



CITY OF MIDDLETOWN

Comprehensive Annual Financial Report

*For the Year Ended
December 31, 2016*

**City of Middletown
One Donham Plaza
Middletown, Ohio**



CITY OF MIDDLETOWN, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2016

Prepared by
Finance Department

Jacob C. Burton
Finance Director

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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CITY OF
MIDDLETOWN

June 28, 2017

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

State law requires that every general purpose local government publish a complete set of audited financial statements within six months of the close of each fiscal year. We are pleased to present this Comprehensive Annual Financial Report (CAFR) for Middletown, Ohio. This report, for the year ended December 31, 2016, 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.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that is has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The responsibility for the accuracy of all data presented its completeness and fairness of presentation rests with the management staff of the City of Middletown.

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, organizational chart, list of elected officials and a Certificate of Achievement for Excellence in Financial Reporting for the 2015 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 PROFILE

Population

Middletown is positioned between the major metropolitan areas of Cincinnati and Dayton in southwestern Ohio with a population of approximately 49,000.

Council-Manager Form of 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.

The Mayor and Council members are elected and serve four year terms. The Mayor is directly elected and the Vice-mayor is selected by City Council from among its members. 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

The City of Middletown provides traditional municipal services, including police and fire protection; street maintenance; building inspections; licenses and permits; vital statistics; and a municipal court. 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.

Middletown is an inviting midsize city with big-city amenities:

- An abundance of arts and cultural opportunities
- Easy access to world-class sports, arts and entertainment venues
- A state-of-the-art public library system that is consistently ranked in the Top 10 for communities of this size
- Cost of living is below national average
- New, state-of-the-art hospital
- An expanding regional airport
- A myriad of parks and sporting options, including a bicycle pathway and botanical garden
- Two outstanding college branches—Miami University and Cincinnati State
- Affordable, abundant housing that come in every style and price range
- Award-winning health care services
- Transit system throughout the city and county wide

Budgetary Process and 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 November, 2015, City Council adopted the 2016 fiscal year permanent appropriation measure.

The City maintains budgetary control on a non-GAAP budgetary basis by fund/division along with a personnel category and a category labeled other (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.

Economic Outlook and Relevant Financial Policies

One of the most important duties we have is the management of our resources. The annual budget is the first major step of managing those resources. While our local economy is beginning to stabilize, the 2017 Budget and Financial Plan is cautiously optimistic.

AK Steel, the City's largest employer, has opened its \$36 million dollar Research and Innovation Center near I-75 and an additional fifteen positions are expected to be added by the end of 2018.

Kettering Health Network will begin construction on a \$30 million dollar medical facility in 2017. The facility will include a full-service emergency department, outpatient lab and imaging services, and a medical office building for physician practices. This new facility located on Ohio 122 just southeast of I-75 will create 110 new jobs, including registered nurses, respiratory therapists, imaging and lab technicians, and support staff. The facility is expected to be open in mid to late 2018.

NTE Energy is continuing construction on a \$500 million dollar natural gas electric generating facility that will generate about 300-400 full temporary construction jobs and about twenty-five permanent positions upon completion for ongoing operations and maintenance. This project should be in operation in 2018.

Construction of a new middle school, renovations and additions to the current high school including a sports arena continue to progress thanks to Middletown residents who passed a \$55 million bond issue

and a 0.26-mill permanent improvement levy. The new school will have up-to-date security, modern wireless technology and improved lighting with energy efficient features.

Downtown has come alive with new businesses, live bands, and a designated outdoor refreshment area. There were 23 new businesses opened Downtown during 2016. First Friday events, Broad Street Bash and Takin' it to the Streets summer concerts, eateries from steak and seafood to pizza and craft beer, art classes and exhibits, and shopping for those unique gifts are providing the public a new perspective of "Downtown Middletown."

Water rates are reviewed every two years while taking in consideration of operations, maintenance, and capital improvement costs. A 7.5% increase in water rates is scheduled for 2017 and will cost a typical residential user an additional \$2.22 per month. According to the annual Oakwood Water and Sewer Rate Survey for southwest Ohio, the city ranks as the 21st lowest out of the sixty-six communities surveyed as of March 1, 2016.

The unemployment rate has lowered from 2015 to 2016 indicating progress:

UNEMPLOYMENT RATE (%)			
Yearly Average			
	<u>Middletown</u>	<u>Ohio</u>	<u>U. S.</u>
2015	4.3%	4.9%	5.0%
2016	4.0%	5.0%	4.7%

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 6.90 mils or \$6.90 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 Senior Citizens Levy, with a one mil tax rate, began in 2013 and expires in five years. The majority of property tax revenues are used by the City's General Fund.

Assessed values and cash receipts, including State reimbursements of rollback and homestead exemptions, 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> (cash basis)
2011	2012	\$781,403,000	\$ 4,197,383
2012	2013	\$714,739,000	\$ 4,168,420
2013	2014	\$709,019,160	\$ 4,187,579
2014	2015	\$660,204,000	\$ 4,149,587
2015	2016	\$660,204,000	\$ 4,043,885

The City levies a 1.75% local earnings tax on all businesses and on all persons employed in the City of Middletown. The 1.75% local earning tax includes a .25% Public Safety Levy which is used for public safety activities. All businesses operating in the City also pay a 1.75% on their earnings attributed to their Middletown facility.

Local income tax receipts for the past five years are:

<u>Local Income Tax Receipts</u> <u>(Cash Basis)</u>	
2012	\$19,659,982
2013	\$19,949,274
2014	\$20,560,181
2015	\$21,571,744
2016	\$22,285,507

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.

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 105% of the varying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, Municipal Corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority.

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

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

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. The State performed the City's 2016 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, 2015.

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 2016 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 the State of Ohio, which was the City's auditor.

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

Respectfully submitted,

DEPARTMENT OF FINANCE

A handwritten signature in black ink, appearing to read "Jacob Burton".

Jacob Burton
Finance Director



Government Finance Officers Association

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, 2015

A handwritten signature in black ink that reads "Jeffrey R. Emer". The signature is fluid and cursive, with "Jeffrey" on the top line and "R. Emer" on the bottom line.

Executive Director/CEO

CITY OF MIDDLETOWN, OHIO

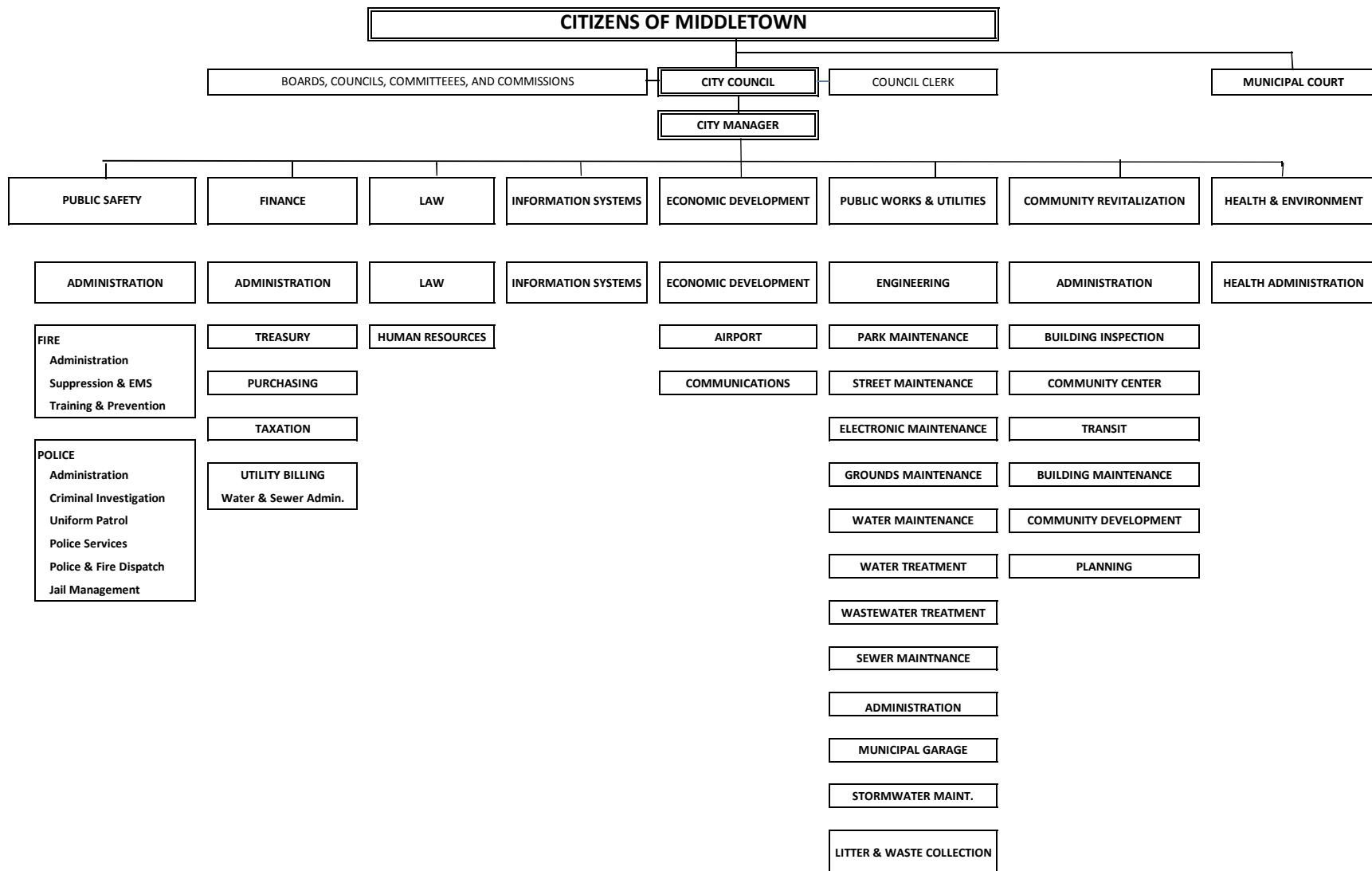
Principal Officials **January 1, 2016**

Legislative

Mayor	Lawrence P. Mulligan, Jr.
Vice Mayor	Dr. Dora D. Bronston
Council Member	Steve H. Bohannon
Council Member	Talbott C. Moon
Council Member	Daniel J. Picard

Executive/Administrative

City Manager	Douglas D. Adkins
Chief of Police	Rodney E. Muterspaw
Community Revitalization Director	Kyle D. Fuchs
Director of Court Services	Steven P. Longworth
Acting Economic Development Director	Matthew S. Eisenbraun
Finance Director	Jacob C. Burton
Fire Chief	Paul J. Lolli
Health Commissioner	Jacquelyn D. Phillips
Law Director	Leslie S. Landen
Public Safety Director	David G. VanArsdale
Public Works & Utilities Director	Scott D. Tadych



CITY OF MIDDLETOWN
ORGANIZATIONAL CHART

2016

FINANCIAL SECTION

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Middletown
Butler County
One Donham Plaza
Middletown, Ohio 45042

To the City Council:

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, Butler County, Ohio (the City), as of and for the year ended December 31, 2016, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, Butler County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis, required budgetary comparison schedule* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.



Dave Yost
Auditor of State

Columbus, Ohio

June 28, 2017

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CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016. 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 75).

Required Supplementary Information

- Schedules of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis. Schedule is presented for the General Fund (pages 76 to 79) that compare actual results to the original and final budget for this fund.
- Schedules pertaining to the net pension liability and contributions to the pension funds begin on page 80.

A. Reporting the City as a Whole

Government-wide statements

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities. These statements include *all* assets and liabilities and deferred outflows/inflows 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.

CITY OF MIDDLETOWN
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These two statements also report the City's *net position* and changes in this position. The City's net position – the difference between assets and liabilities and deferred outflows/inflows - are one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position is only one indicator of its *financial health*. Consideration should be given to additional items such as changes in the City's property tax base, changes in City operations, 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, the City Health Department and general government support departments.
- 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, as well as other sources, are the Hook Field/Middletown Regional Airport and the Middletown transit system.

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 activities. The City's two kinds of funds –*governmental and proprietary* - use different accounting methods.

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

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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 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 2016, 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 Fund records and accounts for the collection and disbursement of tax revenue with Liberty Township and the City of Mason. The City acts as the collection agent for these separate activities. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

II. THE CITY AS A WHOLE

A. Net position at year-end

Under standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

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GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City’s statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan’s *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

The following table presents a condensed summary of the City’s overall financial position at December 31, 2016 and 2015 (in thousands).

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Table 1
Net Position
(in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Restated						
Current and other assets	\$ 37,697	39,437	23,610	23,602	61,307	63,039
Capital assets	<u>79,379</u>	<u>79,047</u>	<u>71,120</u>	<u>65,766</u>	<u>150,498</u>	<u>144,813</u>
Total assets	117,076	118,484	94,730	89,368	211,805	207,852
Deferred outflows of resources	11,728	5,265	1,086	438	12,814	5,703
Long-term liabilities	71,134	68,642	14,088	15,176	85,222	83,818
Other liabilities	<u>3,948</u>	<u>4,088</u>	<u>2,004</u>	<u>2,366</u>	<u>5,952</u>	<u>6,454</u>
Total liabilities	75,082	72,730	16,092	17,541	91,174	90,272
Deferred inflows of resources	8,018	4,647	62	33	8,080	4,680
Net position:						
Net investments in capital assets	56,377	53,363	61,159	54,257	117,536	107,620
Restricted	12,165	12,843	-	-	12,165	12,843
Unrestricted	<u>(22,838)</u>	<u>(19,834)</u>	<u>18,502</u>	<u>17,975</u>	<u>(4,336)</u>	<u>(1,859)</u>
Total position	45,704	46,372	79,661	72,232	125,365	118,604
Beginning net assets	46,372	47,856	72,232	68,995	118,604	116,851
Net increase (decrease)	<u>(668)</u>	<u>(1,484)</u>	<u>7,429</u>	<u>3,237</u>	<u>6,761</u>	<u>1,753</u>
Ending net assets	\$ <u>45,704</u>	<u>46,372</u>	<u>79,661</u>	<u>72,232</u>	<u>125,365</u>	<u>118,604</u>

As of December 31, 2016, the City's ending net position was \$125,365 compared to \$118,604 in 2015, an increase of \$6.76 million. Governmental activities decreased \$668 and business type activities increased \$7,429.

Governmental activities net position has decreased in the past (\$1,484 in 2015, \$11,760 in 2014, \$5,265 in 2013, and \$1,937 in 2012) with the economy playing a major role for these decreases. During this economic shortfall, the City used cash balances for operating expenses. The City took measures to cut expenditures with decreased services and layoffs of staff in anticipation of these shortfalls.

The first decrease in the past nine years for business-type activities occurred in 2014 by \$83 which was due to a loss on the sale of the golf course.

B. Governmental and Business-type Activities during 2016

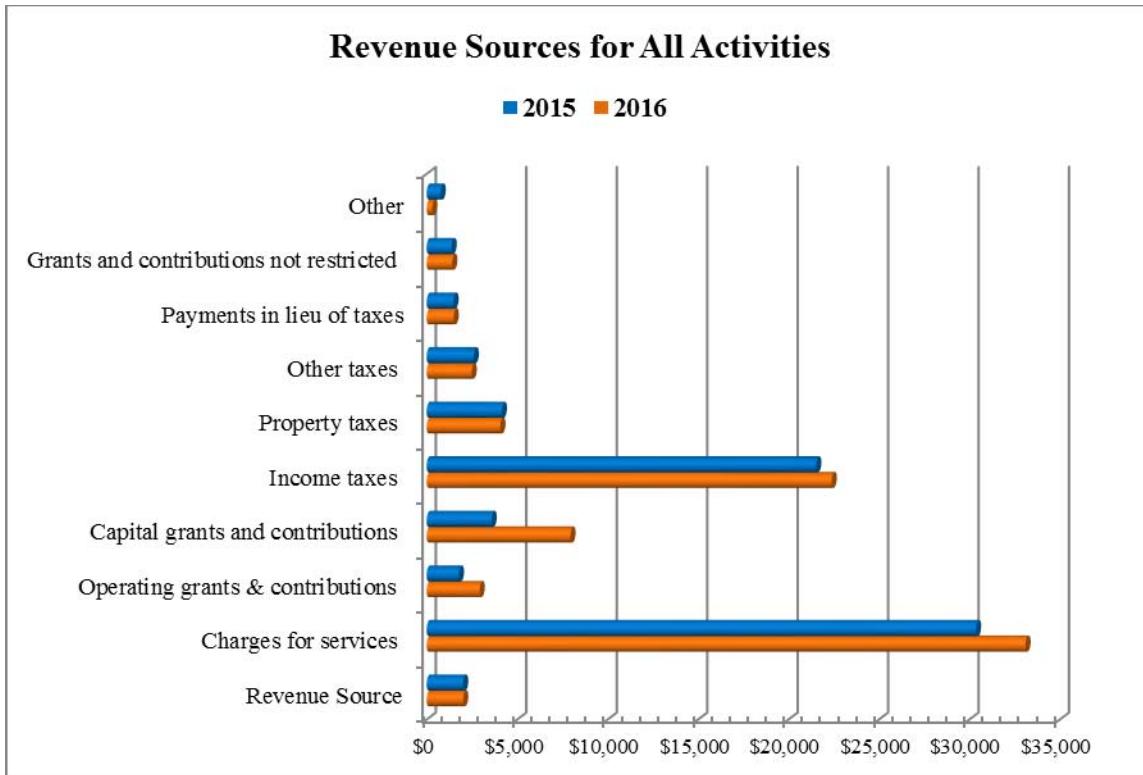
Table 2, on the following page, (in thousands) presents a condensed summary of the City's activities during 2016 and 2015 and the resulting changes in net position.

CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016

Table 2
Statement of Activities
(in thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>	<u>2016</u>	<u>Activities</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 8,826	8,296	24,275	22,069	33,101	30,365
Operating grants & contributions	1,202	553	1,727	1,226	2,929	1,779
Capital grants and contributions	<u>5,391</u>	<u>3,410</u>	<u>2,559</u>	<u>180</u>	<u>7,950</u>	<u>3,590</u>
Total program revenues	15,419	12,259	28,561	23,475	43,980	35,734
<u>General revenues:</u>						
Income taxes	22,181	21,346	205	186	22,386	21,532
Property taxes	4,073	4,154	0	0	4,073	4,154
Other taxes	2,487	2,606	0	0	2,487	2,606
Payments in lieu of taxes	1,494	1,483	0	0	1,494	1,483
Grants and contributions not restricted	1,414	1,375	0	0	1,414	1,375
Investment earnings	(90)	115	153	133	63	248
Other	<u>151</u>	<u>268</u>	<u>93</u>	<u>255</u>	<u>244</u>	<u>523</u>
Total general revenues	<u>31,710</u>	<u>31,347</u>	<u>451</u>	<u>574</u>	<u>32,161</u>	<u>31,921</u>
Total revenues	47,129	43,606	29,012	24,049	76,141	67,655
Expenses						
Public safety	24,990	22,846	0	0	24,990	22,846
Public health	530	421	0	0	530	421
Leisure activities	1,072	1,032	0	0	1,072	1,032
Community environment	4,320	5,970	0	0	4,320	5,970
Highways and streets	7,272	8,417	0	0	7,272	8,417
General government	8,610	5,212	0	0	8,610	5,212
Interest on long-term debt	1,074	1,262	0	0	1,074	1,262
Water	0	0	7,040	6,807	7,040	6,807
Sewer	0	0	7,545	7,859	7,545	7,859
Transit	0	0	1,996	1,424	1,996	1,424
Golf Course	0	0	0	0	0	0
Solid Waste	0	0	3,281	3,092	3,281	3,092
Storm Water	0	0	1,236	1,168	1,236	1,168
Airport	<u>0</u>	<u>0</u>	<u>415</u>	<u>390</u>	<u>415</u>	<u>390</u>
Parking	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenses	<u>47,868</u>	<u>45,160</u>	<u>21,513</u>	<u>20,740</u>	<u>69,381</u>	<u>65,900</u>
Increase/(decrease) in net position before transfers and special item	(739)	(1,554)	7,499	3,309	6,760	1,755
Transfers	72	69	(72)	(69)	0	0
Special Item	0	0	0	0	0	0
Increase/(decrease) in net position	(668)	(1,484)	7,429	3,237	6,761	1,755
Beginning net position, restated	<u>46,372</u>	<u>47,856</u>	<u>72,232</u>	<u>68,995</u>	<u>118,604</u>	<u>116,849</u>
Ending net position	\$ <u>45,704</u>	<u>46,372</u>	<u>79,661</u>	<u>72,232</u>	<u>125,365</u>	<u>118,604</u>

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Most revenue sources have not fluctuated very much from 2016 compared to 2015, with the exception of grants and charges for services. Grants have been the largest factor for fluctuations over the past seven years. Capital grants fluctuate each year according to projects and programs. Charges for services has also seen an increase due to water, sewer and storm water increases. In late 2015 there was an additional 10% sewer surcharge added to all accounts to begin the process of replacing City sewer infrastructure.

Property taxes have been declining steadily from \$4.9 million in 2008 to \$4.1 million in 2016. Although 2013 had an increase of \$387 for property taxes, approximately \$700 is for the Senior Services Fund which was implemented in 2013 with passage of the Senior Citizens Levy which expires in 2017. Income tax receipts of \$22,386 are steadily increasing and were at a ten year high (3.9% over 2015) as of December 31, 2016. In 2009, income tax collections were \$18,942 which represented the lowest collection in the previous ten years.

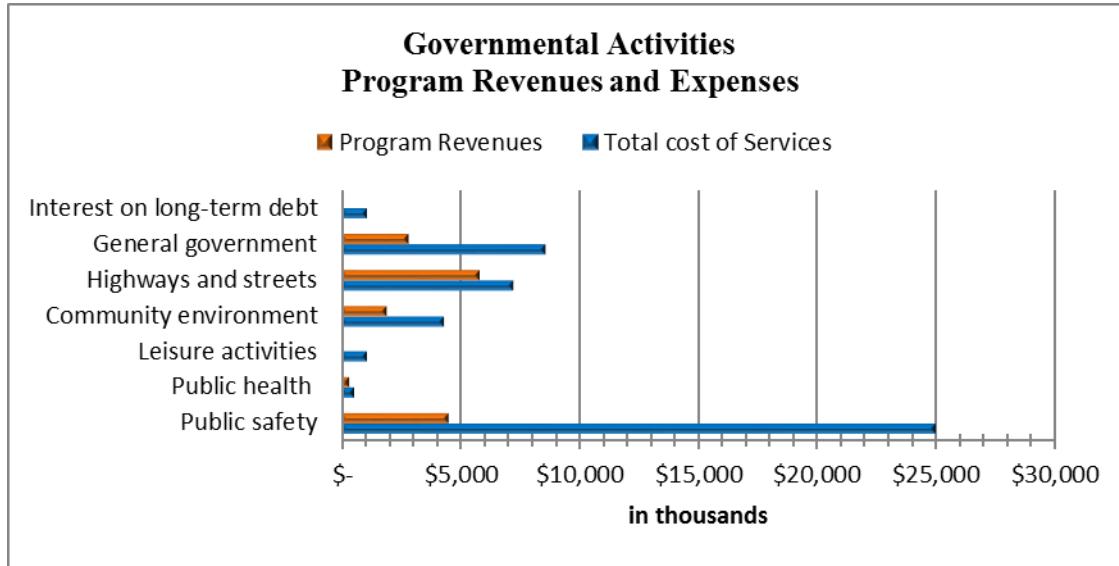
CITY OF MIDDLETOWN
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1) Governmental activities during 2016

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. Total cost of services was offset 32% with income coming from program revenues. The City recouped about 27% for the cost of services with program revenues in 2015. In 2014, 24% was recouped while 37% was recouped in 2013.

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	\$ 24,990	\$ 4,511	18%	\$ 20,479
Public health	530	365	69%	165
Leisure activities	1,072	-	0%	1,072
Community environment	4,320	1,929	45%	2,391
Highways and streets	7,272	5,775	79%	1,497
General government	8,610	2,839	33%	5,771
Interest on long-term debt	1,074	-	0%	1,074
Total	<u>\$ 47,868</u>	<u>\$ 15,419</u>	<u>32%</u>	<u>\$ 32,449</u>



Community Environment, which relies heavily upon federal and state grants, covered 45% of its activities in 2016, 37% of its activities in 2015 and 12% of its costs with program revenues in 2014. Community environment includes Community Development, Neighborhood Stabilization Program, and Home Funds.

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Highways and streets activities for 2016 was funded with program revenues totaling 79%, up from last year (2015 with 31%). Grants are a large factor for fluctuations for this activity. In 2014, 33% was recouped fluctuating from only 11% in 2013.

Leisure activities did not receive any program revenues in 2016 compared to 8% in 2015. The Community Center activities were contracted out in 2015 and 2016.

2) Business-type activities during 2016

The City attempts to break even on its business-type activities. All activities except Airport and Solid Waste had operating surpluses in 2016. Surpluses are used to accumulate earnings for future capital investments and debt payments.

The following table (in thousands) summarizes the business-type activities during 2016:

Table 4
Business-type Activities
(in thousands)

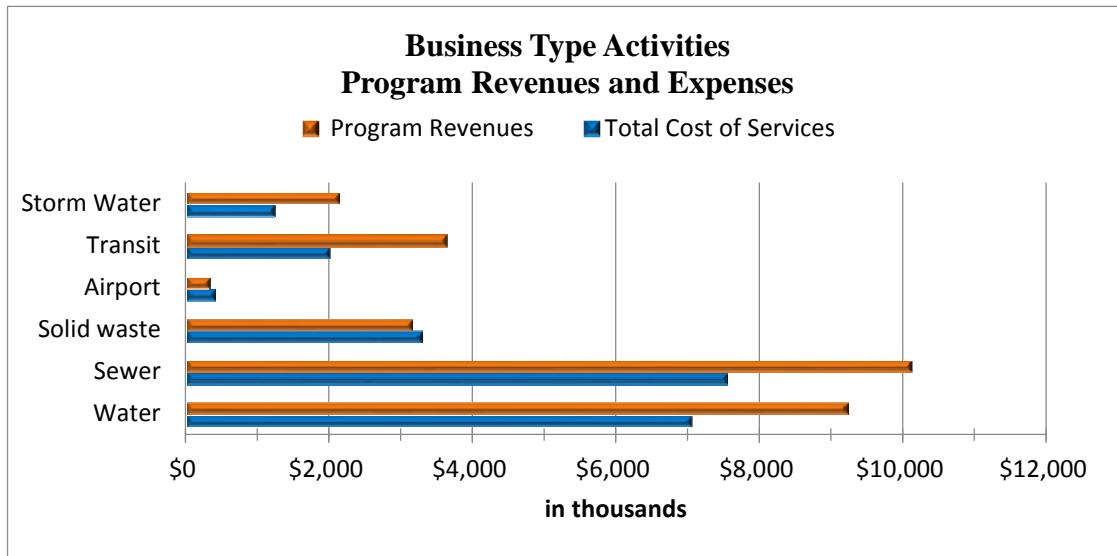
	<u>Total Cost of Services</u>	<u>Program Revenues</u>	<u>Revenues as % of Total Costs</u>	<u>Net Revenue from Operations</u>
Water	\$7,040	\$9,221	131%	\$2,181
Sewer	\$7,545	\$10,128	134%	\$2,583
Solid waste	\$3,281	\$3,142	96%	(\$139)
Airport	\$415	\$330	79%	(\$85)
Transit	\$1,996	\$3,615	181%	\$1,619
Storm Water	\$1,236	\$2,125	172%	\$889
Total	<u>\$21,513</u>	<u>\$28,561</u>	<u>133%</u>	<u>\$7,048</u>

The transit and airport funds rely upon grants and taxes to supplement their services. In 2015, FAA grants were received putting the airport in the surplus of \$122 in net revenue compared to a negative surplus of (\$85) for 2016. In 2016, transit ends with a surplus of \$1,619 versus a net revenue from operation of (\$120) in 2015.

