

CITY OF MIDDLETOWN, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2012

**Prepared by
Finance Department**

**Michelle Greis
Finance Director**

CITY OF MIDDLETOWN, OHIO
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INTRODUCTORY SECTION



CITY OF MIDDLETOWN

June 30, 2013

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, 2012, 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 reporting model as promulgated by GASB Statement No. 34. In 2012, the City has implemented Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. Statement 63 establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The results of these pronouncements are incorporated into this report.

The CAFR is organized into sections: the Table of Contents, 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 2011 CAFR. The Financial Section includes the Independent Auditors' Report, Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, required supplemental information, the Combining Statements for non major funds and other schedules that provide detailed information relative to the Basic Financial Statements. The Statistical Section provides selected financial, economic and demographic information which may be used to indicate trends for comparative fiscal periods.

The City of Middletown is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and the U. S. Office of

Management and Budget's Circular A-133, Audits of State and Local Governments. Information related to this single audit, including a schedule of federal financial assistance, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

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

MIDDLETOWN

Situated on the banks of the Great Miami River in Southwestern Ohio, Middletown is within easy driving distance of both Cincinnati and Dayton. Middletown is a vibrant, dynamic community of approximately 48,962 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. Throughout history, Middletown has been home to several main transportation routes including the Great Miami River, Miami and Erie Canal, Warren County Canal, Cincinnati and Lake Erie Railroad, Middletown and Cincinnati Railroad, and now Interstate 75.

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. The MidUSA Ohio Hot Air Balloon Challenge is held in July and Middfest International is held the first weekend of each October. Middfest, celebrates a different country each year with entertainers and great ethnic food is available along with many artisans displaying their creations. During the Christmas season, the Light Up Middletown organization provides a fantasy drive-through light display at Smith Park. During the summer months, local bands entertain its citizens with the concerts that are held twice each month in the downtown area. The well attended concerts will be the sixth year for the "The Broad Street Bash."

Recreation and Shopping

Several golf courses are located within or near the City of Middletown. The city-owned Weatherwax Golf Course, offers championship-length play on a four star "Golf Digest" nationally ranked 36-hole course good enough for the pros. Weatherwax added additional playability features in 2009 and 2010 to make an already beautiful golf course more fun to play. Additionally, several other public golf courses are located in the surrounding communities. Three private courses operate in the Middletown area: Brown's Run, Wildwood and Forest Hills Country Clubs.

Thirty-six parks throughout the City provide casual enjoyment, sports and recreation. Additionally, several state parks are within easy driving distance, including Hueston Woods, Caesar's Creek, and Germantown Dam.

A bike way for the avid biker begins just north of Middletown, running almost to Dayton, a distance of approximately 20 miles. Middletown's bike path is currently 6.8 miles and runs from Trenton (State Route 73) near the Great Miami River bridge to Carmody Boulevard (State Route 4). In 2012,

Middletown completed a 2.1 mile section from Carmody Boulevard almost to the Franklin city limits which will almost complete the bike path through Middletown.

The Pendleton Art Center is a success with artists opening their studios the First Friday of every month. Other downtown businesses, the Middletown Public Library and Middletown Art Center also join the First Friday event. Now downtown is the swinging place to be on First Fridays from noon to 9 pm. (and Second Look Saturdays).

At the Hook Field/Middletown Regional Airport, Start Skydiving has become one of the fastest growing drop-zones in the world. The professional skydiving team, Team Fastrax, offers coaching, tandem dives, and demonstrations.

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

Education

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

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

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

The faculty stays on top of current research in the field of education by attending professional development sessions offered by the district and area universities. In-service opportunities are designed to help the staff develop and reinforce the skills necessary to meet the changing needs of their students. Individually, the staff and students consistently earn local and state recognition. Middletown High School graduates are accepted into the best colleges and post secondary institutions in the country. Eight state of the art elementary buildings house grades pre-school through five; two middle schools accommodate grades six through eight; and grades nine through twelve occupy Middletown High School.

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

Post-Secondary Education

Miami University Middletown, an integral component of our educational system, offers associate degree programs, some bachelor programs and continuing education opportunities, including custom-designed training programs for Middletown-area business and industry. Approximately 2600 students attend

classes at the Middletown campus. Cincinnati State Technical and Community College, a public two-year college, opened a campus in the downtown area in the fall of 2012. A variety of post-secondary vocational opportunities are also offered at Butler County Vocational.

Greentree Health Science Academy opened its doors in 2011 with a new facility that offers various education levels in health care. This facility operates as a public/private partnership between the City, Atrium Medical Center, Miami University, Cincinnati State and the Warren County Career Center to offer classes in the field of health sciences. Greentree Health Science Academy is an innovative facility for housing programs from high school up to master's degree classes under one roof on a hospital campus.

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 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.

In 2011, the Dayton VA Medical Center's (VAMC) Middletown Community Based Outpatient Clinic (MCBOC) opened its doors at its new location in Middletown. Among the services provided by the Middletown CBOC are primary care, optometry, podiatry, full-service laboratory, mental health services and pharmacy.

Economic Outlook

There has been an investment of over \$1 billion in commercial and industrial new business and expansion since 2008. SunCoke (produces coke for the Middletown AK Steel facility); Air Products improvements; the new health complex which includes the Atrium Medical Center; the Greentree Health Science academy, and Cincinnati State Technical and Community College are examples of the investments in our community.

In 2012 the City experienced growth in all industry sectors and in all regions of the City, including both new construction and expansion. Several new companies started operations, and interest in new opportunities in the City continued to increase throughout the year. Our new college campus opened, key infrastructure projects were completed, and a new land banking project started. We initiated a microfinancing program for our downtown businesses that can be combined with our façade renovation grant program. We started a new marketing campaign and at the same time reached out to more regional and state entities to spread the good news and take advantage of collaborative opportunities.

Our industrial sector grew significantly, with the greatest amount of growth occurring in our chemical sector. Air Products and Pilot Chemical both implemented large-scale expansions and plant renovations totaling \$115 million. Metal Matic, Advanced Design, and Valicor started new facilities here, supplying the steel and auto industry and providing fluid purification services. Metal Coaters continued their plant renovation (starting operations in 2013). Akers Packaging, MRT, Steam Systems, and MTR Martco also implemented expansions.

Our commercial and medical businesses also grew. Three companies started administrative headquarters here (Barrett Paving, Premier System Integrators, and U.S. Protection Service LLC). Our medical and other professional services sector grew as well. Central Preschool started a new facility, and three counseling providers started new operations.

Retail and tourism also grew: construction started on a new Hampton Inn; the Towne mall sold to an investor group (planning \$20 million in redevelopment investment); a new Clark's Pharmacy opened, and several other retail expansions and tear downs/rebuilds were initiated.

The City's urban rebirth continued, triggered by the successful opening of our new Cincinnati State Middletown campus. Enrollment exceeded expectations and continues to grow. The historic Sorg Opera House sold to the non-profit SORG (Sorg Opera Revitalization Group), several new restaurants and specialty shops also moved into downtown. Two brownfield remediation projects moved forward along the perimeter of downtown, and the nearby Middletown Regional Airport continued its improvements to facilities, Safety and lighting systems, and installed and published AWOS system information. The Airport continues to have less than a 2% vacancy rate and operations also increased by nearly 20%. New hanger facilities are in the plans for 2013.

And residential development moved forward. Fischer Homes built new homes in the Renaissance District with sale price averaging \$276,000. The company's confidence in the region was demonstrated by their acquisition of over 240 acres of residential and commercial land in Middletown.

While the new projects and expansions are tangible evidence of growth, many strategic moves were accomplished in 2012 that will provide a foundation for continued growth.

Profile of the Government

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

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

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

CITY SERVICES

Present

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

also provides refuse services through a contract with Rumpke. A storm water utility also provides additional support to help maintain safety and compliance with EPA regulations.

Property Taxes/Local Income Taxes

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

The City's property tax rate is 5.90 mils or \$5.90 per \$1,000 of taxable valuation. Real property is assessed at 35% of estimated true value. The assessed value of public utility personal property ranges from 25% to 88% for electric transmission and distribution property. General business tangible personal property tax has been phased out. The majority of property tax revenues are used by the City's General Fund.

Assessed values and cash receipts for the past five years are as follows:

<u>Levy</u>	<u>Collection</u>	<u>Assessed</u>	<u>Property Tax</u>
<u>Year</u>	<u>Year</u>	<u>Value</u>	<u>Revenues</u>
2007	2008	\$991,875,801	\$ 5,059,989
2008	2009	\$884,684,180	\$ 4,662,367
2009	2010	\$846,008,420	\$ 4,576,408
2010	2011	\$844,276,100	\$ 4,921,754
2011	2012	\$781,403,190	\$ 4,859,511

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

<u>Local Income Tax Receipts</u>	
	<u>(Cash Basis)</u>
2007	\$18,588,763
2008	\$20,098,668
2009	\$18,720,213
2010	\$19,875,722
2011	\$20,295,858
2012	\$19,659,982

FINANCIAL INFORMATION

Accounting Controls

The City's budgetary accounting system was designed to provide reasonable, but not absolute, assurances that the City's assets are protected against loss and unauthorized use or disposition; and reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

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

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

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

Budgetary Controls

Detailed provisions for the City's budget, tax levies, and appropriations are set forth in the Ohio Revised Code and the City Charter. The City Manager, with the assistance of the Finance Director, is required to submit to Council a tax budget of estimated revenues and expenditures for all funds, except agency funds, for the succeeding fiscal year by the first council meeting in July. The budget is required to be adopted by the legislative body by July 15 and to be submitted to the County Budget Commission by July 20 of each year. City Council is required by Charter to adopt a permanent appropriation measure for the ensuing fiscal year no later than January 1st. In December, 2011, City Council adopted the 2012 fiscal year permanent appropriation measure.

The City maintains budgetary control on a non-GAAP budgetary basis by fund/division along with personal category and the other category (the state minimum 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. Interest earnings are allocated to funds based on the requirements of the Ohio Constitutions, Codified City Ordinance 165.01, the City Charter and ordinances. As required by law, all deposits are covered by eligible collateral, while investment securities (treasuries and

agency/instrumentality issues) are specifically permitted by the Ohio Revised Code and the City's investment policy.

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

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 102% of the varying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, Municipal Corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority.

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

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

Risk Management

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

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

The City is self insured for medical claims by its employees. A stop loss policy pays all claims in excess of \$125,000 submitted by any person covered by the City along with an aggregate stop loss of \$5.5 million. In 2012, the City Plan was administered by United Health Care.

OTHER INFORMATION

Independent Audit

The State of Ohio requires an annual audit by either the Auditor of State or by an independent public accounting firm. Clark, Schaefer, Hackett & Co. performed the City's 2012 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, 2011.

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 2012 Comprehensive Annual Financial Report of the City of Middletown is the result of the combined efforts of the City's Finance Department, Hurst, Kelly & Company, and Clark, Schaefer, Hackett & Co., which was the City's auditor.

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

Respectfully submitted,

DEPARTMENT OF FINANCE

A handwritten signature in dark ink, appearing to read "Michelle Greis". The signature is fluid and cursive, with the first name "Michelle" written in a larger, more prominent script than the last name "Greis".

Michelle Greis
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, 2011

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Christopher P. Moynell

President

Jeffrey R. Emen

Executive Director

CITY OF MIDDLETOWN, OHIO

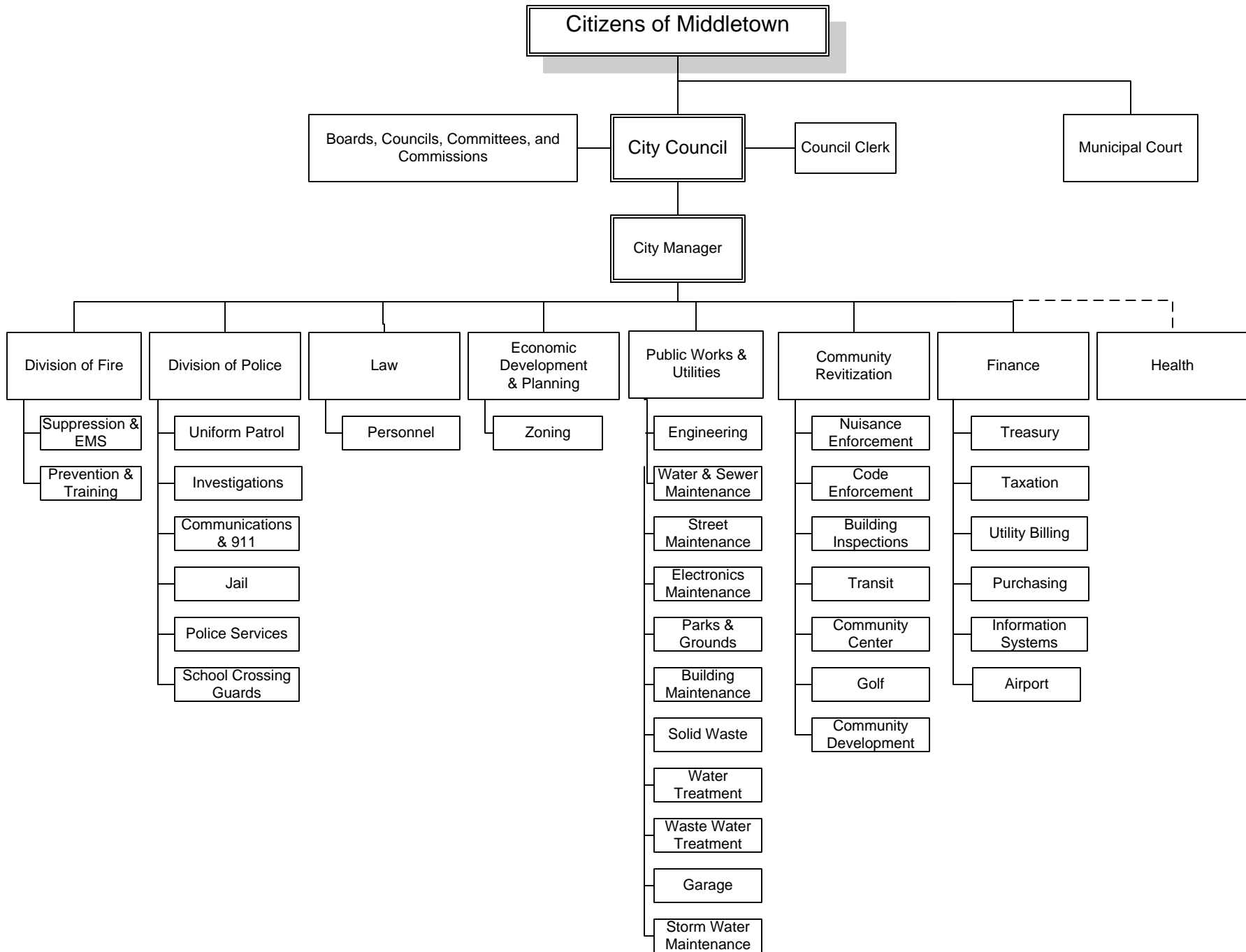
Principal Officials December 31, 2012

Legislative

Mayor.....Lawrence P. Mulligan, Jr.
Council Member..... Anita Scott Jones
Council Member..... Joshua E. Laubach
Council Member..... Ann Mort
Council Member.....Joe Mulligan
Vice-MayorDaniel J. Picard
Council Member.....Andrew Smith, Jr.

Executive/Administrative

City Manager..... Judith Gilleland
Chief of Police.....David VanArsdale
Community Revitalization Director Douglas D. Adkins
Director of Court Services..... Steven P. Longworth
Economic Development Director Denise Hamet
Finance DirectorRussell E. Carolus
Fire Chief Steven M. Botts
Health Commissioner Jacquelyn D. Phillips
Law Director..... Leslie S. Landen
Planning Director Martin D. Kohler
Public Works & Utilities Director Preston M. Combs



City of Middletown Ohio

2012

01/27/2012

FINAL

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To City Council
City of Middletown, Ohio:

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in Note 22 to the basic financial statements, in 2012, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinions were not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for additional purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 24, 2013

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012. 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 20.

I. USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements.

The Basic Financial Statements

- Financial Statements for the City as Whole. The Statement of Net Position and the Statement of Activities (pages 20 and 21) 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 funds, 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 22.
- Fiduciary Financial Statements. The fiduciary statements (page 36) provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.
- Notes to the Basic Financial Statements. The Notes provide helpful information explaining the City's significant accounting procedures and providing greater detail regarding financial statement components (pages 37 to 70).

Required Supplementary Information

- Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. Schedules (pages 71 to 75) are presented for the General Fund and major special revenue funds that compare actual results to the original and final budgets for those funds.
- GASB 45 Schedules for Post Employment Benefits. Post employment benefits, specifically life insurance for City of Middletown retirees are presented on page 76. These schedules provide information on funding progress, employer contributions, and the benefit balance.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012**

A. Reporting the City as a Whole

Government-wide statements

The analysis of the City as a whole begins on page 7. 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 Position 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 position* and changes in this position. The City's net position – the difference between assets and liabilities - are one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are only one indicator of its *financial health*. One should consider other; such as changes in the City's property tax base and the City's overall employment base, to assess the overall health of the City.

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

- Governmental activities are activities that are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. City service departments reported in governmental activities include the Police and Fire Divisions, the Municipal Court, the Public Works Department, the Planning Department, general government support departments and the City Health Department.
- Business-type activities are activities that are financed by fees or charges for services. The City of Middletown provides water, sewer, storm water, and refuse services to its customers and charges fees to cover the costs of these operations. Other city business-type activities which are financed with fees are the Hook Field/Middletown Regional 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 22. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the City as a whole. Some funds are required to be established by State Law. However, the City Council establishes many other funds to help control and manage money for particular purposes, like water, storm water, sewer, and solid waste activities. City Council may also establish separate funds to show that it is meeting legal responsibilities for using certain taxes, grants, or other money, such as grants and contributions received for community and economic development. The City's two kinds of funds –*governmental and proprietary* - use different accounting methods.

CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012

- Governmental funds - Most of the City's basic services are reported in governmental funds. The fund statements present how cash flows into and out of those funds, and show the balances remaining at year-end that are available for future spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. *Information in governmental fund statements helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.* The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The government-wide financials, as previously described, present the government funds on the whole using the full accrual accounting basis. The differences between governmental activities as reported in the government-wide financial statements and as reported in the fund statements are presented in a reconciliation attached to the fund financial statements.
- Proprietary funds – There are two types of proprietary funds, enterprise funds and internal service funds. Proprietary funds are reported using the full accrual accounting basis. When the City charges customers for the services it provides with the intention that the charges will fully cover the cost of the services, these activities are reported in enterprise funds. Enterprise funds are generally reported in the same way that all activities are reported in the government-wide Statement of Net Position 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. During 2012, the City had three agency funds. 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.

CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012

II. THE CITY AS A WHOLE

A. Net position at year-end

The following table presents a condensed summary of the City's overall financial position at December 31, 2012 and 2011 (in thousands):

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 55,626	57,304	19,342	18,776	74,968	76,080
Capital assets	<u>88,252</u>	<u>89,901</u>	<u>68,596</u>	<u>67,916</u>	<u>156,848</u>	<u>157,817</u>
Total assets	143,878	147,205	87,938	86,692	231,816	233,897
Long-term debt outstanding	31,987	34,162	12,626	14,557	44,613	48,719
Other liabilities	<u>16,275</u>	<u>15,440</u>	<u>4,194</u>	<u>4,186</u>	<u>20,469</u>	<u>19,626</u>
Total liabilities	48,262	49,602	16,820	18,743	65,082	68,345
Net position:						
Net investment in capital assets	57,866	56,729	54,343	51,637	112,209	108,366
Restricted	25,540	30,934	0	1,501	25,540	32,435
Unrestricted	<u>12,210</u>	<u>9,940</u>	<u>16,775</u>	<u>14,811</u>	<u>28,985</u>	<u>24,751</u>
Total net position	95,616	97,603	71,118	67,949	166,734	165,552
Beginning net position	97,603	102,367	67,949	65,334	165,552	167,701
Net increase (decrease)	<u>(1,987)</u>	<u>(4,764)</u>	<u>3,169</u>	<u>2,615</u>	<u>1,182</u>	<u>(2,149)</u>
Ending net position	\$ <u>95,616</u>	<u>97,603</u>	<u>71,118</u>	<u>67,949</u>	<u>166,734</u>	<u>165,552</u>

Governmental activities net position decreased by \$1,987 in 2012, decreased by \$4,764 in 2011 and increased by \$1,100 in 2010. The economy played a major role for this decrease in net position for 2012. The State of Ohio announced its reduction of intergovernmental revenues to local governments during the second quarter of 2011 to help alleviate the State's budget difficulties which continued in 2012. During this economic shortfall, the City used cash balances for operating expenses. During 2012, the City took measures to cut expenditures with decreased services and layoffs of staff in anticipation of this shortfall. This shortfall is also anticipated for the 2013 budget. However, April 2013 reports indicate that unemployment dropped almost two percentage points (1.8%).

Business type activities total net position grew by \$3,169 in 2012 compared to \$2,615 increase in 2011. Total assets increased (\$1,246) while liabilities decreased \$1,923 due to lower outstanding long term debt.

CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012

B. Governmental and Business-type Activities during 2012

The following Table 2 (in thousands) presents a condensed summary of the City's activities during 2012 and 2011 and the resulting changes in net position.

Table 2
Changes in Net Position

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 9,010	8,982	22,162	21,010	31,172	29,992
Operating grants & contributions	9,386	11,932	1,437	1,712	10,823	13,644
Capital grants and contributions	<u>8,524</u>	<u>3,551</u>	<u>355</u>	<u>337</u>	<u>8,879</u>	<u>3,888</u>
Total program revenues	26,920	24,465	23,954	23,059	50,874	47,524
<u>General revenues:</u>						
Income taxes	19,828	19,425	190	170	20,018	19,595
Property taxes	4,081	4,158	0	0	4,081	4,158
Other taxes	2,657	2,808	0	0	2,657	2,808
Payments in lieu of taxes	1,245	738	0	0	1,245	738
Grants and contributions not restricted	1,649	3,005	0	0	1,649	3,005
Investment earnings	(79)	124	123	123	44	247
Other	<u>234</u>	<u>157</u>	<u>69</u>	<u>102</u>	<u>303</u>	<u>259</u>
Total general revenues	<u>29,615</u>	<u>30,415</u>	<u>382</u>	<u>395</u>	<u>29,997</u>	<u>30,810</u>
Total revenues	56,535	54,880	24,336	23,454	80,871	78,334
Expenses						
Public safety	24,639	24,646	0	0	24,639	24,646
Public health	983	781	0	0	983	781
Leisure time activities	1,210	1,164	0	0	1,210	1,164
Community environment	14,555	16,739	0	0	14,555	16,739
Highways and streets	9,557	8,565	0	0	9,557	8,565
General government	6,240	6,364	0	0	6,240	6,364
Interest on long-term debt	1,402	1,447	0	0	1,402	1,447
Water	0	0	6,564	6,427	6,564	6,427
Sewer	0	0	7,206	7,216	7,206	7,216
Transit	0	0	1,540	1,443	1,540	1,443
Golf Course	0	0	1,489	1,446	1,489	1,446
Solid Waste	0	0	2,690	2,667	2,690	2,667
Storm Water	0	0	1,154	1,092	1,154	1,092
Airport	<u>0</u>	<u>0</u>	<u>460</u>	<u>486</u>	<u>460</u>	<u>486</u>
Total expenses	<u>58,586</u>	<u>59,706</u>	<u>21,103</u>	<u>20,777</u>	<u>79,689</u>	<u>80,483</u>
Change in net position before transfers	(2,051)	(4,826)	3,233	2,677	1,182	(2,149)
Transfers	<u>64</u>	<u>62</u>	<u>(64)</u>	<u>(62)</u>	<u>0</u>	<u>0</u>
Change in net position	(1,987)	(4,764)	3,169	2,615	1,182	(2,149)
Beginning net position	<u>97,603</u>	<u>102,367</u>	<u>67,949</u>	<u>65,334</u>	<u>165,552</u>	<u>167,701</u>
Ending net position	\$ <u>95,616</u>	<u>97,603</u>	<u>71,118</u>	<u>67,949</u>	<u>166,734</u>	<u>165,552</u>

CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012

The largest change in 2012 for governmental revenues occurred in grants. Although operating grants decreased \$2,546, capital grants increased \$4,973.

The operating grants decrease for governmental activities is due primarily to the reduction of federal grants in the Housing Assistance and Neighborhood Stabilization grant programs. Operating grants also decreased in 2011 from 2010 by \$1,540, due to federal grant reductions of the Housing Assistance, Community Development, Neighborhood Stabilization, and Home Grant programs.

Capital grants and contributions for governmental activities accounted for \$2.7 million in 2010 and \$3.6 million in 2011 and \$8.5 million in 2012. Capital grants fluctuate each year according to projects and programs. In 2012, \$4.2 million of streets was donated by developers in the east end area.

Unrestricted grants and contributions also decreased \$1,356 in 2012 compared to a decrease of \$1,847 in 2011. These decreases are related to reductions in funding from the state: the commercial activities tax, local government fund distributions, estate tax receipts and property homestead and rollback amounts.

Income taxes and property taxes, which affect the governmental funds, have been a concern for Middletown. Property taxes have been declining steadily from \$4.9 million in 2008 to \$4.5 million in 2009 and 2010 and \$4.2 million in 2011 and \$4.1 million in 2012. This is a direct result of the national home foreclosure crisis and the corresponding recession. Income tax receipts were \$19.8 million in 2012, \$19.4 million in 2011, \$20.3 million in 2010, \$18.9 million in 2009 and \$19.9 million in 2008. In 2009, the tax receipts were at all-time low over a ten year period.

Payments in lieu of taxes have increased \$507 in 2012. This is due to increased activity in the tax increment financing districts. The tax increment payments are used to pay debt for improvements in designated areas. The increased activity is occurring in the east end area where there are new development expansions.

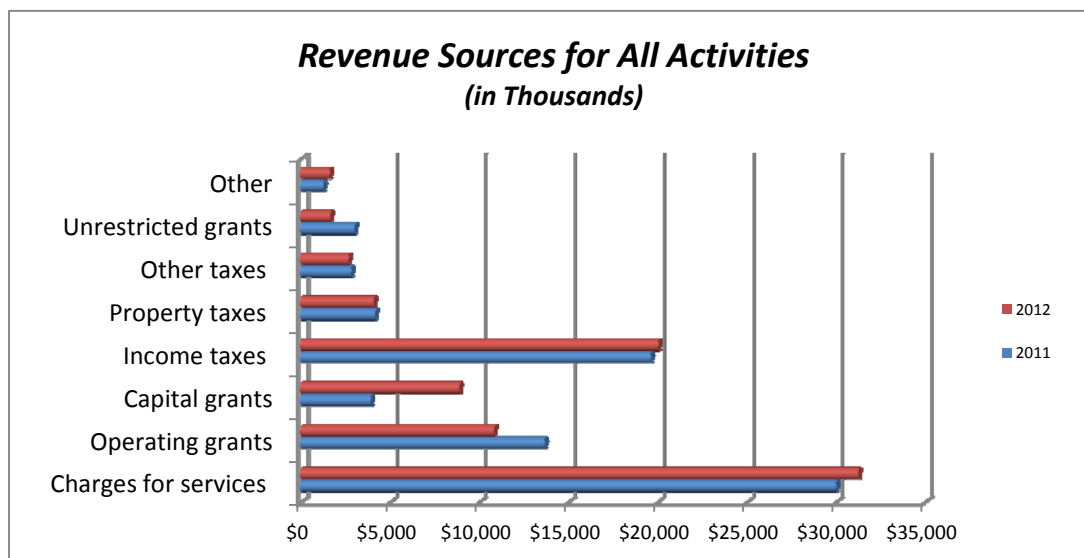
Expenses decreased approximately 1.9% in 2012 from 2011. The largest contributing factor for this change is the layoffs of staff due to projected revenue decreases in the unrestricted grants and contribution and reduced housing assistance activities.

Total revenues for business type activities increased \$882 in 2012 compared to a decrease of \$303 in 2011. The decrease in the 2011 program revenue was due to less operating grants and contributions. In 2010, federal operating grants to the airport and the transit system totaled \$1,731 compared to \$714 in 2011. The increase in 2012 is largely attributed to charges for services (utility charges).

The Water and Sewer Funds increased their utility rates 5% in 2011 and 5% again in 2012. Charges for service increased \$901 in 2010 due to water and sewer industrial usage. There was an increase in demand from our industrial consumers accompanied by an initiative to increase billing accuracy that prompted the installation of a new leak monitoring equipment throughout our delivery system.

In 2012, expenses in business type activities increased by \$326 mostly due to water and wellfield protection projects. In 2011, these expenses decreased \$674 for the opposite reason, reduced water and wellfield protection projection projects.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012**



1) Governmental activities during 2012

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 46% for the cost of services with program revenues. In 2011, 41% was recouped, close to the 42% recouped in 2010.

