



**Auditor of State
Betty Montgomery**

MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY

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**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550		\$245,068		\$126,867
School Breakfast Program	05-PU 04/05	10.553	306,025		306,025	
National School Lunch Program	LL-P4 04/05	10.555	1,076,760		1,076,760	
Summer Food Service Program for Children	24-PU 03	10.559	10,503		10,503	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>1,393,288</u>	<u>245,068</u>	<u>1,393,288</u>	<u>126,867</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Adult Basic Education Grant	AB-S1-04	84.002	(32,228)		0	
	AB-S2-04		(4,164)		0	
	AB-S2-05		28,966		35,145	
	AB-S1-05		<u>156,081</u>		<u>311,396</u>	
Total Adult Basic Education Grant			148,655		346,541	
Title I	C1-S1-04	84.010	(139,702)		0	
	C1-S1-05		<u>2,236,747</u>		<u>1,943,277</u>	
			2,097,045		1,943,277	
Special Education Cluster:						
Special Education Grants to States	6B-SA-05	84.027	13,542		14,203	
	6B-SD-04-P		2,250		2,250	
	6B-SD-05		11,250		10,805	
	6B-SF-04		337,263		290,726	
	6B-SF-05		<u>2,041,104</u>		<u>1,784,259</u>	
Total Special Education Grants to the States			2,405,409		2,102,243	
Special Education - Preschool Grant	PG-D7-04-P	84.173	3,210		3,210	
	PG-S1-05		<u>28,583</u>		<u>29,312</u>	
			31,793		32,522	
Total Special Education Cluster			<u>2,437,202</u>		<u>2,134,765</u>	
Drug Free Schools Grant - National	T4-S1-03	84.184C	(2,049)		0	
	T4-S1-04-P		1,376		5,729	
	T4-S1-04		<u>11,211</u>		<u>11,095</u>	
Total Drug Free School Grants - National			10,538		16,824	
Drug Free Schools Grant - State	DR-S1-04	84.186	1,170		7,992	
	DR-S1-05		<u>66,429</u>		<u>58,915</u>	
Total Drug Free Schools Grants - State			67,599		66,907	

(Continued)

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Title V, Part A - Innovative Education Programs	C2-S1-04	84.298	3,583		1,979	
	C2-S1-05		120,563		127,240	
Total Title V, Part A - Innovative Education			124,146		129,219	
Technology Literacy Fund Grants	TJ-S1-04	84.318	53,590		59,800	
	TJ-SL-04		(868)		0	
	TJ-S1-05		57,647		50,240	
	TJ-SL-05		190,000		185,663	
Total Technology Literacy Fund Grants			300,369		295,703	
Advanced Placement	AV-TF-04	84.330	676		676	
Title I - Comprehensive School Reform	RF-CC-04	84.332	(721)		10,729	
	RF-S3-03		(4,985)		5,513	
Total Title I - Comprehensive School Reform			(5,706)		16,242	
Title III - Limited English Proficiency	T3-S1-04	84.365	4,897		5,691	
	T3-S1-05		13,267		18,677	
			18,164		24,368	
Improving Teacher Quality State Grant (Title II A)	TR-S1-04	84.367	13,434		60,340	
	TR-S1-04		631,012		609,513	
Total Improving Teacher Quality State Grant (Title II A)			644,446		669,853	
Total Department of Education			5,843,134		5,644,375	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	None	93.778	181,453		181,453	
Medical Assistance Program	None	93.778	105,805		0	
Medical Assistance Program	None	93.778	9,200		0	
Medical Assistance Program	None	93.778	23,386		0	
Total Department of Health and Human Services			319,844		181,453	
TOTAL FEDERAL ASSISTANCE			\$7,556,266	\$245,068	\$7,219,116	\$126,867

The accompanying notes to this schedule are an integral part of this schedule.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 2005, the District had food commodities in inventory.

NOTE C -- MATCHING REQUIREMENTS

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

NOTE D -- TRANSFER OF ADULT BASIC EDUCATION FUNDS, CFDA# 84.002

During the audit period the District had \$32,228 of Adult Basic Education funds, of fiscal year 2004 (AB-S1-04) transferred to fiscal year 2005 (AB-S1-05). Also, the District had \$4,164 of Adult Basic Education funds, of fiscal year 2004 (AB-S2-04) transferred to fiscal year 2005 (AB-S2-05). The accompanying schedule of federal awards expenditures has been modified to reflect this transfer.

NOTE E -- TRANSFER OF TITLE I PART A CSEA FUNDS, CFDA# 84.010

During the audit period the District had \$139,702 of Title I, Part A CSEA of fiscal year 2004 (C1-S1-04) monies transferred to fiscal year 2005 (C1-S1-05). The accompanying schedule of federal awards expenditures has been modified to reflect this transfer. Fiscal year 2004 expenditures of \$175,833 are included with fiscal year 2005 expenditures on the schedule of federal awards expenditures which were assumed to be spent first.

NOTE F -- REFUND OF COMMUNITY SERVICE FUNDS, CFDA #84.184C

During the audit period the District refunded \$2,049 of T4-S1-03 funds to the Ohio Department of Education (ODE) due to the expiration of the period of availability. The District also refunded \$123 of T4-S1-04 to ODE due to the expiration of the period of availability. The accompanying schedule of federal awards expenditures has been modified to reflect the refund as a reduction of cash receipts.

NOTE G --TRANSFER OF INNOVATIVE EDUCATION STRATEGIES FUNDS, CFDA# 84.298

During the audit period the District transferred \$2,558 of C2-S1-04 funds to C2-S1-05. The accompanying schedule of federal awards expenditures has been modified to reflect the transfer. Fiscal year 2004 expenditures of \$10,018 are included with fiscal year 2004 expenditures on the schedule of federal awards expenditures which were assumed to be spent first.

NOTE H-- REFUND OF TITLE II-D EDUCATIONAL TECHNOLOGY LITERACY FUNDS, CFDA# 84.318

During the audit period the District refunded \$868 of TJ-SL-04 funds to ODE due to the expiration of the period of availability. The accompanying schedule of federal awards expenditures has been modified to reflect the refund as a reduction of cash receipts.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE I –TRANSFER AND REFUND OF TITLE I COMPREHENSIVE SCHOOL REFORM GRANT FUNDS, CFDA# 84.332

During the audit period, the District transferred refunded \$721 of RF-CC-04 to RF-CC-05. The District refunded \$721 of RF-CC-05 funds due to the expiration of the period of availability. The District also refunded \$4,985 in RF-S3-03 funds to ODE due to the expiration of the period of availability. The accompanying schedule of federal awards expenditures has been modified to reflect the refund as a reduction of cash receipts.

NOTE J – REFUND OF COMMUNITY ALTERNATIVE FUNDING SOURCE (CAFS)

During the audit period, the District received \$105,805 in CAFS from prior fiscal years. Expenditures relating to this revenue were incurred in prior fiscal years. The accompanying schedule of federal awards expenditures has been modified to reflect this reduction in expenditures.

NOTE K – REFUND OF COMMUNITY ALTERNATIVE FUNDING SOURCE (CAFS)

During the audit period, the District received \$9,200 in CAFS relating to fiscal year 1998. Expenditures relating to this revenue were incurred during fiscal year 1998. The accompanying schedule of federal awards has been modified to reflect this reduction in expenditures.

NOTE L - REFUND OF COMMUNITY ALTERNATIVE FUNDING SOURCE (CAFS)

During the audit period, the District received \$23,386 which was an enhanced federal reimbursement for CAFS services. The expenditures relating to this money were incurred in the fourth quarter of fiscal year 2003 and all of fiscal year 2004. The accompanying schedule of federal awards has been modified to reflect this reduction of expenditures.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Middletown City School District
Butler County
1515 Girard Avenue
Middletown, Ohio 45044

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Middletown City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matter involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 through 2005-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the District's management dated December 27, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-002, 2005-003 and 2005-004. In a separate letter to the District's management dated December 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 27, 2005



Auditor of State Betty Montgomery

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

Middletown City School District
Butler County
1515 Girard Avenue
Middletown, Ohio 45044

To the Board of Education:

Compliance

We have audited the compliance of the Middletown City School District, Butler County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Middletown City School District, Butler County, Ohio complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Federal Awards Expenditures Schedule

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Middletown City School District, Butler County, Ohio as of and for the year ended June 30, 2005, and have issued our report thereon dated December 27, 2005. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 27, 2005

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNED 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #10.550, 10.553, 10.555, 10.559: Nutrition Cluster CFDA #84.002: Adult Basic Education Grant CFDA #84.027, 84.173: Special Education Cluster CFDA # 93.778: Medical Assistance Program
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2005-001

Reportable Condition

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensuring that all transactions are properly authorized in accordance with management's policies.
- Ensuring that accounting records are properly designed.
- Ensuring adequate security of assets and records.
- Planning for adequate segregation of duties or compensating controls.
- Verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.
- Performing analytical procedures to determine the reasonableness of financial data.
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitoring activities performed by service organizations.

The District does not have proper controls and procedures over bank reconciliations as evidenced by the following:

- Items were included on June 30, 2005 bank reconciliations that could not be verified or explained.
- The payroll account was not properly reconciled as of June 30, 2005 by \$2,600. This account had more activity than in prior years due to many special payrolls. The District is currently working on getting this reconciled.

Reconciliations are an effective tool to help management determine that all transactions are completely recorded.

We recommend the District properly reconcile the regular and payroll accounts on a monthly basis. Any variances should be immediately investigated, justified, and adjusted for if necessary.

FINDING NUMBER 2005-002

Reportable Condition/Material Noncompliance

Ohio Rev. Code, Section 149.351, requires that all records that are the property of the public office concerned shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. **BOARD POLICY EHA** states "All records are the property of the District and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by a School Records Commission. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

During our testing of Student Activities we selected 27 receipt transactions from three different Activity Sponsors. Two of these sponsors did not provide any additional documentation besides that which was already on file in the Treasurer's Office.

Failure to keep records results in a lack of financial accountability and could also result in misappropriation of assets.

We recommend that all student activity sponsors (and all District Employees) maintain their records in compliance with aforementioned Ohio Revised Code and District Policy.

FINDING NUMBER 2005-003

Reportable Condition/Material Noncompliance

Ohio Rev. Code, Section 9.38, provides, in part, that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt, if the total amount of such moneys received exceeds \$1,000. If the total amount of public money received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. Also, Board Policy DM states "Moneys collected by District Employees and by student treasurers shall be handled with prudent business procedures but to demonstrate the ability of school system employees to operate in that fashion and to teach such procedures to our students. All moneys collected shall be receipted, accounted for and directed without delay to the proper location for deposit".

Sixty percent of athletic gate receipts tested and fifty nine percent of student activity receipts tested were not deposited within the required time frame ranging from two to nineteen days. Failure to deposit monies in accordance with the Ohio Revised Code could result in misappropriation of District funds and also could result in the loss of interest revenue

We recommend that the athletic director, student activity advisors, school secretaries and all district employees submit monies collected for deposit with the Treasurer or deposit in the relevant bank account on a timely basis.

FINDING NUMBER 2005-004

Reportable Condition/Material Noncompliance

Ohio Rev. Code, Section 5705.10, provides, in part that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The following significant negative fund balances existed throughout the year in various funds:

001 General Fund	January 2005 – (\$336,123)
006 Food Service Fund	July 2004 through May 2005 – ranged from (\$836,071) to (\$577,364)
009 Uniform School Supplies Fund	July 2004 through January 2005 – ranged from (\$107,561) to (\$31,567)
022 Keep Program Tuition	July 2004 through September 2004 – ranged from (\$6,910) to (\$3,068)
432 Management Information Systems Fund	September 2004 through January 2005, March 2005 and April 2005 – ranged from (\$3,506 through \$1,071)
440 Entry Year	January 2005 and February 2005 – (\$2,758)
460 Student Intervention	July 2004 through November 2004 and March 2005 – ranged from (\$98,832) to (\$8,930)
463 Alternative Schools	October 2004 through December 2004 – ranged from (\$65,248) to (\$29)
501 Adult Basic and Literacy Education	February 2005 and May 2005 – ranged from (\$40,329) to (\$3,817)
516 Title 6B	July 2004 and October 2004 through December 2004 – ranged from (\$223,232) to (\$33,953)
551 Title III LEP/Immigrant	September 2004 and November 2004 – ranged from (\$2,737) to (\$466)
572 Title I	September 2004 and May 2005 – ranged from (\$273,763) to (\$20,481)
573 Title V	July 2004 and November 2004 through May 2005 – ranged from (\$72,358) to (\$22,596)
584 Drug Free Grant	May 2005 – (\$3,357)
587 IDEA	September 2004 through May 2005 – ranged from (\$27,344) to (\$1,008)
590 Improving Teacher Quality	October 2004 through January 2005 and March 2005 through May 2005 – ranged from (\$225,424) to (\$63,520)
599 Miscellaneous Federal Grants	November 2004 through December 2004 – ranged from (\$78,253) to (\$38,921)

**FINDING NUMBER 2005-004
(Continued)**

We recommend the District monitor the various fund balances to ensure negative fund balances do not exist.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

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**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Sec. 5705.41 (D): failure to properly certify payments	Yes	
2004-002	Ohio Rev. Code Sec. 9.38: failure to deposit monies within the next business day	No	Not Corrected – Repeated as Finding Number 2005-003
2004-003	Ohio Rev. Code Sec. 149.351: destruction of records	No	Not Corrected – Repeated as Finding Number 2005-002
2004-004	Ohio Rev. Code Sec. 5705.36: certification of total amount available for expenditures from each fund	Yes	
2004-005	Ohio Rev. Code Sec. 5705.36: estimated receipts exceeding actual receipts	Yes	
2004-006	Ohio Rev. Code Sec. 5705.39: appropriations exceeding estimated revenue	No	Partially Corrected – Repeated in management letter
2004-007	Ohio Rev. Code Sec. 5705.10: negative fund balances	No	Not Corrected – Repeated as Finding Number 2005-004
2004-008	Ohio Rev. Code Sec. 5705.41(B): expenditures exceeding appropriations	No	Partially Corrected – Repeated in management letter

MIDDLETOWN CITY SCHOOL DISTRICT
MIDDLETOWN, OHIO

MIDDLETOWN
CITY
SCHOOLS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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MIDDLETOWN CITY SCHOOL DISTRICT
MIDDLETOWN, OHIO

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

PREPARED BY THE OFFICE OF THE TREASURER
PAUL E. SOTZING, TREASURER
ROBIN B. LONG, ASSISTANT TREASURER

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INTRODUCTORY SECTION

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Middletown City School District

1515 Girard Avenue
Middletown, OH 45044
www.middletowncityschools.com

December 27, 2005

To The Citizens and Board of Education of the Middletown City School District:

The Comprehensive Annual Financial Report [CAFR] of the Middletown City School District [District] for the fiscal year ended June 30, 2005, is hereby submitted. This report, prepared by the Treasurer's office, includes an opinion from our auditor, the Ohio Auditor of State, and conforms to generally accepted accounting principles [GAAP] as applicable to governmental entities. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. This report will provide the residents of the Middletown City School District with comprehensive financial data in a format that will enable them to gain an understanding of the District's financial affairs. Copies will be available upon request to taxpayers, financial rating services, banking institutions and other interested parties.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis [MD&A]. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The Middletown City School District's MD&A can be found immediately following the Independent Accountants' Report.

The Comprehensive Annual Financial Report is divided into three sections:

The **Introductory Section** includes a table of contents, this transmittal letter, a list of principal officials, the District's organization chart and the GFOA and ASBO certificates the District received for the June 30, 2004 CAFR. Also included are the District's major current and future initiatives.

The **Financial Section** includes the independent accountants' report on the financial statements, management's discussion and analysis, basic financial statements, notes to the basic financial statements, required supplementary information, and the combining statements for non-major funds and other schedules that provide detailed information relative to the basic financial statements.

The **Statistical Section** includes selective financial, economic and demographic information, generally presented on a multi-year basis for comparative purposes.