Sewer rates were increased in late 2015, adding a 10% surcharge to all accounts. The surcharge is to replace aging sewer infrastructure. Water rates increased 7.5% in 2016 and 5% in 2015. Sewer rates were also increased 10% along with water rates at 5% in 2014. Total cost of services vary for these funds due to capital improvement projects.

Storm water received \$304 more in revenue due to a fee increase in 2016 and spent \$68 more for services. This resulted in a net revenue from operations of \$889, up by 36% over 2015. Total cost of services will also vary for this fund to various capital projects of improving the storm water lines and appurtenances.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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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-two governmental funds, three of which are considered major funds. Assets of those three funds comprise approximately 60.2% of the total governmental funds' assets of \$36,958. The following table (in thousands) summarizes the activities of these major funds.

Table 5
Financial Highlights
Major Governmental Funds
(in thousands)

	General Fund	Special Assessment	
	Debt Service	Capital Improvements	
Total assets	\$ 18,050	2,442	1,772
Total liabilities	(1,756)	-	(1,523)
Deferred inflow of resources	(5,839)	(1,935)	(619)
Fund balance	<u>10,454</u>	<u>507</u>	<u>(370)</u>
Unassigned fund balance	<u>\$ 5,625</u>	<u>-</u>	<u>(370)</u>
Revenues	\$ 26,466	376	5,784
Expenditures	(25,313)	(322)	(5,922)
Other financing sources/uses	(158)	-	-
Net change in fund balance	<u>\$ 995</u>	<u>54</u>	<u>(138)</u>

General Fund. The fund balance at the end of 2016 was \$10,454 with 2015 ending at \$9,459 and \$8,964 in 2014, \$9,805 in 2013 and \$11,024 in 2012. The fund balance had been decreasing since 2010 until

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2015 with an increase of \$495 and an even larger increase of \$995 for 2016. Most of this increase is attributed to smaller transfers to other funds.

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 typically relies heavily upon grants for capital improvement projects. Expenditures increased in 2016 due to large street projects that will be reimbursed partly by grants upon completion. In 2015, this fund received state and federal grants for street improvements.

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
(in thousands)

	<u>Water</u> <u>Fund</u>	<u>Sewer Fund</u>	<u>Storm Water</u> <u>Fund</u>	<u>Solid Waste Fund</u>
Total assets	\$ 33,317	41,372	10,015	758
Total deferred outflows of resources	437	461	87	9
Total liabilities	(6,291)	(7,745)	(301)	(292)
Total deferred inflows of resources	<u>(24)</u>	<u>(27)</u>	<u>(5)</u>	<u>(1)</u>
Total net position	<u>27,439</u>	<u>34,061</u>	<u>9,796</u>	<u>475</u>
Unrestricted net position	<u>5,134</u>	<u>8,159</u>	<u>2,366</u>	<u>57</u>
Operating revenues	8,748	10,015	1,997	3,142
Operating expenses	(7,147)	(7,280)	(1,236)	(3,281)
Net non-operating revenues (expenses)	437	(195)	25	-
Net contributions and transfers	<u>(36)</u>	<u>77</u>	<u>128</u>	
Net change in net position	<u>\$ 2,002</u>	<u>2,617</u>	<u>914</u>	<u>(139)</u>

Water Fund. Water Fund rates are set to cover the fund's operating cost and to accumulate cash resources for future capital expenditures. In 2016, assets increased \$1,168 mainly due to construction on the South Verity and Central Avenue water main projects being completed. The change in net position is \$2,002 for 2016 \$1,259 for 2015, \$854 for 2014, and \$78 for 2013. The largest factor for operating revenue increases in 2015 and 2014 is due to increased water rates.

Sewer Fund. The Sewer Fund ended 2016 with a positive change in net position of \$2,617 due to the 10% sewer surcharge that was added to all accounts in late 2015. The net change in position for 2015 was

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\$1,125 with \$246 for 2014 and \$507 for 2013. Sewer rates were increased 10% in 2014. The balance in the fund is to be used for large capital projects and infrastructure improvements.

Storm Water Fund. The Storm Water Fund ended the year with \$914 change in net position for 2016. The change in 2015 was \$672. There was an increase of \$.25 per ERU (equivalent residential unit) added to all accounts in 2016. The first year for this fund to be a major enterprise fund was 2015.

Solid Waste Fund. Total assets decreased for 2016 and operating revenues increased resulting in (\$139) net change in net position. This compared to a net change in net position of (\$86) for 2015.

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 position of (\$3,101) in 2016 compared to (\$947) in 2015 (page 170). This change is due to increased health care costs. 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 committee. This fund maintains a required reserve for payments of claims for the time period of sixty days.

The Municipal Garage Fund ended the year with net position of \$9,534 compared to \$8,612 in 2015, \$7,811 in 2014, \$7,184 in 2013 and \$6,955 in 2012. Funds are being set aside for future vehicle purchases according to a multi-year plan developed by the fleet manager.

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 beginning on page 76. There were no significant variances for the General Fund's actual results compared to budget in 2016. The General Fund's original appropriation of \$27,203 was amended to \$26,805 with supplemental appropriations and de-appropriations. The General Fund's actual expenditures on a budget basis were \$25,995.

Original 2016 appropriations were increased during the year by \$3,836 for all funds. The majority of the supplemental appropriations included the following:

- Health insurance medical payments - \$1,250
- Computers & other peripherals - \$528
- Solid Waste refuse collection - \$402
- Police Pension - \$295
- Fire Pension - \$226
- Salaries & wages - \$187
- Oxford State Road right of way acquisition - \$150
- Miscellaneous Contractual Services - \$148
- Small tools & equipment - \$111
- Overtime wages - \$101

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
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V. CAPITAL ASSET AND DEBT ADMINISTRATION

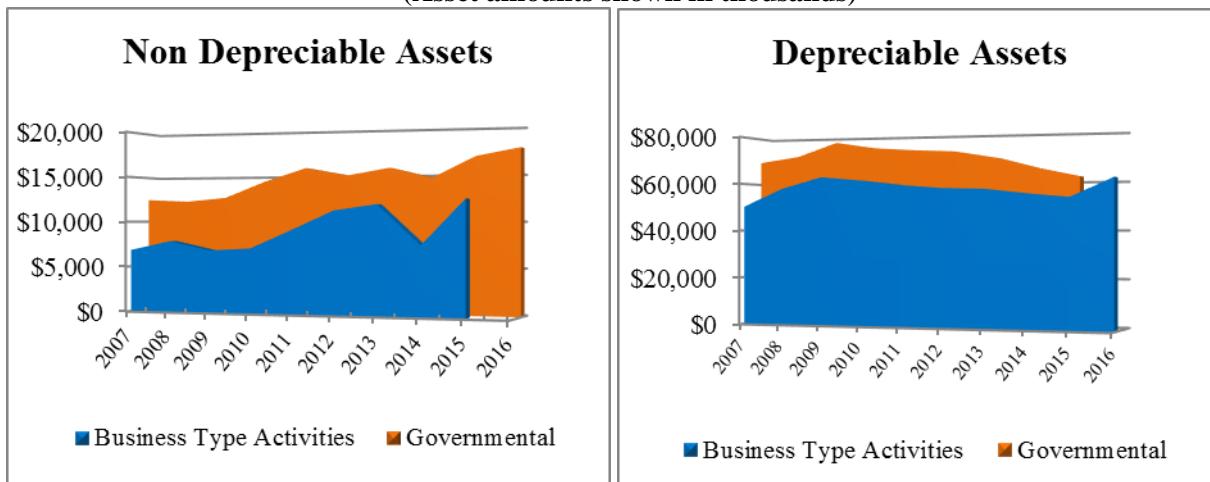
A. Capital assets

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)
(in thousands)

		Governmental Business-Type		
		<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Land	\$	14,067	3,773	17,840
Land improvements		301	339	640
Buildings		10,841	11,597	22,438
Equipment		5,419	6,664	12,083
Infrastructure		45,019	42,549	87,568
Construction in Progress		3,732	6,197	9,929
Total	\$	<u>79,379</u>	<u>71,119</u>	<u>150,498</u>

(Asset amounts shown in thousands)



CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016

The City had approximately \$150,499 in capital assets at year end of 2016 and \$144,813 at year end of 2015. The increase of \$5,686 is due to a variety of factors.

- 1) Governmental activities non-depreciable assets:
 - a. Land – Total of capital assets at year end was \$14,067 an increase of \$13 due to purchase of property near the Middletown regional airport.
 - b. Construction in progress – total for 2016 is \$3,732 at year end, an increase of \$827 from 2015 year end. All current projects are reported in the Capital Improvement Fund for various street projects with the exception of one, which includes the Auto & Gas Tax Fund for the 2015 Local Street Improvements. The current projects are:
 - Oxford State Road right-of way acquisition, construction and design - \$2,083
 - Yankee Road right-of-way acquisitions and Phase 3 improvements - \$660
 - Yankee Road/ Salzman Road extension - \$15
- The following projects were completed and placed in service as of December 31, 2016:
 - AK Research Road
 - 2015 local street improvement program
 - Central Avenue Resurfacing & Utilities
 - South Verity water main replacement
- 2) Governmental activities for depreciable assets:
 - a. Land improvements and buildings– no changes in 2016.
 - b. Equipment – a total of \$987 was added for equipment with the majority of purchases (\$416) for vehicles and (\$280) for computer equipment.
 - c. Infrastructure – an additional \$5,799 was added for 2016. This consisted mainly of street improvements. This increase is from the completion of four large capital projects (listed above in 1b) and construction in progress that was placed in service in 2016.
- 3) Business-type activities non-depreciable assets:
 - a. Land – An increase of \$38 due to the purchase of property near the Middletown regional airport.
 - b. Construction in progress – current projects are:
 - Energy Service - \$329
 - Oxford State Road right of way acquisition, construction and design - \$1,274
 - Airport taxiway and ramp resurfacing - \$68
 - New well/abandonment of wells 17 & 18 - \$51
 - Grit tank/ thickener project - \$15
- 4) Business type activities depreciable assets:
 - a. Land improvements – \$341
 - b. Buildings – no change in 2016.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

c. Equipment –

- \$2,386 for new transit buses (\$2,234 for 5 new low floor buses and \$152 for 2 paratransit buses)
- \$1,192 for influent screens for Waste Water Treatment Plant
- \$1,042 clarifier for Waste Water Treatment Plant
- \$184 for new lime slaker and feeding equipment at water treatment plant
- \$172 for water meters
- \$73 for lift station and well pump repairs

d. Infrastructure –

- \$1,879 North interceptor sewer
- \$1,808 Central Avenue storm and water improvements
- 1,106 South Verity Parkway water main
- \$289 for improvement to storm and sewer systems on AK Research Road
- \$128 Renaissance storm sewer (contributed capital)
- \$113 Renaissance sewer (contributed capital)

Capital asset activity for the year is presented in Note 7 on pages 50 and 51.

B. Debt

In 2014, the City defeased the 2008 Golf Course bond issues by creating a separate irrevocable trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt matures in December 2016.

Long term obligations are presented on pages 62 through 66 in Note 10.

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

The future of Middletown is looking bright as we have almost \$700 million in new construction coming to the City over the next few years. Unemployment in the Cincinnati-Middletown region is down to approximately 4.2% for the third month. Aging infrastructure is being addressed, slowly but surely. Downtown is alive more than ever with more new businesses and entertainment.

In 2016 building inspection processed 2,341 permits with a valuation of \$65 million. This is an increase of 991 permits from 2015. There were 1350 permits with a valuation of \$19 million in 2015. This is a strong indicator that our local economy is on the rebound and heading in the right direction

The financial results from the city show that we are making positive progress. In 2014, 2015 and 2016 we experienced an increase in tax revenue of about 3 percent each year. Data shows that those increases came from a wide variety of sources, so improvement is happening in many areas of our economy. We remain focused on being fiscally responsible. We look for every opportunity to save and set priorities.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

Significant Statistics/Changes for 2017 Budget:

- Continue restructuring of some salaries based on regional wage survey to remain competitive with the area
- 1.5% cost of living wage increase for all employees
- Income tax revenue is projected to increase 3.3% in 2017 over the 2016 budget.
- Workman's Comp will decrease to 4%
- Health insurance costs increased 5.8%
- Water rate increases 7.5% for 2016 and 2017
- Sewer rate increases 15% in 2017
- Sewer Infrastructure charge of 10% began in October 2015
- Storm water rate increase of 25¢ for 2016 and 2017
- Solid Waste fees are increased by \$.075 per unit per month

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.

DEPARTMENT OF FINANCE



Jacob Burton
Finance Director

CITY OF MIDDLETOWN, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equity in pooled cash, deposits and investments	\$ 22,626,379	\$ 18,044,795	\$ 40,671,174
Receivables (net of allowance for uncollectibles):			
Income taxes	5,110,000	-	5,110,000
Property taxes	4,430,979	-	4,430,979
Payments in lieu of taxes	568,178	-	568,178
Accounts	929,688	2,345,958	3,275,646
Interest	150,512	-	150,512
Loans	1,125,849	193,303	1,319,152
Intergovernmental	2,380,289	175,722	2,556,011
Special assessments	2,072,952	56,163	2,129,115
Inventory of supplies	591,655	504,455	1,096,110
Internal balances	(2,289,604)	2,289,604	-
Capital assets, net			
Non-depreciable	17,799,134	9,970,086	27,769,220
Depreciable	<u>61,579,492</u>	<u>61,149,429</u>	<u>122,728,921</u>
Total assets	<u>117,075,503</u>	<u>94,729,515</u>	<u>211,805,018</u>
Deferred outflows of resources			
Deferred charge on refunding	206,437	33,218	239,655
Pension related	<u>11,521,893</u>	<u>1,052,370</u>	<u>12,574,263</u>
Total deferred outflows of resources	<u>11,728,330</u>	<u>1,085,588</u>	<u>12,813,918</u>
Liabilities			
Accounts payable and other current liabilities	2,118,134	750,510	2,868,644
Accrued wages and benefits	1,119,631	194,834	1,314,465
Other accrued liabilities	512,916	7,786	520,702
Accrued interest payable	74,020	35,032	109,052
Due to other governments	123,349	1,727	125,076
Due to other individuals	-	820,555	820,555
Unearned revenue	-	193,303	193,303
Non current liabilities:			
Due within one year	4,435,329	1,195,161	5,630,490
Due in more than one year	<u>66,698,556</u>	<u>12,893,089</u>	<u>79,591,645</u>
Total liabilities	<u>75,081,935</u>	<u>16,091,997</u>	<u>91,173,932</u>
Deferred inflows of resources			
Revenues levied for the next year	4,509,518	-	4,509,518
Pension related	<u>3,508,037</u>	<u>62,339</u>	<u>3,570,376</u>
Total deferred inflows of resources	<u>8,017,555</u>	<u>62,339</u>	<u>8,079,894</u>
Net Position			
Net investment in capital assets	56,376,610	61,158,875	117,535,485
Restricted for capital projects	916,964	-	916,964
Restricted for debt service	3,525,639	-	3,525,639
Restricted for housing assistance	400,512	-	400,512
Restricted for community development	2,427,261	-	2,427,261
Restricted for public safety	1,971,080	-	1,971,080
Restricted for roads	2,743,462	-	2,743,462
Restricted for other purposes	180,316	-	180,316
Unrestricted	<u>(22,837,501)</u>	<u>18,501,892</u>	<u>(4,335,609)</u>
Total net position	<u>\$ 45,704,343</u>	<u>\$ 79,660,767</u>	<u>\$ 125,365,110</u>

See accompanying notes to the basic financial statements.

CITY OF MIDDLETOWN, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:							
Public safety	\$ 24,989,811	\$ 4,438,713	\$ 72,186	\$ -	\$ (20,478,912)		\$ (20,478,912)
Public health and welfare	529,756	335,154	29,844	-	(164,758)		(164,758)
Leisure time activities	1,071,572	-	-	-	(1,071,572)		(1,071,572)
Community environment	4,319,735	681,655	631,242	616,243	(2,390,595)		(2,390,595)
Highways and streets	7,272,139	531,955	469,087	4,774,261	(1,496,836)		(1,496,836)
General government	8,610,083	2,838,753	-	-	(5,771,330)		(5,771,330)
Interest on long-term debt	1,074,434	-	-	-	(1,074,434)		(1,074,434)
Total governmental activities	<u>\$ 47,867,530</u>	<u>\$ 8,826,230</u>	<u>\$ 1,202,359</u>	<u>\$ 5,390,504</u>	<u>\$ (32,448,437)</u>		<u>\$ (32,448,437)</u>
Business-type activities:							
Water	\$ 7,039,808	\$ 8,703,238	\$ 517,851	\$ -	\$ 2,181,281		\$ 2,181,281
Sewer	7,544,834	10,015,096	-	112,718	-	2,582,980	2,582,980
Solid Waste	3,280,813	3,142,071	-	-	-	(138,742)	(138,742)
Airport	414,543	293,381	36,333	-	-	(84,829)	(84,829)
Transit	1,996,246	124,334	1,172,651	2,317,816	-	1,618,555	1,618,555
Storm Water	1,235,953	1,997,191	-	128,206	-	889,444	889,444
Total business-type activities	<u>\$ 21,512,197</u>	<u>\$ 24,275,311</u>	<u>\$ 1,726,835</u>	<u>\$ 2,558,740</u>	<u>\$ -</u>	<u>\$ 7,048,689</u>	<u>\$ 7,048,689</u>
Total	<u>\$ 69,379,727</u>	<u>\$ 33,101,541</u>	<u>\$ 2,929,194</u>	<u>\$ 7,949,244</u>	<u>\$ (32,448,437)</u>	<u>\$ 7,048,689</u>	<u>\$ (25,399,748)</u>
General revenues:							
Taxes:							
Income taxes					\$ 22,180,505	\$ 205,000	\$ 22,385,505
Property taxes					4,073,085	-	4,073,085
Other taxes					2,486,672	-	2,486,672
Payments in lieu of taxes					1,493,962	-	1,493,962
Grants and contributions not restricted to specific programs					1,413,711	-	1,413,711
Investment earnings					(89,890)	152,751	62,861
Miscellaneous					151,323	93,395	244,718
Transfers					71,502	(71,502)	-
Total general revenues and transfers					<u>\$ 31,780,870</u>	<u>\$ 379,644</u>	<u>\$ 32,160,514</u>
Change in net position					<u>(667,567)</u>	<u>7,428,333</u>	<u>6,760,766</u>
Net position beginning of year					<u>46,371,910</u>	<u>72,232,434</u>	<u>118,604,344</u>
Net position end of year					<u>\$ 45,704,343</u>	<u>\$ 79,660,767</u>	<u>\$ 125,365,110</u>

See accompanying notes to the basic financial statements.

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CITY OF MIDDLETOWN, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Special Assessment	Debt Service
Assets:			
Cash and equity in pooled cash, deposits and investments	\$ 5,209,036	\$ 506,882	-
Receivables (net of allowance for uncollectibles):			
Income taxes	5,110,000	-	-
Property taxes	2,714,823	-	-
Accounts	280,691	-	-
Loans	-	-	-
Interest	-	-	-
Payments in lieu of taxes	-	-	-
Special assessments	-	1,935,344	-
Due from other funds	4,135,171	-	-
Due from other governments	560,442	-	-
Inventory of supplies	39,382	-	-
Total assets	\$ 18,049,545	\$ 2,442,226	-
Liabilities:			
Accounts payable	\$ 369,034	\$ -	-
Accrued wages and benefits	1,001,644	-	-
Other accrued liabilities	356,405	-	-
Due to other funds	29,373	-	-
Due to other governments	-	-	-
Total liabilities	1,756,456	-	-
Deferred inflows of resources:			
Revenues levied for the next year and unavailable revenue	5,838,890	1,935,344	-
Total deferred inflows of resources	5,838,890	1,935,344	-
Fund balances:			
Nonspendable	4,174,553	-	-
Restricted	-	506,882	-
Committed	-	-	-
Assigned	655,000	-	-
Unassigned	5,624,646	-	-
Total fund balances	10,454,199	506,882	-
Total liabilities, deferred inflows of resources and fund balances	\$ 18,049,545	\$ 2,442,226	-

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

<u>Capital Improvements</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 604,580	\$ 9,633,069	\$ 15,953,567
-	-	5,110,000
583,947	1,132,209	4,430,979
-	399,020	679,711
-	1,125,849	1,125,849
-	150,512	150,512
-	568,178	568,178
-	137,608	2,072,952
-	-	4,135,171
583,402	1,236,445	2,380,289
-	311,456	350,838
\$ 1,771,929	\$ 14,694,346	\$ 36,958,046
\$ 21,781	\$ 428,542	\$ 819,357
-	105,568	1,107,212
117,713	38,798	512,916
1,383,500	761,068	2,173,941
-	123,349	123,349
\$ 1,522,994	\$ 1,457,325	\$ 4,736,775
618,880	2,907,315	11,300,429
618,880	2,907,315	11,300,429
-	232,869	4,407,422
-	7,489,153	7,996,035
-	3,035,511	3,035,511
-	-	655,000
(369,945)	(427,827)	4,826,874
(369,945)	10,329,706	20,920,842
\$ 1,771,929	\$ 14,694,346	\$ 36,958,046

CITY OF MIDDLETOWN, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Total governmental fund balances	\$ 20,920,842
<i>Amounts reported for governmental activities in the statement of net position are different due to the following:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	79,378,626
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows in the funds:	
Income taxes receivable	2,630,000
Intergovernmental and other receivables	4,160,911
Internal service funds are used to charge the costs of certain activities to individual funds. The assets and liabilities (excluding capital assets and the net pension liability) of the internal service funds are included in governmental activities in the statement of net position.	1,521,809
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(21,507,071)
Special assessment bonds	(1,519,000)
Compensated absences	(4,754,957)
Pension obligation payable	(1,674,896)
Accrued interest on long-term debt	(74,020)
Premium on bonds	(182,382)
Deferred outflows of resources:	
Deferred charge on refunding	206,437
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred outflows - pension	11,521,893
Deferred inflows - pension	(3,508,037)
Net pension liability	<u>(41,415,812)</u>
Net position of governmental activities	<u>\$ 45,704,343</u>



CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2016

	General	Special Assessment	Debt Service
Revenues:			
Property taxes	\$ 2,496,401	\$ -	-
Municipal income taxes	16,856,028		-
Payment in lieu of taxes	-		-
Intergovernmental revenues	1,236,934		-
Charges for services	4,429,654		-
Fees, licenses, and permits	496,239		-
Fines and forfeits	6,227		-
Special assessments	-	376,143	
Investment income	(131,736)		-
Miscellaneous	1,076,127		-
Total revenues	26,465,874	376,143	
Expenditures:			
Current			
Public safety	17,808,878		-
Public health and welfare	-		-
Leisure time activities	802,673		-
Community environment	1,534,982		-
Highways and streets	-		-
General government	4,076,802		-
Miscellaneous	1,089,575		-
Debt service			
Principal retirement	-	235,700	
Interest and fiscal charges	-	86,159	
Total expenditures	25,312,910	321,859	
Excess of revenues over (under) expenditures	1,152,964	54,284	
Other financing sources (uses):			
Transfers-in	-		-
Transfers-out	(158,118)		-
Total other financing sources (uses)	(158,118)	-	
Net change in fund balances	994,846	54,284	
Fund balance, beginning of year	9,459,353	452,598	
Fund balance, end of year	\$ 10,454,199	\$ 506,882	

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

Capital Improvements	Non Major Governmental Funds	Total Governmental Funds
\$ 580,509	\$ 1,008,696	\$ 4,085,606
350,000	4,974,477	22,180,505
-	1,493,962	1,493,962
4,819,644	3,921,350	9,977,928
10,784	265,356	4,705,794
-	-	496,239
-	1,535,478	1,541,705
-	273,973	650,116
3,162	38,684	(89,890)
19,750	1,201,343	2,297,220
5,783,849	14,713,319	47,339,185
24,027	5,296,125	23,129,030
-	480,408	480,408
29,228	-	831,901
-	2,366,738	3,901,720
5,861,145	2,345,591	8,206,736
-	519,308	4,596,110
7,205	1,046,356	2,143,136
-	2,473,151	2,708,851
-	974,501	1,060,660
5,921,605	15,502,178	47,058,552
(137,756)	(788,859)	280,633
-	229,620	229,620
-	-	(158,118)
-	229,620	71,502
(137,756)	(559,239)	352,135
(232,189)	10,888,945	20,568,707
\$ (369,945)	\$ 10,329,706	\$ 20,920,842

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, 2016

Net change in fund balances - total governmental funds	\$ 352,135
<i>Amounts reported for governmental activities in the statement of activities are different due to the following:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period:	
Capital outlay, net	7,625,666
Depreciation expense	(7,293,840)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds:	
Intergovernmental and other revenues	(679,811)
Governmental Funds report premiums as other financing sources, whereas these amounts are deferred and amortized in the statement of activities:	
Amortization of bond premiums	33,957
Deferred outflows of resources:	
Amortization of deferred charge on refunding	(60,990)
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	2,708,851
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	13,259
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	(15,992)
Unfunded pension liability	97,741
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.	
	(1,308,963)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
	3,164,212
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	
	<u>(5,303,792)</u>
Change in net position of governmental activities	<u>\$ (667,567)</u>



