	32	32	32	33	32	32
Sewer	36	36	36	36	35	35	34	34	36	33
Golf Course	8	8	8	8	8	8	8	8	7	7
Transit	9	9	9	9	9	9	9	8	8	8
Parking	2	1	1	1	1	1	0	0	0	0
Internal Services	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>9</u>
Total	466	457	458	459	457	462	432	423	416	401

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

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Fire										
Number of fire responses	770	918	811	791	742	708	718	604	916	660
Average response time (minutes)	3.4	3.5	3.6	4.0	4.0	4.1	4.2	4.3	4.3	4.7
Emergency medical calls	4,936	5,457	5,606	5,751	5,951	6,153	6,159	6,557	6,700	6,954
Police										
Calls for service	44,481	43,480	45,851	43,930	46,807	44,285	42,547	42,563	47,348	42,830
Number of arrests	7,204	6,570	7,089	7,998	7,840	7,069	7,525	8,223	8,370	7,799
Response time for priority calls (minutes)	4.9	5.0	5.0	4.9	4.8	5.3	5.4	5.5	5.7	5.6
Traffic accidents	2,527	2,725	2,499	2,305	2,170	2,140	1,965	1,877	1,892	1,822
Average daily jail population	58	60	65	65	69	55	55	58	53	49
Recreation and leisure										
Community center admissions	15,968	7,030	9,613	8,830	6,556	14,382	8,042	9,125	8,548	6,208
Transit										
Unlinked passenger trips	198,385	201,669	205,602	202,373	188,840	195,687	194,079	233,750	253,587	250,142
Water										
Average daily water pumpage (million gallons per day)	8.36	8.80	8.60	8.30	8.46	8.11	8.12	8.23	8.00	8.36
Number of water accounts	19,672	19,773	19,869	19,869	19,869	19,877	19,877	19,877	19,877	19,649
Sewer										
Average daily flow (million gallons per day)	18.4	17.8	16.6	16.4	17.5	16.4	14.1	16.5	16.2	15.6
Sewer mains cleaned (feet)	31,168	68,965	9,078	9,639	300,000	40,417	98,502	19,217	21,475	36,590

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

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
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)	217	229	229	229	229	231	231	231	231	231
Traffic Lights	110	116	118	116	112	108	110	114	110	110
Water:										
Water mains (miles)	327	331	332	332	332	337	338	340	340	340
Sewer:										
Sanitary & storm (miles)	289	296	299	299	299	307	309	311	311	311
Leisure & recreation:										
Parks	31	34	34	34	36	36	36	36	36	36
Swimming pools	2	2	2	2	2	2	2	0	0	1
Community Centers	1	1	1	1	1	1	1	1	1	1
Golf Courses	1	1	1	1	1	1	1	1	1	1



Mary Taylor, CPA
Auditor of State

CITY OF MIDDLETOWN

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 28, 2008**