The District provides a full range of traditional and non-traditional educational programs and services. These include elementary and secondary curriculum offerings at the general, college preparatory and vocational levels; a broad range of co-curricular and extracurricular activities; adult and community education offerings; special education programs and facilities; and community use facilities.

The District receives pass through grants from the State and distributes these grants to parochial/private schools located within the District. This activity is included in the entity as the Auxiliary Services Special Revenue Fund, because of the District's administrative involvement in the program. The parochial/private schools served are: John XXIII Elementary School, Middletown Christian School, and Fenwick High School. In 2005, Fenwick High School completed construction and moved into a new building located in the Franklin City School District. Due to this move, Middletown City Schools will no longer act as the fiscal agent for Fenwick High School and those responsibilities will be transferred to the Franklin City School District for the remainder of the 2004-2005 school year and beyond. While these organizations share operational and service similarity with the District, each is a legally separate and distinct entity. Because of their independent nature, none of these organizations are included in this report.

ECONOMIC CONDITION AND OUTLOOK

The District is located in southwestern Ohio, midway between the cities of Cincinnati and Dayton, in the northeast corner of Butler County. The eastern boundary of the District is along Interstate 75, which runs from Canada to Florida, making it a desirable location for many businesses that require easy access to the nation's interstate system. Approximately 50 percent of the District's tax base is agricultural and residential properties; the remainder is composed of a wide range of manufacturing, commercial and other business properties. The overall economic outlook for the area remains very positive with low unemployment rates, slow but steady growth in the local tax base, and low inflationary pressures.

The District is continually challenged by the responsibility bestowed upon it by the community at large. We are always striving to provide the very best opportunities to every student, while carefully guarding the District's resources.

DESCRIPTION OF THE DISTRICT

The District serves an area of 23 square miles, encompassing the City of Middletown and a portion of Lemon Township in the northeastern corner of Butler County, midway between Cincinnati and Dayton. It also encompasses a small portion of Franklin Township in Warren County. According to information from the U.S. Census Bureau, the population of the City of Middletown is approximately 51,000 residents. The tax base of the District is comprised of a unique blend of residential, commercial, and industrial property, with over 50% of the tax revenue of the District paid by business and industry. The largest employer in the District is AK Steel, which employs over 3,200 at the Middletown Works and contributes over 14.6% to the total tax base of the District.

During the 2004-05 school year, the District had 7,028 students enrolled in 9 elementary schools, two middle schools serving grades 5-8, one comprehensive high school for grades 9-12, and one alternative high school. The District also operates a variety of other facilities, including a central administration building, bus garage, central supply warehouse, and several sports fields.

The District provides a full range of programs and services for its students and citizens. These include elementary and secondary course offerings at the general and college preparatory levels; a broad range of co-curricular and extra-curricular activities to complement the students' curricular program; community education programs for personal development; and adult education offerings for improvement beyond the high school level.

ORGANIZATION OF THE SCHOOL DISTRICT

The Board of Education of the Middletown City School District (Board) is composed of five members elected at large by the citizens of the District. The Board serves as the taxing authority, contracting body and policy initiator for the operation of the District. The Board is also responsible for the adoption of the tax budget, the annual operating budget and approves all expenditures of the District. The Board is a body politic and corporate, as defined by Section 3313.02 of the Ohio Revised Code, and has only those powers and authority conferred upon it by the Code.

The Board members represent a cross section of professions in the community. The board members on June 30, 2005, were as follows:

Board Member	Began Service	Term Expires	Profession
Dr. Mark Frazer	January, 1990	December, 2005	Physician
Dr. Mark McClure	January, 2004	December, 2007	Chiropractor
Mrs. Katie McNeil	January, 1996	December, 2007	Administrative
Mr. John Venturella	January, 2000	December, 2007	CPA
Mr. Steve Lane	March, 2000	December, 2005	Attorney

The Superintendent is the Chief Executive Officer of the District, responsible directly to the Board for all educational and support operations. Dr. Steve Price was appointed Superintendent in 2002 and the current contract runs until July 31, 2008. Prior to his appointment, Dr. Price was superintendent of Perry Local Schools in Massillon, Ohio. Dr. Price holds a Doctorate in Education from Miami University and has 20 years experience in education.

The Treasurer is the Chief Financial Officer of the District and is directly responsible to the Board for all financial operations, investments, and serves as Secretary to the Board. Mr. Paul E. Sotzing has served as Treasurer since October 2004 and has a total of 14 years of educational experience with two years as a school treasurer in Ohio. Mr. Sotzing holds a B.S. Degree in Agriculture from The Ohio State University and a M.B.A. in Business from the Northern Kentucky University. In September 2004, the Board approved a two-year contract with Mr. Sotzing commencing on October 1, 2004 and ending on December 31, 2006.

All other District employees are responsible to the Superintendent and are employed by the Board upon the recommendation of the Superintendent.

EMPLOYEE RELATIONS

The District employed slightly over 900 full and part-time staff members during the 2004-05 school year. This included classified employees who are responsible for the operation of the District's support services and the teaching and administrative staff of the District. Two organizations represent the teaching and classified employees. The District's administrative employees are not currently represented.

The Middletown Teachers Association (MTA), an affiliate of the Ohio Education Association (OEA), represents all certificated employees of the District. In September 2004, the MTA and the District entered into a new collective bargaining agreement on language, salary and fringe benefits issues that expire on June 30, 2007.

The Middletown Classified Employees Association (MCEA), also an affiliate of the Ohio Education Association (OEA), represents a majority of the support staff of the District. Classified employees are responsible for providing the necessary support services of the District, including: transportation services, lunchroom services, clerical support, and building maintenance and custodial needs. In June 2005, the District and the association concluded negotiations on a new collective bargaining agreement that expires on June 30, 2008.

SERVICES PROVIDED

The District provides a wide variety of educational and support services, as mandated by the Ohio Revised Code or board directives.

Services provided by the district include transportation, school lunch support services, guidance, psychological and limited health services free of charge. The guidance services are designed to help students match their natural skills with vocational and/or academic programs to help them achieve their full potential in life. Psychological services include the testing and identification of students for special education programs.

MAJOR CURRENT AND FUTURE INITIATIVES

Recently, the District implemented an improved educational delivery system consisting of professional learning communities (PLC). PLC's were implemented in each school to address learning and achievement issues and promote collaborative environments among the professional teaching staff. PLC models are also instrumental toward improving instruction strategies that focus on student learning. Aligning the curriculum vertically and horizontally with the state content standards is also a focus of the PLC teams. The PLC approach continues to be a major initiative within the district.

In addition, district has implemented a comprehensive diversity program designed to improve the educational performance of all students within the district and close the achievement gap. The diversity program is guided by the Diversity Action Committee which consists of school district employees and community members providing a strong partnership between the school and community. Professional development for school employees and board members is a cornerstone of this program.

Middletown City School District is currently engaged in a school construction program within the Expedited Local Partnership Program (ELPP) of the Ohio Schools Facilities Commission. The master plan is for the construction or renovation of all of its school buildings at a cost that was estimated in 2002 to be \$150.8 million. This total project was divided into two phases. A \$75.8 million bond issue for construction of the elementary schools was passed in November, 2003 and construction began in 2004.

Construction of three of the elementary schools, and the renovation of a fourth, are currently under way and scheduled for completion in the summer of 2006. The early site work for a fifth elementary school is currently under way, with plans for the building to be put out for bid this winter with construction starting in the spring of 2006 and completed in the summer of 2007.

Design work for the sixth and seventh elementary buildings is nearing completion. The two buildings will also be put out for bid this winter, with construction starting in the spring of 2006. Completion is currently projected to be by the end of 2007 so that they can be moved into over Christmas break. Currently, the final step of the first phase of the project is the renovation and addition of several classrooms to an existing elementary school with the anticipated completion to occur in 2008.

The second phase of the project consists of the construction of a new high school and middle school with the bond issue expected to be on the ballot in 2008.

The District has experienced a steady decline in student enrollment over the past few years. This has resulted in escalating costs and financial pressures that are depleting the General Fund carryover balance. Changing enrollment patterns have also resulted in school facilities that are operating below estimated capacities. In response, the District closed both the Oneida and Jefferson Elementary Schools and assigned students to the elementary schools located closest to the original attendance area. In addition, the number certificated and classified personnel for the 2005-06 school year was reduced resulting in nearly a one million dollar reduction in operating costs for the organization.

While these measures have helped to control rising costs and improve financial efficiencies, the Board decided to place an additional operating levy on the ballot in May of 2005 to avoid a negative general fund balance for the 2005-06 school year. The operating levy was overwhelmingly approved by voters and the district will collect additional revenue beginning January 1, 2006. Even with the increased revenue, the district will need to continue to strive for operational efficiency into the future. In addition, we estimate that the district will need to return to the voters in 2007 with a request for an increase to a potentially expiring emergency operating levy. While it is difficult to determine at this point, we anticipate an increase of approximately 2 to 3 mills to the current millage of the levy in order to maintain a positive general fund balance.

Another major initiative is the updating the elementary and middle school attendance boundaries in response to the building project and declining enrollment and is commonly referred to as redistricting. The building project and redistricting will allow for the reduction of additional staff in response to declining enrollment potentially reducing operating expense in the future. In addition, the final step of the building project may be eliminated or modified based upon district enrollment trends.

Business Education Collaborative Committee (BECC)

In cooperation with The Chamber of Commerce and other area organizations, the BECC originally created in 1989 continues to establish formal partnership arrangements between businesses within the community and the school district. The BECC provides a vital link between the community and the school system. There are currently over 115 businesses and organizations partnering within the school district.

FINANCIAL INFORMATION

The District's accounting system is organized on a "fund" basis. Each fund is a distinct, self-balancing entity. Records for general governmental operations are maintained on a budgetary basis system of accounting as prescribed by State statute. Cash basis accounting differs from generally accepted accounting principles [GAAP] as promulgated by the Governmental Accounting Standards Board [GASB].

INTERNAL ACCOUNTING AND BUDGETARY CONTROL

In developing the District's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The District utilizes a fully automated accounting system as well as an automated system of control for fixed assets and payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensure that the financial information generated is both accurate and reliable.

At the beginning of each fiscal year, the Board adopts either a temporary appropriation measure or a permanent appropriation measure for that fiscal year. If a temporary appropriation is first adopted, the permanent appropriation measure must be adopted within three months.

Annual appropriations may not exceed the County Budget Commission's official estimate of resources. The County Auditor must certify that the Board's appropriation measures, including any supplements or amendments, do not exceed the amount set forth in the latest of those official estimates.

All disbursements and transfers of cash between funds require appropriation authority from the Board. Budgets are controlled at the object account level within a function and fund. All purchase order requests must be approved by the individual program managers and certified by the Treasurer; necessary funds are then encumbered and purchase orders are released to vendors.

The accounting system used by the District provides interim financial reports which detail year-to-date expenditures and encumbrances versus the original appropriation plus any additional appropriations made to date. In addition to interim financial statements, each program manager is furnished monthly reports showing the status of the budget accounts for which he or she is responsible. Each program manager may request additional financial reports during the month when necessary.

As an additional safeguard, a blanket bond covers all employees involved with receiving and depositing funds and a separate, higher bond covers certain individuals in policy-making roles.

The basis of accounting and the various funds utilized by the District are fully described in the notes to the basic financial statements. Additional information on the District's budgetary accounts can also be found in the notes to the basic financial statements.

CASH MANAGEMENT

The Board has an aggressive cash management program, which consists of expediting the receipt of revenues and prudently investing available cash in obligations collateralized by the United States Government, or the State of Ohio issued instruments or insured by the Federal Deposit Insurance Corporation [FDIC]. The total amount of earnings on investments was \$1,933,251 for the year ended June 30, 2005.

The cash management program is designed to minimize cash on hand and maximize investment holdings. All investments are spread among available investment options to insure maximum interest rates.

The District's investment policy is to minimize market risk while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by FDIC or collateralized.

RISK MANAGEMENT

The District continues to protect its assets through a comprehensive insurance program. A schedule of insurance in force at June 30, 2005 is included in the Notes to the Basic Financial Statements.

INDEPENDENT AUDIT

The State of Ohio requires an annual audit by either the Ohio Auditor of State or by an independent public accounting firm. The State Auditor was requested by the Treasurer to perform the audit for the fiscal year ended June 30, 2005. The auditor's unqualified opinion rendered on the District's basic financial statements, and their report on the combining and individual fund statements and schedules, is included in the financial section of this report. Pursuant to statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all units of local education agencies in Ohio. The District adopted and has been in conformance with that system effective with its annual financial report since the 1979 calendar year.

AWARDS

GFOA Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada [GFOA] awarded a Certificate of Achievement to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform 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 our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

ASBO Certificate of Excellence in Financial Reporting

The Association of School Business Officials International [ASBO] awards a Certificate of Excellence in Financial Reporting to school districts that publish Comprehensive Annual Financial Reports which substantially conform to the principles and standards of financial reporting as recommended and adopted by the Association of School Business Officials. The award is granted only after an intensive review of the financial report by an all-expert panel of certified public accountants and practicing school business officials.

The District received the Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2004. The District believes that the Comprehensive Annual Financial Report for fiscal year June 30, 2005, which will be submitted to ASBO for review, will conform to ASBO's principles and standards.

ACKNOWLEDGEMENTS

The preparation of the 2005 Comprehensive Annual Financial Report of the Middletown City School District was made possible by the combined efforts of the District's Finance Department and Plattenburg and Associates, Incorporated. The publication of this Comprehensive Annual Financial Report for the District is a major step in reinforcing the accountability of the District to the taxpayers of the community.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul E. Sotzing", written over a horizontal line.

Paul E. Sotzing
Treasurer

**MIDDLETOWN CITY SCHOOL DISTRICT
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2005**

BOARD OF EDUCATION

**President
Vice President
Board Member
Board Member
Board Member**

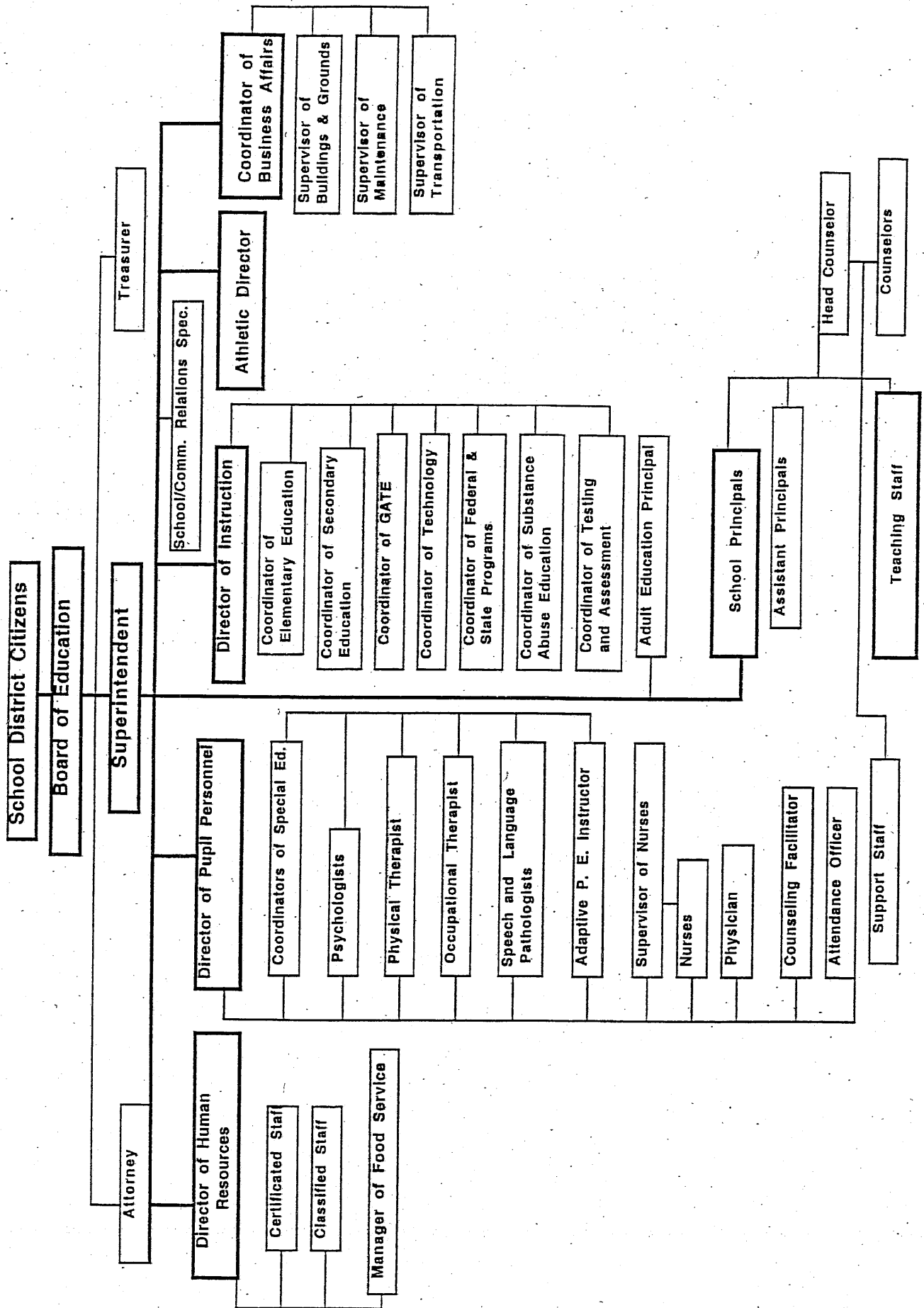
**Mr. Steve Lane
Mr. John Venturella
Dr. Mark McClure
Mrs. Katie McNeil
Dr. Mark Frazer**