CITY OF MIDDLETOWN, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

Business Type Activities - Enterprise Funds

	Water	Sewer	Storm Water
Assets			
Current assets:			
Equity in pooled cash and investments			
Receivables	\$ 6,692,892	\$ 8,199,472	\$ 2,376,218
Accounts	890,404	1,085,244	209,210
Loans	193,303	-	-
Due from other funds	-	-	-
Intergovernmental	-	-	-
Special Assessments	-	56,163	-
Inventory of supplies	296,376	208,079	-
Total current assets	8,072,975	9,548,958	2,585,428
Noncurrent assets:			
Capital assets:			
Construction in progress	4,249,634	938,863	939,957
Land	1,315,164	165,000	386,062
Land improvements	5,875	26,581	-
Infrastructure assets	30,442,541	45,387,349	6,609,569
Buildings	13,056,550	12,328,429	69,270
Equipment	7,609,360	14,662,041	814,065
Less: Accumulated depreciation	(31,435,575)	(41,685,605)	(1,388,870)
Total capital assets (net of accumulated depreciation)	25,243,549	31,822,658	7,430,053
Total noncurrent assets	25,243,549	31,822,658	7,430,053
Total assets	33,316,524	41,371,616	10,015,481
Deferred outflows of resources:			
Deferred charge on refunding	33,218	-	-
Pension related	403,530	461,094	87,022
Total deferred outflows of resources	436,748	461,094	87,022
Liabilities			
Current liabilities:			
Accounts payable	164,801	195,251	25,200
Accrued wages and benefits	74,487	90,017	16,060
Other accrued liabilities	-	-	-
Accrued interest payable	10,085	20,950	-
Due to other funds	2,989	5,502	2,338
Due to other governments	1,727	-	-
Due to individuals	820,555	-	-
General obligation bonds payable	373,848	425,000	-
Lease obligation payable	39,766	39,766	-
Unearned revenue	193,303	-	-
Compensated absences (short term portion)	102,013	106,659	17,773
Total current liabilities	1,783,574	883,145	61,371
Long-term liabilities:			
General obligation bonds payable	3,357,788	5,588,883	-
Compensated absences	127,203	104,551	19,069
Net pension liability	1,022,324	1,168,159	220,466
Total long-term liabilities	4,507,315	6,861,593	239,535
Total liabilities	6,290,889	7,744,738	300,906
Deferred inflows of resources:			
Pension related	23,903	27,313	5,156
Total deferred inflows of resources:	23,903	27,313	5,156
Net position			
Net investment in capital assets	22,304,946	25,901,755	7,430,053
Unrestricted	5,133,534	8,158,904	2,366,388
Total net position	\$ 27,438,480	\$ 34,060,659	\$ 9,796,441

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	
\$ 179,234	\$ 596,979	\$ 18,044,795	\$ 6,672,812	
161,100	-	2,345,958	249,977	
-	-	193,303	-	
-	-	-	58,791	
-	175,722	175,722	-	
-	-	56,163	-	
-	-	504,455	240,817	
340,334	772,701	21,320,396	7,222,397	
-	68,450	6,196,904	-	
382,600	1,524,356	3,773,182	195,750	
8,500	666,367	707,323	-	
12,300	624,895	83,076,654	-	
74,652	3,196,299	28,725,200	521,872	
-	5,328,072	28,413,538	12,130,491	
(60,047)	(5,203,189)	(79,773,286)	(10,124,276)	
418,005	6,205,250	71,119,515	2,723,837	
418,005	6,205,250	71,119,515	2,723,837	
758,339	6,977,951	92,439,911	9,946,234	
-	33,218	-	-	
8,887	91,837	1,052,370	76,374	
8,887	91,837	1,085,588	76,374	
269,145	96,113	750,510	1,298,777	
-	14,270	194,834	12,419	
-	7,786	7,786	-	
-	3,997	35,032	-	
-	9,192	20,021	2,000,000	
-	-	1,727	-	
-	-	820,555	-	
-	80,000	878,848	-	
-	-	79,532	-	
-	-	193,303	-	
-	10,336	236,781	22,620	
269,145	221,694	3,218,929	3,333,816	
-	1,021,134	9,967,805	-	
-	8,333	259,156	57,147	
22,515	232,664	2,666,128	193,489	
22,515	1,262,131	12,893,089	250,636	
291,660	1,483,825	16,112,018	3,584,452	
527	5,440	62,339	4,524	
527	5,440	62,339	4,524	
418,005	5,104,116	61,158,875	2,723,837	
57,034	476,407	16,192,267	3,709,795	
\$ 475,039	\$ 5,580,523	\$ 77,351,142	\$ 6,433,632	
Adjustment to reflect consolidation of internal service fund activities				
Total net position from above				
Net position of business-type activities				

CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Business Type Activities - Enterprise Funds

	Water	Sewer	Storm Water
Operating revenues:			
Charges for services	\$ 8,703,238	\$ 10,015,096	\$ 1,997,191
Other operating revenue	44,460	235	-
Total operating revenues	8,747,698	10,015,331	1,997,191
Operating expenses:			
Personal services	2,404,484	2,669,098	603,526
Contractual services	2,745,498	2,531,837	201,517
Commodities	774,588	508,228	37,751
Depreciation	925,291	1,315,794	200,311
Other operating expenses	297,467	255,491	192,848
Total operating expenses	7,147,328	7,280,448	1,235,953
Operating income (loss)	1,600,370	2,734,883	761,238
Non-operating revenues (expenses):			
Interest revenue	58,575	69,510	24,666
Interest expense and fiscal charges	(138,834)	(264,386)	-
Operating grants	517,851	-	-
Intergovernmental	-	-	-
Income taxes	-	-	-
Total non-operating revenues (expenses)	437,592	(194,876)	24,666
Income (loss) before contributions and transfers	2,037,962	2,540,007	785,904
Capital contributions	-	112,718	128,206
Transfers-out	(35,751)	(35,751)	-
Change in net position	2,002,211	2,616,974	914,110
Total net position, beginning of year	25,436,269	31,443,685	8,882,331
Total net position, end of year	\$ 27,438,480	\$ 34,060,659	\$ 9,796,441

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	
\$ 3,142,071	\$ 417,715	\$ 24,275,311	\$ 7,896,808		
-	\$ 48,700	\$ 93,395		252,541	
3,142,071	466,415	24,368,706		8,149,349	
1,386	507,577	6,186,071	507,212		
3,277,070	1,248,665	10,004,587	7,710,334		
-	14,287	1,334,854	649,305		
2,357	587,749	3,031,502	573,514		
-	4,250	750,056		-	
3,280,813	2,362,528	21,307,070		9,440,365	
(138,742)	(1,896,113)	3,061,636	(1,291,016)		
-	-	152,751	59,248		
-	(48,261)	(451,481)	-		
-	1,208,984	1,726,835	-		
-	2,317,816	2,317,816	-		
-	205,000	205,000	-		
-	3,683,539	3,950,921		59,248	
(138,742)	1,787,426	7,012,557	(1,231,768)		
-	-	240,924	-		
-	-	(71,502)	-		
(138,742)	1,787,426	7,181,979		(1,231,768)	
613,781	3,793,097	70,169,163	7,665,400		
\$ 475,039	\$ 5,580,523	\$ 77,351,142		\$ 6,433,632	

Adjustment to reflect consolidation of Internal Service Fund Activities \$ 246,354
 Changes in net position of enterprise funds 7,181,979
 Changes in net position of business-type activities \$ 7,428,333

CITY OF MIDDLETOWN, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2016

	Business Type Activities - Enterprise Funds						Governmental Activities -	
			Water	Sewer	Storm Water	Solid Waste Disposal	Non Major Enterprise Funds	Internal Service Funds
	Water	Sewer	Storm Water	Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds	
Cash flows from operating activities:								
Cash received from customers	\$ 8,543,386	\$ 9,905,677	\$ 1,968,978	\$ 3,083,614	\$ 474,750	\$ 23,976,405	\$ -	\$ -
Cash payments to suppliers for goods and services	(3,664,950)	(3,358,668)	(344,623)	(3,500,702)	(1,054,176)	(11,923,119)		(7,912,348)
Cash payments to employees for services	(1,925,505)	(2,185,347)	(476,368)	-	(421,708)	(5,008,928)		(474,087)
Miscellaneous revenues	42,628	14,887	-	-	48,700	106,215		
Cash received from interfund services provided	-	-	-	-	-	-		8,045,987
Cash payments for interfund services used	(493,830)	(503,752)	(174,460)	(94)	(274,793)	(1,446,929)		(69,741)
Net cash provided (used) by operating activities	2,501,729	3,872,797	973,527	(417,182)	(1,227,227)	5,703,644		(410,189)
Cash flows from non-capital financing activities:								
Operating grants	517,851	-	-	-	1,111,908	1,629,759		
Interfund loan receipts/(payments)	-	-	-	-	-	-		1,250,000
Transfers-out to other funds	(35,751)	(35,751)	-	-	-	(71,502)		
Income taxes received	-	-	-	-	205,000	205,000		
Net cash provided (used) by non-capital financing activities	482,100	(35,751)	-	-	1,316,908	1,763,257		1,250,000
Cash flows from capital and related financing activities:								
Purchase of capital assets	(2,504,279)	(2,084,503)	(1,286,831)	-	(2,508,924)	(8,384,537)		(416,260)
Interest expense and fiscal charges	(144,546)	(278,043)	-	-	(50,400)	(472,989)		
Repayment of debt principal	(363,016)	(405,000)	-	-	(75,000)	(843,016)		
Repayment of capital lease obligation	(507,702)	(507,702)	-	-	-	(1,015,404)		
Capital contributions	-	112,718	128,206	-	-	240,924		
Capital grants	-	-	-	-	2,317,816	2,317,816		
Net cash used by capital and related financing activities	(3,519,543)	(3,162,530)	(1,158,625)	-	(316,508)	(8,157,206)		(416,260)
Cash flows from investing activities:								
Interest income	58,575	69,510	24,666	-	-	152,751		59,248
Net cash provided by investing activities	58,575	69,510	24,666	-	-	152,751		59,248
Net change in cash and cash equivalents	(477,139)	744,026	(160,432)	(417,182)	(226,827)	(537,554)		482,799
Cash and pooled investments, beginning of year	7,170,031	7,455,446	2,536,650	596,416	823,806	18,582,349		6,190,013
Cash and pooled investments, end of year	\$ 6,692,892	\$ 8,199,472	\$ 2,376,218	\$ 179,234	\$ 596,979	\$ 18,044,795		\$ 6,672,812

continued

CITY OF MIDDLETOWN, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2016

Business Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Water	Sewer	Storm Water	Solid Waste Disposal	Non Major Enterprise Funds	Totals	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 1,600,370	\$ 2,734,883	\$ 761,238	\$ (138,742)	\$ (1,896,113)	\$ 3,061,636	\$ (1,291,016)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	925,291	1,315,794	200,311	2,357	587,749	3,031,502	573,514
Changes in assets and liabilities:							
Decrease (increase) in accounts receivable (net)	(127,869)	(109,419)	(28,213)	(58,457)	-	(323,958)	(206,720)
Decrease (increase) in special assessment receivable (net)	-	14,652	-	-	-	14,652	-
Decrease (increase) in inventory of supplies	19,426	12,546	-	-	-	31,972	177,410
Decrease (increase) in due from other funds	-	-	-	-	-	-	(74,255)
Decrease (increase) in deferred outflows of resources - pension related	(252,552)	(288,579)	(54,463)	(5,562)	(57,477)	(658,633)	(47,799)
Increase (decrease) in accounts payable	(18,221)	(157,190)	25,200	(223,726)	25,806	(348,131)	377,766
Increase (decrease) in accrued wages and benefits	15,033	17,145	5,341	-	3,785	41,304	310
Increase (decrease) in other accrued liabilities	(17,100)	(19,539)	(3,688)	-	(3,892)	(44,219)	-
Increase (decrease) in due to other funds	(3,626)	(1,029)	(3,667)	-	(15,915)	(24,237)	-
Increase (decrease) in compensated absences payable	11,613	(6,925)	3,439	-	351	8,478	20,897
Increase (decrease) in due to other governments	91	-	-	-	56,686	56,777	-
Increase (decrease) in due to individuals	33,815	-	-	-	-	33,815	-
Increase (decrease) in net pension liability	304,171	347,561	65,595	6,699	69,224	793,250	57,568
Increase (decrease) in deferred inflows of resources - pension related	11,287	12,897	2,434	249	2,569	29,436	2,136
Total adjustments	901,359	1,137,914	212,289	(278,440)	668,886	2,642,008	880,827
Net cash provided (used) by operating activities	\$ 2,501,729	\$ 3,872,797	\$ 973,527	\$ (417,182)	\$ (1,227,227)	\$ 5,703,644	\$ (410,189)

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

CITY OF MIDDLETOWN, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2016

	Total Agency Funds
<hr/>	
Assets:	
Cash and equity in pooled cash, deposits and investments	\$ 191,507
Cash with fiscal and escrow agent	345,353
Total assets	<u>\$ 536,860</u>
<hr/>	
Liabilities:	
Due to other governments	\$ 411,147
Due to individuals	13,638
Unapportioned monies	112,075
Total liabilities	<u>\$ 536,860</u>

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

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 and Utilities (maintenance and construction of public improvements, water and sewer service, and waste disposal), Community Revitalization (public transit system), 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 17 to the basic financial statements.

Included within the reporting entity:

Among activities and services provided by the City are a police force, a fire-fighting force, a municipal court system, a sewage treatment plant, a water treatment plant, an airport, a street maintenance force, a park 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,

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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. Interfund services provided and used are not eliminated in the process of consolidation.

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 results 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.

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 enterprise funds. Internal Service funds are combined into one column. The effect of inter-fund activity has been eliminated from the government-wide financial statements.

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

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.

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.

Storm Water Fund - Accounts for the City's provision of storm sewer services to the residents and commercial users of the City.

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. The government-wide statements exclude the fiduciary funds of the City.

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, current liabilities, and deferred inflows of resources 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 inflows on its governmental funds' balance sheet and government wide statement of net position. Deferred inflows arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Certain intergovernmental receivables, uncollected assessments, miscellaneous receivables, property taxes and income taxes not meeting the availability criteria have been deferred and will be realized in a subsequent period in the governmental funds.

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 deferred outflows 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.

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016.

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.

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

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	15 to 45 Years
Buildings	45 Years
Streets and Highways	20 Years

I. CAPITALIZATION OF INTEREST

The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the construction project and the interest earned from the temporary investment of the debt proceeds. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2016, 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).

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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.

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, assigned amounts represent intended uses established by Council or a City Official delegated that authority by resolution or by State Statute. State statute authorizes the fiscal officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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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 Fund, the Conservancy Fund, and the Computer Replacement Fund.

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

INTERFUND TRANSFERS

	Transfers In	Transfers Out
<hr/>		
Governmental Funds:		
General Fund	\$0	\$158,118
Non Major Governmental Funds	\$229,620	\$0
<hr/>		
Enterprise Funds:		
Water Fund	\$0	\$35,751
Sewer Fund	\$0	\$35,751
TOTAL	\$229,620	\$229,620

A brief description of all transfers include:

- \$71,502 in 2016 for anticipated computer replacements, and
- \$158,118 to the Economic Development Bond Fund for debt payments.

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.

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M. COMPENSATED ABSENCES

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

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. Upon separation from the City, the employee (or 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 specifies a maximum accumulated sick leave retirement of 532 hours. Police civilian employees are paid a maximum of 432 hours.

At December 31, 2016, the total liability of the City for compensated absences was \$5,330,661.

N. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

O. ESTIMATES

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF MIDDLETOWN
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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 2016.

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 2016 increased the original 2016 Appropriation Resolution by \$3,835,698 for all budgeted funds. The majority of these supplemental appropriations are due to the following factors:

- \$1,250,000 for employee health care services;
- \$528,505 for public safety software replacement;
- \$510,015 for trash services;
- \$213,000 for TIF payment reimbursements to the school district;
- \$150,000 for repayment of loan for demolition costs associated with the Moving Ohio Forward Grant;
- \$150,000 for storm sewer improvements; and
- \$118,200 for engineering and grant administration services for pavement resurfacing project at the airport.

CITY OF MIDDLETOWN
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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 2016 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 2016, 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, 2015, reflect an "Appropriation for prior year encumbrances."

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

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

Cash deposits and investments of the City as of December 31, 2016, are comprised of the following:

Deposits

Petty Cash	\$5,525
Certificate of Deposit	\$9,729,432
Demand deposit accounts	<u>5,595,186</u>
Subtotal deposits	\$15,330,143

Investments

Money Market Funds	\$7,924,483
U.S. Government and Agency	\$17,497,512
STAR Ohio	<u>\$115,247</u>
Subtotal investments	<u>\$25,537,242</u>
Total	<u>\$40,867,385</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."

CITY OF MIDDLETOWN
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Deposits

Custodial Credit Risk

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

At year-end, 71.9% (\$11,105,403) of the City's bank balance of \$15,439,865 was covered by Federal Deposit Insurance Corporation (FDIC) and the remaining was covered by pooled collateral.

The City's investments at December 31, 2016 are summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity</u>
		<u>Years</u>
US Treasury Bills	\$17,097,456	0.27
US Treasury Notes	\$400,056	0.79
Star Ohio	\$115,247	n/a
US Money Market Funds	<u>\$7,924,483</u>	n/a
	<u>\$25,537,242</u>	

Credit Risk

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

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.

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NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

The City is responsible for compliance with various sections of the Ohio Revised Code. Contrary to the requirements of Section 5705.39, the City's appropriations were greater than estimated resources resulting in deficit budgetary fund balances in the Capital Improvement Fund (\$2,080,695) and Central Avenue Sidewalk & Curb Fund (\$118,442).

The General Fund provides advances and transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. At December 31, 2016 (using the current financial resource measurement focus), the following funds had a deficit fund balance: Capital Improvement (\$369,945), Nuisance Abatement (\$136,928), Central Ave Sidewalk & Curb (\$125,012), Conservancy (\$121,144), Main Street Special Assessments (\$26,659), HOME Program (\$25,268) and Community Development (\$24,673).

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 2016 taxes were collected was \$662,132,320. The full tax rate for all City operations for the fiscal year ended December 31, 2016, 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, 2016. 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 2016 operations. The receivable is therefore offset by a credit to deferred inflow of resources.

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

CITY OF MIDDLETOWN
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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 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, 2016 was as follows:

GOVERNMENTAL ACTIVITIES				
<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	\$14,054,474	\$12,500	\$0	\$14,066,974
Construction in progress	\$2,905,242	\$2,758,314	(\$1,931,396)	\$3,732,160
Total capital assets, not being depreciated	\$16,959,716	\$2,770,814	(\$1,931,396)	\$17,799,134
Capital assets, being depreciated:				
Land improvements	\$786,331	\$0	\$0	\$786,331
Buildings	\$29,411,929	\$0	\$0	\$29,411,929
Equipment	\$23,855,183	\$986,880	(\$157,524)	\$24,684,539
General infrastructure	\$189,936,773	\$5,799,368	\$0	\$195,736,141
Total capital assets, being depreciated	\$243,990,216	\$6,786,248	(\$157,524)	\$250,618,940
Totals at Historical Cost	\$260,949,932	\$9,557,062	(\$2,088,920)	\$268,418,074
Less accumulated depreciation:				
Land improvements	\$453,518	\$31,571	\$0	\$485,089
Buildings	\$17,716,696	\$854,562	\$0	\$18,571,258
Equipment	\$18,336,691	\$1,086,460	(\$157,524)	\$19,265,627
General infrastructure	<u>\$145,396,227</u>	<u>\$5,321,247</u>	<u>\$0</u>	<u>\$150,717,474</u>
Total depreciation	\$181,903,132	\$7,293,840	(\$157,524)	\$189,039,448
Capital Assets, Net	\$79,046,800	\$2,263,222	(\$1,931,396)	\$79,378,626

Depreciation was charged to governmental functions as follows:

Community environment	\$363,449
General Government	\$994,884
Leisure	\$201,872
Public health and welfare	\$17,321
Public safety	\$571,171
Streets and highways	<u>\$5,145,143</u>
Total	<u>\$7,293,840</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	\$3,735,682	\$37,500	\$0	\$3,773,182
Construction in progress	\$8,649,269	\$1,737,641	(\$4,190,006)	\$6,196,904
Total capital assets, not being depreciated	\$12,384,951	\$1,775,141	(\$4,190,006)	\$9,970,086
Capital assets, being depreciated:				
Land improvements	\$366,554	\$340,769	\$0	\$707,323
Buildings	\$28,725,200	\$0	\$0	\$28,725,200
Equipment	\$20,215,338	\$5,070,924	(\$43,085)	\$25,243,177
General infrastructure	\$80,859,306	\$5,387,709	\$0	\$86,247,015
Total capital assets, being depreciated	\$130,166,398	\$10,799,402	(\$43,085)	\$140,922,715
Totals at Historical Cost	\$142,551,349	\$12,574,543	(\$4,233,091)	\$150,892,801
Less accumulated depreciation:				
Land improvements	\$348,779	\$19,753	\$0	\$368,532
Buildings	\$16,354,884	\$773,145	\$0	\$17,128,029
Equipment	\$17,916,065	\$705,811	(\$43,085)	\$18,578,791
General infrastructure	<u>\$42,165,141</u>	<u>\$1,532,793</u>	<u>\$0</u>	<u>\$43,697,934</u>
Total depreciation	\$76,784,869	\$3,031,502	(\$43,085)	\$79,773,286
Total capital assets, being depreciated, net	\$53,381,529	\$7,767,900	\$0	\$61,149,429
Capital Assets, Net	\$65,766,480	\$9,543,041	(\$4,190,006)	\$71,119,515

Depreciation was charged to Enterprise Funds as follows:

Water	\$925,291
Sewer	\$1,315,794
Storm	\$200,311
Solid Waste	\$2,357
Airport	\$144,639
Transit	<u>\$443,110</u>
Total	<u>\$3,031,502</u>

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NOTE 8 - PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Entity's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit

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Public Safety and Law Enforcement

Formula:

2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Public Safety and Law Enforcement

Formula:

2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Public Safety and Law Enforcement

Formula:

2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	Public Safety	Law Enforcement
2016 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
2016 Actual Contribution Rates			
Employer:			
Pension	12.0%	16.1%	16.1%
Post-employment Health Care Benefits	2.0%	2.0%	2.0%
 Total Employer	 14.0%	 18.1%	 18.1%
 Employee	 10.0%	 12.0%	 13.0%

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,413,090 for 2016.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description – the City of Middletown's full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2016 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2016 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	0.50%	0.50%
 Total Employer	 19.50%	 24.00%
 Employee	 12.25%	 12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$2,068,425 for 2016.

In addition to current contributions, the Entity pays installments on a specific liability of the Entity incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2016, the specific liability of the City was \$1,248,035 payable in semi-annual payments through the year 2035.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$ 14,021,397	\$ 30,060,543	\$ 44,081,940
Proportion of the Net Pension Liability	0.08094910%	0.46728140%	
Pension Expense	\$ 862,762	\$ 1,440,871	\$ 2,303,633

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At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 4,121,415	\$ 5,019,941	\$ 9,141,356
Entity contributions subsequent to the measurement date	<u>1,413,090</u>	<u>2,019,817</u>	<u>3,432,907</u>
Total Deferred Outflows of Resources	<u>\$ 5,534,505</u>	<u>\$ 7,039,758</u>	<u>\$ 12,574,263</u>
 Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 270,921	\$ 84,409	\$ 355,330
Changes in employer proportion and differences between contributions and proportionate share of contributions	<u>56,916</u>	<u>3,158,130</u>	<u>3,215,046</u>
	<u><u>\$ 327,837</u></u>	<u><u>\$ 3,242,539</u></u>	<u><u>\$ 3,570,376</u></u>

\$3,432,907 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2017	875,133	444,351	1,319,484
2018	941,034	444,351	1,385,385
2019	1,044,734	444,351	1,489,085
2020	<u>932,677</u>	<u>444,349</u>	<u>1,377,026</u>
Total	<u>\$ 3,793,578</u>	<u>\$ 1,777,402</u>	<u>\$ 5,570,980</u>

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Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy

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for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other investments	18.00%	4.59%
 Total	 100.00%	 5.28%

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	Current		
	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Entity's proportionate share of the net pension liability	\$ 22,339,523	\$ 14,021,397	\$ 7,005,335

Changes Between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Government's net pension liability is expected to be significant.

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their

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annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2015 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	
Domestic Equity	16.00%	4.47%
Non-US Equity	16.00%	4.47%
Core Fixed Income *	20.00%	1.62%
Global Inflation Protected *	20.00%	1.33%
High Yield	15.00%	3.39%
Real Estate	12.00%	3.93%
Private Markets	8.00%	6.98%
Timber	5.00%	4.92%
Master Limited Partnerships	8.00%	7.03%
 Total	 <u>120.00%</u>	

* levered 2X

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OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	Current		
	1% Decrease (7.25%)	Discount Rate (8.25%)	1% Increase (9.25%)
Entity's proportionate share of the net pension liability	\$ 39,645,826	\$ 30,060,543	\$ 21,940,860

Further post-employment benefits are located in Note 14.

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, 2016, 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 \$1,240,182.

