



CITY OF

MIDDLETOWN

Comprehensive Annual Financial Report

*For the Year Ended
December 31, 2017*

City of Middletown
One Donham Plaza
Middletown, Ohio



CITY OF MIDDLETOWN, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2017

**Prepared by
Finance Department**

**Jacob C. Burton
Finance Director**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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CITY OF
MIDDLETOWN

June 29, 2018

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, 2017, 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 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 Uniform Guidance, 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 48,813.

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, 2016, City Council adopted the 2017 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 2018 Budget and Financial Plan is cautiously optimistic.

Kettering Health Network has begun construction on a \$30 million medical facility. 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 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 by the end of 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, and will be open for the 2018-2019 school year.

Downtown has come alive with new businesses, live bands, and a designated outdoor refreshment area. 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. There is no increase in water rates scheduled for 2018. Sewer rates will increase 15% and will cost a typical residential user an additional \$4.41 per month. According to the annual Oakwood Water and Sewer Rate Survey for southwest Ohio, the city ranks as the twenty-fourth lowest out of the sixty-six communities surveyed for water, forty-sixth out of sixty-three communities surveyed for sewer and forty out of sixty-three communities surveyed for combined services as of March 1, 2017.

The unemployment rate has lowered from 2016 to 2017 indicating progress:

UNEMPLOYMENT RATE (%)			
Yearly Average			
	<u>Middletown</u>	<u>Ohio</u>	<u>U. S.</u>
2016	4.0%	5.0%	4.7%
2017	3.79%	4.9%	4.1%

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 expired in five years. This levy was renewed for an additional five years beginning in 2018. 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>
			<u>(cash basis)</u>
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
2016	2017	\$662,132,320	\$ 3,823,670

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>	
2013	\$19,949,274
2014	\$20,560,181
2015	\$21,571,744
2016	\$22,285,507
2017	\$24,047,903

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 be either insured or protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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. Clark Schaefer Hackett performed the City's 2017 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, 2016.

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 2017 Comprehensive Annual Financial Report of the City of Middletown is the result of the combined efforts of the City's Finance Department, Hurst, Kelly & Company, and Clark Schaefer Hackett, 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, reading "Jacob Burton". The signature is written in a cursive, flowing style.

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, 2016

Christopher P. Morrell

Executive Director/CEO

CITY OF MIDDLETOWN, OHIO

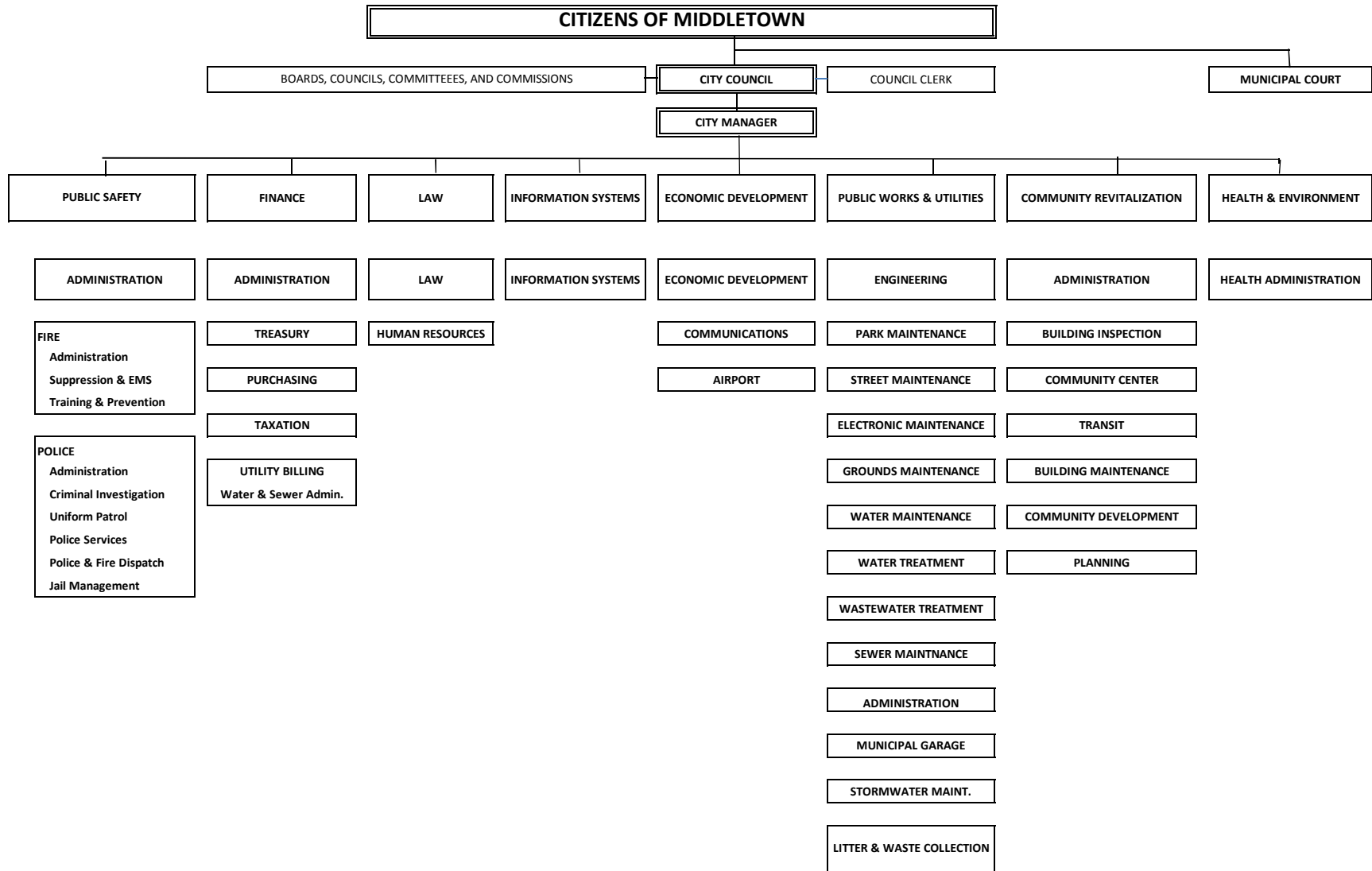
Principal Officials January 1, 2017

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
Economic Development DirectorJennifer L. Ekey
Finance Director Jacob C. Burton
Fire Chief Paul J. Lolli
Health Commissioner Jacquelyn D. Phillips
Information Systems..... Troy S. Anderton
Law Director..... Leslie S. Landen
Public Works & Utilities DirectorScott D. Tadych



**CITY OF MIDDLETOWN
ORGANIZATIONAL CHART
2017**

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Middletown, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Ohio (the "City") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Middletown, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 26, 2018

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**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

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, 2017. 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 76).

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 77 to 80) 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 81.

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.

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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 on page 36. During 2017, 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, 2017 and 2016 (in thousands).

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Table 1
Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 41,394	37,697	24,402	23,610	65,796	61,307
Capital assets	<u>78,279</u>	<u>79,379</u>	<u>76,779</u>	<u>71,120</u>	<u>155,059</u>	<u>150,498</u>
Total assets	119,673	117,076	101,182	94,730	220,855	211,805
Deferred outflows of resources	11,713	11,728	1,547	1,086	13,260	12,814
Long-term liabilities	72,516	71,134	14,246	14,088	86,762	85,222
Other liabilities	<u>3,607</u>	<u>3,948</u>	<u>1,985</u>	<u>2,004</u>	<u>5,592</u>	<u>5,952</u>
Total liabilities	76,123	75,082	16,231	16,092	92,354	91,174
Deferred inflows of resources	7,632	8,018	27	62	7,659	8,080
Net position:						
Net investments in capital assets	57,656	56,377	66,917	61,159	124,573	117,536
Restricted	13,426	12,165	-	-	13,426	12,165
Unrestricted	<u>(23,450)</u>	<u>(22,838)</u>	<u>19,553</u>	<u>18,502</u>	<u>(3,897)</u>	<u>(4,336)</u>
Total position	47,632	45,704	86,470	79,661	134,102	125,365
Beginning net Position	45,704	46,372	79,661	72,233	125,365	116,851
Net increase (decrease)	<u>1,928</u>	<u>(668)</u>	<u>6,809</u>	<u>7,428</u>	<u>8,737</u>	<u>6,760</u>
Ending net Position	\$ <u>47,632</u>	<u>45,704</u>	<u>86,470</u>	<u>79,661</u>	<u>134,102</u>	<u>125,365</u>

As of December 31, 2017, the City's ending net position was \$134,102 compared to \$125,365 in 2016, an increase of \$8,737. Governmental activities increased \$1,928 and business type activities increased \$6,809 in 2017 over 2016 totals.

Governmental activities net position has decreased in the past (\$668 in 2016, \$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 expenses with decreased services and layoffs of staff in anticipation of these shortfalls.

The only 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 2017

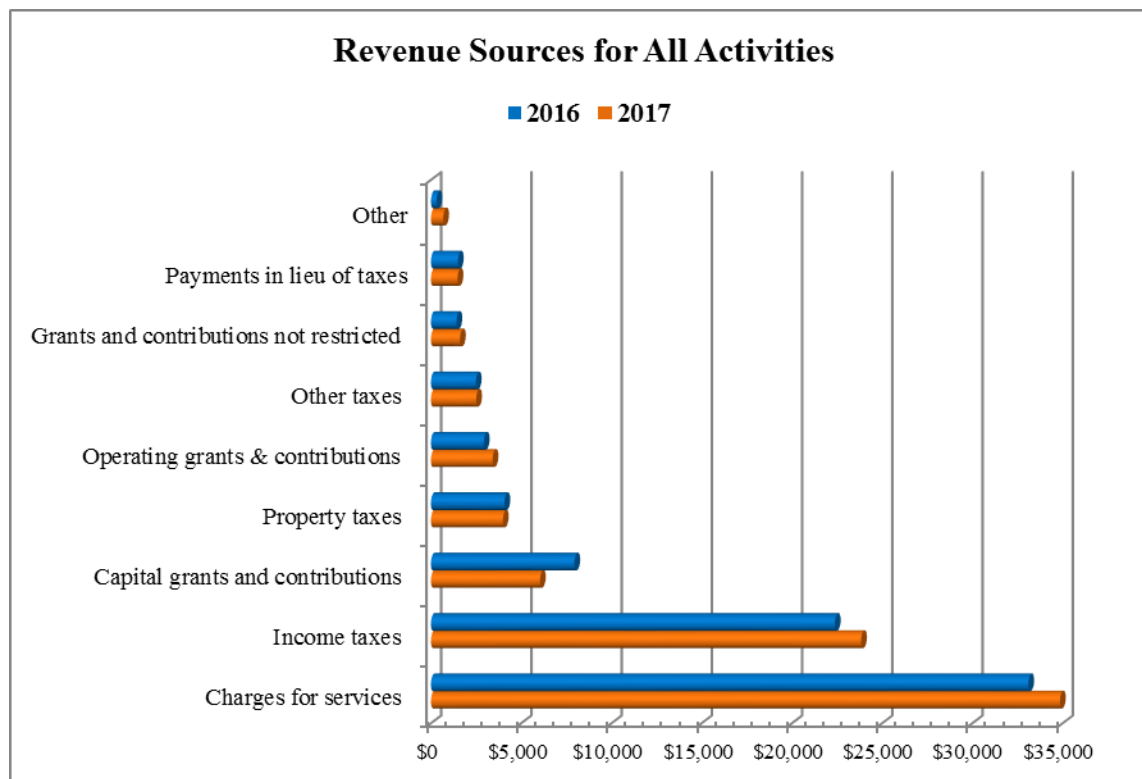
Table 2, on the following page, (in thousands) presents a condensed summary of the City's activities during 2017 and 2016 and the resulting changes in net position.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Table 2
Statement of Activities
(in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Revenues						
<u>Program revenues:</u>						
Charges for services	\$ 8,764	8,826	26,092	24,275	34,856	33,101
Operating grants & contributions	2,366	1,202	1,052	1,727	3,418	2,929
Capital grants and contributions	<u>5,181</u>	<u>5,391</u>	<u>862</u>	<u>2,559</u>	<u>6,043</u>	<u>7,950</u>
Total program revenues	16,311	15,419	28,006	28,561	44,317	43,980
<u>General revenues:</u>						
Income taxes	23,663	22,181	175	205	23,838	22,386
Property taxes	3,988	4,073	0	0	3,988	4,073
Other taxes	2,507	2,487	0	0	2,507	2,487
Payments in lieu of taxes	1,475	1,494	0	0	1,475	1,494
Grants and contributions not restricted	1,611	1,414	0	0	1,611	1,414
Investment earnings	11	(90)	226	153	237	63
Other	<u>279</u>	<u>151</u>	<u>164</u>	<u>93</u>	<u>443</u>	<u>244</u>
Total general revenues	<u>33,534</u>	<u>31,710</u>	<u>565</u>	<u>451</u>	<u>34,099</u>	<u>32,161</u>
Total revenues	49,845	47,129	28,571	29,012	78,416	76,141
Expenses						
Public safety	26,315	24,990	0	0	26,315	24,990
Public health	538	531	0	0	538	531
Leisure activities	1,191	1,072	0	0	1,191	1,072
Community environment	3,930	4,320	0	0	3,930	4,320
Highways and streets	7,393	7,272	0	0	7,393	7,272
General government	7,464	8,610	0	0	7,464	8,610
Interest on long-term debt	1,085	1,074	0	0	1,085	1,074
Water	0	0	7,257	7,040	7,257	7,040
Sewer	0	0	7,711	7,545	7,711	7,545
Transit	0	0	1,985	1,996	1,985	1,996
Solid Waste	0	0	3,075	3,281	3,075	3,281
Storm Water	0	0	1,299	1,236	1,299	1,236
Airport	<u>0</u>	<u>0</u>	<u>436</u>	<u>414</u>	<u>436</u>	<u>414</u>
Total expenses	<u>47,916</u>	<u>47,869</u>	<u>21,763</u>	<u>21,512</u>	<u>69,679</u>	<u>69,381</u>
Increase/(decrease) in net position before transfers	1,929	(740)	6,808	7,500	8,737	6,760
Transfers	(1)	72	1	(72)	0	0
Increase/(decrease) in net position	1,928	(668)	6,809	7,428	8,737	6,760
Beginning net position	<u>45,704</u>	<u>46,372</u>	<u>79,661</u>	<u>72,233</u>	<u>125,365</u>	<u>118,605</u>
Ending net position	\$ <u>47,632</u>	<u>45,704</u>	<u>86,470</u>	<u>79,661</u>	<u>134,102</u>	<u>125,365</u>

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Most revenue sources have not fluctuated very much from 2017 compared to 2016, with the exception of income taxes and charges for services. Income taxes have increased from 2016 to 2017 by \$1,452, with 2017 being \$23,838 and 2016 collections at \$22,386. Income tax collections have been on a steady increase and are at a ten year high for 2017. Charges for services has also seen an increase due to water, sewer, storm water and solid waste 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 \$4,965 in 2008 to \$3,988 in 2017. Although 2013 had an increase of \$387 for property taxes, approximately \$700 was for the Senior Services Fund which was implemented in 2013 with passage of the Senior Citizens levy. A five year renewal of the Senior Citizens levy was passed in May 2017. New construction revenue and a stronger economy are attributed to the increase. In 2009, income tax collections were \$18,942 which represented the lowest collection in the previous ten years.

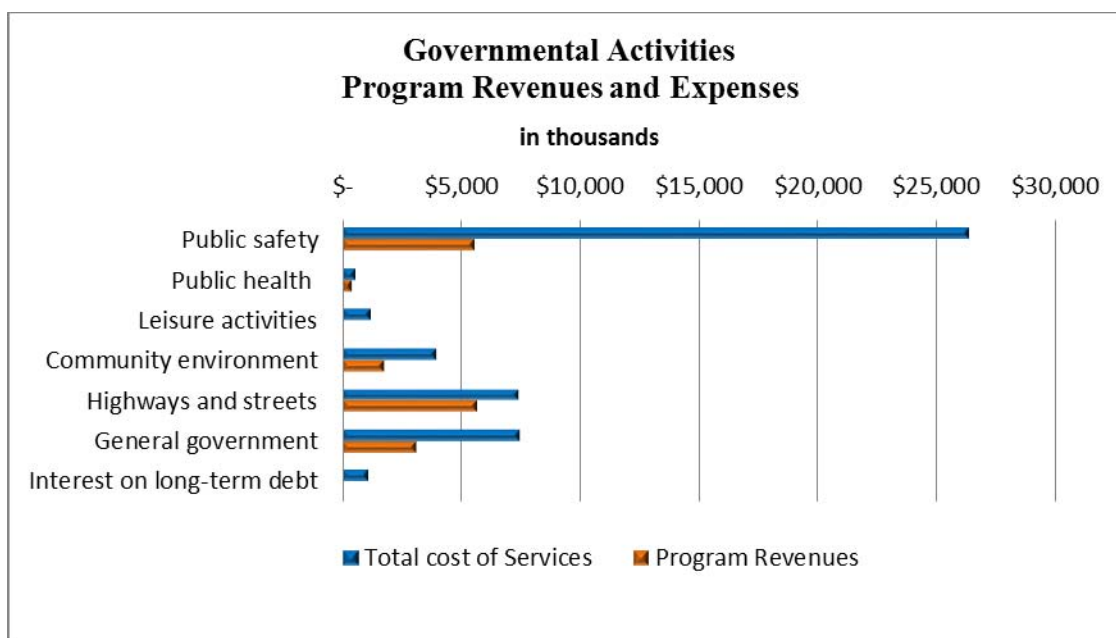
**CITY OF MIDDLETOWN
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1) Governmental activities during 2017

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 34% with income coming from program revenues. The City recouped about 32% for the cost of services in program revenues for 2016 and about 27% 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	\$ 26,315	\$ 5,520	21%	\$ 20,795
Public health	538	360	67%	178
Leisure activities	1,191	-	0%	1,191
Community environment	3,930	1,711	44%	2,219
Highways and streets	7,393	5,632	76%	1,761
General government	7,464	3,088	41%	4,376
Interest on long-term debt	1,085	-	0%	1,085
Total	<u>\$ 47,916</u>	<u>\$ 16,311</u>	<u>34%</u>	<u>\$ 31,605</u>



Community Environment, which relies heavily upon federal and state grants, covered 44% of its activities in 2017, 45% 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 2017 was funded with program revenues totaling 76%, down from 2016 with 79%. Grants are a large factor for fluctuations for this activity. In 2015, 31% was recouped, down from 2014 with 33% recouped, fluctuating from only 11% in 2013.

Leisure activities did not receive any program revenues in 2017 or 2016 compared to 8% in 2015. The Community Center activities were contracted out in 2017 and 2016.

2) Business-type activities during 2017

The City attempts to break even on its business-type activities. All activities except Airport and Transit had operating surpluses in 2017. Surpluses are used to accumulate earnings for future capital investments and debt payments.

The following table (in thousands) summarizes the business-type activities during 2017:

**Table 4
Business-type Activities
(in thousands)**

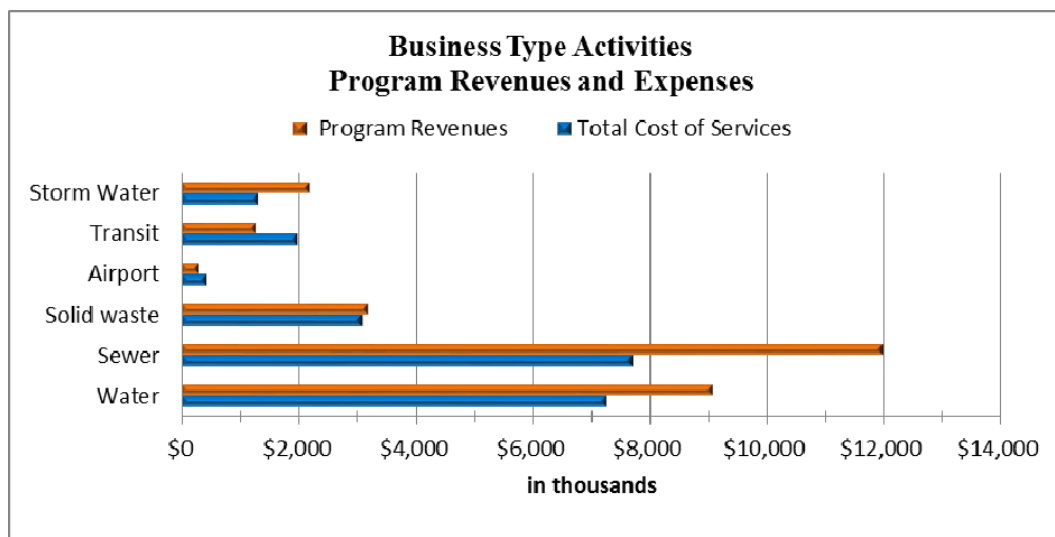
	<u>Total Cost of Services</u>	<u>Program Revenues</u>	<u>Revenues as % of Total Costs</u>	<u>Net Revenue from Operations</u>
Water	\$7,257	\$9,082	125%	\$1,825
Sewer	\$7,711	\$11,994	156%	\$4,283
Solid waste	\$3,075	\$3,183	104%	\$108
Airport	\$437	\$286	65%	(\$151)
Transit	\$1,985	\$1,275	64%	(\$710)
Storm Water	<u>\$1,299</u>	<u>\$2,186</u>	<u>168%</u>	<u>\$887</u>
Total	<u>\$21,764</u>	<u>\$28,006</u>	<u>129%</u>	<u>\$6,242</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 2017, transit ends with a negative surplus of (\$710) and the airport ends with a negative surplus of (\$151).

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. Water charges were increased by 7.5% again in 2017 along with a 15% increase in sewer and an additional \$0.75 per month for refuse removal. Total cost of services vary for these funds due to capital improvement projects.

Storm water received \$2,186 in program revenues in 2017. This being up 2.9% from \$2,125 in 2016. The 2015 revenue amount was \$1,821. The increased revenue for 2016 and 2017 is due to a fee increase in 2016. Total cost of services will also vary for this fund to various capital projects of improving the storm water lines and appurtenances. The net revenue for storm water in 2017 was \$887.

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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 63.57% of the total governmental funds' assets of \$39,821. 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 \$	19,968	2,074	3,245
Total liabilities	(1,657)	-	(1,543)
Deferred inflow of resources	(4,979)	(1,609)	(1,248)
Fund balance	<u>13,332</u>	<u>464</u>	<u>1,634</u>
Unassigned fund balance \$	<u>6,730</u>	<u>-</u>	<u>-</u>
Revenues \$	30,848	245	4,955
Expenditures	(27,532)	(297)	(4,131)
Other financing sources/uses	<u>(439)</u>	<u>10</u>	<u>-</u>
Net change in fund balance \$	<u>2,877</u>	<u>(42)</u>	<u>824</u>

General Fund. The fund balance at the end of 2017 was \$13,332. This is an increase of 27.5% over the 2016 ending fund balance of \$10,454. The balance at end of year 2015 was \$9,459 and \$8,964 in 2014,

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\$9,805 in 2013 and \$11,024 in 2012. The fund balance had been decreasing since 2010 until 2015 with an increase of \$495 and an even larger increase of \$995 for 2016 and \$2,878 in 2017. This increase is attributed to increased income tax revenues.

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

Capital Improvement Fund. This fund typically relies heavily upon grants for capital improvement projects. Expenditures have increased in 2015, and 2016 due to large street projects that will be reimbursed partly by grants upon completion. This fund received state and federal grants for street improvements in both 2016 and 2017.