ADMINISTRATIVE OFFICIALS

**Superintendent
Assistant Superintendent
Treasurer
Director of Human Resources
Director of Student Services
Interim Director of Athletics
Legal Counsel**

**Stephen C. Price, Ed.D.
Ms. Evelyn Altherr
Paul E. Sotzing
Brenda Long
Susan Combs
Gary Lebo
Don Crain, Esq. -
Frost, Brown & Todd,
Attorneys at Law**

Middletown City School District
Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Middletown City School
District, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



Nancy L. Zjelke

President

Jeffrey R. Emer

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

Middletown City School District

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2004

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

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**FINANCIAL
SECTION**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Middletown City School District
Butler County
1515 Girard Avenue
Middletown, Ohio 45044

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Middletown City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Middletown City School District, Butler County, Ohio, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary information for the General and the Emergency Levy funds are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual non-major fund statements and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining and individual non-major fund statements to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Betty Montgomery
Auditor of State

December 27, 2005

**MIDDLETOWN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2005
(Unaudited)**

The discussion and analysis of Middletown City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- Net assets of governmental activities decreased \$4,844,418 which represents a 32% decrease from 2004.
- General revenues accounted for \$60,437,596 in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,572,574 or 17% of total revenues of \$73,010,170.
- Total assets of governmental activities decreased by \$736,761 as taxes receivable increased by \$3,434,705 while cash and other receivables decreased by \$10,953,740.
- The District had \$77,854,588 in expenses related to governmental activities; \$12,572,574 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$60,437,596 were also used to provide for these programs.
- As a major fund, the General Fund had \$44,924,801 in revenues and \$47,248,746 in expenditures. The General Fund balance decreased from (\$2,868,053) to (\$3,094,621). The Emergency Levy Fund had \$10,883,526 in revenues and \$16,289,872 in expenditures. The Emergency Levy Fund's fund balance decreased from \$5,371,136 to \$1,163,912. The Debt Service Fund had \$5,036,961 in revenues and \$7,153,405 in expenditures. The Debt Service Fund's fund balance decreased from (\$1,085,250) to (\$3,201,694). The Building Fund had \$1,486,121 in revenues and \$6,228,227 in expenditures. The Building Fund's fund balance decreased from \$75,826,209 to \$71,084,103.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General, Emergency Levy, Debt Service and Building Funds are the major funds of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- **Governmental Activities** – All of the District's programs and services are reported here including instruction, support services, operation of noninstructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds is presented in the Fund Financial Statements (see Table of Contents). Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. 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. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

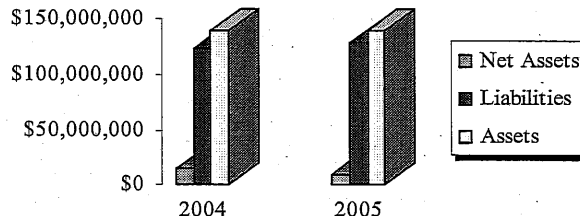
The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2004 compared to 2005:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2005</u>
Assets		
Current and Other Assets	\$128,388,600	\$120,880,982
Capital Assets	<u>10,112,464</u>	<u>16,883,321</u>
Total Assets	<u>138,501,064</u>	<u>137,764,303</u>
Liabilities		
Long-Term Liabilities	73,423,578	72,672,262
Other Liabilities	<u>49,804,365</u>	<u>54,663,338</u>
Total Liabilities	<u>123,227,943</u>	<u>127,335,600</u>
Net Assets		
Invested in Capital		
Assets Net of Debt	1,764,137	3,139,917
Restricted	12,430,660	9,985,928
Unrestricted	<u>1,078,324</u>	<u>(2,697,142)</u>
Total Net Assets	<u>\$15,273,121</u>	<u>\$10,428,703</u>



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$10,428,703.

At year-end, capital assets represented 12% of total assets. Capital assets include land, buildings and improvements, construction in progress, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2005, was \$3,139,917. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$9,985,928, represents resources that are subject to external restriction on how they may be used. The District had an increase in capital assets due to the on-going construction of new buildings within the District. Other liabilities increase from 2004 to 2005 mainly due to an increase in the amount of deferred revenue accrued from property taxes.

Table 2 shows the change in net assets for fiscal year 2005, with comparisons to fiscal year 2004.

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2005</u>
Revenues		
Program Revenues:		
Charges for Services	\$2,155,375	\$2,009,686
Operating Grants	10,042,965	10,463,524
Capital Grants	135,480	99,364
General Revenue:		
Property Taxes	34,148,033	34,349,348
Grants and Entitlements	24,016,973	23,197,208
Other	<u>900,813</u>	<u>2,891,040</u>
Total Revenues	<u>71,399,639</u>	<u>73,010,170</u>
Program Expenses:		
Instruction	39,780,688	42,252,745
Support Services:		
Pupil and Instructional Staff	7,647,631	7,898,780
General and School Administration, Fiscal and Business	7,313,721	7,960,799
Operations and Maintenance	6,912,662	7,256,478
Pupil Transportation	2,655,273	3,000,568
Central	1,672,277	1,909,674
Operation of Non-instructional Services	4,028,191	3,636,886
Extracurricular Activities	804,618	680,257
Interest and Fiscal Charges	<u>1,403,415</u>	<u>3,258,401</u>
Total Expenses	<u>72,218,476</u>	<u>77,854,588</u>
Change in Net Assets	(818,837)	(4,844,418)
Beginning Net Assets	<u>16,091,958</u>	<u>15,273,121</u>
Ending Net Assets	<u>\$15,273,121</u>	<u>\$10,428,703</u>

The District had an increase in revenues from 2004 to 2005. The District had an increase in property taxes for 2005 of \$201,315 and an increase in investment earnings of \$1,217,397. The property tax revenue increase was due to the increased amount of property taxes levied and the increase in investment earnings ("other" revenue) was due to an increase in investments being held from the building project debt proceeds not yet expended.

The District had an increase in expenses from 2004 to 2005. Interest expense increased \$1,854,986, due to repayment of debt for the building project.

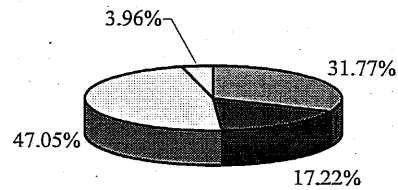
Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes, special revenues and grants and entitlements comprised 79% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 47% of revenue for governmental activities for the District in fiscal year 2005.

Revenue Sources	2005	Percent of Total
General Grants	\$23,197,208	31.77%
Program Revenues	12,572,574	17.22%
General Tax Revenues	34,349,348	47.05%
Other Revenues	2,891,040	3.96%
	<u>\$73,010,170</u>	<u>100.00%</u>



Instruction comprises 54% of governmental program expenses. Support services expenses were 36% of governmental program expenses. All other expenses including interest expense were 10%. Interest expense was attributable to the outstanding bond and borrowing for capital projects. The increase in support services expenditures is a result of increasing fuel prices and vehicle maintenance.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Instruction	\$39,780,688	\$42,252,745	(\$35,690,527)	(\$37,696,215)
Support Services:				
Pupil and Instructional Staff	7,647,631	7,898,780	(5,119,859)	(5,842,228)
General and School Administration,				
Fiscal and Business	7,313,721	7,960,799	(6,766,438)	(7,568,819)
Operations and Maintenance	6,912,662	7,256,478	(6,327,468)	(6,596,541)
Pupil Transportation	2,655,273	3,000,568	(2,026,799)	(2,427,374)
Central	1,672,277	1,909,674	(1,502,334)	(1,747,961)
Operation of Non-Instructional Services	4,028,191	3,636,886	(451,427)	329,526
Extracurricular Activities	804,618	680,257	(596,389)	(474,001)
Interest and Fiscal Charges	<u>1,403,415</u>	<u>3,258,401</u>	<u>(1,403,415)</u>	<u>(3,258,401)</u>
Total Expenses	<u>\$72,218,476</u>	<u>\$77,854,588</u>	<u>(\$59,884,656)</u>	<u>(\$65,282,014)</u>

The District's Funds

The District has four major governmental funds: the General Fund, Emergency Levy Fund, Debt Service Fund and Building Fund. Assets of the general fund comprised \$25,395,535 (21%), the emergency levy fund comprised \$14,900,222 (12%), the debt service fund comprised \$6,427,510 (5%) and the building fund comprised \$71,364,428 (58%) of the total \$122,748,818 governmental funds assets.

General Fund: Fund balance at June 30, 2005 was (\$3,094,621) including (\$4,218,816) of unreserved balance. The primary reason for the decrease in fund balance was an increase in capital outlay expenditures.

Emergency Levy Fund: Fund balance at June 30, 2005 was \$1,163,912 including \$698,520 of unreserved balance. The primary reason for the decrease in fund balance was an increase in instructional expense due to the reclass of special education instruction from the general fund to the emergency levy fund.

Debt Service Fund: Fund balance at June 30, 2005 was (\$3,201,694) including (\$3,327,299) of unreserved balance. The primary reason for the decrease in fund balance was an increase in principal and interest payments.

Building Fund: Fund balance at June 30, 2005 was \$71,084,103. The primary reasons for the decrease is due to increases in expenditures for the building project.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2005, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$44,416,040, compared to the original budget revenue of \$42,721,462.

The District's ending unobligated cash balance for the General Fund was \$634,281 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$16,883,321 invested in land, construction in progress, buildings and improvements and equipment. Table 4 shows fiscal 2005 balances compared to fiscal 2004:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2005</u>
Land	\$20,525	\$20,525
Construction in Progress	459,631	6,648,614
Buildings and Improvements	5,807,913	6,338,821
Equipment	<u>3,824,395</u>	<u>3,875,361</u>
Total Net Capital Assets	<u>\$10,112,464</u>	<u>\$16,883,321</u>

The increase in capital assets is due to the on-going building project (as reflected in the construction in progress) in the District.

See Note 7 of the notes to the basic financial statements for more detailed information on the capital assets.

Debt

At June 30, 2005, the District had \$69,986,524 in long-term debt. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2004</u>	Governmental Activities <u>2005</u>
Bonds:		
Construction Bond	\$70,800,000	\$66,970,000
HB 264	0	1,421,541
Capital Lease Payable:		
MHS Fitness Center	130,089	56,591
Vail Fitness Center	71,224	18,096
Computer Lease	0	899,342
Roof Repairs	0	620,954
Total Outstanding Debt at Year End	<u>\$71,001,313</u>	<u>\$69,986,524</u>

See Note 9 of the notes to the basic financial statements for more detailed information on the long-term liabilities.

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate". The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court's concerns.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

With no increase in state funding projected, the District must increase revenues by submitting an operating levy to the community in the near future. At this time, the Board has not set the date and amount for the levy. Even though the District is projecting a slight decrease in enrollment, the need for increased revenues is projected for fiscal year 2005. This increased funding will be needed to provide all students a quality education. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paul E. Sotzing, Treasurer at Middletown City School District, 1515 Girard Avenue, Middletown, Ohio 45044. Or E-mail at esotzing@middletowncityschools.com.

Middletown City School District
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$78,316,730
Receivables:	
Taxes	40,959,888
Accounts	134,292
Intergovernmental	1,342,886
Inventory	127,186
Nondepreciable Capital Assets	6,669,139
Depreciable Capital Assets, Net	<u>10,214,182</u>
Total Assets	<u>137,764,303</u>
Liabilities:	
Accounts Payable	612,424
Accrued Wages and Benefits	7,575,020
Accrued Interest Payable	120,902
Unearned Revenue	38,446,726
Premium on Bonds Payable	3,033,266
Bond Anticipation Notes Payable	4,875,000
Long-Term Liabilities:	
Due Within One Year	2,152,175
Due In More Than One Year	<u>70,520,087</u>
Total Liabilities	<u>127,335,600</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	3,139,917
Restricted for:	
Special Revenue	2,350,736
Capital Projects	7,635,192
Unrestricted	<u>(2,697,142)</u>
Total Net Assets	<u>\$10,428,703</u>

See accompanying notes to the basic financial statements.

Middletown City School District
 Statement of Activities
 For the Fiscal Year Ended June 30, 2005

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$29,166,891	\$508,067	\$1,393,874	\$65,415	(\$27,199,535)
Special	7,733,510	0	1,985,674	0	(5,747,836)
Vocational	50,834	0	4,805	0	(46,029)
Other	5,301,510	4,907	593,788	0	(4,702,815)
Support Services:					
Pupil	4,358,304	24,256	789,335	0	(3,544,713)
Instructional Staff	3,540,476	0	1,242,961	0	(2,297,515)
General Administration	36,659	0	0	0	(36,659)
School Administration	6,081,530	0	370,769	0	(5,710,761)
Fiscal	1,486,704	0	21,211	0	(1,465,493)
Business	355,906	0	0	0	(355,906)
Operations and Maintenance	7,256,478	30,150	629,787	0	(6,596,541)
Pupil Transportation	3,000,568	122,808	416,437	33,949	(2,427,374)
Central	1,909,674	0	161,713	0	(1,747,961)
Operation of Non-Instructional Services	3,636,886	1,113,242	2,853,170	0	329,526
Extracurricular Activities	680,257	206,256	0	0	(474,001)
Interest and Fiscal Charges	3,258,401	0	0	0	(3,258,401)
Total Governmental Activities	\$77,854,588	\$2,009,686	\$10,463,524	\$99,364	(65,282,014)

General Revenues:	
Property Taxes Levied for:	
General Purposes	20,001,616
Special Revenue Purposes	9,568,394
Debt Service Purposes	4,779,338
Grants and Entitlements not Restricted to Specific Programs	23,197,208
Payment in Lieu of Taxes	96,121
Unrestricted Contributions	11,547
Investment Earnings	1,933,251
Other Revenues	850,121
Total General Revenues	60,437,596
Change in Net Assets	(4,844,418)
Net Assets Beginning of Year	15,273,121
Net Assets End of Year	\$10,428,703

See accompanying notes to the basic financial statements.