Year	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimate	Claims Payments	Balance At Fiscal Year End
2015	\$1,008,102	\$5,904,774	\$6,031,951	\$880,925
2016	\$880,925	\$7,266,007	\$6,906,750	\$1,240,182

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 - LONG TERM OBLIGATIONS

Long-term obligation of the City as of December 31, 2016 are as follows:

A. GOVERNMENTAL ACTIVITIES

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Principal Due Within One Year	Interest Paid in 2016
1996 Street Improvements	\$15,000	\$0	\$15,000	\$0	\$0	\$930
1996 Sewer Imp.-Dick's Creek	\$13,617	\$0	\$13,617	\$0	\$0	\$844
1996 Sewer Imp.-Cin/Dayton Rd.	\$1,383	\$0	\$1,383	\$0	\$0	\$86
1997 Sophie Street Improvements	\$35,000	\$0	\$15,000	\$20,000	\$20,000	\$1,925
1997 Dix Road Improvements	\$30,000	\$0	\$15,000	\$15,000	\$15,000	\$1,680
1998 Lewis Street Improvements	\$15,000	\$0	\$5,000	\$10,000	\$5,000	\$806
1999 Marshall Road Improvements	\$130,000	\$0	\$30,000	\$100,000	\$30,000	\$7,000
2000 Burbank Street Improvements	\$70,000	\$0	\$10,000	\$60,000	\$15,000	\$4,690
2001 Illinois/Longfellow Improve.	\$89,535	\$0	\$13,566	\$75,969	\$13,566	\$5,193
2001 Dick's Creek	\$46,431	\$0	\$7,035	\$39,396	\$7,035	\$2,693
2001 Oxford State Rd Water Line	\$29,034	\$0	\$4,399	\$24,635	\$4,399	\$1,684
2001 Oxford State Rd Intersection	\$23,000	\$0	\$3,000	\$20,000	\$4,000	\$1,346
2004 Roosevelt Ave. Improvements	\$335,000	\$0	\$30,000	\$305,000	\$30,000	\$18,425
2006 Towne Blvd. Improvements	\$420,000	\$0	\$15,000	\$405,000	\$15,000	\$17,925
2007 Cincinnati Dayton Rd Sewer	\$101,000	\$0	\$7,000	\$94,000	\$8,000	\$4,773
2007 Fiesta Storm Sewer	\$700	\$0	\$700	\$0	\$0	\$35
2010 Sidewalk, Curb, & Gutter	\$70,000	\$0	\$70,000	\$0	\$0	\$2,800
2014 Jefferson Road	\$115,000	\$0	\$5,000	\$110,000	\$5,000	\$5,550
2014 S Main St Lighting	\$180,000	\$0	\$20,000	\$160,000	\$20,000	\$7,500
2014 S Main St Sidewalk, Curb & Gutter	\$105,000	\$0	\$25,000	\$80,000	\$25,000	\$3,075
Total Special Assessment Bonds	\$1,824,700	\$0	\$305,700	\$1,519,000	\$217,000	\$88,960

CITY OF MIDDLETOWN
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	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Principal Due Within One Year	Interest Paid in 2016
<i>General Obligation Bonds:</i>						
2008 Street Improvements	\$151,167	\$0	\$151,167	\$0	\$0	\$4,913
2008 Downtown Improvements	\$3,029,055	\$0	\$716,984	\$2,312,071	\$741,152	\$113,922
2006 Towne Blvd/SR 122/I-75	\$480,000	\$0	\$40,000	\$440,000	\$40,000	\$20,295
2006 Towne Blvd. Extension	\$1,455,000	\$0	\$185,000	\$1,270,000	\$195,000	\$60,981
SR 122/I-75 Interchange	\$5,025,000	\$0	\$275,000	\$4,750,000	\$285,000	\$210,848
2010 Downtown Parking Flat Lot	\$570,000	\$0	\$90,000	\$480,000	\$90,000	\$15,988
2010 Greentree Health Science Academy	\$4,450,000	\$0	\$225,000	\$4,225,000	\$230,000	\$248,293
2013 Court of Appeals	\$1,910,650	\$0	\$219,350	\$1,691,300	\$219,350	\$52,819
2013 MRH Land	\$2,679,350	\$0	\$315,650	\$2,363,700	\$315,650	\$75,731
2015 AK Steel Holding Corp Project	\$2,045,000	\$0	\$70,000	\$1,975,000	\$70,000	\$44,059
2015 Bender Tract	\$2,115,000	\$0	\$115,000	\$2,000,000	\$115,000	\$152,781
Premiums	\$216,339	\$0	\$33,957	\$182,382	\$0	\$0
Total General Obligation Bonds	\$24,126,561	\$0	\$2,437,108	\$21,689,453	\$2,301,152	\$1,000,630
Compensated Absences	\$4,797,835	\$425,615	\$388,726	\$4,834,724	\$1,819,436	
Police & Fire Pension						
Unfunded Accrued Liability	\$1,772,637	\$0	\$97,741	\$1,674,896	\$97,741	
Net Pension Liability:						
OPERS	\$7,976,747	\$3,378,522	\$0	\$11,355,269	\$0	
OP&F	\$28,143,411	\$1,917,132	\$0	\$30,060,543	\$0	
Total Net Pension Liability	\$36,120,158	\$5,295,654	\$0	\$41,415,812	\$0	
Total Governmental Activities	\$68,641,891	\$5,721,269	\$3,229,275	\$71,133,885	\$4,435,329	\$1,089,590

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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B. BUSINESS TYPE ACTIVITIES

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Principal Due Within One Year	Interest Paid in 2016
<u><i>General Obligation Bonds:</i></u>						
2008 Water	\$730,943	\$0	\$173,016	\$557,927	\$178,848	\$32,924
2008 Airport	\$1,155,000	\$0	\$75,000	\$1,080,000	\$80,000	\$50,400
2008 Sewer	\$5,410,000	\$0	\$355,000	\$5,055,000	\$370,000	\$235,888
2014 Wastewater Energy Improvements	\$865,000	\$0	\$50,000	\$815,000	\$55,000	\$28,050
2014 Water Energy Improvements	\$3,185,000	\$0	\$190,000	\$2,995,000	\$195,000	\$102,950
Premium	\$374,589	\$0	\$30,863	\$343,726	\$0	\$0
Total General Obligation Bonds Payable	\$11,720,532	\$0	\$873,879	\$10,846,653	\$878,848	\$450,212
Lease Obligation	\$1,094,936	\$0	\$1,015,404	\$79,532	\$79,532	\$24,617
Compensated Absences	\$487,459	\$238,618	\$230,140	\$495,937	\$236,781	\$0
Net Pension Liability - OPERS	\$1,872,878	\$793,250	\$0	\$2,666,128	\$0	\$0
Total Business Type Activities	\$15,175,805	\$1,031,868	\$2,119,423	\$14,088,250	\$1,195,161	\$474,829

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 an \$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 \$52,118,216 at December 31, 2016. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2016 are as follows:

GOVERNMENTAL ACTIVITIES			
Police and Fire Pension Debt Schedule 12/31/16			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$52,217	\$45,524	\$97,741
2018	\$52,217	\$45,524	\$97,741
2019	\$52,217	\$45,524	\$97,741
2020	\$52,217	\$45,524	\$97,741
2021	\$52,217	\$45,524	\$97,741
2022-2026	\$261,085	\$227,620	\$488,705
2027-2031	\$261,085	\$227,620	\$488,705
2032-2035	\$111,583	\$97,198	\$208,781
Total	\$894,838	\$780,058	\$1,674,896

CITY OF MIDDLETOWN
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GOVERNMENTAL ACTIVITIES

General Obligation and Assessment Bonds Schedule 12/31/16

	General Obligation Bonds			Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$2,306,152	\$888,244	\$3,194,396	\$217,000	\$74,866	\$291,866
2018	\$2,379,348	\$818,135	\$3,197,483	\$192,000	\$64,725	\$256,725
2019	\$2,451,572	\$733,203	\$3,184,775	\$197,000	\$55,901	\$252,901
2020	\$1,705,000	\$643,809	\$2,348,809	\$138,000	\$45,164	\$183,164
2021	\$1,770,000	\$581,504	\$2,351,504	\$128,000	\$37,672	\$165,672
2022-2026	\$6,130,000	\$1,959,035	\$8,089,035	\$587,000	\$87,640	\$674,640
2027-2031	\$4,200,000	\$731,359	\$4,931,359	\$30,000	\$13,125	\$43,125
2032-2036	\$560,000	\$71,750	\$631,750	\$30,000	\$3,149	\$33,149
Total	\$21,502,072	\$6,427,040	\$27,929,112	\$1,519,000	\$382,242	\$1,901,242

BUSINESS TYPE ACTIVITIES

General Obligation Bonds Schedule - 12/31/16

	Principal	Interest	Total
2017	\$878,848	\$420,381	\$1,299,229
2018	\$895,652	\$390,871	\$1,286,523
2019	\$923,428	\$356,817	\$1,280,245
2020	\$765,000	\$326,563	\$1,091,563
2021	\$805,000	\$296,262	\$1,101,262
2022-2026	\$4,510,000	\$937,064	\$5,447,064
2027-2029	\$1,725,000	\$113,324	\$1,838,324
Total	\$10,502,928	\$2,841,282	\$13,344,210

BUSINESS TYPE ACTIVITIES

Lease Obligation Schedule 12/31/16

	Principal	Interest	Total
2017	\$79,654	\$366	\$80,020
Total	\$79,654	\$366	\$80,020

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.

On March 31, 2013, the City issued long-term notes in the amount of \$2,056,915 at 1.75%, with interest payable quarterly. The notes were issued to provide financing for land that the city is holding for

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

development. The notes matured on March 29, 2015 at which time, the City issued long-term general obligation debt to retire the note. See Note 21 for more information.

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, 2016, the amount of defeased debt outstanding amounted to \$2,940,000.

In 2014, the City defeased the 2008 Golf Course bond issues by creating a separate irrevocable trust fund containing U.S. Government securities. The earnings from the investments are sufficient to fully service the defeased debt until the debt matures in December 2016. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's financial statements.

NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES

The City's inter-fund receivables and payables at the end of 2016 were comprised of operating advances from the General Fund to other operating funds (\$750,000) and payments to the Municipal Garage Fund by the City operating funds for December 2016 services (\$58,791). Inter-fund balances as of December 31, 2016 are as follows:

Fund	Receivables	Payables
Governmental Funds:		
General Fund	\$4,135,171	\$29,373
Capital Improvements Fund	\$0	\$1,383,500
Non major government funds	\$0	\$761,068
Total governmental funds	\$4,135,171	\$2,173,941
Enterprise Funds:		
Water	\$0	\$2,989
Sewer	\$0	\$5,502
Storm Water	\$0	\$2,338
Non major business type activities	\$0	\$9,192
Total enterprise funds	\$0	\$20,021
Internal Service Funds		
Internal service funds	\$58,791	\$2,000,000
Total internal service funds	\$58,791	\$2,000,000
Total all funds	\$4,193,962	\$4,193,962

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 - CONTINGENT LIABILITY

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

For the period January 1, 2016, to December 31, 2016, the City received federal and State grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial to the financial statements as a whole.

NOTE 14 - 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 two cost-sharing multiple employer defined benefit post-employment healthcare trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have twenty 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. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide healthcare to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payrolls deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

C. City Contributions

The total employer contribution rate, in Section B, is the statutorily required contribution rates for OPERS. The portion of the City of Middletown's contributions used to fund health care for the years ending December 31, 2016, 2015, and 2014 were \$32,360, \$30,903 and \$30,476, respectively.

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

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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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.opf.org.

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. The portion of employer contributions allocated to the health care plan was .5% from January 1, 2016 through December 31, 2016. 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 for the years ending December 31, 2016, 2015, and 2014 were \$2,068,425, \$2,317,516 and \$, \$2,537,230 of which \$10,342, \$11,588, and \$12,686, respectively, was allocated to the health care plan.

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 15 - RISK MANAGEMENT

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

The City 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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York Risk Pooling Services, Inc. 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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 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, 2015 and 2014:

<u>Casualty & Property Coverage</u>	<u>2015</u>	<u>2014</u>
Assets	\$38,307,677	\$35,402,177
Liabilities	(\$12,759,127)	(\$12,363,257)
Net position - Unrestricted	<u>\$25,458,550</u>	<u>\$23,038,920</u>

At December 31, 2015 and 2014, the liabilities above included incurred claims payable. The assets above also include unpaid claims to be billed to approximately 499 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. At December 31, 2015, the city's share of these unpaid claims collectible in future years is approximately \$658,694.

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.

CITY OF MIDDLETOWN
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Contributions to PEP	
2012	\$583,046
2013	\$603,544
2014	\$594,402
2015	\$596,896
2016	\$619,043

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 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 16 - SIGNIFICANT CONTRACTUAL & ENCUMBRANCE COMMITMENTS

A. Contractual Commitments

As of December 31, 2016, the City has entered into the following major contracts and agreements for the purpose of infrastructure improvements or services related to the operations of the city:

Vendor	Purpose	Amount Remaining
Milcon Concrete Inc.	Oxford State Road improvements	\$3,806,865
Rack & Ballauer Excavating	Central Avenue improvements	\$1,176,584
Howell Contractors Inc.	Interceptor sewer rehab	\$949,604
Building Crafts Inc.	WWTP Grit Tank/Gravity Thickener Upgrade Phase II	\$609,500
CMI	Purchase of Public Safety software	\$528,505
Butler County T.I.D.	Yankee Road/Salzman Road Extension Project	\$234,876
Lebanon Ford Inc.	Purchase of 7 Police cruisers	\$196,307
Carmeuse Lime & Stone Corp.	Purchase of chemicals to treat drinking water	\$167,722
CH2M Hill Inc.	Engineering services and offsite investigation at Aeronca	\$137,841
ATC Group Services LLC	STM/Wrenn site remediation change order	\$131,734
	Total	\$7,939,538

B. Encumbrance Commitments

At December 31, 2016, the City had encumbrance commitments of \$806,689 in the General Fund, \$2,685,275 in the Capital Improvements Fund and \$2,582,792 for all other Governmental Funds.

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 17 - RELATED ORGANIZATION

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

NOTE 18 – LOAN RECEIVABLE

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

The City of Middletown entered into an agreement in 2012 with Higher Education Partners to provide funding for construction of a Middletown Campus of Cincinnati State Technical and Community College. The City obtained a Section 108 loan from the Department of Housing and Urban Development which will be the source of the loaned funds. Construction on the campus was completed at the end of 2012. Higher Education Partners paid this loan in full to the Department of Housing and Urban Development in 2014.

NOTE 19 – 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. In 2016, Atrium replaced the 2010 debt series with a \$90,000,000 issue. Atrium Medical Center will repay the remainder of the debt; the City of Middletown is not obligated for this debt.

City of Middletown conduit debt issues outstanding at December 31, 2016 is \$170,890,000 hospital facilities revenue bonds issued on behalf of Atrium Medical Center.

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 20 - JOINT ECONOMIC DEVELOPMENT DISTRICTS

The City of Middletown participates in a Joint Economic Development District (JEDD) with Liberty Township and the City of Mason. The JEDD is located entirely within Liberty Township, Butler County, Ohio near State Route 129. The purpose of the JEDD is to facilitate the development of jobs and

employment opportunities along with improving the welfare of people in the State of Ohio and the area of the contracting parties. The JEDD creates a Board of Directors which consists of a Municipal Member, a Liberty Township member, a member who represents the owners of the businesses within the JEDD, a member who represents the persons working within the JEDD, and one member who is selected by the above members who serves as chairperson.

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

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

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

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

NOTE 21 - 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, 2016

Fund Balances	100, 200, 230,246 General Fund	325 Special Assessment Debt Service Fund	220 Capital Improvements Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable					
Inventory of supplies	39,382			232,869	272,251
Interfund loans	4,135,171				4,135,171
Total Nonspendable	4,174,553	-	-	232,869	4,407,422
Restricted for					
Capital improvements			-	120,504	120,504
Debt service		506,882		1,475	508,357
Purposes allowed by					-
TIF agreement				1,083,413	1,083,413
Housing assistance				400,512	400,512
Recreation				-	-
Senior Services				288	288
Community Development				2,401,908	2,401,908
Public health				71,116	71,116
Public safety				1,901,048	1,901,048
Roads				1,508,889	1,508,889
Total Restricted	-	506,882	-	7,489,153	7,996,035
Committed					
Capital improvements				1,113,825	1,113,825
Retirement benefits		-			-
Debt service				149,990	149,990
Recreation				151,947	151,947
Purchase of capital assets				1,619,749	1,619,749
Total Committed	-	-	-	3,035,511	3,035,511
Assigned					
Other purposes	655,000			-	655,000
Total Assigned	655,000	-	-	-	655,000
Unassigned (deficit)	5,624,646		(369,945)	(427,827)	4,826,874
Total Fund Balances	10,454,199	506,882	(369,945)	10,329,706	20,920,842

NOTE 22 – TAX ABATEMENTS

As of December 31, 2016, the City provides tax abatements through two programs – Enterprise Zone Agreements and Community Reinvestment Area (CRA) Agreements.

Enterprise Zones, as defined in the Ohio Revised Code Section 5709.61-.69, are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investments. The amount and term of the tax exemption are negotiated between local officials and the company, and the agreement is then approved by City Council in the form of legislation. The Enterprise Zone law permits municipalities to offer incentives of exemption of real and/or personal property assessed values of

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

up to 75% for up to ten years, or an average of 60% over the term of the agreement on new investment in buildings, machinery/equipment, and inventory and improvements to existing land and buildings for a specific project. Maximum exemption levels may be exceeded and may be up to 100% exemption for up to fifteen years with approval by the affected Board of Education. Tax incentive review councils shall annually submit a copy of the written recommendations required by division (C) (1) of section 5709.85 of the Revised Code to the director of the development services agency. No other commitments were made by the City as part of those agreements.

Ohio's Community Reinvestment Area Program was created in 1977 and revised in 1994 in sections 3735.65-70 of the Ohio Revised Code, to promote revitalization in depressed areas by offering property tax exemptions for any increased property valuation that would result from renovation of existing structures or new construction activities within the area. The program can be used to encourage historic preservation, residential rehabilitation, or new residential construction and/or as an economic development tool to encourage commercial and industrial renovation or expansion and new construction. The local government determines the need for a CRA based on the number and extent of properties in disrepair. Once they make the decision to establish as CRA, they will then decide the size, number of areas, and the term and extend of the real property exemptions. Below are four steps that must be followed per the Ohio Department of Development (ODOD) for approval of a CRA area:

1. Conduct a Housing Survey of the structures within the proposed area. The results must support the finding that the area is in need of renovation. The survey is conducted by driving around the targeted CRA area, taking pictures of the affected properties, and documenting the addresses of the affected properties in disrepair. The results of the survey should show that a significant number, or at least 20%, of the properties in the targeted area are in need of rehabilitation.
2. Adopted local legislation must contain the statement that the area is one in which "housing facilities or structures of historical significance are located, and new housing construction and repair of existing facilities or structures are discouraged. "The legislation also defines the proposed area and includes the incentive rate and term for both residential and business projects.
3. The entire legislation must then be published in a local publication once a week for two consecutive weeks for public comment.
4. Prepare the Ohio CRA Petition for Area Certification and submit the petition to the ODOD with a copy of the legislation, the survey, and a map of the proposed area.

There were no Community Reinvestment Area (CRA) abatement agreements in 2016. The City abated property taxes totaling \$466,901 under the Enterprise Zone Agreement program during 2016, including the following tax abatement agreements that each exceeded 10 % of the total amount abated:

- A 75% property tax abatement to a large manufacturing and distribution company for construction of a new 350,000 square foot facility. The abatement amount to \$272,273.
- A 75% property tax abatement to a developer to construct a 50,000 square foot LEED certified office building. The abatement amounted to \$81,132.
- A 75% property tax abatement to a packaging company for an expansion of their facility and increasing employment. The abatement amounted to \$50,397.

CITY OF MIDDLETOWN, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 2,579,431	\$ 2,579,431	\$ 2,496,401	\$ (83,030)
Municipal income taxes	14,802,851	15,267,201	15,608,995	341,794
Intergovernmental revenue	1,141,688	1,141,688	1,239,484	97,796
Charges for services	4,404,555	4,404,555	4,456,673	52,118
Fees, licenses, and permits	444,300	444,300	496,735	52,435
Fines and forfeits	9,605	9,605	6,527	(3,078)
Interest earnings	50,102	50,102	70,003	19,901
Auction Proceeds	56,138	56,138	27,177	(28,961)
Contributions (Misc)	-	-	47,479	47,479
Rentals & Leases (Misc)	123,927	123,927	79,673	(44,254)
Misc Rev (Misc)	691,112	691,112	693,093	1,981
Reimbursements (Misc)	392,000	392,000	306,402	(85,598)
Miscellaneous	1,263,177	1,263,177	1,407,426	144,249
Total revenues	24,695,709	25,160,059	25,782,244	622,185
Expenditures:				
Current				
Community Environment				
Community revitalization administration				
Personal services	104,064	102,964	102,193	771
Other	17,200	17,200	14,611	2,589
Community development				
Personal services	464,892	460,392	454,555	5,837
Street lighting				
Other	761,437	701,237	683,003	18,234
Total community environment	1,347,593	1,281,793	1,254,362	27,431
Leisure Time Activities				
Community center				
Other	119,356	119,356	118,377	979
Recreation				
Other	37,819	31,319	31,319	-
Parks maintenance				
Personal services	468,999	483,299	481,259	2,040
Other	396,940	418,940	378,336	40,604
Total leisure time activities	1,023,114	1,052,914	1,009,291	43,623

continued

CITY OF MIDDLETOWN, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Public Safety				
Public safety administration				
Personal services	146,821	145,271	142,869	2,402
Other	8,141	8,141	4,057	4,084
Fire administration				
Personal services	331,145	338,645	331,580	7,065
Other	11,615	11,615	5,708	5,907
Fire operations				
Personal services	5,694,844	5,573,014	5,351,765	221,249
Other	1,179,438	1,179,438	1,152,842	26,596
Fire prevention/training				
Personal services	224,897	229,571	216,970	12,601
Other	8,988	8,988	8,812	176
Police administration				
Personal services	420,007	420,007	413,068	6,939
Other	96,750	96,750	79,591	17,159
Criminal investigation				
Personal services	1,423,769	1,488,769	1,478,490	10,279
Other	20,000	20,000	19,752	248
Uniform patrol				
Personal services	4,683,795	4,796,863	4,720,177	76,686
Other	1,057,695	907,077	892,083	14,994
Police services				
Personal services	304,252	291,452	289,251	2,201
Other	8,450	8,450	6,507	1,943
Police and fire dispatch				
Personal services	1,163,879	1,168,279	1,167,683	596
Other	70,500	70,500	60,036	10,464
Jail management				
Personal services	943,897	914,697	904,748	9,949
Other	349,804	349,804	339,163	10,641
Building inspection and services				
Personal services	350,561	305,511	287,356	18,155
Other	106,053	69,053	67,424	1,629
Building maintenance				
Personal services	218,970	210,970	208,068	2,902
Other	204,881	197,584	197,279	305
Total public safety	19,029,152	18,810,449	18,345,279	465,170

continued

CITY OF MIDDLETOWN, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
General Government				
City council				
Personal services	134,269	112,869	109,212	3,657
Other	58,470	58,470	58,451	19
City manager				
Personal services	261,491	266,591	265,804	787
Other	18,384	64,872	20,204	44,668
Finance administration				
Personal services	203,256	199,256	195,420	3,836
Other	36,150	29,150	27,720	1,430
Treasury				
Personal services	193,455	199,455	198,519	936
Other	7,999	7,999	5,287	2,712
Information systems				
Personal services	469,301	465,551	464,721	830
Other	94,770	88,770	69,105	19,665
Personnel				
Personal services	129,239	131,782	121,266	10,516
Other	170,605	171,367	162,056	9,311
Law				
Personal services	491,148	475,948	459,369	16,579
Other	68,975	68,611	67,187	1,424
Purchasing				
Personal services	51,620	51,020	46,510	4,510
Other	3,440	3,435	2,119	1,316
Planning				
Personal services	164,347	133,247	125,200	8,047
Other	199,822	199,822	199,921	(99)
Economic development				
Personal services	392,095	392,095	389,721	2,374
Other	117,545	116,545	111,176	5,369
Engineering				
Personal services	448,650	448,650	430,181	18,469
Other	88,165	84,165	68,332	15,833
Total general government	3,803,196	3,769,670	3,597,481	172,189

continued

CITY OF MIDDLETOWN, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Miscellaneous				
Non-departmental				
Personal services	28,600	37,100	32,010	5,090
Other	1,971,091	1,852,626	1,756,351	96,275
Total miscellaneous	1,999,691	1,889,726	1,788,361	101,365
Total expenditures	27,202,746	26,804,552	25,994,774	809,778
Excess of revenues over (under) expenditures	(2,507,037)	(1,644,493)	(212,530)	1,431,963
Other financing uses				
Transfers-In	45,000	45,000	601,158	556,158
Advances Out	1,540,500	(750,000)	(522,525)	227,475
Transfers-out	(158,118)	(158,118)	(158,118)	-
Other uses	-	-	(7,034)	(7,034)
Proceeds from notes				
Total other financing uses	1,427,382	(863,118)	(86,519)	776,599
Net change in fund balance	(1,079,655)	(2,507,611)	(299,049)	2,208,562
Fund balance, beginning of year	3,910,817	3,910,817	3,910,817	-
Appropriation for prior year encumbrances	698,187	698,187	698,187	-
Fund balance, end of the year	\$ 3,529,349	\$ 2,101,393	\$ 4,309,955	\$ 2,208,562

See notes to the required supplementary information.

City of Middletown, Butler County, Ohio
Required Supplementary Information
Schedule of the Entity's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Two Years *

	2015	2014	2013
Entity's Proportion of the Net Pension Liability	0.0809491%	0.08166428%	0.08166428%
Entity's Proportionate Share of the Net Pension Liability	\$ 14,021,397	\$ 9,849,625	\$ 9,627,155
Entity's Covered-Employee Payroll	\$ 11,036,783	\$ 10,884,143	\$ 11,843,740
Entity's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	127.04%	90.50%	81.28%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	81.08%	86.45%	86.36%

* Information prior to 2013 is not available.

Amounts presented as of the Entity's measurement date which
is the prior fiscal year end.

City of Middletown, Butler County, Ohio
Required Supplementary Information
Schedule of the Entity's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Two Years *

	2015	2014	2013
Entity's Proportion of the Net Pension Liability	0.46728149%	0.54326535%	0.54326535%
Entity's Proportionate Share of the Net Pension Liability	\$ 30,060,543	\$ 28,143,411	\$ 26,458,727
Entity's Covered-Employee Payroll	\$ 9,724,488	\$ 10,647,153	\$ 11,049,711
Entity's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	309.12%	264.33%	239.45%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	66.77%	72.20%	73.00%

* Information prior to 2013 is not available.

Amounts presented as of the Entity's measurement date
which is the prior fiscal year end.

City of Middletown, Butler County, Ohio
Required Supplementary Information
Schedule of Entity Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Three Years *

	2016	2015	2014	2013
Contractually Required Contribution	\$ 1,413,090	\$ 1,545,150	\$ 1,205,425	\$ 1,658,124
Contributions in Relation to the Contractually Required Contribution	<u>(1,413,090)</u>	<u>(1,545,150)</u>	<u>(1,205,425)</u>	<u>(1,658,124)</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Entity Covered-Employee Payroll	\$ 11,644,126	\$ 11,036,783	\$ 10,884,143	\$ 11,843,740
Contributions as a Percentage of Covered-Employee Payroll	12.14%	14.00%	11.08%	14.00%

* Information prior to 2013 is not available.

City of Middletown, Butler County, Ohio
Required Supplementary Information
Schedule of Entity Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 2,019,817	\$ 2,108,003	\$ 2,273,530	\$ 2,750,824	\$ 2,446,776
Contributions in Relation to the Contractually Required Contribution	<u>(2,019,817)</u>	<u>(2,108,003)</u>	<u>(2,273,530)</u>	<u>(2,750,824)</u>	<u>(2,446,776)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Entity Covered-Employee Payroll	\$ 9,631,388	\$ 9,724,488	\$ 10,647,153	\$ 11,049,711	\$ 10,869,951
Contributions as a Percentage of Covered-Employee Payroll	20.97%	21.68%	21.35%	24.89%	22.51%

	2011	2010	2009	2008	2007
Contractually Required Contribution	\$ 2,403,989	\$ 2,332,959	\$ 2,298,244	\$ 2,246,576	\$ 2,106,675
Contributions in Relation to the Contractually Required Contribution	<u>(2,403,989)</u>	<u>(2,332,959)</u>	<u>(2,298,244)</u>	<u>(2,246,576)</u>	<u>(2,106,675)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Entity Covered-Employee Payroll	\$ 11,108,040	\$ 10,858,318	\$ 10,590,805	\$ 10,211,400	\$ 9,987,602
Contributions as a Percentage of Covered-Employee Payroll	21.64%	21.49%	21.70%	22.00%	21.09%

CITY OF MIDDLETOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

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 inter-fund 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:

**EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)
EXPENDITURES AND OTHER USES**

	General Fund
GAAP basis (as reported)	\$994,846
Advances	\$0
Adjustments: revenue and other sources	(683,630)
Expenditures and other uses	217,217
Other	\$71,599
Encumbrances	(\$899,081)
Budget basis	(\$299,049)

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2016**

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 TRUST 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.

**CITY OF MIDDLETON
FUND DESCRIPTIONS
DECEMBER 31, 2016**

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.

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 donations received for the maintenance of the former Sunset Pool. The pool was demolished in 2012.

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.

**CITY OF MIDDLETON
FUND DESCRIPTIONS
DECEMBER 31, 2016**

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.

Non Major Special Revenue Funds continued:

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.

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.

HUD SECTION 108 FUND

To account for a loan payments for a loan received from the U.S. Department of Housing of Urban Development.

HOUSING ASSISTANCE FUND

To account for monies received from the Department of Housing and Urban Development for the City's housing assistance program.

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.

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.

**CITY OF MIDDLETON
FUND DESCRIPTIONS
DECEMBER 31, 2016**

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.

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.

GREENTREE 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. No budget was adopted for this fund in 2014.

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, 2016**

SOUTH YANKEE 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 South Yankee Road area.

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.

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.

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. No budget was appropriated in 2014 for this fund.

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.