**Table 3
Governmental Activities
(in Thousands)**

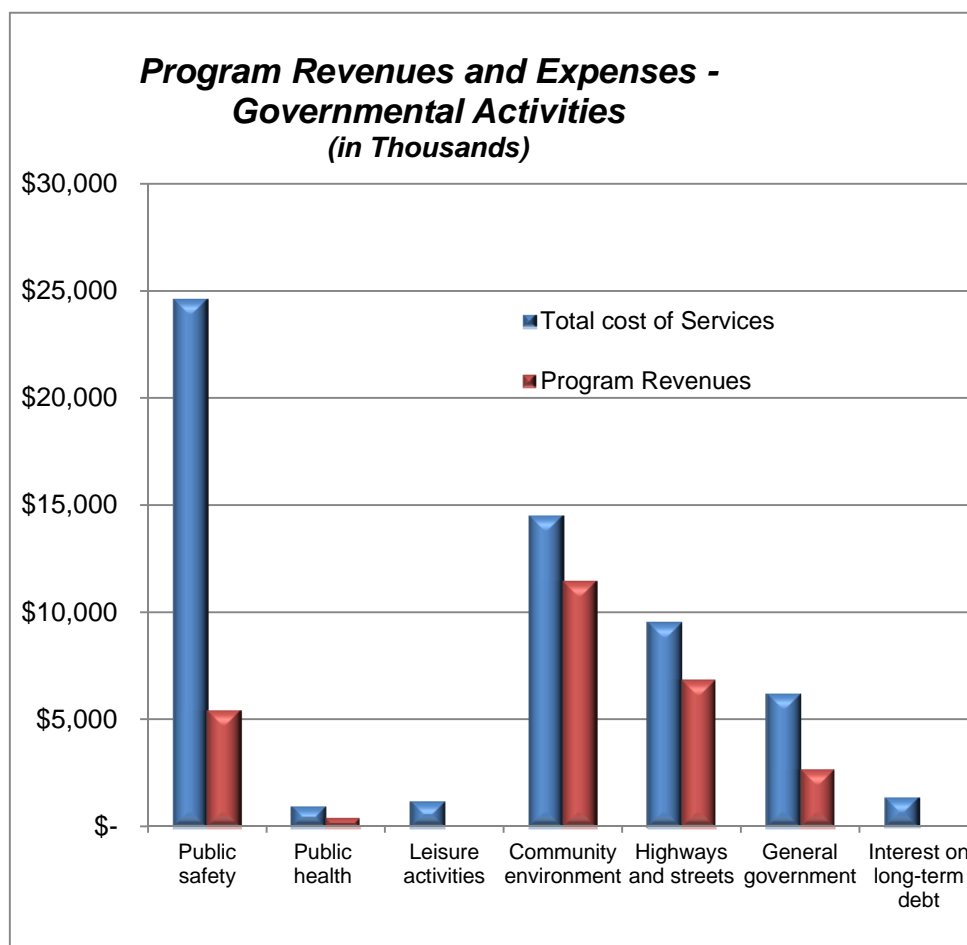
	<u>Total cost of Services</u>	<u>Program Revenues</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Public safety	\$ 24,639	\$ 5,468	22%	\$ 19,171
Public health	983	412	42%	571
Leisure time activities	1,210	4	0%	1,206
Community environment	14,555	11,465	79%	3,090
Highways and streets	9,557	6,871	72%	2,686
General government	6,240	2,700	43%	3,540
Interest on long-term debt	1,402	-	0%	1,402
Total	<u>\$ 58,586</u>	<u>\$ 26,920</u>	<u>46%</u>	<u>\$ 31,666</u>

Public safety, the City's most expensive program, covered about 22% of its costs with program revenues which included grants to fund six firefighters and four patrol officers. This is comparable to the 20% for 2011 and 19% for the years 2010 and 2009. Local tax receipts and other general revenues were used to fund the remaining costs of this service.

Public health funding covered 42% of their activities in 2012, 75% in 2011 and 57% in 2010. This fund has cut expenses by reducing personnel in 2011. In 2012, most grant programs were cut out due to the reduction in personnel.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012**

Community Environment, which relies heavily upon federal and state grants, covered 79% of its costs with program revenues in 2012, close to the 76% in 2011. Community environment includes the Housing Assistance, Community Development, Neighborhood Stabilization Program, and Home Funds.



Revenues as a percentage of costs for leisure activities dropped from 16% in 2009 to 0% in 2010 and then up to 5% in 2011 and back to less than 1% in 2012.

Highways and streets activities rely heavily on grants. ARRA grants supplied 54% of the funding in 2009. In 2011, grants supplied the majority of the 42% of program revenues from the Ohio Public Works Commission. In 2012, grants and developer contributions (\$4.2 million) supplied 72% of the program revenues. Developer contributions included streets for the Sawyer Mill, and Renaissance 2 subdivisions.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012**

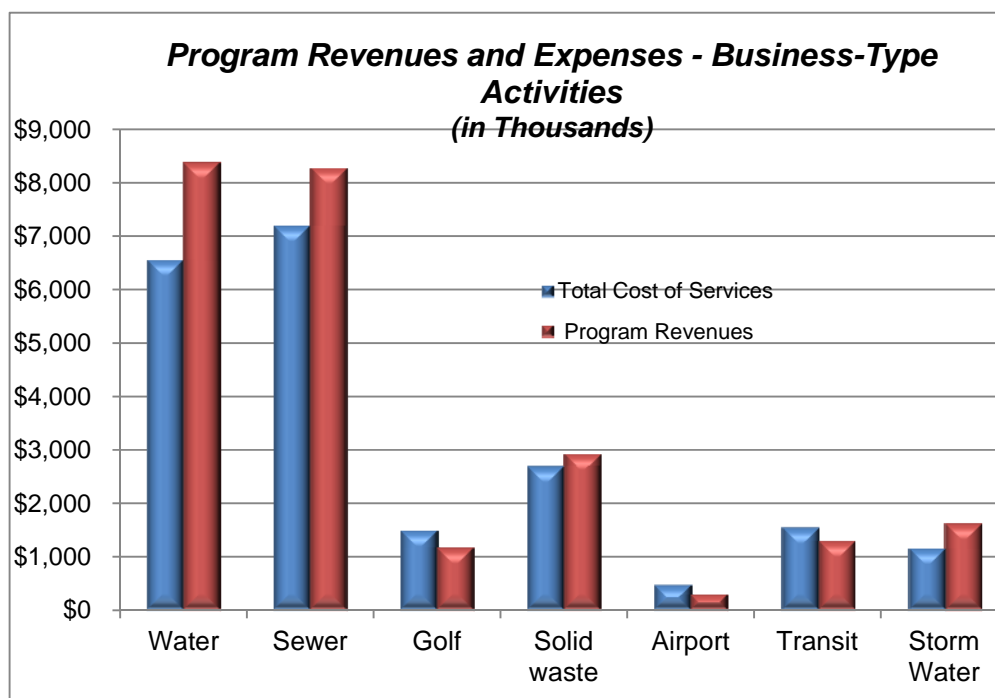
2) Business-type activities during 2012

The following table (in thousands) summarizes the business-type activities during 2012:

**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	6,564	\$ 8,387	128%	\$ 1,823
Sewer	7,206	8,289	115%	1,083
Golf	1,489	1,166	78%	(323)
Solid waste	2,690	2,923	109%	233
Airport	460	280	61%	(180)
Transit	1,540	1,290	84%	(250)
Storm Water	<u>1,154</u>	<u>1,619</u>	<u>140%</u>	<u>465</u>
Total	<u>\$ 21,103</u>	<u>\$ 23,954</u>	<u>114%</u>	<u>\$ 2,851</u>

The City attempts to break even on its business-type activities. All activities except Golf, Airport, and Transit had operating surpluses in 2012. The surpluses are used to accumulate earnings for future capital investments and debt payments. The Golf Fund covers the cost of the daily operations but due to the debt service for past renovations, the revenues do not meet the total cost of services. The transit and airport funds rely upon grants and taxes to supplement their services. Water and sewer rates were increased 5% in 2012.



CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012

III. THE CITY'S INDIVIDUAL FUNDS

A. Governmental funds

The financial statements for the City's governmental funds, using the modified accrual basis of accounting, are presented beginning on page 22. The City has fifty-three governmental funds, four of which are considered major funds. Assets of those four funds comprise approximately 71% of the total governmental funds' assets of \$52,822. The following table (in thousands) summarizes the activities of these four major funds.

Table 5
Financial Highlights
Major Governmental Funds

		General Fund	Housing Assistance	Special Assessment Debt Service	Capital Improvements
Total assets		20,011	10,600	3,360	2,599
Total liabilities	\$	<u>8,987</u>	<u>8,782</u>	<u>3,150</u>	<u>1,619</u>
Fund balance		<u>11,024</u>	<u>1,818</u>	<u>210</u>	<u>980</u>
Unassigned fund balance	\$	<u>7,441</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues	\$	25,606	10,060	404	2,685
Expenditures		(26,317)	(10,033)	(309)	(2,722)
Other financing sources/uses		<u>(99)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$	<u>(810)</u>	<u>27</u>	<u>95</u>	<u>(37)</u>

General Fund. The fund balance at the end of 2012 was \$11,024 including \$7,441 of unassigned fund balance. This is a decrease of \$810 from 2011. The General Fund's balance decreased \$744 in 2011 and increased by \$737 in 2010. The unassigned fund balance is used to help cover planned expenditures during economic downturns, which was experienced in 2011. The General Fund's negative net change in fund balance is due to decreased revenues in 2011 and 2012.

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 2012, there were approximately 1,379 authorized Section 8 units in the City of Middletown. Changes in fund balance for this fund are due to the timing of grant revenues for reimbursement of housing activities.

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

Capital Improvement Fund. This fund relies heavily upon grants for capital improvement projects. In 2012, the Capital Improvements Fund received grants from state agencies for street improvements and bridge replacements. The ending fund balance is restricted for continuing and future improvement projects.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012**

B. Proprietary funds

1) Enterprise funds

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

**Table 6
Financial Highlights
Enterprise Funds**

		<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Golf Fund</u>	<u>Solid Waste Fund</u>
Total assets	\$	30,161	39,259	4,584	1,007
Total liabilities		<u>4,914</u>	<u>8,914</u>	<u>2,595</u>	<u>479</u>
Total net position		<u>25,247</u>	<u>30,345</u>	<u>1,989</u>	<u>528</u>
Unrestricted net position		<u>5,813</u>	<u>7,152</u>	<u>(1,603)</u>	<u>367</u>
Operating revenues		7,792	8,257	1,170	2,934
Operating expenses		(6,553)	(6,853)	(1,453)	(2,668)
Net non-operating revenues/expenses		519	(312)	(35)	(22)
Net contributions and transfers		<u>(12)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in net position	\$	<u>1,746</u>	<u>1,092</u>	<u>(318)</u>	<u>244</u>

Water Fund. Water Fund rates are set to cover the fund's operating cost and to accumulate cash resources for future capital expenditures. The change in net position is \$1,746 for 2012 while the change in 2011 left a positive change in net position of \$1,318.

Sewer Fund. The Sewer Fund ended 2011 with a positive change in net position of \$937 and \$1,092 in 2012. The balance in the fund is to be used for large capital projects and infrastructure improvements.

Golf Fund. The City Golf Fund lost \$318 in 2012, \$286 in 2011 and \$230 in 2010. This fund owes the City's General Fund \$1,638 at the end of 2012 for a working capital loan. The plan is to repay this debt over the next few years.

Solid Waste Fund. The Solid Waste Fund charges to Middletown customers are set to cover the cost of the refuse contract with a private hauler and the annual debt service of \$250 for a landfill closure bond. At the end of 2012, the balance on these bond issues was \$251. These bonds will retire in 2013.

2) Internal service funds

Net position in the City's two internal service funds, are shown collectively on page 31.

The City's Employee Benefits Fund ended the year with a net deficit of \$295 compared to \$10 in 2011 (page 165). The rising cost of health insurance puts a burden on the City's budget; however, the City has increased efforts to reduce costs with the help of an employee/management sponsored health care

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012**

committee. Increased employees' share of future budgets will allow for planned annual cost increases. This fund maintains a required reserve for payments of claims for the time period of 90 to 120 days.

The other City internal service fund, the Municipal Garage Fund, ended the year with net position of \$6,930 in 2012, compared to \$5,926 in 2011. Funds are being set aside for future vehicle purchases according to a multi-year plan developed by the Municipal Garage fleet manager. The Municipal Garage Fund cash balance at the end of 2012 was \$3,663 which is 41.8% over the 2011 balance (page 165).

Approximately 21% of the capital outlay was spent for vehicle and equipment purchases.

IV. BUDGETED ACTIVITY AND ACTUAL RESULTS

The schedules comparing the City's original and final General Fund budget to actual includes both revenue and expenditures begin on page 71. The General Fund's original appropriation of \$27,057 was amended to \$27,336 with supplemental appropriations. The General Fund's actual expenditures on a cash basis (budget basis) were \$26,126.

Original 2012 appropriations were increased during the year by \$280 for all funds. The majority of these supplemental appropriations were for capital project expenditures.

V. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital assets

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

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

	Governmental	Business Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Land	\$ 13,155	7,247	20,402
Land improvements	427	541	968
Buildings	13,311	15,033	28,344
Equipment	5,799	4,545	10,344
Infrastructure	53,676	37,285	90,961
Construction in Progress	<u>1,884</u>	<u>3,945</u>	<u>5,829</u>
Total	<u>88,252</u>	<u>68,596</u>	<u>156,848</u>

CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012

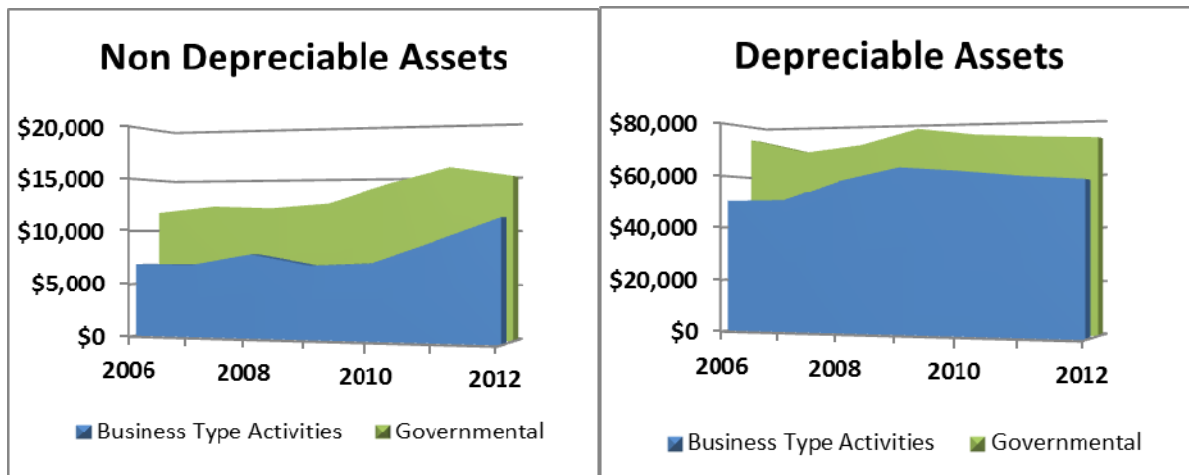
The City had approximately \$156,849 in capital assets at year end of 2012. Years 2011 and 2010 had approximately \$157,816 and \$157,576.

- 1) Governmental activities non-depreciable assets:
 - a. Land – Total of capital assets at year end was \$13,155, a decrease of \$80 compared to the 2011 year end total of \$13,235. This decrease is associated with the sale and donation of property in the downtown area to the Higher Education Partners for use by the Cincinnati State Technical and Community College.
 - b. Construction in progress - \$1,471 was added in 2012 for the Municipal Court (\$473) renovation and street improvements (\$998).
For 2012, \$1,884 is reported as construction in progress for the following:
 1. \$669 for the Municipal Court renovation
 2. \$1,215 for local street improvement programs
- 2) Governmental activities for depreciable assets:
 - a. Buildings - In 2012, building sales and donations totaled \$1,593. The former Senior Citizens Service Center was donated and a large downtown building was sold to Higher Education Partners for use by Cincinnati State Technical and Community College.
 - b. Equipment – the Municipal Garage purchases of vehicles and equipment provided approximately 21% of the purchases in 2012. Equipment replacement purchases (\$1,024), sales of used equipment (\$554), and the yearly depreciation, left a net at \$5,799.
 - c. Infrastructure – an additional \$7,170 was added for streets. The majority of this addition was developer contributions for streets in new subdivisions.
- 3) Business-type activities non-depreciable assets:
 - a. Land – an increase of \$5 was made in 2012 for purchase of storm water right-of way. This will add to the 2010 purchase of property for storm water right-of-way (\$251). In 2011, a property was purchased near the Wellfield area for \$150 for remediation and abatement.
 - b. Construction in progress – an additional \$2,474 was added in 2012, while \$392 was placed in service. The net of \$3,945 is the year-end total for construction in progress. Utility improvements in conjunction with street improvements total \$2,480. Property remediation in the well field area total \$1,444 and \$21 is designated for power system improvements at the Wastewater Treatment Plant.
- 4) Business type activities depreciable assets:
 - a. Land Improvements – parking lots were repaved totaling \$9.
 - b. Equipment – purchases water meters (\$199), equipment (3 mowers and 1 bobcat totaling \$42) and other miscellaneous equipment such as (\$74) irrigation pump, weather system, sewer camera, and water security system upgrades. These purchases totaled \$315 in 2012.
 - c. Infrastructure – total of \$1,288 was added in 2012. The majority of these additions are:

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012**

- \$515 was added by water and storm water funds in conjunction with street improvement projects.
- \$52 was added for water and sewer mains due to developer contributions for the new Hampton Inn.
- \$225 was added for main equipment components at the Wastewater Treatment Plant facility.
- Storm water repairs added \$132.
- Hook Drive water and sewer extension totaled \$202.
- \$146 for the Water Treatment Plant lime slaker.
- \$10 for moving of utility lines for bike path
- \$7 for purchase of fire hydrants

Capital asset activity for the year is presented in Note 7 on pages 51 and 52.



B. Debt

No new debt was issued for 2012. Total debt owed for all bonds at 2012 year-end was \$39,231. Principal payments of \$3,654 occurred in 2012 and \$3,800 is scheduled for payments in 2013.

Long term obligations are presented on pages 55 through 59 in Note 10.

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

In 2011, the State announced that it would be cutting and/or reducing some of their funding to other entities and municipalities. These cuts and reductions were estimated to be \$3.2 million over a three year period for the City of Middletown. Additionally, the Butler County Auditor released property tax valuations which indicated that Middletown homes averaged an 8% decrease in value. Most of these revenue reductions affect the General Fund. Realizing that a reduction of revenue of this magnitude would affect the City's finances along with the budget cuts of the previous years, personnel cuts were unavoidable for the 2012 budget. Personnel costs are the largest expense category in the General Fund. A total of 28 positions were cut from the 2012 budget.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2012**

Much better news for the 2013 budget year! We will recognize a relatively positive budget given the economic times. This is the second year of a two year budget plan. In 2012, the City was significantly challenged by the reduction in income tax revenue along with cuts in state revenue and property taxes. We worked hard last year to establish a plan that would cover 2012 and 2013 so that we could operate effectively. We, like many local governments, have been busy dealing with an array of issues including, but not limited to, a struggling national, state and local economy, balancing budgets, and meeting both financial and operational responsibilities. We have successfully faced our financial challenges and we are operating within our guidelines. One important guideline is to keep the General Fund reserve levels above 15%. This budget supports these priorities as well as the Action Plan and the core services our citizens expect. We believe that this budget contains a well-rounded emulsion of city services for our residents and businesses.

We have a budget with an established reserve fund and prioritize our expenditures with contingency plans for the operating budgets. Staff, Council members, and financial consultants review our financial reports regularly. The Financial Plan establishes multi-year budgets that consider the affordability of our programs and projects before they are part of the annual budget. Staff is continually searching for new ways to do business in a cost effective manner.

Significant statistics for the 2013 budget include:

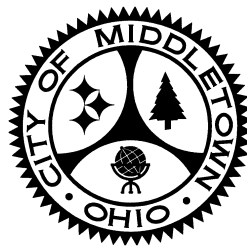
- No layoffs.
- 0% cost of living adjustment for non-organized.
- 0% cost of living adjustment for union groups up for renewal in 2013.
- Remaining unions as approved by council in collective bargaining agreements.
- Health Care Committee considering options to cut employee health benefit costs in addition to 2012's budget cuts of \$500,000.
- Tax Increment Financing Funds will generate \$795,000 in debt payments relieving the General Fund for these payments.
- Income tax revenue is projected to increase 1.5% in 2013.
- Four patrol officers supported by grants thru December 2014.
- Six firefighters supported by grants thru September 2014.
- Realize that we need to begin work in 2013 to make plans for 2014 when the public safety grants expire.
- No increase in utility charges (water, sewer, storm water, and refuse collection).

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.



Michelle Greis
Finance Director



**CITY OF MIDDLETOWN, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equity in pooled cash, deposits and investments	\$ 25,041,932	\$ 15,771,074	\$ 40,813,006
Receivables (net of allowance for uncollectibles):			
Income taxes	4,913,000	-	4,913,000
Property taxes	4,962,298	-	4,962,298
Payments in lieu of taxes	574,000	-	574,000
Estate taxes	451,382	-	451,382
Accounts	991,983	1,809,057	2,801,040
Interest	112,712	-	112,712
Loans	1,522,132	351,833	1,873,965
Intergovernmental	12,043,040	467,836	12,510,876
Special assessments	3,439,043	112,325	3,551,368
Inventory of supplies	811,522	497,810	1,309,332
Deferred charges	791,544	302,301	1,093,845
Internal balances	(29,143)	29,143	-
Capital assets, net			
Non-depreciable	15,039,052	11,192,574	26,231,626
Depreciable	<u>73,213,133</u>	<u>57,403,899</u>	<u>130,617,032</u>
Total assets	<u>143,877,630</u>	<u>87,937,852</u>	<u>231,815,482</u>
Liabilities			
Accounts payable and other current liabilities	2,088,022	663,964	2,751,986
Accrued wages and benefits	1,580,019	186,577	1,766,596
Other accrued liabilities	400,934	10,311	411,245
Accrued interest payable	104,335	34,395	138,730
Due to other governments	123,349	1,016	124,365
Due to other individuals	98,125	658,008	756,133
Unearned revenue	5,148,330	351,833	5,500,163
Notes payable	2,056,916	-	2,056,916
Non current liabilities:			
Due within one year	4,675,253	2,287,784	6,963,037
Due in more than one year	<u>31,987,151</u>	<u>12,625,879</u>	<u>44,613,030</u>
Total liabilities	<u>48,262,434</u>	<u>16,819,767</u>	<u>65,082,201</u>
Net Position			
Net investment in capital assets	57,865,878	54,343,145	112,209,023
Restricted for capital projects	1,389,205	-	1,389,205
Restricted for debt service	4,437,051	-	4,437,051
Restricted for housing assistance	10,495,867	-	10,495,867
Restricted for community development	4,317,751	-	4,317,751
Restricted for public safety	1,369,029	-	1,369,029
Restricted for roads	2,725,520	-	2,725,520
Restricted for other purposes	804,931	-	804,931
Unrestricted	<u>12,209,964</u>	<u>16,774,940</u>	<u>28,984,904</u>
Total net position	<u>\$ 95,615,196</u>	<u>\$ 71,118,085</u>	<u>\$ 166,733,281</u>

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-Type	Total
	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Activities	
Functions/Programs							
Governmental activities:							
Public safety	\$ 24,638,425	\$ 4,935,940	\$ 498,942	\$ 32,900	\$ (19,170,643)		\$ (19,170,643)
Public health and welfare	983,425	215,412	196,399	-	(571,614)		(571,614)
Leisure time activities	1,210,030	3,986	-	-	(1,206,044)		(1,206,044)
Community environment	14,555,192	926,204	8,691,127	1,847,854	(3,090,007)		(3,090,007)
Highways and streets	9,557,510	228,302	-	6,643,026	(2,686,182)		(2,686,182)
General government	6,240,426	2,700,134	-	-	(3,540,292)		(3,540,292)
Interest on long-term debt	1,401,817	-	-	-	(1,401,817)		(1,401,817)
Total governmental activities	<u>\$ 58,586,825</u>	<u>\$ 9,009,978</u>	<u>\$ 9,386,468</u>	<u>\$ 8,523,780</u>	<u>\$ (31,666,599)</u>		<u>\$ (31,666,599)</u>
Business-type activities:							
Water	\$ 6,564,044	\$ 7,751,720	\$ 615,260	\$ 20,125	\$ -	\$ 1,823,061	\$ 1,823,061
Sewer	7,205,860	8,257,295	-	31,500	-	1,082,935	1,082,935
Golf Course	1,488,584	1,165,598	-	-	-	(322,986)	(322,986)
Solid Waste	2,690,235	2,922,908	-	-	-	232,673	232,673
Airport	460,467	279,952	-	-	-	(180,515)	(180,515)
Transit	1,539,543	164,336	821,873	303,463	-	(249,871)	(249,871)
Storm Water	1,154,270	1,619,245	-	-	-	464,975	464,975
Total business-type activities	<u>21,103,003</u>	<u>22,161,054</u>	<u>1,437,133</u>	<u>355,088</u>	<u>-</u>	<u>2,850,272</u>	<u>2,850,272</u>
Total	<u>\$ 79,689,828</u>	<u>\$ 31,171,032</u>	<u>\$ 10,823,601</u>	<u>\$ 8,878,868</u>	<u>\$ (31,666,599)</u>	<u>\$ 2,850,272</u>	<u>\$ (28,816,327)</u>
General revenues:							
Taxes:							
Income taxes					\$ 19,827,982	\$ 190,000	\$ 20,017,982
Property taxes					4,081,499	-	4,081,499
Other taxes					2,656,808	-	2,656,808
Payments in lieu of taxes					1,245,443	-	1,245,443
Grants and contributions not restricted to specific programs					1,648,584	-	1,648,584
Investment earnings					(78,720)	123,029	44,309
Miscellaneous					233,885	69,091	302,976
Transfers					63,528	(63,528)	-
Total general revenues and transfers					<u>29,679,009</u>	<u>318,592</u>	<u>29,997,601</u>
Change in net position					(1,987,590)	3,168,864	1,181,274
Net position beginning of year					<u>97,602,786</u>	<u>67,949,221</u>	<u>165,552,007</u>
Net position end of year					<u>\$ 95,615,196</u>	<u>\$ 71,118,085</u>	<u>\$ 166,733,281</u>

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	General	Housing Assistance
ASSETS:		
Cash and equity in pooled cash, deposits and investments	\$ 8,408,999	\$ 1,509,200
Receivables (net of allowance for uncollectibles):		
Income taxes	4,913,000	-
Property taxes	3,066,099	-
Estate taxes	451,382	-
Accounts	379,250	-
Loans	-	250,000
Interest	-	112,712
Payments in lieu of taxes	-	-
Special assessments	-	-
Due from other funds	2,117,359	50,000
Due from other governments	665,316	8,678,022
Inventory of supplies	9,551	-
Total assets	\$ 20,010,956	\$ 10,599,934
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 436,979	\$ 5,942
Accrued wages and benefits	1,496,625	-
Other accrued liabilities	336,772	-
Due to other funds	95,340	-
Due to other governments	-	-
Due to individuals	-	98,125
Notes payable	-	-
Deferred revenue	6,620,837	8,678,022
Total liabilities	8,986,553	8,782,089
Fund balances:		
Nonspendable	2,126,910	-
Restricted	612,365	1,817,845
Committed	491,848	-
Assigned	352,480	-
Unassigned	7,440,800	-
Total fund balances	11,024,403	1,817,845
Total liabilities and fund balances	\$ 20,010,956	\$ 10,599,934

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

Special Assessment Debt Service		Capital Improvements	Non Major Governmental Funds	Total Governmental Funds
\$	209,638	\$ 1,691,522	\$ 9,346,904	\$ 21,166,263
	-	-	-	4,913,000
	-	660,443	1,235,756	4,962,298
	-	-	-	451,382
	-	-	574,805	954,055
	-	-	1,272,132	1,522,132
	-	-	-	112,712
	-	-	574,000	574,000
	3,150,406	-	288,637	3,439,043
	-	-	-	2,167,359
	-	246,938	2,452,764	12,043,040
	-	-	506,428	515,979
\$	3,360,044	\$ 2,598,903	\$ 16,251,426	\$ 52,821,263
\$	-	\$ 875,930	\$ 173,884	\$ 1,492,735
	-	-	68,371	1,564,996
	-	42,925	21,237	400,934
	-	-	609,293	704,633
	-	-	123,349	123,349
	-	-	-	98,125
	-	-	2,056,916	2,056,916
	3,150,406	700,381	4,469,021	23,618,667
	3,150,406	1,619,236	7,522,071	30,060,355
	-	-	474,939	2,601,849
	209,638	979,667	6,946,917	10,566,432
	-	-	2,703,859	3,195,707
	-	-	-	352,480
	-	-	(1,396,360)	6,044,440
	209,638	979,667	8,729,355	22,760,908
\$	3,360,044	\$ 2,598,903	\$ 16,251,426	\$ 52,821,263

**CITY OF MIDDLETOWN, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012**

Total governmental fund balances	\$ 22,760,908
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Amounts reported for governmental activities in the statement of net position are different due to the following:

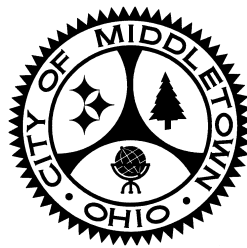
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	88,252,185
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Income taxes receivable	2,873,052
Intergovernmental and other receivables	15,597,285

Internal service funds are used to charge the costs of certain activities to individual funds. The assets (excluding net capital assets included above) and liabilities of the internal service funds are included in governmental activities in the statement of net position.	2,037,690
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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	(26,348,111)
Special assessment bonds	(2,221,743)
Compensated absences	(5,183,383)
Pension obligation payable	(2,065,860)
GASB 45 life insurance liability	(662,000)
Accrued interest on long-term debt	(104,335)
Premium on bonds	(112,036)
Unamortized issuance costs	791,544

Net position of governmental activities	<u><u>\$ 95,615,196</u></u>
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CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2012

	General	Housing Assistance
Revenues:		
Property taxes	\$ 2,660,424	\$ -
Municipal income taxes	14,413,426	-
Other taxes	-	-
Intergovernmental revenues	2,608,753	9,963,482
Charges for services	4,352,078	-
Fees, licenses, and permits	296,850	-
Fines and forfeits	220,899	-
Special assessments	-	-
Investment income	(125,988)	164
Contributions and donations	-	-
Miscellaneous	1,179,950	96,611
Total revenues	25,606,392	10,060,257
Expenditures:		
Current		
Public safety	18,584,486	-
Public health and welfare	141,042	-
Leisure time activities	883,800	-
Community environment	1,743,069	10,032,537
Highways and streets	-	-
General government	3,670,981	-
Miscellaneous	1,295,296	-
Debt service		
Principal retirement	-	-
Interest and fiscal charges	-	-
Total expenditures	26,318,674	10,032,537
Excess of revenues over (under) expenditures	(712,282)	27,720
Other financing sources (uses):		
Transfers-in	-	-
Transfers-out	(99,000)	-
Total other financing sources (uses)	(99,000)	-
Net change in fund balances	(811,282)	27,720
Fund balance, beginning of year	11,835,685	1,790,125
Fund balance, end of year	\$ 11,024,403	\$ 1,817,845

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

Special Assessment Debt Service	Capital Improvements	Non Major Governmental Funds	Total Governmental Funds
\$ -	\$ 566,566	\$ 466,541	\$ 3,693,531
-	-	5,314,712	19,728,138
-	-	1,245,443	1,245,443
-	2,056,333	4,982,016	19,610,584
-	2,241	200,620	4,554,939
-	-	-	296,850
-	-	1,714,344	1,935,243
401,408	-	271,078	672,486
-	9,771	37,333	(78,720)
-	50,000	-	50,000
2,784	81	1,133,791	2,413,217
404,192	2,684,992	15,365,878	54,121,711
-	19,503	6,004,636	24,608,625
-	-	585,544	726,586
-	24,372	-	908,172
-	737	2,400,872	14,177,215
-	2,664,559	2,426,629	5,091,188
-	-	143,957	3,814,938
-	12,573	1,223,525	2,531,394
195,600	-	2,218,437	2,414,037
113,114	-	1,215,692	1,328,806
308,714	2,721,744	16,219,292	55,600,961
95,478	(36,752)	(853,414)	(1,479,250)
-	-	162,528	162,528
-	-	-	(99,000)
-	-	162,528	63,528
95,478	(36,752)	(690,886)	(1,415,722)
114,160	1,016,419	9,420,241	24,176,630
\$ 209,638	\$ 979,667	\$ 8,729,355	\$ 22,760,908

**CITY OF MIDDLETOWN, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Net change in fund balances - total governmental funds	\$ (1,415,722)
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Amounts reported for governmental activities in the statement of activities are different due to the following:

Governmental funds report capital outlays as expenditures.