Middletown City School District
Balance Sheet
Governmental Funds
June 30, 2005

	General	Emergency Levy	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Investments	\$1,173,503	\$1,048,710	\$1,547,701	\$71,364,428	\$3,182,388	\$78,316,730
Receivables:						
Taxes	22,228,567	13,851,512	4,879,809	0	0	40,959,888
Accounts	127,141	0	0	0	7,151	134,292
Intergovernmental	0	0	0	0	1,342,886	1,342,886
Interfund	1,866,324	0	0	0	1,512	1,867,836
Inventory	0	0	0	0	127,186	127,186
Total Assets	25,395,535	14,900,222	6,427,510	71,364,428	4,661,123	122,748,818
Liabilities and Fund Balances:						
Liabilities:						
Accounts Payable	128,390	39,514	0	280,325	164,195	612,424
Accrued Wages and Benefits	6,504,839	126,420	0	0	943,761	7,575,020
Compensated Absences	203,941	2,172	0	0	20,929	227,042
Interfund Payable	0	0	0	0	1,867,836	1,867,836
Deferred Revenue	21,652,986	13,568,204	4,754,204	0	1,163,176	41,138,570
Bond Anticipation Notes Payable	0	0	4,875,000	0	0	4,875,000
Total Liabilities	28,490,156	13,736,310	9,629,204	280,325	4,159,897	56,295,892
Fund Balances:						
Reserved for Encumbrances	548,614	182,084	0	18,309,088	1,873,974	20,913,760
Reserved for Inventory	0	0	0	0	127,186	127,186
Reserved for Property Tax Advances	575,581	283,308	125,605	0	0	984,494
Unreserved, Undesignated, Reported in:						
General Fund	(4,218,816)	0	0	0	0	(4,218,816)
Special Revenue Funds	0	698,520	0	0	(2,022,522)	(1,324,002)
Debt Service Funds	0	0	(3,327,299)	0	0	(3,327,299)
Capital Projects Funds	0	0	0	52,775,015	522,588	53,297,603
Total Fund Balances	(3,094,621)	1,163,912	(3,201,694)	71,084,103	501,226	66,452,926
Total Liabilities and Fund Balances	\$25,395,535	\$14,900,222	\$6,427,510	\$71,364,428	\$4,661,123	\$122,748,818

See accompanying notes to the basic financial statements.

Middletown City School District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2005

Total Governmental Fund Balance		\$66,452,926
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,883,321
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	1,344,688	
Intergovernmental	<u>1,347,156</u>	
		2,691,844
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(120,902)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(2,458,696)</u>	
		(2,458,696)
Premium on bonds payable associated with long-term liabilities are not reported in the funds.		(3,033,266)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(69,986,524)</u>
Net Assets of Governmental Activities		<u>\$10,428,703</u>

See accompanying notes to the basic financial statements.

Middletown City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Emergency Levy	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$20,656,137	\$9,914,175	\$4,604,528	\$0	\$0	\$35,174,840
Tuition and Fees	634,934	0	0	0	3,581	638,515
Investment Earnings	453,301	0	0	1,478,571	1,271	1,933,143
Intergovernmental	23,045,509	963,899	432,433	0	9,523,675	33,965,516
Extracurricular Activities	31,563	0	0	0	197,528	229,091
Charges for Services	0	0	0	0	1,113,242	1,113,242
Other Revenues	103,357	5,452	0	7,550	783,634	899,993
Total Revenues	44,924,801	10,883,526	5,036,961	1,486,121	11,622,931	73,954,340
Expenditures:						
Current:						
Instruction:						
Regular	24,359,674	1,856,506	0	0	1,895,791	28,111,971
Spécial	3,149,483	2,032,399	0	0	2,449,998	7,631,880
Vocational	0	43,275	0	0	0	43,275
Other	326,764	4,575,623	0	0	393,105	5,295,492
Support Services:						
Pupil	3,375,277	0	0	0	919,659	4,294,936
Instructional Staff	1,473,104	801,499	0	0	1,243,372	3,517,975
General Administration	36,659	0	0	0	0	36,659
School Administration	5,648,465	139	0	0	370,180	6,018,784
Fiscal	1,218,386	165,739	61,362	39,244	0	1,484,731
Business	329,267	0	0	0	0	329,267
Operations and Maintenance	3,716,674	2,981,740	0	0	285,276	6,983,690
Pupil Transportation	97,047	2,649,697	0	0	4,246	2,750,990
Central	844,000	883,475	0	0	67,011	1,794,486
Operation of Non-Instructional Services	84,579	0	0	0	3,550,339	3,634,918
Extracurricular Activities	499,269	0	0	0	178,712	677,981
Capital Outlay	1,942,237	0	0	6,188,983	370,613	8,501,833
Debt Service:						
Principal Retirement	139,837	299,780	3,830,000	0	0	4,269,617
Interest and Fiscal Charges	8,024	0	3,262,043	0	0	3,270,067
Total Expenditures	47,248,746	16,289,872	7,153,405	6,228,227	11,728,302	88,648,552
Excess of Revenues Over (Under) Expenditures	(2,323,945)	(5,406,346)	(2,116,444)	(4,742,106)	(105,371)	(14,694,212)
Other Financing Sources (Uses):						
Issuance of Capital Leases	2,055,706	1,199,122	0	0	0	3,254,828
Proceeds from Sale of Capital Assets	41,771	0	0	0	3,714	45,485
Transfers In	0	0	0	0	100	100
Transfers (Out)	(100)	0	0	0	0	(100)
Total Other Financing Sources (Uses)	2,097,377	1,199,122	0	0	3,814	3,300,313
Net Change in Fund Balance	(226,568)	(4,207,224)	(2,116,444)	(4,742,106)	(101,557)	(11,393,899)
Fund Balance Beginning of Year, Restated	(2,868,053)	5,371,136	(1,085,250)	75,826,209	602,783	77,846,825
Fund Balance End of Year	(\$3,094,621)	\$1,163,912	(\$3,201,694)	\$71,084,103	\$501,226	\$66,452,926

See accompanying notes to the basic financial statements.

Middletown City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balance - Total Governmental Funds (\$11,393,899)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	8,192,813	
Depreciation Expense	<u>(1,369,432)</u>	6,823,381

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss.

(52,524)

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

Delinquent Property Taxes	(825,494)	
Intergovernmental	<u>(111,636)</u>	(937,130)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

4,269,617

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due.

(102,082)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(310,701)	
Amortization of Bond Premium	<u>113,748</u>	(196,953)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.

Proceeds from debt issues	<u>(3,254,828)</u>	<u>(3,254,828)</u>
---------------------------	--------------------	--------------------

Change in Net Assets of Governmental Activities (\$4,844,418)

See accompanying notes to the basic financial statements.

Middletown City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$1,105	\$70,202
Receivables:		
Accounts	0	126
Total Assets	<u>1,105</u>	<u>\$70,328</u>
Liabilities:		
Accounts Payable	0	5,956
Other Liabilities	0	64,372
Total Liabilities	<u>0</u>	<u>\$70,328</u>
Net Assets:		
Held in Trust	<u>1,105</u>	
Total Net Assets	<u>\$1,105</u>	

See accompanying notes to the basic financial statements.

Middletown City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2005

	Private Purpose Trust
Additions:	
Donations	\$15,135
Total Additions	15,135
Deductions:	
Scholarships	15,885
Total Deductions	15,885
Change in Net Assets	(750)
Net Assets Beginning of Year	1,855
Net Assets End of Year	\$1,105

See accompanying notes to the basic financial statements.

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**MIDDLETOWN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2005**

1. DESCRIPTION OF THE DISTRICT

The Middletown City School District (District) was originally chartered in 1837 by the Ohio State Legislature. In 1853 State Laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board controls the District's instructional and support facilities staffed by 235 classified personnel and 450 certified teaching and administrative personnel to provide services to students and other community members.

In terms of enrollment the District is the 37th largest in the State of Ohio (among 613 districts) and the fourth largest in Butler County. It currently operates 10 elementary schools, 2 middle schools (grades 5 - 8), one comprehensive high school (grades 9-12) and one alternative high school. The District encompasses a total of 25 square miles that includes the city of Middletown and portions of Lemon Township.

REPORTING ENTITY

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

The following activities are included within the reporting entity:

Parochial Schools - The following parochial schools are located within the District: John XXIII Elementary School and Middletown Christian Schools. Parochial schools are operated independently of the District. Current state legislation provides partial funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as required by Ohio law. The accounting for these receipts and disbursements is reflected in a Special Revenue Fund for financial reporting purposes, because of the District's administrative responsibility.

The District is associated with two organizations, which are defined as jointly governed organizations. These are the Butler County Joint Vocational School District and the Southwest Ohio Computer Association.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary Funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District'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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Emergency Levy – The emergency levy is used to account for the proceeds of an emergency operating levy originally passed in 1989 and has been renewed through 2005. Although expenditures in this fund are not restricted to specific purposes, the State of Ohio requires this fund to be classified as a special revenue fund.

Debt Service – The Debt Service Fund is used to account for the accumulation of resources for and the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

Building – A fund provided to account for all transactions relating to the acquisition or construction of new District facilities.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students. The District has two agency funds. The Student Activity fund accounts for assets and liabilities generated by student managed activities. The District fund accounts for assets and liabilities generated by district managed activities.

3. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Fiduciary funds (excluding the agency funds) are reported using the economic resources measurement focus. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, includes property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

EQUITY IN POOLED CASH AND INVESTMENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$453,301.

INTERFUND ASSETS/LIABILITIES

On the fund financial statement, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables" and "interfund payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

INVENTORY

Inventories are presented at cost on a first-in, first-out basis and are expensed/expensed when used. Inventory consists of food held for resale and consumable supplies.

CAPITAL ASSETS

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of two thousand five hundred dollars (\$2,500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated, except land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 - 45 years
Equipment (Furniture, Equipment and Vehicles)	5 - 20 years

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vested payment method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated absences are reported in governmental funds only if they have matured.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

INTERFUND ACTIVITY

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds are eliminated on the Statement of Activities. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, inventory, and property tax advances. The reserve for property tax advances represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

4. EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2005, \$1,069,319 of the District's bank balance of \$1,369,319 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2005, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Repurchase Agreement	\$1,144,701	0.00
Federal Agency Bonds	33,540,537	2.13
U.S. Treasury Notes	33,279,868	0.64
Money Market Accounts	10,641,797	0.00
STAR Ohio	<u>41,687</u>	0.00
Total Fair Value	<u>\$78,648,590</u>	
Portfolio Weighted Average Maturity		1.18

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District'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 the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Federal Agencies and in the Money Market Funds were rated AAA by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service. Investments in STAR Ohio were rated AAA by Standard & Poor's.

Concentration of credit risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District diversifies investments to reduce risk.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

5. PROPERTY TAXES

Real property taxes collected in 2005 were levied in April on the assessed values as of January 1, 2004, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2005, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The Butler County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2005. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2005, was \$575,581 for General Fund, \$125,605 for Debt Service and \$283,308 for Emergency Levy fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2005 operations.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$696,828,230
Public Utility Personal	44,752,120
Tangible Personal Property	<u>247,896,469</u>
Total	<u>\$989,476,819</u>

6. RECEIVABLES

Receivables at June 30, 2005, consisted of taxes, accounts, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Government Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$20,525	\$0	\$0	\$20,525
Construction in Progress	459,631	6,188,983	0	6,648,614
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	26,705,400	1,120,917	0	27,826,317
Equipment	<u>13,273,990</u>	<u>882,913</u>	<u>372,943</u>	<u>13,783,960</u>
Totals at Historical Cost	<u>40,459,546</u>	<u>8,192,813</u>	<u>372,943</u>	<u>48,279,416</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	20,897,487	590,009	0	21,487,496
Equipment	<u>9,449,595</u>	<u>779,423</u>	<u>320,419</u>	<u>9,908,599</u>
Total Accumulated Depreciation	<u>30,347,082</u>	<u>1,369,432</u>	<u>320,419</u>	<u>31,396,095</u>
Governmental Activities Capital Assets, Net	<u>\$10,112,464</u>	<u>\$6,823,381</u>	<u>\$52,524</u>	<u>\$16,883,321</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$661,922
Special	33,611
Vocational	7,559
Other Instruction	814
Support Services:	
Pupil	947
Instructional Staff	13,997
School Administration	36,327
Fiscal	4,721
Business	23,684
Operations and Maintenance	208,987
Pupil Transportation	257,637
Central	107,474
Operation of Non-instructional services	10,128
Extracurricular Activities	1,624
Total Depreciation Expense	<u>\$1,369,432</u>

8. NOTES PAYABLE

The District was liable during the fiscal year for a bond anticipation note payable presented below.

Purpose	Interest Rate	Issue Date	Maturity Date	Balance July 1	Issued	Retired	Balance June 30
Bond Anticipation	1.15%	06/09/05	06/08/06	\$0	\$4,875,000	\$0	\$4,875,000
Bond Anticipation	1.75%	06/09/04	06/09/05	<u>5,000,000</u>	<u>0</u>	<u>5,000,000</u>	<u>00</u>
				<u>\$5,000,000</u>	<u>\$4,875,000</u>	<u>\$5,000,000</u>	<u>\$4,875,000</u>

Each note is shown as a liability on the fund financial statements in the debt service fund which received the proceeds. The various bond anticipation notes payable were issued to be used on various construction projects through out the District, mainly for construction of new buildings.

9. LONG-TERM LIABILITIES

Governmental Activities:	Beginning Principal Outstanding	Additions	Deductions	Ending Principal Outstanding	Due In One Year
Construction Bond	\$70,800,000	\$0	\$3,830,000	\$66,970,000	\$1,320,000
HB 264 Energy Conservation Note	0	1,421,541	0	1,421,541	66,625
Capital Leases	<u>201,313</u>	<u>1,833,287</u>	<u>439,617</u>	<u>1,594,983</u>	<u>455,522</u>
Total Long-Term Debt	71,001,313	3,254,828	4,269,617	69,986,524	1,842,147
Compensated Absences	<u>2,422,265</u>	<u>641,251</u>	<u>377,778</u>	<u>2,685,738</u>	<u>310,028</u>
Total Governmental Activities Long-Term Liabilities	<u>\$73,423,578</u>	<u>\$3,896,079</u>	<u>\$4,647,395</u>	<u>\$72,672,262</u>	<u>\$2,152,175</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the general fund, and the emergency levy fund.

In March 2004, the District issued \$70,800,000 in bonds that will be used on various construction projects throughout the District, mainly the construction of new buildings. The interest rates range from 2.00% through 5.00%, with the maturity date of December 1, 2031. The first payment on the bonds was made December 1, 2004.

Principal and interest requirements to retire debt outstanding at year end are as follows:

General Obligation Bonds and Note

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$1,386,625	\$3,170,267	\$4,556,892
2007	1,589,856	3,119,068	4,708,924
2008	1,673,244	3,058,447	4,731,691
2009	1,721,796	3,018,333	4,740,129
2010	380,521	2,990,670	3,371,191
2011-2015	3,085,113	14,666,019	17,751,132
2016-2020	7,894,386	13,536,229	21,430,615
2021-2025	14,635,000	10,779,794	25,414,794
2026-2030	23,310,000	6,238,413	29,548,413
2031-2032	<u>12,715,000</u>	<u>645,125</u>	<u>13,360,125</u>
	<u>\$68,391,541</u>	<u>\$61,222,365</u>	<u>\$129,613,906</u>

10. LEASES

CAPITAL LEASES

The District, in prior years, has entered into two capital leases for fitness centers. The District entered into two capital leases during fiscal year 2005 for computers and roof repairs.

The leases meet the criteria of capital leases as defined by statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the leasee. Capital lease payments for the fitness centers and roof repair will be made from the General fund, while lease payments for the computers will be made from the Emergency Levy fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

<u>Fiscal Year</u> <u>Ending June 30.</u>	<u>Long-Term</u> <u>Debt</u>
2006	\$475,444
2007	399,924
2008	396,340
2009	99,883
2010	99,741
2011-2012	<u>184,320</u>
Total Minimum Lease Payments	1,655,652
Less: Amount Representing Interest	(60,669)
Present Value of Minimum Lease Payments	<u>\$1,594,983</u>

Capital assets acquired under capital leases in accordance with Statement of Financial Accounting Standards No. 13 are as follows:

Equipment	\$2,207,973
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11. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,280,868, \$1,272,312, and \$1,229,856 respectively; 51.0% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003.

STATE TEACHERS RETIREMENT SYSTEM

The District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$4,583,568, \$4,501,572, and \$4,542,444 respectively; 83.0% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003.