CENTRAL AVE SIDEWALK, CURB AND GUTTER FUND

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

ECONOMIC DEVELOPMENT BOND SERVICE FUND

To accumulate costs and revenue sources for economic development projects.

CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 5,344,413	\$ 1,233,403	\$ 3,055,253	\$ 9,633,069
Receivables (net of allowance for uncollectibles):				
Property taxes	1,132,209	-	-	1,132,209
Accounts	399,020	-	-	399,020
Loans	1,125,849	-	-	1,125,849
Interest	150,512	-	-	150,512
Special assessments	137,608	-	-	137,608
Payment in lieu of taxes	-	568,178	-	568,178
Due from other governments	1,228,051	8,394	-	1,236,445
Inventory of supplies	311,456	-	-	311,456
Total assets	\$ 9,829,118	\$ 1,809,975	\$ 3,055,253	\$ 14,694,346
Liabilities:				
Accounts payable	\$ 236,026	\$ -	\$ 192,516	\$ 428,542
Accrued wages and benefits	105,568	-	-	105,568
Other accrued liabilities	38,798	-	-	38,798
Due to other funds	609,397	-	151,671	761,068
Due to other governments	123,349	-	-	123,349
Total liabilities	1,113,138	-	344,187	1,457,325
Deferred inflows:				
Revenues levied for the next year and unavailable revenue	2,330,743	576,572	-	2,907,315
Total deferred inflows	2,330,743	576,572	-	2,907,315
Fund balances:				
Nonspendable	232,869	-	-	232,869
Restricted	6,283,761	1,083,413	121,979	7,489,153
Committed	151,947	149,990	2,733,574	3,035,511
Unassigned	(283,340)	-	(144,487)	(427,827)
Total fund balances	6,385,237	1,233,403	2,711,066	10,329,706
Total liabilities, deferred inflows and fund balances	\$ 9,829,118	\$ 1,809,975	\$ 3,055,253	\$ 14,694,346

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
Revenues:				
Property taxes	\$ 1,008,696	\$ -	\$ -	\$ 1,008,696
Municipal income taxes	3,239,477	1,727,000	8,000	4,974,477
Payment in lieu of taxes	-	1,493,962	-	1,493,962
Intergovernmental revenues	3,319,163	473,291	128,896	3,921,350
Charges for services	265,356	-	-	265,356
Fees, licenses, and permits	-	-	-	-
Fines and forfeits	1,535,478	-	-	1,535,478
Special assessments	244,419	-	29,554	273,973
Investment income	15,330	-	23,354	38,684
Miscellaneous	792,537	272,169	136,637	1,201,343
Total revenues	10,420,456	3,966,422	326,441	14,713,319
Expenditures:				
Current				
Public safety	5,296,125	-	-	5,296,125
Public health and welfare	480,408	-	-	480,408
Community environment	2,067,771	-	298,967	2,366,738
Highways and streets	2,281,158	-	64,433	2,345,591
General government	-	-	519,308	519,308
Miscellaneous	212,572	833,784	-	1,046,356
Debt service				
Principal retirement	-	2,288,151	185,000	2,473,151
Interest and fiscal charges	-	810,820	163,681	974,501
Total expenditures	10,338,034	3,932,755	1,231,389	15,502,178
Excess of revenues over (under) expenditures	82,422	33,667	(904,948)	(788,859)
Other financing sources (uses):				
Transfers-in	-	-	229,620	229,620
Total other financing sources (uses)	-	-	229,620	229,620
Net change in fund balances	82,422	33,667	(675,328)	(559,239)
Fund balance, beginning of year	6,302,815	1,199,736	3,386,394	10,888,945
Fund balance, end of the year	\$ 6,385,237	\$ 1,233,403	\$ 2,711,066	\$ 10,329,706

CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2016

	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	\$ 1,289,525	\$ 151,947	\$ 145,097	\$ 35,144	\$ 144,715	\$ 96,855
Receivables (net of allowance for uncollectibles):						
Property taxes	-	-	-	-	-	-
Accounts	181,111	-	18,902	-	-	4,633
Interest	-	-	-	-	-	-
Loans	-	-	-	-	2,583	-
Special assessments	-	-	-	-	-	-
Due from other governments	1,132,882	-	-	-	-	-
Inventory of supplies	232,869	-	-	-	-	-
Total assets	\$ 2,836,387	\$ 151,947	\$ 163,999	\$ 35,144	\$ 147,298	\$ 101,488
Liabilities:						
Accounts payable	\$ 61,096	\$ -	\$ 38,310	\$ -	\$ 20,000	\$ 314
Accrued wages and benefits	\$ 31,726	\$ -	\$ 15,645	\$ -	\$ -	\$ -
Other accrued liabilities	-	-	38,798	-	-	-
Due to other funds	8,762	-	130	-	-	-
Due to other governments	-	-	-	-	-	-
Total liabilities	101,584	-	92,883	-	20,000	314
Deferred inflows:						
Revenues levied for the next year and unavailable revenue	993,045	-	-	-	-	-
Total deferred inflows	993,045	-	-	-	-	-
Fund balances:						
Nonspendable	232,869	-	-	-	-	-
Restricted	1,508,889	-	71,116	35,144	127,298	101,174
Committed	-	151,947	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	1,741,758	151,947	71,116	35,144	127,298	101,174
Total liabilities, deferred inflows and fund balances	\$ 2,836,387	\$ 151,947	\$ 163,999	\$ 35,144	\$ 147,298	\$ 101,488

Law Enforcement Trust	Mandatory Drug Fine	Probation Services	Indigent Driver Alcohol Treatment	Enforcement Education	Civic Development	Municipal Court	Police Grant	Court IDIAM
\$ 31,990	\$ 144,078	\$ 230,854	\$ 34,106	\$ 49,088	\$ 559,064	\$ 211,172	\$ 158,458	\$ 43,729
-	3,208	4,964	714	313	82,852	91,787	-	425
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4,742	-
-	-	-	-	-	-	-	-	-
\$ 31,990	\$ 147,286	\$ 235,818	\$ 34,820	\$ 49,401	\$ 641,916	\$ 302,959	\$ 163,200	\$ 44,154
\$ -	\$ 100	\$ 2,009	\$ 1,927	\$ -	\$ 43,000	\$ 4,890	\$ 325	\$ 217
-	-	927	-	-	2,379	54,891	-	-
-	-	-	-	-	-	-	-	-
-	239	-	-	-	-	266	-	-
-	-	-	-	-	-	-	-	-
-	339	2,936	1,927	-	45,379	60,047	325	217
-	-	-	-	-	-	-	4,742	-
-	-	-	-	-	-	-	4,742	-
-	-	-	-	-	-	-	-	-
31,990	146,947	232,882	32,893	49,401	596,537	242,912	158,133	43,937
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
31,990	146,947	232,882	32,893	49,401	596,537	242,912	158,133	43,937
\$ 31,990	\$ 147,286	\$ 235,818	\$ 34,820	\$ 49,401	\$ 641,916	\$ 302,959	\$ 163,200	\$ 44,154

(continued)

CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2016

	Court Special Projects	Pool Fund	Home Program	Community Develop- ment	Community Development Escrow	Police Pension
Assets:						
Cash and equity in pooled cash, deposits and investments	\$ 326,586	\$ -	\$ 24,652	\$ 107,044	\$ 606,133	\$ 245,492
Receivables (net of allowance for uncollectibles):						
Property taxes	-	-	-	-	-	196,238
Accounts	9,340	-	-	-	378	-
Interest	-	-	-	-	-	-
Loans	-	-	-	-	873,266	-
Special assessments	-	-	-	-	-	-
Due from other governments	-	-	238	27,050	-	11,307
Inventory of supplies	-	-	-	-	-	-
Total assets	\$ 335,926	\$ -	\$ 24,890	\$ 134,094	\$ 1,479,777	\$ 453,037
Liabilities:						
Accounts payable	\$ 1,275	\$ -	\$ 158	\$ 58,767	\$ -	\$ -
Accrued wages and benefits	-	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-	-
Due to other funds	-	-	50,000	100,000	-	-
Due to other governments	-	-	-	-	-	-
Total liabilities	1,275	-	50,158	158,767	-	-
Deferred inflows:						
Revenues levied for the next year and unavailable revenue	-	-	-	-	-	207,545
Total deferred inflows	-	-	-	-	-	207,545
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	334,651	-	-	(24,673)	1,479,777	245,492
Committed	-	-	-	-	-	-
Unassigned	-	-	(25,268)	-	-	-
Total fund balances	334,651	-	(25,268)	(24,673)	1,479,777	245,492
Total liabilities, deferred inflows and fund balances	\$ 335,926	\$ -	\$ 24,890	\$ 134,094	\$ 1,479,777	\$ 453,037

Fire Pension	Neighborhood Stabilization Program	Conservancy District	Nuisance Abatement	Senior Services	HUD Section 108 Loan	Housing Assistance	Totals
\$ 245,492	\$ 243,196	\$ 2,205	\$ 215,741	\$ 288	\$ 1,762	\$ -	\$ 5,344,413
196,238	-	85,734	-	653,999	-	-	1,132,209
-	-	-	393	-	-	-	399,020
-	-	-	-	-	-	150,512	150,512
-	-	-	-	-	-	250,000	1,125,849
-	-	-	137,608	-	-	-	137,608
11,307	-	2,721	-	37,804	-	-	1,228,051
-	78,587	-	-	-	-	-	311,456
\$ 453,037	\$ 321,783	\$ 90,660	\$ 353,742	\$ 692,091	\$ 1,762	\$ 400,512	\$ 9,829,118
 \$ -	 \$ 576	 \$ -	 \$ 3,062	 \$ -	 \$ -	 \$ -	 \$ 236,026
-	-	-	-	-	-	-	105,568
-	-	-	-	-	-	-	38,798
-	100,000	-	350,000	-	-	-	609,397
-	-	123,349	-	-	-	-	123,349
 -	 100,576	 123,349	 353,062	 -	 -	 -	 1,113,138
 207,545	 -	 88,455	 137,608	 691,803	 -	 -	 2,330,743
207,545	-	88,455	137,608	691,803	-	-	2,330,743
 245,492	 221,207	 -	 -	 288	 1,762	 400,512	 232,869
-	-	-	-	-	-	-	6,283,761
-	(121,144)	(136,928)	-	-	-	-	151,947
 245,492	 221,207	 (121,144)	 (136,928)	 288	 1,762	 400,512	 6,385,237
 \$ 453,037	 \$ 321,783	 \$ 90,660	 \$ 353,742	 \$ 692,091	 \$ 1,762	 \$ 400,512	 \$ 9,829,118

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, 2016

	Auto & Gas Tax	Acquisition for Parks	Health Fund	Emergency Medical Services	Urban Development Action Grant	Court Computer- ization
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	450,000	-	118,000	-	-	-
Intergovernmental revenues	2,354,288	-	29,844	-	-	-
Charges for services	-	-	265,356	-	-	-
Fines and forfeits	-	-	-	-	-	65,650
Special assessments	-	-	-	-	-	-
Interest earnings	12,187	-	-	-	32	-
Miscellaneous	342,038	-	71,100	1,000	-	-
Total revenues	3,158,513	-	484,300	1,000	32	65,650
Expenditures:						
Current						
Public safety	634,252	-	-	-	-	7,763
Public health and welfare	-	-	458,923	21,485	-	-
Community environment	-	-	-	-	67,229	-
Highways and streets	2,281,158	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	2,915,410	-	458,923	21,485	67,229	7,763
Net change in fund balances	243,103	-	25,377	(20,485)	(67,197)	57,887
Fund balance, beginning of year	1,498,655	151,947	45,739	55,629	194,495	43,287
Fund balance, end of the year	\$ 1,741,758	\$ 151,947	\$ 71,116	\$ 35,144	\$ 127,298	\$ 101,174

Law Enforcement Trust	Mandatory Drug Fine	Probation Services	Indigent Driver Alcohol Treatment	Enforcement Education	Civic Development	Municipal Court	Police Grant	Court IDIAM
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	250,000	-	-
-	-	-	-	-	-	-	18,102	-
-	-	-	-	-	-	-	-	-
21,151	32,412	94,788	12,074	5,730	-	1,170,431	-	7,089
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,528	-
-	5,621	-	-	-	349,252	2,076	20,679	-
21,151	38,033	94,788	12,074	5,730	349,252	1,422,507	40,309	7,089
-	98,961	134,685	1,927	12,825	-	1,570,219	36,867	217
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	204,383	-	-	2,812
-	98,961	134,685	1,927	12,825	204,383	1,570,219	36,867	3,029
21,151	(60,928)	(39,897)	10,147	(7,095)	144,869	(147,712)	3,442	4,060
10,839	207,875	272,779	22,746	56,496	451,668	390,624	154,691	39,877
\$ 31,990	\$ 146,947	\$ 232,882	\$ 32,893	\$ 49,401	\$ 596,537	\$ 242,912	\$ 158,133	\$ 43,937

(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, 2016

	Court Special Projects	Pool Fund	Home Program	Community Develop- ment	Community Development Escrow	Police Pension
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,121
Municipal income taxes	-	-	-	-	-	1,149,211
Intergovernmental revenues	-	-	159,385	629,108	-	22,984
Charges for services	-	-	-	-	-	-
Fines and forfeits	124,153	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Interest earnings	-	-	-	156	1,427	-
Miscellaneous	-	-	-	-	378	-
Total revenues	124,153	-	159,385	629,264	1,805	1,347,316
Expenditures:						
Current						
Public safety	35,002	-	-	-	-	1,319,256
Public health and welfare	-	-	-	-	-	-
Community environment	-	-	170,400	677,627	-	-
Highways and streets	-	-	-	-	-	-
Miscellaneous	-	-	-	-	149	2,614
Total expenditures	35,002	-	170,400	677,627	149	1,321,870
Net change in fund balances	89,151	-	(11,015)	(48,363)	1,656	25,446
Fund balance, beginning of year	245,500	-	(14,253)	23,690	1,478,121	220,046
Fund balance, end of the year	\$ 334,651	\$ -	\$ (25,268)	\$ (24,673)	\$ 1,479,777	\$ 245,492

		Neighborhood Stabilization Program		Conservancy District	Nuisance Abatement	Senior Services	HUD Section 108 Loan	Housing Assistance	Totals
\$ 175,121	\$ -	\$ 74,969	\$ -	\$ 583,485	\$ -	\$ -	\$ -	\$ 1,008,696	
1,238,266	-	34,000	-	-	-	-	-	3,239,477	
22,984	-	5,625	-	76,843	-	-	-	3,319,163	
-	-	-	-	-	-	-	-	265,356	
-	-	-	2,000	-	-	-	-	1,535,478	
-	-	-	244,419	-	-	-	-	244,419	
-	-	-	-	-	-	-	-	15,330	
-	-	-	393	-	-	-	-	792,537	
1,436,371	-	114,594	246,812	660,328	-	-	-	10,420,456	
1,444,151	-	-	-	-	-	-	-	5,296,125	
-	-	-	-	-	-	-	-	480,408	
-	7,909	124,671	359,895	660,040	-	-	-	2,067,771	
-	-	-	-	-	-	-	-	2,281,158	
2,614	-	-	-	-	-	-	-	212,572	
1,446,765	7,909	124,671	359,895	660,040	-	-	-	10,338,034	
(10,394)	(7,909)	(10,077)	(113,083)	288	-	-	-	82,422	
255,886	229,116	(111,067)	(23,845)	-	1,762	400,512	-	6,302,815	
\$ 245,492	\$ 221,207	\$ (121,144)	\$ (136,928)	\$ 288	\$ 1,762	\$ 400,512	\$ 6,385,237		

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 700,000	\$ 700,000	\$ 450,000	\$ (250,000)
Intergovernmental revenue	2,405,537	2,405,537	2,392,363	(13,174)
Interest earnings	2,467	2,467	12,187	9,720
Miscellaneous	96,823	96,823	160,927	64,104
Total revenues	3,204,827	3,204,827	3,015,477	(189,350)
Expenditures:				
Current				
Public safety:				
Electronic Maintenance				
Personal Services	242,080	242,080	230,763	11,317
Other	376,872	534,207	458,615	75,592
Total public safety	618,952	776,287	689,378	86,909
Highways and streets:				
Street Maintenance				
Personal Services	819,864	825,264	762,549	62,715
Other	1,309,198	1,395,350	1,240,516	154,834
Grounds Maintenance				
Personal Services	155,287	155,287	153,430	1,857
Other	314,612	402,483	312,116	90,367
Total highways and streets	2,598,961	2,778,384	2,468,611	309,773
Total expenditures	3,217,913	3,554,671	3,157,989	396,682
Excess of revenues over (under) expenditures	(13,086)	(349,844)	(142,512)	207,332
Net change in fund balance	(13,086)	(349,844)	(142,512)	207,332
Fund balance, beginning of the year	686,031	686,031	686,031	-
Appropriation for prior year encumbrances	332,406	332,406	332,406	-
Fund balance, end of the year	\$ 1,005,351	\$ 668,593	\$ 875,925	\$ 207,332

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Leisure activities	- -	- -	- -	- -
Other	- -	- -	- -	- -
Total expenditures	- -	- -	- -	- -
Excess of revenues over expenditures	- -	- -	- -	- -
Excess of revenues and other financing sources over (under) expenditures and other	- -	- -	- -	- -
Net change in fund balance	- -	- -	- -	- -
Fund balance, beginning of the year	151,947	151,947	151,947	- -
Appropriation for prior year encumbrances	- -	- -	- -	- -
Fund balance, end of the year	\$ 151,947	\$ 151,947	\$ 151,947	\$ -

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 118,000	\$ 118,000	\$ 118,000	\$ -
Intergovernmental revenue	\$ 40,096	\$ 40,096	\$ 29,844	\$ (10,252)
Charges for services	238,594	238,594	264,053	25,459
Miscellaneous	28,000	28,000	53,500	25,500
Total revenues	424,690	424,690	465,397	40,707
Expenditures:				
Personal services	410,949	390,949	376,350	14,599
Other	63,468	83,468	71,065	12,403
Total expenditures	474,417	474,417	447,415	27,002
Excess of revenues over/under expenditures	(49,727)	(49,727)	17,982	67,709
Other financing sources:				
Other sources	-	-	6,566	6,566
Total other financing sources	-	-	6,566	6,566
Net change in fund balance	(49,727)	(49,727)	24,548	74,275
Fund balance, beginning of the year	120,549	120,549	120,549	-
Fund balance, end of the year	\$ 70,822	\$ 70,822	\$ 145,097	\$ 74,275

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ -	\$ 1,000	\$ 1,000	\$ -
Total revenues	-	1,000	1,000	-
Expenditures:				
Current				
Public health				
Other	62,998	56,538	21,485	35,053
Total expenditures	62,998	56,538	21,485	35,053
Excess of revenues over (under) expenditures	(62,998)	(55,538)	(20,485)	35,053
Net change in fund balance	(62,998)	(55,538)	(20,485)	35,053
Fund balance, beginning of the year	49,169	49,169	49,169	-
Appropriation for prior year encumbrances	6,460	6,460	6,460	-
Fund balance, end of the year	\$ (7,369)	\$ 91	\$ 35,144	\$ 35,053

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 1,150	\$ 1,150	\$ 1,641	\$ 491
Miscellaneous	43,100	43,100	21,909	(21,191)
Total revenues	44,250	44,250	23,550	(20,700)
Expenditures:				
Current				
Community environment				
Other	50,000	133,146	112,544	20,602
Total expenditures	50,000	133,146	112,544	20,602
Excess of revenues under expenditures	(5,750)	(88,896)	(88,994)	(98)
Net change in fund balance	(5,750)	(88,896)	(88,994)	(98)
Fund balance, beginning of the year	121,161	121,161	121,161	-
Appropriation for prior year encumbrances	47,055	47,055	47,055	-
Fund balance, end of the year	\$ 162,466	\$ 79,320	\$ 79,222	\$ (98)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeitures	\$ 75,000	\$ 75,000	\$ 61,016	\$ (13,984)
Miscellaneous	-	-	-	-
Total revenues	75,000	75,000	61,016	(13,984)
Expenditures:				
Current				
Public safety				
Other	100,000	129,663	70,275	59,388
Total expenditures	100,000	129,663	70,275	59,388
Excess of revenues under expenditures	(25,000)	(54,663)	(9,259)	45,404
Net change in fund balance	(25,000)	(54,663)	(9,259)	45,404
Fund balance, beginning of the year	45,897	45,897	45,897	-
Appropriation for prior year encumbrances	29,663	29,663	29,663	-
Fund balance, end of the year	\$ 50,560	\$ 20,897	\$ 66,301	\$ 45,404

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Miscellaneous	- .		21,151	21,151
Total revenues	50,000	50,000	21,151	(28,849)
Expenditures:				
Current				
Public safety	-		-	-
Other	-		-	-
Total expenditures	-	-	-	-
Excess of revenues under expenditures	50,000	50,000	21,151	(28,849)
Net change in fund balance	50,000	50,000	21,151	(28,849)
Fund balance, beginning of the year	10,839	10,839	10,839	-
Appropriation for prior year encumbrances	-		-	-
Fund balance, end of the year	\$ 60,839	\$ 60,839	\$ 31,990	\$ (28,849)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 73,000	\$ 73,000	\$ 29,204	\$ (43,796)
Miscellaneous	12,000	12,000	5,620	(6,380)
Total revenues	85,000	85,000	34,824	(50,176)
Expenditures:				
Current				
Public safety				
Other	110,000	117,703	107,279	10,424
Total expenditures	110,000	117,703	107,279	10,424
Excess of revenues over (under) expenditures	(25,000)	(32,703)	(72,455)	(39,752)
Net change in fund balance	(25,000)	(32,703)	(72,455)	(39,752)
Fund balance, beginning of the year	203,840	203,840	203,840	-
Appropriation for prior year encumbrances	8,693	8,693	8,693	-
Fund balance, end of the year	\$ 187,533	\$ 179,830	\$ 140,078	\$ (39,752)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 125,000	\$ 125,000	\$ 98,215	\$ (26,785)
Total revenues	125,000	125,000	98,215	(26,785)
Expenditures:				
Current				
Public safety				
Personal Services	88,682	88,682	87,294	1,388
Other	65,000	65,000	44,454	20,546
Total expenditures	153,682	153,682	131,748	21,934
Excess of revenues over expenditures	(28,682)	(28,682)	(33,533)	(4,851)
Net change in fund balance	(28,682)	(28,682)	(33,533)	(4,851)
Fund balance, beginning of the year	264,387	264,387	264,387	-
Fund balance, end of the year	\$ 235,705	\$ 235,705	\$ 230,854	\$ (4,851)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 20,000	\$ 20,000	\$ 11,360	\$ (8,640)
Total revenues	20,000	20,000	11,360	(8,640)
Expenditures:				
Current				
Public safety				
Other	10,000	10,000	-	10,000
Total expenditures	10,000	10,000	-	10,000
Excess of revenues under expenditures	10,000	10,000	11,360	1,360
Net change in fund balance	10,000	10,000	11,360	1,360
Fund balance, beginning of the year	22,746	22,746	22,746	-
Fund balance, end of the year	\$ 32,746	\$ 32,746	\$ 34,106	\$ 1,360

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 12,000	\$ 12,000	\$ 3,756	\$ (8,244)
Miscellaneous	-	-	1,661	1,661
Total revenues	12,000	12,000	5,417	(6,583)
Expenditures:				
Current				
Public safety				
Personal Services	1,000	1,000	-	1,000
Other	24,750	24,750	12,825	11,925
Total expenditures	25,750	25,750	12,825	12,925
Net change in fund balance	(13,750)	(13,750)	(7,408)	6,342
Fund balance, beginning of year	56,496	56,496	56,496	-
Fund balance, end of the year	\$ 42,746	\$ 42,746	\$ 49,088	\$ 6,342

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ 218,301	\$ 318,801	\$ 330,793	\$ 11,992
Total revenues	218,301	318,801	330,793	11,992
Expenditures:				
Current				
Personal Services	53,768	53,768	49,786	3,982
Miscellaneous	215,000	328,650	328,642	8
	268,768	382,418	378,428	3,990
Total expenditures				
Excess of revenues under expenditures	(50,467)	(63,617)	(47,635)	15,982
Net change in fund balance	(50,467)	(63,617)	(47,635)	15,982
Fund balance, beginning of the year	382,040	382,040	382,040	-
Appropriation for prior year encumbrances	13,159	13,159	13,159	-
Fund balance, end of the year	\$ 344,732	\$ 331,582	\$ 347,564	\$ 15,982

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 250,000	\$ 250,000	\$ 250,000	\$ -
Fines and forfeits	1,342,477	1,342,477	1,175,885	(166,592)
Miscellaneous	6,949	6,949	2,076	(4,873)
Total revenues	1,599,426	1,599,426	1,427,961	(171,465)
Expenditures:				
Current				
Public safety				
Personal Services	1,529,625	1,529,625	1,463,950	65,675
Other	178,394	178,394	106,746	71,648
Total expenditures	1,708,019	1,708,019	1,570,696	137,323
Excess of revenues over expenditures	(108,593)	(108,593)	(142,735)	(34,142)
Net change in fund balance	(108,593)	(108,593)	(142,735)	(34,142)
Fund balance, beginning of the year	353,907	353,907	353,907	-
Fund balance, end of the year	\$ 245,314	\$ 245,314	\$ 211,172	\$ (34,142)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 98,300	\$ 98,300	38,781	\$ (59,519)
Interest earnings	1,120	1,120	1,528	408
Total revenues	99,420	99,420	40,309	(59,111)
Expenditures:				
Current				
Public safety:				
Other				
Step Grant				
Personal Services	21,514	21,514	6,463	15,051
Step Grant II				
Personal Services	29,516	29,516	8,058	21,458
OVI Task Force Grant				
Personal Services	15,000	15,000	11,342	3,658
2013 JAG Local Solicitation Grant	-	10,679	10,679	-
Total expenditures	66,030	76,709	36,542	40,167
Net change in fund balance		33,390	22,711	3,767
Fund balance, beginning of the year		154,691	154,691	154,691
Fund balance, end of the year	\$ 188,081	\$ 177,402	158,458	\$ (18,944)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines & forfeits	\$ 11,000	\$ 11,000	\$ 6,663	\$ (4,337)
Total revenues	11,000	11,000	6,663	(4,337)
Expenditures:				
Current				
Public safety				
Other	35,000	35,000	2,811	32,189
Total expenditures	35,000	35,000	2,811	32,189
Excess of revenues under expenditures	(24,000)	(24,000)	3,852	27,852
Net change in fund balance	(24,000)	(24,000)	3,852	27,852
Fund balance, beginning of the year	39,877	39,877	39,877	-
Fund balance, end of the year	\$ 15,877	\$ 15,877	\$ 43,729	\$ 27,852

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines & forfeits	\$ 150,000	\$ 150,000	\$ 124,556	\$ (25,444)
Total revenues	150,000	150,000	124,556	(25,444)
Expenditures:				
Current				
Public safety				
Other	150,000	150,000	33,727	116,273
Total expenditures	150,000	150,000	33,727	116,273
Excess of revenues under expenditures	-	-	90,829	90,829
Net change in fund balance	-	-	90,829	90,829
Fund balance, beginning of the year	235,757	235,757	235,757	-
Fund balance, end of the year	\$ 235,757	\$ 235,757	\$ 326,586	\$ 90,829