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 Fund</u>	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Solid Waste Fund</u>
Total assets	\$ 34,806	45,658	10,977	866
Total deferred outflows of resources	580	695	120	12
Total liabilities	(6,177)	(7,907)	(379)	(295)
Total deferred inflows of resources	<u>(10)</u>	<u>(12)</u>	<u>(2)</u>	<u>-</u>
Total net position	<u>29,199</u>	<u>38,434</u>	<u>10,716</u>	<u>583</u>
Unrestricted net position	<u>5,180</u>	<u>10,863</u>	<u>1,405</u>	<u>167</u>
Operating revenues	9,139	11,552	1,959	3,183
Operating expenses	(7,375)	(7,465)	(1,299)	(3,075)
Net non-operating revenues (expenses)	(41)	(126)	31	-
Net contributions and transfers	<u>37</u>	<u>412</u>	<u>228</u>	<u>-</u>
Net change in net position	\$ <u>1,760</u>	<u>4,373</u>	<u>919</u>	<u>108</u>

Water Fund. Water Fund rates are set to cover the fund's operating cost and to accumulate cash resources for future capital expenditures. The change in net position for 2017 is \$1,760 with an increase in total assets by \$1,489. The increase in assets is due to the work on Oxford State Road and other large construction projects in the City. In 2016, assets increased by \$1,168 mainly due to construction on the South Verity and Central Avenue water main projects being completed. The change in net position was \$2,002 for 2016, \$1,259 for 2015, \$854 for 2014, and \$78 for 2013. The largest factor for operating

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revenue increases in 2015, 2016 and 2017 is due to increased water rates. Rates increased 5% in 2015 and 7.5% in both 2016 and 2017.

Sewer Fund. The Sewer Fund ended 2017 with a positive change in net position of \$4,373 due to a 15% rate increase in 2017 and a 10.3% increase of \$4,286 in total assets from the 2016 total of \$41,372. The increased total assets are due to large construction projects and major repairs to the City's sewer systems. The net change in position for 2016 was \$2,617, with 2015 being \$1,125, with \$246 for 2014 and \$507 for 2013. A 10% sewer surcharge was added to all accounts in late 2015 and 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 \$919 change in net position for 2017. A \$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. Both total assets and operating revenues increased for 2017 resulting in a positive change in net position by \$108. 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 (\$2,571) for 2017 (page 168). This compared closely to (\$3,101) in 2016. The total net position for 2015 was (\$947). 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 a net position of \$10,174 in 2017 and \$9,534 for 2016 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 77. There were no significant variances for the General Fund's actual results compared to budget in 2017. The General Fund's original appropriation of \$27,958 was amended to \$28,517 with supplemental appropriations and de-appropriations. The General Fund's actual expenditures on a budget basis were \$27,596.

Original 2017 appropriations were increased during the year by \$3,530 for all funds. The majority of the supplemental appropriations included the following:

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- \$50 for various maintenance issues and repairs at Middletown Regional Airport;
- \$80 for overtime wages in Police & Fire Dispatch;
- \$222 for TIF payment reimbursements to the school district;
- \$379 for storm sewer improvements;
- \$46 for the repair and coating of the city building roof;
- \$137 for the creation of an Airport Master Plan and Airport Layout Plan;
- \$47 for the purchase and installation of a pole barn at Lefferson Park;
- \$575 for concrete repair, reconstruction and resurfacing of streets; and
- \$58 payment for EZ agreements to schools.

V. CAPITAL ASSET AND DEBT ADMINISTRATION

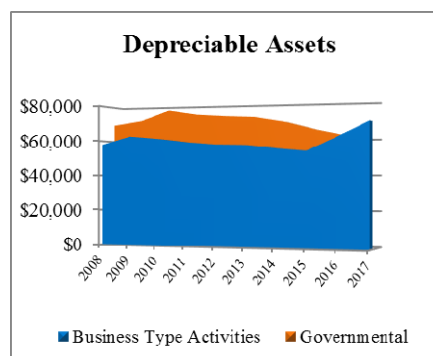
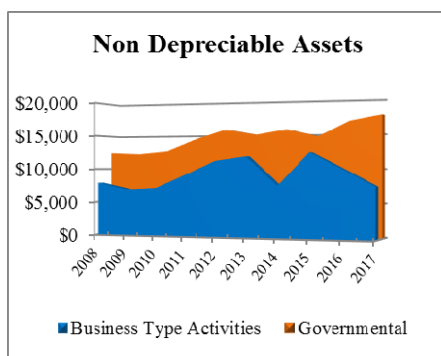
A. Capital assets

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)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 14,564	3,773	18,337
Land improvements	270	337	607
Buildings	10,161	15,108	25,269
Equipment	5,771	6,991	12,762
Infrastructure	45,547	46,891	92,438
Construction in Progress	1,967	3,679	5,645
Total	\$ 78,279	76,779	155,059

(Asset amounts shown in thousands)



**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

The City had approximately \$155,059 in capital assets at year end of 2017 and \$150,498 at year end of 2016. The increase of \$4,561 is due to a variety of factors.

1) Governmental activities non-depreciable assets:

- a. Land – Total of capital assets at year end was \$14,564 an increase of \$497 due to purchase of property for right of way access for the Oxford State Road project.
- b. Construction in progress – total for 2017 is \$1,967 at year end, a decrease of \$1,766 from 2016 year end. All current projects are reported in the Capital Improvement Fund for various street projects with the exception of the Central Avenue Street Light project and the Rathman Field project that are both paid from the General Fund. The current projects are:

- Yankee Road right-of-way acquisitions and Phase 3 improvements - \$856
- Central Avenue Street Lights - \$20
- Rathman Field/Smith Park - \$10

The following projects were completed and placed in service as of December 31, 2017:

- Oxford State Road right-of-way acquisitions and Oxford State Road Design - \$2,921
- Taxiway and Ramp resurfacing at Middletown Regional Airport - \$68

2) Governmental activities for depreciable assets:

- a. Land improvements– no changes in 2016.
- b. Buildings – a total of \$176 was added for major building upgrades and construction of a new pole barn at Lefferson Park.
- c. Equipment – a total of \$1,649 was added for equipment with the majority of purchases (\$1,002) for vehicles and (\$265) for computer equipment.
- d. Infrastructure – an additional \$5,635 was added for 2017. This consisted mainly of street improvements. This increase is due to the completion of the Oxford State Road project (listed above in 1b), the 2017 Local Street/Road Improvement Program, contributed roadway capital in the Renaissance development and construction in progress that was placed in service in 2017.

3) Business-type activities non-depreciable assets:

- a. Land – No increase or decrease for 2017.
- b. Construction in progress – current projects are:

- Yankee Road– Phase 3 - \$3,018
- New well/abandonment of wells 17 & 18 - \$167
- Kensington Pump Station Upgrade - \$207
- WWTP Influent Valves - \$218

4) Business type activities depreciable assets:

- a. Land improvements – \$36 for AK Research Road storm water improvements.

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

- b. Buildings – a total of \$4,313; Energy improvements for water treatment plant totaling \$3,449 and energy improvements for waste water treatment plant totaling \$856. The total energy improvements removed from construction in progress for the Water Fund was \$3,449 and \$833 was from the Sewer Fund.
- c. Equipment –
 - \$545 Grit Tank/Thickener Project Phase 1 & Phase 2 for Waste Water Treatment Plant
 - \$139 pumps for sewer operations
 - \$102 for water meters, decoders and valves
 - \$100 for new Automated Weather Observing System (AWOS) at Middletown Regional Airport
 - \$66 Centrifuge repairs at waste water treatment plant
 - \$53 Valve Insertion Equipment for water mains
 - \$30 Cyclo Gear for waste water treatment plant
 - \$25 truck for waste water treatment plant
 - \$11 Secondary Clarifier construction/design at waste water treatment plant
- d. Infrastructure –
 - \$2,716 Oxford State Road project water, storm and sewer improvements
 - \$1,065 Interceptor Sewer repairs/upgrades
 - \$979 Airport Repaving
 - \$751 Renaissance Development Sewer, Storm and Water contributed capital
 - \$250 for 2017 Sidewalk, Curb & Gutter concrete work
 - \$149 University Blvd storm sewer improvements
 - \$106 Manhole lining - repair and restoration of 116 manholes

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

B. Debt

In 2017, the City refinanced \$11,205,000 in debt saving \$902,872 over the duration of thirteen years. The newly refinanced debt matures in or before 2029.

Long term obligations are presented on pages 63 through 66 in Note 10.

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

The City of Middletown has experienced over \$1 billion dollars of investment made by area businesses since 2007. These investments include a variety of businesses including industrial, commercial, educational, and medical facilities. Unemployment in the Cincinnati-Middletown region is down to approximately 3.7% for the third month of 2018. Aging infrastructure is being addressed. Downtown is alive with more new businesses and entertainment.

Building inspection processed 1,607 permits in 2017 with a valuation of over \$70 million. This is a decrease in the number of permits and an increase in the valuation. This is a strong indicator that our local

**CITY OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

economy is on the rebound and heading in the right direction. In 2016 building inspection processed 2,341 permits with a valuation of \$65 million.

The financial results from the city show that we have made positive progress. In 2014, 2015 and 2016 we experienced an increase in tax revenue of about 3 percent each year. The increase for 2017 is 6.4%. Large construction projects in the City are the main reason for the large increase for 2017.

Significant Statistics/Changes for 2018 Budget:

- Keep public safety, finances, revitalization and street improvements as a priority
- 2% cost of living adjustment for all employees
- Tax Increment Funds will generate \$686,713 in debt payments
- Police and Fire pensions remain at current rate
- Income tax revenue will increase 3% over 2017 budget in 2018
- Health insurance costs increase 6%
- 2018 will end with 15.0% General Fund Balance

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, 2017**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equity in pooled cash, deposits and investments	\$ 24,945,331	\$ 19,144,368	\$ 44,089,699
Receivables (net of allowance for uncollectibles):			
Income taxes	4,900,000	-	4,900,000
Property taxes	4,579,071	-	4,579,071
Payments in lieu of taxes	564,058	-	564,058
Accounts	1,203,172	2,583,777	3,786,949
Interest	150,512	-	150,512
Loans	1,059,373	148,510	1,207,883
Intergovernmental	3,128,978	112,754	3,241,732
Special assessments	1,849,377	49,143	1,898,520
Inventory of supplies	876,865	501,058	1,377,923
Internal balances	(1,862,835)	1,862,835	-
Capital assets, net			
Non-depreciable	16,530,701	7,451,967	23,982,668
Depreciable	61,748,557	69,327,354	131,075,911
Total assets	119,673,160	101,181,766	220,854,926
Deferred outflows of resources			
Deferred charge on refunding	461,611	91,977	553,588
Pension related	11,251,705	1,454,540	12,706,245
Total deferred outflows of resources	11,713,316	1,546,517	13,259,833
Liabilities			
Accounts payable and other current liabilities	1,780,213	716,736	2,496,949
Accrued wages and benefits	1,286,708	215,287	1,501,995
Other accrued liabilities	338,701	5,430	344,131
Accrued interest payable	77,971	28,793	106,764
Due to other governments	123,349	1,813	125,162
Due to other individuals	-	868,860	868,860
Unearned revenue	-	148,510	148,510
Non current liabilities:			
Due within one year	4,579,659	1,141,305	5,720,964
Due in more than one year	67,936,287	13,104,519	81,040,806
Total liabilities	76,122,888	16,231,253	92,354,141
Deferred inflows of resources			
Revenues levied for the next year	4,684,626	-	4,684,626
Pension related	2,946,895	27,298	2,974,193
Total deferred inflows of resources	7,631,521	27,298	7,658,819
Net Position			
Net investment in capital assets	57,655,893	66,916,578	124,572,471
Restricted for capital projects	1,936,143	-	1,936,143
Restricted for debt service	3,167,530	-	3,167,530
Restricted for housing assistance	400,512	-	400,512
Restricted for community development	2,335,119	-	2,335,119
Restricted for public safety	2,384,266	-	2,384,266
Restricted for roads	2,949,742	-	2,949,742
Restricted for other purposes	252,586	-	252,586
Unrestricted	(23,449,724)	19,553,154	(3,896,570)
Total net position	\$ 47,632,067	\$ 86,469,732	\$ 134,101,799

See accompanying notes to the basic financial statements.

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Public safety	\$ 26,315,220	\$ 4,768,362	\$ 751,683	\$ -	\$ (20,795,175)		\$ (20,795,175)
Public health and welfare	537,872	322,018	38,404	-	(177,450)		(177,450)
Leisure time activities	1,190,521	-	-	-	(1,190,521)		(1,190,521)
Community environment	3,929,611	307,342	1,109,993	293,834	(2,218,442)		(2,218,442)
Highways and streets	7,393,008	278,939	465,737	4,887,318	(1,761,014)		(1,761,014)
General government	7,464,472	3,087,804	-	-	(4,376,668)		(4,376,668)
Interest on long-term debt	1,085,380	-	-	-	(1,085,380)		(1,085,380)
Total governmental activities	<u>\$ 47,916,084</u>	<u>\$ 8,764,465</u>	<u>\$ 2,365,817</u>	<u>\$ 5,181,152</u>	<u>\$ (31,604,650)</u>		<u>\$ (31,604,650)</u>
Business-type activities:							
Water	\$ 7,256,791	\$ 9,008,266	\$ -	\$ 73,764	\$ -	\$ 1,825,239	\$ 1,825,239
Sewer	7,711,404	11,545,416	-	448,642	-	4,282,654	4,282,654
Solid Waste	3,075,138	3,183,112	-	-	-	107,974	107,974
Airport	436,707	285,520	-	-	-	(151,187)	(151,187)
Transit	1,984,818	111,311	1,051,839	111,506	-	(710,162)	(710,162)
Storm Water	1,298,953	1,958,152	-	228,285	-	887,484	887,484
Total business-type activities	<u>21,763,811</u>	<u>26,091,777</u>	<u>1,051,839</u>	<u>862,197</u>	<u>-</u>	<u>6,242,002</u>	<u>6,242,002</u>
Total	<u>\$ 69,679,895</u>	<u>\$ 34,856,242</u>	<u>\$ 3,417,656</u>	<u>\$ 6,043,349</u>	<u>\$ (31,604,650)</u>	<u>\$ 6,242,002</u>	<u>\$ (25,362,648)</u>
General revenues:							
Taxes:							
Income taxes					\$ 23,662,900	\$ 175,000	\$ 23,837,900
Property taxes					3,987,528	-	3,987,528
Other taxes					2,507,259	-	2,507,259
Payments in lieu of taxes					1,474,694	-	1,474,694
Grants and contributions not restricted to specific programs					1,611,528	-	1,611,528
Investment earnings					10,836	226,134	236,970
Miscellaneous					278,982	164,476	443,458
Transfers					(1,353)	1,353	-
Total general revenues and transfers					<u>33,532,374</u>	<u>566,963</u>	<u>34,099,337</u>
Change in net position					1,927,724	6,808,965	8,736,689
Net position beginning of year					<u>45,704,343</u>	<u>79,660,767</u>	<u>125,365,110</u>
Net position end of year					<u>\$ 47,632,067</u>	<u>\$ 86,469,732</u>	<u>\$ 134,101,799</u>

See accompanying notes to the basic financial statements.



**CITY OF MIDDLETOWN, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

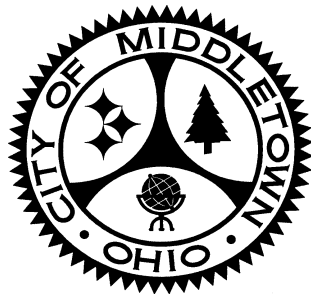
	General	Special Assessment Debt Service
Assets:		
Cash and equity in pooled cash, deposits and investments	\$ 6,547,234	\$ 464,401
Receivables (net of allowance for uncollectibles):		
Income taxes	4,900,000	-
Property taxes	2,816,432	-
Accounts	526,916	-
Loans	-	-
Interest	-	-
Payments in lieu of taxes	-	-
Special assessments	-	1,609,377
Due from other funds	4,615,460	-
Due from other governments	523,829	-
Inventory of supplies	38,038	-
Total assets	\$ 19,967,909	\$ 2,073,778
Liabilities:		
Accounts payable	\$ 277,178	\$ -
Accrued wages and benefits	1,152,661	-
Other accrued liabilities	163,545	-
Due to other funds	63,940	-
Due to other governments	-	-
Total liabilities	1,657,324	-
Deferred inflows of resources:		
Revenues levied for the next year and unavailable revenue	4,978,943	1,609,377
Total deferred inflows of resources	4,978,943	1,609,377
Fund balances:		
Nonspendable	4,653,498	-
Restricted	-	464,401
Committed	-	-
Assigned	1,948,356	-
Unassigned	6,729,788	-
Total fund balances	13,331,642	464,401
Total liabilities, deferred inflows of resources and fund balances	\$ 19,967,909	\$ 2,073,778

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

Capital Improvements	Non Major Governmental Funds	Total Governmental Funds
\$ 1,218,746	\$ 9,252,897	\$ 17,483,278
-	-	4,900,000
604,230	1,158,409	4,579,071
-	354,729	881,645
-	1,059,373	1,059,373
-	150,512	150,512
-	564,058	564,058
-	240,000	1,849,377
-	-	4,615,460
1,422,118	1,183,031	3,128,978
-	570,797	608,835
\$ 3,245,094	\$ 14,533,806	\$ 39,820,587
\$ 21,824	\$ 147,162	\$ 446,164
-	120,360	1,273,021
138,074	37,082	338,701
1,383,500	617,048	2,064,488
-	123,349	123,349
1,543,398	1,045,001	4,245,723
1,247,945	2,961,328	10,797,593
1,247,945	2,961,328	10,797,593
-	492,210	5,145,708
453,751	7,953,838	8,871,990
-	2,743,057	2,743,057
-	-	1,948,356
-	(661,628)	6,068,160
453,751	10,527,477	24,777,271
\$ 3,245,094	\$ 14,533,806	\$ 39,820,587

**CITY OF MIDDLETOWN, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Total governmental fund balances	\$ 24,777,271
<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.	78,279,258
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	1,700,000
Intergovernmental and other receivables	4,412,967
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.	2,224,836
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	(19,080,919)
Special assessment bonds	(1,277,000)
Compensated absences	(5,018,032)
Pension obligation payable	(1,577,155)
Accrued interest on long-term debt	(77,971)
Premium on bonds	(727,057)
Deferred charge on refunding	461,611
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	11,251,705
Deferred inflows - pension	(2,946,895)
Net pension liability	(44,770,552)
Net position of governmental activities	\$ 47,632,067



CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2017

	General	Special Assessment Debt Service
Revenues:		
Property taxes	\$ 2,450,336	\$ -
Municipal income taxes	20,049,288	-
Payment in lieu of taxes	-	-
Intergovernmental revenues	2,020,240	-
Charges for services	4,395,374	-
Fees, licenses, and permits	388,064	-
Fines and forfeits	7,728	-
Special assessments	-	245,266
Investment income	(56,762)	-
Miscellaneous	1,593,576	-
Total revenues	30,847,844	245,266
Expenditures:		
Current		
Public safety	19,337,168	-
Public health and welfare	-	-
Leisure time activities	894,501	-
Community environment	1,410,587	-
Highways and streets	-	-
General government	4,627,996	-
Miscellaneous	1,261,481	-
Debt service		
Principal retirement	-	217,000
Interest and fiscal charges	-	80,333
Total expenditures	27,531,733	297,333
Excess of revenues over (under) expenditures	3,316,111	(52,067)
Other financing sources (uses):		
Transfers-in	-	-
Transfers-out	(438,668)	-
Proceeds of bonds	-	380,000
Premium on bonds	-	39,244
Payment to refunded bond escrow agent	-	(409,658)
Total other financing sources (uses)	(438,668)	9,586
Net change in fund balances	2,877,443	(42,481)
Fund balance, beginning of year	10,454,199	506,882
Fund balance, end of year	\$ 13,331,642	\$ 464,401

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

Capital Improvements		Non Major Governmental Funds	Total Governmental Funds
\$	542,123	\$	1,016,174
	-		4,543,612
	-		1,474,694
	4,389,518		3,864,963
	5,083		262,960
	-		-
	-		1,652,184
	-		296,130
	18,233		49,365
	-		849,219
	4,954,957		14,009,301
			50,057,368
	23,611		4,815,650
	-		439,921
	22,159		-
	-		2,062,838
	4,062,921		2,147,565
	15,553		237,698
	7,017		1,372,840
	-		2,301,152
	-		975,391
	4,131,261		14,353,055
			46,313,382
	823,696		(343,754)
	-		437,315
	-		-
	-		5,450,000
	-		544,386
	-		(5,890,176)
	-		541,525
			112,443
	823,696		197,771
	(369,945)		10,329,706
\$	453,751	\$	10,527,477
			\$
			24,777,271

**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, 2017**

Net change in fund balances - total governmental funds	\$ 3,856,429
<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 were less than depreciation in the current period:	
Capital outlay, net	6,120,983
Depreciation expense	(7,220,351)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds:	
Income taxes	(930,000)
Intergovernmental and other revenues	252,056
Governmental Funds report premiums as other financing sources, whereas these amounts are deferred and amortized in the statement of activities:	
Amortization of bond premiums	38,955
Premiums on bonds issued	(583,630)
Deferred charges on refunding are recorded as deferred outflows of resources and amortized in the statement of activities:	
Amortization of deferred charge on refunding	(58,499)
Deferred charges on refunding	313,673
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	8,498,152
Bond proceeds	(5,830,000)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	(3,951)
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	(263,075)
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.	
	703,027
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
	3,460,032
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	
	(6,523,818)
Change in net position of governmental activities	\$ 1,927,724



**CITY OF MIDDLETOWN, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

Business Type Activities - Enterprise Funds					
	Water		Sewer		Storm Water
Assets					
Current assets:					
Equity in pooled cash and investments	\$	6,183,558	\$	10,901,071	\$ 1,460,650
Receivables					
Accounts		982,436		1,285,327	205,715
Loans		148,510		-	-
Due from other funds		-		-	-
Intergovernmental		-		-	-
Special Assessments		-		49,143	-
Inventory of supplies		243,799		257,259	-
Total current assets		7,558,303		12,492,800	1,666,365
Noncurrent assets:					
Capital assets:					
Construction in progress		2,347,487		296,748	966,100
Land		1,315,164		165,000	386,062
Land improvements		5,875		26,581	36,046
Infrastructure assets		32,926,401		48,958,213	8,771,964
Buildings		16,505,176		13,193,232	69,270
Equipment		6,603,942		13,586,632	685,860
Less: Accumulated depreciation		(32,456,143)		(43,061,235)	(1,604,613)
Total capital assets (net of accumulated depreciation)		27,247,902		33,165,171	9,310,689
Total noncurrent assets		27,247,902		33,165,171	9,310,689
Total assets		34,806,205		45,657,971	10,977,054
Deferred outflows of resources:					
Deferred charge on refunding		21,830		58,047	-
Pension related		557,742		637,304	120,278
Total deferred outflows of resources		579,572		695,351	120,278
Liabilities					
Current liabilities:					
Accounts payable		80,118		272,890	7,632
Accrued wages and benefits		83,122		99,196	17,639
Other accrued liabilities		-		-	-
Accrued interest payable		9,076		16,617	-
Due to other funds		14,623		5,720	5,852
Due to other governments		1,813		-	-
Due to individuals		868,860		-	-
General obligation bonds payable		380,652		435,000	-
Unearned revenue		148,510		-	-
Compensated absences (short term portion)		103,858		114,245	19,533
Total current liabilities		1,690,632		943,668	50,656
Long-term liabilities:					
General obligation bonds payable		2,960,821		5,272,134	-
Compensated absences		142,566		110,692	30,050
Net pension liability		1,383,145		1,580,451	298,278
Total long-term liabilities		4,486,532		6,963,277	328,328
Total liabilities		6,177,164		7,906,945	378,984
Deferred inflows of resources:					
Pension related		10,467		11,960	2,258
Total deferred inflows of resources:		10,467		11,960	2,258
Net position					
Net investment in capital assets		24,018,318		27,571,562	9,310,689
Unrestricted		5,179,828		10,862,855	1,405,401
Total net position	\$	29,198,146	\$	38,434,417	\$ 10,716,090