12. POST EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits included hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provision and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund for which payments for health care benefits are paid. For the District, this amount equaled \$327,397 during the 2005 fiscal year. As of June 30, 2004, eligible benefit recipients totaled 111,853. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based upon years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For 2004 fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year, the minimum pay has been established at \$25,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$682,552 during the 2005 fiscal year. The number of participants currently receiving health care benefits is approximately 62,000. For the fiscal year ended June 30, 2004, net health care costs paid by SERS were \$223,443,805.

13. CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2005.

LITIGATION

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

During the fiscal year, the District contracted with Indiana Insurance for general liability insurance coverage with a \$1,000,000 single occurrence limit and a \$3,000,000 aggregate limit covering all employees and volunteers of the District. The policy holds a \$5,000 occurrence deductible, with no deductible on general liability.

The buildings and property of the District are protected under a blanket coverage basis with the Indiana Insurance Company. Property coverage is on a cost replacement basis with a deductible of \$5,000. The Indiana Insurance Company provides coverage for the District's boilers and machinery under a separate policy with similar limits.

Vehicle insurance coverage for the District's school buses and other vehicles is provided by Indiana Insurance under a combined liability limit of \$3,000,000 per occurrence for bodily injury and property damage.

The Ohio Casualty Insurance Company maintains a \$50,000 public official bond for the Treasurer and a \$20,000 performance bond for the Board President and Superintendent. A blanket school employee honesty bond in the amount of \$5,000 per position is secured for all employees maintaining a position of trust. This includes food service cashiers, school building cashiers, and other employees who handle cash as a part of their job requirements.

Medical and dental insurance benefits are offered to employees through the Butler County Health Plan (BCHP). The employees share the cost of the monthly premium for the coverage with the District. The District also provides life insurance and accidental death and dismemberment insurance to most employees through the Jefferson Pilot Financial Insurance Company.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

15. JOINTLY GOVERNED ORGANIZATIONS

The Southwestern Ohio Computer Association (SWOCA) is a jointly governed organization among a four county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. The Governing Board of SWOCA consists of six members elected by majority vote of all charter member schools plus one representative from the fiscal agent. The District paid SWOCA \$185,597 for services provided during the year. Financial information can be obtained from Mr. Michael Crumley, who serves as Director, at 3603 Hamilton-Middletown Rd., Hamilton, OH 45011.

The Butler County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. It possesses its own budgeting and taxing authority.

Butler County Joint Vocational School District was formed to provide vocational education opportunities to the students of Butler County, including students of the District. The District paid \$15,720 for services provided during the year. Financial information can be obtained from Mr. Ed Pokora, who serves as Treasurer, at 3603 Hamilton-Middletown Rd., Hamilton, OH 45011.

16. COMPLIANCE AND ACCOUNTABILITY

Compliance

Athletic gate receipts and student activity receipts were not always deposited within the next business day as stated in Ohio Revised Code Section 9.38.

The District had numerous negative fund balances throughout the year which is in violation of Ohio Revised Code Section 5705.10.

Accountability

The following individual funds had a deficit in fund balance at year end:

<u>Fund</u>	<u>Deficit</u>
General Fund	\$3,094,621
Special Revenue Fund:	
Disadvantaged Pupil Impact Aid	108,398
Adult Basic Education	37,937
Title III	5,409
Title VI	16,808
Preschool	729
Class Size Reduction	107,981
Food Service	856,686
Debt Service Fund	3,201,694
Capital Projects Fund:	
SchoolNet Plus	101

17. FUND BALANCE RESERVES FOR SET-ASIDES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

For fiscal year ended June 30, 2005, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2004	(\$256,565)	\$0	\$627,007
Current Year Set-aside Requirement	987,151	987,151	0
Qualified Disbursements	(959,394)	(2,224,129)	(627,007)
Current Year Offsets	<u>0</u>	<u>(1,236,978)</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2005	<u>(\$228,808)</u>	<u>\$0</u>	<u>\$0</u>
Restricted Cash as of June 30, 2005			<u>\$0</u>

Qualifying disbursements and carryover from prior years for textbooks resulted in \$228,808 for carryover to offset textbook requirements in future years.

18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2005, consisted of the following receivables/payables and transfers:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$1,866,324	\$0	\$0	\$100
Other Governmental Funds	<u>1,512</u>	<u>1,867,836</u>	<u>100</u>	<u>0</u>
Total all funds	<u>\$1,867,836</u>	<u>\$1,867,836</u>	<u>\$100</u>	<u>\$100</u>

Interfund balances/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

Transfers out of the General Fund were made to provide resources to the Miscellaneous Federal Fund.

19. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures". GASB 40 establishes and modifies disclosure requirements related to investment risk: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits. This statement applies to all state and local governments.

For 2005, the District has implemented GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers." This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and nonmajor funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	Emergency <u>Levy</u>	<u>Nonmajor</u>
Fund Balances, June 30, 2004	(\$2,524,922)	\$5,377,581	\$687,089
GASB Technical Bulletin No. 2004-2	<u>(343,131)</u>	<u>(6,445)</u>	<u>(84,306)</u>
Restated Fund Balance, June 30, 2004	<u>(\$2,868,053)</u>	<u>\$5,371,136</u>	<u>\$602,783</u>

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$19,720,635	\$20,502,869	\$20,763,062	\$260,193
Tuition and Fees	594,951	618,550	626,400	7,850
Investment Earnings	430,543	447,620	453,301	5,681
Intergovernmental	21,889,366	22,757,625	23,046,432	288,807
Extracurricular Activities	31,423	32,669	33,084	415
Other Revenues	54,544	56,707	57,427	720
Total Revenues	42,721,462	44,416,040	44,979,706	563,666
Expenditures:				
Current:				
Instruction:				
Regular	23,655,127	24,926,377	24,926,377	0
Special	3,068,626	3,233,537	3,233,537	0
Other	465,708	490,736	490,736	0
Support Services:				
Pupil	3,298,544	3,475,811	3,475,811	0
Instructional Staff	1,353,305	1,426,033	1,426,033	0
General Administration	34,789	36,659	36,659	0
School Administration	5,206,111	5,485,893	5,485,893	0
Fiscal	1,086,260	1,144,637	1,144,637	0
Business	290,372	305,977	305,977	0
Operations and Maintenance	3,480,281	3,667,318	3,667,315	3
Pupil Transportation	92,098	97,047	97,047	0
Central	743,007	782,937	782,937	0
Operation of Non-Instructional Services	88,416	93,168	93,168	0
Extracurricular Activities	473,806	499,269	499,269	0
Capital Outlay	1,974,762	2,080,888	2,080,888	0
Debt Service:				
Principal Retirement	132,705	139,837	139,837	0
Interest and Fiscal Charges	7,615	8,024	8,024	0
Total Expenditures	45,451,532	47,894,148	47,894,145	3
Excess of Revenues Over (Under) Expenditures	(2,730,070)	(3,478,108)	(2,914,439)	563,669
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	39,674	41,248	41,771	523
Proceeds of Long-Term Capital-Related Debt	1,952,498	2,029,945	2,055,706	25,761
Advances In	1,410,904	1,466,869	1,485,484	18,615
Advances (Out)	(1,499,551)	(1,580,138)	(1,580,138)	0
Transfers In	1,948,881	2,026,185	2,051,898	25,713
Transfers (Out)	(1,952,912)	(2,057,863)	(2,057,863)	0
Total Other Financing Sources (Uses)	1,899,494	1,926,246	1,996,858	70,612
Net Change in Fund Balance	(830,576)	(1,551,862)	(917,581)	634,281
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,413,691	1,413,691	1,413,691	0
Fund Balance End of Year	\$583,115	(\$138,171)	\$496,110	\$634,281

See accompanying notes to the required supplementary information.

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Emergency Levy Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$8,134,340	\$8,986,411	\$9,971,340	\$984,929
Intergovernmental	786,323	868,690	963,900	95,210
Other Revenues	4,448	4,913	5,452	539
Total Revenues	8,925,111	9,860,014	10,940,692	1,080,678
Expenditures:				
Current:				
Instruction:				
Regular	1,922,405	2,165,209	2,165,209	0
Special	1,823,921	2,054,286	2,054,286	0
Vocational	38,422	43,275	43,275	0
Other	4,062,519	4,575,623	4,575,623	0
Support Services:				
Instructional Staff	734,469	827,234	827,234	0
School Administration	123	139	139	0
Fiscal	147,153	165,739	165,739	0
Operations and Maintenance	2,482,214	2,795,723	2,795,723	0
Pupil Transportation	2,339,563	2,635,055	2,635,055	0
Central	803,366	904,834	904,833	1
Debt Service:				
Principal Retirement	266,163	299,780	299,780	0
Total Expenditures	14,620,318	16,466,897	16,466,896	1
Excess of Revenues Over (Under) Expenditures	(5,695,207)	(6,606,883)	(5,526,204)	1,080,679
Other financing sources (uses):				
Proceeds of Capital Leases	2,263,776	1,199,122	1,199,122	0
Total Other Financing Sources (Uses)	2,263,776	1,199,122	1,199,122	0
Net Change in Fund Balance	(3,431,431)	(5,407,761)	(4,327,082)	1,080,679
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	5,154,197	5,154,197	5,154,197	0
Fund Balance End of Year	\$1,722,766	(\$253,564)	\$827,115	\$1,080,679

See accompanying notes to the required supplementary information.

MIDDLETOWN CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2005

1. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2005.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and emergency levy fund.

Net Change in Fund Balance

	<u>General</u>	<u>Emergency Levy</u>
GAAP Basis	(\$226,568)	(\$4,207,224)
Net Adjustment for Revenue Accruals	3,592,287	57,166
Net Adjustment for Expenditure Accruals	(3,606,296)	44,574
Encumbrances	<u>(677,004)</u>	<u>(221,598)</u>
Budget Basis	<u>(\$917,581)</u>	<u>(\$4,327,082)</u>

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**COMBINING STATEMENTS
AND INDIVIDUAL
FUND SCHEDULES**

NONMAJOR FUNDS

Special Revenue Funds: Special Revenue funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Public School Support: To account for specific local revenue sources (other than taxes) generated by individual school buildings (i.e. sales of pictures, profits from vending machines, etc.). Expenditures include field trips, materials, equipment and other items to supplement co-curricular and extra-curricular programs.

Local Grants: To account for funds received from private organizations that are restricted for specific purposes.

Venture Capital: To account for state funds received by individual school buildings that are to be used to implement school improvement models, research-based instructional programs, and staff development activities.

Athletic: To account for those student activity programs, which have student participation in the activity, but do not have student management of the programs. This fund includes athletic programs as well as band, cheerleaders, drama clubs, and other similar types of activities.

Auxiliary Services: To account for state funds that provide services and materials to students attending non-public schools within the boundaries of the District.

Management Information System: To account for state funds provided to assist the district in implementing a state required staff, student, and financial reporting system.

Entry Year: To account for state funds received for the implementation of entry-year mentoring programs for first year teachers.

Disadvantaged Pupil Impact Aid: To account for state funds, which provide instructional programs and materials for disadvantaged students. These funds are currently used to operate the Garfield Alternative Education Center.

Onenet Network Connectivity: To account for state funds, related to the District's Network Connectivity Program.

SchoolNet Professional Development: To account for state funds, which provide professional development opportunities and programs for District staff in the area of computers and related technology.

Ohio Reads: To account for state funds received for reading improvement and intervention programs designed to improve elementary student achievement scores in reading and for the establishment of volunteer reading coordinators at each school building.

Summer Intervention: To account for state funds, related to the District's Summer Intervention Program.

Alternative Schools: To account for state funds which, provide for alternative educational programs for at-risk and delinquent youth. These funds are being used to replace grants formally received for Project Connect.

Miscellaneous State Grants: To account for state funds which are provided for specific purposes. This includes School Security Equipment Grant, ABLE/Jobs Education Program and Ohio Environmental Protection Agency Grant, Project Connect and School Readiness.

Adult Basic Education: To account for state and federal funds used for instructional programs for persons 16 years of age and older who are not enrolled in school and who have less than a twelfth grade education or its equivalent; development of basic educational skills; increase of opportunities for useful employment; improvement of attitudes toward self, family and community.

Title VI-B: To account for federal funds for the provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels.

Title III: Federal grant used to account for federal monies provided to support the District's ESL population.

Title 1: To account for federal funds for services provided to meet special educational needs of educationally deprived children (formerly called Chapter I).

Title VI: To account for federal funds to provide programs for at-risk students; instructional materials to improve the quality of instruction; programs of professional development; programs to enhance personal excellence of students and student achievement (formerly called Chapter II).

Drug Free Schools: To account for federal funds for the establishment, operation and improvement programs of drug abuse prevention, early intervention, rehabilitation referral and education in schools.

Preschool: To account for federal funds received to provide programs to handicapped preschool children.

Class Size Reduction: To account for federal funds received to provide for class size reduction.

Miscellaneous Federal: To account for federal funds received to provide programs to assure that needy families with children obtain the education, training and employment and support services that will help them avoid long-term welfare dependence.

Food Service: To account for all revenues and expenses related to the provision of food services, including breakfast and lunch, for the District students and staff.

Uniform School Supply: To account for the purchase and sale of school supplies as adopted by the Board of Education for resale to students of the District.

Special Rotary: To account for all revenues and expenses related to goods and/or services provided by the District, primarily those services provided by vocational classes to the general public. Activities in this fund are usually curricular in nature.

Adult Education: To account for all revenues and expenses related to the provision of credit and non-credit classes to the general public.

Capital Projects Funds: The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Permanent Improvement: To account for all transactions relating to the improvements made to existing District facilities.

SchoolNet Plus: To account for state funds received for the purchase of computer technology for all classrooms in kindergarten through fourth grade.

Fiduciary Funds: Fiduciary fund types are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental unites and/or other funds.

Private Purpose Trust: To account for donations received used for scholarship programs for students.

Agency Fund – Student Activities: To account for assets and liabilities generated by student managed activities.

Agency Fund – District: To account for assets and liabilities generated by district managed activities.