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 290,000	\$ 290,000	\$ 194,970	\$ (95,030)
Miscellaneous	-	-	-	-
Total revenues	290,000	290,000	194,970	(95,030)
Expenditures:				
Current				
Community environment				
Other	290,000	290,000	197,743	92,257
Total expenditures	290,000	290,000	197,743	92,257
Net change in fund balance			(2,773)	(2,773)
Fund balance, beginning of the year	27,425	27,425	27,425	-
Fund balance, end of the year	\$ 27,425	\$ 27,425	\$ 24,652	\$ (2,773)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 748,000	\$ 748,000	\$ 616,243	\$ (131,757)
Interest earnings	-	-	155	155
Miscellaneous	2,500	2,500	-	(2,500)
Total revenues	750,500	750,500	616,398	(134,102)
Expenditures:				
Current				
Community environment				
Other	750,500	805,007	663,472	141,535
Total expenditures	750,500	805,007	663,472	141,535
Excess of revenues over (under) expenditures	-	(54,507)	(47,074)	7,433
Net change in fund balance	-	(54,507)	(47,074)	7,433
Fund balance, beginning of the year	72,048	72,048	72,048	-
Appropriation for prior year encumbrances	54,507	54,507	54,507	
Fund balance, end of the year	\$ 126,555	\$ 72,048	\$ 79,481	\$ 7,433

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ -	\$ -	\$ 1,427	\$ 1,427
Miscellaneous	65,000	65,000	17,360	(47,640)
Total revenues	65,000	65,000	18,787	(46,213)
Expenditures:				
Current				
Community Environment	300,000	300,000	8,542	291,458
Miscellaneous	(297,500)	(297,500)	(8,393)	(289,107)
Total expenditures	2,500	2,500	149	2,351
Net change in fund balance	62,500	62,500	18,638	(43,862)
Fund balance, beginning of the year	587,495	587,495	587,495	-
Fund balance, end of the year	\$ 649,995	\$ 649,995	\$ 606,133	\$ (43,862)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 186,465	\$ 186,465	\$ 175,121	\$ (11,344)
Intergovernmental revenue	26,400	26,400	22,984	(3,416)
Municipal income taxes	855,000	1,149,700	1,149,211	(489)
Total revenues	1,067,865	1,362,565	1,347,316	(15,249)
 Expenditures:				
Current				
Public safety				
Miscellaneous	3,030	3,030	2,614	416
Public Safety	1,014,256	1,319,256	1,319,256	-
Total expenditures	1,017,286	1,322,286	1,321,870	416
 Excess of revenues over (under) expenditures	50,579	40,279	25,446	(14,833)
 Net change in fund balance	50,579	40,279	25,446	(14,833)
 Fund balance, beginning of the year	220,046	220,046	220,046	
 Fund balance, end of the year	\$ 270,625	\$ 260,325	\$ 245,492	\$ (14,833)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 186,465	\$ 186,465	\$ 175,121	\$ (11,344)
Intergovernmental revenue	26,400	26,400	22,984	(3,416)
Municipal income taxes	1,012,000	1,238,300	1,238,266	(34)
Total revenues	1,224,865	1,451,165	1,436,371	(14,794)
 Expenditures:				
Current				
Public safety				
Miscellaneous	3,030	3,030	2,614	416
Public Safety	1,171,851	1,444,151	1,444,151	-
Total expenditures	1,174,881	1,447,181	1,446,765	416
 Excess of revenues over (under) expenditures	49,984	3,984	(10,394)	(14,378)
 Net change in fund balance	49,984	3,984	(10,394)	(14,378)
 Fund balance, beginning of the year	255,886	255,886	255,886	-
 Fund balance, end of the year	\$ 305,870	\$ 259,870	\$ 245,492	\$ (14,378)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 420,000	\$ 420,000	\$ -	\$ (420,000)
Total revenues	420,000	420,000	-	(420,000)
Expenditures:				
Current				
Community environment				
Other	420,000	420,000	7,333	412,667
Total expenditures	420,000	420,000	7,333	412,667
Excess of revenues over (under) expenditures	-	-	(7,333)	(7,333)
Net change in fund balance	-	-	(7,333)	(7,333)
Fund balance, beginning of the year	250,529	250,529	250,529	-
Fund balance, end of the year	\$ 250,529	\$ 250,529	\$ 243,196	\$ (7,333)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 34,000	\$ 34,000	\$ 34,000	\$ -
Property taxes	89,600	89,600	74,969	(14,631)
Intergovernmental revenue	11,200	11,200	5,624	(5,576)
Total revenues	134,800	134,800	114,593	(20,207)
Expenditures:				
Current				
Community environment				
Other	139,500	139,500	124,670	14,830
Total expenditures	139,500	139,500	124,670	14,830
Excess of revenues over (under) expenditures	(4,700)	(4,700)	(10,077)	(5,377)
Net change in fund balance	(4,700)	(4,700)	(10,077)	(5,377)
Fund balance, beginning of the year	12,282	12,282	12,282	-
Fund balance, end of the year	\$ 7,582	\$ 7,582	\$ 2,205	\$ (5,377)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ 200,200	\$ 200,200	\$ 244,419	\$ 44,219
Intergovernmental	1,000,000	1,000,000	-	(1,000,000)
Miscellaneous	-	-	2,000	2,000
Total revenues	1,200,200	1,200,200	246,419	(953,781)
Expenditures:				
Current				
Community environment				
Other	1,380,000	1,555,352	403,533	1,151,819
Total expenditures	1,380,000	1,555,352	403,533	1,151,819
Excess of revenues over (under) expenditures	(179,800)	(355,152)	(157,114)	198,038
Other financing sources (uses):				
Transfers-in	-	-	(650,000)	(650,000)
Total other financing sources (uses)	-	-	(650,000)	(650,000)
Net change in fund balance	(179,800)	(355,152)	(807,114)	(451,962)
Fund balance, beginning of the year	933,455	933,455	933,455	-
Appropriation for prior year encumbrances	42,700	42,700	42,700	-
Fund balance, end of the year	\$ 796,355	\$ 621,003	\$ 169,041	\$ (451,962)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
SENIOR SERVICES FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 621,450	\$ 621,450	\$ 583,485	\$ (37,965)
Intergovernmental revenue	87,550	87,550	76,842	(10,708)
Total revenues	709,000	709,000	660,327	(48,673)
Expenditures:				
Current				
Community environment				
Other	709,000	709,000	660,039	48,961
Total expenditures	709,000	709,000	660,039	48,961
Net change in fund balance			288	288
Fund balance, beginning of the year				-
Fund balance, end of the year	\$ -	\$ -	\$ 288	\$ 288

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
HUD SECTION 108 LOAN
FOR YEAR ENDED DECEMBER 31, 2016

	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	1,762	1,762	1,762	-
Fund balance, end of the year	\$ 1,762	\$ 1,762	\$ 1,762	\$ -

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
tax rev				
CITY INCOME TAX	\$ 21,390,802	\$ 22,684,302	\$ 22,285,505	\$ (398,797)
CASH OVER AND SHORT	\$ -	\$ -	\$ 1	\$ 1
less transfers out				
TO GENERAL FUND	\$ (11,747,000)	\$ (12,357,000)	\$ (12,430,437)	\$ 73,437
TO AUTO & GAS TAX FUN	\$ (700,000)	\$ (700,000)	\$ (450,000)	\$ (250,000)
TO FIRE PENSION FUND	\$ (1,012,000)	\$ (1,238,300)	\$ (1,238,266)	\$ (34)
TO POLICE PENSION FUND	\$ (855,000)	\$ (1,149,700)	\$ (1,149,211)	\$ (489)
TO GENERAL BOND RETIREM	\$ (1,727,000)	\$ (1,727,000)	\$ (1,727,000)	\$ -
TO TRANSIT FUND	\$ (80,000)	\$ (120,000)	\$ (120,000)	\$ -
TO COMPUTER REPLACE FUN	\$ (8,000)	\$ (8,000)	\$ (8,000)	\$ -
TO TERMINATION PAY	\$ (660,000)	\$ (660,000)	\$ (660,000)	\$ -
TO PUBLIC SAFETY FUND	\$ (3,055,851)	\$ (3,178,351)	\$ (3,178,558)	\$ 207
TO AIRPORT FUND	\$ (85,000)	\$ (85,000)	\$ (85,000)	\$ -
TO HEALTH FUND	\$ (118,000)	\$ (118,000)	\$ (118,000)	\$ -
TO MUNICIPAL COURT	\$ (250,000)	\$ (250,000)	\$ (250,000)	\$ -
TO CONSERVANCY FUND	\$ (34,000)	\$ (34,000)	\$ (34,000)	\$ -
TO CAPITAL IMP FUND	\$ (350,000)	\$ (350,000)	\$ (350,000)	\$ -
Municipal income tax	\$ 708,951	\$ 708,951	\$ 487,034	\$ (575,675)
Total revenues	708,951	708,951	487,034	(575,675)
Expenditures:				
Current				
General government				
Personal services	556,610	516,610	434,245	82,365
Other	151,605	200,933	147,597	53,336
Total expenditures	708,215	717,543	581,842	135,701
Excess of revenues over (under) expenditures	736	(8,592)	(94,808)	(439,974)
Net change in fund balance	736	(8,592)	(94,808)	(439,974)
Fund balance, beginning of the year	110,290	110,290	110,290	-
Appropriation for prior year encumbrances	9,418	9,418	9,418	-
Fund balance, end of the year	\$ 120,444	\$ 111,116	\$ 24,900	\$ (439,974)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 660,000	\$ 660,000	\$ 660,000	\$ -
Total revenues	660,000	660,000	660,000	-
Expenditures:				
Current				
Personal services:				
Public safety	495,000	495,000	292,003	202,997
Public health & welfare	8,250	8,250	-	8,250
Leisure time activities	16,500	16,500	8,557	7,943
Community environment	41,250	41,250	30,396	10,854
General government	81,000	81,000	41,569	39,431
Highways & streets	9,000	9,000	-	9,000
Miscellaneous	9,000	9,000	-	9,000
Total expenditures	660,000	660,000	372,525	287,475
Excess of revenues over expenditures	-	-	287,475	287,475
Net change in fund balance	-	-	287,475	287,475
Fund balance, beginning of the year	114,869	114,869	114,869	-
Fund balance, end of the year	\$ 114,869	\$ 114,869	\$ 402,344	\$ 287,475

CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2016

	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	Miller Road North Tax Increment Financing District
Assets						
Cash and equity in pooled cash, deposits and investments	\$ 149,990	\$ 284,458	\$ 11,647	\$ 4,423	\$ 7,839	\$ 82,043
Receivables (net of allowance for uncollectibles):						
Payments in lieu of taxes	-	248,055	8,899	-	1,045	8,078
Due from other governments	8,394	-	-	-	-	-
Total assets	\$ 158,384	\$ 532,513	\$ 20,546	\$ 4,423	\$ 8,884	\$ 90,121
 Deferred inflows						
Revenues levied for the next year and unavailable revenue	\$ 8,394	\$ 248,055	\$ 8,899	\$ -	\$ 1,045	\$ 8,078
Total deferred inflows	8,394	248,055	8,899	-	1,045	8,078
 Fund balances:						
Restricted	-	284,458	11,647	4,423	7,839	82,043
Committed	149,990	-	-	-	-	-
Total fund balance	149,990	284,458	11,647	4,423	7,839	82,043
Total deferred inflows and fund balance	\$ 158,384	\$ 532,513	\$ 20,546	\$ 4,423	\$ 8,884	\$ 90,121

Towne Mall Hospital Tax Increment Financing District	Renaissance North Tax Increment Financing District	Renaissance South Tax Increment Financing District	Manchester Road Tax Increment Financing District	Greentree Tax Increment Financing District	Made Industrial Park Tax Increment Financing	South Yankee Road Tax Increment Financing	Totals
\$ 164,737	\$ 98,366	\$ 151,779	\$ 378	\$ 253,195	\$ 1,234	\$ 23,314	\$ 1,233,403
137,700	62,799	55,270	-	45,794	71	467	568,178 8,394
\$ 302,437	\$ 161,165	\$ 207,049	\$ 378	\$ 298,989	\$ 1,305	\$ 23,781	\$ 1,809,975
\$ 137,700	\$ 62,799	\$ 55,270	-	\$ 45,794	\$ 71	\$ 467	\$ 576,572
137,700	62,799	55,270	-	45,794	71	467	576,572
164,737	98,366	151,779	378	253,195	1,234	23,314	1,083,413 149,990
164,737	98,366	151,779	378	253,195	1,234	23,314	1,233,403
\$ 302,437	\$ 161,165	\$ 207,049	\$ 378	\$ 298,989	\$ 1,305	\$ 23,781	\$ 1,809,975

CITY OF MIDDLETON, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON MAJOR DEBT SERVICE FUNDS
FOR YEAR ENDED DECEMBER 31, 2016

	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	Miller Road North Tax Increment Financing District
Revenues						
Municipal income taxes	\$ 1,727,000	\$ -	\$ -	\$ -	\$ -	\$ -
Payment in lieu of taxes	-	415,063	10,589	-	988	8,847
Intergovernmental	473,291	-	-	-	-	-
Miscellaneous revenues	272,169	-	-	-	-	-
Total revenues	2,472,460	415,063	10,589	-	988	8,847
Expenditures						
Debt service						
Principal retirement	1,773,151	225,000	15,000	-	-	-
Interest and fiscal charges	725,677	81,143	-	-	-	-
Miscellaneous	-	104,995	-	-	-	-
Total expenditures	2,498,828	411,138	15,000	-	-	-
Net change in fund balance	(26,368)	3,925	(4,411)	-	988	8,847
Fund balance, beginning of the year	176,358	280,533	16,058	4,423	6,851	73,196
Fund balance, end of the year	\$ 149,990	\$ 284,458	\$ 11,647	\$ 4,423	\$ 7,839	\$ 82,043

Towne Mall Hospital Tax Increment Financing District	Renaissance North Tax Increment Financing District	Renaissance South Tax Increment Financing District	Manchester Road Tax Increment Financing District	Greentree Tax Increment Financing District	Made Industrial Park Tax Increment Financing	South Yankee Road Tax Increment Financing	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,727,000
588,138	225,570	201,980	-	42,447	70	270	1,493,962
-	-	-	-	-	-	-	473,291
-	-	-	-	-	-	-	272,169
588,138	225,570	201,980	-	42,447	70	270	3,966,422
148,000	75,000	52,000	-	-	-	-	2,288,151
4,000	-	-	-	-	-	-	810,820
428,332	158,391	142,066	-	-	-	-	833,784
580,332	233,391	194,066	-	-	-	-	3,932,755
7,806	(7,821)	7,914	-	42,447	70	270	33,667
156,931	106,187	143,865	378	210,748	1,164	23,044	1,199,736
\$ 164,737	\$ 98,366	\$ 151,779	\$ 378	\$ 253,195	\$ 1,234	\$ 23,314	\$ 1,233,403

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ 435,000	\$ 435,000	\$ 376,143	\$ (58,857)
Miscellaneous	-	-	-	-
Total revenues	435,000	435,000	376,143	(58,857)
Expenditures:				
Debt service	438,800	438,800	321,859	116,941
Total expenditures	438,800	438,800	321,859	116,941
Net change in fund balance	(3,800)	(3,800)	54,284	58,084
Fund balance, beginning of the year	452,598	452,598	452,598	-
Fund balance, end of the year	\$ 448,798	\$ 448,798	\$ 506,882	\$ 58,084

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL OBLIGATION DEBT SERVICE FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 1,727,000	\$ 1,727,000	\$ 1,727,000	\$ -
Intergovernmental	950	950	104,078	103,128
Miscellaneous	745,462	745,462	416,383	(329,079)
Total revenues	2,473,412	2,473,412	2,247,461	(225,951)
Expenditures:				
Current				
Miscellaneous				
Other	10,000	10,000	275	9,725
Debt service	2,456,850	2,456,850	2,273,554	183,296
Total expenditures	2,466,850	2,466,850	2,273,829	193,021
Excess of revenues under expenditures	6,562	6,562	(26,368)	(32,930)
Net change in fund balance	6,562	6,562	(26,368)	(32,930)
Fund balance, beginning of the year	176,358	176,358	176,358	-
Fund balance, end of the year	\$ 182,920	\$ 182,920	\$ 149,990	\$ (32,930)

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 DISTRICT FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 320,370	\$ 320,370	\$ 415,063	\$ 94,693
Total revenues	320,370	320,370	415,063	94,693
Expenditures:				
Current				
Miscellaneous				
Other	115,976	115,976	104,995	10,981
Debt service	306,143	306,143	306,143	-
Total expenditures	422,119	422,119	411,138	10,981
Net change in fund balance	(101,749)	(101,749)	3,925	105,674
Fund balance, beginning of the year	280,533	280,533	280,533	-
Fund balance, end of the year	\$ 178,784	\$ 178,784	\$ 284,458	\$ 105,674

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
DOWNTOWN TAX INCREMENT FINANCING DISTRICT FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 7,722	\$ 7,722	\$ 10,589	\$ 2,867
Total revenues	7,722	7,722	10,589	2,867
Expenditures:				
Current				
Miscellaneous				
Other	450	450	-	450
Debt service	15,000	15,000	15,000	-
Total expenditures	15,450	15,450	15,000	450
Excess of revenues over expenditures	(7,728)	(7,728)	(4,411)	3,317
Net change in fund balance	(7,728)	(7,728)	(4,411)	3,317
Fund balance, beginning of the year	16,058	16,058	16,058	-
Fund balance, end of the year	\$ 8,330	\$ 8,330	\$ 11,647	\$ 3,317

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
AERONCA TAX INCREMENT FINANCING DISTRICT FUND
FOR YEAR ENDED DECEMBER 31, 2016

	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 DISTRICT FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 583	\$ 583	\$ 988	\$ 405
Total revenues	583	583	988	405
Expenditures:				
Current				
Miscellaneous				
Other	35	35	-	35
Total expenditures	35	35	-	35
Net change in fund balance	548	548	988	440
Fund balance, beginning of the year	6,851	6,851	6,851	-
Fund balance, end of the year	\$ 7,399	\$ 7,399	\$ 7,839	\$ 440

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
MILLER ROAD NORTH TAX INCREMENT FINANCING DISTRICT FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 13,436	\$ 13,436	\$ 8,847	\$ (4,589)
Total revenues	13,436	13,436	8,847	(4,589)
Expenditures:				
Current				
Miscellaneous				
Other	240	240	-	240
Total expenditures	240	240	-	240
Net change in fund balance	13,196	13,196	8,847	(4,349)
Fund balance, beginning of the year	73,196	73,196	73,196	-
Fund balance, end of the year	\$ 86,392	\$ 86,392	\$ 82,043	\$ (4,349)

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 DISTRICT FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 422,306	\$ 526,306	\$ 588,138	\$ 61,832
Intergovernmental revenue	-	-	-	-
Total revenues	422,306	526,306	588,138	61,832
Expenditures:				
Current				
Miscellaneous				
Other	326,730	430,730	428,332	2,398
Debt service	152,000	152,000	152,000	-
Total expenditures	478,730	582,730	580,332	2,398
Excess of revenues over expenditures	(56,424)	(56,424)	7,806	64,230
Net change in fund balance	(56,424)	(56,424)	7,806	64,230
Fund balance, beginning of the year	156,931	156,931	156,931	-
Fund balance, end of the year	\$ 100,507	\$ 100,507	\$ 164,737	\$ 64,230

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
RENAISSANCE NORTH TAX INCREMENT FINANCING DISTRICT FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 141,488	\$ 190,488	\$ 225,569	\$ 35,081
Total revenues	141,488	190,488	225,569	35,081
Expenditures:				
Current				
Miscellaneous				
Other	111,077	160,077	158,390	1,687
Debt service	75,000	75,000	75,000	-
Total expenditures	186,077	235,077	233,390	1,687
Net change in fund balance	(44,589)	(44,589)	(7,821)	36,768
Fund balance, beginning of the year	106,187	106,187	106,187	-
Fund balance, end of the year	\$ 61,598	\$ 61,598	\$ 98,366	\$ 36,768

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
RENAISSANCE SOUTH TAX INCREMENT FINANCING DISTRICT FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 103,767	\$ 163,767	\$ 201,979	\$ 38,212
Total revenues	103,767	163,767	201,979	38,212
Expenditures:				
Current				
Miscellaneous				
Other	86,046	146,046	142,065	3,981
Total expenditures	138,046	198,046	194,065	3,981
Net change in fund balance	(34,279)	(34,279)	7,914	42,193
Fund balance, beginning of the year	143,865	143,865	143,865	-
Fund balance, end of the year	\$ 109,586	\$ 109,586	\$ 151,779	\$ 42,193

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
MANCHESTER ROAD TAX INCREMENT FINANCING DISTRICT FUND
FOR YEAR ENDED DECEMBER 31, 2016

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

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GREENTREE INDUSTRIAL PARK TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 77,724	\$ 77,724	\$ 42,447	\$ (35,277)
Intergovernmental revenue	-	-	-	-
Total revenues	<u>77,724</u>	<u>77,724</u>	<u>42,447</u>	<u>(35,277)</u>
Expenditures:				
Current				
Miscellaneous				
Other	20	20	-	20
Total expenditures	<u>20</u>	<u>20</u>	<u>-</u>	<u>20</u>
Net change in fund balance	77,704	77,704	42,447	(35,257)
Fund balance, beginning of the year	210,748	210,748	210,748	-
Fund balance, end of the year	<u>\$ 288,452</u>	<u>\$ 288,452</u>	<u>\$ 253,195</u>	<u>\$ (35,257)</u>

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 432	\$ 432	\$ 70	\$ (362)
Total revenues	432	432	70	(362)
Expenditures:				
Current				
Miscellaneous				
Other	20	20	-	20
Total expenditures	20	20	-	20
Net change in fund balance	412	412	70	(342)
Fund balance, beginning of the year	1,164	1,164	1,164	-
Fund balance, end of the year	\$ 1,576	\$ 1,576	\$ 1,234	\$ (342)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
SOUTH YANKEE ROAD TAX INCREMENT FINANCING FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property and other taxes	\$ 202	\$ 202	\$ 270	\$ 68
Total revenues	202	202	270	68
Expenditures:				
Current				
Miscellaneous				
Other	20	20	-	20
Total expenditures	20	20	-	20
Net change in fund balance	182	182	270	88
Fund balance, beginning of the year	23,044	23,044	23,044	-
Fund balance, end of the year	\$ 23,226	\$ 23,226	\$ 23,314	\$ 88

CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2016

	East End Development	Downtown Improvements	Computer Replacement	Property Development
Assets				
Cash and equity in pooled cash, deposits and investments	\$ 120,504	\$ 338,444	\$ 1,752,794	\$ 369,589
Total assets	\$ 120,504	\$ 338,444	\$ 1,752,794	\$ 369,589
Liabilities				
Accounts payable	\$ -	\$ 7,247	\$ 133,045	\$ 52,224
Due to other funds	-	-	-	-
Total liabilities	-	7,247	133,045	52,224
Fund balances:				
Restricted	120,504	-	-	-
Committed	-	331,197	1,619,749	317,365
Unassigned	-	-	-	-
Total fund balances	120,504	331,197	1,619,749	317,365
Total liabilities and fund balances	\$ 120,504	\$ 338,444	\$ 1,752,794	\$ 369,589

2010 Lefferson Road Sewer Special Assessment	2011 Sidewalk, Curb and Gutter	Main Street Special Assessment	Central Avenue Sidewalk Curb and Gutter	Economic Development Bond Service	Totals
\$ 1,475	\$ 7,184	-	\$ -	\$ 465,263	\$ 3,055,253
\$ 1,475	\$ 7,184	-	\$ -	\$ 465,263	\$ 3,055,253
 \$ -	 \$ -	 \$ 26,659	 \$ 125,012	 \$ -	 \$ 192,516
 - -	 - -	 26,659	 125,012	 - -	 151,671
 1,475	 7,184	 (26,659)	 (125,012)	 465,263	 344,187
 1,475	 7,184	 (26,659)	 (125,012)	 465,263	 121,979
 - -	 - -	 \$ (26,659)	 \$ (125,012)	 465,263	 2,733,574
 - -	 7,184	 - -	 - -	 - -	 (144,487)
 1,475	 7,184	 (26,659)	 (125,012)	 465,263	 2,711,066
 \$ 1,475	 \$ 7,184	 -	 \$ -	 \$ 465,263	 \$ 3,055,253

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR CAPITAL PROJECT FUNDS
FOR YEAR ENDED DECEMBER 31, 2016

	East End Development	Downtown Improvements	Computer Replacement	Property Development
Revenues				
Municipal income taxes	\$ -	\$ -	\$ 8,000	\$ -
Intergovernmental revenues	-	-	-	128,896
Special Assessments	-	-	-	-
Investment income	1,130	4,400	17,824	-
Miscellaneous	-	91,137	45,500	-
Total revenues	1,130	95,537	71,324	128,896
Expenditures				
Current				
Community environment	-	69,545	-	229,422
Highways and streets	-	-	-	-
General government	-	-	519,308	-
Debt service				
Principal retirement	-	115,000	-	-
Interest and fiscal charges	-	75,563	-	-
Total expenditures	-	260,108	519,308	229,422
Excess of revenues over (under) expenditures	1,130	(164,571)	(447,984)	(100,526)
Other financing sources (uses)				
Transfers-in	-	-	71,502	-
Total other financing sources (uses)	-	-	71,502	-
Net change in fund balances	1,130	(164,571)	(376,482)	(100,526)
Fund balance, beginning of year	119,374	495,768	1,996,231	417,891
Fund balance, end of the year	\$ 120,504	\$ 331,197	\$ 1,619,749	\$ 317,365

2010 Lefferson**Road Sewer
Special
Assessment****2011 Sidewalk,
Curb and Gutter****Main Street Special
Assessment****Central Avenue
Sidewalk Curb and
Gutter****Economic
Development Bond
Service****Totals**

\$	-	\$	-	\$	-	\$	-	\$	8,000
-	-	-	-	-	-	-	-	-	128,896
-	29,554	-	-	-	-	-	-	-	29,554
-	-	-	-	-	-	-	-	-	23,354
-	-	-	-	-	-	-	-	-	136,637
-	29,554	-	-	-	-	-	-	326,441	
-	-	-	-	-	-	-	-	-	298,967
-	-	-	-	64,433	-	-	-	-	64,433
-	-	-	-	-	-	-	-	-	519,308
-	-	-	-	-	-	70,000	-	-	185,000
-	-	-	-	-	-	88,118	-	-	163,681
-	-	-	-	64,433	-	158,118	-	1,231,389	
-	29,554	-	-	(64,433)	-	(158,118)	-	-	(904,948)
-	-	-	-	-	-	158,118	-	-	229,620
-	-	-	-	-	-	158,118	-	229,620	
-	29,554	-	-	(64,433)	-	-	-	-	(675,328)
1,475	(22,370)	(26,659)	(60,579)	465,263	-	465,263	-	-	3,386,394
\$	1,475	\$	7,184	\$	(26,659)	\$	(125,012)	\$	2,711,066