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

Capital outlay	7,419,716
Depreciation expense	(8,529,806)
Disposal of capital assets	(538,205)

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

Income taxes	99,844
Intergovernmental and other revenues	(1,914,348)

Governmental Funds report premiums and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities:

Amortization of bond issuance costs	(97,582)
Amortization of bond premiums	18,278

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds:

Bond principal retirement	2,414,037
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

6,293

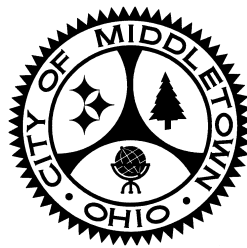
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated absences	(376,744)
Unfunded pension liability	97,741
OPEB death benefit obligation	(9,824)

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>838,732</u>

Change in net position of governmental activities	<u>\$ (1,987,590)</u>
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**CITY OF MIDDLETOWN, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012**

Business Type Activities - Enterprise Funds

	Water	Sewer	Golf Course
Assets			
Current assets:			
Equity in pooled cash and investments	\$ 5,531,713	\$ 6,526,787	\$ 6,542
Receivables			
Accounts	751,866	739,049	-
Loans	351,833	-	-
Due from other funds	-	-	-
Intergovernmental	401,159	-	-
Special Assessments	-	112,325	-
Inventory of supplies	265,123	155,748	76,939
Total current assets	7,301,694	7,533,909	83,481
Non Current Assets:			
Deferred charges	107,127	132,705	25,564
Capital assets:			
Construction in progress	2,232,004	341,408	-
Land	1,302,664	152,500	3,611,550
Land improvements	5,875	26,581	2,483,945
Infrastructure assets	27,179,205	44,437,960	-
Buildings	13,040,185	12,328,429	710,031
Equipment	6,052,899	10,126,118	334,886
Less: Accumulated depreciation	(27,060,883)	(35,820,398)	(2,665,013)
Total capital assets (net of accumulated depreciation)	22,751,949	31,592,598	4,475,399
Total noncurrent assets	22,859,076	31,725,303	4,500,963
Total assets	30,160,770	39,259,212	4,584,444
Liabilities			
Current liabilities:			
Accounts payable	201,126	146,775	16,527
Accrued wages and benefits	71,415	66,390	12,268
Other accrued liabilities	-	-	4,520
Accrued interest payable	4,110	22,242	2,595
Due to other funds	20,285	27,667	1,638,050
Due to other governments	1,016	-	-
Due to individuals	658,008	-	-
General obligation bonds payable	383,230	325,000	188,004
Lease obligation payable	418,988	418,988	-
Unearned revenue	351,833	-	-
Compensated absences (short term portion)	89,053	90,156	19,081
Total current liabilities	2,199,064	1,097,218	1,881,045
Long-term liabilities:			
General obligation bonds payable	1,061,423	6,090,000	688,306
Premium on debt	21,485	132,705	6,789
Lease obligation	1,433,075	1,433,075	-
Compensated absences	118,337	106,638	18,100
Other post employment benefits	80,300	54,000	1,400
Total long-term liabilities	2,714,620	7,816,418	714,595
Total liabilities	4,913,684	8,913,636	2,595,640
Net position			
Net investment in capital assets	19,433,748	23,192,830	3,592,300
Unrestricted	5,813,338	7,152,746	(1,603,496)
Total net position	\$ 25,247,086	\$ 30,345,576	\$ 1,988,804

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

Business Type Activities - Enterprise Funds			Governmental Activities -	
Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
\$ 385,435	\$ 3,320,597	\$ 15,771,074	\$ 3,875,669	
198,739	119,403	1,809,057	37,928	
-	-	351,833	-	
-	-	-	282,103	
-	66,677	467,836	-	
-	-	112,325	-	
-	-	497,810	295,543	
584,174	3,506,677	19,009,935	4,491,243	
8,027	28,878	302,301	-	
-	1,371,930	3,945,342	-	
382,600	1,797,918	7,247,232	195,750	
8,500	325,598	2,850,499	-	
-	3,547,511	75,164,676	-	
74,652	3,265,569	29,418,866	521,872	
-	3,627,767	20,141,670	10,530,233	
(50,619)	(4,574,899)	(70,171,812)	(8,424,882)	
415,133	9,361,394	68,596,473	2,822,973	
423,160	9,390,272	68,898,774	2,822,973	
1,007,334	12,896,949	87,908,709	7,314,216	
224,638	74,898	663,964	595,287	
-	36,504	186,577	15,023	
-	5,791	10,311	-	
695	4,753	34,395	-	
-	58,827	1,744,829	-	
-	-	1,016	-	
-	-	658,008	-	
250,923	70,000	1,217,157	-	
-	-	837,976	-	
-	-	351,833	-	
-	34,361	232,651	34,659	
476,256	285,134	5,938,717	644,969	
-	1,300,000	9,139,729	-	
2,459	28,878	192,316	-	
-	-	2,866,150	-	
-	34,909	277,984	9,712	
-	14,000	149,700	24,900	
2,459	1,377,787	12,625,879	34,612	
478,715	1,662,921	18,564,596	679,581	
161,751	7,962,516	54,343,145	2,822,973	
366,868	3,271,512	15,000,968	3,811,662	
\$ 528,619	\$ 11,234,028	\$ 69,344,113	\$ 6,634,635	
Adjustment to reflect consolidation of internal service fund activities		1,773,972		
Total net position from above		69,344,113		
Net position of business-type activities		\$ 71,118,085		

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Business Type Activities - Enterprise Funds

	Water	Sewer	Golf Course
Operating revenues:			
Charges for services	\$ 7,751,720	\$ 8,257,295	\$ 1,165,598
Other operating revenue	40,577	-	4,775
Total operating revenues	7,792,297	8,257,295	1,170,373
Operating expenses:			
Personal services	2,183,351	2,124,580	677,361
Contractual services	2,111,473	2,453,493	205,891
Commodities	709,191	355,602	417,872
Depreciation	1,284,496	1,651,971	145,606
Other operating expenses	265,053	267,570	6,120
Total operating expenses	6,553,564	6,853,216	1,452,850
Operating income (loss)	1,238,733	1,404,079	(282,477)
Non-operating revenues (expenses):			
Interest revenue	57,825	40,681	-
Interest expense and fiscal charges	(154,304)	(352,644)	(35,734)
Operating grants	615,260	-	-
Income taxes	-	-	-
Gain on sale or disposal of capital assets	-	-	-
Total non-operating revenues (expenses)	518,781	(311,963)	(35,734)
Income (loss) before contributions and transfers	1,757,514	1,092,116	(318,211)
Capital contributions	20,125	31,500	-
Transfers-out	(31,764)	(31,764)	-
Change in net position	1,745,875	1,091,852	(318,211)
Total net position, beginning of year	23,501,211	29,253,724	2,307,015
Total net position, end of year	\$ 25,247,086	\$ 30,345,576	\$ 1,988,804

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

Business Type Activities - Enterprise Funds			Governmental Activities -	
Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
\$ 2,922,908	\$ 2,063,533	\$ 22,161,054	\$ 8,309,549	
10,666	13,073	69,091	44,992	
2,933,574	2,076,606	22,230,145	8,354,541	
-	1,074,622	6,059,914	408,661	
2,666,131	1,132,917	8,569,905	5,544,144	
-	36,611	1,519,276	944,803	
2,084	434,129	3,518,286	855,364	
-	417,038	955,781	-	
2,668,215	3,095,317	20,623,162	7,752,972	
265,359	(1,018,711)	1,606,983	601,569	
-	24,523	123,029	23,414	
(22,020)	(58,963)	(623,665)	-	
-	821,873	1,437,133	-	
-	190,000	190,000	-	
-	-	-	94,137	
(22,020)	977,433	1,126,497	117,551	
243,339	(41,278)	2,733,480	719,120	
-	303,463	355,088	-	
-	-	(63,528)	-	
243,339	262,185	3,025,040	719,120	
285,280	10,971,843	66,319,073	5,915,515	
\$ 528,619	\$ 11,234,028	\$ 69,344,113	\$ 6,634,635	

Adjustment to reflect consolidation of Internal Service

Fund Activities	\$ 143,824
Changes in net position of enterprise funds	3,025,040
Changes in net position of business-type activities	\$ 3,168,864

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2012**

	Business Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Water	Sewer	Golf Course	Solid Waste Disposal	Non Major Enterprise Funds	Totals	
Cash flows from operating activities:							
Cash received from customers	\$ 7,713,211	\$ 8,216,366	\$ 1,165,598	\$ 2,925,105	\$ 2,065,029	\$ 22,085,309	\$ -
Cash payments to suppliers for goods and services	(2,624,078)	(2,830,069)	(593,153)	(2,656,790)	(863,623)	(9,567,713)	(6,999,143)
Cash payments to employees for services	(2,133,227)	(2,102,866)	(666,805)	-	(1,069,400)	(5,972,298)	(396,511)
Miscellaneous revenues	109,733	14,041	4,591	10,666	13,298	152,329	191,219
Miscellaneous expenses	-	-	(48,050)	-	(6,550)	(54,600)	-
Cash received from interfund services provided	-	-	-	-	-	-	8,169,190
Cash payments for interfund services used	(471,017)	(269,106)	(3,774)	-	(743,204)	(1,487,101)	(66,107)
Net cash provided (used) by operating activities	2,594,622	3,028,366	(141,593)	278,981	(604,450)	5,155,926	898,648
Cash flows from non-capital financing activities:							
Operating grants	214,101	-	-	-	924,663	1,138,764	-
Advances from other funds	-	-	403,000	-	(1,000)	402,000	-
Transfers-out to other funds	(31,764)	(31,764)	-	-	-	(63,528)	-
Income taxes received	-	-	-	-	190,000	190,000	-
Net cash provided (used) by non-capital financing activities	182,337	(31,764)	403,000	-	1,113,663	1,667,236	-
Cash flows from capital and related financing activities:							
Sale of capital assets	-	-	-	-	-	-	132,226
Purchase of capital assets	(2,293,413)	(407,775)	(43,762)	-	(1,453,578)	(4,198,528)	(630,017)
Interest expense and fiscal charges	(137,737)	(353,431)	(31,396)	(16,637)	(59,138)	(598,339)	-
Repayment of debt principal	(377,904)	(315,000)	(185,366)	(249,484)	(70,000)	(1,197,754)	-
Repayment of capital lease obligation	(403,872)	(403,872)	-	-	-	(807,744)	-
Capital contributions	20,125	31,500	-	-	303,463	355,088	-
Net cash used by capital and related financing activities	(3,192,801)	(1,448,578)	(260,524)	(266,121)	(1,279,253)	(6,447,277)	(497,791)
Cash flows from investing activities:							
Interest income	57,825	40,681	-	-	24,523	123,029	23,414
Net cash provided by investing activities	57,825	40,681	-	-	24,523	123,029	23,414
Net change in cash and cash equivalents	(358,017)	1,588,705	883	12,860	(745,517)	498,914	424,271
Cash and pooled investments, beginning of year	5,889,730	4,938,082	5,659	372,575	4,066,114	15,272,160	3,451,398
Cash and pooled investments, end of year	\$ 5,531,713	\$ 6,526,787	\$ 6,542	\$ 385,435	\$ 3,320,597	\$ 15,771,074	\$ 3,875,669

continued

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2012**

Business Type Activities - Enterprise Funds							Governmental Activities -
	Water	Sewer	Golf Course	Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 1,238,733	\$ 1,404,079	\$ (282,477)	\$ 265,359	\$ (1,018,711)	\$ 1,606,983	\$ 601,569
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	1,284,496	1,651,971	145,606	2,084	434,129	3,518,286	855,364
Changes in assets and liabilities:							
Decrease (increase) in accounts receivable (net)	(19,525)	(40,930)	-	2,197	1,496	(56,762)	14,001
Decrease (increase) in special assessment receivable (net)	-	14,041	-	-	-	14,041	-
Decrease (increase) in inventory of supplies	(30,939)	(4,308)	(20,239)	-	-	(55,486)	(63,715)
Decrease (increase) in due from other funds	-	-	-	-	-	-	(8,133)
Increase (decrease) in accounts payable	24,770	(25,184)	10,698	9,341	(30,984)	(11,359)	(446,261)
Increase (decrease) in accrued wages and benefits	21,298	16,136	6,521	-	11,902	55,857	(21,165)
Increase (decrease) in other accrued liabilities	(19,760)	(20,715)	(7,281)	-	(10,877)	(58,633)	(5,005)
Increase (decrease) in due to other funds	(23,224)	6,815	-	-	4,221	(12,188)	-
Increase (decrease) in compensated absences payable	47,089	25,656	5,539	-	4,216	82,500	(28,379)
Increase (decrease) in post employment benefits	1,227	805	40	-	158	2,230	372
Increase (decrease) in due to other governments	468	-	-	-	-	468	-
Increase (decrease) in due to individuals	69,989	-	-	-	-	69,989	-
Total adjustments	1,355,889	1,624,287	140,884	13,622	414,261	3,548,943	\$ 297,079
Net cash provided (used) by operating activities	\$ 2,594,622	\$ 3,028,366	\$ (141,593)	\$ 278,981	\$ (604,450)	\$ 5,155,926	\$ 898,648

CITY OF MIDDLETOWN, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2012

	Total Agency Funds
<hr/>	
Assets:	
Cash and equity in pooled cash, deposits and investments	\$ 155,957
Cash with fiscal and escrow agent	294,715
Total assets	<u>\$ 450,672</u>
Liabilities:	
Due to other governments	\$ 299,221
Due to individuals	89,253
Unapportioned monies	62,198
Total liabilities	<u>\$ 450,672</u>

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Middletown, Ohio, was incorporated as a City in 1837 under the laws of the State of Ohio. The City operates under a Council-Manager form of government and provides the following services as authorized by its Charter: Public Safety (police and fire), Economic Development and Planning, Public Works (maintenance and construction of public improvements, water and sewer service, and waste disposal), Community Revitalization (public transit system and golf course), Public Health Services, Municipal Court Services, and General Government Services. The financial statements of the City of Middletown, Ohio, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies used in the preparation of these financial statements are summarized below.

A. REPORTING ENTITY

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

Blended Component Unit

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

Discretely Presented Component Units

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

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

Related Organization

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Included within the reporting entity:

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

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net position 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 "Net investment in capital assets" 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 position is reported as restricted when constraints placed upon its use are either: 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restriction on their use. When both restricted and non-restricted resources are available for use, it is the City's policy to use non-restricted resources first, and then restricted resources, as they are needed.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. BASIS OF ACCOUNTING

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

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

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, 2012, whose availability is indeterminable and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue. Levied special assessments are measurable, and have been recorded as a receivable. Since all assessments are due outside the available period, the entire amount has been deferred.

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

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

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

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

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

D. CASH, DEPOSITS, AND INVESTMENTS

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

STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2012.

For purposes of the statements of cash flows, the City of Middletown considers the Proprietary Fund types equity in pooled cash, deposits, and investments to be highly liquid because those funds are able to withdraw (expend) cash at any time without prior notice or penalty.

**CITY OF MIDDLETOWN
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E. CASH WITH FISCAL AND ESCROW AGENT

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

F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

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

G. INVENTORY OF SUPPLIES

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

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

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NOTES TO FINANCIAL STATEMENTS
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I. CAPITALIZATION OF INTEREST

The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the construction project and the interest earned from the temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2012, interest costs incurred on construction projects were not material.

J. FUND BALANCES

Fund balance is divided into five classifications based primarily on the extent of which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The nonspendable fund balances include prepaid items, materials and supplies inventory, interfund loans and long-term receivables.

Restricted. The restricted fund balance classification includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (city resolutions).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed. The committed fund balance classification includes amounts that can be used only for specific purposes imposed by formal action (resolution) of City Council. Those committed amounts cannot be used for any other purposes unless Council amend and approve another resolution. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**CITY OF MIDDLETOWN
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Assigned. The assigned fund balance classification is intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other the General Fund, assigned amounts represent intended uses established by Council or a City Official delegated that authority by resolution or by State Statute.

Unassigned. The unassigned fund balance classification is intended for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned fund balance classification is used only to report a deficit balance resulting from overspending for specific purposes of which amounts had been restricted, committed or assigned.

The City applies restricted resources first when expenditures are incurred for the purpose for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balances, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used.

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 Municipal Court Fund, the Health Fund, the Police Pension Fund, the Fire Pension Fund, the General Obligation Debt Service Fund, the Transit Fund, the Municipal Airport, the Conservancy, and the Computer Replacement.

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

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

Transfers represent transfers of resources from a fund receiving revenue to a fund through which those resources will be expended. They are recorded as other financing sources (uses) in

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

INTERFUND TRANSFERS

Governmental Funds	Transfers In	Transfers Out
General Fund	\$0	\$99,000
Non Major Governmental Funds	162,528	0
Water Fund	0	31,764
Sewer Fund	0	31,764
Total	\$162,528	\$162,528

The City's non-major governmental funds received \$162,528 in 2012 for computer replacement depreciation charges.

L. INTERGOVERNMENTAL REVENUES

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

M. COMPENSATED ABSENCES

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

Accumulated Unpaid Vacation

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

Accumulated Unpaid Sick Leave

All City employees (except tour firefighters), earn sick leave at the rate of ten hours per calendar month of service. Tour 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-public safety employees with twenty-five years of service or greater are paid for one-half their accumulated unused sick leave up to a maximum of 464 hours. Employees who are eligible to retire, but do not have twenty-five years of service, are paid for one-third of their sick leave up to a maximum of 264 hours. All other employees who leave City employment receive payment for one-third of the accumulated sick leave over 280 hours up to a maximum of 264 hours.

Firefighters are paid for their accumulated sick leave upon retirement according to the IAFF labor contract with the City. The contract specifies a maximum accumulated sick leave retirement payment of 1,456 hours.

Police personnel, with the exception of police civilian employees, are paid for their accumulated sick leave upon retirement according to the FOP labor contract with the City. The contract

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specifies a maximum accumulated sick leave retirement of 532 hours. Police civilian employees are paid a maximum of 432 hours.

At December 31, 2012, the total liability of the City for compensated absences was \$5,738,389.

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 2012.

Appropriations

An appropriation measure to control expenditures is enacted before January 1 of each year for the period from January 1 to December 31. The appropriation resolution may be adjusted and/or supplemented during the year by action of City Council as new information becomes available, but fund appropriations may not exceed estimated resources. Supplemental appropriation measures enacted during 2012 increased the original 2012 Appropriation Resolution by \$2,729,128 for all budgeted funds. The majority of these supplemental appropriations are due to the following factors:

- \$946,418 for completion of construction at the Greentree Health Science Academy;
- \$597,000 for demolition of the Orman Building located at 500 Verity Parkway and \$75,000 for the immediate stabilization of the building;
- Additional \$630,000 for the Clean Ohio Assistance Fund (COAF) grant for remediation of the brownfield property at 1701 Reinartz known as the Miami Packaging building;

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- Additional \$325,000 to satisfy certain potential liabilities related to the operation of the sewer maintenance division;
- An additional \$148,330 for wages and benefits for six firefighter paramedics which will be reimbursed by a federal grant;
- \$250,000 for demolition process which will be refunded by the State's Moving Ohio Forward grant;
- \$134,530 for the school districts share of revenue received from property taxes in the tax increment financing districts;
- \$500,000 for unanticipated health benefit expenditures; and
- Deappropriation of \$925,000 from the Neighborhood Stabilization Fund for activities that could not be accomplished in 2012.

Budgeted Level of Expenditures

In Ohio, the legal level of control is the level at which the local government's legislative authority passes the appropriation measure with the minimum of appropriation measures classified separately for each office, department, division, and within each, the amount appropriated for personal services. City Council, Middletown's legislative authority, approved the 2012 budget which is classified by fund, department, division and/or program, and by major category of personnel and other. City Council may alter amounts allocated to various funds during the year as the need arises by adopting modifications to the appropriation measure. Amounts shown in the budgetary financial statements represent the final amounts appropriated for 2012, 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 schedules for funds that had outstanding encumbrances at December 31, 2011, reflect an "Appropriation for prior year encumbrances."

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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**NOTE 3 - CASH AND EQUITY IN POOLED CASH, DEPOSITS AND INVESTMENTS,
CASH WITH FISCAL AND ESCROW AGENT**

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

Cash deposits and investments of the City as of December 31, 2012, are comprised of the following:

Deposits	
Petty Cash	\$7,125
Demand deposit accounts	<u>\$6,800,849</u>
Subtotal deposits	\$6,807,974
Investments	
Money Market Funds	5,691,707
U.S. Government	26,374,348
STAR Ohio	<u>2,389,649</u>
Subtotal investments	<u>\$34,455,704</u>
Total	<u>\$41,263,678</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, 56% (\$3,097,863) of the City's bank balance of \$7,109,844 was covered by Federal Deposit Insurance Corporation (FDIC).

CITY OF MIDDLETOWN
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The City's investments at December 31, 2012 are summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity Years</u>
US Treasury Bills	\$ 4,249,023	0.27
US Treasury Notes	22,125,325	0.76
Star Ohio	2,389,649	n/a
US Money Market Funds	<u>5,691,707</u>	n/a
	\$ <u>34,455,704</u>	

Credit Risk

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

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

Custodial Credit Risk

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

Interest Rate Risk

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

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

The City is responsible for compliance with various sections of the Ohio Revised Code. Contrary to the requirements of Section 5705.36, the City's actual resources were less than estimated resources and appropriations were not adequately reduced resulting in deficit budgetary fund balances in the following funds:

Governmental Funds

- **East End Development Fund**

The \$76,917 deficit will be eliminated in 2013 with receipt of grant revenues for reimbursement of the Greentree Health Science Academy modifications. The variance for this fund was due to outstanding encumbrances at year end.

CITY OF MIDDLETOWN
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At December 31, 2012 (using the current financial resource measurement focus), the following funds had deficit fund balances:

Governmental Funds

- *Home Program* – (\$33,624)
- *Community Development* - (\$9,143)
- *Conservancy* – (\$90,592) -
- *Downtown Improvements* – (\$1,008,642)
- *Lefferson Road* – (\$100,000)
- *2011 Sidewalk, Curb and Gutter* – (\$154,359)
- *Employee Benefits Fund* – (\$294,987)

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property taxes, other than public utility taxes, are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at thirty-five per cent of appraised market value. All property is revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

The assessed value upon which the 2012 taxes were collected was \$714,738,620. The full tax rate for all City operations for the fiscal year ended December 31, 2012, was \$6.90 per \$1,000 of assessed valuation.

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

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

Property taxes receivable represents real and public utility taxes and outstanding delinquencies that are measurable as of December 31, 2012. 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 2012 operations. The receivable is therefore offset by a credit to deferred revenue.

NOTE 6 - INCOME TAX

The City levies an income tax of 1.75 percent on substantially all earned income arising from employment, residency, or business activities inside the City. This income tax rate includes the Public Safety income tax levy of .25% passed by the voters in November 2007 which became effective January 1, 2008 and was effective for a period of five years. This levy was renewed permanently in August 2012

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by the voters. 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, 2012 was as follows:

<i>GOVERNMENTAL ACTIVITIES</i>				
<i><u>Capital Asset</u></i>	<i><u>Beginning Balance</u></i>	<i><u>Increase</u></i>	<i><u>Decrease</u></i>	<i><u>Ending Balance</u></i>
Capital assets, not being depreciated:				
Land	\$13,235,202	\$0	\$(80,540)	\$13,154,662
Construction in progress	2,665,573	1,471,070	(2,252,253)	1,884,390
Total capital assets, not being depreciated	\$15,900,775	\$1,471,070	\$(2,332,793)	\$15,039,052
Capital assets, being depreciated:				
Land improvements	\$780,365	\$5,966	\$0	\$786,331
Buildings	30,120,095	0	(1,592,916)	28,527,179
Equipment	21,258,860	1,024,867	(554,419)	21,729,308
General infrastructure	174,979,229	7,170,066	0	182,149,295
Total capital assets, being depreciated	<u>227,138,549</u>	<u>8,200,899</u>	<u>(2,147,335)</u>	<u>233,192,113</u>
Totals at Historical Cost	\$243,039,324	\$9,671,969	\$(4,480,128)	\$248,231,165
Less accumulated depreciation:				
Land improvements	\$327,234	\$31,571	\$0	\$358,805
Buildings	15,569,685	819,553	(1,173,340)	15,215,898
Equipment	15,078,148	1,368,826	(516,330)	15,930,644
General infrastructure	<u>122,163,777</u>	<u>6,309,856</u>	<u>0</u>	<u>128,473,633</u>
Total depreciation	\$153,138,844	\$8,529,806	\$(1,689,670)	\$159,978,980
Capital Assets, Net	\$89,900,480	\$1,142,163	\$(2,790,458)	\$88,252,185

Depreciation was charged to governmental functions as follows:

Community environment	\$ 353,976
General Government	\$ 1,332,953
Leisure	\$ 197,691
Public health and welfare	\$ 17,321
Public safety	\$ 466,235
Streets and highways	<u>\$ 6,161,630</u>
Total	<u>\$ 8,529,806</u>

CITY OF MIDDLETOWN
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<i>BUSINESS-TYPE ACTIVITIES</i>				
<i><u>Capital Asset</u></i>	<i><u>Beginning Balance</u></i>	<i><u>Increase</u></i>	<i><u>Decrease</u></i>	<i><u>Ending Balance</u></i>
Capital assets, not being depreciated:				
Land	\$7,242,232	\$5,000	\$0	\$7,247,232
Construction in progress	1,863,478	2,474,232	(392,368)	3,945,342
Total capital assets, not being depreciated	\$9,105,710	\$2,479,232	\$(392,368)	\$11,192,574
Capital assets, being depreciated:				
Land improvements	\$2,841,142	\$9,357	\$0	\$2,850,499
Buildings	28,920,280	498,586	0	29,418,866
Equipment	19,831,574	315,398	(5,302)	20,141,670
General infrastructure	73,876,353	1,288,323	0	75,164,676
Total capital assets, being depreciated	<u>125,469,349</u>	<u>2,111,664</u>	<u>(5,302)</u>	<u>127,575,711</u>
Totals at Historical Cost	\$134,575,059	\$4,590,896	\$(397,670)	\$138,768,285
Less accumulated depreciation:				
Land improvements	\$2,160,757	\$148,528	\$0	\$2,309,285
Buildings	13,565,691	820,606	0	14,386,297
Equipment	14,247,700	1,353,766	(5,302)	15,596,164
General infrastructure	<u>36,684,680</u>	<u>1,195,386</u>	<u>0</u>	<u>37,880,066</u>
Total depreciation	66,658,828	3,518,286	(5,302)	70,171,812
Total capital assets, being depreciated, net	58,810,521	(1,406,622)	0	57,403,899
Capital Assets, Net	\$67,916,231	\$1,072,610	\$(392,368)	\$68,596,473

Depreciation was charged to governmental functions as follows:

Water	\$ 1,284,496
Sewer	\$ 1,651,971
Golf	\$ 145,606
Solid Waste	\$ 2,084
Non major funds	<u>\$ 434,129</u>
Total	<u>\$ 3,518,286</u>

NOTE 8 - PENSION PLANS

Eligible employees of the City of Middletown are covered by either the Ohio Public Employees Retirement System (OPERS) of Ohio or the Police and Fire Pension Fund (OP&F) of the State of Ohio.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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.
- 3) The Combined Plan (CO) – a cost sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than the Traditional Pension 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 Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2012, member and employer contributions were consistent across all three plans. While members in the state and local divisions may participate in all three plans, participating law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2012 member contribution rates were 10.0% of covered payroll for members in state and local classifications. The 2012 employer contribution rate for state and local employers was 14.0% of covered payroll.