Middletown City School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$2,355,495	\$826,893	\$3,182,388
Receivables:			
Accounts	7,151	0	7,151
Intergovernmental	1,342,886	0	1,342,886
Interfund	1,512	0	1,512
Inventory	127,186	0	127,186
Total Assets	3,834,230	826,893	4,661,123
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	39,777	124,418	164,195
Accrued Wages and Benefits	943,761	0	943,761
Compensated Absences	20,929	0	20,929
Interfund Payable	1,867,836	0	1,867,836
Deferred Revenue	1,163,176	0	1,163,176
Total Liabilities	4,035,479	124,418	4,159,897
Fund Balances:			
Reserved for Encumbrances	1,694,087	179,887	1,873,974
Reserved for Inventory	127,186	0	127,186
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	(2,022,522)	0	(2,022,522)
Capital Projects Funds	0	522,588	522,588
Total Fund Balances	(201,249)	702,475	501,226
Total Liabilities and Fund Balances	\$3,834,230	\$826,893	\$4,661,123

Middletown City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Tuition and Fees	\$3,581	\$0	\$3,581
Investment Earnings	1,271	0	1,271
Intergovernmental	9,458,260	65,415	9,523,675
Extracurricular Activities	197,528	0	197,528
Charges for Services	1,113,242	0	1,113,242
Other Revenues	149,469	634,165	783,634
Total Revenues	10,923,351	699,580	11,622,931
Expenditures:			
Current:			
Instruction:			
Regular	1,830,275	65,516	1,895,791
Special	2,449,998	0	2,449,998
Other	393,105	0	393,105
Support Services:			
Pupil	919,659	0	919,659
Instructional Staff	1,243,372	0	1,243,372
School Administration	370,180	0	370,180
Operations and Maintenance	285,276	0	285,276
Pupil Transportation	4,246	0	4,246
Central	67,011	0	67,011
Operation of Non-Instructional Services	3,550,339	0	3,550,339
Extracurricular Activities	178,712	0	178,712
Capital Outlay	0	370,613	370,613
Total Expenditures	11,292,173	436,129	11,728,302
Excess of Revenues Over (Under) Expenditures	(368,822)	263,451	(105,371)
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	3,714	0	3,714
Transfers In	100	0	100
Total Other Financing Sources (Uses)	3,814	0	3,814
Net Change in Fund Balance	(365,008)	263,451	(101,557)
Fund Balance Beginning of Year, Restated	163,759	439,024	602,783
Fund Balance End of Year	(\$201,249)	\$702,475	\$501,226

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Middletown City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	Public School Support	Local Grants	Venture Capital	Athletic
Assets:				
Equity in Pooled Cash and Investments	\$72,674	\$316,562	\$684	\$45,120
Receivables:				
Accounts	2,353	0	0	2,160
Intergovernmental	0	0	0	0
Interfund	0	1,512	0	0
Inventory	0	0	0	0
Total Assets	75,027	318,074	684	47,280
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	627	0	0	4,938
Accrued Wages and Benefits	0	0	0	0
Compensated Absences	0	0	0	0
Interfund Payable	0	0	0	0
Deferred Revenue	0	0	0	0
Total Liabilities	627	0	0	4,938
Fund Balances:				
Reserved for Encumbrances	2,584	31,653	0	2,389
Reserved for Inventory	0	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	71,816	286,421	684	39,953
Total Fund Balances	74,400	318,074	684	42,342
Total Liabilities and Fund Balances	\$75,027	\$318,074	\$684	\$47,280

Auxiliary Services	Management Information System	Entry Year	Disadvantaged Pupil Impact Aid	OneNet Network Connectivity	SchoolNet Professional Development	Ohio Reads
\$212,494	\$0	\$702	\$0	\$0	\$2,544	\$16,898
0	0	0	0	0	0	0
0	0	0	0	0	0	4,364
0	0	0	0	0	0	0
0	0	0	0	0	0	0
212,494	0	702	0	0	2,544	21,262
856	0	0	0	0	0	0
53,003	0	0	108,398	0	0	0
0	0	0	0	0	0	0
1,014	0	0	0	0	0	4,364
0	0	0	0	0	0	4,364
54,873	0	0	108,398	0	0	8,728
184,893	0	0	0	0	317	12,328
0	0	0	0	0	0	0
(27,272)	0	702	(108,398)	0	2,227	206
157,621	0	702	(108,398)	0	2,544	12,534
\$212,494	\$0	\$702	\$0	\$0	\$2,544	\$21,262

Continued

Middletown City School District
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2005

	Summer Intervention	Alternative Schools	Miscellaneous State Grants	Adult Basic Education
Assets:				
Equity in Pooled Cash and Investments	\$35,236	\$69,566	\$40,642	\$35,840
Receivables:				
Accounts	0	0	0	108
Intergovernmental	20,174	11,252	0	84,815
Interfund	0	0	0	0
Inventory	0	0	0	0
Total Assets	55,410	80,818	40,642	120,763
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	0	0	677	0
Accrued Wages and Benefits	0	56,820	0	32,581
Compensated Absences	0	0	0	2,748
Interfund Payable	20,923	11,252	10,452	38,556
Deferred Revenue	20,174	11,252	0	84,815
Total Liabilities	41,097	79,324	11,129	158,700
Fund Balances:				
Reserved for Encumbrances	35,236	65,378	1,899	35,841
Reserved for Inventory	0	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	(20,923)	(63,884)	27,614	(73,778)
Total Fund Balances	14,313	1,494	29,513	(37,937)
Total Liabilities and Fund Balances	\$55,410	\$80,818	\$40,642	\$120,763

Title VI-B	Title III	Title I	Title VI	Drug-Free Schools	Preschool	Class Size Reduction
\$296,240	\$3,262	\$949,965	\$17,636	\$24,521	\$0	\$58,256
0	0	84	0	0	0	0
42,409	8,897	915,106	15,566	0	729	57,441
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>338,649</u>	<u>12,159</u>	<u>1,865,155</u>	<u>33,202</u>	<u>24,521</u>	<u>729</u>	<u>115,697</u>
1,222	0	2,387	0	0	0	0
176,642	0	303,133	11,654	0	0	111,300
0	0	0	0	0	0	18,181
39,611	8,671	579,633	22,790	5,511	729	36,756
42,409	8,897	915,106	15,566	0	729	57,441
<u>259,884</u>	<u>17,568</u>	<u>1,800,259</u>	<u>50,010</u>	<u>5,511</u>	<u>1,458</u>	<u>223,678</u>
295,018	3,262	896,263	10,176	15,565	0	60,180
0	0	0	0	0	0	0
<u>(216,253)</u>	<u>(8,671)</u>	<u>(831,367)</u>	<u>(26,984)</u>	<u>3,445</u>	<u>(729)</u>	<u>(168,161)</u>
<u>78,765</u>	<u>(5,409)</u>	<u>64,896</u>	<u>(16,808)</u>	<u>19,010</u>	<u>(729)</u>	<u>(107,981)</u>
<u>\$338,649</u>	<u>\$12,159</u>	<u>\$1,865,155</u>	<u>\$33,202</u>	<u>\$24,521</u>	<u>\$729</u>	<u>\$115,697</u>

Continued

Middletown City School District
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2005

	Miscellaneous Federal	Food Service	Uniform School Supply	Special Rotary
Assets:				
Equity in Pooled Cash and Investments	\$52,567	\$32,293	\$42,838	\$3,683
Receivables:				
Accounts	0	1,450	996	0
Intergovernmental	2,423	179,710	0	0
Interfund	0	0	0	0
Inventory	0	127,186	0	0
Total Assets	54,990	340,639	43,834	3,683
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	0	29,032	0	0
Accrued Wages and Benefits	4,321	82,768	0	0
Compensated Absences	0	0	0	0
Interfund Payable	2,049	1,085,525	0	0
Deferred Revenue	2,423	0	0	0
Total Liabilities	8,793	1,197,325	0	0
Fund Balances:				
Reserved for Encumbrances	22,036	3,264	6,804	150
Reserved for Inventory	0	127,186	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	24,161	(987,136)	37,030	3,533
Total Fund Balances	46,197	(856,686)	43,834	3,683
Total Liabilities and Fund Balances	\$54,990	\$340,639	\$43,834	\$3,683

Adult Education	Total Nonmajor Special Revenue Funds
\$25,272	\$2,355,495
0	7,151
0	1,342,886
0	1,512
0	127,186
<u>25,272</u>	<u>3,834,230</u>
38	39,777
3,141	943,761
0	20,929
0	1,867,836
0	1,163,176
<u>3,179</u>	<u>4,035,479</u>
8,851	1,694,087
0	127,186
<u>13,242</u>	<u>(2,022,522)</u>
<u>22,093</u>	<u>(201,249)</u>
<u>\$25,272</u>	<u>\$3,834,230</u>

Middletown City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	Public School Support	Local Grants	Venture Capital	Athletic
Revenues:				
Tuition and Fees	\$0	\$0	\$0	\$0
Investment Earnings	0	0	0	0
Intergovernmental	0	6,082	0	0
Extracurricular Activities	21,100	0	0	176,428
Charges for Services	0	0	0	0
Other Revenues	103,772	15,889	0	18,569
Total Revenues	124,872	21,971	0	194,997
Expenditures:				
Current:				
Instruction:				
Regular	0	86,089	0	0
Special	0	0	0	0
Other	0	12,946	0	0
Support Services:				
Pupil	113,136	2,968	0	0
Instructional Staff	0	41,637	0	0
School Administration	0	3,017	0	0
Operations and Maintenance	0	2,846	0	0
Pupil Transportation	0	0	0	0
Central	0	3,619	0	0
Operation of Non-Instructional Services	0	0	0	0
Extracurricular Activities	0	0	0	178,712
Total Expenditures	113,136	153,122	0	178,712
Excess of Revenues Over (Under) Expenditures	11,736	(131,151)	0	16,285
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	0	0	0
Transfers In	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	11,736	(131,151)	0	16,285
Fund Balance Beginning of Year, Restated	62,664	449,225	684	26,057
Fund Balance End of Year	\$74,400	\$318,074	\$684	\$42,342

Auxiliary Services	Management Information System	Entry Year	Disadvantaged Pupil Impact Aid	OneNet Network Connectivity	SchoolNet Professional Development	Ohio Reads
\$0	\$0	\$0	\$0	\$0	\$0	\$0
1,271	0	0	0	0	0	0
550,362	21,222	12,100	812,882	42,000	4,140	32,636
0	0	0	0	0	0	0
0	0	0	0	0	0	0
521	0	0	0	0	0	0
552,154	21,222	12,100	812,882	42,000	4,140	32,636
0	0	0	626,826	0	0	19,789
0	0	0	0	0	0	7,680
0	0	0	0	0	0	0
0	0	0	4,595	0	0	0
0	0	12,100	0	0	5,736	14,064
0	0	0	0	0	0	0
0	0	0	253,404	0	0	0
0	0	0	0	0	0	0
0	21,392	0	0	42,000	0	0
531,736	0	0	0	0	0	330
0	0	0	0	0	0	0
531,736	21,392	12,100	884,825	42,000	5,736	41,863
20,418	(170)	0	(71,943)	0	(1,596)	(9,227)
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
20,418	(170)	0	(71,943)	0	(1,596)	(9,227)
137,203	170	702	(36,455)	0	4,140	21,761
\$157,621	\$0	\$702	(\$108,398)	\$0	\$2,544	\$12,534

Continued

Middletown City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	Summer Intervention	Alternative Schools	Miscellaneous State Grants	Adult Basic Education
Revenues:				
Tuition and Fees	\$0	\$0	\$0	\$0
Investment Earnings	0	0	0	0
Intergovernmental	190,275	288,158	57,752	271,869
Extracurricular Activities	0	0	0	0
Charges for Services	0	0	0	0
Other Revenues	0	0	0	108
Total Revenues	190,275	288,158	57,752	271,977
Expenditures:				
Current:				
Instruction:				
Regular	209,809	193,896	0	0
Special	0	0	4,637	0
Other	0	0	0	280,497
Support Services:				
Pupil	0	89,706	30,004	0
Instructional Staff	0	12,065	16,997	48,701
School Administration	9,192	0	0	21,820
Operations and Maintenance	0	0	6,633	0
Pupil Transportation	4,246	0	0	0
Central	0	0	0	0
Operation of Non-Instructional Services	0	0	24,170	0
Extracurricular Activities	0	0	0	0
Total Expenditures	223,247	295,667	82,441	351,018
Excess of Revenues Over (Under) Expenditures	(32,972)	(7,509)	(24,689)	(79,041)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	0	0	0
Transfers In	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	(32,972)	(7,509)	(24,689)	(79,041)
Fund Balance Beginning of Year, Restated	47,285	9,003	54,202	41,104
Fund Balance End of Year	\$14,313	\$1,494	\$29,513	(\$37,937)

Title VI-B	Title III	Title I	Title VI	Drug-Free Schools	Preschool	Class Size Reduction
\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0
2,140,218	16,859	2,097,045	118,005	67,599	31,793	644,446
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	449	0	0	0	0
<u>2,140,218</u>	<u>16,859</u>	<u>2,097,494</u>	<u>118,005</u>	<u>67,599</u>	<u>31,793</u>	<u>644,446</u>
0	18,533	25,602	138,894	3,424	0	469,763
997,485	2,632	1,422,995	0	11,359	3,210	0
99,662	0	0	0	0	0	0
453,428	0	196,510	0	0	29,312	0
303,129	3,202	211,908	1,979	43,233	0	263,449
223,321	0	112,830	0	0	0	0
0	0	8,991	0	8,140	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
68,157	0	54,499	0	0	0	0
0	0	0	0	0	0	0
<u>2,145,182</u>	<u>24,367</u>	<u>2,033,335</u>	<u>140,873</u>	<u>66,156</u>	<u>32,522</u>	<u>733,212</u>
<u>(4,964)</u>	<u>(7,508)</u>	<u>64,159</u>	<u>(22,868)</u>	<u>1,443</u>	<u>(729)</u>	<u>(88,766)</u>
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>(4,964)</u>	<u>(7,508)</u>	<u>64,159</u>	<u>(22,868)</u>	<u>1,443</u>	<u>(729)</u>	<u>(88,766)</u>
83,729	2,099	737	6,060	17,567	0	(19,215)
<u>\$78,765</u>	<u>(\$5,409)</u>	<u>\$64,896</u>	<u>(\$16,808)</u>	<u>\$19,010</u>	<u>(\$729)</u>	<u>(\$107,981)</u>

Continued

Middletown City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	Miscellaneous Federal	Food Service	Uniform School Supply	Special Rotary
Revenues:				
Tuition and Fees	\$0	\$0	\$996	\$0
Investment Earnings	0	0	0	0
Intergovernmental	301,237	1,738,800	0	0
Extracurricular Activities	0	0	0	0
Charges for Services	0	1,030,722	82,520	0
Other Revenues	0	0	0	0
Total Revenues	301,237	2,769,522	83,516	0
Expenditures:				
Current:				
Instruction:				
Regular	37,650	0	0	0
Special	0	0	0	0
Other	0	0	0	0
Support Services:				
Pupil	0	0	0	0
Instructional Staff	265,172	0	0	0
School Administration	0	0	0	0
Operations and Maintenance	5,262	0	0	0
Pupil Transportation	0	0	0	0
Central	0	0	0	0
Operation of Non-Instructional Services	0	2,818,858	22,002	147
Extracurricular Activities	0	0	0	0
Total Expenditures	308,084	2,818,858	22,002	147
Excess of Revenues Over (Under) Expenditures	(6,847)	(49,336)	61,514	(147)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	3,714	0	0
Transfers In	100	0	0	0
Total Other Financing Sources (Uses)	100	3,714	0	0
Net Change in Fund Balance	(6,747)	(45,622)	61,514	(147)
Fund Balance Beginning of Year, Restated	52,944	(811,064)	(17,680)	3,830
Fund Balance End of Year	\$46,197	(\$856,686)	\$43,834	\$3,683

Adult Education	Total Nonmajor Special Revenue Funds
\$2,585	\$3,581
0	1,271
12,780	9,458,260
0	197,528
0	1,113,242
10,161	149,469
<u>25,526</u>	<u>10,923,351</u>
0	1,830,275
0	2,449,998
0	393,105
0	919,659
0	1,243,372
0	370,180
0	285,276
0	4,246
0	67,011
30,440	3,550,339
0	178,712
<u>30,440</u>	<u>11,292,173</u>
<u>(4,914)</u>	<u>(368,822)</u>
0	3,714
0	100
0	3,814
<u>(4,914)</u>	<u>(365,008)</u>
<u>27,007</u>	<u>163,759</u>
<u>\$22,093</u>	<u>(\$201,249)</u>

Middletown City School District
 Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2005

	Permanent Improvement	SchoolNet Plus	Total Nonmajor Capital Projects Funds
Assets:			
Equity in Pooled Cash and Investments	\$813,840	\$13,053	\$826,893
Total Assets	813,840	13,053	826,893
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	111,264	13,154	124,418
Total Liabilities	111,264	13,154	124,418
Fund Balances:			
Reserved for Encumbrances	179,887	0	179,887
Unreserved, Undesignated, Reported in: Capital Projects Funds	522,689	(101)	522,588
Total Fund Balances	702,576	(101)	702,475
Total Liabilities and Fund Balances	\$813,840	\$13,053	\$826,893

Middletown City School District
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 Nonmajor Capital Projects Funds
 For the Fiscal Year Ended June 30, 2005

	Permanent Improvement	SchoolNet Plus	Total Nonmajor Capital Projects Funds
Revenues:			
Intergovernmental	\$0	\$65,415	\$65,415
Other Revenues	634,165	0	634,165
Total Revenues	634,165	65,415	699,580
Expenditures:			
Current:			
Instruction:			
Regular	0	65,516	65,516
Capital Outlay	370,613	0	370,613
Total Expenditures	370,613	65,516	436,129
Net Change in Fund Balance	263,552	(101)	263,451
Fund Balance Beginning of Year	439,024	0	439,024
Fund Balance End of Year	\$702,576	(\$101)	\$702,475

Middletown City School District
Statement of Changes In Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2005