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 633,474	\$ 633,474	\$ 580,509	\$ (52,965)
Municipal income taxes	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
Intergovernmental revenue	5,739,828	5,739,828	4,349,238	(1,390,590)
Charges for services	5,000	5,000	10,784	5,784
Interest earnings	-	-	3,162	3,162
Miscellaneous	345,500	345,500	19,750	(325,750)
Total revenues	7,073,802	7,073,802	5,313,443	(1,760,359)
Expenditures:				
Current				
Public safety				
Other	615,538	615,538	602,276	13,262
Leisure time activities				
Other	30,000	30,000	29,229	771
Highways and streets				
Other	8,218,948	8,218,948	8,425,874	(206,926)
Miscellaneous				
Other	36,725	36,725	31,231	5,494
Debt Service				
Total expenditures	8,901,211	8,901,211	9,088,610	(187,399)
Excess of revenues over (under) expenditures	(1,827,409)	(1,827,409)	(3,775,167)	(1,947,758)
Other financing sources (uses):				
Transfers-out	1,040,500	1,040,500	-	(1,040,500)
Other uses	-	-	32,580	32,580
Total other financing sources (uses)	1,040,500	1,040,500	32,580	(1,007,920)
Net change in fund balance	(786,909)	(786,909)	(3,742,587)	(2,955,678)
Fund balance, beginning of the year	(1,269,894)	(1,269,894)	(1,269,894)	-
Appropriation for prior year encumbrances	2,931,786	2,931,786	2,931,786	-
Fund balance, end of the year	\$ 874,983	\$ 874,983	\$ (2,080,695)	\$ (2,955,678)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ -	\$ -	\$ 1,130	\$ 1,130
Total revenues	-	-	1,130	1,130
Expenditures:				
Current				
Community environment	- -	- -	- -	- -
Other	- -	- -	- -	- -
Total expenditures	- -	- -	- -	- -
Excess of revenues over/under expenditures	- -	- -	1,130	1,130
Net change in fund balance	- -	- -	1,130	1,130
Fund balance, beginning of the year	119,374	119,374	119,374	- -
Fund balance, end of the year	\$ 119,374	\$ 119,374	\$ 120,504	\$ 1,130

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 1,846	\$ 1,846	\$ 4,399	\$ 2,553
Miscellaneous	20,000	50,200	91,137	40,937
Total revenues	21,846	52,046	95,536	43,490
Expenditures:				
Current				
Community environment				
Other	50,000	1,632	(6,266)	7,898
Debt Service				
Principal retirement	120,000	195,568	190,563	5,005
Interest & fiscal charges	65,568	75,568	75,563	5
Total expenditures	235,568	272,768	259,860	12,908
Excess of revenues under expenditures	(213,722)	(220,722)	(164,324)	56,398
Net change in fund balance	(213,722)	(220,722)	(164,324)	56,398
Fund balance, beginning of the year	488,768	488,768	488,768	-
Appropriation for prior year encumbrances	7,000	7,000	7,000	-
Fund balance, end of the year	\$ 282,046	\$ 275,046	\$ 331,444	\$ 56,398

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Interest earnings	9,610	9,610	17,824	8,214
Miscellaneous	55,120	55,120	45,500	(9,620)
Total revenues	72,730	72,730	71,324	(1,406)
Expenditures:				
Current				
General government				
Other	550,000	1,353,341	1,084,281	269,060
Total expenditures	550,000	1,353,341	1,084,281	269,060
Excess of revenues under expenditures	(477,270)	(1,280,611)	(1,012,957)	267,654
Other financing sources:				
Transfers-in	69,420	69,420	71,502	2,082
Total other financing sources	69,420	69,420	71,502	2,082
Net change in fund balance	(407,850)	(1,211,191)	(941,455)	269,736
Fund balance, beginning of the year	1,756,149	1,756,149	1,756,149	-
Appropriation for prior year encumbrances	275,236	275,236	275,236	-
Fund balance, end of the year	\$ 1,623,535	\$ 820,194	\$ 1,089,930	\$ 269,736

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental	\$ 55,000	\$ 99,724	\$ 136,598	\$ 36,874
Miscellaneous	-	-	-	-
Total revenues	55,000	99,724	136,598	36,874
Expenditures:				
Current				
Community environment				
Other	203,000	413,895	382,364	31,531
Total expenditures	203,000	413,895	382,364	31,531
Net change in fund balance	(148,000)	(314,171)	(245,766)	68,405
Fund balance, beginning of the year	228,843	228,843	228,843	-
Appropriation for prior year encumbrances	186,171	186,171	186,171	-
Fund balance, end of the year	\$ 267,014	\$ 100,843	\$ 169,248	\$ 68,405

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Community environment				
Other				
Community environment				
Total expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of the year	1,475	1,475	1,475	-
Fund balance, end of the year	\$ 1,475	\$ 1,475	\$ 1,475	\$ -

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ -	\$ -	\$ 29,554	\$ 29,554
Total revenues	-	-	29,554	29,554
Expenditures:				
Current				
Highways and streets	- -	- -	- -	- -
Other	- -	- -	- -	- -
Total expenditures	- -	- -	- -	- -
Excess of revenues under expenditures	- -	- -	29,554	29,554
Other financing sources:				
Operating transfers-in	\$ - -	- -	(55,146)	(55,146)
Total other financing sources	- -	- -	(55,146)	(55,146)
Net change in fund balance	- -	- -	(25,592)	(25,592)
Fund balance, beginning of the year	32,776	32,776	32,776	- -
Fund balance, end of the year	\$ 32,776	\$ 32,776	\$ 7,184	\$ (25,592)

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, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special Assessments	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Highways and streets	- -	- -	- -	- -
Other	- -	- -	- -	- -
Total expenditures	- -	- -	- -	- -
Excess of revenues over/under expenditures	- -	- -	- -	- -
Other financing sources (uses):				
Other uses	- -	- -	(147,341)	(147,341)
Total other financing sources	- -	- -	(147,341)	(147,341)
Net change in fund balance	- -	- -	(147,341)	(147,341)
Fund balance, beginning of the year	147,341	147,341	147,341	- -
Fund balance, end of the year	\$ 147,341	\$ 147,341	\$ -	\$ (147,341)

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
CENTRAL AVE. SIDEWALK, CURB AND GUTTER FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special Assessments	\$ 130,000	\$ 130,000	\$ -	\$ (130,000)
Total revenues	130,000	130,000	-	(130,000)
Expenditures:				
Current				
Highways and streets	247,915	247,915	124,485	123,430
Community environment				
Total expenditures	247,915	247,915	124,485	123,430
Excess of revenues over/under expenditures	(117,915)	(117,915)	(124,485)	(6,570)
Other financing sources/uses:				
Advance	-	-	125,012	125,012
Other uses	-	-	-	-
Total other financing sources/(uses)	-	-	125,012	125,012
Net change in fund balance	(117,915)	(117,915)	527	118,442
Fund balance, beginning of the year	(118,442)	(118,442)	(118,442)	-
Appropriation for prior year encumbrances	117,915	117,915	117,915	-
Fund balance, end of the year	\$ (118,442)	\$ (118,442)	\$ -	\$ 118,442

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
ECONOMIC DEVELOPMENT BOND SERVICE FUND
FOR YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Community environment				
Other	558,118	558,118	558,118	-
Total expenditures	558,118	558,118	558,118	-
Excess of revenues over/under expenditures	(558,118)	(558,118)	(558,118)	-
Other financing uses:				
Other uses	158,118	158,118	158,118	-
Total other financing uses	158,118	158,118	158,118	-
Net change in fund balance	(400,000)	(400,000)	(400,000)	-
Fund balance, beginning of the year	465,263	465,263	465,263	-
Appropriation for prior year encumbrances	-	-	-	-
Fund balance, end of the year	\$ 65,263	\$ 65,263	\$ 65,263	\$ -



**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2016**

NON MAJOR 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.

AIRPORT FUND

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.

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF NET POSITION
NON MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2016

Business Type Activities - Enterprise Funds

	Airport	Transit	Golf	Totals
Assets:				
Current assets				
Equity in pooled cash, deposits and investments	\$ 480,015	\$ 73,681	\$ 43,283	\$ 596,979
Receivables (net of allowance for uncollectibles):				
Intergovernmental	-	175,722	-	175,722
Total current assets	480,015	249,403	43,283	772,701
Noncurrent Assets:				
Capital assets:				
Construction in progress	68,450	-	-	68,450
Land	1,524,356	-	-	1,524,356
Land improvements	666,367	-	-	666,367
Infrastructure assets	624,895	-	-	624,895
Buildings	1,825,597	1,370,702	-	3,196,299
Equipment	631,596	4,696,476	-	5,328,072
Less: Accumulated depreciation	(2,022,323)	(3,180,866)	-	(5,203,189)
Total capital assets (net of accumulated depreciation)	3,318,938	2,886,312	-	6,205,250
Total noncurrent assets	3,318,938	2,886,312	-	6,205,250
Total assets	3,798,953	3,135,715	43,283	6,977,951
Deferred outflows of resources:				
Pension related	-	91,837	-	91,837
Total deferred outflows of resources:	-	91,837	-	91,837
Liabilities:				
Current liabilities				
Accounts payable	23,616	72,497	-	96,113
Accrued wages and benefits	-	14,270	-	14,270
Other accrued liabilities	7,786	-	-	7,786
Accrued interest payable	3,997	-	-	3,997
Due to other funds	8	9,184	-	9,192
General obligation bonds payable	80,000	-	-	80,000
Compensated absences (short-term)	-	10,336	-	10,336
Total current liabilities	115,407	106,287	-	221,694
Long-term liabilities:				
General obligation bonds payable	1,021,134	-	-	1,021,134
Compensated absences payable	-	8,333	-	8,333
Net pension liability	-	232,664	-	232,664
Total long-term liabilities	1,021,134	240,997	-	1,262,131
Total liabilities	1,136,541	347,284	-	1,483,825
Deferred inflows of resources:				
Pension related	-	5,440	-	5,440
Total deferred inflows of resources:	-	5,440	-	5,440
Net position:				
Net investment in capital assets	2,217,804	2,886,312	-	5,104,116
Unrestricted	444,608	(11,484)	43,283	476,407
Total net position	\$ 2,662,412	\$ 2,874,828	\$ 43,283	\$ 5,580,523

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Business Type Activities - Enterprise Funds

	Airport	Transit	Golf	Totals
Operating revenues:				
Charges for services	\$ 293,381	\$ 124,334	\$ -	\$ 417,715
Other operating revenue	5,837	42,863	-	48,700
Total operating revenues	299,218	167,197	-	466,415
Operating expenses:				
Personal services	-	507,577	-	507,577
Contractual services	206,196	1,042,469	-	1,248,665
Commodities	11,197	3,090	-	14,287
Depreciation	144,639	443,110	-	587,749
Other operating expenses	4,250	-	-	4,250
Total operating expenses	366,282	1,996,246	-	2,362,528
Operating income (loss)	(67,064)	(1,829,049)	-	(1,896,113)
Non-operating revenues (expenses):				
Interest expense and fiscal charges	(48,261)	-	-	(48,261)
Operating grants	36,333	1,172,651	-	1,208,984
Income taxes	85,000	120,000	-	205,000
Total non-operating revenues (expenses)	73,072	1,292,651	-	1,365,723
Income (loss) before contributions	6,008	(536,398)	-	(530,390)
Capital contributions	-	2,317,816	-	2,317,816
Change in net position	6,008	1,781,418	-	1,787,426
Total net position, beginning of year	2,656,404	1,093,410	43,283	3,793,097
Total net position, end of year	\$ 2,662,412	\$ 2,874,828	\$ 43,283	\$ 5,580,523

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Business Type Activities - Enterprise Funds

	Airport	Transit	Golf	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 350,417	\$ 124,333	\$ -	\$ 474,750
Cash payments to suppliers for goods and services	(215,086)	(839,090)	-	(1,054,176)
Cash payments to employees for services	-	(421,708)	-	(421,708)
Miscellaneous revenues	5,837	42,863	-	48,700
Cash payments for interfund services used	(96)	(274,697)	-	(274,793)
Net cash provided (used) by operating activities	141,072	(1,368,299)	-	(1,227,227)
Cash flows from non-capital financing activities:				
Operating grants	36,333	1,075,575	-	1,111,908
Income taxes received	85,000	120,000	-	205,000
Net cash provided by non-capital financing activities	121,333	1,195,575	-	1,316,908
Cash flows from capital and related financing activities:				
Purchase of capital assets	(117,034)	(2,391,890)	-	(2,508,924)
Interest expense	(50,400)	-	-	(50,400)
Repayment of debt principal	(75,000)	-	-	(75,000)
Capital grants	-	2,317,816	-	2,317,816
Net cash provided (used) by capital and related financing activities	(242,434)	(74,074)	-	(316,508)
Net increase (decrease) in cash and cash equivalents	19,971	(246,798)	-	(226,827)
Cash and cash equivalents, beginning of year	460,044	320,479	43,283	823,806
Cash and cash equivalents, end of year	\$ 480,015	\$ 73,681	\$ 43,283	\$ 596,979

continued

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

(continued)	Airport	Transit	Golf	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (67,064)	\$ (1,829,049)	\$ -	\$ (1,896,113)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	144,639	443,110	-	587,749
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Decrease (increase) in deferred outflows of resources - pension related	-	(57,477)	-	(57,477)
Increase (decrease) in accounts payable	6,453	19,353	-	25,806
Increase (decrease) in accrued wages and benefits	350	3,435	-	3,785
Increase (decrease) in other accrued liabilities	-	(3,892)	-	(3,892)
Increase (decrease) in due to other funds	8	(15,923)	-	(15,915)
Increase (decrease) in compensated absences payable	-	351	-	351
Increase (decrease) in due to other governments	56,686	-	-	56,686
Increase (decrease) in net pension liability	-	69,224	-	69,224
Increase (decrease) in deferred inflows of resources - pension related	-	2,569	-	2,569
Total adjustments	208,136	460,750	-	668,886
Net cash provided (used) by operating activities	\$ 141,072	\$ (1,368,299)	\$ -	\$ (1,227,227)

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2016**

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, 2016

	Municipal Garage	Employee Benefits Fund	Totals
Assets:			
Current assets:			
Equity in pooled cash, deposits and investments	\$ 6,599,969	\$ 72,843	\$ 6,672,812
Receivables (net of allowance for uncollectibles):			
Accounts	183,587	66,390	249,977
Due from other funds	58,791	-	58,791
Inventory of supplies	240,817	-	240,817
Total current assets	7,083,164	139,233	7,222,397
Capital assets:			
Land	195,750	-	195,750
Buildings	521,872	-	521,872
Equipment	12,130,491	-	12,130,491
Less: Accumulated depreciation	(10,124,276)	-	(10,124,276)
Net capital assets	2,723,837	-	2,723,837
Total assets	9,807,001	139,233	9,946,234
Deferred outflows of resources:			
Pension related	76,374	-	76,374
Total deferred outflows of resources:	76,374	-	76,374
Liabilities:			
Current liabilities:			
Accounts payable	58,595	1,240,182	1,298,777
Accrued wages and benefits	12,419	-	12,419
Due to other funds	-	2,000,000	2,000,000
Compensated absences payable	22,620	-	22,620
Total current liabilities	93,634	3,240,182	3,333,816
Long-term liabilities:			
Compensated absences payable	57,147	-	57,147
Net pension obligation	193,489	-	193,489
Total long-term liabilities	250,636	-	250,636
Total liabilities	344,270	3,240,182	3,584,452
Deferred inflows of resources:			
Pension related	4,524	-	4,524
Total deferred inflows of resources:	4,524	-	4,524
Net position:			
Net investment in capital assets	2,723,837	-	2,723,837
Unrestricted	6,810,744	(3,100,949)	3,709,795
Total net position	\$ 9,534,581	\$ (3,100,949)	\$ 6,433,632

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Municipal Garage	Employee Benefits Fund	Totals
Operating revenues:			
Charges for services	\$ 2,780,182	\$ 5,116,626	\$ 7,896,808
Other operating revenues	252,541	-	252,541
Total operating revenues	3,032,723	5,116,626	8,149,349
Operating expenses:			
Personal services	507,212	-	507,212
Contractual services	439,914	7,270,420	7,710,334
Commodities	649,305	-	649,305
Depreciation	573,514	-	573,514
Total operating expenses	2,169,945	7,270,420	9,440,365
Operating income (loss)	862,778	(2,153,794)	(1,291,016)
Non-operating revenues (expenses):			
Interest revenue	59,248	-	59,248
Total non-operating revenues (expenses)	59,248	-	59,248
Change in net position	922,026	(2,153,794)	(1,231,768)
Total net position, beginning of the year	8,612,555	(947,155)	7,665,400
Total net position, end of the year	\$ 9,534,581	\$ (3,100,949)	\$ 6,433,632

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Municipal Garage	Employee Benefits Fund	Totals
Cash flows from operating activities:			
Cash payments to suppliers for goods and services	\$ (1,005,598)	\$ (6,906,750)	\$ (7,912,348)
Cash payments to employees for services	(474,087)	-	(474,087)
Cash received from interfund services provided	2,920,240	5,125,747	8,045,987
Cash payments for interfund services used	(69,741)	-	(69,741)
Net cash provided (used) by operating activities	1,370,814	(1,781,003)	(410,189)
Cash flows from non-capital financing activities:			
Interfund loan receipts/(payments)	-	1,250,000	1,250,000
Net cash used by non-capital financing activities	-	1,250,000	1,250,000
Cash flows from capital and related financing activities:			
Purchase of capital assets	(416,260)	-	(416,260)
Net cash used by capital and related financing activities	(416,260)	-	(416,260)
Cash flows from investing activities:			
Interest income	59,248	-	59,248
Net cash provided by investing activities	59,248	-	59,248
Net increase in cash and cash equivalents	1,013,802	(531,003)	482,799
Cash and cash equivalents, beginning of year	5,586,167	603,846	6,190,013
Cash and cash equivalents, end of year	\$ 6,599,969	\$ 72,843	\$ 6,672,812

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>(continued)</u>	Municipal Garage	Employee Benefits Fund	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 862,778	\$ (2,153,794)	\$ (1,291,016)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	573,514	-	573,514
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Decrease (increase) in accounts receivable	(220,254)	13,534	(206,720)
Decrease (increase) in due from other funds	(74,255)	-	(74,255)
Decrease (increase) in supplies inventory	177,410	-	177,410
Decrease (increase) in deferred outflows of resources - pension related	(47,799)	-	(47,799)
Increase (decrease) in accounts payable	18,509	359,257	377,766
Increase (decrease) in accrued wages	310	-	310
Increase (decrease) in compensated absences	20,897	-	20,897
Increase (decrease) in net pension liability	57,568	-	57,568
Increase (decrease) in deferred inflows of resources - pension related	2,136	-	2,136
Total adjustments	508,036	372,791	880,827
Net cash provided (used) by operating activities	\$ 1,370,814	\$ (1,781,003)	\$ (410,189)

**CITY OF MIDDLETOWN
AGENCY FUNDS
DECEMBER 31, 2016**

AGENCY FUNDS:

The City is responsible in a fiduciary capacity for other assets that can only be used for designated beneficiaries. The City has three 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 certain individuals.

MUNICIPAL COURT

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

JOINT ECONOMIC DEVELOPMENT DISTRICT I

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

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2016

	Payroll Clearing	Municipal Court	Joint Economic Development District I	Totals
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ -	\$ 39,302	\$ 152,205	\$ 191,507
Cash with fiscal and escrow agent	345,353	-	-	345,353
Total assets	345,353	39,302	152,205	536,860
Liabilities:				
Due to other governments	258,942	-	152,205	411,147
Due to individuals	9,261	4,377	-	13,638
Unapportioned monies	77,150	34,925	-	112,075
Total liabilities	\$ 345,353	\$ 39,302	\$ 152,205	\$ 536,860

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CHANGES
IN FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

PAYROLL CLEARING				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash with fiscal and escrow agent	\$ 331,863	\$ 22,141,301	\$ 22,127,811	\$ 345,353
Total assets	<u>331,863</u>	<u>22,141,301</u>	<u>22,127,811</u>	<u>345,353</u>
Liabilities:				
Due to other governments	251,011	6,263,736	6,255,805	258,942
Due to individuals	8,603	14,866,953	14,866,295	9,261
Unapportioned monies	72,249	1,010,612	1,005,711	77,150
Total liabilities	<u>\$ 331,863</u>	<u>\$ 22,141,301</u>	<u>\$ 22,127,811</u>	<u>\$ 345,353</u>

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CHANGES
IN FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

MUNICIPAL COURT

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 54,719	\$ 3,352,505	\$ 3,367,922	\$ 39,302
Total assets	54,719	3,352,505	3,367,922	39,302

Liabilities:

Due to other governments	-	647,579	647,579	-
Due to individuals	4,455	871,187	871,265	4,377
Unapportioned monies	50,264	344,856	360,195	34,925
Total liabilities	\$ 54,719	\$ 1,863,622	\$ 1,879,039	\$ 39,302

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CHANGES
IN FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

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	\$ 111,085	\$ 2,017,823	\$ 1,976,703	\$ 152,205
Total assets	111,085	2,017,823	1,976,703	\$ 152,205

Liabilities:

Due to other governments	111,085	2,017,823	1,976,703	152,205
Total liabilities	\$ 111,085	\$ 2,017,823	\$ 1,976,703	\$ 152,205



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 (Table 1 to Table 6) These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	178
Revenue Capacity (Table 7 to Table 11) These schedules contain information to help the reader assess one of the government's most significant local revenue sources, income tax and property taxes.	185
Debt Capacity (Table 12 to Table 16) 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.	190
Demographic and Economic Information (Table 17 and Table 18) These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	195
Operating Information (Table 19 to Table 21) 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.	197

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

Table 1

	Restated									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities:										
Net Investment in Capital Assets	\$ 56,377	53,363	54,102	57,244	57,866	56,729	59,237	59,504	58,169	59,871
Restricted	12,164	12,843	12,896	22,026	25,539	30,934	35,676	31,270	31,510	26,694
Unrestricted	(22,837)	(19,834)	(19,142)	11,328	12,210	9,940	7,454	10,494	10,366	6,963
Total Governmental Activities Net Position	\$ 45,704	46,372	47,856	90,598	95,615	97,603	102,367	101,268	100,045	93,528
Business-Type Activities:										
Net Investment in Capital Assets	\$ 61,159	54,257	51,744	56,230	54,343	51,637	49,711	49,139	49,847	41,709
Restricted	-	-	-	-	-	1,501	1,457	1,411	1,367	1,255
Unrestricted	18,502	17,976	17,251	15,918	16,775	14,811	14,166	13,247	10,779	15,702
Total Business-Type Activities Net Position	\$ 79,661	72,233	68,995	72,148	71,118	67,949	65,334	63,797	61,993	58,666
Primary Government:										
Net Investment in Capital Assets	\$ 117,536	107,619	105,846	113,474	112,209	108,366	108,948	108,643	108,016	101,580
Restricted	12,164	12,843	12,896	22,026	25,539	32,435	37,133	32,681	32,877	27,949
Unrestricted	(4,335)	(1,858)	(1,891)	27,246	28,985	24,751	21,620	23,741	21,145	22,665
Total Primary Government Net Position	\$ 125,365	118,604	116,851	162,746	166,733	165,552	167,701	165,065	162,038	152,194

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

Table 2

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities:										
Community environment	\$ 4,320	5,970	11,557	16,561	14,555	16,739	13,318	14,621	15,950	11,736
General government	8,610	5,212	6,190	5,142	6,240	6,364	6,161	6,489	4,073	4,233
Leisure	1,072	1,032	1,698	1,069	1,210	1,164	947	1,150	1,250	1,565
Public health	530	421	405	367	983	781	941	1,094	1,490	1,031
Public safety	24,990	22,846	23,586	24,164	24,639	24,646	23,951	24,250	23,701	23,498
Highways and streets	7,272	8,417	8,171	7,662	9,557	8,565	9,776	9,509	7,965	10,318
Interest on long-term debt	1,074	1,262	1,078	1,229	1,402	1,447	1,241	1,179	1,028	1,497
Total governmental activities expenses	<u>47,868</u>	<u>45,160</u>	<u>52,685</u>	<u>56,194</u>	<u>58,586</u>	<u>59,706</u>	<u>56,335</u>	<u>58,292</u>	<u>55,457</u>	<u>53,878</u>
Business-type activities:										
Water	7,040	6,807	7,326	7,184	6,564	6,427	7,627	5,867	7,588	7,510
Sanitary Sewer	7,545	7,859	8,892	7,688	7,206	7,216	7,172	7,092	7,374	6,730
Golf	-	-	352	1,540	1,489	1,446	1,604	1,488	1,563	1,713
Solid Waste	3,281	3,092	2,933	2,827	2,690	2,667	2,616	2,547	2,496	2,748
Storm Water	1,236	1,168								
Non major enterprise funds	2,410	1,815	3,232	3,234	3,154	3,021	2,432	3,292	2,314	2,203
Total business-type activities expenses	<u>21,512</u>	<u>20,741</u>	<u>22,735</u>	<u>22,473</u>	<u>21,103</u>	<u>20,777</u>	<u>21,451</u>	<u>20,286</u>	<u>21,335</u>	<u>20,904</u>
Total primary government expenses	<u>\$ 69,380</u>	<u>65,901</u>	<u>75,420</u>	<u>78,667</u>	<u>79,689</u>	<u>80,483</u>	<u>77,786</u>	<u>78,578</u>	<u>76,792</u>	<u>74,782</u>
Program Revenue										
Governmental activities:										
Charges for services:										
Community environment	\$ 682	543	688	880	926	890	550	192	347	501
General government	2,839	2,856	2,861	2,682	2,700	2,625	2,382	2,704	2,980	2,296
Highways and streets	532	312	219	337	228	569	16	-	-	449
Leisure	-	78	-	16	4	2	2	1	162	79
Public health	335	263	209	192	216	236	191	167	184	-
Public safety	4,439	4,245	4,850	5,179	4,936	4,660	4,350	3,990	3,967	3,686
Operating grants & contributions	1,202	553	922	9,843	9,386	11,932	13,472	13,682	12,827	11,332
Capital grants & contributions	5,391	3,410	3,079	1,752	8,524	3,551	2,716	7,423	4,203	2,405
Total governmental activities program revenue	<u>\$ 15,420</u>	<u>12,260</u>	<u>12,828</u>	<u>20,881</u>	<u>26,920</u>	<u>24,465</u>	<u>23,679</u>	<u>28,159</u>	<u>24,670</u>	<u>20,748</u>

continued on next page

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

Table 2

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Business-type activities:										
Charges for services:										
Water	\$ 8,703	7,869	7,780	7,384	7,752	6,852	6,500	6,038	6,866	6,598
Sanitary Sewer	10,015	8,961	9,157	8,228	8,257	8,137	7,831	7,210	7,930	6,673
Golf course	-	-	27	1,161	1,165	1,152	1,358	1,408	1,393	1,629
Solid Waste	3,142	2,996	2,989	2,938	2,923	2,812	2,861	2,825	2,817	3,153
Storm Water	1,997	1,821								
Other business-type activities	417	421	2,192	2,150	2,064	2,057	1,910	2,078	2,007	1,842
Operating grants & contributions	1,727	1,226	1,509	1,404	1,437	1,712	2,481	1,101	1,257	1,115
Capital grants & contributions	2,559	180	129	163	355	337	322	754	1,119	473
Total business-type activities program revenue	<u>28,560</u>	<u>23,474</u>	<u>23,783</u>	<u>23,428</u>	<u>23,953</u>	<u>23,059</u>	<u>23,263</u>	<u>21,414</u>	<u>23,389</u>	<u>21,483</u>
Total primary government program revenue	<u>\$ 43,980</u>	<u>35,734</u>	<u>36,611</u>	<u>44,309</u>	<u>50,873</u>	<u>47,524</u>	<u>46,942</u>	<u>49,573</u>	<u>48,059</u>	<u>42,231</u>
Net (Expense)/Revenue										
Governmental activities	\$ (32,448)	(32,900)	(39,857)	(35,313)	(31,666)	(35,241)	(32,656)	(30,133)	(30,787)	(33,130)
Business-type activities	7,048	2,733	1,048	955	2,850	2,282	1,812	1,128	2,054	579
Total primary government net expense	<u>(25,400)</u>	<u>(30,167)</u>	<u>(38,809)</u>	<u>(34,358)</u>	<u>(28,816)</u>	<u>(32,959)</u>	<u>(30,844)</u>	<u>(29,005)</u>	<u>(28,733)</u>	<u>(32,551)</u>
General Revenues and Other Changes in Net										
Governmental activities:										
Income taxes	\$ 22,181	21,346	20,560	19,811	19,828	19,425	20,345	18,942	19,921	17,921
Property taxes	4,073	4,154	4,331	4,468	4,081	4,158	4,480	4,534	4,965	5,644
Other taxes	2,487	2,606	2,575	2,972	2,657	2,808	2,949	2,427	2,248	3,694
Grants/contributions not restricted	1,414	1,375	1,317	1,466	1,649	3,005	4,852	3,666	3,349	1,014
Investment earnings	(90)	115	96	41	(78)	124	111	(151)	686	2,327
Miscellaneous	1,645	1,751	1,161	1,125	1,478	895	942	1,823	6,135	1,241
Transfers	71	69	(1,942)	165	64	62	77	58	-	-
Total governmental activities general revenues	<u>31,781</u>	<u>31,416</u>	<u>28,098</u>	<u>30,048</u>	<u>29,679</u>	<u>30,477</u>	<u>33,756</u>	<u>31,299</u>	<u>37,304</u>	<u>31,841</u>
Business-type activities:										
Income taxes	\$ 205	186	137	138	190	170	190	344	466	300
Investment earnings	153	133	28	18	123	123	189	323	694	549
Transfers	(72)	254	1,942	(165)	(64)	102	(77)	96	-	-
Miscellaneous	93	(69)	106	136	69	(62)	115	(58)	113	-
Total business type activities general revenues	<u>379</u>	<u>504</u>	<u>2,213</u>	<u>127</u>	<u>318</u>	<u>333</u>	<u>417</u>	<u>705</u>	<u>1,273</u>	<u>849</u>
Total primary government general revenues	<u>\$ 32,160</u>	<u>31,920</u>	<u>30,311</u>	<u>30,175</u>	<u>29,997</u>	<u>30,810</u>	<u>34,173</u>	<u>32,004</u>	<u>38,577</u>	<u>32,690</u>
Special item	\$ -	-	(3,345)	-	-	-	(692)	-	-	-
Changes in Net Position										
Governmental activities	\$ (667)	(1,484)	(11,759)	(5,265)	(1,987)	(4,764)	1,100	1,166	6,517	(1,289)
Business-type activities	7,427	3,237	(84)	1,082	3,168	2,615	1,537	1,833	3,327	1,428
Total primary government	<u>\$ 6,760</u>	<u>1,753</u>	<u>(11,843)</u>	<u>(4,183)</u>	<u>1,181</u>	<u>(2,149)</u>	<u>2,637</u>	<u>2,999</u>	<u>9,844</u>	<u>139</u>