The City of Middletown's contribution to OPERS for the years ending December 31, 2010, 2011, and 2012 were \$1,884,040, \$1,730,055, and \$1,652,518 respectively, equal to the required contributions billed to the City by OPERS.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

B. The Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. Middletown's contributions to OP&F for the years ending December 31, 2010, 2011, and 2012 were \$2,360,433, \$2,417,947, and \$2,447,176 respectively, or 100% of the required contributions.

Further post employment benefits are located in Note 15.

NOTE 9 - INCURRED BUT NOT REPORTED CLAIMS - HEALTH PLAN

The City of Middletown has a self-insured health plan that is accounted for in the Employee Benefits Fund. All full-time employees of the City are eligible to enroll in this plan which is administered by an independent Third Party Plan Administration Company. Claims incurred but not reported as of December 31, 2012, 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 \$545,768.

Year	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimate	Claims Payments	Balance At Fiscal Year End
2011	\$895,147	\$5,387,602	\$5,366,673	\$916,076
2012	\$916,076	\$5,076,916	\$5,447,224	\$545,768

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 10 - LONG TERM OBLIGATIONS

Long-term obligation of the City as of December 31, 2012 are as follows:

A. GOVERNMENTAL ACTIVITIES

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
1992 Street Improvements	2,000	0	2,000	0	0
1993 Street Improvements	14,000	0	7,000	7,000	7,000
1994 Street Improvements	15,000	0	5,000	10,000	5,000
1995-1 Street Improvements	45,000	0	10,000	35,000	10,000
1995-2 Street Improvements	31,000	0	7,000	24,000	8,000
1996 Street Improvements	75,000	0	15,000	60,000	15,000
1996 Sewer Imp.-Dick's Creek	54,468	0	9,078	45,390	9,078
1996 Sewer Imp.-Cin/Dayton Rd.	5,532	0	922	4,610	922
1997 Sophie Street Improvements	95,000	0	15,000	80,000	15,000
1997 Dix Road Improvements	80,000	0	10,000	70,000	10,000
1998 Lewis Street Improvements	35,000	0	5,000	30,000	5,000
1999 Marshall Road Improvements	235,000	0	25,000	210,000	25,000
2000 Burbank Street Improvements	110,000	0	10,000	100,000	10,000
2001 Illinois/Longfellow Improve.	132,947	0	10,853	122,094	10,853
2001 Dick's Creek	68,943	0	5,628	63,315	5,628
2001 Oxford State Rd Water Line	43,110	0	3,519	39,591	3,519
2001 Oxford State Rd Intersection	35,000	0	3,000	32,000	3,000
2004 Roosevelt Ave. Improvements	440,000	0	25,000	415,000	25,000
2006 Towne Blvd. Improvements	480,000	0	15,000	465,000	15,000
2007 Cincinnati Dayton Rd Sewer	127,000	0	6,000	121,000	6,000
2007 Fiesta Storm Sewer	3,343	0	600	2,743	700
2009 Sidewalk, Curb, & Gutter	30,000	0	5,000	25,000	5,000
2010 Sidewalk, Curb, & Gutter	321,191	0	61,191	260,000	65,000
Total Special Assessment Bonds	\$2,478,534	\$0	\$256,791	\$2,221,743	\$259,700

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Principal Due Within One Year	Interest Paid in 2012
<i>General Obligation Bonds:</i>						
2008 Transportation	\$567,938	\$0	\$283,062	\$284,876	\$284,877	\$17,038
2008 Recreation	96,560	0	48,126	48,434	48,435	2,897
2008 Street Improvements	713,324	0	134,634	578,690	136,996	22,150
2008 Downtown Improvements	5,687,536	0	636,425	5,051,111	652,536	195,408
2003 Court of Appeals	2,710,000	0	185,000	2,525,000	190,000	103,538
2005 MRH Land	3,815,000	0	255,000	3,560,000	260,000	161,511
2006 Towne Blvd/SR 122/I-75	625,000	0	35,000	590,000	35,000	25,845
2006 Towne Blvd. Extension	2,115,000	0	150,000	1,965,000	165,000	86,244
SR 122/I-75 Interchange	6,055,000	0	245,000	5,810,000	255,000	241,173
2010 Downtown Parking Flat Lot	915,000	0	85,000	830,000	85,000	22,888
2010 Greentree Health Science Academy	5,205,000	0	100,000	5,105,000	210,000	273,088
Premiums	130,314	0	18,278	112,036	0	0
Total General Obligation Bonds	\$28,635,672	\$0	\$2,175,525	\$26,460,147	\$2,322,844	\$1,151,780
Compensated Absences	\$4,879,389	2,508,625	2,160,260	5,227,754	1,994,968	0
Police & Fire Pension						
Unfunded Accrued Liability	\$2,163,601	0	97,741	2,065,860	97,741	0
OPEB Death Benefit Obligation	\$676,704	10,196	0	686,900	0	0
Total Governmental Activities	\$38,833,900	\$2,518,821	\$4,690,317	\$36,662,404	\$4,675,253	\$1,151,780

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

B. BUSINESS TYPE ACTIVITIES

	Principal Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Principal Due Within One Year	Interest Paid in 2012
<i>General Obligation Bonds:</i>						
2008 Landfill "A"	\$450,407	\$0	\$224,484	\$225,923	\$225,923	\$13,512
1994 Landfill "B"	50,000	0	25,000	25,000	25,000	3,125
2008 Water	450,093	0	224,328	225,765	225,765	13,503
2008 Golf Course	796,676	0	150,366	646,310	153,004	24,738
2008 Water	1,372,464	0	153,576	1,218,888	157,464	47,154
2003 Golf	265,000	0	35,000	230,000	35,000	12,455
2008 Airport	1,440,000	0	70,000	1,370,000	70,000	59,138
2008 Sewer	6,730,000	0	315,000	6,415,000	325,000	276,350
Premium	213,001	0	20,685	192,316	0	0
Total General Obligation Bonds Payable	\$11,767,641	\$0	\$1,218,439	\$10,549,202	\$1,217,157	\$449,975
Lease Obligation	4,511,870	0	807,744	3,704,126	837,976	152,503
Compensated Absences	428,135	375,342	292,842	510,635	232,651	0
OPEB Death Benefit Obligation	147,470	2,230	0	149,700	0	0
Total Business Type Activities	\$16,855,116	\$377,572	\$2,319,025	\$14,913,663	\$2,287,784	\$602,478

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 interest rate on this lease is 3.68%.

The City's legal debt margin was approximately \$53,539,000 at December 31, 2012. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2012 are as follows:

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

GOVERNMENTAL ACTIVITIES			
Police and Fire Pension Debt Schedule 12/31/12			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	52,217	45,524	97,741
2014	52,217	45,524	97,741
2015	52,217	45,524	97,741
2016	52,217	45,524	97,741
2017	52,217	45,524	97,741
2018-2022	261,085	227,620	\$488,705
2023-2027	261,085	227,620	\$488,705
2028-2032	261,085	227,620	\$488,705
2033-2034	59,366	51,674	\$111,040
Total	\$1,103,706	\$962,154	\$2,065,860

GOVERNMENTAL ACTIVITIES						
General Obligation and Assessment Bonds Schedule 12/31/12						
	General Obligation Bonds			Assessment Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	2,322,844	1,084,880	\$3,407,724	259,700	113,055	\$372,755
2014	2,058,424	1,012,448	\$3,070,872	258,643	100,035	\$358,678
2015	2,121,622	945,216	\$3,066,838	278,700	86,600	\$365,300
2016	2,193,152	871,635	\$3,064,787	255,700	72,835	\$328,535
2017	2,101,152	794,863	\$2,896,015	167,000	59,741	\$226,741
2018-2022	9,085,917	2,744,327	\$11,825,244	570,000	180,394	\$750,394
2023-2027	4,230,000	1,205,342	\$5,435,342	432,000	38,307	\$470,307
2028-2032	2,235,000	281,256	\$2,516,256	0	0	\$0
Total	\$26,348,111	\$8,939,967	\$35,283,078	\$2,221,743	\$650,967	\$2,872,710

BUSINESS TYPE ACTIVITIES			
General Obligation Bonds Schedule - 12/31/12			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$1,217,157	\$412,740	\$1,629,897
2014	761,576	374,906	\$1,136,482
2015	788,378	351,550	\$1,139,928
2016	811,848	325,360	\$1,137,208
2017	668,847	298,325	\$967,172
2018-2022	2,949,080	1,094,569	\$4,043,649
2023-2027	3,160,000	419,326	\$3,579,326
Total	\$10,356,886	\$3,276,776	\$13,633,662

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

BUSINESS TYPE ACTIVITIES			
Lease Obligation Schedule 12/31/12			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$837,976	\$122,272	\$960,247
2014	869,338	90,909	960,247
2015	901,875	58,372	960,247
2016	935,630	24,617	960,247
2017	159,308	733	160,041
Total	\$3,704,126	\$296,903	\$4,001,029

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 and Warren County Treasurer each year with the property owners' property tax payments. The collections are then sent to the City, which pays the principal and interest due. In the event of default, a lien is put on the property and it is eventually sold by the county at a tax sale. The City is then reimbursed for any special assessment bond payments it made. The City, therefore, does not maintain a reserve or sinking fund to meet its special assessment bond obligations.

The police and fire pension unfunded accrued liability represents the City's portion of the unfunded prior service cost of the fund which existed at the time the fund was established in 1967 as determined by actuarial evaluation. This accrued liability has and will continue to be paid over a term of sixty-seven years in annual installments which began in 1969 and which will end in 2034. The police and fire pension liability is paid through the police pension and fire pension Special Revenue Funds using unvoted general property tax revenue and income tax revenues.

NOTE 11 – DEFEASED DEBT

In 2008 the City defeased various bond issues by creating separate irrevocable trust funds. New debt had been issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's financial statements. As of December 31, 2012, the amount of defeased debt outstanding amounted to \$8,275,000.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 12 - SHORT-TERM OBLIGATIONS

There is one existing short-term obligation which was issued in 2011. A renewal of a \$2,056,916 general obligation note for land purchase bearing interest equal to the sum of the LIBOR rate for a One-Month LIBOR Period plus 2.0% per year was issued in January 2011. This note matures on March 31, 2013.

Issue	Balance, Beginning of Year	Additions	Note Retirement	Note Issue	Balance, End of Year
Land Purchase Note	\$2,056,916	\$0	\$2,056,916	\$2,056,916	\$2,056,916

NOTE 13 - INTERFUND RECEIVABLES AND PAYABLES

The City's interfund receivables and payables at the end of 2012 were comprised of operating advances from the General Fund to other operating funds (\$2,117,359); operating advances from the Housing Assistance Fund (\$50,000) to the Home Fund; and payments to the Municipal Garage Fund by the City operating funds for December 2012 services (\$282,103).

Inter-fund balances as of December 31, 2012 are as follows:

Fund	Receivables	Payables
Governmental Funds:		
General fund	\$2,117,359	\$95,340
Housing assistance	50,000	0
Non major government funds	0	609,293
Total governmental funds	2,167,359	704,633
Enterprise Funds:		
Water	0	20,285
Sewer	0	27,667
Golf	0	1,638,050
Non major business type activities	0	58,827
Total enterprise funds	0	1,744,829
Internal Service Funds		
Internal service funds	282,103	0
Total internal service funds	282,103	0
Total all funds	\$2,449,462	\$2,449,462

NOTE 14 - CONTINGENT LIABILITY

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 15 - POST EMPLOYMENT BENEFITS

PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

A. Plan Description

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

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

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

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

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.00% of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay of a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

C. City Contributions

The City's actual contributions that were used to fund postemployment benefits were \$472,124, \$494,276, and \$682,307 for 2012, 2011 and 2010.

D. OPERS Board of Trustees Adopts Changes to the Health Care Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate four percent of the employer contributions toward the health care fund after the end of the transition period.

OHIO POLICE AND FIRE PENSION FUND

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

A. Plan Description

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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B. Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

C. City Contributions

The City's contributions to OP&F that were used to pay for postemployment benefits for the years ending December 31, 2010, 2011, and 2012 were \$732,449, \$749,292 and \$761,574, respectively, which is 100% of the required contributions for each year.

Life Insurance Benefit

Other Postemployment Benefit Obligations

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

The City offers insurance (death benefits) coverage for their retirees with the exception of non-organized employees hired after January 1, 2010. These benefits are in addition to the normal PERS and OP&F OPEB benefits currently being received by employees and retirees. These benefits have been determined by the City to represent an OPEB obligation as described by GASB 45. Plan provisions and benefits are described as follows:

CITY OF MIDDLETOWN
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Type of Plan: Single-employer, defined benefit OPEB plan maintained by the City

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

Plan participants are not required to contribute to the plan. The required contribution rate for the City is 100% of the cost associated with paying the premiums to an insurance carrier to provide coverage for eligible plan participants.

	12/31/2010	12/31/2011	12/31/2012
Plan Assets	\$ -	\$ -	\$ -
Actuarial Unfunded Liability	\$ 815,230	\$ 824,174	\$ 836,600
Funded Ratio	0.00%	0.00%	0.00%
Annual Required Contribution (ARC)	\$ 74,278	\$ 75,092	\$ 76,200
Interest on Net OPEB Obligation	5,518	8,349	8,500
ARC Adjustment	(8,586)	(12,524)	(12,600)
Annual OPEB Cost	<u>71,210</u>	<u>70,917</u>	<u>72,100</u>
City Contributions Made	<u>24,031</u>	<u>48,275</u>	<u>55,237</u>
Change in Net OPEB Obligation	47,179	22,642	16,863
Net OPEB Obligation, Beginning of Year	<u>91,970</u>	<u>139,149</u>	<u>161,791</u>
Net OPEB Obligation, End of Year	<u><u>\$ 139,149</u></u>	<u><u>\$ 161,791</u></u>	<u><u>\$ 178,654</u></u>

Key actuarial results and contribution requirements are described as follows:

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

VALUATION ASSUMPTIONS

Mortality table	1983 Group Annuity Mortality Table (separate tables for males and females)
Withdrawal (termination) rates	0%
Discount rates (interest rate)	4.0% compounded annually
Inflation rate	3.0% compounded annually
Valuation assets	At this time, it is anticipated that life insurance company premiums will be paid when they become due for the retirees. No assets have been set aside by the City for any pre-funding.
Expense and/or contingency loading	None
Amortization method	18-year amortization of unfunded liability
Remaining amortization period	13 years as of December 31, 2012
Date of most recent actuarial valuation	January 1, 2012
Post-retirement benefit increases	None assumed

ACTUARIAL METHODS

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

The City’s OPEB plan does not issue a stand-alone financial report.

Further, as required by GASB 45, additional schedules, including a schedule of funding progress have been included and are presented as part of required supplementary information.

NOTE 16 - RISK MANAGEMENT

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

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2011, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2011 and 2010:

<u>Casualty & Property Coverage</u>	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net position - Unrestricted	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$12.1 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. At December 31, 2011, the government's share of these unpaid claims collectible in future years is approximately \$546,000.

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

2008	\$482,205
2009	\$537,813
2010	\$533,108
2011	\$586,979
2012	\$583,046

After one year of membership, a member may withdraw on each anniversary of the date joining PEP provided they provide written notice to PEP sixty days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 17 - SIGNIFICANT CONTRACTUAL OBLIGATIONS

As of December 31, 2012, 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
Barrett Paving Materials Inc.	Lefferson Road improvements	\$974,658
Demmy Sand & Gravel LLC	Yankee Road improvements	542,875
Kleingers & Associates Inc.	Oxford State Road improvements and sewer interceptor improvements	271,532
Ford Development Corporation	Hook Dr. force main & pump station	269,432
Skanksa USA Building	Greentree Health Science Academy	234,170
ATC Associates Inc.	Land assessment & environmental remediation	219,998
Ace Truck Body Equipment	Truck and equipment	176,614
Buter County Regional Transit	Shuttler service & after hours service	157,470
Building Crafts Inc.	Wastewater treatment plant equipment	118,670
Thyssenkrupp	Modernization & maintenance of elevators	<u>95,542</u>
	Total	<u>\$3,060,961</u>

NOTE 18 - RELATED ORGANIZATION

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

NOTE 19 – LOAN RECEIVABLE

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

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 20 – CONDUIT DEBT

The City of Middletown authorized the issuance of \$85,000,000 in hospital facilities revenue bonds in late November 2006. These bonds were used to finance the construction and the equipping of the new Atrium Medical Center. Atrium issued another debt series in 2007 for \$110,000,000. Atrium replaced the 2007 issue with a 2008 Bond series which totals \$111,000,000. In 2010, Atrium called \$1,850,000 of the 2008 debt and replaced the 2006 debt series with an \$85,000,000 issue. In 2011, Atrium called \$2,425,000 of the 2008 debt issue. In 2012, Atrium called \$2,475,000 of the 2008 debt issue. Atrium Medical Center will repay the remainder of the debt; the City of Middletown is not obligated for this debt.

City of Middletown conduit debt issues outstanding at December 31, 2012 include:

- \$9,945,000 demand revenue bonds issued on behalf of Fenwick High School in 2003,
- \$184,500,000 hospital facilities revenue bonds issued on behalf of Atrium Medical Center.

NOTE 21- JOINT ECONOMIC DEVELOPMENT DISTRICTS

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

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

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

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

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

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 22 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

For the year ended December 31, 2012, the City has implemented Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which was issued by the GASB in December 2010. The objective of this statement is to incorporate into GASB's authoritative literature certain accounting and financial reporting guidance that is included in Pre-November 30, 1989 FASBs and AICPA pronouncements. This statement supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds and Other Governmental Entities that use Proprietary Fund Accounting*. It is effective for financial statement periods beginning after December 15, 2011 and is included in this report.

For the year ended December 31, 2012, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is effective for financial statements for periods beginning after December 15, 2011 and is included in this report. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

NOTE 23 – FUND BALANCE

The fund balances for all governmental funds are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. The constraints placed on the fund balance for the major governmental funds and all other non-major governmental funds are presented as follows:

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Fund Balances	General Fund	Housing Assistance Fund	Special Assessment Debt Service Fund	Capital Improvements Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable						
Inventory of supplies	9,551				474,939	484,490
Interfund loans	2,117,359					2,117,359
Total Nonspendable	2,126,910	-	-	-	474,939	2,601,849
Restricted for						
Capital improvements				979,667	157,253	1,136,920
Debt service			209,638		-	209,638
Purposes allowed by TIF agreement					1,077,004	1,077,004
Housing assistance		1,817,845				1,817,845
Recreation					92,293	92,293
Community Development					2,706,109	2,706,109
Public health					82,044	82,044
Public safety	612,365				1,343,773	1,956,138
Roads					1,488,441	1,488,441
Total Restricted	612,365	1,817,845	209,638	979,667	6,946,917	10,566,432
Committed						
Capital improvements					670,368	670,368
Retirement benefits	491,848					491,848
Debt service					116,223	116,223
Purchase of capital assets					1,917,268	1,917,268
Total Committed	491,848	-	-	-	2,703,859	3,195,707
Assigned						
Other purposes	352,480					352,480
Total Assigned	352,480	-	-	-	-	352,480
Unassigned (deficit)	7,440,800				(1,396,360)	6,044,440
Total Fund Balances	\$ 11,024,403	\$1,817,845	\$ 209,638	\$ 979,667	\$ 8,729,355	\$ 22,760,908

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 2,703,386	\$ 2,703,386	\$ 2,660,424	\$ (42,962)
Municipal income taxes	13,919,285	13,919,285	13,335,017	(584,268)
Intergovernmental revenue	2,854,928	2,854,928	2,425,839	(429,089)
Charges for services	4,492,950	4,492,950	4,350,245	(142,705)
Fees, licenses, and permits	188,410	188,410	296,201	107,791
Fines and forfeits	209,393	209,393	210,958	1,565
Interest earnings	109,400	109,400	97,345	(12,055)
Miscellaneous	1,311,925	1,311,925	1,217,824	(94,101)
Total revenues	25,789,677	25,789,677	24,593,853	(1,195,824)
Expenditures:				
Current				
Community Environment				
Community revitalization administration				
Personal services	176,749	176,749	173,446	3,303
Other	12,500	62,500	15,762	46,738
Neighborhood improvement				
Personal services	48,861	48,861	48,342	519
Other	11,514	11,514	11,318	196
Community development				
Personal services	419,862	419,862	418,653	1,209
Street lighting				
Other	761,559	759,500	699,847	59,653
Total community environment	1,431,045	1,478,986	1,367,368	111,618
Leisure Activities				
Community center				
Personal services	120,986	120,986	115,965	5,021
Other	87,035	87,035	57,358	29,677
Parks maintenance				
Personal services	424,260	424,260	418,923	5,337
Other	345,874	345,910	281,977	63,933
Total leisure activities	978,155	978,191	874,223	103,968

continued

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Public Safety				
Fire administration				
Personal services	199,390	199,390	192,790	6,600
Other	11,069	11,069	6,193	4,876
Fire operations				
Personal services	6,204,533	6,332,196	6,131,432	200,764
Other	1,048,770	1,066,203	912,380	153,823
Fire prevention/training				
Personal services	217,876	217,876	199,533	18,343
Other	7,535	7,535	2,711	4,824
Police administration				
Personal services	245,229	245,229	238,895	6,334
Other	96,913	96,913	84,394	12,519
Criminal investigation				
Personal services	1,487,349	1,487,349	1,417,736	69,613
Other	20,000	20,000	19,246	754
Uniform patrol				
Personal services	5,495,501	5,495,501	5,318,032	177,469
Other	885,299	889,511	852,904	36,607
Police services				
Personal services	323,607	323,607	318,329	5,278
Other	12,041	12,041	10,544	1,497
Police and fire dispatch				
Personal services	1,047,580	1,047,580	1,035,434	12,146
Other	71,500	71,500	69,156	2,344
Humane officer				
Other	2,322	-	-	-
Jail management				
Personal services	895,211	888,711	836,825	51,886
Other	315,155	321,472	304,285	17,187
School crossing guards				
Personal services	17,000	17,000	-	17,000
Building inspection and services				
Personal services	185,218	185,218	182,635	2,583
Other	83,337	83,337	78,696	4,641
Building maintenance				
Personal services	199,715	199,715	195,975	3,740
Other	210,880	208,325	209,414	(1,089)
Total public safety	19,283,030	19,427,278	18,617,539	809,739

continued

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Actual	Variance From Final Budget
General Government				
City council				
Personal services	162,527	162,527	162,475	52
Other	62,072	62,072	47,982	14,090
City manager				
Personal services	219,689	219,689	219,110	579
Other	15,483	15,477	15,072	405
Finance administration				
Personal services	201,460	202,910	202,864	46
Other	40,725	39,275	36,752	2,523
Treasurer				
Personal services	184,101	184,101	181,308	2,793
Other	16,167	16,167	7,892	8,275
Information systems				
Personal services	488,741	488,741	483,516	5,225
Other	100,330	100,330	67,252	33,078
Personnel				
Personal services	78,854	83,397	28,098	55,299
Other	350,827	359,900	282,113	77,787
Law				
Personal services	372,542	372,542	359,954	12,588
Other	66,644	65,885	65,072	813
Purchasing				
Personal services	58,539	58,539	55,413	3,126
Other	2,749	2,749	1,668	1,081
Planning				
Personal services	266,490	267,290	265,972	1,318
Other	62,112	61,312	56,472	4,840
Economic development				
Personal services	227,048	167,048	145,100	21,948
Other	64,206	118,469	110,465	8,004
Engineering				
Personal services	562,206	567,206	564,950	2,256
Other	101,506	96,506	76,951	19,555
Total general government	3,705,018	3,712,132	3,436,451	275,681

continued

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Miscellaneous				
Non-departmental				
Personal services	22,338	22,338	22,187	151
Other	1,538,146	1,618,146	1,435,940	182,206
Total miscellaneous	1,560,484	1,640,484	1,458,127	182,357
Total expenditures	26,957,732	27,237,071	25,753,708	1,483,363
Excess of revenues over (under) expenditures	(1,168,055)	(1,447,394)	(1,159,855)	287,539
Other financing sources (uses)				
Loans to other funds	-	-	(271,359)	(271,359)
Transfers-out	(99,000)	(99,000)	(99,000)	-
Other uses	-	-	(2,409)	(2,409)
Total other financing sources (uses)	(99,000)	(99,000)	(372,768)	(273,768)
Net change in fund balance	(1,267,055)	(1,546,394)	(1,532,623)	13,771
Fund balance, beginning of year, Restated	8,461,670	8,461,670	8,461,670	-
Appropriation for prior year encumbrances	449,597	449,597	449,597	-
Fund balance, end of the year	\$ 7,644,212	\$ 7,364,873	\$ 7,378,644	\$ 13,771

Restated Note: Prior year fund balance included Income Tax and Termination Pay Funds which are reported separately in 2012.

See notes to the required supplementary informaton.

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
HOUSING ASSISTANCE FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 11,499,039	\$ 11,499,039	\$ 9,961,572	\$ (1,537,467)
Interest earnings	3,761	3,761	164	(3,597)
Miscellaneous	70,000	70,000	96,612	26,612
Total revenues	11,572,800	11,572,800	10,058,348	(1,514,452)
Expenditures:				
Current				
Community Environment				
Other	11,576,039	11,576,039	10,113,562	1,462,477
Total expenditures	11,576,039	11,576,039	10,113,562	1,462,477
Excess of revenues over (under) expenditures	(3,239)	(3,239)	(55,214)	(51,975)
Other financing sources (uses):				
Other uses	-	-	(57,786)	(57,786)
Total other financing sources (uses)	-	-	(57,786)	(57,786)
Net change in fund balance	(3,239)	(3,239)	(113,000)	(109,761)
Fund balance, beginning of the year	1,622,200	1,622,200	1,622,200	-
Fund balance, end of the year	\$ 1,618,961	\$ 1,618,961	\$ 1,509,200	\$ (109,761)

See notes to the required supplementary informaton.

**CITY OF MIDDLETOWN
REQUIRED SUPPLEMENTARY INFORMATION
GASB 45 SCHEDULES
DECEMBER 31, 2012**

LIFE INSURANCE PLAN FOR RETIREES

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)	Funded Ratio (2)/(3)
1	2	3	4	5
January 1, 2010	\$0	\$779,746	\$779,746	0%
January 1, 2011	\$0	\$815,230	\$815,230	0%
January 1, 2012	\$0	\$824,174	\$824,174	0%

Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Premiums Paid	Percentage Contributed
1	2	3	4=3/2 x 100%
2010	\$74,278	\$24,031	32.35%
2011	\$75,092	\$48,275	64.29%
2012	\$76,200	\$55,237	72.49%

Net Other Postemployment Benefit (OPEB) Balance

Valuation Date	ARC	Interest on Net OPEB Obligation	ARC Adjustment (UAAL) (3)-(2)	Annual OPEB Cost	Contribution	Change in Net OPEB Obligation	Net OPEB Obligation Balance
1	2	3	4	5	6	7	8
January 1, 2010	\$74,278	5,518	(8,586)	71,210	\$24,031	\$47,179	\$139,149
January 1, 2011	\$75,092	8,349	(12,524)	70,917	\$48,275	\$22,642	\$161,791
January 1, 2012	\$76,200	8,500	(12,600)	72,100	\$55,237	\$16,863	\$178,654

See notes to the required supplementary information.