	District			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$0	\$9,563	\$9,563	\$0
Receivables:				
Accounts	297	0	297	0
Total Assets	297	9,563	9,860	0
Liabilities:				
Accrued Wages and Benefits	9,563	0	9,563	0
Other Liabilities	(9,266)	9,563	297	0
Total Liabilities	\$297	\$9,563	\$9,860	\$0

	Student Activity			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$64,357	\$5,845	\$0	\$70,202
Receivables:				
Accounts	342	126	342	126
Total Assets	64,699	5,971	342	70,328
Liabilities:				
Accounts Payable	0	5,956	0	5,956
Other Liabilities	64,699	15	342	64,372
Total Liabilities	\$64,699	\$5,971	\$342	\$70,328

	Total All Agency Funds			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$64,357	\$15,408	\$9,563	\$70,202
Receivables:				
Accounts	639	126	639	126
Total Assets	64,996	15,534	10,202	70,328
Liabilities:				
Accounts Payable	0	5,956	0	5,956
Accrued Wages and Benefits	9,563	0	9,563	0
Other Liabilities	55,433	9,578	639	64,372
Total Liabilities	\$64,996	\$15,534	\$10,202	\$70,328

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Public School Support Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Extracurricular Activities	\$18,082	\$19,515	\$19,515	\$0
Other Revenues	95,718	103,300	103,301	1
Total Revenues	113,800	122,815	122,816	1
Expenditures:				
Current:				
Support Services:				
Pupil	159,859	115,721	115,721	0
Total Expenditures	159,859	115,721	115,721	0
Excess of Revenues Over (Under) Expenditures	(46,059)	7,094	7,095	1
Other financing sources (uses):				
Advances (Out)	(47)	(34)	(34)	0
Total Other Financing Sources (Uses)	(47)	(34)	(34)	0
Net Change in Fund Balance	(46,106)	7,060	7,061	1
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	62,401	62,401	62,401	0
Fund Balance End of Year	\$16,295	\$69,461	\$69,462	\$1

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Local Grants Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$2,508	\$6,082	\$6,082	\$0
Other Revenues	6,552	15,889	15,889	0
Total Revenues	9,060	21,971	21,971	0
Expenditures:				
Current:				
Instruction:				
Regular	128,471	52,804	52,805	(1)
Other	32,584	13,393	13,393	0
Support Services:				
Pupil	7,221	2,968	2,968	0
Instructional Staff	259,290	106,576	106,575	1
School Administration	7,340	3,017	3,017	0
Operations and Maintenance	6,924	2,846	2,846	0
Central	8,805	3,619	3,619	0
Total Expenditures	450,635	185,223	185,223	0
Excess of Revenues Over (Under) Expenditures	(441,575)	(163,252)	(163,252)	0
Other financing sources (uses):				
Advances In	221	535	535	0
Total Other Financing Sources (Uses)	221	535	535	0
Net Change in Fund Balance	(441,354)	(162,717)	(162,717)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	447,628	447,628	447,628	0
Fund Balance End of Year	\$6,274	\$284,911	\$284,911	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Venture Capital Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
Expenditures:				
Current:				
Instruction:				
Regular	683	0	0	0
Total Expenditures	683	0	0	0
Net Change in Fund Balance	(683)	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	683	683	683	0
Fund Balance End of Year	\$0	\$683	\$683	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Athletic Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Extracurricular Activities	\$162,080	\$174,268	\$174,268	\$0
Other Revenues	17,270	18,569	18,569	0
Total Revenues	179,350	192,837	192,837	0
Expenditures:				
Current:				
Extracurricular Activities	202,671	181,102	181,102	0
Total Expenditures	202,671	181,102	181,102	0
Excess of Revenues Over (Under) Expenditures	(23,321)	11,735	11,735	0
Other financing sources (uses):				
Advances (Out)	(28)	(25)	(25)	0
Total Other Financing Sources (Uses)	(28)	(25)	(25)	0
Net Change in Fund Balance	(23,349)	11,710	11,710	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	26,079	26,079	26,079	0
Fund Balance End of Year	\$2,730	\$37,789	\$37,789	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Auxiliary Services Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$847	\$1,271	\$1,271	\$0
Intergovernmental	366,934	550,361	550,362	1
Other Revenues	347	521	521	0
Total Revenues	368,128	552,153	552,154	1
Expenditures:				
Current:				
Operation of Non-Instructional Services	433,187	771,880	715,999	55,881
Miscellaneous Expenditures	9,075	15,000	15,000	0
Total Expenditures	442,262	786,880	730,999	55,881
Excess of Revenues Over (Under) Expenditures	(74,134)	(234,727)	(178,845)	55,882
Other financing sources (uses):				
Advances In	676	1,014	1,014	0
Advances (Out)	(801)	(1,324)	(1,324)	0
Transfers In	31,646	47,465	47,465	0
Transfers (Out)	(28,716)	(47,465)	(47,464)	1
Total Other Financing Sources (Uses)	2,805	(310)	(309)	1
Net Change in Fund Balance	(71,329)	(235,037)	(179,154)	55,883
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	205,899	205,899	205,899	0
Fund Balance End of Year	\$134,570	(\$29,138)	\$26,745	\$55,883

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Management Information System Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$18,000	\$21,222	\$21,222	\$0
Total Revenues	18,000	21,222	21,222	0
Expenditures:				
Current:				
Support Services:				
Central	18,000	21,392	21,392	0
Total Expenditures	18,000	21,392	21,392	0
Net Change in Fund Balance	0	(170)	(170)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	170	170	170	0
Fund Balance End of Year	\$170	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Entry Year Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$12,100	\$12,100	\$0
Total Revenues	0	12,100	12,100	0
Expenditures:				
Current:				
Support Services:				
Instructional Staff	702	12,100	12,100	0
Total Expenditures	702	12,100	12,100	0
Net Change in Fund Balance	(702)	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	702	702	702	0
Fund Balance End of Year	\$0	\$702	\$702	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Disadvantaged Pupil Impact Aid Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$1,973,882	\$812,882	\$812,882	\$0
Total Revenues	1,973,882	812,882	812,882	0
Expenditures:				
Current:				
Instruction:				
Regular	1,449,435	626,925	626,925	0
Support Services:				
Pupil	10,624	4,595	4,595	0
Operations and Maintenance	585,866	253,405	253,405	0
Total Expenditures	2,045,925	884,925	884,925	0
Net Change in Fund Balance	(72,043)	(72,043)	(72,043)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	72,043	72,043	72,043	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	OneNet Network Connectivity Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$42,000	\$42,000	\$0
Total Revenues	0	42,000	42,000	0
Expenditures:				
Current:				
Support Services:				
Central	0	42,000	42,000	0
Total Expenditures	0	42,000	42,000	0
Net Change in Fund Balance	0	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	SchoolNet Professional Development Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$4,140	\$4,140	\$0
Total Revenues	0	4,140	4,140	0
Expenditures:				
Current:				
Support Services:				
Instructional Staff	4,140	6,053	6,053	0
Total Expenditures	4,140	6,053	6,053	0
Net Change in Fund Balance	(4,140)	(1,913)	(1,913)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	4,140	4,140	4,140	0
Fund Balance End of Year	\$0	\$2,227	\$2,227	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Ohio Reads Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$27,785	\$32,636	\$32,636	\$0
Total Revenues	27,785	32,636	32,636	0
Expenditures:				
Current:				
Instruction:				
Regular	23,505	30,577	30,537	40
Special	7,371	9,576	9,576	0
Support Services:				
Instructional Staff	11,380	14,785	14,785	0
Operation of Non-Instructional Services	254	330	330	0
Total Expenditures	42,510	55,268	55,228	40
Excess of Revenues Over (Under) Expenditures	(14,725)	(22,632)	(22,592)	40
Other financing sources (uses):				
Advances In	3,715	4,364	4,364	0
Total Other Financing Sources (Uses)	3,715	4,364	4,364	0
Net Change in Fund Balance	(11,010)	(18,268)	(18,228)	40
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	22,798	22,798	22,798	0
Fund Balance End of Year	\$11,788	\$4,530	\$4,570	\$40

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Summer Intervention Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$189,600	\$190,275	\$190,275	\$0
Total Revenues	189,600	190,275	190,275	0
Expenditures:				
Current:				
Instruction:				
Regular	158,363	252,688	245,743	6,945
Support Services:				
School Administration	5,924	14,391	9,192	5,199
Pupil Transportation	2,736	4,246	4,246	0
Total Expenditures	167,023	271,325	259,181	12,144
Excess of Revenues Over (Under) Expenditures	22,577	(81,050)	(68,906)	12,144
Other financing sources (uses):				
Advances In	20,849	20,923	20,923	0
Advances (Out)	(43,426)	(67,387)	(67,387)	0
Total Other Financing Sources (Uses)	(22,577)	(46,464)	(46,464)	0
Net Change in Fund Balance	0	(127,514)	(115,370)	12,144
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	115,370	115,370	115,370	0
Fund Balance End of Year	\$115,370	(\$12,144)	\$0	\$12,144

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Alternative Schools Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$288,329	\$288,329	\$288,328	(\$1)
Total Revenues	288,329	288,329	288,328	(1)
Expenditures:				
Current:				
Instruction:				
Regular	209,851	237,698	222,056	15,642
Support Services:				
Pupil	87,376	92,458	92,458	0
Instructional Staff	12,273	17,701	12,987	4,714
Total Expenditures	309,500	347,857	327,501	20,356
Excess of Revenues Over (Under) Expenditures	(21,171)	(59,528)	(39,173)	20,355
Other financing sources (uses):				
Advances In	11,252	11,252	11,252	0
Total Other Financing Sources (Uses)	11,252	11,252	11,252	0
Net Change in Fund Balance	(9,919)	(48,276)	(27,921)	20,355
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	32,107	32,107	32,107	0
Fund Balance End of Year	\$22,188	(\$16,169)	\$4,186	\$20,355

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Miscellaneous State Grants Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$41,526	\$63,821	\$63,821	\$0
Total Revenues	41,526	63,821	63,821	0
Expenditures:				
Current:				
Instruction:				
Special	6,253	6,938	6,331	607
Support Services:				
Pupil	34,940	35,866	35,376	490
Instructional Staff	16,788	18,056	16,998	1,058
Operations and Maintenance	6,551	6,633	6,633	0
Operation of Non-Instructional Services	24,074	24,375	24,375	0
Total Expenditures	88,606	91,868	89,713	2,155
Excess of Revenues Over (Under) Expenditures	(47,080)	(28,047)	(25,892)	2,155
Other financing sources (uses):				
Advances In	6,801	10,452	10,452	0
Advances (Out)	(2,597)	(2,629)	(2,629)	0
Total Other Financing Sources (Uses)	4,204	7,823	7,823	0
Net Change in Fund Balance	(42,876)	(20,224)	(18,069)	2,155
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	56,138	56,138	56,138	0
Fund Balance End of Year	\$13,262	\$35,914	\$38,069	\$2,155

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Adult Basic Education Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$312,382	\$271,870	\$271,870	\$0
Total Revenues	312,382	271,870	271,870	0
Expenditures:				
Current:				
Instruction:				
Other	328,454	314,032	314,025	7
Support Services:				
Instructional Staff	48,676	46,887	46,538	349
School Administration	22,823	21,820	21,820	0
Total Expenditures	399,953	382,739	382,383	356
Excess of Revenues Over (Under) Expenditures	(87,571)	(110,869)	(110,513)	356
Other financing sources (uses):				
Advances In	44,302	38,557	38,557	0
Total Other Financing Sources (Uses)	44,302	38,557	38,557	0
Net Change in Fund Balance	(43,269)	(72,312)	(71,956)	356
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	71,957	71,957	71,957	0
Fund Balance End of Year	\$28,688	(\$355)	\$1	\$356

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Title VI-B Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$2,394,845	\$2,403,159	\$2,403,159	\$0
Total Revenues	2,394,845	2,403,159	2,403,159	0
Expenditures:				
Current:				
Instruction:				
Special	996,246	1,151,745	1,124,077	27,668
Other	101,922	115,000	115,000	0
Support Services:				
Pupil	461,974	587,675	521,251	66,424
Instructional Staff	299,314	351,981	337,720	14,261
School Administration	198,181	253,181	223,610	29,571
Operation of Non-Instructional Services	66,093	74,574	74,574	0
Total Expenditures	2,123,730	2,534,156	2,396,232	137,924
Excess of Revenues Over (Under) Expenditures	271,115	(130,997)	6,927	137,924
Other financing sources (uses):				
Advances In	39,473	39,610	39,610	0
Advances (Out)	(310,587)	(350,439)	(350,439)	0
Total Other Financing Sources (Uses)	(271,114)	(310,829)	(310,829)	0
Net Change in Fund Balance	1	(441,826)	(303,902)	137,924
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	303,902	303,902	303,902	0
Fund Balance End of Year	\$303,903	(\$137,924)	\$0	\$137,924

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Title III Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$18,317	\$18,164	\$18,164	\$0
Total Revenues	18,317	18,164	18,164	0
Expenditures:				
Current:				
Instruction:				
Regular	18,685	18,533	18,533	0
Special	5,942	5,894	5,894	0
Support Services:				
Instructional Staff	3,228	3,202	3,202	0
Total Expenditures	27,855	27,629	27,629	0
Excess of Revenues Over (Under) Expenditures	(9,538)	(9,465)	(9,465)	0
Other financing sources (uses):				
Advances In	8,744	8,671	8,671	0
Total Other Financing Sources (Uses)	8,744	8,671	8,671	0
Net Change in Fund Balance	(794)	(794)	(794)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	794	794	794	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Title I Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$2,238,729	\$2,097,045	\$2,097,045	\$0
Other Revenues	390	365	365	0
Total Revenues	2,239,119	2,097,410	2,097,410	0
Expenditures:				
Current:				
Instruction:				
Regular	23,071	24,113	23,392	721
Special	2,082,656	2,266,769	2,111,677	155,092
Support Services:				
Pupil	206,933	240,597	209,817	30,780
Instructional Staff	259,566	268,496	263,183	5,313
School Administration	124,247	129,288	125,978	3,310
Operations and Maintenance	8,867	8,991	8,991	0
Pupil Transportation	62,797	63,672	63,672	0
Operation of Non-Instructional Services	56,379	59,165	57,165	2,000
Total Expenditures	2,824,516	3,061,091	2,863,875	197,216
Excess of Revenues Over (Under) Expenditures	(585,397)	(963,681)	(766,465)	197,216
Other financing sources (uses):				
Advances In	607,053	568,634	568,634	0
Advances (Out)	(88,207)	(89,436)	(89,436)	0
Total Other Financing Sources (Uses)	518,846	479,198	479,198	0
Net Change in Fund Balance	(66,551)	(484,483)	(287,267)	197,216
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	338,580	338,580	338,580	0
Fund Balance End of Year	\$272,029	(\$145,903)	\$51,313	\$197,216

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Title VI Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$127,458	\$124,147	\$124,147	\$0
Total Revenues	127,458	124,147	124,147	0
Expenditures:				
Current:				
Instruction:				
Regular	146,221	137,416	137,416	0
Support Services:				
Instructional Staff	2,106	1,979	1,979	0
Total Expenditures	148,327	139,395	139,395	0
Excess of Revenues Over (Under) Expenditures	(20,869)	(15,248)	(15,248)	0
Other financing sources (uses):				
Advances In	9,643	9,392	9,392	0
Advances (Out)	(6,248)	(19,270)	(5,872)	13,398
Total Other Financing Sources (Uses)	3,395	(9,878)	3,520	13,398
Net Change in Fund Balance	(17,474)	(25,126)	(11,728)	13,398
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	19,184	19,184	19,184	0
Fund Balance End of Year	\$1,710	(\$5,942)	\$7,456	\$13,398