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
\$ 339,607	\$ 259,482	\$ 19,144,368	\$ 7,462,053
110,299	-	2,583,777	321,527
-	-	148,510	-
-	-	-	129,725
-	112,754	112,754	-
-	-	49,143	-
-	-	501,058	268,030
449,906	372,236	22,539,610	8,181,335
-	68,450	3,678,785	-
382,600	1,524,356	3,773,182	195,750
8,500	666,367	743,369	-
12,300	1,603,996	92,272,874	-
74,652	3,196,299	33,038,629	521,872
-	4,119,186	24,995,620	12,535,527
(62,404)	(4,538,743)	(81,723,138)	(10,260,154)
415,648	6,639,911	76,779,321	2,992,995
415,648	6,639,911	76,779,321	2,992,995
865,554	7,012,147	99,318,931	11,174,330
-	12,100	91,977	-
12,283	126,933	1,454,540	105,561
12,283	139,033	1,546,517	105,561
264,131	91,965	716,736	1,334,049
-	15,330	215,287	13,687
-	5,430	5,430	-
-	3,100	28,793	-
-	654,502	680,697	2,000,000
-	-	1,813	-
-	-	868,860	-
-	80,000	895,652	-
-	-	148,510	-
-	8,017	245,653	21,543
264,131	858,344	3,807,431	3,369,279
-	971,650	9,204,605	-
-	9,489	292,797	43,688
30,462	314,781	3,607,117	261,778
30,462	1,295,920	13,104,519	305,466
294,593	2,154,264	16,911,950	3,674,745
231	2,382	27,298	1,981
231	2,382	27,298	1,981
415,648	5,600,361	66,916,578	2,992,995
167,365	(605,827)	17,009,622	4,610,170
\$ 583,013	\$ 4,994,534	\$ 83,926,200	\$ 7,603,165
Adjustment to reflect consolidation of internal service fund activities		2,543,532	
Total net position from above		83,926,200	
Net position of business-type activities		\$ 86,469,732	

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Business Type Activities - Enterprise Funds

	Water	Sewer	Storm Water
Operating revenues:			
Charges for services	\$ 9,008,266	\$ 11,545,416	\$ 1,958,152
Other operating revenue	130,719	7,063	1,334
Total operating revenues	9,138,985	11,552,479	1,959,486
Operating expenses:			
Personal services	2,557,133	2,877,309	607,671
Contractual services	2,667,228	2,551,082	200,514
Commodities	886,893	418,735	52,443
Depreciation	1,040,904	1,395,966	215,743
Other operating expenses	223,214	221,568	222,582
Total operating expenses	7,375,372	7,464,660	1,298,953
Operating income (loss)	1,763,613	4,087,819	660,533
Non-operating revenues (expenses):			
Interest revenue	74,438	120,865	30,831
Interest expense and fiscal charges	(115,326)	(246,744)	-
Operating grants	-	-	-
Intergovernmental	-	-	-
Income taxes	-	-	-
Total non-operating revenues (expenses)	(40,888)	(125,879)	30,831
Income (loss) before contributions and transfers	1,722,725	3,961,940	691,364
Capital contributions	73,764	448,642	228,285
Transfers-in	-	-	-
Transfers-out	(36,823)	(36,824)	-
Change in net position	1,759,666	4,373,758	919,649
Total net position, beginning of year	27,438,480	34,060,659	9,796,441
Total net position, end of year	\$ 29,198,146	\$ 38,434,417	\$ 10,716,090

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
\$	3,183,112	\$ 396,831	\$ 26,091,777	\$ 8,297,196
	-	\$ 25,360	164,476	229,757
	3,183,112	422,191	26,256,253	8,526,953
	4,255	466,006	6,512,374	503,312
	3,065,028	1,233,554	9,717,406	5,480,721
	-	12,734	1,370,805	762,672
	2,357	644,033	3,299,003	677,984
	3,498	13,682	684,544	24,863
	3,075,138	2,370,009	21,584,132	7,449,552
	107,974	(1,947,818)	4,672,121	1,077,401
	-	-	226,134	92,132
	-	(51,516)	(413,586)	-
	-	1,051,839	1,051,839	-
	-	111,506	111,506	-
	-	175,000	175,000	-
	-	1,286,829	1,150,893	92,132
	107,974	(660,989)	5,823,014	1,169,533
	-	-	750,691	-
	-	75,000	75,000	-
	-	-	(73,647)	-
	107,974	(585,989)	6,575,058	1,169,533
	475,039	5,580,523	77,351,142	6,433,632
\$	583,013	\$ 4,994,534	\$ 83,926,200	\$ 7,603,165

Adjustment to reflect consolidation of Internal Service

Fund Activities	\$	233,907
Changes in net position of enterprise funds		6,575,058
Changes in net position of business-type activities	\$	6,808,965

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2017**

	Business Type Activities - Enterprise Funds						Governmental Activities -
	Water	Sewer	Storm Water	Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds
Cash flows from operating activities:							
Cash received from customers	\$ 8,963,086	\$ 11,343,880	\$ 1,962,981	\$ 3,233,912	\$ 407,219	\$ 25,911,078	\$ -
Cash payments to suppliers for goods and services	(3,705,432)	(3,076,647)	(345,028)	(3,073,539)	(1,066,065)	(11,266,711)	(6,122,641)
Cash payments to employees for services	(1,889,016)	(2,172,340)	(551,693)	-	(422,146)	(5,035,195)	(480,021)
Miscellaneous revenues	130,718	14,083	-	-	14,972	159,773	-
Cash received from interfund services provided	-	-	-	-	-	-	8,313,204
Cash payments for interfund services used	(539,936)	(545,942)	(144,565)	-	(196,547)	(1,426,990)	(66,291)
Net cash provided (used) by operating activities	2,959,420	5,563,034	921,695	160,373	(1,262,567)	8,341,955	1,644,251
Cash flows from non-capital financing activities:							
Operating grants	-	-	-	-	1,226,313	1,226,313	-
Interfund loan receipts/(payments)	-	-	-	-	641,448	641,448	-
Transfers-in from other funds	-	-	-	-	75,000	75,000	-
Transfers-out to other funds	(36,823)	(36,824)	-	-	-	(73,647)	-
Income taxes received	-	-	-	-	175,000	175,000	-
Net cash provided (used) by non-capital financing activities	(36,823)	(36,824)	-	-	2,117,761	2,044,114	-
Cash flows from capital and related financing activities:							
Proceeds from issuance of bonds	-	4,045,000	-	-	870,000	4,915,000	-
Premium from issuance of bonds	-	479,087	-	-	101,650	580,737	-
Sale of capital assets	1,453	1,453	-	-	-	2,906	71,265
Purchase of capital assets	(2,972,946)	(2,291,290)	(1,868,094)	-	(1,078,694)	(8,211,024)	(1,018,407)
Interest expense and fiscal charges	(121,262)	(409,960)	-	-	(85,647)	(616,869)	-
Repayment of debt principal	(373,848)	(4,730,000)	-	-	(1,000,000)	(6,103,848)	-
Repayment of capital lease obligation	(39,766)	(39,766)	-	-	-	(79,532)	-
Net cash used by capital and related financing activities	(3,506,369)	(2,945,476)	(1,868,094)	-	(1,192,691)	(9,512,630)	(947,142)
Cash flows from investing activities:							
Interest income	74,438	120,865	30,831	-	-	226,134	92,132
Net cash provided by investing activities	74,438	120,865	30,831	-	-	226,134	92,132
Net change in cash and cash equivalents	(509,334)	2,701,599	(915,568)	160,373	(337,497)	1,099,573	789,241
Cash and pooled investments, beginning of year	6,692,892	8,199,472	2,376,218	179,234	596,979	18,044,795	6,672,812
Cash and pooled investments, end of year	\$ 6,183,558	\$ 10,901,071	\$ 1,460,650	\$ 339,607	\$ 259,482	\$ 19,144,368	\$ 7,462,053

continued

**CITY OF MIDDLETOWN, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2017**

Business Type Activities - Enterprise Funds							Governmental Activities -
	Water	Sewer	Storm Water	Solid Waste Disposal	Non Major Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 1,763,613	\$ 4,087,819	\$ 660,533	\$ 107,974	\$ (1,947,818)	\$ 4,672,121	\$ 1,077,401
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	1,040,904	1,395,966	215,743	2,357	644,033	3,299,003	677,984
Changes in assets and liabilities:							
Decrease (increase) in accounts receivable (net)	(92,032)	(200,083)	3,495	50,801	-	(237,819)	(71,550)
Decrease (increase) in special assessment receivable (net)	-	7,020	-	-	-	7,020	-
Decrease (increase) in inventory of supplies	52,577	(49,180)	-	-	-	3,397	(27,213)
Decrease (increase) in due from other funds	-	-	-	-	-	-	(70,934)
Decrease (increase) in deferred outflows of resources - pension related	(154,212)	(176,210)	(33,256)	(3,396)	(35,096)	(402,170)	(29,187)
Increase (decrease) in accounts payable	(84,683)	77,639	(17,568)	(5,014)	(4,148)	(33,774)	35,272
Increase (decrease) in accrued wages and benefits	8,635	9,179	1,579	-	(1,296)	18,097	1,268
Increase (decrease) in due to other funds	11,634	218	3,514	-	3,862	19,228	-
Increase (decrease) in compensated absences payable	17,208	13,727	12,741	-	(1,163)	42,513	(14,536)
Increase (decrease) in due to other governments	86	-	-	-	-	86	-
Increase (decrease) in due to individuals	48,305	-	-	-	-	48,305	-
Increase (decrease) in net pension liability	360,821	412,292	77,812	7,947	82,117	940,989	68,289
Increase (decrease) in deferred inflows of resources - pension related	(13,436)	(15,353)	(2,898)	(296)	(3,058)	(35,041)	(2,543)
Total adjustments	1,195,807	1,475,215	261,162	52,399	685,251	3,669,834	566,850
Net cash provided (used) by operating activities	\$ 2,959,420	\$ 5,563,034	\$ 921,695	\$ 160,373	\$ (1,262,567)	\$ 8,341,955	\$ 1,644,251
Noncash investing, capital and financing activities:							
Capital contribution of assets from developers	\$ 73,764	\$ 448,642	\$ 228,285	\$ -	\$ -	\$ 750,691	\$ -

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, 2017

	Total Agency Funds
<hr/>	
Assets:	
Cash and equity in pooled cash, deposits and investments	\$ 211,712
Cash with fiscal and escrow agent	380,782
Total assets	\$ 592,494
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Liabilities:	
Due to other governments	\$ 331,098
Due to individuals	207,432
Unapportioned monies	53,964
Total liabilities	\$ 592,494
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The notes to the financial statements are an integral part of this statement.

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017**

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, 2017

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, 2017

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 outflow and inflows and all liabilities associated with the operation of these funds are included on the balance sheet.

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

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

Fiduciary Funds. The City's only fiduciary funds are agency funds, which consist of Payroll Clearing, Municipal Court and Joint Economic Development District I (JEDD), are custodial in

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 has adopted GASB Statement No. 79, Certain External Investment Pools and Pool Participants. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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 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.

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 acquisition 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 2017, interest costs incurred on construction projects were not material.

J. FUND BALANCES

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

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

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes

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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 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

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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
Governmental Funds:		
General Fund	\$0	\$438,668
Non Major Governmental Funds	\$437,315	\$0
Enterprise Funds:		
Water Fund	\$0	\$36,823
Sewer Fund	\$0	\$36,824
Non Major Enterprise Funds	\$75,000	
TOTAL	\$512,315	\$512,315

A brief description of all transfers include:

- \$273,647 in 2017 for anticipated computer replacements, and
- \$155,668 to the Economic Development Bond Fund for debt payments.
- \$55,000 to the Airport Fund for airport operations and maintenance
- \$20,000 to the Transit Fund for Transit operations
- \$8,000 to the Conservancy Fund for property tax 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, 2017, the total liability of the City for compensated absences was \$5,621,713.

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.

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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 2017.

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 2017 increased the original 2017 Appropriation Resolution by \$3,530,049 for all budgeted funds. The majority of these supplemental appropriations are due to the following factors:

- \$574,786 for concrete repair, reconstruction and resurfacing of streets;
- \$379,105 for storm sewer improvements;
- \$222,300 for TIF payment reimbursements to the school district;
- \$137,466 for the creation of an Airport Master Plan and Airport Layout Plan;
- \$80,000 for overtime wages in Police & Fire Dispatch;
- \$57,730 payment for EZ agreements to schools.
- \$50,000 for various maintenance issues and repairs at Middletown Regional Airport;
- \$45,784 for the repair and coating of the city building roof; and
- \$47,450 for the purchase and installation of a pole barn at Lefferson Park;

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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 2017 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 2017, 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, 2016, 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, and the Community Development Escrow Fund.

Cash deposits and investments of the City as of December 31, 2017, are comprised of the following:

Deposits	
Petty Cash	\$5,625
Certificate of Deposit	\$7,004,080
Demand deposit accounts	<u>3,931,011</u>
Subtotal deposits	\$10,940,716
Investments	
Money Market Funds	\$8,183,652
U.S. Government and Agency	\$19,928,544
STAR Ohio	<u>\$5,629,281</u>
Subtotal investments	<u>\$33,741,477</u>
Total	<u><u>\$44,682,193</u></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."

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Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Although all statutory requirements for the deposit of money have been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

1. Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year-end, 58.3% (\$8,128,641) of the City's bank balance of \$13,943,491 was covered by Federal Deposit Insurance Corporation (FDIC) and the remaining was covered by pooled collateral.

The City's investments at December 31, 2017 are summarized as follows:

	<u>Fair Value</u>	<u>Average Maturity</u> <u>Years</u>
U.S. Government and Agency	\$19,928,544	2.52
Star Ohio	\$5,629,281	n/a
US Money Market Funds	<u>\$8,183,652</u>	n/a
	<u>\$33,741,477</u>	

Fair Value Measurement

The City's recurring fair value measurement of its investment in U.S. Government and Agency Notes was valued using pricing sources as provided by investment managers (Level 2 inputs). The City's investment in money market mutual and STAR Ohio funds are excluded from fair value measurement requirements under GASB Statement No. 72, and instead are reported at amortized cost.

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

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issuer that represent five percent or more of total investments. Investments issued by the U.S. government, and investments in external investment pools are excluded from this requirement.

Custodial Credit Risk

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

Interest Rate Risk

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

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

The City is responsible for compliance with various sections of the Ohio Revised Code. Contrary to the requirements of Section 5705.39, the City's appropriations were greater than estimated resources resulting in deficit budgetary fund balances in the Capital Improvement Fund (\$2,200,444).

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, 2017 (using the current financial resource measurement focus), the following funds had a deficit fund balance: Nuisance Abatement (\$343,471), Conservancy (\$117,211), Central Ave Sidewalk & Curb (\$90,509), Community Development (\$74,793), and HOME Program (\$35,644).

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 2017 taxes were collected was \$662,132,320. The full tax rate for all City operations for the fiscal year ended December 31, 2017, 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.

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Property taxes receivable represents real and public utility taxes and outstanding delinquencies that are measurable as of December 31, 2017. 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 2017 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 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, 2017 was as follows:

GOVERNMENTAL ACTIVITIES				
<i>Capital Asset</i>	<i>Beginning Balance</i>	<i>Increase</i>	<i>Decrease</i>	<i>Ending Balance</i>
Capital assets, not being depreciated:				
Land	\$14,066,974	\$497,186	\$0	\$14,564,160
Construction in progress	\$3,732,160	\$1,238,895	(\$3,004,514)	\$1,966,541
Total capital assets, not being depreciated	\$17,799,134	\$1,736,081	(\$3,004,514)	\$16,530,701
Capital assets, being depreciated:				
Land improvements	\$786,331	\$0	\$0	\$786,331
Buildings	\$29,411,929	\$176,731	\$0	\$29,588,660
Equipment	\$24,684,539	\$1,649,002	(\$613,371)	\$25,720,170
General infrastructure	\$195,736,141	\$5,634,948	\$0	\$201,371,089
Total capital assets, being depreciated	\$250,618,940	\$7,460,681	(\$613,371)	\$257,466,250
Totals at Historical Cost	\$268,418,074	\$9,196,762	(\$3,617,885)	\$273,996,951
Less accumulated depreciation:				
Land improvements	\$485,089	\$31,571	\$0	\$516,660
Buildings	\$18,571,258	\$856,592	\$0	\$19,427,850
Equipment	\$19,265,627	\$1,225,541	(\$542,106)	\$19,949,062
General infrastructure	\$150,717,474	\$5,106,647	\$0	\$155,824,121
Total depreciation	\$189,039,448	\$7,220,351	(\$542,106)	\$195,717,693
Capital Assets, Net	\$79,378,626	\$1,976,411	(\$3,075,779)	\$78,279,258

Depreciation was charged to governmental functions as follows:

Community environment	\$363,556
General Government	\$1,162,571
Leisure	\$200,851
Public health and welfare	\$16,215
Public safety	\$546,280
Streets and highways	\$4,930,878
Total	\$7,220,351

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<i>BUSINESS-TYPE ACTIVITIES</i>				
<i>Capital Asset</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	\$3,773,182	\$0	\$0	\$3,773,182
Construction in progress	\$6,196,904	\$3,084,464	(\$5,602,583)	\$3,678,785
Total capital assets, not being depreciated	\$9,970,086	\$3,084,464	(\$5,602,583)	\$7,451,967
Capital assets, being depreciated:				
Land improvements	\$707,323	\$36,046	\$0	\$743,369
Buildings	\$28,725,200	\$4,313,429	\$0	\$33,038,629
Equipment	\$25,243,177	\$1,104,500	(\$1,352,057)	\$24,995,620
General infrastructure	\$86,247,015	\$6,025,859	\$0	\$92,272,874
Total capital assets, being depreciated	<u>\$140,922,715</u>	<u>\$11,479,834</u>	<u>(\$1,352,057)</u>	<u>\$151,050,492</u>
Totals at Historical Cost	<u>\$150,892,801</u>	<u>\$14,564,298</u>	<u>(\$6,954,640)</u>	<u>\$158,502,459</u>
Less accumulated depreciation:				
Land improvements	\$368,532	\$37,592	\$0	\$406,124
Buildings	\$17,128,029	\$802,182	\$0	\$17,930,211
Equipment	\$18,578,791	\$775,426	(\$1,349,151)	\$18,005,065
General infrastructure	<u>\$43,697,934</u>	<u>\$1,683,803</u>	<u>\$0</u>	<u>\$45,381,737</u>
Total depreciation	\$79,773,286	\$3,299,003	(\$1,349,151)	\$81,723,138
Total capital assets, being depreciated, net	\$61,149,429	\$8,180,831	(\$2,906)	\$69,327,354
Capital Assets, Net	\$71,119,515	\$11,265,295	(\$5,605,489)	\$76,779,321

Depreciation was charged to Enterprise Funds as follows:

Water	\$1,040,904
Sewer	\$1,395,966
Storm	\$215,743
Solid Waste	\$2,357
Airport	\$200,923
Transit	\$443,110
Total	<u>\$3,299,003</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 City'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 *due to other governments* 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 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
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	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	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

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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
2017 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
2017 Actual Contribution Rates			
Employer:			
Pension	13.0%	17.1%	17.1%
Post-employment Health Care Benefits	1.0%	1.0%	1.0%
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

* 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.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,569,931 for 2017.

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

Plan Description - City'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.

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

	<u>Police</u>	<u>Firefighters</u>
2017 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2017 Actual Contribution Rates		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	<u>0.50%</u>	<u>0.50%</u>
Total Employer	<u>19.50%</u>	<u>24.00%</u>
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 \$2,188,619 for 2017.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2017, the specific liability of the City was \$1,577,155 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, 2016, 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, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 18,970,130	\$ 29,407,539	\$ 48,377,669
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0835383%	0.4642880%	
Prior Measurement Date	<u>0.0809491%</u>	<u>0.4672814%</u>	
Change in Proportionate Share	<u>0.0025892%</u>	<u>-0.0029934%</u>	
Pension Expense	\$ 4,219,333	\$ 3,106,781	\$ 7,326,114

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At December 31, 2017, 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	\$ 2,825,090	\$ 2,859,752	\$ 5,684,842
Changes in employer proportion and differences between contributions and proportionate share of contributions	219,926	-	219,926
Differences between expected and actual experience	25,713	8,319	34,032
Change in Assumptions	3,008,895	-	3,008,895
City contributions subsequent to the measurement date	1,569,931	2,188,619	3,758,550
Total Deferred Outflows of Resources	<u>\$ 7,649,555</u>	<u>\$ 5,056,690</u>	<u>\$ 12,706,245</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 112,901	\$ -	\$ 112,901
Changes in employer proportion and differences between contributions and proportionate share of contributions	30,655	2,830,637	\$ 2,861,292
	<u>\$ 143,556</u>	<u>\$ 2,830,637</u>	<u>\$ 2,974,193</u>

\$3,758,550 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, 2018. 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:			
2018	2,448,518	7,340	2,455,858
2019	2,535,753	7,340	2,543,093
2020	1,037,335	7,340	1,044,675
2021	(85,538)	7,340	(78,198)
2022	-	7,340	7,340
2023	-	734	734
Total	<u>\$ 5,936,068</u>	<u>\$ 37,434</u>	<u>\$ 5,973,502</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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments.

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically

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included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

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 for 2016 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%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other investments	18.00%	4.92%
Total	100.00%	5.66%

Discount Rate The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan. 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Entity's proportionate share of the net pension liability	\$ 28,981,107	\$ 18,970,130	\$ 10,627,743

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, 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 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, 2016, are presented below:

Valuation Date	January 1, 2016
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 averaged 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.

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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, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	0.00%
Domestic Equity	16.00%	5.21%
Non-US Equity	16.00%	5.40%
Core Fixed Income *	20.00%	2.37%
Global Inflation Protected *	20.00%	2.33%
High Yield	15.00%	4.48%
Real Estate	12.00%	5.65%
Private Markets	8.00%	7.99%
Real Assets	5.00%	6.87%
Master Limited Partnerships	8.00%	7.36%
 Total	 <u>120.00%</u>	

* levered 2X

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.

**CITY OF MIDDLETOWN
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	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Entity's proportionate share of the net pension liability	\$ 39,167,353	\$ 29,407,539	\$ 21,135,958

Changes Between Measurement Date and Report Date. In 2017, the OP&F Board of Trustees adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25% to 8.00%. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

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, 2017, 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 \$1,024,803.