CITY OF MIDDLETOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2012

NOTE 1 - BUDGETARY ACCOUNTING

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

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

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

	General Fund	Housing Assistance
GAAP basis (as reported)	(\$811,282)	\$27,720
Advances	(271,359)	0
Revenue and other source accruals	(290,080)	(1,909)
Expenditures and other use accruals	149,685	(138,811)
Other	211,625	0
Encumbrances	(521,212)	0
Budget basis	(\$1,532,623)	(\$113,000)

NOTE 2 - LIFE INSURANCE BENEFITS

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

Valuation Date	January 1, 2012
Actuarial Cost Method	Single Premium Fully Paid Up Life Insurance Method
Amortization Method	18-year amortization payment of unfunded
Remaining Amortization Period	14 years
Asset Valuation Method	Insurance company premium paid when due. No pre-funding.
Actuarial Assumptions:	
Mortality Table	IRS Combined Static Mortality Projected to 2013 (Separate tables for males and females)
Discount Rate (Interest Rate)	4.0% per annum, compounded annually
Inflation Rate	3.0% per annum, compounded annually
Post Retirement Benefit Increases	None Assumed

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2012**

SPECIAL REVENUE FUNDS:

Special Revenue Funds account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted or committed 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 or other revenues specifically designated for the Division of Fire. Fire capital needs are paid for by this fund

URBAN DEVELOPMENT ACTION GRANT (UDAG) FUND

To account for the Urban Development Action Grant loans.

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.

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.

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2012**

Non Major Special Revenue Funds continued:

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 INDIGENT DRIVERS INTERLOCK AND ALCOHOL MONITORING FUND

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

COURT SPECIAL PROJECTS FUND

To accumulate funds for projects designated by the Municipal Court.

POOL FUND

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

HOME PROGRAM FUND

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

COMMUNITY DEVELOPMENT FUND

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

COMMUNITY DEVELOPMENT ESCROW FUND

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

POLICE PENSION FUND

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

FIRE PENSION FUND

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

NEIGHBORHOOD STABILIZATION PROGRAM FUND

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

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2012**

Non Major Special Revenue Funds continued:

AMERICAN RECOVERY & REINVESTMENT ACT (ARRA) GRANT FUND

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

CONSERVANCY DISTRICT FUND

To account for assessments from property owners for a regional flood protection system which is currently managed by the Miami Conservancy District.

INCOME TAX FUND

To account for the Taxation Division's activities which collect Middletown's local income tax. This fund is included with the General Fund for GAAP reporting but has a separate legally adopted budget.

TERMINATION PAY FUND

To account for the expenditures resulting from the retirement or resignation of City employees. This fund is included with the General Fund for GAAP reporting but has a separate legally adopted budget.

NUISANCE ABATEMENT FUND

To account for reimbursements from property owners who are assessed charges for remediation of property code violations.

SENIOR SERVICES FUND

To account for levy receipts of the Senior Services Levy. (No legal budget was adopted for this fund in 2012.)

DEBT SERVICE FUNDS:

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

Non Major Debt Service Funds:

GENERAL OBLIGATION DEBT SERVICE FUND

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

EAST END/TOWNE BOULEVARD TAX INCREMENT FINANCING DISTRICT FUND

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

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2012**

Non Major Debt Service Funds continued:

DOWNTOWN TAX INCREMENT FINANCING DISTRICT FUND

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

AERONCA TAX INCREMENT FINANCING DISTRICT FUND

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

AIRPORT/RIVERFRONT TAX INCREMENT FINANCING DISTRICT FUND

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

MILLER ROAD NORTH TAX INCREMENT FINANCING DISTRICT FUND

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

TOWNE MALL/HOSPITAL TAX INCREMENT FINANCING DISTRICT FUND

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

RENAISSANCE NORTH TAX INCREMENT FINANCING DISTRICT FUND

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

RENAISSANCE SOUTH TAX INCREMENT FINANCING DISTRICT FUND

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

MANCHESTER ROAD TAX INCREMENT FINANCING DISTRICT FUND

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

MADE INDUSTRIAL PARK TAX INCREMENT FINANCING DISTRICT FUND

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

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2012**

CAPITAL PROJECT FUNDS:

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

Non Major Capital Project Funds:

EAST END DEVELOPMENT FUND

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

DOWNTOWN IMPROVEMENTS FUND

To account for 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.

2011 SIDEWALK, CURB AND GUTTER FUND

To accumulate costs for the 2011 sidewalk project for repairs and/or replacement of curb and sidewalk in designated areas. Property owners will be assessed for this project.

2010 LEFFERSON ROAD SEWER SPECIAL ASSESSMENT FUND

To accumulate costs for this improvement program for repairs and/or replacement of curb and sanitary sewer lines. Property owners will be partially assessed for this project.

MAIN STREET SPECIAL ASSESSMENT FUND

To accumulate costs for the Main Street light, sidewalk, curbs and gutter project. Property owners will be partially assessed for this project.

JEANNETTE AND TRINE STREET SPECIAL ASSESSMENT FUND

To accumulate costs for the Jeannette and Trine Street improvement project. Property owners will be partially assessed for this project.

SEWER CONNECTION SPECIAL ASSESSMENT FUND

To accumulate costs for the sewer connection project for designated properties which will be assessed to the property owners.



**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 4,489,159	\$ 1,193,227	\$ 3,664,518	\$ 9,346,904
Receivables (net of allowance for uncollectibles):				
Property taxes	1,235,756	-	-	1,235,756
Accounts	174,727	-	400,078	574,805
Loans	1,272,132	-	-	1,272,132
Special assessments	288,637	-	-	288,637
Payment in lieu of taxes	-	574,000	-	574,000
Due from other governments	2,442,898	9,866	-	2,452,764
Inventory of supplies	506,428	-	-	506,428
Total assets	\$ 10,409,737	\$ 1,777,093	\$ 4,064,596	\$ 16,251,426
Liabilities:				
Accounts payable	\$ 119,696	\$ -	\$ 54,188	\$ 173,884
Accrued wages and benefits	68,371	-	-	68,371
Other accrued liabilities	21,237	-	-	21,237
Due to other funds	329,934	-	279,359	609,293
Due to other governments	123,349	-	-	123,349
Notes payable	-	-	2,056,916	2,056,916
Deferred revenue	3,692,910	583,866	192,245	4,469,021
Total liabilities	4,355,497	583,866	2,582,708	7,522,071
Fund balances:				
Nonspendable	474,939	-	-	474,939
Restricted	5,712,660	1,077,004	157,253	6,946,917
Committed	-	116,223	2,587,636	2,703,859
Unassigned	(133,359)	-	(1,263,001)	(1,396,360)
Total fund balances	6,054,240	1,193,227	1,481,888	8,729,355
Total liabilities and fund balances	\$ 10,409,737	\$ 1,777,093	\$ 4,064,596	\$ 16,251,426

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
Revenues:				
Property taxes	\$ 466,541	\$ -	\$ -	\$ 466,541
Municipal income taxes	2,877,200	2,429,512	8,000	5,314,712
Other taxes	-	1,245,443	-	1,245,443
Intergovernmental revenues	3,931,611	373,087	677,318	4,982,016
Charges for services	200,620	-	-	200,620
Fines and forfeits	1,714,344	-	-	1,714,344
Special assessments	208,034	-	63,044	271,078
Investment income	16,685	-	20,648	37,333
Miscellaneous	478,742	288,538	366,511	1,133,791
Total revenues	9,893,777	4,336,580	1,135,521	15,365,878
Expenditures:				
Current				
Public safety	6,004,636	-	-	6,004,636
Public health and welfare	585,544	-	-	585,544
Community environment	1,453,139	-	947,733	2,400,872
Highways and streets	2,426,629	-	-	2,426,629
General government	-	-	143,957	143,957
Miscellaneous	528,926	694,048	551	1,223,525
Debt service				
Principal retirement	-	2,218,437	-	2,218,437
Interest and fiscal charges	-	1,169,073	46,619	1,215,692
Total expenditures	10,998,874	4,081,558	1,138,860	16,219,292
Excess of revenues over (under) expenditures	(1,105,097)	255,022	(3,339)	(853,414)
Other financing sources (uses):				
Transfers-in	-	-	162,528	162,528
Total other financing sources (uses)	-	-	162,528	162,528
Net change in fund balances	(1,105,097)	255,022	159,189	(690,886)
Fund balance, beginning of year	7,159,337	938,205	1,322,699	9,420,241
Fund balance, end of the year	\$ 6,054,240	\$ 1,193,227	\$ 1,481,888	\$ 8,729,355

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012**

	Auto & Gas Tax	Acquisition for Parks	Health Fund	Emergency Medical Services	Urban Development Action Grant	Court Computer- ization
Assets:						
Cash and equity in pooled cash, deposits and investments	\$ 1,355,283	\$ 74,347	\$ 134,999	\$ 56,110	\$ 200,072	\$ 8,770
Receivables (net of allowance for uncollectibles):						
Property taxes	-	-	-	-	-	-
Accounts	6,782	-	-	-	-	4,775
Loans	-	-	-	-	181,863	-
Special assessments	-	-	-	-	-	-
Due from other governments	1,125,922	-	9,096	-	-	-
Inventory of supplies	385,538	-	-	-	-	-
Total assets	\$ 2,873,525	\$ 74,347	\$ 144,095	\$ 56,110	\$ 381,935	\$ 13,545
Liabilities:						
Accounts payable	\$ 35,044	\$ -	\$ 21,807	\$ -	\$ -	\$ 5,041
Accrued wages and benefits	38,262	-	9,103	-	-	-
Other accrued liabilities	-	-	21,237	-	-	-
Due to other funds	74,699	-	808	-	-	-
Due to other governments	-	-	-	-	-	-
Deferred revenue	851,541	-	9,096	-	-	-
Total liabilities	999,546	-	62,051	-	-	5,041
Fund balances:						
Nonspendable	385,538	-	-	-	-	-
Restricted	1,488,441	74,347	82,044	56,110	381,935	8,504
Unassigned	-	-	-	-	-	-
Total fund balances	1,873,979	74,347	82,044	56,110	381,935	8,504
Total liabilities and fund balances	\$ 2,873,525	\$ 74,347	\$ 144,095	\$ 56,110	\$ 381,935	\$ 13,545

	Law Enforcement Trust	Mandatory Drug Fine	Probation Services	Indigent Driver Alcohol Treatment	Enforce- ment Education	Civic Develop- ment	Municipal Court
\$	14,875	\$ 339,526	\$ 252,645	\$ 22,598	\$ 47,863	\$ 175,770	\$ 168,632
	-	-	-	-	-	-	-
	-	-	8,624	-	-	44,936	99,746
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
\$	14,875	\$ 339,526	\$ 261,269	\$ 22,598	\$ 47,863	\$ 220,706	\$ 268,378
\$	-	\$ -	\$ -	\$ -	\$ -	\$ 5,317	\$ 6,387
	-	-	1,108	-	32	-	19,555
	-	-	-	-	-	-	-
	420	-	-	-	-	-	3,213
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	420	-	1,108	-	32	5,317	29,155
	-	-	-	-	-	-	-
	14,455	339,526	260,161	22,598	47,831	215,389	239,223
	-	-	-	-	-	-	-
	14,455	339,526	260,161	22,598	47,831	215,389	239,223
\$	14,875	\$ 339,526	\$ 261,269	\$ 22,598	\$ 47,863	\$ 220,706	\$ 268,378

(continued)

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012**

	Police Grant	Court IDIAM	Court Special Projects	Pool Fund	Home Program	Community Develop- ment	Community Development Escrow
Assets:							
Cash and equity in pooled cash, deposits and investments	\$ 162,652	\$ 20,695	\$ 80,290	\$ 17,946	\$ 31,158	\$ 116,172	\$ 810,025
Receivables (net of allowance for uncollectibles):							
Property taxes	-	-	-	-	-	-	-
Accounts	-	-	9,864	-	-	-	-
Loans	-	-	-	-	-	-	1,090,269
Special assessments	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	224,578	681,514	-
Inventory of supplies	-	-	-	-	-	-	-
Total assets	\$ 162,652	\$ 20,695	\$ 90,154	\$ 17,946	\$ 255,736	\$ 797,686	\$ 1,900,294
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 6,797	\$ -	\$ 14,782	\$ 24,521	\$ -
Accrued wages and benefits	311	-	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	50,000	100,794	-
Due to other governments	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	224,578	681,514	-
Total liabilities	311	-	6,797	-	289,360	806,829	-
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	162,341	20,695	83,357	17,946	-	-	1,900,294
Unassigned	-	-	-	-	(33,624)	(9,143)	-
Total fund balances	162,341	20,695	83,357	17,946	(33,624)	(9,143)	1,900,294
Total liabilities and fund balances	\$ 162,652	\$ 20,695	\$ 90,154	\$ 17,946	\$ 255,736	\$ 797,686	\$ 1,900,294

Police Pension	Fire Pension	Neighborhood Stabilization Program	ARRA Act Grant	Conservancy District	Nuisance Abatement	Senior Services	Totals		
\$ 88,787	\$ 185	\$ 68,511	\$ 319	\$ 32,757	\$ 208,172	\$ -	\$	4,489,159	
222,076	222,076	-	-	96,954	-	694,650		1,235,756	
-	-	-	-	-	-	-		174,727	
-	-	-	-	-	-	-		1,272,132	
-	-	-	-	-	288,637	-		288,637	
12,628	12,628	370,598	-	5,934	-	-		2,442,898	
-	-	120,890	-	-	-	-		506,428	
\$ 323,491	\$ 234,889	\$ 559,999	\$ 319	\$ 135,645	\$ 496,809	\$ 694,650	\$	10,409,737	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$	119,696	
-	-	-	-	-	-	-		68,371	
-	-	-	-	-	-	-		21,237	
-	-	100,000	-	-	-	-		329,934	
-	-	-	-	123,349	-	-		123,349	
234,704	234,704	370,598	-	102,888	288,637	694,650		3,692,910	
234,704	234,704	470,598	-	226,237	288,637	694,650		4,355,497	
-	-	89,401	-	-	-	-		474,939	
88,787	185	-	319	-	208,172	-		5,712,660	
-	-	-	-	(90,592)	-	-		(133,359)	
88,787	185	89,401	319	(90,592)	208,172	-		6,054,240	
\$ 323,491	\$ 234,889	\$ 559,999	\$ 319	\$ 135,645	\$ 496,809	\$ 694,650	\$	10,409,737	

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, 2012

	Auto & Gas Tax	Acquisition for Parks	Health Fund	Emergency Medical Services	Urban Development Action Grant	Court Computer- ization
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	400,000	-	115,000	-	-	-
Intergovernmental revenues	2,398,857	-	268,849	-	-	-
Charges for services	-	-	200,620	-	-	-
Fines and forfeits	-	-	-	-	-	66,512
Special assessments	-	-	-	-	-	-
Interest earnings	9,614	-	-	-	2,552	-
Miscellaneous	201,193	-	12,731	-	-	-
Total revenues	3,009,664	-	597,200	-	2,552	66,512
Expenditures:						
Current						
Public safety	595,304	-	-	-	-	156,441
Public health and welfare	-	-	577,654	7,890	-	-
Community environment	-	-	-	-	1,700	-
Highways and streets	2,426,629	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	3,021,933	-	577,654	7,890	1,700	156,441
Net change in fund balances	(12,269)	-	19,546	(7,890)	852	(89,929)
Fund balance, beginning of year	1,886,248	74,347	62,498	64,000	381,083	98,433
Fund balance, end of the year	\$ 1,873,979	\$ 74,347	\$ 82,044	\$ 56,110	\$ 381,935	\$ 8,504

Law Enforcement Trust	Mandatory Drug Fine	Probation Services	Indigent Driver Alcohol Treatment	Enforce- ment Education	Civic Develop- ment	Municipal Court
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	300,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	131,427	106,059	18,508	11,258	-	1,233,426
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	19,520	-	-	470	207,912	13,151
-	150,947	106,059	18,508	11,728	207,912	1,546,577
20,851	93,799	139,148	23,119	3,672	-	1,741,272
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	243,308	-
20,851	93,799	139,148	23,119	3,672	243,308	1,741,272
(20,851)	57,148	(33,089)	(4,611)	8,056	(35,396)	(194,695)
35,306	282,378	293,250	27,209	39,775	250,785	433,918
\$ 14,455	\$ 339,526	\$ 260,161	\$ 22,598	\$ 47,831	\$ 215,389	\$ 239,223

(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, 2012

	Police Grant	Court IDIAM	Court Special Projects	Pool Fund	Home Program	Community Development	Community Development Escrow
Revenues:							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	-	-	-	-	-	-	-
Intergovernmental revenues	60,780	-	-	-	249,725	625,230	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	5,871	136,858	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Interest earnings	1,126	-	-	-	-	101	3,292
Miscellaneous	6,245	-	-	-	-	17,520	-
Total revenues	68,151	5,871	136,858	-	249,725	642,851	3,292
Expenditures:							
Current							
Public safety	80,387	-	611,225	-	-	-	-
Public health and welfare	-	-	-	-	-	-	-
Community environment	-	-	-	-	258,296	625,987	-
Highways and streets	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	278,074
Total expenditures	80,387	-	611,225	-	258,296	625,987	278,074
Net change in fund balances	(12,236)	5,871	(474,367)	-	(8,571)	16,864	(274,782)
Fund balance, beginning of year	174,577	14,824	557,724	17,946	(25,053)	(26,007)	2,175,076
Fund balance, end of the year	\$ 162,341	\$ 20,695	\$ 83,357	\$ 17,946	\$ (33,624)	\$ (9,143)	\$ 1,900,294

Police Pension	Fire Pension	Neighborhood Stabilization Program	ARRA Act Grant	Conservancy District	Nuisance Abatement	Senior Services	Totals
\$ 191,738	\$ 191,738	\$ -	\$ -	\$ 83,065	\$ -	\$ -	\$ 466,541
1,000,000	1,027,000	-	-	35,200	-	-	2,877,200
60,308	60,307	178,166	-	29,389	-	-	3,931,611
-	-	-	-	-	-	-	200,620
-	-	-	-	-	4,425	-	1,714,344
-	-	-	-	-	208,034	-	208,034
-	-	-	-	-	-	-	16,685
-	-	-	-	-	-	-	478,742
1,252,046	1,279,045	178,166	-	147,654	212,459	-	9,893,777
1,189,101	1,350,317	-	-	-	-	-	6,004,636
-	-	-	-	-	-	-	585,544
-	-	248,822	-	125,235	193,099	-	1,453,139
-	-	-	-	-	-	-	2,426,629
3,772	3,772	-	-	-	-	-	528,926
1,192,873	1,354,089	248,822	-	125,235	193,099	-	10,998,874
59,173	(75,044)	(70,656)	-	22,419	19,360	-	(1,105,097)
29,614	75,229	160,057	319	(113,011)	188,812	-	7,159,337
\$ 88,787	\$ 185	\$ 89,401	\$ 319	\$ (90,592)	\$ 208,172	\$ -	\$ 6,054,240

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 400,000	\$ 400,000	\$ 400,000	\$ -
Intergovernmental revenue	2,362,434	2,362,434	2,316,501	(45,933)
Interest earnings	10,046	10,046	9,615	(431)
Rentals and leases	-	-	300	300
Miscellaneous	99,797	99,797	194,111	94,314
Total revenues	2,872,277	2,872,277	2,920,527	48,250
Expenditures:				
Current				
Public safety:				
Electronic Maintenance				
Personal Services	259,533	259,533	239,901	19,632
Other	486,889	485,721	430,185	55,536
Total public safety	746,422	745,254	670,086	75,168
Highways and streets:				
Street Maintenance				
Personal Services	818,668	818,668	705,048	113,620
Other	1,362,272	1,362,273	1,117,672	244,601
Grounds Maintenance				
Personal Services	231,948	237,048	235,224	1,824
Other	311,477	305,227	281,898	23,329
Total highways and streets	2,724,365	2,723,216	2,339,842	383,374
Total expenditures	3,470,787	3,468,470	3,009,928	458,542
Net change in fund balance	(598,510)	(596,193)	(89,401)	506,792
Fund balance, beginning of the year	1,142,961	1,142,961	1,142,961	-
Appropriation for prior year encumbrances	153,040	153,040	153,040	-
Fund balance, end of the year	\$ 697,491	\$ 699,808	\$ 1,206,600	\$ 506,792

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Charges for services	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Total revenues	6,000	6,000	-	(6,000)
Expenditures:				
Current				
Leisure activities				
Other	80,000	80,000	-	80,000
Total expenditures	80,000	80,000	-	80,000
Net change in fund balance	(74,000)	(74,000)	-	74,000
Fund balance, beginning of the year	74,347	74,347	74,347	-
Fund balance, end of the year	\$ 347	\$ 347	\$ 74,347	\$ 74,000

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
HEALTH FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 115,000	\$ 115,000	\$ 115,000	\$ -
Intergovernmental revenue	318,220	318,220	269,540	(48,680)
Charges for services	180,926	180,926	202,303	21,377
Miscellaneous	50,000	50,000	13,107	(36,893)
Total revenues	664,146	664,146	599,950	(64,196)
Expenditures:				
Current				
Public health and welfare:				
Health State Subsidy				
Personal services	8,460	8,460	8,460	-
Child & Family Services				
Other	187,104	187,104	179,570	7,534
OIMRI Grant Program				
Personal services	50,918	50,918	28,799	22,119
Other	99,082	99,082	26,579	72,503
Health/Environment Admin.				
Personal services	296,796	308,796	304,237	4,559
Other	74,714	62,714	50,570	12,144
Total expenditures	717,074	717,074	598,215	118,859
Excess of revenues over/under expenditures	(52,928)	(52,928)	1,735	54,663
Other financing sources:				
Other sources	-	-	681	681
Total other financing sources	-	-	681	681
Net change in fund balance	(52,928)	(52,928)	2,416	55,344
Fund balance, beginning of the year	89,099	89,099	89,099	-
Appropriation for prior year encumbrances	36,604	36,604	36,604	-
Fund balance, end of the year	\$ 72,775	\$ 72,775	\$ 128,119	\$ 55,344

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ 72,422	\$ 72,422	\$ -	\$ (72,422)
Total revenues	72,422	72,422	-	(72,422)
Expenditures:				
Current				
Public health				
Other	88,651	88,576	7,890	80,686
Total expenditures	88,651	88,576	7,890	80,686
Net change in fund balance	(16,229)	(16,154)	(7,890)	8,264
Fund balance, beginning of the year	60,197	60,197	60,197	-
Appropriation for prior year encumbrances	3,803	3,803	3,803	-
Fund balance, end of the year	\$ 47,771	\$ 47,846	\$ 56,110	\$ 8,264

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 1,710	\$ 1,710	\$ 1,258	\$ (452)
Miscellaneous	41,008	41,008	42,913	1,905
Total revenues	42,718	42,718	44,171	1,453
Expenditures:				
Current				
Community environment				
Other	60,000	60,000	60,000	-
Total expenditures	60,000	60,000	60,000	-
Net change in fund balance	(17,282)	(17,282)	(15,829)	1,453
Fund balance, beginning of the year	147,601	147,601	147,601	-
Appropriation for prior year encumbrances	10,000	10,000	10,000	-
Fund balance, end of the year	\$ 140,319	\$ 140,319	\$ 141,772	\$ 1,453

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeitures	\$ 180,000	\$ 180,000	\$ 66,869	\$ (113,131)
Total revenues	180,000	180,000	66,869	(113,131)
Expenditures:				
Current				
Public safety				
Other	279,000	279,000	160,512	118,488
Total expenditures	279,000	279,000	160,512	118,488
Net change in fund balance	(99,000)	(99,000)	(93,643)	5,357
Fund balance, beginning of the year	(1,587)	(1,587)	(1,587)	-
Appropriation for prior year encumbrances	104,000	104,000	104,000	-
Fund balance, end of the year	\$ 3,413	\$ 3,413	\$ 8,770	\$ 5,357

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 10,000	\$ 13,260	\$ -	\$ (13,260)
Total revenues	10,000	13,260	-	(13,260)
Expenditures:				
Current				
Public safety				
Other	43,900	43,900	25,967	17,933
Total expenditures	43,900	43,900	25,967	17,933
Net change in fund balance	(33,900)	(30,640)	(25,967)	4,673
Fund balance, beginning of the year	31,042	31,042	31,042	-
Appropriation for prior year encumbrances	4,900	4,900	4,900	-
Fund balance, end of the year	\$ 2,042	\$ 5,302	\$ 9,975	\$ 4,673

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 85,000	\$ 143,836	\$ 144,274	\$ 438
Miscellaneous	-	-	19,520	19,520
Total revenues	85,000	143,836	163,794	19,958
Expenditures:				
Current				
Public safety				
Other	174,766	174,766	93,801	80,965
Total expenditures	174,766	174,766	93,801	80,965
Excess of revenues over (under) expenditures	(89,766)	(30,930)	69,993	100,923
Other financing uses:				
Other uses	-	-	(52,744)	(52,744)
Total other financing uses	-	-	(52,744)	(52,744)
Net change in fund balance	(89,766)	(30,930)	17,249	48,179
Fund balance, beginning of the year	318,510	318,510	318,510	-
Appropriation for prior year encumbrances	3,766	3,766	3,766	-
Fund balance, end of the year	\$ 232,510	\$ 291,346	\$ 339,525	\$ 48,179

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 150,000	\$ 150,000	\$ 104,055	\$ (45,945)
Total revenues	150,000	150,000	104,055	(45,945)
Expenditures:				
Current				
Public safety				
Personal Services	73,838	73,838	70,550	3,288
Other	100,000	100,000	69,185	30,815
Total expenditures	173,838	173,838	139,735	34,103
Net change in fund balance	(23,838)	(23,838)	(35,680)	(11,842)
Fund balance, beginning of the year	288,325	288,325	288,325	-
Fund balance, end of the year	\$ 264,487	\$ 264,487	\$ 252,645	\$ (11,842)

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 20,000	\$ 20,000	\$ 18,509	\$ (1,491)
Total revenues	20,000	20,000	18,509	(1,491)
Expenditures:				
Current				
Public safety				
Other	25,000	25,000	23,120	1,880
Total expenditures	25,000	25,000	23,120	1,880
Net change in fund balance	(5,000)	(5,000)	(4,611)	389
Fund balance, beginning of the year	27,209	27,209	27,209	-
Fund balance, end of the year	\$ 22,209	\$ 22,209	\$ 22,598	\$ 389

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 7,000	\$ 7,000	\$ 3,621	\$ (3,379)
Miscellaneous	-	3,657	8,107	4,450
Total revenues	7,000	10,657	11,728	1,071
Expenditures:				
Current				
Public safety				
Personal Services	3,485	3,485	1	3,484
Other	16,388	16,388	3,639	12,749
Total expenditures	19,873	19,873	3,640	16,233
Net change in fund balance	(12,873)	(9,216)	8,088	17,304
Fund balance, beginning of year	37,387	37,387	37,387	-
Appropriation for prior year encumbrances	2,388	2,388	2,388	-
Fund balance, end of the year	\$ 26,902	\$ 30,559	\$ 47,863	\$ 17,304

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ 202,000	\$ 202,000	\$ 211,316	\$ 9,316
Total revenues	202,000	202,000	211,316	9,316
Expenditures:				
Current				
Miscellaneous				
Other	294,519	275,096	250,406	24,690
Total expenditures	294,519	275,096	250,406	24,690
Net change in fund balance	(92,519)	(73,096)	(39,090)	34,006
Fund balance, beginning of the year	183,021	183,021	183,021	-
Appropriation for prior year encumbrances	19,423	19,423	19,423	-
Fund balance, end of the year	\$ 109,925	\$ 129,348	\$ 163,354	\$ 34,006

**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, 2012**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Fines and forfeits	1,290,094	1,290,094	1,225,774	(64,320)
Miscellaneous	20,837	20,837	14,124	(6,713)
Total revenues	1,610,931	1,610,931	1,539,898	(71,033)
Expenditures:				
Current				
Public safety				
Personal Services	1,456,501	1,456,501	1,441,060	15,441
Other	509,299	509,299	490,617	18,682
Total expenditures	1,965,800	1,965,800	1,931,677	34,123
Net change in fund balance	(354,869)	(354,869)	(391,779)	(36,910)
Fund balance, beginning of the year	240,829	240,829	240,829	-
Appropriation for prior year encumbrances	319,582	319,582	319,582	-
Fund balance, end of the year	\$ 205,542	\$ 205,542	\$ 168,632	\$ (36,910)