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
2016	\$ 22,385	\$ 4,073	\$ 2,487	\$ 28,945
2015	\$ 21,532	\$ 4,154	\$ 2,606	\$ 28,292
2014	\$ 20,560	\$ 4,331	\$ 2,575	\$ 27,466
2013	\$ 19,949	\$ 4,468	\$ 2,972	\$ 27,389
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

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

Table 4

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Reserved, nonspendable, restricted, committed or assigned	\$ 4,829	4,278	1,213	3,896	3,583	4,881	343	326	311	211
Unreserved, unassigned	5,625	5,181	7,751	5,909	7,441	6,955	11,697	10,977	11,229	8,864
Total General Fund	\$ 10,454	9,459	8,964	9,805	11,024	11,836	12,040	11,303	11,540	9,075
All Other Governmental Funds										
Reserved, nonspendable, restricted or committed	\$ 11,264	11,600	10,803	11,821	13,133	13,877	10,682	3,764	4,476	3,148
Unreserved, undesignated, unassigned reported in:	-									
Capital project funds	(514)	(342)	(82)	(646)	(1,263)	(1,372)	(138)	2,499	6,021	3,552
Debt service funds	-	-	-	-	-	-	892	82	1,123	720
Special revenue funds	(283)	(149)	(72)	(275)	(133)	(164)	6,446	7,133	2,933	6,842
Total All Other Governmental Funds	10,467	11,110	10,650	10,900	11,737	12,341	17,882	13,478	14,553	14,262
Total Governmental Funds	\$ 20,921	20,569	19,614	20,705	22,761	24,177	29,922	24,781	26,093	23,337

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

Table 5

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Property taxes	\$ 4,086	4,258	4,311	4,281	3,694	4,158	4,480	4,533	4,965	5,643
Municipal income taxes	22,180	21,768	20,576	19,617	19,728	19,924	19,775	18,640	19,606	17,944
Intergovernmental revenues	9,978	7,608	16,035	16,872	19,611	22,675	22,330	23,325	19,921	18,853
Charges for services	4,706	4,549	4,593	4,657	4,555	4,454	4,024	4,449	4,312	4,216
Fees, licenses, and permits	496	403	295	317	297	224	204	187	257	452
Fines and forfeits	1,542	1,718	1,883	1,907	1,935	1,896	1,979	1,774	2,019	1,575
Special assessments	650	819	746	552	672	701	349	385	440	491
Investment earnings	(90)	115	96	41	(78)	124	111	(151)	686	1,054
Miscellaneous	3,791	3,463	3,255	3,503	3,708	3,172	3,469	2,575	3,958	3,142
Total revenues	47,339	44,701	51,790	51,747	54,122	57,328	56,721	55,717	56,164	53,370
Expenditures										
Current:										
General Government	4,596	3,952	3,695	3,511	3,815	3,879	4,323	4,060	4,334	4,083
Public safety	23,129	22,396	23,851	24,241	24,609	24,987	23,933	23,873	23,240	23,122
Public health and welfare	480	405	389	347	727	744	899	1,084	1,394	1,024
Leisure time activities	832	902	887	917	908	1,002	856	1,466	1,259	1,421
Community environment	3,902	5,590	11,633	16,583	14,177	21,202	16,422	14,616	15,907	11,754
Highways and streets	8,207	6,761	4,582	5,400	5,091	5,871	6,223	12,008	3,329	4,731
Miscellaneous	2143	2,202	1,954	2,292	2,531	2,165	1,725	3,422	1,127	1,427
Debt Service										
Principal retirement	2,709	4,538	3,329	5,176	2,414	2,228	2,129	1,822	1,896	1,556
Interest and fiscal charges	1,061	1,229	1,065	1,302	1,329	1,394	1,381	1,277	971	1,503
Bond issuance costs	-	-	-	-	-	-	-	-	836	
Total expenditures	47,059	47,975	51,385	59,769	55,601	63,472	57,891	63,628	54,293	50,621
Excess (deficiency) of revenues over expenditures	\$ 280	(3,274)	405	(8,022)	(1,479)	(6,144)	(1,170)	(7,911)	1,871	2,749

continued on next page

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Continued										
Other Financing Sources (Uses)										
Transfers in	\$ 230	1,069	67	1,084	163	161	258	1,075	2,842	842
Transfers out	(158)	(1,000)	(2,009)	(919)	(99)	(99)	(198)	(1,017)	(2,785)	(242)
Issuance of bonds	4,160	446	5,845	-	337	6,235	6,530	10,323	-	-
Issuance of notes	-	-	-	2,057	-	-	-	-	-	-
Other uses	-	-	(3,300)	-	-	-	-	11	(9,665)	(4)
Other sources	-	-	-	1,199	-	-	16	-	170	107
Total other financing sources (uses)	72	4,229	(1,496)	5,966	64	399	6,311	6,599	885	703
Net change in Fund Balances	352	955	(1,091)	(2,056)	(1,415)	(5,745)	5,141	(1,312)	2,756	3,452
Asset Additions	\$ 7,626	5,875	2,832	6,419	7,420	10,349	7,458	14,607	10,475	2,753
Non capital expenditures	\$ 39,433	42,100	48,553	53,350	48,181	53,123	50,433	49,021	43,818	47,868
Debt service as a % of noncapital expenditures	9.56%	13.70%	9.05%	12.14%	7.77%	6.82%	6.96%	6.32%	8.45%	6.39%

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

Table 6

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Property taxes	\$ 4,086	4,258	4,311	4,281	3,694	4,158	4,480	4,533	4,965	5,643
Municipal income taxes	\$ 22,180	21,768	20,576	19,617	19,728	19,924	19,775	18,640	19,606	17,944

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

Tax Levy/ Collection Year	Real Property		Personal Property (1)		Public Utility (2)		Totals		Assessed Value as a Percent of Estimated Actual Value	
	Assessed	Actual	Assessed	Estimated Actual	Assessed	Actual	Assessed	Estimated Actual	Direct Tax Rate	
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	\$536,185	\$2,284,335	\$0	\$0	\$44,761	\$176,510	\$844,276	\$2,460,845	5.90	34.31
2011/2012	\$734,926	\$1,914,230	\$0	\$0	\$46,477	\$176,510	\$781,403	\$2,090,740	5.90	37.37
2012/2013	\$669,980	\$1,888,309	\$0	\$0	\$44,759	\$140,000	\$714,739	\$2,028,309	6.90	35.24
2013/2014	\$660,908	\$1,888,310	\$0	\$0	\$48,111	\$140,000	\$709,019	\$2,025,800	6.90	35.00
2014/2015	\$610,621	\$1,742,453	\$0	\$0	\$49,583	\$143,844	\$660,204	\$1,886,297	6.90	35.00
2015/2016	\$609,859	\$1,742,454	\$0	\$0	\$50,345	\$143,843	\$660,204	\$1,886,297	6.90	35.00

Ohio law requires county auditors to reappraise property values every six years. The last reappraisal was in 2014 which is collected in year 2015. Ohio law also requires auditors to update those values in between each six year cycle based on market sale trends. This is referred to as a Tirennial Update and was last done in 2011. Values can change outside the scope of one of these cycles due to new construction, demoliton, or Board of Revision decisions.

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									
	Operating	Police and Fire Pension	Senior Citizen Levy	City of Middletown Total	Butler County	Middletown City School District	Parks	Library	JVSD	Total
2007	5.30	0.60	0.00	5.90	10.95	45.13	0	0	1.93	63.91
2008	5.30	0.60	0.00	5.90	10.45	45.75	0	0	1.93	64.03
2009	5.30	0.60	0.00	5.90	9.75	45.75	0	0	1.93	63.33
2010	5.30	0.60	0.00	5.90	9.75	47.00	0	0	1.93	64.58
2011	5.30	0.60	0.00	5.90	9.72	46.99	0.5	0.75	1.93	65.79
2012	5.30	0.60	0.00	5.90	9.72	48.65	0.5	0.75	1.93	67.45
2013	5.30	0.60	1.00	6.90	9.72	48.95	0.5	0.75	1.93	68.75
2014	5.30	0.60	1.00	6.90	9.72	49.08	0.5	0.75	1.93	68.88
2015	5.30	0.60	1.00	6.90	9.72	54.51	0.5	0.75	1.93	74.31
2016	5.30	0.60	1.00	6.90	9.72	55.39	0.7	0.75	1.93	75.39

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

Source: Butler County Auditor's Office

CITY OF MIDDLETOWN, OHIO
Principal Property Taxpayers
December 31, 2015 and Nine Years Ago
(in thousands)
Table 9

Top Ten Property Taxpayers (real property)

2007 Calendar year/ 2006 Tax Year			2016 Calendar year/ 2015 Tax Year		
	<u>Assessed</u> <u>Valuation</u>	<u>% of Total</u>		<u>Assessed</u> <u>Valuation</u>	<u>% of Total</u>
Cincinnati Gas & Electric	\$ 56,841	5.46%	Duke Energy	\$ 42,898	6.50%
AK Steel	\$ 30,191	2.90%	AK Steel	\$ 10,058	1.52%
Precision Strip	\$ 8,332	0.80%	Boymel Family LLC	\$ 3,956	0.60%
Southwestern Ohio Steel	\$ 8,124	0.78%	Akers Pakaging	\$ 3,336	0.51%
Garden Manor	\$ 7,136	0.69%	Middletown Coke	\$ 3,149	0.48%
Bavarian Woods	\$ 4,544	0.44%	Duke Energy Dicks Creek	\$ 2,977	0.45%
Chaka-Chak LLC	\$ 4,066	0.39%	Precision Strip	\$ 2,757	0.42%
Texas Eastern Transmission	\$ 3,978	0.38%	Bavarian Woods	\$ 2,187	0.33%
Bay West Paper Corp	\$ 3,635	0.35%	Liberty Retirement Properties	\$ 2,104	0.32%
Riverside Village LTD PRT	\$ 3,532	0.34%	Store Master Funding	\$ 2,030	0.31%
TOTAL TOP TEN	\$ 130,379	12.5%	TOTAL TOP TEN	\$ 75,452	11.43%
TOTAL ASSESSED VALUATION FOR CITY OF MIDDLETOWN	\$1,040,124		TOTAL ASSESSED VALUATION FOR CITY OF MIDDLETOWN	\$660,204	

Source: Butler County Auditor's Office

CITY OF MIDDLETOWN, OHIO
Property Tax Levies and Collections - Cash Basis
Last Ten Years
(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	Delinquent Tax Collections	Total Tax Collected	Percent of Total Tax Collection to Current Tax Levy
2016	6.90	\$4,290	\$3,233	75.36%	\$194	\$3,427	79.88%
2015	6.90	\$4,193	\$3,401	81.11%	\$203	\$3,604	85.95%
2014	6.90	\$4,198	\$3,474	82.75%	\$217	\$3,691	87.92%
2013	6.90	\$4,007	\$3,390	84.60%	\$270	\$3,660	91.34%
2012	5.90	\$3,907	\$3,409	87.25%	\$283	\$3,692	94.50%
2011	5.90	\$4,845	\$3,763	77.67%	\$213	\$3,976	82.06%
2010	5.90	\$5,207	\$4,102	78.78%	\$168	\$4,270	82.00%
2009	6.90	\$5,063	\$4,281	84.55%	\$245	\$4,526	89.39%
2008	6.90	\$5,403	\$4,776	88.40%	\$294	\$5,070	93.84%
2007	5.90	\$5,660	\$5,140	90.81%	\$189	\$5,329	94.15%

The County does not identify delinquent tax collections by year.

Does not include Commercial Activities Tax, Homestead & Rollback reimbursed by the State.

CITY OF MIDDLETOWN, OHIO
Income Tax Revenue by Source Type
Last Ten Years
(cash basis)
Table 11

Fiscal Year	Tax Rate	Residential Income Tax	Business Income Tax	Withholding Income Tax	Grand Total
2016	1.75%	\$2,569,820	\$2,062,782	\$17,652,905	\$22,285,507
2015	1.75%	\$2,953,789	\$1,916,486	\$16,701,469	\$21,571,744
2014	1.75%	\$2,934,167	\$2,005,694	\$15,620,320	\$20,560,181
2013	1.75%	\$2,914,673	\$2,023,403	\$15,011,198	\$19,949,274
2012	1.75%	\$2,506,462	\$1,757,128	\$15,396,389	\$19,659,979
2011	1.75%	\$2,602,515	\$1,618,091	\$16,075,252	\$20,295,858
2010	1.75%	\$2,666,865	\$1,698,609	\$15,510,112	\$19,875,586
2009	1.75%	\$2,878,754	\$1,521,556	\$14,319,903	\$18,720,213
2008	1.75%	\$2,477,486	\$1,818,424	\$15,802,758	\$20,098,668
2007	1.50%	\$2,128,402	\$1,475,907	\$14,984,454	\$18,588,763

CITY OF MIDDLETON, OHIO
Ratios of Outstanding Debt by Type
Last Ten Years
(amounts expressed in thousands, except per capita amount)
Table 12

Fiscal Year	Governmental Activities				Business-Type Activities				Percentage of Personal Income	Per Capita (1)
	General Obligation Bonds	Special Assessment Bonds	Notes Payable	General Obligation Bonds	Capital Leases	Notes Payable	Total			
2016	\$ 21,689	\$ 1,519	\$ -	\$ 10,847	\$ 80	\$ -	\$ 34,135	4.93%	\$ 700	
2015	\$ 23,910	\$ 1,858	\$ -	\$ 11,346	\$ 1,095	\$ -	\$ 38,209	4.95%	\$ 784	
2014	\$ 22,157	\$ 2,149	\$ 2,057	\$ 12,574	\$ 1,997	\$ -	\$ 40,934	4.96%	\$ 839	
2013	\$ 24,295	\$ 1,962	\$ 2,057	\$ 9,312	\$ 3,317	\$ -	\$ 40,943	4.95%	\$ 841	
2012	\$ 26,460	\$ 2,222	\$ 2,057	\$ 10,549	\$ 3,704	\$ -	\$ 44,992	5.03%	\$ 924	
2011	\$ 28,505	\$ 2,479	\$ 2,057	\$ 11,768	\$ 4,512	\$ -	\$ 49,321	5.08%	\$ 1,012	
2010	\$ 30,664	\$ 2,375	\$ 2,057	\$ 12,953	\$ 5,290	\$ -	\$ 53,339	4.87%	\$ 1,095	
2009	\$ 26,341	\$ 2,593	\$ 2,057	\$ 14,108	\$ 6,041	\$ -	\$ 51,140	4.87%	\$ 1,044	
2008	\$ 21,410	\$ 2,823	\$ 2,057	\$ 14,967	\$ 6,765	\$ -	\$ 48,022	5.09%	\$ 934	
2007	\$ 22,215	\$ 3,099	\$ 2,550	\$ 6,235	\$ 7,462	\$ 1,715	\$ 43,276	5.09%	\$ 836	

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 13

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)
2016	\$32,536	\$150	\$32,386	3.85%	\$667
2015	\$35,256	\$176	\$35,432	5.34%	\$723
2014	\$34,731	\$370	\$34,361	4.11%	\$714
2013	\$33,607	\$55	\$33,552	4.70%	\$691
2012	\$37,009	\$210	\$36,799	5.22%	\$761
2011	\$40,403	\$522	\$39,881	5.65%	\$830
2010	\$43,617	\$548	\$43,069	6.15%	\$896
2009	\$40,449	\$460	\$39,989	5.66%	\$825
2008	\$36,652	\$617	\$36,035	4.69%	\$713
2007	\$28,450	\$346	\$28,104	3.37%	\$550

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 (Table 7) for property value data

(2) Population data can be found in the Schedule of Demographic and Economic Statistics in Table 17.

CITY OF MIDDLETOWN, OHIO
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
As of December 31, 2015
(amounts expressed in thousands)

Table 14

Political Subdivision	General Bonded Debt	Percent Applicable to City	City's Share
Butler County	50,320	8.70%	\$4,379
Warren County	<u>19,227</u>	1.40%	<u>\$270</u>
Subtotal, overlapping debt			\$4,649
General Obligation Bond			21,689
Special Assessment debt			<u>1,519</u>
Total direct and overlapping debt			<u>\$27,857</u>

Source: Butler and Warren County Auditor's Offices.

City Share calculated by percentage of assessed value for each county.

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

Table 15

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 16

Collection Year	Tax Year	Debt Service			Coverage
		Special Assessment Collections	Principal	Interest & Fiscal Charges	
2016	2015	\$376,143	\$235,700	\$86,159	1.17
2015	2014	\$626,138	\$324,647	\$103,921	1.46
2014	2013	\$355,628	\$258,643	\$100,035	0.99
2013	2012	\$348,190	\$259,700	\$107,854	0.95
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

CITY OF MIDDLETON, OHIO
Demographic and Economic Statistics
Last Ten Years
Table 17

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)
2007	51,739	\$1,015,844	\$19,634	34.5	16 yrs - 13% 12 yrs - 67%	11,539	6.0
2008	51,422	\$1,009,620	\$19,634	34.5	16 yrs - 13% 12 yrs - 67%	11,539	7.2
2009	49,000	\$1,006,607	\$20,543	36.4	16 yrs - 13% 12 yrs - 67%	11,366	11.2
2010	48,719	\$1,000,321	\$20,543	35.9	16 yrs - 13% 12 yrs - 72.6%	11,755	10.8
2011	48,731	\$959,385	\$19,716	38.0	16 yrs - 13% 12 yrs - 74.3%	11,111	10.1
2012	48,705	\$968,285	\$19,911	38.5	16 yrs - 15.1% 12 yrs - 78.6%	10,776	8.6
2013	48,659	\$982,281	\$20,199	38.5	16 yrs - 13% 12 yrs - 78.6%	10,776	7.8
2014	48,766	\$983,754 estimate	\$20,229 estimate	37.3	16 yrs - 16.0% 12 yrs - 83.1%	11,051 estimate	5.4
2015	48,760	\$985,476 estimate	\$20,345 estimate	37.3	16 yrs - 16.0% 12 yrs - 83.1%	11,528 estimate	4.3
2016	48,760	\$988,365 estimate	\$20,270 estimate	37.6	16 yrs - 15.7% 12 yrs - 82.9%	11,414 estimate	4.0

Data Sources:

(1) US Census Bureau

(2) US Department of Labor

CITY OF MIDDLETOWN, OHIO
Principal Employers
Current Year and Nine Years Ago
Table 18

Employer	Employees	2016	
		Rank	Percentage of Total City Employment
AK Steel	2,483	1	12.8%
Atrium Medical Center	1,872	2	9.6%
CM Temporary Services, Inc.	1,590	3	8.2%
Middletown City Schools	799	4	4.1%
Crown Services 36 LLC	761	5	3.9%
Belflex Staffing Network LLC	733	6	3.8%
Kroger Limited Partnership	687	7	3.5%
CBS Personnel	646	8	3.3%
Miami University	624	9	3.2%
City of Middletown	429	10	2.2%
TOTAL ESTIMATED CITY EMPLOYMENT	19,400		
<hr/>			
Employer	Employees	2007	
		Rank	Percentage of Total City Employment
AK Steel	4,651	1	19.4%
Middletown Regional Hospital	1,836	2	7.7%
Middleetown School District	1,248	3	5.2%
Strom Engineering Corp.	1,181	4	4.9%
Miami University	667	5	2.8%
Garden Manor Extended Care	563	6	2.3%
City of Middletown	514	7	2.1%
National Workforce Assistance	505	8	2.1%
Stone Container Corp. (Altivity)	314	9	1.3%
Bay West Paper (Wausau)	197	10	0.8%
TOTAL ESTIMATED CITY EMPLOYMENT	24,000		

Source: City Income Tax Division

CITY OF MIDDLETOWN, OHIO
Full-time City Government Employees by Function
Last Ten Years
Table 19

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	40	40	40	38	38	34	32	30.5	34.5	36.5
Public safety										
Police										
Officers	80	80	80	80	80	72	72	72	68	69
Civilians	36	37	37	37	37	34	32	31	31	35
Fire										
Firefighters & officers	84	84	84	84	81	72	72	66	64	67
Civilians	1	1	1	1	1	1	1	1	1	1
Other	35	32	32	26	26	26	26	28	30	32
Highways and streets										
Maintenance	15	15	15	15	15	15	15	14	14	14.5
Leisure Time Activities	8	8	8	7	7	7	7	6	6	6
Community Environment	6	4	7	8	9	6	4	3	2	4.5
Public health & welfare	5	5	4	4	4	3	3	3	3	5
Water	32	32	31	31	31	31	31	31	31	31
Sewer	35	32	31	32	32	32	32	35	35	36
Storm Water	4	4	6	6	7	7	7	7.5	7.5	9
Golf Course	7	7	6	6	5	5	5	5	0	0
Solid Waste	0	0	0	0	0	0	0	1	1	0
Transit	8	8	8	7	6	5	4	4	4	4
Internal Services	10	9	9	9	8	7	7	7	7	7
Total	406	398	399	391	387	357	350	345	339	358

CITY OF MIDDLETON, OHIO
Operating Indicators by Function
Last Ten Years
Table 20

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fire										
Number of fire responses	660	695	566	1,888	1,996	2,073	6,048	4,809	2,159	2,116
Average response time (minutes)	4.7	4.9	4.5	4.6	4.6	5.2	5.2	5.5	6.0	5.6
Emergency medical calls	6,954	7,807	7,969	8,158	8,513	8,400	8,185	8,484	8,633	9,268
Police										
Calls for service	42,830	42,135	46,727	43,696	49,312	45,247	45,287	52,925	44,353	40,337
Number of arrests	7,799	7,235	8,106	8,417	8,030	8,036	7,919	6,481	5,861	6,239
Response time for priority calls (minutes)	5.6	5.6	5.8	5.2	5.4	5.4	5.8	5.7	5.8	6.1
Traffic accidents	1,822	1,790	1,562	1,630	1,547	1,466	1,400	1,196	1,212	1,387
Average daily jail population	49	50	49	51	47	53	56	58	57	103
Recreation and leisure										
Community center admissions	6,208	9,244	10,179	12,011	21,900	n/a	n/a	n/a	n/a	n/a
Transit										
Unlinked passenger trips	250,142	247,979	198,333	210,397	219,596	204,362	153,824	168,753	167,837	147,614
Water										
Average daily water pumpage (million gallons per day)	8.36	7.55	7.38	7.68	7.32	8.84	7.93	8.80	8.30	8.93
Number of water accounts	19,649	19,060	19,381	19,200	19,031	19,179	19,200	19,097	19,006	19,094
Sewer										
Average daily flow (million gallons per day)	15.6	17.9	16.1	16.6	20.7	16.3	16.4	16.4	17.0	18.4
Sewer mains cleaned (feet)	36,590	188,504	153,442	180,895	127,397	154,512	66,224	59,892	15,040	46,748

CITY OF MIDDLETOWN, OHIO
Capital Asset Statistics by Function
Last Ten Years
Table 21

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety:										
Fire stations	5	5	5	5	5	5	5	4	4	4
Police stations	1	1	1	1	1	1	1	1	1	1
Highways and streets:										
Streets (miles)	231	239	240	240	240	242	242	242	242	242
Traffic Lights	110	112	113	111	111	111	111	111	111	109
Water:										
Water mains (miles)	340	343	343	343	343	343	343	343	343	343
Sewer:										
Sanitary & storm (miles)	311	319	320	320	320	320	320	320	320	320
Leisure & recreation:										
Parks	36	36	36	36	36	36	36	35	35	35
Swimming pools	1	1	0	0	0	0	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	0	0	0