Year	Beginning of Fiscal Year Liability	Current Year Claims & Changes In Estimate	Claims Payments	Balance At Fiscal Year End
2016	\$880,925	\$7,266,007	\$6,906,750	\$1,240,182
2017	\$1,240,182	\$5,031,916	\$5,247,295	\$1,024,803

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 10 - LONG TERM OBLIGATIONS

Long-term obligation of the City as of December 31, 2017 are as follows:

A. GOVERNMENTAL ACTIVITIES

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Principal Due Within One Year	Interest Paid in 2017
1997 Sophie Street Improvements	\$20,000	\$0	\$20,000	\$0	\$0	\$1,100
1997 Dix Road Improvements	\$15,000	\$0	\$15,000	\$0	\$0	\$840
1998 Lewis Street Improvements	\$10,000	\$0	\$5,000	\$5,000	\$5,000	\$538
1999 Marshall Road Improvements	\$100,000	\$0	\$30,000	\$70,000	\$35,000	\$5,425
2000 Burbank Street Improvements	\$60,000	\$0	\$15,000	\$45,000	\$15,000	\$4,020
2001 Illinois/Longfellow Improve.	\$75,969	\$0	\$13,566	\$62,403	\$13,566	\$4,406
2001 Dick's Creek	\$39,396	\$0	\$7,035	\$32,361	\$7,035	\$2,285
2001 Oxford State Rd Water Line	\$24,635	\$0	\$4,399	\$20,236	\$4,399	\$1,429
2001 Oxford State Rd Intersection	\$20,000	\$0	\$4,000	\$16,000	\$4,000	\$1,170
2004 Roosevelt Ave. Improvements	\$305,000	\$0	\$30,000	\$275,000	\$35,000	\$16,775
2006 Towne Blvd. Improvements	\$405,000	\$0	\$405,000	\$0	\$0	\$8,644
2017 Towne Blvd. Improvements	\$0	\$380,000	\$15,000	\$365,000	\$15,000	\$4,694
2007 Cincinnati Dayton Rd Sewer	\$94,000	\$0	\$8,000	\$86,000	\$8,000	\$4,465
2014 Lefferson Road	\$110,000	\$0	\$5,000	\$105,000	\$5,000	\$5,450
2014 S Main St Lighting	\$160,000	\$0	\$20,000	\$140,000	\$20,000	\$7,100
2014 S Main St Sidewalk, Curb & Gutter	\$80,000	\$0	\$25,000	\$55,000	\$25,000	\$2,575
Total Special Assessment Bonds	\$1,519,000	\$380,000	\$622,000	\$1,277,000	\$192,000	\$70,916

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
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	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Principal Due Within One Year	Interest Paid in 2017
<i>General Obligation Bonds:</i>						
2008 Downtown Improvements	\$2,312,071	\$0	\$741,152	\$1,570,919	\$769,348	\$108,845
2006 Towne Blvd/SR 122/I-75	\$440,000	\$0	\$440,000	\$0	\$0	\$9,298
2017 Towne Blvd/SR 122/I-75	\$0	\$425,000	\$40,000	\$385,000	\$45,000	\$5,041
2006 Towne Blvd. Extension	\$1,270,000	\$0	\$1,270,000	\$0	\$0	\$26,559
2017 Towne Blvd. Extension	\$0	\$1,255,000	\$205,000	\$1,050,000	\$190,000	\$24,313
SR 122/I-75 Interchange	\$4,750,000	\$0	\$4,150,000	\$600,000	\$295,000	\$100,611
2017 Refunding Bonds	\$0	\$3,770,000	\$0	\$3,770,000	\$0	\$60,422
2010 Downtown Parking Flat Lot	\$480,000	\$0	\$90,000	\$390,000	\$95,000	\$13,963
2010 Greentree Health Science Academy	\$4,225,000	\$0	\$230,000	\$3,995,000	\$235,000	\$240,418
2013 Court of Appeals	\$1,691,300	\$0	\$219,350	\$1,471,950	\$227,700	\$49,415
2013 MRH Land	\$2,363,700	\$0	\$315,650	\$2,048,050	\$322,300	\$71,110
2015 AK Steel Holding Corp Project	\$1,975,000	\$0	\$70,000	\$1,905,000	\$75,000	\$85,668
2015 Bender Tract	\$2,000,000	\$0	\$105,000	\$1,895,000	\$120,000	\$74,413
Premiums	\$182,382	\$583,630	\$38,955	\$727,057	\$0	\$0
Total General Obligation Bonds	\$21,689,453	\$6,033,630	\$7,915,107	\$19,807,976	\$2,374,348	\$870,074
Compensated Absences	\$4,834,724	\$2,067,975	\$1,819,436	\$5,083,263	\$1,915,570	
Police & Fire Pension						
Unfunded Accrued Liability	\$1,674,896	\$0	\$97,741	\$1,577,155	\$97,741	
Net Pension Liability:						
OPERS	\$11,355,269	\$4,007,744	\$0	\$15,363,013	\$0	
OP&F	\$30,060,543	\$0	\$653,004	\$29,407,539	\$0	
Total Net Pension Liability	\$41,415,812	\$4,007,744	\$653,004	\$44,770,552	\$0	
Total Governmental Activities	\$71,133,885	\$12,489,349	\$11,107,288	\$72,515,946	\$4,579,659	\$940,989

The governmental funds typically used to liquidate the liability for compensated absences and pension liabilities are the General Fund, Income Tax Fund, Auto & Gas Tax Fund, Community Development Fund, Municipal Court Fund, Probation Fund and Health Fund.

Disclosure on page 67 in Note 11

CITY OF MIDDLETOWN
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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 2017
<i>General Obligation Bonds:</i>						
2008 Water	\$557,927	\$0	\$178,848	\$379,079	\$185,652	\$21,868
2008 Airport	\$1,080,000	\$0	\$1,000,000	\$80,000	\$80,000	\$23,981
2017 Airport	\$0	\$870,000	\$0	\$870,000	\$0	\$11,107
2008 Sewer	\$5,055,000	\$0	\$4,675,000	\$380,000	\$380,000	\$112,175
2017 Sewer	\$0	\$4,045,000	\$0	\$4,045,000	\$0	\$51,864
2014 Wastewater Energy Improvements	\$815,000	\$0	\$55,000	\$760,000	\$55,000	\$27,050
2014 Water Energy Improvements	\$2,995,000	\$0	\$195,000	\$2,800,000	\$195,000	\$99,150
Premium	\$343,726	\$580,737	\$138,285	\$786,178	\$0	\$0
Total General Obligation Bonds Payable	\$10,846,653	\$5,495,737	\$6,242,133	\$10,100,257	\$895,652	\$347,195
Lease Obligation	\$79,532	\$0	\$79,532	\$0	\$0	\$488
Compensated Absences	\$495,937	\$279,294	\$236,781	\$538,450	\$245,653	\$0
Net Pension Liability - OPERS	\$2,666,128	\$940,989	\$0	\$3,607,117	\$0	\$0
Total Business Type Activities	\$14,088,250	\$6,716,020	\$6,558,446	\$14,245,824	\$1,141,305	\$347,683

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.

The City's legal debt margin was \$53,583,223 at December 31, 2017. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2017 are as follows:

GOVERNMENTAL ACTIVITIES			
Police and Fire Pension Debt Schedule 12/31/17			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	\$52,217	\$45,524	\$97,741
2023-2027	\$261,085	\$227,620	\$488,705
2028-2032	\$261,085	\$227,620	\$488,705
2033-2035	\$59,366	\$51,674	\$111,040
Total	\$842,621	\$734,534	\$1,577,155

CITY OF MIDDLETOWN
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GOVERNMENTAL ACTIVITIES						
General Obligation and Assessment Bonds Schedule 12/31/17						
	General Obligation Bonds			Special Assessment Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$2,374,348	\$771,865	\$3,146,213	\$192,000	\$64,725	\$256,725
2019	\$2,441,571	\$743,652	\$3,185,223	\$197,000	\$55,900	\$252,901
2020	\$1,700,000	\$633,804	\$2,333,804	\$133,000	\$45,164	\$183,164
2021	\$1,770,000	\$568,075	\$2,338,075	\$128,000	\$37,672	\$165,672
2022	\$1,705,000	\$507,762	\$2,212,762	\$90,000	\$30,958	\$120,958
2023-2027	\$5,330,000	\$1,694,759	\$7,024,759	\$482,000	\$59,833	\$541,833
2028-2032	\$3,330,000	\$512,328	\$3,842,328	\$35,000	\$11,550	\$46,550
2033-2035	\$430,000	\$43,750	\$473,750	\$20,000	\$1,575	\$21,575
Total	\$19,080,919	\$5,475,995	\$24,556,914	\$1,277,000	\$307,377	\$1,589,378

BUSINESS TYPE ACTIVITIES			
General Obligation Bonds Schedule - 12/31/17			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$895,652	\$345,508	\$1,241,160
2019	\$913,427	\$311,454	\$1,224,881
2020	\$760,000	\$280,400	\$1,040,400
2021	\$800,000	\$250,350	\$1,050,350
2022	\$810,000	\$231,600	\$1,041,600
2023-2027	\$4,430,000	\$743,300	\$5,173,300
2028-2029	\$705,000	\$42,600	\$747,600
Total	\$9,314,079	\$2,205,211	\$11,519,290

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.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017, the amount of defeased debt outstanding amounted to \$2,015,000.

Refunded Debt - On August 2, 2017, the City issued general obligation bonds of \$10,745,000 (par value) with varying coupon rates of 2.00% - 5.00% to advance refund previously issued bonds outstanding with a par value of \$11,205,000. The refunded bonds had varying coupon rates of 4.00% – 5.00%. The advance refunded bonds were scheduled to mature on various dates through December 1, 2029, and are callable on December 1, 2019.

The general obligation bonds were issued at a premium of \$1,164,367, and after paying issuance costs of \$204,078, the net proceeds of \$11,702,403 were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on December 1, 2019. The refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the City's government-wide financial statements. As a result of the refunding, the City reduced its total debt service requirements by \$1,003,644 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$902,872.

NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES

The City's inter-fund receivables and payables at the end of 2017 were comprised of operating advances from the General Fund to other operating funds (\$4,615,460) and payments to the Municipal Garage Fund by the City operating funds for December 2017 services (\$129,725). Inter-fund balances as of December 31, 2017 are as follows:

Fund	Receivables	Payables
Governmental Funds:		
General Fund	\$4,615,460	\$63,940
Capital Improvements Fund	\$0	\$1,383,500
Non major government funds	\$0	\$617,048
Total governmental funds	\$4,615,460	\$2,064,488
Enterprise Funds:		
Water	\$0	\$14,623
Sewer	\$0	\$5,720
Storm Water	\$0	\$5,852
Non major business type activities	\$0	\$654,502
Total enterprise funds	\$0	\$680,697
Internal Service Funds		
Internal service funds	\$129,725	\$2,000,000
Total internal service funds	\$129,725	\$2,000,000
Total all funds	\$4,745,185	\$4,745,185

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017, to December 31, 2017, 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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

A. Plan Description

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care 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.

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, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 2017, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 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 payroll deposited to the VEBA for participants in the Member-Directed Plan for 2017 was 4.0%.

C. City Contributions

The City's actual contributions that were used to fund postemployment benefits were \$106,137, \$231,052 and \$220,647 for 2017, 2016 and 2015, respectively. The full amount has been contributed for 2017, 2016 and 2015.

OHIO POLICE AND FIRE PENSION FUND

A. Plan Description

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

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

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

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 healthcare was 0.5% of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

C. City Contributions

The City's actual contributions that were used to pay postemployment benefits were \$52,222, \$48,194 and \$59,155 for 2017, 2016 and 2015, respectively. The full amount has been contributed for 2017, 2016 and 2015.

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

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2016, 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 to generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016 and 2015:

<u>Casualty & Property Coverage</u>	<u>2015</u>	<u>2016</u>
Assets	\$38,307,677	\$42,182,281
Liabilities	<u>(\$12,759,127)</u>	<u>(\$13,396,700)</u>
Net position - Unrestricted	<u>\$25,548,550</u>	<u>\$28,785,581</u>

At December 31, 2016 and 2015, the liabilities above included incurred claims payable. The assets above also include unpaid claims to be billed to approximately 520 member governments in the future, as of December 31, 2016 and 2015, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. At December 31, 2016, the city's share of these unpaid claims collectible in future years is approximately \$646,150.

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

Contributions to PEP

2013	\$603,544
2014	\$594,402
2015	\$596,896
2016	\$619,043
2017	\$618,127

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.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 16 - SIGNIFICANT CONTRACTUAL & ENCUMBRANCE COMMITMENTS

A. Contractual Commitments

As of December 31, 2017, 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
Kelchner Inc.	Yankee Rd Phase 3 (Oxford St. - Lafayette)	\$2,052,948
Milcon Concrete Inc.	Oxford St. Rd. improvements	\$1,318,236
Rack & Ballauer Excavating	Central Avenue improvements	\$1,176,584
Woolpert Inc.	Airport Master Plan/ALP Update	\$379,387
CMI	Purchase of Public Safety Software	\$376,490
Lebanon Ford Inc.	Purchase of 9 Police cruisers	\$252,195
Ford Development Corporation	University Blvd Storm Sewer Improvements Phase II	\$230,484
Building Crafts Inc.	Purchase and install influent valves at WWTP	\$189,845
Municipal & Contractor's Sealing Product, Inc.	Sewer manhole lining	\$150,000
City of Dayton	Calcium Quicklime for WTP	\$140,390
Rumpke Container Service Inc.	Refuse Collection Services	\$112,221
Butler County T.I.D.	Yankee Road/Salzman Road Extension Project	\$100,159
Total		\$6,478,938

B. Encumbrance Commitments

At December 31, 2017, the City had encumbrance commitments of \$884,534 in the General Fund, \$3,419,190 in the Capital Improvements Fund and \$1,712,935 for all other Governmental Funds.

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.

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 18 – LOAN RECEIVABLE

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

NOTE 19 – CONDUIT DEBT

The City of Middletown authorized the issuance of \$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, 2017 is \$168,240,000 hospital facilities revenue bonds issued on behalf of Atrium Medical Center.

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.

CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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:

Fund Balances	General Fund	Special Assessment Debt Service Fund	Capital Improvements Fund	Non-major Governmental Funds	Total Governmental Funds
Nonspendable					
Inventory of supplies	\$ 38,038.00	\$ -	\$ -	\$ 492,210.00	\$ 530,248.00
Interfund loans	4,615,460				4,615,460
Total Nonspendable	4,653,498	-	-	492,210	5,145,708
Restricted for					
Capital improvements			453,751	122,062	575,813
Debt service		464,401		30,452	494,853
Purposes allowed by				-	-
TIF agreement				1,093,752	1,093,752
Housing assistance				400,512	400,512
Community Development				2,335,119	2,335,119
Public health				149,159	149,159
Public safety				2,321,542	2,321,542
Roads				1,501,240	1,501,240
Total Restricted	-	464,401	453,751	7,953,838	8,871,990
Committed					
Capital improvements				880,623	880,623
Debt service				25,116	25,116
Recreation				151,947	151,947
Purchase of capital assets				1,685,371	1,685,371
Total Committed	-	-	-	2,743,057	2,743,057
Assigned					
Purchase commitments	608,000			-	608,000
Next Year's Budget	1,340,356				1,340,356
Total Assigned	1,948,356	-	-	-	1,948,356
Unassigned (deficit)	6,729,788		-	(661,628)	6,068,160
Total Fund Balances	\$ 13,331,642	\$ 464,401	\$ 453,751	\$ 10,527,477	\$ 24,777,271

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 22 – TAX ABATEMENTS

As of December 31, 2017, 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 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 affect 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 2017. The City abated property taxes totaling \$603,294 under the Enterprise Zone Agreement program during 2017, including the following tax abatement agreements that each exceeded 10% of the total amount abated:

**CITY OF MIDDLETOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

- 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 \$396,682.
- A 75% property tax abatement to a developer to construct a 50,000 square foot LEED certified office building. The abatement amounted to \$78,466.
- A 75% property tax abatement to a packaging company for an expansion of their facility and increasing employment. The abatement amounted to \$66,090.

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 2,579,431	\$ 2,579,431	\$ 2,450,335	\$ (129,096)
Municipal income taxes	16,400,694	18,682,694	17,950,694	(732,000)
Intergovernmental revenue	2,007,963	2,007,963	1,849,784	(158,179)
Charges for services	4,569,722	4,569,722	4,453,777	(115,945)
Fees, licenses, and permits	505,000	505,000	387,095	(117,905)
Fines and forfeits	9,701	9,701	7,478	(2,223)
Interest earnings	56,669	56,669	72,145	15,476
2017 SC&G	-	-	6,647	6,647
Auction Proceeds	55,000	55,000	51,695	(3,305)
Contributions (Misc)	-	-	28,942	28,942
Rentals & Leases (Misc)	59,415	59,415	76,226	16,811
Misc Rev (Misc)	643,467	643,467	449,013	(194,454)
Reimbursements (Misc)	315,120	315,120	515,295	200,175
Miscellaneous	1,073,002	1,073,002	1,121,171	48,169
Total revenues	27,202,182	29,484,182	28,299,126	(1,191,703)
Expenditures:				
Current				
Community Environment				
Community revitalization administration				
Personal services	107,473	107,473	105,952	1,521
Other	12,000	12,000	11,795	205
Community development				
Personal services	501,348	475,138	430,880	44,258
Street lighting				
Other	745,641	689,820	673,085	16,735
Total community environment	1,366,462	1,284,431	1,221,712	62,719
Leisure Time Activities				
Community center				
Other	145,000	125,000	122,354	2,646
Recreation				
Other	25,000	36,721	35,869	852
Parks maintenance				
Personal services	488,937	478,937	459,630	19,307
Other	335,221	369,451	313,514	55,937
Total leisure time activities	994,158	1,010,109	931,367	78,742

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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Public Safety				
Public safety administration				
Personal services	149,421	11,636	10,827	809
Other	5,360	500	228	272
Fire administration				
Personal services	341,994	336,994	327,054	9,940
Other	9,896	9,896	8,302	1,594
Fire operations				
Personal services	6,370,795	6,210,795	6,046,826	163,969
Other	1,178,684	1,180,717	1,141,179	39,538
Fire prevention/training				
Personal services	223,971	228,971	227,902	1,069
Other	7,866	7,928	7,312	616
Police administration				
Personal services	429,056	406,056	386,815	19,241
Other	96,750	100,250	73,327	26,923
Criminal investigation				
Personal services	1,931,614	1,940,614	1,834,324	106,290
Other	20,000	20,250	20,019	231
Uniform patrol				
Personal services	4,493,668	4,475,628	4,441,010	34,618
Other	1,075,918	889,835	877,529	12,306
Police services				
Personal services	290,407	299,407	294,571	4,836
Other	8,450	8,450	8,261	189
Police and fire dispatch				
Personal services	1,158,429	1,238,429	1,189,641	48,788
Other	70,500	70,500	69,415	1,085
Jail management				
Personal services	850,879	883,879	869,486	14,393
Other	307,238	332,130	314,101	18,029
Building inspection and services				
Personal services	421,020	365,005	331,755	33,250
Other	95,607	70,127	69,885	242
Building maintenance				
Personal services	229,277	225,277	213,909	11,368
Other	283,465	362,004	361,546	458
Total public safety	20,050,265	19,675,278	19,125,224	550,054

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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
General Government				
City council				
Personal services	112,494	112,494	110,076	2,418
Other	34,050	52,435	51,651	784
City manager				
Personal services	290,262	290,262	276,247	14,015
Other	103,047	83,047	80,358	2,689
Finance administration				
Personal services	203,253	203,253	197,587	5,666
Other	36,512	37,512	34,758	2,754
Treasury				
Personal services	199,053	190,253	182,878	7,375
Other	8,080	8,080	7,622	458
Information systems				
Personal services	591,134	591,134	582,255	8,879
Other	95,900	101,954	68,018	33,936
Personnel				
Personal services	171,888	152,121	135,281	16,840
Other	146,200	171,290	139,790	31,500
Law				
Personal services	507,291	488,390	466,151	22,239
Other	58,200	111,936	111,849	87
Purchasing				
Personal services	50,849	50,849	45,803	5,046
Other	2,775	3,413	2,825	588
Planning				
Personal services	153,217	153,217	147,216	6,001
Other	140,900	219,045	218,997	48
Economic development				
Personal services	418,557	413,557	403,174	10,383
Other	109,390	125,027	122,971	2,056
Communications				
Personal services	55,099	55,099	47,432	7,667
Other	6,210	6,210	6,029	181
Engineering				
Personal services	342,888	342,888	334,777	8,111
Other	93,266	669,672	636,235	33,437
Total general government	3,930,515	4,633,138	4,409,980	223,158

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Miscellaneous				
Non-departmental				
Personal services	32,500	32,500	30,780	1,720
Other	1,583,744	1,881,395	1,876,942	4,453
Total miscellaneous	1,616,244	1,913,895	1,907,722	6,173
 Total expenditures	 27,957,644	 28,516,851	 27,596,005	 920,846
 Excess of revenues over (under) expenditures	 (755,462)	 967,331	 703,121	 (270,857)
 Other financing sources (uses)				
Transfers-In	120,000	145,000	593,000	448,000
Advances Out	350,000	(641,448)	(480,289)	161,159
Transfers-out	(355,668)	(886,668)	(886,668)	-
Total other financing sources (uses)	114,332	(1,383,116)	(773,957)	609,159
 Net change in fund balance	 (641,130)	 (415,785)	 (70,836)	 338,302
 Fund balance, beginning of year	 4,309,955	 4,309,955	 4,309,955	 -
 Appropriation for prior year encumbrances	 806,689	 806,689	 806,689	 -
 Fund balance, end of the year	 \$ 4,475,514	 \$ 4,700,859	 \$ 5,045,808	 \$ 338,302

See notes to the required supplementary informaton.

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 Four Years *

	2017	2016	2015	2014
Entity's Proportion of the Net Pension Liability	0.08353830%	0.0809491%	0.08166428%	0.08166428%
Entity's Proportionate Share of the Net Pension Liability	\$ 18,970,130	\$14,021,397	\$ 9,849,625	\$ 9,627,155
Entity's Covered Payroll	\$ 11,644,126	\$11,036,783	\$ 10,884,143	\$ 11,843,740
Entity's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	162.92%	127.04%	90.50%	81.28%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	77.25%	81.08%	86.45%	86.36%

* Information prior to 2014 is not available.

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

Note- In 2016, OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0% down to 7.5%, for the defined benefit investments.

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 Four Years *

	2017	2016	2015	2014
Entity's Proportion of the Net Pension Liability	0.46428800%	0.46728149%	0.54326535%	0.54326535%
Entity's Proportionate Share of the Net Pension Liability	\$ 29,407,539	\$ 30,060,543	\$ 28,143,411	\$ 26,458,727
Entity's Covered Payroll	\$ 9,631,388	\$ 9,724,488	\$ 10,647,153	\$ 11,049,711
Entity's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	305.33%	309.12%	264.33%	239.45%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	68.36%	66.77%	72.20%	73.00%

* Information prior to 2014 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 Five Years *

	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 1,569,931	\$ 1,413,090	\$ 1,545,150	\$ 1,205,425	\$ 1,658,124
Contributions in Relation to the Contractually Required Contribution	(1,569,931)	(1,413,090)	(1,545,150)	(1,205,425)	(1,658,124)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Entity Covered Payroll	\$ 12,122,858	\$ 11,644,126	\$ 11,036,783	\$ 10,884,143	\$ 11,843,740
Contributions as a Percentage of Covered Payroll	12.95%	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

	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 2,188,619	\$ 2,019,817	\$ 2,108,003	\$ 2,273,530	\$ 2,750,824
Contributions in Relation to the Contractually Required Contribution	(2,188,619)	(2,019,817)	(2,108,003)	(2,273,530)	(2,750,824)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Entity Covered Payroll	\$ 10,409,924	\$ 9,631,388	\$ 9,724,488	\$ 10,647,153	\$ 11,049,711
Contributions as a Percentage of Covered Payroll	21.02%	20.97%	21.68%	21.35%	24.89%
	2012	2011	2010	2009	2008
Contractually Required Contribution	\$ 2,446,776	\$ 2,403,989	\$ 2,332,959	\$ 2,298,244	\$ 2,246,576
Contributions in Relation to the Contractually Required Contribution	(2,446,776)	(2,403,989)	(2,332,959)	(2,298,244)	(2,246,576)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Entity Covered Payroll	\$ 10,869,951	\$ 11,108,040	\$ 10,858,318	\$ 10,590,805	\$ 10,211,400
Contributions as a Percentage of Covered Payroll	22.51%	21.64%	21.49%	21.70%	22.00%

CITY OF MIDDLETOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

NOTE 1 - BUDGETARY ACCOUNTING

The Schedule of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual (Non-GAAP Basis) for the General 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 are as follows:

EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	
	General Fund
GAAP basis (as reported)	\$2,877,443
Adjustments: revenue and other sources	(2,403,718)
Expenditures and other uses	878,336
Advances Out	(\$480,289)
Encumbrances	(\$942,608)
Budget basis	(\$70,836)

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2017**

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 *No adopted budget for 2017

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 MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2017**

Non Major Special Revenue Funds continued:

ENFORCEMENT/EDUCATION FUND

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

CIVIC DEVELOPMENT FUND

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

MUNICIPAL COURT FUND

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

POLICE GRANT FUND

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

COURT 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.

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 MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2017**

Non Major Special Revenue Funds continued:

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.

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 *No adopted budget for 2017

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

HOUSING ASSISTANCE FUND *No adopted budget for 2017

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 MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2017**

Non Major Debt Service Funds continued:

EAST END/TOWNE BOULEVARD TAX INCREMENT FINANCING DISTRICT FUND

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

DOWNTOWN TAX INCREMENT FINANCING DISTRICT FUND

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

AERONCA TAX INCREMENT FINANCING DISTRICT FUND

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

AIRPORT/RIVERFRONT TAX INCREMENT FINANCING DISTRICT FUND

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

MILLER ROAD NORTH TAX INCREMENT FINANCING DISTRICT FUND

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

TOWNE MALL/HOSPITAL TAX INCREMENT FINANCING DISTRICT FUND

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

RENAISSANCE NORTH TAX INCREMENT FINANCING DISTRICT FUND

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

RENAISSANCE SOUTH TAX INCREMENT FINANCING DISTRICT FUND

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

MANCHESTER ROAD TAX INCREMENT FINANCING DISTRICT FUND *No adopted budget for 2017

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.