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 164,976	\$ 164,976	\$ 67,061	\$ (97,915)
Interest earnings	2,324	2,324	1,124	(1,200)
Miscellaneous	-	-	6,245	6,245
Total revenues	167,300	167,300	74,430	(92,870)
Expenditures:				
Current				
Public safety:				
Other				
Body Armor Grant	6,766	6,766	6,766	-
Local Solicitation Grant	27,678	27,678	-	27,678
JAG 2010 Grant	37,070	37,070	18,926	18,144
Byrne Memorial Grant	100,228	100,228	95,031	5,197
Total expenditures	171,742	171,742	120,723	51,019
Net change in fund balance	(4,442)	(4,442)	(46,293)	(41,851)
Fund balance, beginning of the year	161,653	161,653	161,653	-
Appropriation for prior year encumbrances	6,766	6,766	6,766	-
Fund balance, end of the year	\$ 163,977	\$ 163,977	\$ 122,126	\$ (41,851)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COURT IDIAM FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines & forfeits	\$ 10,000	\$ 10,000	\$ 5,871	\$ (4,129)
Total revenues	10,000	10,000	5,871	(4,129)
Expenditures:				
Current				
Public safety				
Other	15,000	15,000	-	15,000
Total expenditures	15,000	15,000	-	15,000
Net change in fund balance	(5,000)	(5,000)	5,871	10,871
Fund balance, beginning of the year	14,824	14,824	14,824	-
Fund balance, end of the year	\$ 9,824	\$ 9,824	\$ 20,695	\$ 10,871

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines & forfeits	\$ 280,000	\$ 280,000	\$ 137,553	\$ (142,447)
Total revenues	280,000	280,000	137,553	(142,447)
Expenditures:				
Current				
Public safety				
Other	823,108	823,108	638,627	184,481
Total expenditures	823,108	823,108	638,627	184,481
Net change in fund balance	(543,108)	(543,108)	(501,074)	42,034
Fund balance, beginning of the year	(25,943)	(25,943)	(25,943)	-
Appropriation for prior year encumbrances	573,108	573,108	573,108	-
Fund balance, end of the year	\$ 4,057	\$ 4,057	\$ 46,091	\$ 42,034

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
POOL FUND
FOR YEAR ENDED DECEMBER 31, 2012

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

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 400,000	\$ 400,000	\$ 240,043	\$ (159,957)
Miscellaneous	20,000	20,000	9,682	(10,318)
Total revenues	420,000	420,000	249,725	(170,275)
Expenditures:				
Current				
Community environment				
Other	400,000	400,000	251,754	148,246
Total expenditures	400,000	400,000	251,754	148,246
Net change in fund balance	20,000	20,000	(2,029)	(22,029)
Fund balance, beginning of the year	33,187	33,187	33,187	-
Fund balance, end of the year	\$ 53,187	\$ 53,187	\$ 31,158	\$ (22,029)

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 841,400	\$ 841,400	\$ 622,599	\$ (218,801)
Interest earnings	-	-	101	101
Miscellaneous	5,000	5,000	17,520	12,520
Total revenues	846,400	846,400	640,220	(206,180)
Expenditures:				
Current				
Community environment				
Other	846,400	846,400	690,019	156,381
Total expenditures	846,400	846,400	690,019	156,381
Net change in fund balance	-	-	(49,799)	(49,799)
Fund balance, beginning of the year	116,070	116,070	116,070	-
Fund balance, end of the year	\$ 116,070	\$ 116,070	\$ 66,271	\$ (49,799)

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
COMMUNITY DEVELOPMENT ESCROW FUND
FOR YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 7,010	7,010	3,292	\$ (3,718)
Miscellaneous	88,000	88,000	55,477	(32,523)
Total revenues	95,010	95,010	58,769	(36,241)
Expenditures:				
Current				
Miscellaneous				
Other	242,000	242,000	7,477	234,523
Total expenditures	242,000	242,000	7,477	234,523
Excess of revenues over (under) expenditures	(146,990)	(146,990)	51,292	198,282
Other financing sources (uses):				
Other uses	-	-	(20,132)	(20,132)
Total other financing uses	-	-	(20,132)	(20,132)
Net change in fund balance	(146,990)	(146,990)	31,160	178,150
Fund balance, beginning of the year	778,865	778,865	778,865	-
Fund balance, end of the year	\$ 631,875	\$ 631,875	\$ 810,025	\$ 178,150

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 191,580	\$ 191,580	\$ 191,738	\$ 158
Intergovernmental revenue	71,250	71,250	60,308	(10,942)
Municipal income taxes	1,000,000	1,000,000	1,000,000	-
Total revenues	1,262,830	1,262,830	1,252,046	(10,784)
Expenditures:				
Current				
Public safety				
Miscellaneous	4,488	4,488	3,772	716
Other	1,230,717	1,230,717	1,189,101	41,616
Total expenditures	1,235,205	1,235,205	1,192,873	42,332
Net change in fund balance	27,625	27,625	59,173	31,548
Fund balance, beginning of the year	29,614	29,614	29,614	-
Fund balance, end of the year	\$ 57,239	\$ 57,239	\$ 88,787	\$ 31,548

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 191,580	\$ 191,580	\$ 191,738	\$ 158
Intergovernmental revenue	71,250	71,250	60,307	(10,943)
Municipal income taxes	1,027,000	1,027,000	1,027,000	-
Total revenues	1,289,830	1,289,830	1,279,045	(10,785)
Expenditures:				
Current				
Public safety				
Miscellaneous	4,488	4,488	3,772	716
Other	1,310,070	1,356,070	1,350,317	5,753
Total expenditures	1,314,558	1,360,558	1,354,089	6,469
Net change in fund balance	(24,728)	(70,728)	(75,044)	(4,316)
Fund balance, beginning of the year	75,229	75,229	75,229	-
Fund balance, end of the year	\$ 50,501	\$ 4,501	\$ 185	\$ (4,316)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
NEIGHBORHOOD STABILIZATION PROGRAM FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 1,277,000	\$ 1,277,000	\$ 178,166	\$ (1,098,834)
Total revenues	1,277,000	1,277,000	178,166	(1,098,834)
Expenditures:				
Current				
Community environment				
Other	1,277,000	352,000	254,259	97,741
Total expenditures	1,277,000	352,000	254,259	97,741
Net change in fund balance	-	925,000	(76,093)	(1,001,093)
Fund balance, beginning of the year	144,604	144,604	144,604	-
Fund balance, end of the year	\$ 144,604	\$ 1,069,604	\$ 68,511	\$ (1,001,093)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
AMERICAN RECOVERY AND REINVESTMENT ACT GRANT FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Community environment				
Other	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of the year	319	319	319	-
Fund balance, end of the year	\$ 319	\$ 319	\$ 319	\$ -

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
CONSERVANCY DISTRICT FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 44,000	\$ 44,000	\$ 35,200	\$ (8,800)
Property taxes	81,600	81,600	83,065	1,465
Intergovernmental revenue	19,200	19,200	29,389	10,189
Total revenues	144,800	144,800	147,654	2,854
Expenditures:				
Current				
Community environment				
Other	144,500	144,500	143,787	713
Total expenditures	144,500	144,500	143,787	713
Net change in fund balance	300	300	3,867	3,567
Fund balance, beginning of the year	28,890	28,890	28,890	-
Fund balance, end of the year	\$ 29,190	\$ 29,190	\$ 32,757	\$ 3,567

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
NUISANCE ABATEMENT FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ 200,000	\$ 240,000	\$ 208,034	\$ (31,966)
Fines and forfeitures	-	-	4,425	4,425
Total revenues	200,000	240,000	212,459	(27,541)
Expenditures:				
Current				
Community environment				
Other	225,000	425,000	198,099	226,901
Total expenditures	225,000	425,000	198,099	226,901
Net change in fund balance	(25,000)	(185,000)	14,360	199,360
Fund balance, beginning of the year	188,812	188,812	188,812	-
Fund balance, end of the year	\$ 163,812	\$ 3,812	\$ 203,172	\$ 199,360

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
INCOME TAX FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 555,203	\$ 555,203	\$ 510,254	\$ (44,949)
Total revenues	555,203	555,203	510,254	(44,949)
Expenditures:				
Current				
General government				
Personal services	509,073	477,073	465,449	11,624
Other	46,130	78,130	71,705	6,425
Total expenditures	555,203	555,203	537,154	18,049
Net change in fund balance	-	-	(26,900)	(26,900)
Fund balance, beginning of the year	24,444	24,444	24,444	-
Appropriation for prior year encumbrances	9,040	9,040	9,040	-
Fund balance, end of the year	\$ 33,484	\$ 33,484	\$ 6,584	\$ (26,900)

**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, 2012**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 310,000	\$ 310,000	\$ 310,000	\$ -
Total revenues	310,000	310,000	310,000	-
Expenditures:				
Current				
Personal services:				
Public safety	350,500	350,500	278,956	71,544
Leisure time activities	75,000	75,000	27,395	47,605
Community environment	50,000	50,000	20,640	29,360
General government	100,000	100,000	88,037	11,963
Total expenditures	575,500	575,500	415,028	160,472
Net change in fund balance	(265,500)	(265,500)	(105,028)	160,472
Fund balance, beginning of the year	687,284	687,284	687,284	-
Fund balance, end of the year	\$ 421,784	\$ 421,784	\$ 582,256	\$ 160,472

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2012**

	General Obligation Debt Service	East End - Towne Blvd Tax Increment Financing District	Downtown Tax Increment Financing District	Aeronca Tax Increment Financing District	Airport - Riverfront Tax Increment Financing District
Assets					
Cash and equity in pooled cash, deposits and investments	\$ 116,223	\$ 508,597	\$ 31,063	\$ 4,423	\$ 4,417
Receivables (net of allowance for uncollectibles):					
Payments in lieu of taxes	-	258,000	15,000	-	1,000
Due from other governments	9,866	-	-	-	-
Total assets	\$ 126,089	\$ 766,597	\$ 46,063	\$ 4,423	\$ 5,417
Liabilities					
Deferred revenue	\$ 9,866	\$ 258,000	\$ 15,000	\$ -	\$ 1,000
Total liabilities	9,866	258,000	15,000	-	1,000
Fund balances:					
Restricted	-	508,597	31,063	4,423	4,417
Committed	116,223	-	-	-	-
Total fund balance	116,223	508,597	31,063	4,423	4,417
Total liabilities and fund balance	\$ 126,089	\$ 766,597	\$ 46,063	\$ 4,423	\$ 5,417

Miller Road North Tax Increment Financing District	Towne Mall Hospital Increment Financing District	Renaissance North Tax Increment Financing District	Renaissance South Tax Increment Financing District	Manchester Road Tax Increment Financing District	Made Industrial Park Tax Increment Financing	Totals
\$ 43,319	\$ 265,612	\$ 124,234	\$ 94,674	\$ 378	\$ 287	\$ 1,193,227
13,000	202,000	79,000	6,000	-	-	574,000
-	-	-	-	-	-	9,866
\$ 56,319	\$ 467,612	\$ 203,234	\$ 100,674	\$ 378	\$ 287	\$ 1,777,093
\$ 13,000	\$ 202,000	\$ 79,000	\$ 6,000	\$ -	\$ -	\$ 583,866
13,000	202,000	79,000	6,000	-	-	583,866
43,319	265,612	124,234	94,674	378	287	1,077,004
-	-	-	-	-	-	116,223
43,319	265,612	124,234	94,674	378	287	1,193,227
\$ 56,319	\$ 467,612	\$ 203,234	\$ 100,674	\$ 378	\$ 287	\$ 1,777,093

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON MAJOR DEBT SERVICE FUNDS
FOR YEAR ENDED DECEMBER 31, 2012**

	General Obligation Debt Service	East End - Towne Blvd Tax Increment Financing District	Downtown Tax Increment Financing District	Aeronca Tax Increment Financing District	Airport - Riverfront Tax Increment Financing District
Revenues					
Municipal income taxes	\$ 2,429,512	\$ -	\$ -	\$ -	\$ -
Other taxes	-	343,769	14,600	-	583
Intergovernmental	373,087	-	-	-	-
Miscellaneous revenues	288,538	-	-	-	-
Total revenues	3,091,137	343,769	14,600	-	583
Expenditures					
Debt service					
Principal retirement	2,033,437	35,000	-	-	-
Interest and fiscal charges	1,156,151	12,922	-	-	-
Miscellaneous	-	101,726	-	-	-
Total expenditures	3,189,588	149,648	-	-	-
Net change in fund balance	(98,451)	194,121	14,600	-	583
Fund balance, beginning of the year	214,674	314,476	16,463	4,423	3,834
Fund balance, end of the year	\$ 116,223	\$ 508,597	\$ 31,063	\$ 4,423	\$ 4,417

Miller Road North Tax Increment Financing District	Towne Mall Hospital Increment Financing District	Renaissance North Tax Increment Financing District	Renaissance South Tax Increment Financing District	Manchester Road Tax Increment Financing District	Made Industrial Park Tax Increment Financing	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,429,512
13,024	624,339	213,833	35,295	-	-	1,245,443
-	-	-	-	-	-	373,087
-	-	-	-	-	-	288,538
13,024	624,339	213,833	35,295	-	-	4,336,580
-	50,000	85,000	15,000	-	-	2,218,437
-	-	-	-	-	-	1,169,073
-	425,890	136,540	29,892	-	-	694,048
-	475,890	221,540	44,892	-	-	4,081,558
13,024	148,449	(7,707)	(9,597)	-	-	255,022
30,295	117,163	131,941	104,271	378	287	938,205
\$ 43,319	\$ 265,612	\$ 124,234	\$ 94,674	\$ 378	\$ 287	\$ 1,193,227

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ 395,000	\$ 404,192	\$ 401,408	\$ (2,784)
Miscellaneous	-	-	2,784	2,784
Total revenues	395,000	404,192	404,192	-
Expenditures:				
Debt service	395,752	395,752	308,714	87,038
Total expenditures	395,752	395,752	308,714	87,038
Net change in fund balance	(752)	8,440	95,478	87,038
Fund balance, beginning of the year	114,160	114,160	114,160	-
Fund balance, end of the year	\$ 113,408	\$ 122,600	\$ 209,638	\$ 87,038

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 2,429,512	\$ 2,429,512	\$ 2,429,512	\$ -
Intergovernmental	118,389	218,389	218,389	-
Miscellaneous	544,187	544,187	443,236	(100,951)
Total revenues	3,092,088	3,192,088	3,091,137	(100,951)
Expenditures:				
Current				
Miscellaneous				
Other	10,000	10,000	250	9,750
Debt service	3,114,975	3,214,975	3,189,338	25,637
Total expenditures	3,124,975	3,224,975	3,189,588	35,387
Net change in fund balance	(32,887)	(32,887)	(98,451)	(65,564)
Fund balance, beginning of the year	214,674	214,674	214,674	-
Fund balance, end of the year	\$ 181,787	\$ 181,787	\$ 116,223	\$ (65,564)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
EAST END/TOWNE BLVD TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 235,000	\$ 343,769	\$ 343,769	\$ -
Total revenues	235,000	343,769	343,769	-
Expenditures:				
Current				
Miscellaneous				
Other	190,050	190,050	94,475	95,575
Capital outlay	104,000	56,078	14,000	42,078
Debt service	-	47,923	47,923	-
Total expenditures	294,050	294,051	156,398	137,653
Net change in fund balance	(59,050)	49,718	187,371	137,653
Fund balance, beginning of the year	307,726	307,726	307,726	-
Appropriation for prior year encumbrances	6,750	6,750	6,750	-
Fund balance, end of the year	\$ 255,426	\$ 364,194	\$ 501,847	\$ 137,653

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 15,000	\$ 15,000	\$ 14,600	\$ (400)
Total revenues	15,000	15,000	14,600	(400)
Expenditures:				
Current				
Miscellaneous				
Other	450	450	-	450
Debt service	10,000	10,000	-	10,000
Total expenditures	10,000	10,000	-	10,000
Net change in fund balance	5,000	5,000	14,600	9,600
Fund balance, beginning of the year	16,463	16,463	16,463	-
Fund balance, end of the year	\$ 21,463	\$ 21,463	\$ 31,063	\$ 9,600

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 1,205	\$ 1,205	\$ -	\$ (1,205)
Total revenues	1,205	1,205	-	(1,205)
Expenditures:				
Current				
Miscellaneous				
Other	36	36	-	36
Total expenditures	36	36	-	36
Net change in fund balance	1,169	1,169	-	(1,169)
Fund balance, beginning of the year	4,423	4,423	4,423	-
Fund balance, end of the year	\$ 5,592	\$ 5,592	\$ 4,423	\$ (1,169)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
AIRPORT/RIVERFRONT TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 1,170	\$ 1,170	\$ 583	\$ (587)
Total revenues	1,170	1,170	583	(587)
Expenditures:				
Current				
Miscellaneous				
Other	35	35	-	35
Total expenditures	35	35	-	35
Net change in fund balance	1,135	1,135	583	(552)
Fund balance, beginning of the year	3,834	3,834	3,834	-
Fund balance, end of the year	\$ 4,969	\$ 4,969	\$ 4,417	\$ (552)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
NORTH MILLER ROAD TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 8,000	\$ 13,024	\$ 13,024	\$ -
Total revenues	8,000	13,024	13,024	-
Expenditures:				
Current				
Miscellaneous				
Other	240	240	-	240
Total expenditures	240	240	-	240
Net change in fund balance	7,760	12,784	13,024	240
Fund balance, beginning of the year	30,295	30,295	30,295	-
Fund balance, end of the year	\$ 38,055	\$ 43,079	\$ 43,319	\$ 240

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
TOWNE MALL/HOSPITAL TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 403,000	\$ 624,339	\$ 624,339	\$ -
Total revenues	403,000	624,339	624,339	-
Expenditures:				
Current				
Miscellaneous				
Other	321,090	443,557	432,640	10,917
Debt service	50,000	50,000	50,000	-
Total expenditures	371,090	493,557	482,640	10,917
Net change in fund balance	31,910	130,782	141,699	10,917
Fund balance, beginning of the year	110,413	110,413	110,413	-
Appropriation for prior year encumbrances	6,750	6,750	6,750	-
Fund balance, end of the year	\$ 149,073	\$ 247,945	\$ 258,862	\$ 10,917

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
RENAISSANCE NORTH TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 165,500	\$ 213,833	\$ 213,833	\$ -
Total revenues	165,500	213,833	213,833	-
Expenditures:				
Current				
Miscellaneous				
Other	128,974	141,037	136,540	4,497
Debt service	85,000	85,000	85,000	-
Total expenditures	213,974	226,037	221,540	4,497
Net change in fund balance	(48,474)	(12,204)	(7,707)	4,497
Fund balance, beginning of the year	131,941	131,941	131,941	-
Fund balance, end of the year	\$ 83,467	\$ 119,737	\$ 124,234	\$ 4,497

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
RENAISSANCE SOUTH TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 274,000	\$ 274,000	\$ 35,295	\$ (238,705)
Total revenues	274,000	274,000	35,295	(238,705)
Expenditures:				
Current				
Miscellaneous				
Other	213,720	213,720	29,892	183,828
Debt service	50,000	50,000	15,000	35,000
Total expenditures	263,720	263,720	44,892	218,828
Net change in fund balance	10,280	10,280	(9,597)	(19,877)
Fund balance, beginning of the year	104,271	104,271	104,271	-
Fund balance, end of the year	\$ 114,551	\$ 114,551	\$ 94,674	\$ (19,877)

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
MANCHESTER ROAD TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 300	\$ 300	\$ -	\$ (300)
Total revenues	300	300	-	(300)
Expenditures:				
Current				
Miscellaneous				
Other	225	225	-	225
Total expenditures	225	225	-	225
Net change in fund balance	75	75	-	(75)
Fund balance, beginning of the year	378	378	378	-
Fund balance, end of the year	\$ 453	\$ 453	\$ 378	\$ (75)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
MADE INDUSTRIAL PARK TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 287	\$ 287	\$ -	\$ (287)
Total revenues	287	287	-	(287)
Expenditures:				
Current				
Miscellaneous				
Other	9	9	-	9
Total expenditures	9	9	-	9
Net change in fund balance	278	278	-	(278)
Fund balance, beginning of the year	287	287	287	-
Fund balance, end of the year	\$ 565	\$ 565	\$ 287	\$ (278)

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2012**

	East End Development	Downtown Improvements	Computer Replacement
Assets			
Cash and equity in pooled cash, deposits and investments	\$ 157,253	\$ 881,647	\$ 1,936,083
Receivables (net of allowance for uncollectibles):			
Accounts	192,245	202,000	-
Total assets	\$ 349,498	\$ 1,083,647	\$ 1,936,083
Liabilities			
Accounts payable	\$ -	\$ 35,373	\$ 18,815
Notes payable	-	2,056,916	-
Due to other funds	-	-	-
Deferred revenue	192,245	-	-
Total liabilities	192,245	2,092,289	18,815
Fund balances:			
Restricted	157,253	-	-
Committed	-	-	1,917,268
Unassigned	-	(1,008,642)	-
Total fund balances	157,253	(1,008,642)	1,917,268
Total liabilities and fund balances	\$ 349,498	\$ 1,083,647	\$ 1,936,083

Property Development	Lefferson Road Sewer Special Assessment	2011 Sidewalk, Curb and Gutter	Totals
\$ 664,535	\$ 25,000	\$ -	\$ 3,664,518
5,833	-	-	400,078
\$ 670,368	\$ 25,000	\$ -	\$ 4,064,596
\$ -	\$ -	\$ -	\$ 54,188
-	-	-	2,056,916
-	125,000	154,359	279,359
-	-	-	192,245
-	125,000	154,359	2,582,708
-	-	-	157,253
670,368	-	-	2,587,636
-	(100,000)	(154,359)	(1,263,001)
670,368	(100,000)	(154,359)	1,481,888
\$ 670,368	\$ 25,000	\$ -	\$ 4,064,596

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR CAPITAL PROJECT FUNDS
FOR YEAR ENDED DECEMBER 31, 2012**

	East End Development	Downtown Improvements	Computer Replacement
Revenues			
Municipal income taxes	\$ -	\$ -	\$ 8,000
Intergovernmental revenues	621,859	-	-
Special Assessments	-	-	-
Investment income	909	6,414	13,325
Miscellaneous	-	291,285	45,500
Total revenues	622,768	297,699	66,825
Expenditures			
Current			
Community environment	615,985	204,865	-
General government	-	-	143,957
Miscellaneous	551	-	-
Debt service			
Interest and fiscal charges	-	46,619	-
Total expenditures	616,536	251,484	143,957
Excess of revenues over (under) expenditures	6,232	46,215	(77,132)
Other financing sources (uses)			
Transfers-in	-	-	162,528
Total other financing sources (uses)	-	-	162,528
Net change in fund balances	6,232	46,215	85,396
Fund balance, beginning of year	151,021	(1,054,857)	1,831,872
Fund balance, end of the year	\$ 157,253	\$ (1,008,642)	\$ 1,917,268

Property Development		Lefferson Road Sewer Special Assessment		2011 Sidewalk, Curb and Gutter		Totals	
\$	-	\$	-	\$	-	\$	8,000
	55,459		-		-		677,318
	-		-		63,044		63,044
	-		-		-		20,648
	29,726		-		-		366,511
85,185		-		63,044		1,135,521	
	126,883		-		-		947,733
	-		-		-		143,957
	-		-		-		551
	-		-		-		46,619
126,883		-		-		1,138,860	
	(41,698)		-		63,044		(3,339)
	-		-		-		162,528
-		-		-		162,528	
	(41,698)		-		63,044		159,189
	712,066		(100,000)		(217,403)		1,322,699
\$	670,368	\$	(100,000)	\$	(154,359)	\$	1,481,888

**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, 2012**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 595,200	\$ 595,200	\$ 566,567	\$ (28,633)
Intergovernmental revenue	4,589,578	4,589,578	1,878,063	(2,711,515)
Charges for services	3,000	3,000	2,241	(759)
Interest earnings	1,448	1,448	9,771	8,323
Miscellaneous	-	-	50,080	50,080
Total revenues	5,189,226	5,189,226	2,506,722	(2,682,504)
Expenditures:				
Current				
Public safety	46,604	46,604	19,503	27,101
Leisure time activities				
Other	29,734	29,734	32,184	(2,450)
Community environment				
Other	28,197	737	737	-
Highways and streets				
Other	4,331,130	3,853,677	2,964,890	888,787
General government				
Other	-	-	12,573	(12,573)
Total expenditures	4,435,665	3,930,752	3,029,887	900,865
Excess of revenues over (under) expenditures	753,561	1,258,474	(523,165)	(1,781,639)
Other financing sources (uses):				
Other uses	-	-	(24,060)	(24,060)
Total other financing sources (uses)	-	-	(24,060)	(24,060)
Net change in fund balance	753,561	1,258,474	(547,225)	(1,805,699)
Fund balance, beginning of the year	(2,185,325)	(2,185,325)	(2,185,325)	-
Appropriation for prior year encumbrances	3,069,966	3,069,966	3,069,966	-
Fund balance, end of the year	\$ 1,638,202	\$ 2,143,115	\$ 337,416	\$ (1,805,699)

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ -	\$ -	\$ 909	\$ 909
Intergovernmental revenue	-	-	807,298	807,298
Miscellaneous revenue	900,000	946,418	-	(946,418)
Total revenues	900,000	946,418	808,207	(138,211)
Expenditures:				
Current				
Community environment				
Other	20,000	966,418	850,707	115,711
Total expenditures	20,000	966,418	850,707	115,711
Excess of revenues over/under expenditures	880,000	(20,000)	(42,500)	(22,500)
Other financing uses:				
Other uses	-	-	(55,000)	(55,000)
Total other financing uses	-	-	(55,000)	(55,000)
Net change in fund balance	880,000	(20,000)	(97,500)	(77,500)
Fund balance, beginning of the year	583	583	583	-
Appropriation for prior year encumbrances	20,000	20,000	20,000	-
Fund balance, end of the year	\$ 900,583	\$ 583	\$ (76,917)	\$ (77,500)

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 19,525	\$ 19,525	\$ 6,414	\$ (13,111)
Miscellaneous	-	-	92,937	92,937
Total revenues	19,525	19,525	99,351	79,826
Expenditures:				
Current				
Community environment				
Other	129,288	330,150	286,459	43,691
Debt Service				
Interest expense	80,000	80,000	46,619	33,381
Total expenditures	209,288	410,150	333,078	77,072
Net change in fund balance	(189,763)	(390,625)	(233,727)	156,898
Fund balance, beginning of the year	1,016,344	1,016,344	1,016,344	-
Appropriation for prior year encumbrances	1,634	1,634	1,634	-
Fund balance, end of the year	\$ 828,215	\$ 627,353	\$ 784,251	\$ 156,898

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Interest earnings	17,065	17,065	13,325	(3,740)
Miscellaneous	55,120	55,120	45,499	(9,621)
Total revenues	80,185	80,185	66,824	(13,361)
Expenditures:				
Current				
General government				
Other	770,260	769,995	224,509	545,486
Total expenditures	770,260	769,995	224,509	545,486
Excess of revenues under expenditures	(690,075)	(689,810)	(157,685)	532,125
Other financing sources:				
Transfers-in	162,528	162,528	162,528	-
Total other financing sources	162,528	162,528	162,528	-
Net change in fund balance	(527,547)	(527,282)	4,843	532,125
Fund balance, beginning of the year	1,761,865	1,761,865	1,761,865	-
Appropriation for prior year encumbrances	85,260	85,260	85,260	-
Fund balance, end of the year	\$ 1,319,578	\$ 1,319,843	\$ 1,851,968	\$ 532,125

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, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental	\$ 52,000	\$ 53,754	\$ 55,459	\$ 1,705
Miscellaneous	-	-	23,893	23,893
Total revenues	52,000	53,754	79,352	25,598
Expenditures:				
Current				
Community environment				
Other	399,549	469,549	218,837	250,712
Total expenditures	399,549	469,549	218,837	250,712
Net change in fund balance	(347,549)	(415,795)	(139,485)	276,310
Fund balance, beginning of the year	702,518	702,518	702,518	-
Appropriation for prior year encumbrances	9,549	9,549	9,549	-
Fund balance, end of the year	\$ 364,518	\$ 296,272	\$ 572,582	\$ 276,310

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
2011 SIDEWALK, CURB AND GUTTER FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special Assessments	\$ -	\$ -	\$ 63,044	\$ 63,044
Total revenues	-	-	63,044	63,044
Expenditures:				
Current				
Highways and streets				
Other	12,597	-	-	-
Debt Service				
Principal retirement	250,000	250,000	-	250,000
Total expenditures	262,597	250,000	-	250,000
Excess of revenues over/under expenditures	(262,597)	(250,000)	63,044	313,044
Other financing sources/uses:				
Other uses	-	-	(75,641)	(75,641)
Proceeds from bonds	250,000	250,000	-	(250,000)
Total other financing sources/(uses)	250,000	250,000	(75,641)	(325,641)
Net change in fund balance	(12,597)	-	(12,597)	(12,597)
Fund balance, beginning of the year	-	-	-	-
Appropriation for prior year encumbrances	12,597	12,597	12,597	-
Fund balance, end of the year	\$ -	\$ 12,597	\$ -	\$ (12,597)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
2010 LEFFERSON ROAD SEWER SPECIAL ASSESSMENT
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Highways and streets				
Other	25,000	25,000	25,000	-
Debt Service				
Principal retirement	450,000	450,000	-	450,000
Total expenditures	475,000	475,000	25,000	450,000
Excess of revenues over/under expenditures	(475,000)	(475,000)	(25,000)	450,000
Other financing sources/uses:				
Proceeds from bonds	450,000	450,000	-	(450,000)
Total other financing sources/uses	450,000	450,000	-	(450,000)
Net change in fund balance	(25,000)	(25,000)	(25,000)	-
Fund balance, beginning of the year	25,000	25,000	25,000	-
Appropriation for prior year encumbrances	25,000	25,000	25,000	-
Fund balance, end of the year	\$ 25,000	\$ 25,000	\$ 25,000	\$ -

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
MAIN STREET SPECIAL ASSESSMENT
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Highways and streets				
Other	340,000	340,000	-	340,000
Total expenditures	340,000	340,000	-	340,000
Excess of revenues under expenditures	(340,000)	(340,000)	-	340,000
Other financing sources:				
Proceeds from notes	340,000	340,000	-	(340,000)
Total other financing sources	340,000	340,000	-	(340,000)
Net change in fund balance	-	-	-	-
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ -	\$ -	\$ -	\$ -

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
JEANNETTE AND TRINE STREET SPECIAL ASSESSMENT
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Highways and streets				
Other	350,000	350,000	-	350,000
Total expenditures	350,000	350,000	-	350,000
Excess of revenues under expenditures	(350,000)	(350,000)	-	350,000
Other financing sources:				
Proceeds from notes	350,000	350,000	-	(350,000)
Total other financing sources	350,000	350,000	-	(350,000)
Net change in fund balance	-	-	-	-
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ -	\$ -	\$ -	\$ -

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
SEWER CONNECTION SPECIAL ASSESSMENT
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Community environment				
Other	600,000	600,000	-	600,000
Total expenditures	600,000	600,000	-	600,000
Excess of revenues under expenditures	(600,000)	(600,000)	-	600,000
Other financing sources:				
Proceeds from notes	600,000	600,000	-	(600,000)
Total other financing sources	600,000	600,000	-	(600,000)
Net change in fund balance	-	-	-	-
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ -	\$ -	\$ -	\$ -

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2012**

ENTERPRISE FUNDS:

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

WATER

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

SEWER

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

GOLF COURSE

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

SOLID WASTE DISPOSAL

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

AIRPORT

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

TRANSIT SYSTEM

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

STORM SEWER

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

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF NET POSITION
NON MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2012**

Business Type Activities - Enterprise Funds

	Airport	Transit	Storm Water	Totals
Assets:				
Current assets				
Equity in pooled cash, deposits and investments	\$ 62,328	\$ 318,612	\$ 2,939,657	\$ 3,320,597
Receivables (net of allowance for uncollectibles):				
Accounts	-	-	119,403	119,403
Intergovernmental	-	66,677	-	66,677
Total current assets	62,328	385,289	3,059,060	3,506,677
Non Current Assets:				
Deferred charges	28,878	-	-	28,878
Capital assets:				
Construction in progress	-	-	1,371,930	1,371,930
Land	1,524,356	-	273,562	1,797,918
Land improvements	325,598	-	-	325,598
Infrastructure assets	624,895	-	2,922,616	3,547,511
Buildings	1,825,597	1,370,702	69,270	3,265,569
Equipment	631,596	2,310,311	685,860	3,627,767
Less: Accumulated depreciation	(1,481,033)	(2,421,398)	(672,468)	(4,574,899)
Total capital assets (net of accumulated depreciation)	3,451,009	1,259,615	4,650,770	9,361,394
Total noncurrent assets	3,479,887	1,259,615	4,650,770	9,390,272
Total assets	3,542,215	1,644,904	7,709,830	12,896,949
Liabilities:				
Current liabilities				
Accounts payable	21,791	42,014	11,093	74,898
Accrued wages and benefits	-	20,833	15,671	36,504
Other accrued liabilities	5,791	-	-	5,791
Accrued interest payable	4,753	-	-	4,753
Due to other funds	610	34,059	24,158	58,827
General obligation bonds payable	70,000	-	-	70,000
Compensated absences (short term)	-	19,292	15,069	34,361
Total current liabilities	102,945	116,198	65,991	285,134
Long-term liabilities:				
General obligation bonds payable	1,300,000	-	-	1,300,000
Premium on debt	28,878	-	-	28,878
Compensated absences payable	-	19,592	15,317	34,909
Other post employment benefits	-	14,000	-	14,000
Total long-term liabilities	1,328,878	33,592	15,317	1,377,787
Total liabilities	1,431,823	149,790	81,308	1,662,921
Net position:				
Net investment in capital assets	2,052,131	1,259,615	4,650,770	7,962,516
Unrestricted	58,261	235,499	2,977,752	3,271,512
Total net position	\$ 2,110,392	\$ 1,495,114	\$ 7,628,522	\$ 11,234,028

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Business Type Activities - Enterprise Funds

	Airport	Transit	Storm Water	Totals
Operating revenues:				
Charges for services	\$ 279,952	\$ 164,336	\$ 1,619,245	\$ 2,063,533
Other operating revenue	7,783	5,290	-	13,073
Total operating revenues	287,735	169,626	1,619,245	2,076,606
Operating expenses:				
Personal services	-	619,372	455,250	1,074,622
Contractual services	197,887	749,773	185,257	1,132,917
Commodities	4,893	4,608	27,110	36,611
Depreciation	134,525	159,240	140,364	434,129
Other operating expenses	64,199	6,550	346,289	417,038
Total operating expenses	401,504	1,539,543	1,154,270	3,095,317
Operating income (loss)	(113,769)	(1,369,917)	464,975	(1,018,711)
Non-operating revenues (expenses):				
Interest revenue	-	-	24,523	24,523
Interest expense and fiscal charges	(58,963)	-	-	(58,963)
Operating grants	-	821,873	-	821,873
Income taxes	90,000	100,000	-	190,000
Total non-operating revenues (expenses)	31,037	921,873	24,523	977,433
Income (loss) before contributions	(82,732)	(448,044)	489,498	(41,278)
Capital contributions	-	303,463	-	303,463
Change in net position	(82,732)	(144,581)	489,498	262,185
Total net position, beginning of year	2,193,124	1,639,695	7,139,024	10,971,843
Total net position, end of year	\$ 2,110,392	\$ 1,495,114	\$ 7,628,522	\$ 11,234,028

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Business Type Activities - Enterprise Funds

	Airport	Transit	Storm Water	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 291,353	\$ 164,336	\$ 1,609,340	\$ 2,065,029
Cash payments to suppliers for goods and services	(271,943)	(310,748)	(280,932)	(863,623)
Cash payments to employees for services	-	(625,075)	(444,325)	(1,069,400)
Miscellaneous revenues	8,008	5,290	-	13,298
Miscellaneous expenses	-	(6,550)	-	(6,550)
Cash payments for interfund services used	(20,063)	(422,830)	(300,311)	(743,204)
Net cash provided (used) by operating activities	7,355	(1,195,577)	583,772	(604,450)
Cash flows from non-capital financing activities:				
Operating grants	-	924,663	-	924,663
Interfund advances	-	(1,000)	-	(1,000)
Income taxes received	90,000	100,000	-	190,000
Net cash provided by non-capital financing activities	90,000	1,023,663	-	1,113,663
Cash flows from capital and related financing activities:				
Purchase of capital assets	(22,513)	-	(1,431,065)	(1,453,578)
Interest expense	(59,138)	-	-	(59,138)
Repayment of debt principal	(70,000)	-	-	(70,000)
Capital contributions	-	303,463	-	303,463
Net cash provided (used) by capital and related financing activities	(151,651)	303,463	(1,431,065)	(1,279,253)
Cash flows from investing activities:				
Interest income	-	-	24,523	24,523
Net cash provided by investing activities	-	-	24,523	24,523
Net increase (decrease) in cash and cash equivalents	(54,296)	131,549	(822,770)	(745,517)
Cash and cash equivalents, beginning of year	116,624	187,063	3,762,427	4,066,114
Cash and cash equivalents, end of year	\$ 62,328	\$ 318,612	\$ 2,939,657	\$ 3,320,597

continued

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

(continued)	Airport	Transit	Storm Water	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (113,769)	\$ (1,369,917)	\$ 464,975	\$ (1,018,711)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	134,525	159,240	140,364	434,129
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable (net)	11,401	-	(9,905)	1,496
Increase (decrease) in accounts payable	(25,488)	15,481	(20,977)	(30,984)
Increase (decrease) in accrued wages and benefits	-	5,201	6,701	11,902
Increase (decrease) in other accrued liabilities	225	(6,758)	(4,344)	(10,877)
Increase (decrease) in due to other funds	461	5,370	(1,610)	4,221
Increase (decrease) in compensated absences payable	-	(4,352)	8,568	4,216
Increase (decrease) in other post employment benefits	-	158	-	158
Total adjustments	121,124	174,340	118,797	414,261
Net cash provided (used) by operating activities	\$ 7,355	\$ (1,195,577)	\$ 583,772	\$ (604,450)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
WATER FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 7,399,462	\$ 7,399,462	\$ 7,732,195	\$ 332,733
Other operating revenues	16,225	16,225	59,561	43,336
Total operating revenues	7,415,687	7,415,687	7,791,756	376,069
Operating expenses				
Water Administration				
Personal services	273,406	273,406	270,220	3,186
Other	140,976	140,431	121,770	18,661
Water Treatment				
Personal services	926,409	926,409	881,289	45,120
Other	1,271,375	1,265,158	1,270,337	(5,179)
Water Maintenance				
Personal services	985,949	1,010,949	981,718	29,231
Other	713,244	713,242	687,956	25,286
Administrative Support				
Other	922,524	922,524	922,524	-
Water Capital Reserve				
Other	2,619,407	2,439,321	1,723,458	715,863
Wellfield Protection				
Other	722,039	1,352,594	1,246,848	105,746
Total operating expenses	8,575,329	9,044,034	8,106,120	937,914
Operating income (loss)	(1,159,642)	(1,628,347)	(314,364)	1,313,983
Non-operating revenues (expenses)				
Interest revenue	39,838	39,838	38,842	(996)
Interest expenses & fiscal charges	(136,909)	(136,909)	(137,737)	(828)
Debt retirement	(781,776)	(781,776)	(780,947)	(829)
Operating grants	-	630,555	214,101	(416,454)
Other sources	-	-	70,295	70,295
Total non-operating revenues (expenses)	(878,847)	(248,292)	(595,446)	(348,813)
Income (loss) before transfers	(2,038,489)	(1,876,639)	(909,810)	965,170
Transfers-out	(31,764)	(31,764)	(31,764)	-
Total transfers	(31,764)	(31,764)	(31,764)	-
Change in net position	(2,070,253)	(1,908,403)	(941,574)	965,170
Net position, beginning of the year	4,229,534	4,229,534	4,229,534	-
Appropriation for prior year encumbrances	1,660,196	1,660,196	1,660,196	-
Net position, end of the year	\$ 3,819,477	\$ 3,981,327	\$ 4,948,156	\$ 965,170

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
SEWER FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 8,322,834	\$ 8,322,834	\$ 8,216,366	\$ (106,468)
Other operating revenues	-	-	14,042	14,042
Total operating revenues	8,322,834	8,322,834	8,230,407	(92,427)
Operating expenses				
Sewer Administration				
Personal services	213,425	213,425	168,760	44,665
Other	153,615	153,071	139,855	13,216
Sewer Treatment				
Personal services	1,309,235	1,309,235	1,234,918	74,317
Other	1,925,585	1,925,471	1,367,117	558,354
Sewer Maintenance				
Personal services	586,474	586,474	555,768	30,706
Other	404,491	729,485	675,086	54,399
Public Works & Utilities Administration				
Personal services	199,099	199,099	143,421	55,678
Other	9,817	9,817	6,362	3,455
Administrative Support				
Other	930,024	930,024	930,024	-
Sewer Capital Reserve				
Other	2,127,313	2,124,297	769,830	1,354,467
Total operating expenses	7,859,078	8,180,398	5,991,141	2,189,257
Operating income (loss)	463,756	142,436	2,239,266	2,096,830
Non-operating revenues (expenses)				
Interest revenue	53,578	53,578	40,682	(12,896)
Interest expenses & fiscal charges	(352,602)	(352,602)	(353,431)	(829)
Debt retirement	(718,872)	(718,872)	(718,043)	829
Total non-operating revenues (expenses)	(1,017,896)	(1,017,896)	(1,030,792)	(12,896)
Income (loss) before transfers	(554,140)	(875,460)	1,208,474	2,083,934
Transfers-out	(31,764)	(31,764)	(31,764)	-
Total transfers	(31,764)	(31,764)	(31,764)	-
Change in net position	(585,904)	(907,224)	1,176,710	2,083,934
Net position, beginning of the year	4,368,706	4,368,706	4,368,706	-
Appropriation for prior year encumbrances	569,377	569,377	569,377	-
Net position, end of the year	\$ 4,352,179	\$ 4,030,859	\$ 6,114,793	\$ 2,083,934

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
GOLF COURSE FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 1,599,840	\$ 1,599,840	\$ 1,165,598	\$ (434,242)
Other operating revenues	10,000	10,000	4,775	(5,225)
Total operating revenues	1,609,840	1,609,840	1,170,373	(439,467)
Operating expenses				
Golf Maintenance				
Personal services	373,952	333,952	332,904	1,048
Other	352,053	422,053	395,624	26,429
Golf Clubhouse				
Personal services	326,900	333,900	333,900	-
Other	332,793	325,793	287,507	38,286
Total operating expenses	1,385,698	1,415,698	1,349,935	65,763
Operating income (loss)	224,142	194,142	(179,562)	(373,704)
Non-operating revenues (expenses)				
Interest expenses & fiscal charges	(37,193)	(37,193)	(37,193)	-
Debt retirement	(185,366)	(185,366)	(185,366)	-
Other sources	954	375,000	403,000	28,000
Other uses	-	-	(185)	(185)
Total non-operating revenues (expenses)	(221,605)	152,441	180,256	27,815
Change in net position	2,537	346,583	694	(345,889)
Net position, beginning of the year	5,659	5,659	5,659	-
Net position, end of the year	\$ 8,196	\$ 352,242	\$ 6,353	\$ (345,889)

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
SOLID WASTE DISPOSAL FUND
FOR YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 2,875,750	\$ 2,875,750	\$ 2,925,105	\$ 49,355
Other operating revenues	5,735	5,735	10,666	4,931
Total operating revenues	2,881,485	2,881,485	2,935,771	54,286
Operating expenses				
Other	2,746,297	2,746,297	2,651,113	95,184
Administrative Support				
Other	20,000	20,000	20,000	-
Total operating expenses	2,766,297	2,766,297	2,671,113	95,184
Operating income (loss)	115,188	115,188	264,658	149,470
Non-operating expenses				
Interest expenses & fiscal charges	(16,637)	(16,637)	(16,637)	-
Debt retirement	(249,484)	(249,484)	(249,484)	-
Total non-operating expenses	(266,121)	(266,121)	(266,121)	-
Change in net position	(150,933)	(150,933)	(1,463)	149,470
Net position, beginning of the year	337,889	337,889	337,889	-
Appropriation for prior year encumbrances	34,686	34,686	34,686	-
Net position, end of the year	\$ 221,642	\$ 221,642	\$ 371,112	\$ 149,470

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
AIRPORT FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 271,000	\$ 271,000	\$ 291,353	\$ 20,353
Other operating revenues	-	-	7,783	7,783
Total operating revenues	271,000	271,000	299,136	28,136
Operating expenses				
Airport Improvements				
Other	198,334	190,600	92,612	97,988
Airport				
Other	246,544	245,979	236,806	9,173
Total operating expenses	444,878	436,579	329,418	107,161
Operating income (loss)	(173,878)	(165,579)	(30,282)	135,297
Non-operating revenues (expenses)				
Interest expenses & fiscal charges	(59,138)	(59,138)	(59,138)	-
Debt retirement	(70,000)	(70,000)	(70,000)	-
Operating grants	150,000	150,000	-	(150,000)
Other sources	-	-	225	225
Income taxes	90,000	90,000	90,000	-
Total non-operating revenues (expenses)	110,862	110,862	(38,913)	(149,775)
Change in net position	(63,016)	(54,717)	(69,195)	(14,478)
Net position, beginning of the year	87,543	87,543	87,543	-
Appropriation for prior year encumbrances	29,080	29,080	29,080	-
Net position, end of the year	\$ 53,607	\$ 61,906	\$ 47,428	\$ (14,478)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
TRANSIT SYSTEM FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 171,683	\$ 171,683	\$ 164,280	\$ (7,403)
Other operating revenues	8,000	8,000	5,804	(2,196)
Total operating revenues	179,683	179,683	170,084	(9,599)
Operating expenses				
Personal services	641,350	641,350	625,076	16,274
Other	1,139,015	1,139,015	905,699	233,316
Total operating expenses	1,780,365	1,780,365	1,530,775	249,590
Operating income (loss)	(1,600,682)	(1,600,682)	(1,360,691)	239,991
Non-operating revenues (expenses)				
Operating grants	1,314,895	1,314,895	1,227,669	(87,226)
Other uses	-	-	(1,000)	(1,000)
Income tax	100,000	100,000	100,000	-
Total non-operating revenues (expenses)	1,414,895	1,414,895	1,326,669	(88,226)
Change in net position	(185,787)	(185,787)	(34,022)	151,765
Net position, beginning of the year	162	162	162	-
Appropriation for prior year encumbrances	186,901	186,901	186,901	-
Net position, end of the year	\$ 1,276	\$ 1,276	\$ 153,041	\$ 151,765

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
STORM WATER FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 1,587,339	\$ 1,587,339	\$ 1,609,340	\$ 22,001
Total operating revenues	1,587,339	1,587,339	1,609,340	22,001
Operating expenses				
Administrative Support				
Other	105,070	105,070	105,070	-
Storm Water Maint				
Personal services	470,089	470,089	444,324	25,765
Other	427,674	427,646	358,995	68,651
Storm Water Capital Reserve				
Other	2,701,399	2,680,072	2,170,204	509,868
Total operating expenses	3,704,232	3,682,877	3,078,593	604,284
Operating income (loss)	(2,116,893)	(2,095,538)	(1,469,253)	626,285
Non-operating revenues (expenses)				
Interest revenue	29,436	29,436	24,523	(4,913)
Total non-operating revenues (expenses)	29,436	29,436	24,523	(4,913)
Change in net position	(2,087,457)	(2,066,102)	(1,444,730)	621,372
Net position, beginning of the year	2,108,482	2,108,482	2,108,482	-
Appropriation for prior year encumbrances	1,653,945	1,653,945	1,653,945	-
Net position, end of the year	\$ 1,674,970	\$ 1,696,325	\$ 2,317,697	\$ 621,372

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2012**

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 POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2012**

	Municipal Garage	Employee Benefits Fund	Totals
Assets:			
Current assets:			
Equity in pooled cash, deposits and investments	\$ 3,662,816	\$ 212,853	\$ 3,875,669
Receivables (net of allowance for uncollectibles):			
Accounts	-	37,928	37,928
Due from other funds	282,103	-	282,103
Inventory of supplies	295,543	-	295,543
Total current assets	4,240,462	250,781	4,491,243
Capital assets:			
Land	195,750	-	195,750
Buildings	521,872	-	521,872
Equipment	10,530,233	-	10,530,233
Less: Accumulated depreciation	(8,424,882)	-	(8,424,882)
Net capital assets	2,822,973	-	2,822,973
Total assets	7,063,435	250,781	7,314,216
Liabilities:			
Current liabilities:			
Accounts payable	49,519	545,768	595,287
Accrued wages and benefits	15,023	-	15,023
Compensated absences payable	34,659	-	34,659
Total current liabilities	99,201	545,768	644,969
Long-term liabilities:			
Compensated absences payable	9,712	-	9,712
Other post employment benefits	24,900	-	24,900
Total long-term liabilities	34,612	-	34,612
Total liabilities	133,813	545,768	679,581
Net position:			
Net investment in capital assets	2,822,973	-	2,822,973
Unrestricted	4,106,649	(294,987)	3,811,662
Total net position	\$ 6,929,622	\$ (294,987)	\$ 6,634,635

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Municipal Garage	Employee Benefits Fund	Totals
Operating revenues:			
Charges for services	\$ 3,520,996	\$ 4,788,553	\$ 8,309,549
Other operating revenues	41,198	3,794	44,992
Total operating revenues	3,562,194	4,792,347	8,354,541
Operating expenses:			
Personal services	408,661	-	408,661
Contractual services	467,228	5,076,916	5,544,144
Commodities	944,803	-	944,803
Depreciation	855,364	-	855,364
Total operating expenses	2,676,056	5,076,916	7,752,972
Operating income (loss)	886,138	(284,569)	601,569
Non-operating revenues (expenses):			
Interest revenue	23,414	-	23,414
Gain on sale of equipment	94,137	-	94,137
Total non-operating revenues (expenses)	117,551	-	117,551
Change in net position	1,003,689	(284,569)	719,120
Total net position, beginning of the year	5,925,933	(10,418)	5,915,515
Total net position, end of the year	\$ 6,929,622	\$ (294,987)	\$ 6,634,635

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Municipal Garage	Employee Benefits Fund	Totals
Cash flows from operating activities:			
Cash payments to suppliers for goods and services	\$ (1,551,919)	\$ (5,447,224)	\$ (6,999,143)
Cash payments to employees for services	(396,511)	-	(396,511)
Miscellaneous revenue	188,516	2,703	191,219
Cash received from interfund services provided	3,380,637	4,788,553	8,169,190
Cash payments for interfund services used	(66,107)	-	(66,107)
Net cash provided (used) by operating activities	1,554,616	(655,968)	898,648
Cash flows from capital and related financing activities:			
Sale of capital assets	132,226	-	132,226
Purchase of capital assets	(630,017)	-	(630,017)
Net cash used by capital and related financing activities	(497,791)	-	(497,791)
Cash flows from investing activities:			
Interest income	23,414	-	23,414
Net cash provided by investing activities	23,414	-	23,414
Net increase (decrease) in cash and cash equivalents	1,080,239	(655,968)	424,271
Cash and cash equivalents, beginning of year	2,582,577	868,821	3,451,398
Cash and cash equivalents, end of year	\$ 3,662,816	\$ 212,853	\$ 3,875,669

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

(continued)	Municipal Garage	Employee Benefits Fund	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 886,138	\$ (284,569)	\$ 601,569
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	855,364	-	855,364
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	15,092	(1,091)	14,001
Decrease (increase) in due from other funds	(8,133)	-	(8,133)
Decrease (increase) in supplies inventory	(63,715)	-	(63,715)
Increase (decrease) in accounts payable	(75,953)	(370,308)	(446,261)
Increase (decrease) in accrued wages	(21,165)	-	(21,165)
Increase (decrease) in accrued liabilities	(5,005)	-	(5,005)
Increase (decrease) in compensated absences	(28,379)	-	(28,379)
Increase (decrease) in post employment benefits	372	-	372
Total adjustments	668,478	(371,399)	297,079
Net cash provided (used) by operating activities	\$ 1,554,616	\$ (655,968)	\$ 898,648

**CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
MUNICIPAL GARAGE FUND
FOR YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 3,949,234	\$ 3,949,234	\$ 3,701,377	\$ (247,857)
Total operating revenues	3,949,234	3,949,234	3,701,377	(247,857)
Operating expenses				
Personal services	501,587	501,587	462,618	38,969
Other				
Contractual services	513,630	513,630	486,546	27,084
Commodities	1,271,203	1,271,203	1,184,921	86,282
Other operating expenses	830,990	830,990	863,302	(32,312)
Total operating expenses	3,117,410	3,117,410	2,997,387	120,023
Operating income (loss)	831,824	831,824	703,990	(127,834)
Non-operating revenues (expenses)				
Interest revenue	38,605	38,605	23,413	(15,192)
Total non-operating revenues (expenses)	38,605	38,605	23,413	(15,192)
Change in net position	870,429	870,429	727,403	(143,026)
Net position, beginning of the year	2,446,469	2,446,469	2,446,469	-
Appropriation for prior year encumbrances	136,108	136,108	136,108	-
Net position, end of the year	\$ 3,453,006	\$ 3,453,006	\$ 3,309,980	\$ (143,026)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
EMPLOYEE BENEFITS FUND
FOR YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual	Variance From Final Budget
Operating revenues				
Charges for services	\$ 5,040,574	\$ 5,040,574	\$ 4,791,256	\$ (249,318)
Total operating revenues	5,040,574	5,040,574	4,791,256	(249,318)
Operating expenses				
Other				
Contractual services	5,122,594	5,622,594	5,450,799	171,795
Total operating expenses	5,122,594	5,622,594	5,450,799	171,795
Change in net position	(82,020)	(582,020)	(659,543)	(77,523)
Net position, beginning of the year	865,916	865,916	865,916	-
Appropriation for prior year encumbrances	2,905	2,905	2,905	-
Net position, end of the year	\$ 786,801	\$ 286,801	\$ 209,278	\$ (77,523)

**CITY OF MIDDLETOWN
AGENCY FUNDS
DECEMBER 31, 2012**

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.

PAYROLL CLEARING

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

MUNICIPAL COURT

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

JOINT ECONOMIC DEVELOPMENT DISTRICT I

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

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Payroll Clearing	Municipal Court	Joint Economic Development District I	Totals
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ -	\$ 66,354	\$ 89,603	\$ 155,957
Cash with fiscal and escrow agent	294,715	-	-	294,715
Total assets	294,715	66,354	89,603	450,672
Liabilities:				
Due to other governments	209,618	-	89,603	299,221
Due to individuals	83,519	5,734	-	89,253
Unapportioned monies	1,578	60,620	-	62,198
Total liabilities	\$ 294,715	\$ 66,354	\$ 89,603	\$ 450,672

CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CHANGES
 IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

PAYROLL CLEARING				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash with fiscal and escrow agent	\$ 205,551	\$ 20,178,550	\$ 20,089,386	\$ 294,715
Total assets	205,551	20,178,550	20,089,386	294,715
Liabilities:				
Due to other governments	173,032	6,033,643	5,997,057	209,618
Due to individuals	29,743	13,275,574	13,221,798	83,519
Unapportioned monies	2,776	869,333	870,531	1,578
Total liabilities	\$ 205,551	\$ 20,178,550	\$ 20,089,386	\$ 294,715

CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CHANGES
 IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

MUNICIPAL COURT				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 39,857	\$ 3,757,927	\$ 3,731,430	\$ 66,354
Total assets	39,857	3,757,927	3,731,430	66,354
Liabilities:				
Due to other governments	-	678,365	678,365	-
Due to individuals	8,345	1,000,214	1,002,825	5,734
Unapportioned monies	31,512	480,357	451,249	60,620
Total liabilities	\$ 39,857	\$ 2,158,936	\$ 2,132,439	\$ 66,354

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CHANGES
IN FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

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	\$ 57,721	\$ 846,084	\$ 814,202	\$ 89,603
Total assets	57,721	846,084	814,202	\$ 89,603
Liabilities:				
Due to other governments	57,721	846,084	814,202	89,603
Total liabilities	\$ 57,721	\$ 846,084	\$ 814,202	\$ 89,603

STATISTICAL SECTION

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

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

CONTENTS	PAGE
Financial Trends	177
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	183
These schedules contain information to help the reader assess one of the government's most significant local revenue sources, the property tax.	
Debt Capacity	188
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	193
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	195
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 Position by Component
Last Ten Years
(Accrual Basis of Accounting)
(amounts expressed in thousands)
Table 1

		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities											
Net Investment in Capital Assets	\$	57,866	56,729	59,237	59,504	58,169	59,871	62,823	68,722	22,142	21,613
Restricted:											
Capital Projects		1,389	3,752	7,372	3,527	4,168	3,806	4,229	5,838	5,402	3,703
Debt Service		4,437	4,401	4,592	4,495	5,845	1,932	2,466	2,483	2,700	1,768
Housing Assistance		10,496	12,658	13,702	11,897	11,241	12,629	12,608	10,625	-	-
Other Purposes		9,217	10,123	10,010	11,351	10,256	8,327	7,761	8,502	16,329	15,413
Unrestricted		12,210	9,940	7,454	10,494	10,366	6,963	4,930	3,605	2,267	4,239
Total Governmental Activities Net Position	\$	<u>95,615</u>	<u>97,603</u>	<u>102,367</u>	<u>101,268</u>	<u>100,045</u>	<u>93,528</u>	<u>94,817</u>	<u>99,775</u>	<u>48,840</u>	<u>46,736</u>
Business-Type Activities											
Net Investment in Capital Assets	\$	54,343	51,637	49,711	49,139	49,847	41,709	40,483	41,012	39,549	38,968
Restricted:											
Other Purposes		-	1,501	1,457	1,411	1,367	1,255	1,105	711	711	716
Unrestricted		16,775	14,811	14,166	13,247	10,779	15,702	15,650	12,658	13,204	12,239
Total Business-Type Activities Net Position	\$	<u>71,118</u>	<u>67,949</u>	<u>65,334</u>	<u>63,797</u>	<u>61,993</u>	<u>58,666</u>	<u>57,238</u>	<u>54,381</u>	<u>53,464</u>	<u>51,923</u>