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2017**

Non Major Debt Service Funds continued:

MADE INDUSTRIAL PARK TAX INCREMENT FINANCING DISTRICT FUND

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

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 *No adopted budget for 2017

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 *No adopted budget for 2017

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 *No adopted budget for 2017

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.

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2017**

Non Major Capital Project Funds continued:

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, 2017**

	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	\$ 5,418,993	\$ 1,118,868	\$ 2,715,036	\$ 9,252,897
Receivables (net of allowance for uncollectibles):				
Property taxes	1,158,409	-	-	1,158,409
Accounts	343,370	-	11,359	354,729
Loans	1,059,373	-	-	1,059,373
Interest	150,512	-	-	150,512
Special assessments	240,000	-	-	240,000
Payment in lieu of taxes	-	564,058	-	564,058
Due from other governments	1,174,928	8,103	-	1,183,031
Inventory of supplies	570,797	-	-	570,797
Total assets	\$ 10,116,382	\$ 1,691,029	\$ 2,726,395	\$ 14,533,806
Liabilities:				
Accounts payable	\$ 139,278	\$ -	\$ 7,884	\$ 147,162
Accrued wages and benefits	120,360	-	-	120,360
Other accrued liabilities	37,082	-	-	37,082
Due to other funds	526,536	-	90,512	617,048
Due to other governments	123,349	-	-	123,349
Total liabilities	946,605	-	98,396	1,045,001
Deferred inflows:				
Revenues levied for the next year and unavailable revenue	2,389,167	572,161	-	2,961,328
Total deferred inflows	2,389,167	572,161	-	2,961,328
Fund balances:				
Nonspendable	492,210	-	-	492,210
Restricted	6,707,572	1,093,752	152,514	7,953,838
Committed	151,947	25,116	2,565,994	2,743,057
Unassigned	(571,119)	-	(90,509)	(661,628)
Total fund balances	6,780,610	1,118,868	2,627,999	10,527,477
Total liabilities, deferred inflows and fund balances	\$ 10,116,382	\$ 1,691,029	\$ 2,726,395	\$ 14,533,806

CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Non Major Special Revenue Funds	Non Major Debt Service Funds	Non Major Capital Project Funds	Total Non Major Governmental Funds
Revenues:				
Property taxes	\$ 1,016,174	\$ -	\$ -	\$ 1,016,174
Municipal income taxes	3,179,612	1,356,000	8,000	4,543,612
Payment in lieu of taxes	-	1,474,694	-	1,474,694
Intergovernmental revenues	3,231,286	470,418	163,259	3,864,963
Charges for services	262,960	-	-	262,960
Fines and forfeits	1,652,184	-	-	1,652,184
Special assessments	213,175	-	82,955	296,130
Investment income	22,186	-	27,179	49,365
Miscellaneous	504,184	269,553	75,482	849,219
Total revenues	10,081,761	3,570,665	356,875	14,009,301
Expenditures:				
Current				
Public safety	4,815,650	-	-	4,815,650
Public health and welfare	439,921	-	-	439,921
Community environment	1,771,359	-	291,479	2,062,838
Highways and streets	2,147,565	-	-	2,147,565
General government	-	-	237,698	237,698
Miscellaneous	519,893	852,947	-	1,372,840
Debt service				
Principal retirement	-	2,121,152	180,000	2,301,152
Interest and fiscal charges	-	815,311	160,080	975,391
Total expenditures	9,694,388	3,789,410	869,257	14,353,055
Excess of revenues over (under) expenditures	387,373	(218,745)	(512,382)	(343,754)
Other financing sources (uses):				
Transfers-in	8,000	-	429,315	437,315
Proceeds of bonds	-	5,450,000	-	5,450,000
Premium on bonds	-	544,386	-	544,386
Payment to refunded bond escrow agent	-	(5,890,176)	-	(5,890,176)
Total other financing sources (uses)	8,000	104,210	429,315	541,525
Net change in fund balances	395,373	(114,535)	(83,067)	197,771
Fund balance, beginning of year	6,385,237	1,233,403	2,711,066	10,329,706
Fund balance, end of the year	\$ 6,780,610	\$ 1,118,868	\$ 2,627,999	\$ 10,527,477

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2017**

	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	\$ 1,283,802	\$ 151,947	\$ 206,208	\$ 30,975	\$ 111,093	\$ 109,935
Receivables (net of allowance for uncollectibles):						
Property taxes	-	-	-	-	-	-
Accounts	169,671	-	-	-	-	4,209
Interest	-	-	-	-	-	-
Loans	-	-	-	-	1,333	-
Special assessments	-	-	-	-	-	-
Due from other governments	1,086,827	-	-	-	-	-
Inventory of supplies	492,210	-	-	-	-	-
Total assets	\$ 3,032,510	\$ 151,947	\$ 206,208	\$ 30,975	\$ 112,426	\$ 114,144
Liabilities:						
Accounts payable	\$ 46,630	\$ -	\$ 3,353	\$ -	\$ -	\$ 31,763
Accrued wages and benefits	41,490	-	16,430	-	-	-
Other accrued liabilities	-	-	37,082	-	-	-
Due to other funds	25,100	-	184	-	-	-
Due to other governments	-	-	-	-	-	-
Total liabilities	113,220	-	57,049	-	-	31,763
Deferred inflows:						
Revenues levied for the next year and unavailable revenue	925,840	-	-	-	-	-
Total deferred inflows	925,840	-	-	-	-	-
Fund balances:						
Nonspendable	492,210	-	-	-	-	-
Restricted	1,501,240	-	149,159	30,975	112,426	82,381
Committed	-	151,947	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	1,993,450	151,947	149,159	30,975	112,426	82,381
Total liabilities, deferred inflows and fund balances	\$ 3,032,510	\$ 151,947	\$ 206,208	\$ 30,975	\$ 112,426	\$ 114,144

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2017**

	Court Special Projects	Home Program	Community Develop- ment	Community Development Escrow	Police Pension
Assets:					
Cash and equity in pooled cash, deposits and investments	\$ 433,481	\$ 19,618	\$ 34,831	\$ 652,422	\$ 441,873
Receivables (net of allowance for uncollectibles):					
Property taxes	-	-	-	-	203,675
Accounts	8,496	-	-	352	-
Interest	-	-	-	-	-
Loans	-	-	-	808,040	-
Special assessments	-	-	-	-	-
Due from other governments	-	5,738	17,445	-	11,375
Inventory of supplies	-	-	-	-	-
Total assets	\$ 441,977	\$ 25,356	\$ 52,276	\$ 1,460,814	\$ 656,923
Liabilities:					
Accounts payable	\$ 462	\$ 11,000	\$ 27,069	\$ -	\$ -
Accrued wages and benefits	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-
Due to other funds	-	50,000	100,000	-	-
Due to other governments	-	-	-	-	-
Total liabilities	462	61,000	127,069	-	-
Deferred inflows:					
Revenues levied for the next year and unavailable revenue	-	-	-	-	215,050
Total deferred inflows	-	-	-	-	215,050
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	441,515	-	-	1,460,814	441,873
Committed	-	-	-	-	-
Unassigned	-	(35,644)	(74,793)	-	-
Total fund balances	441,515	(35,644)	(74,793)	1,460,814	441,873
Total liabilities, deferred inflows and fund balances	\$ 441,977	\$ 25,356	\$ 52,276	\$ 1,460,814	\$ 656,923

Fire Pension	Neighborhood Stabilization Program	Conservancy District	Nuisance Abatement	Senior Services	HUD Section 108 Loan	Housing Assistance	Totals	
\$ 441,873	\$ 226,345	\$ 6,138	\$ 7,484	\$ -	\$ 1,765	\$ -	\$ 5,418,993	
203,675	-	88,657	-	662,402	-	-	1,158,409	
-	-	-	-	-	-	-	343,370	
-	-	-	-	-	-	150,512	150,512	
-	-	-	-	-	-	250,000	1,059,373	
-	-	-	240,000	-	-	-	240,000	
11,375	-	5,315	-	36,853	-	-	1,174,928	
-	78,587	-	-	-	-	-	570,797	
\$ 656,923	\$ 304,932	\$ 100,110	\$ 247,484	\$ 699,255	\$ 1,765	\$ 400,512	\$ 10,116,382	
\$ -	\$ 438	\$ -	\$ 955	\$ -	\$ -	\$ -	\$ 139,278	
-	-	-	-	-	-	-	120,360	
-	-	-	-	-	-	-	37,082	
-	-	-	350,000	-	-	-	526,536	
-	-	123,349	-	-	-	-	123,349	
-	438	123,349	350,955	-	-	-	946,605	
215,050	-	93,972	240,000	699,255	-	-	2,389,167	
215,050	-	93,972	240,000	699,255	-	-	2,389,167	
-	-	-	-	-	-	-	492,210	
441,873	304,494	-	-	-	1,765	400,512	6,707,572	
-	-	-	-	-	-	-	151,947	
-	-	(117,211)	(343,471)	-	-	-	(571,119)	
441,873	304,494	(117,211)	(343,471)	-	1,765	400,512	6,780,610	
\$ 656,923	\$ 304,932	\$ 100,110	\$ 247,484	\$ 699,255	\$ 1,765	\$ 400,512	\$ 10,116,382	

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, 2017

	Auto & Gas Tax	Acquisition for Parks	Health Fund	Emergency Medical Services	Urban Development Action Grant	Court Computer- ization
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Municipal income taxes	330,000	-	150,000	-	-	-
Intergovernmental revenues	2,446,861	-	38,404	-	-	-
Charges for services	-	-	262,960	-	-	-
Fines and forfeits	-	-	-	-	-	64,273
Special assessments	-	-	-	-	-	-
Interest earnings	17,006	-	-	-	1,211	-
Miscellaneous	76,394	-	57,756	4,675	-	-
Total revenues	2,870,261	-	509,120	4,675	1,211	64,273
Expenditures:						
Current						
Public safety	471,004	-	-	-	-	83,066
Public health and welfare	-	-	431,077	8,844	-	-
Community environment	-	-	-	-	16,083	-
Highways and streets	2,147,565	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total expenditures	2,618,569	-	431,077	8,844	16,083	83,066
Excess of revenues over (under) expenditures	251,692	-	78,043	(4,169)	(14,872)	(18,793)
Other financing sources (uses):						
Transfers-in	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	251,692	-	78,043	(4,169)	(14,872)	(18,793)
Fund balance, beginning of year	1,741,758	151,947	71,116	35,144	127,298	101,174
Fund balance, end of the year	\$ 1,993,450	\$ 151,947	\$ 149,159	\$ 30,975	\$ 112,426	\$ 82,381

Law Enforcement Trust	Mandatory Drug Fine	Probation Services	Indigent Driver Alcohol Treatment	Enforce- ment Education	Civic Develop- ment	Municipal Court	Police Grant	Court IDIAM
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	325,000	-	-
-	-	-	-	-	-	-	45,571	-
-	-	-	-	-	-	-	-	-
700	111,225	100,812	19,874	3,220	-	1,214,669	-	6,116
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,128	-
-	11,839	-	-	-	351,621	1,896	-	-
700	123,064	100,812	19,874	3,220	351,621	1,541,565	47,699	6,116
16,223	50,806	111,177	17,886	6,638	-	1,629,126	65,131	219
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	492,538	-	-	2,014
16,223	50,806	111,177	17,886	6,638	492,538	1,629,126	65,131	2,233
(15,523)	72,258	(10,365)	1,988	(3,418)	(140,917)	(87,561)	(17,432)	3,883
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
(15,523)	72,258	(10,365)	1,988	(3,418)	(140,917)	(87,561)	(17,432)	3,883
31,990	146,947	232,882	32,893	49,401	596,537	242,912	158,133	43,937
\$ 16,467	\$ 219,205	\$ 222,517	\$ 34,881	\$ 45,983	\$ 455,620	\$ 155,351	\$ 140,701	\$ 47,820

(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, 2017

	Court Special Projects	Home Program	Community Develop- ment	Community Development Escrow	Police Pension
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 176,313
Municipal income taxes	-	-	-	-	1,081,000
Intergovernmental revenues	-	193,333	284,229	-	22,432
Charges for services	-	-	-	-	-
Fines and forfeits	130,626	-	-	-	-
Special assessments	-	-	-	-	-
Interest earnings	-	-	191	1,650	-
Miscellaneous	-	-	-	-	-
Total revenues	130,626	193,333	284,420	1,650	1,279,745
Expenditures:					
Current					
Public safety	23,762	-	-	-	1,081,000
Public health and welfare	-	-	-	-	-
Community environment	-	203,709	334,540	-	-
Highways and streets	-	-	-	-	-
Miscellaneous	-	-	-	20,613	2,364
Total expenditures	23,762	203,709	334,540	20,613	1,083,364
Excess of revenues over (under) expenditures	106,864	(10,376)	(50,120)	(18,963)	196,381
Other financing sources (uses):					
Transfers-in	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	106,864	(10,376)	(50,120)	(18,963)	196,381
Fund balance, beginning of year	334,651	(25,268)	(24,673)	1,479,777	245,492
Fund balance, end of the year	\$ 441,515	\$ (35,644)	\$ (74,793)	\$ 1,460,814	\$ 441,873

	Fire Pension	Neighborhood Stabilization Program	Conservancy District	Nuisance Abatement	Senior Services	HUD Section 108 Loan	Housing Assistance	Totals
\$	176,313	\$ -	\$ 75,839	\$ -	\$ 587,709	\$ -	\$ -	\$ 1,016,174
	1,259,612	-	34,000	-	-	-	-	3,179,612
	22,432	92,322	10,472	-	75,230	-	-	3,231,286
	-	-	-	-	-	-	-	262,960
	-	-	-	669	-	-	-	1,652,184
	-	-	-	213,175	-	-	-	213,175
	-	-	-	-	-	-	-	22,186
	-	-	-	-	-	3	-	504,184
	1,458,357	92,322	120,311	213,844	662,939	3	-	10,081,761
	1,259,612	-	-	-	-	-	-	4,815,650
	-	-	-	-	-	-	-	439,921
	-	9,035	124,378	420,387	663,227	-	-	1,771,359
	-	-	-	-	-	-	-	2,147,565
	2,364	-	-	-	-	-	-	519,893
	1,261,976	9,035	124,378	420,387	663,227	-	-	9,694,388
	196,381	83,287	(4,067)	(206,543)	(288)	3	-	387,373
	-	-	8,000	-	-	-	-	8,000
	-	-	8,000	-	-	-	-	8,000
	196,381	83,287	3,933	(206,543)	(288)	3	-	395,373
	245,492	221,207	(121,144)	(136,928)	288	1,762	400,512	6,385,237
\$	441,873	\$ 304,494	\$ (117,211)	\$ (343,471)	\$ -	\$ 1,765	\$ 400,512	\$ 6,780,610

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 330,000	\$ 330,000	\$ 330,000	\$ -
Intergovernmental revenue	2,429,594	2,429,594	2,425,711	(3,883)
Interest earnings	19,689	19,689	17,007	(2,682)
Miscellaneous	88,695	88,695	88,374	(321)
Total revenues	2,867,978	2,867,978	2,861,092	(6,886)
Expenditures:				
Current				
Public safety:				
Electronic Maintenance				
Personal Services	247,733	247,733	241,248	6,485
Other	381,517	455,177	433,725	21,452
Total public safety	629,250	702,910	674,973	27,937
Highways and streets:				
Street Maintenance				
Personal Services	802,431	802,431	741,446	60,985
Other	1,322,319	1,477,760	1,384,966	92,794
Grounds Maintenance				
Personal Services	199,698	199,698	186,340	13,358
Other	379,063	379,976	333,318	46,659
Total highways and streets	2,703,511	2,859,865	2,646,070	213,796
Total expenditures	3,332,761	3,562,776	3,321,043	241,733
Net change in fund balance	(464,783)	(694,798)	(459,951)	234,847
Fund balance, beginning of the year	875,925	875,925	875,925	-
Appropriation for prior year encumbrances	413,600	413,600	413,600	-
Fund balance, end of the year	\$ 824,742	\$ 594,727	\$ 829,574	\$ 234,847

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, 2017

	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	-
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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 150,000	150,000	\$ 150,000	\$ -
Intergovernmental revenue	20,098	20,098	38,404	18,306
Charges for services	254,388	254,388	264,262	9,874
Miscellaneous	30,000	30,000	75,356	45,356
Total revenues	454,486	454,486	528,022	73,536
Expenditures:				
Current				
Public health and welfare:				
Personal services	440,334	408,334	387,467	20,867
Other	54,182	86,182	77,727	8,455
Total expenditures	494,516	494,516	465,194	29,322
Excess of revenues over/under expenditures	(40,030)	(40,030)	62,828	102,858
Other financing uses:				
Other uses	-	-	(1,717)	(1,717)
Total other financing uses	-	-	(1,717)	(1,717)
Net change in fund balance	(40,030)	(40,030)	61,111	101,141
Fund balance, beginning of the year	145,097	145,097	145,097	-
Fund balance, end of the year	\$ 105,067	\$ 105,067	\$ 206,208	\$ 101,141

CITY OF MIDDLETOWN, OHIO
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
EMS FUND
FOR YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 4,675	\$ 4,675
Total revenues	-	-	4,675	4,675
Expenditures:				
Current				
Public health				
Other	31,347	31,347	8,844	22,503
Total expenditures	31,347	31,347	8,844	22,503
Net change in fund balance	(31,347)	(31,347)	(4,169)	27,178
Fund balance, beginning of the year	35,144	35,144	35,144	-
Fund balance, end of the year	\$ 3,797	\$ 3,797	\$ 30,975	\$ 27,178

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 1,352	\$ 1,352	\$ 1,461	\$ 109
Miscellaneous	1,000	1,000	1,000	-
Total revenues	2,352	2,352	2,461	109
Expenditures:				
Current				
Community environment				
Other	50,000	98,420	48,420	50,000
Total expenditures	50,000	98,420	48,420	50,000
Net change in fund balance	(47,648)	(96,068)	(45,959)	50,109
Fund balance, beginning of the year	79,222	79,222	79,222	-
Appropriation for prior year encumbrances	65,493	65,493	65,493	-
Fund balance, end of the year	\$ 97,067	\$ 48,647	\$ 98,756	\$ 50,109

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeitures	\$ 75,000	\$ 75,000	\$ 64,697	\$ (10,303)
Total revenues	75,000	75,000	64,697	(10,303)
Expenditures:				
Current				
Public safety				
Other	125,000	155,554	51,617	103,937
Total expenditures	125,000	155,554	51,617	103,937
Net change in fund balance	(50,000)	(80,554)	13,080	93,634
Fund balance, beginning of the year	66,301	66,301	66,301	-
Appropriation for prior year encumbrances	30,554	30,554	30,554	-
Fund balance, end of the year	\$ 46,855	\$ 16,301	\$ 109,935	\$ 93,634

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 20,000	\$ 20,000	\$ 700	\$ (19,300)
Total revenues	20,000	20,000	700	(19,300)
Expenditures:				
Current				
Public safety				
Other	20,000	20,000	16,223	3,777
Total expenditures	20,000	20,000	16,223	3,777
Net change in fund balance	-	-	(15,523)	(15,523)
Fund balance, beginning of the year	31,990	31,990	31,990	-
Fund balance, end of the year	\$ 31,990	\$ 31,990	\$ 16,467	\$ (15,523)

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 68,000	\$ 68,000	\$ 113,420	\$ 45,420
Miscellaneous	12,000	12,000	11,839	(161)
Total revenues	80,000	80,000	125,259	45,259
Expenditures:				
Current				
Public safety				
Other	80,000	80,000	60,105	19,895
Total expenditures	80,000	80,000	60,105	19,895
Net change in fund balance	-	-	65,154	65,154
Fund balance, beginning of the year	140,078	140,078	140,078	-
Appropriation for prior year encumbrances	4,000	4,000	4,000	-
Fund balance, end of the year	\$ 144,078	\$ 144,078	\$ 209,232	\$ 65,154

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 125,000	\$ 125,000	\$ 98,907	\$ (26,093)
Total revenues	125,000	125,000	98,907	(26,093)
Expenditures:				
Current				
Public safety				
Personal Services	92,331	92,331	90,650	1,681
Other	57,000	57,000	18,599	38,401
Total expenditures	149,331	149,331	109,249	40,082
Net change in fund balance	(24,331)	(24,331)	(10,342)	13,989
Fund balance, beginning of the year	230,854	230,854	230,854	-
Fund balance, end of the year	\$ 206,523	\$ 206,523	\$ 220,512	\$ 13,989

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Total revenues	20,000	20,000	20,000	-
Expenditures:				
Current				
Public safety				
Other	25,000	25,000	18,438	6,562
Total expenditures	25,000	25,000	18,438	6,562
Net change in fund balance	(5,000)	(5,000)	1,563	6,562
Fund balance, beginning of the year	34,106	34,106	34,106	-
Fund balance, end of the year	\$ 29,106	\$ 29,106	\$ 35,669	\$ 6,562

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines and forfeits	\$ 4,200	\$ 4,200	\$ 2,872	\$ (1,328)
Miscellaneous	-	-	604	604
Total revenues	4,200	4,200	3,476	(724)
Expenditures:				
Current				
Public safety				
Other	37,150	37,150	6,630	30,520
Total expenditures	37,150	37,150	6,630	30,520
Net change in fund balance	(32,950)	(32,950)	(3,155)	29,796
Fund balance, beginning of year	49,088	49,088	49,088	-
Fund balance, end of the year	\$ 16,138	\$ 16,138	\$ 45,933	\$ 29,796

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous	\$ 324,667	\$ 324,667	\$ 365,026	\$ 40,359
Total revenues	324,667	324,667	365,026	40,359
Expenditures:				
Current				
Miscellaneous	307,500	519,000	482,868	36,132
Other				
Total expenditures	307,500	519,000	482,868	36,132
Excess of revenues over/under expenditures	17,167	(194,333)	(117,842)	76,491
Other financing sources (uses):				
Reimbursement	(120,000)	(145,000)	(145,000)	-
Total other financing sources (uses)	(120,000)	(145,000)	(145,000)	-
Net change in fund balance	(102,833)	(339,333)	(262,842)	76,491
Fund balance, beginning of the year	347,564	347,564	347,564	-
Appropriation for prior year encumbrances	211,500	211,500	211,500	-
Fund balance, end of the year	\$ 456,231	\$ 219,731	\$ 296,222	\$ 76,491

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 325,000	\$ 325,000	\$ 325,000	\$ -
Fines and forfeits	1,355,902	1,355,902	1,224,194	(131,708)
Miscellaneous	5,000	5,000	1,896	(3,104)
Total revenues	1,685,902	1,685,902	1,551,090	(134,812)
Expenditures:				
Current				
Public safety				
Personal Services	1,561,893	1,561,893	1,507,634	54,259
Other	179,024	179,024	116,191	62,833
Total expenditures	1,740,917	1,740,917	1,623,825	117,092
Net change in fund balance	(55,015)	(55,015)	(72,735)	(17,720)
Fund balance, beginning of the year	211,172	211,172	211,172	-
Fund balance, end of the year	\$ 156,157	\$ 156,157	\$ 138,437	\$ (17,720)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 82,020	\$ 82,020	\$ 45,571	\$ (36,449)
Interest earnings	1,120	1,120	2,128	1,008
Miscellaneous	16,280	16,280	-	(16,280)
Total revenues	99,420	99,420	47,699	(51,721)
Expenditures:				
Current				
Public safety:				
Other				
Step Grant				
Personal Services	21,599	21,599	9,923	11,676
Step Grant II				
Personal Services	29,632	29,632	11,491	18,141
OVI Task Force Grant				
Personal Services	15,000	15,000	-	15,000
2013 JAG Local Solicitation Grant	33,279	33,279	9,947	23,332
2017 JAG BYRNE Memorial Grant	32,270	32,270	22,058	10,212
2017 State Training Reimbursement	16,280	16,280	12,037	4,243
Total expenditures	148,060	148,060	65,456	82,604
Net change in fund balance	(48,640)	(48,640)	(17,757)	30,883
Fund balance, beginning of the year	158,458	158,458	158,458	-
Fund balance, end of the year	\$ 109,818	\$ 109,818	140,701	\$ 30,883

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines & forfeits	\$ 10,000	\$ 10,000	\$ 6,135	\$ (3,865)
Total revenues	10,000	10,000	6,135	(3,865)
Expenditures:				
Current				
Public safety				
Other	40,000	40,000	2,014	37,986
Total expenditures	40,000	40,000	2,014	37,986
Net change in fund balance	(30,000)	(30,000)	4,121	34,121
Fund balance, beginning of the year	43,729	43,729	43,729	-
Fund balance, end of the year	\$ 13,729	\$ 13,729	\$ 47,850	\$ 34,121

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Fines & forfeits	\$ 150,000	\$ 150,000	\$ 131,470	\$ (18,530)
Total revenues	150,000	150,000	131,470	(18,530)
Expenditures:				
Current				
Public safety				
Other	150,000	150,000	24,575	125,425
Total expenditures	150,000	150,000	24,575	125,425
Net change in fund balance	-	-	106,895	106,895
Fund balance, beginning of the year	326,586	326,586	326,586	-
Fund balance, end of the year	\$ 326,586	\$ 326,586	\$ 433,481	\$ 106,895

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 290,000	\$ 290,000	\$ 187,832	\$ (102,168)
Total revenues	290,000	290,000	187,832	(102,168)
Expenditures:				
Current				
Community environment				
Other	290,000	290,000	192,866	97,134
Total expenditures	290,000	290,000	192,866	97,134
Net change in fund balance	-	-	(5,034)	(5,034)
Fund balance, beginning of the year	24,652	24,652	24,652	-
Fund balance, end of the year	\$ 24,652	\$ 24,652	\$ 19,618	\$ (5,034)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 807,500	\$ 807,500	\$ 293,834	\$ (513,666)
Interest earnings	-	-	191	191
Total revenues	807,500	807,500	294,025	(513,475)
Expenditures:				
Current				
Community environment				
Other	807,500	807,500	366,237	441,263
Total expenditures	807,500	807,500	366,237	441,263
Net change in fund balance	-	-	(72,212)	(72,212)
Fund balance, beginning of the year	79,481	79,481	79,481	-
Appropriation for prior year encumbrances	27,562	27,562	27,562	-
Fund balance, end of the year	\$ 107,043	\$ 107,043	\$ 34,831	\$ (72,212)

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 750	\$ 750	\$ 1,651	\$ 901
Miscellaneous	65,000	65,000	45,209	(19,791)
Total revenues	65,750	65,750	46,860	(18,890)
Expenditures:				
Current				
Miscellaneous	2,500	2,500	571	1,929
Total expenditures	2,500	2,500	571	1,929
Net change in fund balance	63,250	63,250	46,289	(16,961)
Fund balance, beginning of the year	606,133	606,133	606,133	-
Fund balance, end of the year	\$ 669,383	\$ 669,383	\$ 652,422	\$ (16,961)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 186,465	\$ 186,465	\$ 176,313	\$ (10,152)
Intergovernmental revenue	26,400	26,400	22,432	(3,968)
Municipal income taxes	935,000	1,081,000	1,081,000	-
Total revenues	1,147,865	1,293,865	1,279,745	(14,120)
Expenditures:				
Current				
Miscellaneous	4,411	4,411	2,364	2,047
Public Safety Personal Services	1,083,406	1,083,406	1,081,000	2,406
Total expenditures	1,087,817	1,087,817	1,083,364	4,453
Net change in fund balance	60,048	206,048	196,381	(9,667)
Fund balance, beginning of the year	245,492	245,492	245,492	-
Fund balance, end of the year	\$ 305,540	\$ 451,540	\$ 441,873	\$ (9,667)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 186,465	\$ 186,465	\$ 176,313	\$ (10,152)
Intergovernmental revenue	26,400	26,400	22,432	(3,968)
Municipal income taxes	1,156,000	1,264,000	1,259,612	(4,388)
Total revenues	1,368,865	1,476,865	1,458,357	(18,508)
Expenditures:				
Current				
Miscellaneous	4,411	4,411	2,364	2,047
Public Safety Personal Services	1,303,277	1,303,277	1,259,612	43,665
Total expenditures	1,307,688	1,307,688	1,261,976	45,712
Net change in fund balance	61,177	169,177	196,381	27,204
Fund balance, beginning of the year	245,492	245,492	245,492	-
Fund balance, end of the year	\$ 306,669	\$ 414,669	\$ 441,873	\$ 27,204

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental revenue	\$ 420,000	\$ 420,000	\$ 92,322	\$ (327,678)
Total revenues	420,000	420,000	92,322	(327,678)
Expenditures:				
Current				
Community environment				
Other	420,000	420,000	9,173	410,827
Total expenditures	420,000	420,000	9,173	410,827
Excess of revenues over expenditures	-	-	83,149	83,149
Other financing sources (uses):				
Transfers	-	-	(100,000)	(100,000)
Total other financing sources (uses)	-	-	(100,000)	(100,000)
Net change in fund balance	-	-	(16,851)	(16,851)
Fund balance, beginning of the year	243,196	243,196	243,196	-
Fund balance, end of the year	\$ 243,196	\$ 243,196	\$ 226,345	\$ (16,851)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 34,000	\$ 34,000	\$ 34,000	\$ -
Property taxes	80,500	80,500	75,839	(4,661)
Intergovernmental revenue	11,200	11,200	10,472	(728)
Total revenues	125,700	125,700	120,311	(5,389)
Expenditures:				
Current				
Community environment				
Other	132,500	200,500	192,378	8,122
Total expenditures	132,500	200,500	192,378	8,122
Excess of revenues over (under) expenditures	(6,800)	(74,800)	(72,067)	2,733
Other financing sources (uses):				
Transfers-in	-	76,000	76,000	-
Total other financing sources (uses)	-	76,000	76,000	-
Net change in fund balance	(6,800)	1,200	3,933	2,733
Fund balance, beginning of the year	2,205	2,205	2,205	-
Fund balance, end of the year	\$ (4,595)	\$ 3,405	\$ 6,138	\$ 2,733

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ 200,000	\$ 200,000	\$ 213,175	\$ 13,175
Intergovernmental	500,000	500,000	-	(500,000)
Miscellaneous	-	-	1,062	1,062
Total revenues	700,000	700,000	214,237	(485,763)
Expenditures:				
Current				
Community environment				
Other	1,137,000	527,000	422,494	104,506
Total expenditures	1,137,000	527,000	422,494	104,506
Net change in fund balance	(437,000)	173,000	(208,257)	(381,257)
Fund balance, beginning of the year	169,041	169,041	169,041	-
Appropriation for prior year encumbrances	46,700	46,700	46,700	-
Fund balance, end of the year	\$ (221,259)	\$ 388,741	\$ 7,484	\$ (381,257)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 627,450	\$ 627,450	\$ 587,709	\$ (39,741)
Intergovernmental revenue	87,550	87,550	75,230	(12,320)
Total revenues	715,000	715,000	662,939	(52,061)
Expenditures:				
Current				
Community environment				
Other	715,000	715,000	663,227	51,773
Total expenditures	715,000	715,000	663,227	51,773
Net change in fund balance	-	-	(288)	(288)
Fund balance, beginning of the year	288	288	288	-
Fund balance, end of the year	\$ 288	\$ 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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous revenue	\$ -	\$ -	\$ 3	\$ 3
Total revenues	-	-	3	3
Expenditures:				
Current				
Community environment				
Other	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	3	3
Fund balance, beginning of the year	1,762	1,762	1,762	-
Fund balance, end of the year	\$ 1,762	\$ 1,762	\$ 1,765	\$ 3

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
CITY INCOME TAX	\$ 22,096,698	\$ 24,071,698	\$ 24,047,695	\$ (24,003)
CASH OVER AND SHORT	\$ -	\$ -	\$ 3	\$ 3
less transfers out				
TO GENERAL FUND	\$ (13,244,000)	\$ (15,002,000)	\$ (15,002,000)	\$ -
TO AUTO & GAS TAX FUN	\$ (330,000)	\$ (330,000)	\$ (330,000)	\$ -
TO FIRE PENSION FUND	\$ (1,156,000)	\$ (1,264,000)	\$ (1,259,612)	\$ (4,388)
TO POLICE PENSION FUND	\$ (935,000)	\$ (1,081,000)	\$ (1,081,000)	\$ -
TO GENERAL BOND RETIREM	\$ (1,356,000)	\$ (1,356,000)	\$ (1,356,000)	\$ -
TO TRANSIT FUND	\$ (50,000)	\$ (50,000)	\$ (50,000)	\$ -
TO COMPUTER REPLACE FUN	\$ (8,000)	\$ (8,000)	\$ (8,000)	\$ -
TO TERMINATION PAY	\$ (500,000)	\$ (500,000)	\$ (500,000)	\$ -
TO PUBLIC SAFETY FUND	\$ (3,156,694)	\$ (3,396,694)	\$ (3,396,694)	\$ -
TO AIRPORT FUND	\$ (125,000)	\$ (125,000)	\$ (125,000)	\$ -
TO HEALTH FUND	\$ (150,000)	\$ (150,000)	\$ (150,000)	\$ -
TO MUNICIPAL COURT	\$ (325,000)	\$ (325,000)	\$ (325,000)	\$ -
TO CONSERVANCY FUND	\$ (34,000)	\$ (34,000)	\$ (34,000)	\$ -
Municipal income tax	\$ 727,004	\$ 450,004	\$ 430,393	\$ (28,388)
Total revenues	727,004	450,004	430,393	(28,388)
Expenditures:				
Current				
General government				
Personal services	565,177	545,177	504,462	40,715
Other	153,120	161,512	122,301	39,211
Total expenditures	718,297	706,689	626,763	79,926
Excess of revenues over (under) expenditures	8,707	(256,685)	(196,370)	51,538
Other financing sources (uses):				
Transfers-in	-	448,000	448,000	-
Total other financing sources (uses)	-	448,000	448,000	-
Net change in fund balance	8,707	191,315	251,630	51,538
Fund balance, beginning of the year	24,900	24,900	24,900	-
Appropriation for prior year encumbrances	92,392	92,392	92,392	-
Fund balance, end of the year	\$ 125,999	\$ 308,607	\$ 368,921	\$ 51,538

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income tax	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Total revenues	500,000	500,000	500,000	-
Expenditures:				
Current				
Personal services:				
Public safety	550,355	550,355	406,740	143,615
Public health & welfare	9,182	9,182	-	9,182
Leisure time activities	18,365	18,365	-	18,365
Community environment	45,911	45,911	1,643	44,268
General government	90,153	90,153	2,711	87,442
Highways & streets	10,017	10,017	-	10,017
Miscellaneous	10,017	10,017	-	10,017
Total expenditures	734,000	734,000	411,094	322,906
Net change in fund balance	(234,000)	(234,000)	88,906	322,906
Fund balance, beginning of the year	402,344	402,344	402,344	-
Fund balance, end of the year	\$ 168,344	\$ 168,344	\$ 491,250	\$ 322,906

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2017**

	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	\$ 25,116	\$ 233,519	\$ 9,688	\$ 4,458	\$ 8,803	\$ 90,908
Receivables (net of allowance for uncollectibles):						
Payments in lieu of taxes	-	234,281	8,355	-	960	8,782
Due from other governments	8,103	-	-	-	-	-
Total assets	\$ 33,219	\$ 467,800	\$ 18,043	\$ 4,458	\$ 9,763	\$ 99,690
Deferred inflows						
Revenues levied for the next year and unavailable revenue	\$ 8,103	\$ 234,281	\$ 8,355	\$ -	\$ 960	\$ 8,782
Total deferred inflows	8,103	234,281	8,355	-	960	8,782
Fund balances:						
Restricted	-	233,519	9,688	4,458	8,803	90,908
Committed	25,116	-	-	-	-	-
Total fund balance	25,116	233,519	9,688	4,458	8,803	90,908
Total deferred inflows and fund balance	\$ 33,219	\$ 467,800	\$ 18,043	\$ 4,458	\$ 9,763	\$ 99,690

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
\$ 108,237	\$ 103,855	\$ 207,725	\$ 378	\$ 301,341	\$ 1,269	\$ 23,571	\$ 1,118,868
130,838	72,542	65,085	-	42,893	69	253	564,058
-	-	-	-	-	-	-	8,103
\$ 239,075	\$ 176,397	\$ 272,810	\$ 378	\$ 344,234	\$ 1,338	\$ 23,824	\$ 1,691,029
\$ 130,838	\$ 72,542	\$ 65,085	\$ -	\$ 42,893	\$ 69	\$ 253	\$ 572,161
130,838	72,542	65,085	-	42,893	69	253	572,161
108,237	103,855	207,725	378	301,341	1,269	23,571	1,093,752
-	-	-	-	-	-	-	25,116
108,237	103,855	207,725	378	301,341	1,269	23,571	1,118,868
\$ 239,075	\$ 176,397	\$ 272,810	\$ 378	\$ 344,234	\$ 1,338	\$ 23,824	\$ 1,691,029

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON MAJOR DEBT SERVICE FUNDS
FOR YEAR ENDED DECEMBER 31, 2017**

	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	\$ 1,356,000	\$ -	\$ -	\$ -	\$ -	\$ -
Payment in lieu of taxes	-	338,112	8,041	35	964	8,865
Intergovernmental	470,418	-	-	-	-	-
Miscellaneous revenues	269,553	-	-	-	-	-
Total revenues	2,095,971	338,112	8,041	35	964	8,865
Expenditures						
Debt service						
Principal retirement	1,586,152	235,000	10,000	-	-	-
Interest and fiscal charges	705,558	97,956	-	-	-	-
Miscellaneous	-	89,440	-	-	-	-
Total expenditures	2,291,710	422,396	10,000	-	-	-
Excess of revenues over (under) expenditures	(195,739)	(84,284)	(1,959)	35	964	8,865
Other financing sources (uses):						
Proceeds of bonds	3,770,000	1,680,000	-	-	-	-
Premium on bonds	461,717	82,669	-	-	-	-
Payment to refunded bond escrow agent	(4,160,852)	(1,729,324)	-	-	-	-
Total other financing sources (uses)	70,865	33,345	-	-	-	-
Net change in fund balance	(124,874)	(50,939)	(1,959)	35	964	8,865
Fund balance, beginning of the year	149,990	284,458	11,647	4,423	7,839	82,043
Fund balance, end of the year	\$ 25,116	\$ 233,519	\$ 9,688	\$ 4,458	\$ 8,803	\$ 90,908

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,356,000
595,708	250,423	224,108	-	48,146	35	257	1,474,694
-	-	-	-	-	-	-	470,418
-	-	-	-	-	-	-	269,553
595,708	250,423	224,108	-	48,146	35	257	3,570,665
220,000	70,000	-	-	-	-	-	2,121,152
-	-	11,797	-	-	-	-	815,311
432,208	174,934	156,365	-	-	-	-	852,947
652,208	244,934	168,162	-	-	-	-	3,789,410
(56,500)	5,489	55,946	-	48,146	35	257	(218,745)
-	-	-	-	-	-	-	5,450,000
-	-	-	-	-	-	-	544,386
-	-	-	-	-	-	-	(5,890,176)
-	-	-	-	-	-	-	104,210
(56,500)	5,489	55,946	-	48,146	35	257	(114,535)
164,737	98,366	151,779	378	253,195	1,234	23,314	1,233,403
\$ 108,237	\$ 103,855	\$ 207,725	\$ 378	\$ 301,341	\$ 1,269	\$ 23,571	\$ 1,118,868

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special assessments	\$ 292,000	\$ 292,000	\$ 245,266	\$ (46,734)
Total revenues	292,000	292,000	245,266	(46,734)
Expenditures:				
Debt service	301,866	301,866	287,915	13,951
Total expenditures	301,866	301,866	287,915	13,951
Net change in fund balance	(9,866)	(9,866)	(42,649)	(32,783)
Fund balance, beginning of the year	506,882	506,882	506,882	-
Fund balance, end of the year	\$ 497,016	\$ 497,016	\$ 464,233	\$ (32,783)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 1,356,000	\$ 1,356,000	\$ 1,356,000	\$ -
Intergovernmental	950	950	100,723	99,773
Miscellaneous	739,971	739,971	409,816	(330,155)
Total revenues	2,096,921	2,096,921	1,866,539	(230,382)
Expenditures:				
Current				
Miscellaneous				
Other	10,000	10,000	2,275	7,725
Debt service	2,170,477	2,170,477	1,989,138	181,339
Total expenditures	2,180,477	2,180,477	1,991,413	189,064
Net change in fund balance	(83,556)	(83,556)	(124,874)	(41,318)
Fund balance, beginning of the year	149,990	149,990	149,990	-
Fund balance, end of the year	\$ 66,434	\$ 66,434	\$ 25,116	\$ (41,318)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Payments in lieu of taxes	\$ 320,370	\$ 320,370	\$ 338,112	\$ 17,742
Total revenues	320,370	320,370	338,112	17,742
Expenditures:				
Current				
Miscellaneous				
Other	116,050	116,050	89,440	26,610
Debt service	306,714	306,714	300,211	6,503
Total expenditures	422,764	422,764	389,651	33,113
Net change in fund balance	(102,394)	(102,394)	(51,539)	50,855
Fund balance, beginning of the year	284,458	284,458	284,458	-
Fund balance, end of the year	\$ 182,064	\$ 182,064	\$ 232,919	\$ 50,855

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Payments in lieu of taxes	\$ 10,500	\$ 10,500	\$ 8,041	\$ (2,459)
Total revenues	10,500	10,500	8,041	(2,459)
Expenditures:				
Current				
Miscellaneous				
Other	100	100	-	100
Debt service	10,000	10,000	10,000	-
Total expenditures	10,100	10,100	10,000	100
Net change in fund balance	400	400	(1,959)	(2,359)
Fund balance, beginning of the year	11,647	11,647	11,647	-
Fund balance, end of the year	\$ 12,047	\$ 12,047	\$ 9,688	\$ (2,359)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Payments in lieu of taxes	\$ -	\$ -	\$ 35	\$ 35
Total revenues	-	-	35	35
Expenditures:				
Current				
Miscellaneous				
Other	36	36	-	36
Total expenditures	36	36	-	36
Net change in fund balance	(36)	(36)	35	71
Fund balance, beginning of the year	4,423	4,423	4,423	-
Fund balance, end of the year	\$ 4,387	\$ 4,387	\$ 4,458	\$ 71

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Payments in lieu of taxes	\$ 1,000	\$ 1,000	\$ 964	\$ (36)
Total revenues	1,000	1,000	964	(36)
Expenditures:				
Current				
Miscellaneous				
Other	35	35	-	35
Total expenditures	35	35	-	35
Net change in fund balance	965	965	964	(1)
Fund balance, beginning of the year	7,839	7,839	7,839	-
Fund balance, end of the year	\$ 8,804	\$ 8,804	\$ 8,803	\$ (1)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Payments in lieu of taxes	\$ 8,825	\$ 8,825	\$ 8,865	\$ 40
Total revenues	8,825	8,825	8,865	40
Expenditures:				
Current				
Miscellaneous				
Other	240	240	-	240
Total expenditures	240	240	-	240
Net change in fund balance	8,585	8,585	8,865	280
Fund balance, beginning of the year	82,043	82,043	82,043	-
Fund balance, end of the year	\$ 90,628	\$ 90,628	\$ 90,908	\$ 280

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Payments in lieu of taxes	\$ 500,000	\$ 500,000	\$ 595,708	\$ 95,708
Total revenues	500,000	500,000	595,708	95,708
Expenditures:				
Current				
Miscellaneous				
Other	328,220	433,920	432,208	1,712
Debt service	220,000	220,000	220,000	-
Total expenditures	548,220	653,920	652,208	1,712
Net change in fund balance	(48,220)	(153,920)	(56,500)	97,420
Fund balance, beginning of the year	164,737	164,737	164,737	-
Fund balance, end of the year	\$ 116,517	\$ 10,817	\$ 108,237	\$ 97,420

**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, 2017**

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Payments in lieu of taxes	\$ 141,488	\$ 148,838	\$ 250,423	\$ 101,585
Total revenues	141,488	148,838	250,423	101,585
Expenditures:				
Current				
Miscellaneous				
Other	111,500	177,200	174,934	2,266
Debt service	70,000	70,000	70,000	-
Total expenditures	181,500	247,200	244,934	2,266
Net change in fund balance	(40,012)	(98,362)	5,489	103,851
Fund balance, beginning of the year	98,366	98,366	98,366	-
Fund balance, end of the year	\$ 58,354	\$ 4	\$ 103,855	\$ 103,851

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Payments in lieu of taxes	\$ 103,767	\$ 103,767	\$ 224,108	\$ 120,341
Total revenues	103,767	103,767	224,108	120,341
Expenditures:				
Current				
Miscellaneous				
Other	105,600	156,500	156,365	135
Debt service	80,000	80,000	11,797	68,203
Total expenditures	185,600	236,500	168,162	68,338
Net change in fund balance	(81,833)	(132,733)	55,946	188,679
Fund balance, beginning of the year	151,779	151,779	151,779	-
Fund balance, end of the year	\$ 69,946	\$ 19,046	\$ 207,725	\$ 188,679

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Payments in lieu of 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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Payments in lieu of taxes	\$ 77,724	\$ 77,724	\$ 48,146	\$ (29,578)
Total revenues	77,724	77,724	48,146	(29,578)
Expenditures:				
Current				
Miscellaneous				
Other	20	20	-	20
Total expenditures	20	20	-	20
Net change in fund balance	77,704	77,704	48,146	(29,558)
Fund balance, beginning of the year	253,195	253,195	253,195	-
Fund balance, end of the year	\$ 330,899	\$ 330,899	\$ 301,341	\$ (29,558)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Payments in lieu of taxes	\$ -	\$ -	\$ 35	\$ 35
Total revenues	-	-	35	35
Expenditures:				
Current				
Miscellaneous				
Other	20	20	-	20
Total expenditures	20	20	-	20
Net change in fund balance	(20)	(20)	35	55
Fund balance, beginning of the year	1,234	1,234	1,234	-
Fund balance, end of the year	\$ 1,214	\$ 1,214	\$ 1,269	\$ 55

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Payments in lieu of taxes	\$ 202	\$ 202	\$ 257	\$ 55
Total revenues	202	202	257	55
Expenditures:				
Current				
Miscellaneous				
Other	20	20	-	20
Total expenditures	20	20	-	20
Net change in fund balance	182	182	257	75
Fund balance, beginning of the year	23,314	23,314	23,314	-
Fund balance, end of the year	\$ 23,496	\$ 23,496	\$ 23,571	\$ 75

**CITY OF MIDDLETOWN, OHIO
COMBINING BALANCE SHEET
NON MAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2017**

	East End Development	Downtown Improvements	Computer Replacement	Property Development
Assets				
Cash and equity in pooled cash, deposits and investments	\$ 122,062	\$ 185,760	\$ 1,693,255	\$ 218,240
Receivables (net of allowance for uncollectibles):				
Accounts	-	-	-	11,359
Total assets	\$ 122,062	\$ 185,760	\$ 1,693,255	\$ 229,599
Liabilities				
Accounts payable	\$ -	\$ -	\$ 7,884	\$ -
Due to other funds	-	-	-	-
Total liabilities	-	-	7,884	-
Fund balances:				
Restricted	122,062	-	-	-
Committed	-	185,760	1,685,371	229,599
Unassigned	-	-	-	-
Total fund balances	122,062	185,760	1,685,371	229,599
Total liabilities and fund balances	\$ 122,062	\$ 185,760	\$ 1,693,255	\$ 229,599

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	\$ 21,793	\$ 3	\$ 465,264	\$ 2,715,036
-	-	-	-	-	11,359
\$ 1,475	\$ 7,184	\$ 21,793	\$ 3	\$ 465,264	\$ 2,726,395
\$ -	\$ -	\$ -	\$ -	\$ -	7,884
-	-	-	90,512	-	90,512
-	-	-	90,512	-	98,396
1,475	7,184	21,793	-	-	152,514
-	-	-	-	465,264	2,565,994
-	-	-	(90,509)	-	(90,509)
1,475	7,184	21,793	(90,509)	465,264	2,627,999
\$ 1,475	\$ 7,184	\$ 21,793	\$ 3	\$ 465,264	\$ 2,726,395