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities:										
Community environment	\$ 14,555	16,739	13,318	14,621	15,950	11,736	11,402	11,022	13,033	12,476
General government	6,240	6,364	6,161	6,489	4,073	4,233	4,639	4,674	4,389	4,248
Leisure	1,210	1,164	947	1,150	1,250	1,565	1,096	1,661	877	1,146
Public health	983	781	941	1,094	1,490	1,031	1,262	1,247	1,471	1,859
Public safety	24,639	24,646	23,951	24,250	23,701	23,498	22,691	22,420	22,544	22,128
Highways and streets	9,557	8,565	9,776	9,509	7,965	10,318	9,787	4,196	5,446	3,485
Interest on long-term debt	1,402	1,447	1,241	1,179	1,028	1,497	1,522	1,506	1,375	1,215
Total governmental activities expenses	<u>58,586</u>	<u>59,706</u>	<u>56,335</u>	<u>58,292</u>	<u>55,457</u>	<u>53,878</u>	<u>52,399</u>	<u>46,726</u>	<u>49,135</u>	<u>46,557</u>
Business-type activities:										
Water	6,564	6,427	7,627	5,867	7,588	7,510	8,027	6,002	5,265	5,397
Sanitary Sewer	7,206	7,216	7,172	7,092	7,374	6,730	6,928	5,640	5,505	5,734
Golf	1,489	1,446	1,604	1,488	1,563	1,713	1,653	1,881	1,727	1,879
Solid Waste	2,690	2,667	2,616	2,547	2,496	2,748	2,442	2,280	2,236	2,290
Non major enterprise funds	3,154	3,021	2,432	3,292	2,314	2,203	2,037	1,810	1,961	1,321
Total business-type activities expenses	<u>21,103</u>	<u>20,777</u>	<u>21,451</u>	<u>20,286</u>	<u>21,335</u>	<u>20,904</u>	<u>21,087</u>	<u>17,613</u>	<u>16,694</u>	<u>16,621</u>
Total primary government expenses	<u>\$ 79,689</u>	<u>80,483</u>	<u>77,786</u>	<u>78,578</u>	<u>76,792</u>	<u>74,782</u>	<u>73,486</u>	<u>64,339</u>	<u>65,829</u>	<u>63,178</u>
Program Revenue										
Governmental activities:										
Charges for services:										
Community environment	\$ 926	890	550	192	347	501	896	777	447	16
General government	2,700	2,625	2,382	2,704	2,980	2,296	1,744	2,329	1,589	1,528
Highways and streets	228	569	16	-	-	449	498	-	18	-
Leisure	4	2	2	1	162	79	45	18	23	34
Public health	216	236	191	167	184	-	204	205	200	329
Public safety	4,936	4,660	4,350	3,990	3,967	3,686	2,297	2,836	1,793	2,422
Operating grants & contributions	9,386	11,932	13,472	13,682	12,827	11,332	12,241	14,421	6,895	10,007
Capital grants & contributions	8,524	3,551	2,716	7,423	4,203	2,405	3,047	1,560	9,125	1,985
Total governmental activities program revenue	<u>\$ 26,920</u>	<u>24,465</u>	<u>23,679</u>	<u>28,159</u>	<u>24,670</u>	<u>20,748</u>	<u>20,972</u>	<u>22,146</u>	<u>20,090</u>	<u>16,321</u>

continued

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Business-type activities:										
Charges for services:										
Water	\$ 7,752	6,852	6,500	6,038	6,866	6,598	6,980	6,655	6,711	6,228
Sanitary Sewer	8,257	8,137	7,831	7,210	7,930	6,673	7,122	5,574	5,791	5,460
Golf course	1,165	1,152	1,358	1,408	1,393	1,629	1,635	1,716	1,765	1,668
Solid Waste	2,923	2,812	2,861	2,825	2,817	3,153	2,596	2,454	2,423	2,330
Other business-type activities	2,064	2,057	1,910	2,078	2,007	1,842	1,994	267	201	206
Operating grants & contributions	1,437	1,712	2,481	1,101	1,257	1,115	2,639	1,139	184	31
Capital grants & contributions	355	337	322	754	1,119	473	172	151	654	1,985
Total business-type activities program revenue	23,953	23,059	23,263	21,414	23,389	21,483	23,138	17,956	17,729	17,908
Total primary government program revenue	\$ 50,873	47,524	46,942	49,573	48,059	42,231	44,110	40,102	37,819	34,229
Net (Expense)/Revenue										
Governmental activities	\$ (31,666)	(35,241)	(32,656)	(30,133)	(30,787)	(33,130)	(31,427)	(24,580)	(29,045)	(30,236)
Business-type activities	2,850	2,282	1,812	1,128	2,054	579	2,051	343	1,035	1,287
Total primary government net expense	(28,816)	(32,959)	(30,844)	(29,005)	(28,733)	(32,551)	(29,376)	(24,237)	(28,010)	(28,949)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Income taxes	\$ 19,828	19,425	20,345	18,942	19,921	17,921	17,695	18,009	17,960	16,417
Property taxes	4,081	4,158	4,480	4,534	4,965	5,644	5,920	5,941	5,654	5,588
Other taxes	2,657	2,808	2,949	2,427	2,248	3,694	3,382	3,046	3,445	3,849
Grants/contributions not restricted	1,649	3,005	4,852	3,666	3,349	1,014	807	6	69	2,300
Investment earnings	(78)	124	111	(151)	686	2,327	967	485	529	1,006
Miscellaneous	1,478	895	942	1,823	6,135	1,241	3,143	3,196	3,560	1,445
Transfers	64	62	77	58	-	-	55	56	(67)	334
Total governmental activities general revenues	29,679	30,477	33,756	31,299	37,304	31,841	31,969	30,739	31,150	30,939
Business-type activities:										
Income taxes	\$ 190	170	190	344	466	300	270	338	238	245
Grants/contributions not restricted	-	-	-	-	-	-	-	-	201	245
Investment earnings	123	123	189	323	694	549	591	291	-	-
Transfers	(64)	102	(77)	96	-	-	(55)	(56)	67	(279)
Miscellaneous	69	(62)	115	(58)	113	-	-	-	-	-
Total business type activities general revenues	318	333	417	705	1,273	849	806	573	506	211
Total primary government general revenues	\$ 29,997	30,810	34,173	32,004	38,577	32,690	32,775	31,312	31,656	31,150
Special item	\$ -	-	(692)	-	-	-	(5,500)	-	-	-
Changes in Net Position										
Governmental activities	\$ (1,987)	(4,764)	1,100	1,166	6,517	(1,289)	(4,958)	6,159	2,105	703
Business-type activities	3,168	2,615	1,537	1,833	3,327	1,428	2,857	916	1,541	1,498
Total primary government	\$ 1,181	(2,149)	2,637	2,999	9,844	139	(2,101)	7,075	3,646	2,201

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

Fiscal Year	Income Tax	Property Tax	Other Taxes	Total
2012	\$ 19,828	\$ 4,081	\$ 2,657	\$ 26,566
2011	\$ 19,595	\$ 4,158	\$ 2,808	\$ 26,561
2010	\$ 20,345	\$ 4,480	\$ 2,948	\$ 27,773
2009	\$ 19,286	\$ 4,533	\$ 2,427	\$ 26,246
2008	\$ 20,387	\$ 4,965	\$ 2,248	\$ 27,600
2007	\$ 18,221	\$ 5,644	\$ 3,694	\$ 27,559
2006	\$ 17,966	\$ 5,920	\$ 3,382	\$ 27,268
2005	\$ 18,009	\$ 5,941	\$ 3,046	\$ 26,996
2004	\$ 17,960	\$ 5,654	\$ 3,445	\$ 27,059
2003	\$ 16,417	\$ 5,588	\$ 3,849	\$ 25,854

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Reserved, nonspendable, restricted or committed	\$ 3,583	4,881	343	326	311	211	229	732	355	509
Unreserved, unassigned	7,441	6,955	11,697	10,977	11,229	8,864	6,792	6,527	6,007	7,119
Total General Fund	\$ 11,024	11,836	12,040	11,303	11,540	9,075	7,021	7,259	6,362	7,628
All Other Governmental Funds										
Reserved, nonspendable, restricted or committed	\$ 13,133	13,877	10,682	3,764	4,476	3,148	5,138	4,457	5,225	9,197
Unreserved, undesignated, unassigned reported in:										
Capital project funds	(1,263)	(1,372)	(138)	2,499	6,021	3,552	1,823	4,258	2,541	(1,091)
Debt service funds	-	-	892	82	1,123	720	317	327	124	443
Special revenue funds	(133)	(164)	6,446	7,133	2,933	6,842	5,440	4,117	4,169	3,852
Total All Other Governmental Funds	11,737	12,341	17,882	13,478	14,553	14,262	12,718	13,159	12,059	12,401
Total Governmental Funds	\$ 22,761	24,177	29,922	24,781	26,093	23,337	19,739	20,418	18,421	20,029

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Property taxes	\$ 3,694	4,158	4,480	4,533	4,965	5,643	5,920	5,941	5,654	5,588
Municipal income taxes	19,728	19,924	19,775	18,640	19,606	17,944	17,061	18,092	17,376	15,443
Intergovernmental revenues	19,611	22,675	22,330	23,325	19,921	18,853	19,159	15,702	17,940	17,781
Charges for services	4,555	4,454	4,024	4,449	4,312	4,216	3,286	3,624	3,758	2,915
Fees, licenses, and permits	297	224	204	187	257	452	417	338	312	245
Fines and forfeits	1,935	1,896	1,979	1,774	2,019	1,575	1,483	1,612	1,499	1,164
Special assessments	672	701	349	385	440	491	498	591	659	638
Investment earnings	(78)	124	111	(151)	686	1,054	861	450	498	730
Miscellaneous	3,708	3,172	3,469	2,575	3,958	3,142	3,385	3,172	2,089	1,976
Total revenues	54,122	57,328	56,721	55,717	56,164	53,370	52,070	49,522	49,785	46,480
Expenditures										
Current:										
General Government	3,815	3,879	4,323	4,060	4,334	4,083	4,306	4,196	4,104	4,203
Public safety	24,609	24,987	23,933	23,873	23,240	23,122	23,791	22,501	22,142	23,596
Public health and welfare	727	744	899	1,084	1,394	1,024	1,220	1,187	1,457	1,832
Leisure time activities	908	1,002	856	1,466	1,259	1,421	1,064	1,502	1,060	1,152
Community environment	14,177	21,202	16,422	14,616	15,907	11,754	11,377	13,708	13,024	12,441
Highways and streets	5,091	5,871	6,223	12,008	3,329	4,731	6,587	5,373	3,787	7,432
Miscellaneous	2,531	2,165	1,725	3,422	1,127	1,427	1,410	1,636	7,353	2,080
Debt Service										
Principal retirement	2,414	2,228	2,129	1,822	1,896	1,556	1,661	1,520	1,407	1,238
Interest and fiscal charges	1,329	1,394	1,381	1,277	971	1,503	1,527	1,493	1,355	1,209
Bond issuance costs	-	-	-	-	836					141
Total expenditures	55,601	63,472	57,891	63,628	54,293	50,621	52,943	53,116	55,689	55,324
Excess (deficiency) of revenues over expenditures	\$ (1,479)	(6,144)	(1,170)	(7,911)	1,871	2,749	(873)	(3,594)	(5,904)	(8,844)

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Continued										
Other Financing Sources (Uses)										
Transfers in	\$ 163	161	258	1,075	2,842	842	497	661	765	1,047
Transfers out	(99)	(99)	(198)	(1,017)	(2,785)	(242)	(442)	(606)	(713)	(768)
Issuance of bonds	-	337	6,235	6,530	10,323	-	58	4,315	6,216	4,250
Other uses	-	-	-	11	(9,665)	(4)	(29)	-	-	-
Other sources	-	-	16	-	170	107	-	-	-	-
Total other financing sources (uses)	64	399	6,311	6,599	885	703	84	4,370	6,268	4,529
Net change in Fund Balances	\$ (1,415)	(5,745)	5,141	(1,312)	2,756	3,452	(789)	776	364	(4,315)
Asset Additions	\$ 7,420	10,349	7,458	14,607	10,475	2,753	5,649	7,639	7,005	7,217
Non capital expenditures	\$ 48,181	53,123	50,433	49,021	43,818	47,868	47,294	45,477	48,684	48,107
Debt service as a % of noncapital expenditures	7.77%	6.82%	6.96%	6.32%	8.45%	6.39%	6.74%	6.63%	5.67%	5.38%

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Property taxes	\$ 3,694	4,158	4,480	4,533	4,965	5,643	5,920	5,941	5,654	5,588
Municipal income taxes	\$ 19,728	19,924	19,775	18,640	19,606	17,944	17,061	18,092	17,376	15,443

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

Tax Levy/ Collection Year	Real Property		Personal Property (1)		Public Utility (2)		Totals		Direct Tax Rate	Assessed Value as a Percent of Estimated Actual Value
	Assessed	Estimated Actual	Assessed	Estimated Actual	Assessed	Estimated Actual	Assessed	Estimated Actual		
2002/2003	\$751,960	\$2,148,865	\$248,818	\$995,273	\$39,698	\$158,224	\$1,040,477	\$3,302,362	5.86	31.51
2003/2004	\$753,911	\$2,154,032	\$252,766	\$1,011,064	\$38,624	\$154,498	\$1,045,301	\$3,319,593	5.86	31.49
2004/2005	\$752,108	\$2,148,880	\$253,353	\$1,013,414	\$38,637	\$154,548	\$1,044,099	\$3,316,842	5.86	31.48
2005/2006	\$777,301	\$2,220,861	\$238,133	\$952,532	\$36,625	\$146,501	\$1,052,060	\$3,319,895	8.90	31.69
2006/2007	\$796,561	\$2,214,750	\$200,461	\$739,474	\$43,102	\$171,800	\$1,040,124	\$3,126,024	5.90	33.27
2007/2008	\$698,478	\$1,990,520	\$129,635	\$739,474	\$32,519	\$130,000	\$860,632	\$2,859,994	5.90	30.09
2008/2009	\$850,845	\$2,395,651	\$0	\$0	\$33,839	\$135,100	\$884,684	\$2,530,751	5.90	34.96
2009/2010	\$810,367	\$2,315,335	\$0	\$0	\$35,641	\$143,750	\$846,008	\$2,459,085	5.90	34.40
2010/2011	\$799,515	\$2,284,335	\$0	\$0	\$44,761	\$176,510	\$844,276	\$2,460,845	5.90	34.31
2011/2012	\$668,262	\$1,914,230	\$0	\$0	\$46,477	\$176,510	\$714,739	\$2,090,740	5.90	34.19

Real property is reappraised every six years (last reappraisal in 2011) with a State mandated update of the current market in the third year following each reappraisal. Pursuant to statutory requirements for sexennial reappraisals, in 2008 the County Auditor adjusted the true value of taxable real property to reflect then current fair market values. These adjustments were first reflected in the 2008 duplicate (collection year 2009) and in the ad valorem taxes distributed to the City in 2009 and thereafter.

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

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

(1) Other than public utility.

(2) Real and tangible personal property

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

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

Collection Year	City of Middletown				Butler County	Middletown City School District	Total
	Operating	Police and Fire Pension	Debt Retirement	City of Middletown Total			
2003	5.26	0.60	0.00	5.86	8.75	36.71	51.32
2004	5.26	0.60	0.00	5.86	8.74	40.03	54.63
2005	5.30	0.60	0.00	5.90	8.74	40.01	54.65
2006	5.30	0.60	0.00	5.90	9.44	47.06	62.40
2007	5.30	0.60	0.00	5.90	10.95	47.06	63.91
2008	5.30	0.60	0.00	5.90	10.45	47.68	64.03
2009	5.30	0.60	0.00	5.90	9.75	47.68	63.33
2010	5.30	0.60	0.00	5.90	9.75	48.93	64.58
2011	5.30	0.60	0.00	5.90	9.72	49.09	64.71
2012	5.30	0.60	0.00	5.90	9.72	48.65	64.27

(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
12/31/2012 and Nine Years Ago
Table 9

Top Ten Property Taxpayers (real property)

2003 Calendar year/ 2002 Tax Year			2012 Calendar year/ 2011 Tax Year		
	<u>Value</u>	<u>% of Total</u>		<u>Value</u>	<u>% of Total</u>
AK Steel	\$ 21,974,710	1.02%	Duke Energy Ohio Inc.	\$ 35,422,170	1.69%
Precision Strip	\$ 4,163,700	0.19%	AK Steel	\$ 10,331,010	0.49%
Southwestern Ohio Steel	\$ 4,061,850	0.19%	Rockies Express Pipeline LLC	\$ 4,804,160	0.23%
Garden Manor	\$ 3,567,790	0.17%	Sam Boymel	\$ 3,500,010	0.17%
Trinity Place Community	\$ 2,466,920	0.11%	Precision Strip Inc	\$ 3,363,660	0.16%
Bavarian Woods	\$ 2,271,850	0.11%	Middletown Coke	\$ 2,814,870	0.13%
Bay West Paper Company	\$ 1,780,300	0.08%	Liberty Retirement Properties	\$ 2,278,620	0.11%
Riverside Village LTD	\$ 1,765,880	0.08%	Chaka-Chak LLC	\$ 2,060,340	0.10%
Akers Packaging	\$ 1,684,510	0.08%	Texas Eastern Transmission	\$ 1,950,180	0.09%
Jefferson Smurfit Corporation	\$ 1,630,590	0.08%	Bavarian Woods	\$ 1,925,000	0.09%
TOTAL	\$3,302,362,265	2.11%		\$2,090,740,000	3.27%

2002/2003 data does not include public utility

Source: Butler County Auditor's Office

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

Collected within the Fiscal Year of the Levy				
Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year (Millage)	Amount Levied	Amount Collected	Percentage of Levy Collected
2012	5.90	\$4,610	\$3,452	74.88%
2011	5.90	\$4,629	\$3,976	85.89%
2010	5.90	\$4,751	\$4,270	89.88%
2009	5.90	\$5,913	\$4,526	76.54%
2008	5.90	\$6,009	\$5,071	84.39%
2007	5.90	\$6,207	\$5,330	85.87%
2006	5.90	\$6,160	\$5,941	96.44%
2005	5.90	\$6,167	\$5,654	91.68%
2004	5.86	\$6,097	\$5,588	91.65%
2003	5.86	\$5,420	\$5,019	92.60%

Information not available for delinquent property tax collections

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

Fiscal Year	Governmental Activities					Business-Type Activities			Total	Percentage of Personal Income	Per Capita (1)
	General Obligation Bonds	Special Assessment Bonds	Police & Fire Pension Accrued Liability	Capital Leases		General Obligation Bonds	Capital Leases				
2012	\$ 26,460	\$ 2,222	\$ 2,066	\$ -		\$ 10,549	\$ 3,704		\$ 45,001	4.87%	\$ 919
2011	\$ 28,505	\$ 2,479	\$ 2,164	\$ -		\$ 11,768	\$ 4,512		\$ 49,428	4.87%	\$ 1,010
2010	\$ 30,664	\$ 2,375	\$ 2,261	\$ -		\$ 12,953	\$ 5,290		\$ 53,543	4.87%	\$ 1,100
2009	\$ 26,341	\$ 2,593	\$ 2,359	\$ -		\$ 14,108	\$ 6,041		\$ 51,442	4.87%	\$ 1,050
2008	\$ 21,410	\$ 2,823	\$ 2,457	\$ -		\$ 14,967	\$ 6,765		\$ 48,422	4.56%	\$ 942
2007	\$ 22,215	\$ 3,099	\$ 2,555	\$ -		\$ 6,235	\$ 7,462		\$ 41,566	3.87%	\$ 803
2006	\$ 24,010	\$ 3,325	\$ 2,652	\$ -		\$ 6,850	\$ 8,024		\$ 44,861	4.14%	\$ 879
2005	\$ 25,375	\$ 2,899	\$ 2,750	\$ -		\$ 7,650	\$ -		\$ 38,674	3.52%	\$ 696
2004	\$ 22,220	\$ 3,259	\$ 2,848	\$ 74		\$ 8,405	\$ -		\$ 36,806	3.33%	\$ 658
2003	\$ 17,815	\$ 2,857	\$ 2,946	\$ 155		\$ 9,125	\$ -		\$ 32,898	2.94%	\$ 580

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

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value (1) of Property	Per Capita (2)
2012	\$37,009	\$210	\$36,799	5.18%	\$756
2011	\$40,403	\$522	\$39,881	4.79%	\$825
2010	\$43,617	\$548	\$43,069	5.16%	\$896
2009	\$40,449	\$460	\$39,989	4.57%	\$825
2008	\$36,652	\$617	\$36,035	4.26%	\$713
2007	\$28,450	\$346	\$28,104	2.74%	\$550
2006	\$30,350	\$138	\$30,212	2.88%	\$595
2005	\$33,025	\$172	\$32,853	3.16%	\$640
2004	\$30,625	\$272	\$30,353	2.93%	\$593
2003	\$26,940	\$141	\$26,799	2.59%	\$522

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 178 for property value data

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 187.

CITY OF MIDDLETOWN, OHIO
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 As of December 31, 2012
 (amounts expressed in thousands)
 Table 13

Political Subdivision	General Bonded Debt	Percent Applicable to City	City's Share
City of Middletown	\$37,009	100.0	\$37,009
Butler County	71,300	8.3	\$5,918
Warren County	<u>11,320</u>	1.5	<u>172</u>
Total	\$119,629		\$43,099

Source: Butler and Warren County Auditor's Offices.

Butler County percentage determined by dividing the total assessed valuation of properties located within the city divided by the total assessed valuation of the county.

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

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$	109,250	109,757	109,630	110,466	109,213	90,366	92,892	88,831	88,649	75,048
Total net debt applicable to limit		8,655	13,535	16,995	16,050	15,610	13,920	19,429	24,356	24,231	22,120
Legal debt margin	\$	100,595	96,222	92,635	94,416	93,603	76,446	73,463	64,475	64,418	52,928
Total net debt applicable to the limit as a percentage of debt limit		7.92%	12.33%	15.50%	14.53%	14.29%	15.40%	20.92%	27.42%	27.33%	29.47%
											Assessed value
											\$714,739
											Add back: exempt real property
											-
											Total asessed value
											714,739
											Debt limit (10.5%) of total asses value
											75,048
											Debt applicable to limit:
											General obligation bond
											22,120
											Less: Amount set aside for repayment
											of general obligation debt
											(611)
											Total net debt applicable to limit
											21,509
											Legal debt margin
											53,539

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

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

Collection Year	Tax Year	Special Assessment Collections	Debt Service		Coverage
			Principal	Interest & Fiscal Charges	
2012	2011	\$401,408	\$256,791	\$113,114	1.09
2011	2010	\$424,386	\$217,300	\$124,452	1.24
2010	2009	\$328,851	\$253,500	\$137,991	0.84
2009	2008	\$385,101	\$229,900	\$149,915	1.01
2008	2007	\$589,343	\$276,399	\$163,173	1.34
2007	2006	\$581,144	\$270,818	\$176,149	1.30
2006	2005	\$498,210	\$296,295	\$187,135	1.03
2005	2004	\$547,790	\$359,859	\$201,059	0.98
2004	2003	\$489,116	\$312,000	\$162,746	1.03
2003	2002	\$557,436	\$233,000	\$184,966	1.33

Note: Tax Year stated above is due the following year.

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

Year	Population (1)	Personal Income (in 1,000's)	Per Capita Personal Income (1)	Median Age (1)	Education Level in Years of Formal Schooling (1)	School Enrollment (1)	Unemployment Rate (2)
2003	51,752	\$1,023,292	\$19,773	36.2	n/a	7,631	6.30
2004	51,583	\$1,019,951	\$19,773	36.2	n/a	7,302	6.30
2005	51,187	\$1,005,006	\$19,634	34.5	n/a	7,198	6.00
2006	51,018	\$1,001,687	\$19,634	34.5	16 yrs - 13% 12 yrs - 67%	11,539	7.10
2007	51,739	\$1,015,844	\$19,634	34.5	16 yrs - 13% 12 yrs - 67%	11,539	6.00
2008	51,422	\$1,009,620	\$19,634	34.5	16 yrs - 13% 12 yrs - 67%	11,539	7.20
2009	49,000	\$1,006,607	\$20,543	36.4	16 yrs - 13% 12 yrs - 67%	11,366	11.20
2010	48,694	\$1,000,321	\$20,543	35.9	16 yrs - 13% 12 yrs - 67%	11,755	9.60
2011	48,962	\$965,335	\$19,716	38.0	16 yrs - 13% 12 yrs - 67%	11,111	7.70
2012	48,962	\$965,335	\$19,716	38.0	16 yrs - 13% 12 yrs - 67%	11,111	7.20

Data Sources:

(1) US Census Bureau

(2) State Department of Labor

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

CITY OF MIDDLETOWN, OHIO
Principal Employers
Current Year and Ten Years Ago
Table 17

Employer	2012		
	Employees	Rank	Percentage of Total City Employment
AK Steel	2,333	1	11.7%
Atrium Medical Center	2,013	2	10.1%
Middletown City School District	1,081	4	5.4%
CBS Temporary Services, LLC	1,064	3	5.3%
Crown Services 36 LLC	897	6	4.5%
CM Temporary Services, Inc.	712	5	3.6%
Kokosing Construction	640	7	3.2%
Kroger Limited Partnership	526	9	2.6%
City of Middletown	520	8	2.6%
McDonald's Restaurants of Ohio	427	10	2.1%

Employer	2003		
	Employees	Rank	Percentage of Total City Employment
AK Steel	4,072	1	42.3%
Middletown Regional Hospital	1,470	2	15.3%
Robert Lee Brown, Inc.	1,170	3	12.2%
Middletown City School District	986	4	10.2%
City of Middletown	531	5	5.5%
Jefferson Smurfit Corporation	354	6	3.7%
McGraw/Kokosing	349	7	3.6%
Aeronca	255	8	2.6%
Miami University	250	9	2.6%
Southwest Ohio Steel, Inc	190	10	2.0%

Note: Data for Principal Employers not available before 2003.

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	54	47	42	44	40	40	40	38	38	34
Public safety										
Police										
Officers	93	90	89	86	80	80	80	80	80	72
Civilians	49	45	45	40	36	37	37	37	37	34
Fire										
Firefighters & officers	90	87	87	84	84	84	84	84	81	72
Civilians	1	1	1	1	1	1	1	1	1	1
Other	36	33	28	33	35	32	32	26	26	26
Highways and streets										
Maintenance	19	17	18	17	15	15	15	15	15	15
Leisure Time Activities	11	10	7	7	8	8	8	7	7	7
Community Environment	2	2	7	7	6	4	7	8	9	6
Public health & welfare	11	7	6	6	5	5	4	4	4	3
Water	32	32	33	32	32	32	31	31	31	31
Sewer	35	34	34	35	35	32	31	32	32	32
Storm Water	0	0	0	0	4	4	6	6	7	7
Golf Course	8	8	8	8	7	7	6	6	5	5
Transit	9	9	8	8	8	8	8	7	6	5
Parking	1	0	0	0	0	0	0	0	0	0
Internal Services	11	10	10	10	10	9	9	9	8	7
Total	462	432	423	418	406	398	399	391	387	357

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fire										
Number of fire responses	708	718	604	916	660	695	566	1,888	1,996	2,073
Average response time (minutes)	4.1	4.2	4.3	4.3	4.7	4.9	4.5	4.6	4.6	5.2
Emergency medical calls	6,153	6,159	6,557	6,700	6,954	7,807	7,969	8,158	8,513	8,400
Police										
Calls for service	44,285	42,547	42,563	47,348	42,830	42,135	46,727	43,696	49,312	45,247
Number of arrests	7,069	7,525	8,223	8,370	7,799	7,235	8,106	8,417	8,030	8,036
Response time for priority calls (minutes)	5.3	5.4	5.5	5.7	5.6	5.6	5.8	5.2	5.4	5.4
Traffic accidents	2,140	1,965	1,877	1,892	1,822	1,790	1,562	1,630	1,547	1,466
Average daily jail population	55	55	58	53	49	50	49	51	47	53
Recreation and leisure										
Community center admissions	14,382	8,042	9,125	8,548	6,208	9,244	10,179	12,011	21,900	n/a
Transit										
Unlinked passenger trips	195,687	194,079	233,750	253,587	250,142	247,979	198,333	210,397	219,596	204,362
Water										
Average daily water pumpage (million gallons per day)	8.11	8.12	8.23	8.00	8.36	7.55	7.38	7.68	7.32	8.84
Number of water accounts	19,877	19,877	19,877	19,877	19,649	19,060	19,381	19,200	19,031	19,179
Sewer										
Average daily flow (million gallons per day)	16.4	14.1	16.5	16.2	15.6	17.9	16.1	16.6	20.7	16.3
Sewer mains cleaned (feet)	40,417	98,502	19,217	21,475	36,590	188,504	153,442	180,895	127,397	154,512

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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)	231	231	231	231	231	239	240	240	240	242
Traffic Lights	108	110	114	110	110	112	113	111	111	111
Water:										
Water mains (miles)	337	338	340	340	340	343	343	343	343	343
Sewer:										
Sanitary & storm (miles)	307	309	311	311	311	319	320	320	320	320
Leisure & recreation:										
Parks	36	36	36	36	36	36	36	36	36	36
Swimming pools	2	2	0	0	1	1	0	0	0	0
Community Centers	1	1	1	1	1	1	1	1	1	1
Golf Courses (public)	1	1	1	1	1	1	1	1	1	1