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR CAPITAL PROJECT FUNDS
FOR YEAR ENDED DECEMBER 31, 2017**

	East End Development	Downtown Improvements	Computer Replacement	Property Development
Revenues				
Municipal income taxes	\$ -	\$ -	\$ 8,000	\$ -
Intergovernmental revenues	-	-	-	163,259
Special Assessments	-	-	-	-
Investment income	1,558	3,948	21,673	-
Miscellaneous	-	75,482	-	-
Total revenues	1,558	79,430	29,673	163,259
Expenditures				
Current				
Community environment	-	40,454	-	251,025
General government	-	-	237,698	-
Debt service				
Principal retirement	-	110,000	-	-
Interest and fiscal charges	-	74,413	-	-
Total expenditures	-	224,867	237,698	251,025
Excess of revenues over (under) expenditures	1,558	(145,437)	(208,025)	(87,766)
Other financing sources (uses)				
Transfers-in	-	-	273,647	-
Total other financing sources (uses)	-	-	273,647	-
Net change in fund balances	1,558	(145,437)	65,622	(87,766)
Fund balance, beginning of year	120,504	331,197	1,619,749	317,365
Fund balance, end of the year	\$ 122,062	\$ 185,760	\$ 1,685,371	\$ 229,599

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
	-		-		-		-		-	163,259
	-		-		48,452		34,503		-	82,955
	-		-		-		-		-	27,179
	-		-		-		-		-	75,482
	-		-		48,452		34,503		-	356,875
	-		-		-		-		-	291,479
	-		-		-		-		-	237,698
	-		-		-		-		70,000	180,000
	-		-		-		-		85,667	160,080
	-		-		-		-		155,667	869,257
	-		-		48,452		34,503		(155,667)	(512,382)
	-		-		-		-		155,668	429,315
	-		-		-		-		155,668	429,315
	-		-		48,452		34,503		1	(83,067)
	1,475		7,184		(26,659)		(125,012)		465,263	2,711,066
\$	1,475	\$	7,184	\$	21,793	\$	(90,509)	\$	465,264	\$ 2,627,999

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Property taxes	\$ 633,474	\$ 633,474	\$ 542,123	\$ (91,351)
Intergovernmental revenue	4,885,828	4,885,828	3,594,095	(1,291,733)
Charges for services	5,000	5,000	5,083	83
Interest earnings	-	-	18,233	18,233
Total revenues	5,524,302	5,524,302	4,159,534	(1,364,768)
Expenditures:				
Current				
Public safety				
Other	145,000	145,000	144,739	261
Leisure time activities				
Other	30,000	30,000	22,159	7,841
Highways and streets				
Other	5,255,000	5,255,000	6,781,361	(1,526,361)
Miscellaneous				
Other	30,000	30,000	36,660	(6,660)
Debt Service				
Total expenditures	5,460,000	5,460,000	6,984,919	(1,524,919)
Excess of revenues over (under) expenditures	64,302	64,302	(2,825,385)	(2,889,687)
Other financing sources (uses):				
Other sources	-	-	20,361	20,361
Total other financing sources (uses)	-	-	20,361	20,361
Net change in fund balance	64,302	64,302	(2,805,024)	(2,869,326)
Fund balance, beginning of the year	(2,080,695)	(2,080,695)	(2,080,695)	-
Appropriation for prior year encumbrances	2,685,275	2,685,275	2,685,275	-
Fund balance, end of the year	\$ 668,882	\$ 668,882	\$ (2,200,444)	\$ (2,869,326)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ -	\$ -	\$ 1,558	\$ 1,558
Total revenues	-	-	1,558	1,558
Expenditures:				
Current				
Community environment				
Other	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	1,558	1,558
Fund balance, beginning of the year	120,504	120,504	120,504	-
Fund balance, end of the year	\$ 120,504	\$ 120,504	\$ 122,062	\$ 1,558

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Interest earnings	\$ 2,500	\$ 2,500	\$ 3,948	\$ 1,448
Miscellaneous	85,100	85,100	80,483	(4,617)
Total revenues	87,600	87,600	84,431	(3,169)
Expenditures:				
Current				
Community environment				
Other	220,000	72,884	53,289	19,595
Debt Service				
Principal retirement	120,000	184,116	189,413	(5,297)
Interest & fiscal charges	64,116	64,116	74,413	(10,297)
Total expenditures	404,116	321,116	317,115	4,001
Net change in fund balance	(316,516)	(233,516)	(232,684)	832
Fund balance, beginning of the year	331,444	331,444	331,444	-
Appropriation for prior year encumbrances	7,000	7,000	7,000	-
Fund balance, end of the year	\$ 21,928	\$ 104,928	\$ 105,760	\$ 832

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Municipal income taxes	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Interest earnings	4,903	4,903	21,674	16,771
Miscellaneous	55,120	55,120	-	(55,120)
Total revenues	68,023	68,023	29,674	(38,349)
Expenditures:				
Current				
General government				
Other	550,000	1,215,440	827,716	387,724
Total expenditures	550,000	1,215,440	827,716	387,724
Excess of revenues under expenditures	(481,977)	(1,147,417)	(798,042)	349,375
Other financing sources:				
Transfers-in	273,647	273,647	273,647	-
Total other financing sources	273,647	273,647	273,647	-
Net change in fund balance	(208,330)	(873,770)	(524,395)	349,375
Fund balance, beginning of the year	1,089,930	1,089,930	1,089,930	-
Appropriation for prior year encumbrances	665,440	665,440	665,440	-
Fund balance, end of the year	\$ 1,547,040	\$ 881,600	\$ 1,230,975	\$ 349,375

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Intergovernmental	\$ 123,195	\$ 123,195	\$ 151,900	\$ 28,705
Total revenues	123,195	123,195	151,900	28,705
Expenditures:				
Current				
Community environment				
Other	217,382	417,633	416,692	941
Total expenditures	217,382	417,633	416,692	941
Net change in fund balance	(94,187)	(294,438)	(264,792)	29,646
Fund balance, beginning of the year	169,248	169,248	169,248	-
Appropriation for prior year encumbrances	200,341	200,341	200,341	-
Fund balance, end of the year	\$ 275,402	\$ 75,151	\$ 104,797	\$ 29,646

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, 2017

	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, 2017

	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 under expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of the year	7,184	7,184	7,184	-
Fund balance, end of the year	\$ 7,184	\$ 7,184	\$ 7,184	\$ -

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, 2017

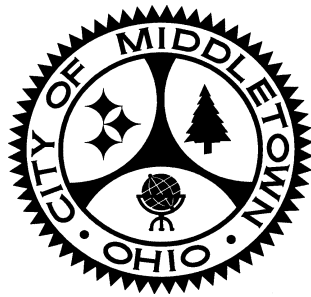
	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special Assessments	\$ 26,659	\$ 26,659	\$ 48,452	\$ 21,793
Total revenues	26,659	26,659	48,452	21,793
Expenditures:				
Current				
Highways and streets				
Other	174,000	-	-	-
Total expenditures	174,000	-	-	-
Excess of revenues over/under expenditures	(147,341)	26,659	48,452	21,793
Other financing sources (uses):				
Other uses	-	-	(26,659)	(26,659)
Total other financing uses	-	-	(26,659)	(26,659)
Net change in fund balance	(147,341)	26,659	21,793	(4,866)
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ (147,341)	\$ 26,659	\$ 21,793	\$ (4,866)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Special Assessments	\$ -	\$ -	\$ 34,503	\$ 34,503
Total revenues	-	-	34,503	34,503
Expenditures:				
Current				
Highways and streets				
Debt Service				
Principal retirement	201,608	-	-	-
Total expenditures	201,608	-	-	-
Excess of revenues over/under expenditures	(201,608)	-	34,503	34,503
Other financing sources/uses:				
Advance	-	-	(34,500)	(34,500)
Proceeds from bonds	202,135	202,135	-	(202,135)
Total other financing sources/(uses)	202,135	202,135	(34,500)	(236,635)
Net change in fund balance	527	202,135	3	(202,132)
Fund balance, beginning of the year	-	-	-	-
Fund balance, end of the year	\$ 527	\$ 202,135	\$ 3	\$ (202,132)

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, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget
Revenues:				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current				
Community environment				
Other				
Debt Service				
Principal retirement	120,000	120,000	70,000	
Interest expense	64,116	64,116	85,667	
Total expenditures	184,116	184,116	155,667	-
Excess of revenues over/under expenditures	(184,116)	(184,116)	(155,667)	-
Other financing sources:				
Other sources	155,668	155,668	155,668	-
Total other financing sources	155,668	155,668	155,668	-
Net change in fund balance	(28,448)	(28,448)	1	-
Fund balance, beginning of the year	65,263	65,263	65,263	-
Appropriation for prior year encumbrances	400,000	400,000	400,000	-
Fund balance, end of the year	\$ 436,815	\$ 436,815	\$ 465,264	\$ -



**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2017**

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.

GOLF FUND

To account for the operation of the City's public golf course. The golf course was sold in 2014.

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF NET POSITION
NON MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2017**

Business Type Activities - Enterprise Funds

	Airport	Transit	Golf	Totals
Assets:				
Current assets				
Equity in pooled cash, deposits and investments	\$ 199,051	\$ 17,148	\$ 43,283	\$ 259,482
Receivables (net of allowance for uncollectibles):				
Intergovernmental	-	112,754	-	112,754
Total current assets	199,051	129,902	43,283	372,236
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	1,603,996	-	-	1,603,996
Buildings	1,825,597	1,370,702	-	3,196,299
Equipment	719,048	3,400,138	-	4,119,186
Less: Accumulated depreciation	(2,211,105)	(2,327,638)	-	(4,538,743)
Total capital assets (net of accumulated depreciation)	4,196,709	2,443,202	-	6,639,911
Total noncurrent assets	4,196,709	2,443,202	-	6,639,911
Total assets	4,395,760	2,573,104	43,283	7,012,147
Deferred outflows of resources:				
Deferred charge on refunding	12,100	-	-	12,100
Pension related	-	126,933	-	126,933
Total deferred outflows of resources:	12,100	126,933	-	139,033
Liabilities:				
Current liabilities				
Accounts payable	4,611	87,354	-	91,965
Accrued wages and benefits	-	15,330	-	15,330
Other accrued liabilities	5,430	-	-	5,430
Accrued interest payable	3,100	-	-	3,100
Due to other funds	641,456	13,046	-	654,502
General obligation bonds payable	80,000	-	-	80,000
Compensated absences (short-term)	-	8,017	-	8,017
Total current liabilities	734,597	123,747	-	858,344
Long-term liabilities:				
General obligation bonds payable	971,650	-	-	971,650
Compensated absences payable	-	9,489	-	9,489
Net pension liability	-	314,781	-	314,781
Total long-term liabilities	971,650	324,270	-	1,295,920
Total liabilities	1,706,247	448,017	-	2,154,264
Deferred inflows of resources:				
Pension related	-	2,382	-	2,382
Total deferred inflows of resources:	-	2,382	-	2,382
Net position:				
Net investment in capital assets	3,157,159	2,443,202	-	5,600,361
Unrestricted	(455,546)	(193,564)	43,283	(605,827)
Total net position	\$ 2,701,613	\$ 2,249,638	\$ 43,283	\$ 4,994,534

**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, 2017**

Business Type Activities - Enterprise Funds				
	Airport	Transit	Golf	Totals
Operating revenues:				
Charges for services	\$ 285,520	\$ 111,311	\$ -	\$ 396,831
Other operating revenue	10,388	14,972	-	25,360
Total operating revenues	295,908	126,283	-	422,191
Operating expenses:				
Personal services	-	466,006	-	466,006
Contractual services	174,369	1,059,185	-	1,233,554
Commodities	9,899	2,835	-	12,734
Depreciation	200,923	443,110	-	644,033
Other operating expenses	-	13,682	-	13,682
Total operating expenses	385,191	1,984,818	-	2,370,009
Operating income (loss)	(89,283)	(1,858,535)	-	(1,947,818)
Non-operating revenues (expenses):				
Interest expense and fiscal charges	(51,516)	-	-	(51,516)
Operating grants	-	1,051,839	-	1,051,839
Intergovernmental	-	111,506	-	111,506
Income taxes	125,000	50,000	-	175,000
Total non-operating revenues (expenses)	73,484	1,213,345	-	1,286,829
Income (loss) before transfers	(15,799)	(645,190)	-	(660,989)
Transfers in	55,000	20,000	-	75,000
Change in net position	39,201	(625,190)	-	(585,989)
Total net position, beginning of year	2,662,412	2,874,828	43,283	5,580,523
Total net position, end of year	\$ 2,701,613	\$ 2,249,638	\$ 43,283	\$ 4,994,534

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Business Type Activities - Enterprise Funds

	Airport	Transit	Golf	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 295,908	\$ 111,311	\$ -	\$ 407,219
Cash payments to suppliers for goods and services	(205,533)	(860,532)	-	(1,066,065)
Cash payments to employees for services	-	(422,146)	-	(422,146)
Miscellaneous revenues	-	14,972	-	14,972
Cash payments for interfund services used	(96)	(196,451)	-	(196,547)
Net cash provided (used) by operating activities	90,279	(1,352,846)	-	(1,262,567)
Cash flows from non-capital financing activities:				
Operating grants	-	1,226,313	-	1,226,313
Interfund loan receipts/payments	641,448			641,448
Transfers in	55,000	20,000	-	75,000
Income taxes received	125,000	50,000	-	175,000
Net cash provided by non-capital financing activities	821,448	1,296,313	-	2,117,761
Cash flows from capital and related financing activities:				
Purchase of capital assets	(1,078,694)	-	-	(1,078,694)
Interest expense	(85,647)	-	-	(85,647)
Repayment of debt principal	(1,000,000)	-	-	(1,000,000)
Proceeds from issuance of bonds	870,000	-	-	870,000
Premium from issuance of bonds	101,650	-	-	101,650
Net cash provided (used) by capital and related financing activities	(1,192,691)	-	-	(1,192,691)
Net increase (decrease) in cash and cash equivalents	(280,964)	(56,533)	-	(337,497)
Cash and cash equivalents, beginning of year	480,015	73,681	43,283	596,979
Cash and cash equivalents, end of year	\$ 199,051	\$ 17,148	\$ 43,283	\$ 259,482

continued

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
NON MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

(continued)	Airport	Transit	Golf	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (89,283)	\$ (1,858,535)	\$ -	\$ (1,947,818)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	200,923	443,110	-	644,033
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Decrease (increase) in deferred outflows of resources - pension related	-	(35,096)	-	(35,096)
Increase (decrease) in accounts payable	(19,005)	14,857	-	(4,148)
Increase (decrease) in accrued wages and benefits	(2,356)	1,060	-	(1,296)
Increase (decrease) in due to other funds	-	3,862	-	3,862
Increase (decrease) in compensated absences payable	-	(1,163)	-	(1,163)
Increase (decrease) in net pension liability	-	82,117	-	82,117
Increase (decrease) in deferred inflows of resources - pension related	-	(3,058)	-	(3,058)
Total adjustments	179,562	505,689	-	685,251
Net cash provided (used) by operating activities	\$ 90,279	\$ (1,352,846)	\$ -	\$ (1,262,567)

**CITY OF MIDDLETOWN
FUND DESCRIPTIONS
DECEMBER 31, 2017**

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, 2017**

	Municipal Garage	Employee Benefits Fund	Totals
Assets:			
Current assets:			
Equity in pooled cash, deposits and investments	\$ 7,071,754	\$ 390,299	\$ 7,462,053
Receivables (net of allowance for uncollectibles):			
Accounts	257,708	63,819	321,527
Due from other funds	129,725	-	129,725
Inventory of supplies	268,030	-	268,030
Total current assets	7,727,217	454,118	8,181,335
Capital assets:			
Land	195,750	-	195,750
Buildings	521,872	-	521,872
Equipment	12,535,527	-	12,535,527
Less: Accumulated depreciation	(10,260,154)	-	(10,260,154)
Net capital assets	2,992,995	-	2,992,995
Total assets	10,720,212	454,118	11,174,330
Deferred outflows of resources:			
Pension related	105,561	-	105,561
Total deferred outflows of resources:	105,561	-	105,561
Liabilities:			
Current liabilities:			
Accounts payable	309,246	1,024,803	1,334,049
Accrued wages and benefits	13,687	-	13,687
Due to other funds	-	2,000,000	2,000,000
Compensated absences payable	21,543	-	21,543
Total current liabilities	344,476	3,024,803	3,369,279
Long-term liabilities:			
Compensated absences payable	43,688	-	43,688
Net pension obligation	261,778	-	261,778
Total long-term liabilities	305,466	-	305,466
Total liabilities	649,942	3,024,803	3,674,745
Deferred inflows of resources:			
Pension related	1,981	-	1,981
Total deferred inflows of resources:	1,981	-	1,981
Net position:			
Investment in capital assets	2,992,995	-	2,992,995
Unrestricted	7,180,855	(2,570,685)	4,610,170
Total net position	\$ 10,173,850	\$ (2,570,685)	\$ 7,603,165

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Municipal Garage	Employee Benefits Fund	Totals
Operating revenues:			
Charges for services	\$ 2,736,592	\$ 5,560,604	\$ 8,297,196
Other operating revenues	229,757	-	229,757
Total operating revenues	2,966,349	5,560,604	8,526,953
Operating expenses:			
Personal services	503,312	-	503,312
Contractual services	448,805	5,031,916	5,480,721
Commodities	762,672	-	762,672
Depreciation	677,984	-	677,984
Other operating expenses	24,863	-	24,863
Total operating expenses	2,417,636	5,031,916	7,449,552
Operating income (loss)	548,713	528,688	1,077,401
Non-operating revenues (expenses):			
Interest revenue	90,556	1,576	92,132
Total non-operating revenues (expenses)	90,556	1,576	92,132
Change in net position	639,269	530,264	1,169,533
Total net position, beginning of the year	9,534,581	(3,100,949)	6,433,632
Total net position, end of the year	\$ 10,173,850	\$ (2,570,685)	\$ 7,603,165

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Municipal Garage	Employee Benefits Fund	Totals
Cash flows from operating activities:			
Cash payments to suppliers for goods and services	\$ (875,346)	\$ (5,247,295)	\$ (6,122,641)
Cash payments to employees for services	(480,021)	-	(480,021)
Cash received from interfund services provided	2,750,029	5,563,175	8,313,204
Cash payments for interfund services used	(66,291)	-	(66,291)
Net cash provided (used) by operating activities	1,328,371	315,880	1,644,251
Cash flows from capital and related financing activities:			
Sale of capital assets	71,265	-	71,265
Purchase of capital assets	(1,018,407)	-	(1,018,407)
Net cash used by capital and related financing activities	(947,142)	-	(947,142)
Cash flows from investing activities:			
Interest income	90,556	1,576	92,132
Net cash provided by investing activities	90,556	1,576	92,132
Net increase in cash and cash equivalents	471,785	317,456	789,241
Cash and cash equivalents, beginning of year	6,599,969	72,843	6,672,812
Cash and cash equivalents, end of year	\$ 7,071,754	\$ 390,299	\$ 7,462,053

**CITY OF MIDDLETOWN, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

(continued)	Municipal Garage	Employee Benefits Fund	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 548,713	\$ 528,688	\$ 1,077,401
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	677,984	-	677,984
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Decrease (increase) in accounts receivable	(74,121)	2,571	(71,550)
Decrease (increase) in due from other funds	(70,934)	-	(70,934)
Decrease (increase) in supplies inventory	(27,213)	-	(27,213)
Decrease (increase) in deferred outflows of resources - pension related	(29,187)	-	(29,187)
Increase (decrease) in accounts payable	250,651	(215,379)	35,272
Increase (decrease) in accrued wages	1,268	-	1,268
Increase (decrease) in compensated absences	(14,536)	-	(14,536)
Increase (decrease) in net pension liability	68,289	-	68,289
Increase (decrease) in deferred inflows of resources - pension related	(2,543)	-	(2,543)
Total adjustments	779,658	(212,808)	566,850
Net cash provided (used) by operating activities	\$ 1,328,371	\$ 315,880	\$ 1,644,251



**CITY OF MIDDLETOWN
AGENCY FUNDS
DECEMBER 31, 2017**

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, 2017**

	Payroll Clearing	Municipal Court	Joint Economic Development District I	Totals
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ -	\$ 46,679	\$ 165,033	\$ 211,712
Cash with fiscal and escrow agent	380,782	-	-	380,782
Total assets	380,782	46,679	165,033	592,494
Liabilities:				
Due to other governments	166,065	-	165,033	331,098
Due to individuals	201,633	5,799	-	207,432
Unapportioned monies	13,084	40,880	-	53,964
Total liabilities	\$ 380,782	\$ 46,679	\$ 165,033	\$ 592,494

CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CHANGES
 IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

PAYROLL CLEARING				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash with fiscal and escrow agent	\$ 345,353	\$ 23,184,988	\$ 23,149,559	\$ 380,782
Total assets	345,353	23,184,988	23,149,559	380,782
Liabilities:				
Due to other governments	258,942	6,398,920	6,491,797	166,065
Due to individuals	9,261	15,494,849	15,302,477	201,633
Unapportioned monies	77,150	1,291,219	1,355,285	13,084
Total liabilities	\$ 345,353	\$ 23,184,988	\$ 23,149,559	\$ 380,782

CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CHANGES
 IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

MUNICIPAL COURT				
	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and equity in pooled cash, deposits and investments	\$ 39,302	\$ 3,564,288	\$ 3,556,911	\$ 46,679
Total assets	39,302	3,564,288	3,556,911	46,679
Liabilities:				
Due to other governments	-	664,364	664,364	-
Due to individuals	4,377	1,013,120	1,011,697	5,799
Unapportioned monies	34,925	338,611	332,656	40,880
Total liabilities	\$ 39,302	\$ 2,016,095	\$ 2,008,717	\$ 46,679

CITY OF MIDDLETOWN, OHIO
 COMBINING STATEMENT OF CHANGES
 IN FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2017

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	\$ 152,205	\$ 2,216,706	\$ 2,203,878	\$ 165,033
Total assets	152,205	2,216,706	2,203,878	\$ 165,033
Liabilities:				
Due to other governments	152,205	2,216,706	2,203,878	165,033
Total liabilities	\$ 152,205	\$ 2,216,706	\$ 2,203,878	\$ 165,033

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 <i>(Table 1 to Table 6)</i>	178
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity <i>(Table 7 to Table 11)</i>	185
These schedules contain information to help the reader assess one of the government's most significant local revenue sources, income tax and property taxes.	
Debt Capacity <i>(Table 12 to Table 16)</i>	190
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information <i>(Table 17 and Table 18)</i>	195
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information <i>(Table 19 to Table 21)</i>	197
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

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

		2017	2016	2015	Restated 2014	2013	2012	2011	2010	2009	2008
Governmental Activities:											
Net Investment in Capital Assets	\$	57,656	56,377	53,363	54,102	57,244	57,866	56,729	59,237	59,504	58,169
Restricted		13,426	12,164	12,843	12,896	22,026	25,539	30,934	35,676	31,270	31,510
Unrestricted		(23,450)	(22,837)	(19,834)	(19,142)	11,328	12,210	9,940	7,454	10,494	10,366
Total Governmental Activities Net Position	\$	<u>47,632</u>	<u>45,704</u>	<u>46,372</u>	<u>47,856</u>	<u>90,598</u>	<u>95,615</u>	<u>97,603</u>	<u>102,367</u>	<u>101,268</u>	<u>100,045</u>
Business-Type Activities:											
Net Investment in Capital Assets	\$	66,917	61,159	54,257	51,744	56,230	54,343	51,637	49,711	49,139	49,847
Restricted		-	-	-	-	-	-	1,501	1,457	1,411	1,367
Unrestricted		19,553	18,502	17,976	17,251	15,918	16,775	14,811	14,166	13,247	10,779
Total Business-Type Activities Net Position	\$	<u>86,470</u>	<u>79,661</u>	<u>72,233</u>	<u>68,995</u>	<u>72,148</u>	<u>71,118</u>	<u>67,949</u>	<u>65,334</u>	<u>63,797</u>	<u>61,993</u>
Primary Government:											
Net Investment in Capital Assets	\$	124,573	117,536	107,619	105,846	113,474	112,209	108,366	108,948	108,643	108,016
Restricted		13,426	12,164	12,843	12,896	22,026	25,539	32,435	37,133	32,681	32,877
Unrestricted		(3,897)	(4,335)	(1,858)	(1,891)	27,246	28,985	24,751	21,620	23,741	21,145
Total Primary Government Net Position	\$	<u>134,102</u>	<u>125,365</u>	<u>118,604</u>	<u>116,851</u>	<u>162,746</u>	<u>166,733</u>	<u>165,552</u>	<u>167,701</u>	<u>165,065</u>	<u>162,038</u>

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities:										
Community environment	\$ 3,930	4,320	5,970	11,557	16,561	14,555	16,739	13,318	14,621	15,950
General government	7,464	8,610	5,212	6,190	5,142	6,240	6,364	6,161	6,489	4,073
Leisure	1,191	1,072	1,032	1,698	1,069	1,210	1,164	947	1,150	1,250
Public health	538	530	421	405	367	983	781	941	1,094	1,490
Public safety	26,315	24,990	22,846	23,586	24,164	24,639	24,646	23,951	24,250	23,701
Highways and streets	7,393	7,272	8,417	8,171	7,662	9,557	8,565	9,776	9,509	7,965
Interest on long-term debt	1,085	1,074	1,262	1,078	1,229	1,402	1,447	1,241	1,179	1,028
Total governmental activities expenses	47,916	47,868	45,160	52,685	56,194	58,586	59,706	56,335	58,292	55,457
Business-type activities:										
Water	7,257	7,040	6,807	7,326	7,184	6,564	6,427	7,627	5,867	7,588
Sanitary Sewer	7,711	7,545	7,859	8,892	7,688	7,206	7,216	7,172	7,092	7,374
Golf	-	-	-	352	1,540	1,489	1,446	1,604	1,488	1,563
Solid Waste	3,075	3,281	3,092	2,933	2,827	2,690	2,667	2,616	2,547	2,496
Storm Water	1,299	1,236	1,168							
Non major enterprise funds	2,422	2,410	1,815	3,232	3,234	3,154	3,021	2,432	3,292	2,314
Total business-type activities expenses	21,764	21,512	20,741	22,735	22,473	21,103	20,777	21,451	20,286	21,335
Total primary government expenses	\$ 69,680	69,380	65,901	75,420	78,667	79,689	80,483	77,786	78,578	76,792
Program Revenue										
Governmental activities:										
Charges for services:										
Community environment	\$ 307	682	543	688	880	926	890	550	192	347
General government	3,088	2,839	2,856	2,861	2,682	2,700	2,625	2,382	2,704	2,980
Highways and streets	279	532	312	219	337	228	569	16	-	-
Leisure	-	-	78	-	16	4	2	2	1	162
Public health	322	335	263	209	192	216	236	191	167	184
Public safety	4,768	4,439	4,245	4,850	5,179	4,936	4,660	4,350	3,990	3,967
Operating grants & contributions	2,366	1,202	553	922	9,843	9,386	11,932	13,472	13,682	12,827
Capital grants & contributions	5,181	5,391	3,410	3,079	1,752	8,524	3,551	2,716	7,423	4,203
Total governmental activities program revenue	\$ 16,311	15,420	12,260	12,828	20,881	26,920	24,465	23,679	28,159	24,670

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Business-type activities:										
Charges for services:										
Water	\$ 9,008	8,703	7,869	7,780	7,384	7,752	6,852	6,500	6,038	6,866
Sanitary Sewer	11,545	10,015	8,961	9,157	8,228	8,257	8,137	7,831	7,210	7,930
Golf course	-	-	-	27	1,161	1,165	1,152	1,358	1,408	1,393
Solid Waste	3,183	3,142	2,996	2,989	2,938	2,923	2,812	2,861	2,825	2,817
Storm Water	1,958	1,997	1,821							
Other business-type activities	397	417	421	2,192	2,150	2,064	2,057	1,910	2,078	2,007
Operating grants & contributions	1,052	1,727	1,226	1,509	1,404	1,437	1,712	2,481	1,101	1,257
Capital grants & contributions	862	2,559	180	129	163	355	337	322	754	1,119
Total business-type activities program revenue	28,006	28,560	23,474	23,783	23,428	23,953	23,059	23,263	21,414	23,389
Total primary government program revenue	\$ 44,317	43,980	35,734	36,611	44,309	50,873	47,524	46,942	49,573	48,059
Net (Expense)/Revenue										
Governmental activities	\$ (31,605)	(32,448)	(32,900)	(39,857)	(35,313)	(31,666)	(35,241)	(32,656)	(30,133)	(30,787)
Business-type activities	6,242	7,048	2,733	1,048	955	2,850	2,282	1,812	1,128	2,054
Total primary government net expense	(25,363)	(25,400)	(30,167)	(38,809)	(34,358)	(28,816)	(32,959)	(30,844)	(29,005)	(28,733)
General Revenues and Other Changes in Net										
Governmental activities:										
Income taxes	\$ 23,663	22,181	21,346	20,560	19,811	19,828	19,425	20,345	18,942	19,921
Property taxes	3,988	4,073	4,154	4,331	4,468	4,081	4,158	4,480	4,534	4,965
Other taxes	2,507	2,487	2,606	2,575	2,972	2,657	2,808	2,949	2,427	2,248
Grants/contributions not restricted	1,612	1,414	1,375	1,317	1,466	1,649	3,005	4,852	3,666	3,349
Investment earnings	11	(90)	115	96	41	(78)	124	111	(151)	686
Miscellaneous	1,753	1,645	1,751	1,161	1,125	1,478	895	942	1,823	6,135
Transfers	(1)	71	69	(1,942)	165	64	62	77	58	-
Total governmental activities general revenues	33,532	31,781	31,416	28,098	30,048	29,679	30,477	33,756	31,299	37,304
Business-type activities:										
Income taxes	\$ 175	205	186	137	138	190	170	190	344	466
Investment earnings	226	153	133	28	18	123	123	189	323	694
Transfers	1	(72)	254	1,942	(165)	(64)	102	(77)	96	-
Miscellaneous	165	93	(69)	106	136	69	(62)	115	(58)	113
Total business type activities general revenues	567	379	504	2,213	127	318	333	417	705	1,273
Total primary government general revenues	\$ 34,099	32,160	31,920	30,311	30,175	29,997	30,810	34,173	32,004	38,577
Special item	\$ -	-	-	(3,345)	-	-	-	(692)		
Changes in Net Position										
Governmental activities	\$ 1,928	(667)	(1,484)	(11,759)	(5,265)	(1,987)	(4,764)	1,100	1,166	6,517
Business-type activities	6,809	7,427	3,237	(84)	1,082	3,168	2,615	1,537	1,833	3,327
Total primary government	\$ 8,737	6,760	1,753	(11,843)	(4,183)	1,181	(2,149)	2,637	2,999	9,844

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
2017	\$ 23,663	\$ 3,988	\$ 2,507	\$ 30,158
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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund										
Reserved, nonspendable, restricted, committed or assigned	\$ 6,602	4,829	4,278	1,213	3,896	3,583	4,881	343	326	311
Unreserved, unassigned	6,730	5,625	5,181	7,751	5,909	7,441	6,955	11,697	10,977	11,229
Total General Fund	<u>\$ 13,332</u>	<u>10,454</u>	<u>9,459</u>	<u>8,964</u>	<u>9,805</u>	<u>11,024</u>	<u>11,836</u>	<u>12,040</u>	<u>11,303</u>	<u>11,540</u>
All Other Governmental Funds										
Reserved, nonspendable, restricted or committed	\$ 12,107	11,264	11,600	10,803	11,821	13,133	13,877	10,682	3,764	4,476
Unreserved, undesignated, unassigned reported in:										
Capital project funds	(91)	(514)	(342)	(82)	(646)	(1,263)	(1,372)	(138)	2,499	6,021
Debt service funds	-	-	-	-	-	-	-	892	82	1,123
Special revenue funds	<u>(571)</u>	<u>(283)</u>	<u>(149)</u>	<u>(72)</u>	<u>(275)</u>	<u>(133)</u>	<u>(164)</u>	<u>6,446</u>	<u>7,133</u>	<u>2,933</u>
Total All Other Governmental Funds	<u>11,445</u>	<u>10,467</u>	<u>11,110</u>	<u>10,650</u>	<u>10,900</u>	<u>11,737</u>	<u>12,341</u>	<u>17,882</u>	<u>13,478</u>	<u>14,553</u>
Total Governmental Funds	<u>\$ 24,777</u>	<u>20,921</u>	<u>20,569</u>	<u>19,614</u>	<u>20,705</u>	<u>22,761</u>	<u>24,177</u>	<u>29,922</u>	<u>24,781</u>	<u>26,093</u>

Note: Explanations of differences in various funds is available in the Management's Discussion and Analysis section.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Property taxes	\$ 4,009	4,086	4,258	4,311	4,281	3,694	4,158	4,480	4,533	4,965
Municipal income taxes	24,593	22,180	21,768	20,576	19,617	19,728	19,924	19,775	18,640	19,606
Intergovernmental revenues	10,275	9,978	7,608	16,035	16,872	19,611	22,675	22,330	23,325	19,921
Charges for services	4,663	4,706	4,549	4,593	4,657	4,555	4,454	4,024	4,449	4,312
Fees, licenses, and permits	388	496	403	295	317	297	224	204	187	257
Fines and forfeits	1,660	1,542	1,718	1,883	1,907	1,935	1,896	1,979	1,774	2,019
Special assessments	541	650	819	746	552	672	701	349	385	440
Investment earnings	11	(90)	115	96	41	(78)	124	111	(151)	686
Miscellaneous	3,917	3,791	3,463	3,255	3,503	3,708	3,172	3,469	2,575	3,958
Total revenues	50,057	47,339	44,701	51,790	51,747	54,122	57,328	56,721	55,717	56,164
Expenditures										
Current:										
General Government	4,881	4,596	3,952	3,695	3,511	3,815	3,879	4,323	4,060	4,334
Public safety	24,176	23,129	22,396	23,851	24,241	24,609	24,987	23,933	23,873	23,240
Public health and welfare	440	480	405	389	347	727	744	899	1,084	1,394
Leisure time activities	917	832	902	887	917	908	1,002	856	1,466	1,259
Community environment	3,473	3,902	5,590	11,633	16,583	14,177	21,202	16,422	14,616	15,907
Highways and streets	6,210	8,207	6,761	4,582	5,400	5,091	5,871	6,223	12,008	3,329
Miscellaneous	2,641	2143	2,202	1,954	2,292	2,531	2,165	1,725	3,422	1,127
Debt Service										
Principal retirement	2,518	2,709	4,538	3,329	5,176	2,414	2,228	2,129	1,822	1,896
Interest and fiscal charges	1,056	1,061	1,229	1,065	1,302	1,329	1,394	1,381	1,277	971
Bond issuance costs	-	-	-	-	-	-	-	-	-	836
Total expenditures	46,313	47,059	47,975	51,385	59,769	55,601	63,472	57,891	63,628	54,293
Excess (deficiency) of revenues over expenditures	\$ 3,744	280	(3,274)	405	(8,022)	(1,479)	(6,144)	(1,170)	(7,911)	1,871

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Continued										
Other Financing Sources (Uses)										
Transfers in	\$ 437	230	1,069	67	1,084	163	161	258	1,075	2,842
Transfers out	(439)	(158)	(1,000)	(2,009)	(919)	(99)	(99)	(198)	(1,017)	(2,785)
Issuance of bonds	5,830		4,160	446	5,845	-	337	6,235	6,530	10,323
Issuance of notes	584	-	-	-	2,057	-	-	-	-	-
Other uses	(6,300)		-	-	(3,300)	-	-	-	11	(9,665)
Other sources	-	-	-	-	1,199	-	-	16	-	170
Total other financing sources (uses)	112	72	4,229	(1,496)	5,966	64	399	6,311	6,599	885
Net change in Fund Balances	3,856	352	955	(1,091)	(2,056)	(1,415)	(5,745)	5,141	(1,312)	2,756
Asset Additions	\$ 6,121	7,626	5,875	2,832	6,419	7,420	10,349	7,458	14,607	10,475
Non capital expenditures	\$ 40,192	39,433	42,100	48,553	53,350	48,181	53,123	50,433	49,021	43,818
Debt service as a % of noncapital expenditures	8.89%	9.56%	13.70%	9.05%	12.14%	7.77%	6.82%	6.96%	6.32%	8.45%

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Property taxes	\$ 4,009	4,086	4,258	4,311	4,281	3,694	4,158	4,480	4,533	4,965
Municipal income taxes	\$ 24,593	22,180	21,768	20,576	19,617	19,728	19,924	19,775	18,640	19,606

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

Tax Levy/ Collection Year	Real Property		Personal Property (1)		Public Utility (2)		Totals		Direct Tax Rate	Assessed Value as a Percent of Estimated Actual Value
	Assessed	Actual	Assessed	Estimated Actual	Assessed	Actual	Assessed	Estimated Actual		
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
2016/2017	\$610,557	\$1,744,449	\$0	\$0	\$51,575	\$147,357	\$662,132	\$1,891,806	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 Tirenial 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 persona 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

City of Middletown										
Collection Year	Operating	Police and Fire Pension	Senior Citizen Levy	City of Middletown Total	Butler County	Middletown City School District	Parks	Library	JVSD	Total
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
2017	5.30	0.60	1.00	6.90	9.72	54.15	0.7	0.75	1.93	74.15

(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, 2017 and Nine Years Ago
(in thousands)
Table 9

Top Ten Property Taxpayers (real property)

2008 Calendar year/ 2007 Tax Year			2017 Calendar year/ 2016 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	6.60%	Duke Energy	\$ 41,294	6.24%
AK Steel	\$ 30,191	3.51%	AK Steel	\$ 9,977	1.51%
Precision Strip	\$ 8,332	0.97%	AJB Realty LLC	\$ 4,100	0.62%
Southwestern Ohio Steel	\$ 8,124	0.94%	Rockies Express Pipeline LLC	\$ 4,061	0.61%
Garden Manor	\$ 7,136	0.83%	Boymel Family LLC	\$ 3,956	0.60%
Bavarian Woods	\$ 4,544	0.53%	Middletown Coke	\$ 3,149	0.48%
Liberty Retirement Properties	\$ 4,066	0.47%	Texas Eastern Transmission Corp	\$ 3,070	0.46%
Chaka-Chak LLC	\$ 3,978	0.46%	Dynegy Dicks Creek LLC	\$ 2,935	0.44%
Texas Eastern Transmission	\$ 3,636	0.42%	CTR Partnership LP	\$ 2,905	0.44%
Bay West Paper Corp	\$ 1,770	0.21%	Precision Strip	\$ 2,897	0.44%
TOTAL TOP TEN	\$ 128,618	14.9%	TOTAL TOP TEN	\$ 78,344	11.83%
		78.0%			
TOTAL ASSESSED VALUATION FOR CITY OF MIDDLETOWN	\$860,632		TOTAL ASSESSED VALUATION FOR CITY OF MIDDLETOWN	\$662,132	

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
2017	6.90	\$4,463	\$3,153	70.65%	\$189	\$3,342	74.88%
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%

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
2017	1.75%	\$2,456,099	\$2,962,224	\$19,027,426	\$24,445,749
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

CITY OF MIDDLETOWN, 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			Total	Percentage of Personal Income	Per Capita (1)
	General Obligation Bonds	Special Assessment Bonds	Notes Payable	General Obligation Bonds	Capital Leases	Notes Payable			
2017	\$ 19,808	\$ 1,277	\$ -	\$ 10,100	\$ -	\$ -	\$ 31,185	4.81%	\$ 639
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

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)
2017	\$29,908	\$27	\$29,881	4.52%	\$613
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

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, 2017
 (amounts expressed in thousands)
 Table 14

Political Subdivision	General Bonded Debt	Percent Applicable to City	City's Share
Butler County	40,637	8.81%	\$3,578
Warren County	<u>14,979</u>	1.37%	<u>\$205</u>
Subtotal, overlapping debt			<u>\$3,784</u>
General Obligation Bond			19,808
Special Assessment debt			1,277
Subtotal, direct debt			<u>21,085</u>
Total direct and overlapping debt			<u><u>\$24,869</u></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

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$	90,366	92,892	88,831	88,649	75,048	74,447	74,447	69,321	69,321	69,524
Total net debt applicable to limit	\$	13,920	19,429	24,356	24,231	22,120	21,902	19,484	19,565	21,689	19,808
Legal debt margin	\$	76,446	73,463	64,475	64,418	52,928	52,545	54,963	49,929	52,118	53,583
Total net debt applicable to the limit as a percentage of debt limit		15.40%	20.92%	27.42%	27.33%	29.47%	29.42%	26.17%	28.22%	31.29%	28.49%
					Assessed value						\$662,132
					Add back: exempt real property						-
					Total asessed value						662,132
					Debt limit (10.5%) of total asses value						69,524
					Debt applicable to limit:						
					General obligation bond						19,808
					Less: Amount set aside for repayment of general obligation debt						(25)
					Total net debt applicable to limit						19,783
					Legal debt margin						49,741

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

Debt Service					
Collection Year	Tax Year	Special Assessment Collections	Principal	Interest & Fiscal Charges	Coverage
2017	2016	\$245,266	\$217,000	\$80,333	0.82
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

CITY OF MIDDLETOWN, 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)
2008	51,422	\$1,009,620	\$19,634	34.5	12 yrs - 67% 16 yrs - 13%	11,539	7.2
2009	49,000	\$1,006,607	\$20,543	36.4	12 yrs - 67% 16 yrs - 13%	11,366	11.2
2010	48,719	\$1,000,321	\$20,543	35.9	12 yrs - 67% 16 yrs - 13%	11,755	10.8
2011	48,731	\$959,385	\$19,716	38.0	12 yrs - 72.6% 16 yrs - 13%	11,111	10.1
2012	48,705	\$968,285	\$19,911	38.5	12 yrs - 74.3% 16 yrs - 15.1%	10,776	8.6
2013	48,659	\$982,281	\$20,199	38.5	12 yrs - 78.6% 16 yrs - 13%	10,776	7.8
2014	48,766	\$983,754	\$20,229	37.3	12 yrs - 78.6% 16 yrs - 16.0%	11,051	5.4
2015	48,760	estimate \$985,476	estimate \$20,345	37.3	12 yrs - 83.1% 16 yrs - 16.0%	estimate 11,528	4.3
2016	48,760	estimate \$988,365	estimate \$20,270	37.6	12 yrs - 83.1% 16 yrs - 15.7%	estimate 11,414	4.0
2017	48,813	estimate \$1,014,627	estimate \$20,786	37.8	12 yrs - 82.5% 16 yrs - 16.8%	estimate 11,390	3.7

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	2017		
	Employees	Rank	Percentage of Total City Employment
AK Steel	2,582	1	13.0%
Atrium Medical Center	1,817	2	9.1%
CM Temporary Services, Inc.	1,642	3	8.3%
Belflex Staffing Network LLC	833	4	4.2%
Crown Services 36 LLC	814	5	4.1%
Middletown City Schools	795	6	4.0%
One Source Employee Management	751	7	3.8%
Staffmark Investment LLC	731	8	3.7%
Kroger Limited Partnership	698	9	3.5%
Gemma Power Systems LLC	648	10	3.3%
TOTAL ESTIMATED CITY EMPLOYMENT	19,900		
Employer	2008		
	Employees	Rank	Percentage of Total City Employment
AK Steel	2,608	1	11.1%
CBS Personnel Services, LLC	2,219	2	9.4%
Atrium Medical Center	1,772	3	7.5%
Middletown City School District	1,274	4	5.4%
Graycor Industrial Construction	757	5	3.2%
Miami University	544	6	2.3%
McGraw/Kokosing	617	7	2.6%
CM Temporary Services, Inc.	611	8	2.6%
Garden Manor Extended Care	583	9	2.5%
Kroger	566	10	2.4%
TOTAL ESTIMATED CITY EMPLOYMENT	23,600		

Data Sources:
City Income Tax Division
Ohio Labor Market Information (Total Estimated City Employment)

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	40	40	38	38	34	32	30.5	34.5	36.5	36.5
Public safety										
Police										
Officers	80	80	80	80	72	72	72	68	69	71
Civilians	37	37	37	37	34	32	31	31	35	33
Fire										
Firefighters & officers	84	84	84	81	72	72	66	64	67	67
Civilians	1	1	1	1	1	1	1	1	1	1
Other	32	32	26	26	26	26	28	30	32	32
Highways and streets										
Maintenance	15	15	15	15	15	15	14	14	14.5	14.5
Leisure Time Activities	8	8	7	7	7	7	6	6	6	6
Community Environment	4	7	8	9	6	4	3	2	4.5	4.5
Public health & welfare	5	4	4	4	3	3	3	3	5	5
Water	32	31	31	31	31	31	31	31	31	31
Sewer	32	31	32	32	32	32	35	35	36	36
Storm Water	4	6	6	7	7	7	7.5	7.5	9	9
Golf Course	7	6	6	5	5	5	5	0	0	0
Solid Waste	0	0	0	0	0	0	1	1	0	0.5
Transit	8	8	7	6	5	4	4	4	4	4
Internal Services	9	9	9	8	7	7	7	7	7	7
Total	398	399	391	387	357	350	345	339	358	358

Source: City of Middletown Finance Administration

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire										
Number of fire responses	695	566	1,888	1,996	2,073	6,048	4,809	2,159	2,116	1,997
Average response time (minutes)	4.9	4.5	4.6	4.6	5.2	5.2	5.5	6.0	5.6	6.1
Emergency medical calls	7,807	7,969	8,158	8,513	8,400	8,185	8,484	8,633	9,268	9,834
Police										
Calls for service	42,135	46,727	43,696	49,312	45,247	45,287	52,925	44,353	40,337	40,602
Number of arrests	7,235	8,106	8,417	8,030	8,036	7,919	6,481	5,861	6,239	6,150
Response time for priority calls (minutes)	5.6	5.8	5.2	5.4	5.4	5.8	5.7	5.8	6.1	6.1
Traffic accidents	1,790	1,562	1,630	1,547	1,466	1,400	1,196	1,212	1,387	1,094
Average daily jail population	50	49	51	47	53	56	58	57	103	62
Recreation and leisure										
Community center admissions	9,244	10,179	12,011	21,900	n/a	n/a	n/a	n/a	n/a	n/a
Transit										
Unlinked passenger trips	247,979	198,333	210,397	219,596	204,362	153,824	168,753	167,837	147,614	136,787
Water										
Average daily water pumpage (million gallons per day)	7.55	7.38	7.68	7.32	8.84	7.93	8.80	8.30	8.93	9.00
Number of water accounts	19,060	19,381	19,200	19,031	19,179	19,200	19,097	19,006	19,094	19,017
Sewer										
Average daily flow (million gallons per day)	17.9	16.1	16.6	20.7	16.3	16.4	16.4	17.0	18.4	15.6
Sewer mains cleaned (feet)	188,504	153,442	180,895	127,397	154,512	66,224	59,892	15,040	46,748	11,869

Source: City of Middletown Departmental Data

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

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public safety:										
Fire stations	5	5	5	5	5	5	4	4	4	4
Police stations	1	1	1	1	1	1	1	1	1	1
Highways and streets:										
Streets (miles)	239	240	240	240	242	242	242	242	242	242
Traffic Lights	112	113	111	111	111	111	111	111	109	109
Water:										
Water mains (miles)	343	343	343	343	343	343	343	343	343	290
Sewer:										
Sanitary & storm (miles)	319	320	320	320	320	320	320	320	320	394
Leisure & recreation:										
Parks	36	36	36	36	36	36	35	35	35	34
Swimming pools	1	0	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	0	0	0	0

Source: City of Middletown