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Drug-Free Schools Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$67,600	\$67,599	\$67,599	\$0
Total Revenues	67,600	67,599	67,599	0
Expenditures:				
Current:				
Instruction:				
Regular	6,085	6,000	6,000	0
Special	11,823	11,657	11,657	0
Support Services:				
Instructional Staff	57,021	56,222	56,222	0
Operations and Maintenance	8,715	8,593	8,593	0
Total Expenditures	83,644	82,472	82,472	0
Excess of Revenues Over (Under) Expenditures	(16,044)	(14,873)	(14,873)	0
Other financing sources (uses):				
Advances (Out)	(962)	(949)	(949)	0
Total Other Financing Sources (Uses)	(962)	(949)	(949)	0
Net Change in Fund Balance	(17,006)	(15,822)	(15,822)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	24,779	24,779	24,779	0
Fund Balance End of Year	<u>\$7,773</u>	<u>\$8,957</u>	<u>\$8,957</u>	<u>\$0</u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Preschool Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$25,045	\$31,793	\$31,793	\$0
Total Revenues	25,045	31,793	31,793	0
Expenditures:				
Current:				
Instruction:				
Special	2,529	3,210	3,210	0
Support Services:				
Pupil	23,090	29,312	29,312	0
Total Expenditures	25,619	32,522	32,522	0
Excess of Revenues Over (Under) Expenditures	(574)	(729)	(729)	0
Other financing sources (uses):				
Advances In	574	729	729	0
Total Other Financing Sources (Uses)	574	729	729	0
Net Change in Fund Balance	0	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Class Size Reduction Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$651,152	\$644,446	\$644,446	\$0
Total Revenues	651,152	644,446	644,446	0
Expenditures:				
Current:				
Instruction:				
Regular	428,627	498,251	460,866	37,385
Support Services:				
Instructional Staff	250,338	272,384	269,167	3,217
Total Expenditures	678,965	770,635	730,033	40,602
Excess of Revenues Over (Under) Expenditures	(27,813)	(126,189)	(85,587)	40,602
Other financing sources (uses):				
Advances In	37,138	36,756	36,756	0
Advances (Out)	(9,327)	(10,028)	(10,028)	0
Total Other Financing Sources (Uses)	27,811	26,728	26,728	0
Net Change in Fund Balance	(2)	(99,461)	(58,859)	40,602
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	56,934	56,934	56,934	0
Fund Balance End of Year	\$56,932	(\$42,527)	(\$1,925)	\$40,602

Middletown City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2005

	Miscellaneous Federal Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$370,440	\$3,090,690	\$321,499	(\$2,769,191)
Total Revenues	<u>370,440</u>	<u>3,090,690</u>	<u>321,499</u>	<u>(2,769,191)</u>
Expenditures:				
Current:				
Instruction:				
Regular	35,378	37,650	37,650	0
Support Services:				
Instructional Staff	281,639	312,893	299,728	13,165
Operations and Maintenance	4,944	5,262	5,262	0
Operation of Non-Instructional Services	5,383	5,729	5,729	0
Total Expenditures	<u>327,344</u>	<u>361,534</u>	<u>348,369</u>	<u>13,165</u>
Excess of Revenues Over (Under) Expenditures	<u>43,096</u>	<u>2,729,156</u>	<u>(26,870)</u>	<u>(2,756,026)</u>
Other financing sources (uses):				
Advances (Out)	(70,824)	(75,372)	(75,373)	(1)
Transfers In	115	961	100	(861)
Total Other Financing Sources (Uses)	<u>(70,709)</u>	<u>(74,411)</u>	<u>(75,273)</u>	<u>(862)</u>
Net Change in Fund Balance	<u>(27,613)</u>	<u>2,654,745</u>	<u>(102,143)</u>	<u>(2,756,888)</u>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>132,674</u>	<u>132,674</u>	<u>132,674</u>	<u>0</u>
Fund Balance End of Year	<u>\$105,061</u>	<u>\$2,787,419</u>	<u>\$30,531</u>	<u>(\$2,756,888)</u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Food Service Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$1,329,902	\$1,462,901	\$1,462,901	\$0
Charges for Services	935,812	1,029,399	1,029,399	0
Total Revenues	2,265,714	2,492,300	2,492,300	0
Expenditures:				
Current:				
Operation of Non-Instructional Services	2,388,914	2,626,253	2,626,253	0
Total Expenditures	2,388,914	2,626,253	2,626,253	0
Excess of Revenues Over (Under) Expenditures	(123,200)	(133,953)	(133,953)	0
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	3,376	3,714	3,714	0
Advances In	714,109	785,525	785,525	0
Advances (Out)	(613,999)	(675,000)	(675,000)	0
Total Other Financing Sources (Uses)	103,486	114,239	114,239	0
Net Change in Fund Balance	(19,714)	(19,714)	(19,714)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	19,714	19,714	19,714	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Uniform School Supply Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Charges for Services	\$72,800	\$83,705	\$83,705	\$0
Total Revenues	72,800	83,705	83,705	0
Expenditures:				
Current:				
Operation of Non-Instructional Services	12,255	28,806	28,806	0
Total Expenditures	12,255	28,806	28,806	0
Excess of Revenues Over (Under) Expenditures	60,545	54,899	54,899	0
Other financing sources (uses):				
Advances (Out)	(60,545)	(142,308)	(142,308)	0
Total Other Financing Sources (Uses)	(60,545)	(142,308)	(142,308)	0
Net Change in Fund Balance	0	(87,409)	(87,409)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	123,444	123,444	123,444	0
Fund Balance End of Year	\$123,444	\$36,035	\$36,035	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Original Budget	Final Budget	Special Rotary Fund Actual	Variance from Final Budget
Revenues:				
Charges for Services	\$200	\$0	\$0	\$0
Total Revenues	200	0	0	0
Expenditures:				
Current:				
Instruction:				
Other	4,032	297	297	0
Total Expenditures	4,032	297	297	0
Net Change in Fund Balance	(3,832)	(297)	(297)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,833	3,833	3,833	0
Fund Balance End of Year	\$1	\$3,536	\$3,536	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

Adult
 Education
 Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$16,650	\$16,650	\$0
Charges for Services	0	2,585	2,585	0
Other Revenues	0	10,161	10,161	0
Total Revenues	0	29,396	29,396	0
Expenditures:				
Current:				
Operation of Non-Instructional Services	22,033	36,241	36,241	0
Total Expenditures	22,033	36,241	36,241	0
Net Change in Fund Balance	(22,033)	(6,845)	(6,845)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	23,230	23,230	23,230	0
Fund Balance End of Year	\$1,197	\$16,385	\$16,385	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Debt Service Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$3,217,096	\$4,643,586	\$4,629,872	(\$13,714)
Intergovernmental	300,479	433,714	432,433	(1,281)
Total Revenues	3,517,575	5,077,300	5,062,305	(14,995)
Expenditures:				
Current:				
Support Services:				
Fiscal	66,159	75,365	75,365	0
Debt Service:				
Principal Retirement	7,751,368	8,830,000	8,830,000	0
Interest and Fiscal Charges	2,851,274	3,263,035	3,248,040	14,995
Total Expenditures	10,668,801	12,168,400	12,153,405	14,995
Excess of Revenues Over (Under) Expenditures	(7,151,226)	(7,091,100)	(7,091,100)	0
Other financing sources (uses):				
Proceeds of Capital Leases	0	0	0	0
Proceeds from Sale of Capital Assets	0	0	0	0
Proceeds of Long-Term Capital-Related Debt	3,387,425	4,875,000	4,875,000	0
Total Other Financing Sources (Uses)	3,387,425	4,875,000	4,875,000	0
Net Change in Fund Balance	(3,763,801)	(2,216,100)	(2,216,100)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,763,801	3,763,801	3,763,801	0
Fund Balance End of Year	\$0	\$1,547,701	\$1,547,701	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

Building
Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$0	\$1,478,571	\$1,478,571	\$0
Other Revenues	0	7,550	7,550	0
Total Revenues	0	1,486,121	1,486,121	0
Expenditures:				
Current:				
Support Services:				
Fiscal	119,568	39,244	39,244	0
Capital Outlay	74,640,557	24,498,070	24,498,070	0
Total Expenditures	74,760,125	24,537,314	24,537,314	0
Net Change in Fund Balance	(74,760,125)	(23,051,193)	(23,051,193)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	75,826,208	75,826,208	75,826,208	0
Fund Balance End of Year	\$1,066,083	\$52,775,015	\$52,775,015	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	Permanent Improvement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Other Revenues	\$0	\$634,165	\$634,165	\$0
Total Revenues	0	634,165	634,165	0
Expenditures:				
Current:				
Capital Outlay	439,023	550,500	550,500	0
Total Expenditures	439,023	550,500	550,500	0
Net Change in Fund Balance	(439,023)	83,665	83,665	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	439,024	439,024	439,024	0
Fund Balance End of Year	\$1	\$522,689	\$522,689	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2005

	SchoolNet Plus Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$65,415	\$65,415	\$65,415	\$0
Total Revenues	65,415	65,415	65,415	0
Expenditures:				
Current:				
Instruction:				
Regular	65,415	65,413	65,413	0
Total Expenditures	65,415	65,413	65,413	0
Net Change in Fund Balance	0	2	2	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	<u>\$0</u>	<u>\$2</u>	<u>\$2</u>	<u>\$0</u>

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**STATISTICAL
SECTION**

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TABLE 1

Middletown City School District
 General School System Revenues by Source - Government-Wide
 Last Ten Fiscal Years *

Fiscal Year	2003	2004	2005
Program Revenues:			
Charges for Services	\$2,281,920	\$2,155,375	\$2,009,686
Operating Grants and Contributions	9,468,843	10,042,965	10,463,524
Capital Grants and Contributions	195,055	135,480	99,364
General Revenues:			
Property Taxes Levied for:			
General Purposes	19,959,809	25,655,529	20,001,616
Special Revenue Purposes	10,173,736	6,387,321	9,568,394
Debt Service	226,967	2,105,183	4,779,338
Grants and Entitlements not Restricted to Specific Programs	22,943,643	24,016,973	23,197,208
Payment in Lieu of Taxes	117,986	108,066	96,121
Unrestricted Contributions	62,468	76,893	11,547
Investment Earnings	514,161	715,854	1,933,251
Other Revenues	296,514	0	850,121
Total Revenues	<u>\$66,241,102</u>	<u>\$71,399,639</u>	<u>\$73,010,170</u>

Source: Middletown City School district records.

* - Only information for years 2003-2005 available

TABLE 2

Middletown City School District
 General School System Expenses by Function - Government-Wide
 Last Ten Fiscal Years *

Fiscal Year	2003	2004	2005
Instruction	\$40,067,476	\$39,780,688	\$42,252,745
Instructional Staff	3,767,945	3,427,309	3,540,476
Pupil	4,046,144	4,220,322	4,358,304
General Administration	80,157	38,334	36,659
School Administration	5,865,161	5,686,716	6,081,530
Business and Fiscal	1,395,543	1,588,671	1,842,610
Operations and Maintenance	6,719,128	6,912,662	7,256,478
Pupil Transportation	2,271,967	2,655,273	3,000,568
Central	1,638,800	1,672,277	1,909,674
Operation of Non-instructional Services	4,193,950	4,028,191	3,636,886
Extracurricular Activities	735,315	804,618	680,257
Interest and Fiscal Changes	18,532	1,403,415	3,258,401
Total Expenditures	<u>\$70,800,118</u>	<u>\$72,218,476</u>	<u>\$77,854,588</u>

Source: Middletown City School district records.

* - Only information for years 2003-2005 available

Middletown City School District
 General Fund Revenues by Source (1)
 Last Ten Fiscal Years (2)

Fiscal Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Taxes	\$27,508,285	\$28,610,368	\$28,798,460	\$33,787,832	\$30,298,230	\$30,130,640	\$24,773,475	\$30,133,545	\$29,872,668	\$30,570,312
Revenue in lieu of taxes	0	0	0	0	0	0	0	55,096	0	0
Intergovernmental	17,614,495	18,287,882	19,011,644	20,443,914	21,694,215	23,591,461	25,590,348	24,702,802	25,088,555	24,009,408
Interest	605,059	700,852	802,942	816,274	1,161,758	1,221,400	735,436	512,881	311,895	453,301
Tuition and Fees	51,691	62,431	72,309	42,790	13,366	180,804	176,579	389,861	653,559	634,934
Extra-curricular	0	0	0	0	0	0	0	35,733	34,007	31,563
Other Revenues	283,965	306,117	808,255	302,395	344,792	330,742	129,427	265,216	171,874	108,809
Total Revenues	\$46,063,495	\$47,967,650	\$49,493,610	\$55,393,205	\$53,512,361	\$55,455,047	\$51,405,265	\$56,095,134	\$56,132,558	\$55,808,327

Source: Middletown City School district records.

(1) Includes the revenues of the General and Emergency Levy Funds only.

(2) At June 30, 2000 the district formerly known as the Middletown/Monroe City School District was separated into two school districts, Middletown City School District and Monroe Local School District.

Middletown City School District
 General Fund Expenditures by Function (1)
 Last Ten Fiscal Years (2)

Fiscal Year (1)	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Instruction	\$25,467,634	\$30,147,726	\$28,804,672	\$29,550,633	\$31,214,769	\$30,562,878	\$31,894,009	\$35,259,456	\$36,487,791	\$36,343,724
Instructional Staff	1,302,772	1,591,594	1,584,807	1,803,320	2,111,332	2,119,493	2,394,464	2,528,819	2,517,430	2,274,603
Pupil	1,783,145	1,709,399	1,932,718	2,346,520	2,448,690	2,685,576	2,967,933	3,161,734	3,439,403	3,375,277
General Administration	0	0	0	0	0	32,060	41,326	42,403	38,334	36,659
School Administration	3,608,050	3,997,057	4,099,319	4,523,022	4,772,468	4,648,871	4,947,762	5,364,291	5,344,597	5,648,604
Business and Fiscal	1,055,131	1,115,005	1,117,283	1,148,369	1,295,335	1,216,038	1,272,511	1,412,407	1,546,018	1,713,392
Operations and Maintenance	4,647,711	5,285,374	5,981,656	6,560,478	6,787,502	6,524,459	6,460,793	6,828,359	6,585,942	6,698,414
Pupil Transportation	1,976,916	1,969,305	2,512,870	2,564,669	2,666,474	2,203,544	2,174,030	2,504,501	2,428,051	2,746,744
Central	0	0	0	0	0	1,608,186	1,713,277	1,536,157	1,510,281	1,727,475
Operation of Non-Instructional Services	250,822	522,341	712,003	1,408,105	1,140,744	491	70,883	68,678	89,463	84,579
Extracurricular Activities	423,597	446,808	448,995	504,989	556,343	426,366	533,699	522,182	582,652	499,269
Capital Outlay	700,282	819,045	652,886	177,788	351,303	31,110	14,475	0	83,594	1,942,237
Debt Service	0	0	0	0	0	0	0	55,613	131,168	447,641
Total Expenditures	\$41,216,060	\$47,603,654	\$47,847,209	\$50,587,893	\$53,344,960	\$52,059,072	\$54,485,162	\$59,284,600	\$60,784,724	\$63,538,618

Source: Middletown City School District records.

(1) Includes the expenditures of the General and Emergency Levy Funds only.

(2) At June 30, 2000 the district formerly known as the Middletown/Monroe City School District was separated into two school districts, Middletown City School District and Monroe Local School District.

TABLE 5

Middletown City School District
 Property Tax Levies and Collections -- Real and Public Utility Property
 Last Ten Collection (Calendar) Years (1)

Collection Year	Tax Levied	Current Tax Collections	Percent Collected	Delinquent Collection	Total Tax Collections	Percent of Total Collections to Levy	Outstanding Delinquent Taxes	Percent of Outstanding Delinquent Taxes to Tax Levied
1996	\$24,403,739	\$23,698,673	97.11%	\$591,960	\$24,290,633	99.54%	\$1,156,572	4.74%
1997	25,501,907	24,824,360	97.34%	651,156	25,475,516	99.90%	1,188,378	4.66%
1998	25,775,921	24,927,425	96.71%	720,380	25,647,805	99.50%	1,390,417	5.39%
1999	25,711,787	25,555,250	99.39%	838,957	26,394,207	102.65%	848,208	3.30%
2000	27,097,451	26,743,803	98.69%	777,700	27,521,503	101.56%	1,205,236	4.45%
2001	27,097,451	26,743,803	98.69%	777,700	27,521,503	101.56%	1,205,236	4.45%
2002	22,470,749	18,955,457	84.36%	893,360	19,848,817	88.33%	1,437,241	6.40%
2003	24,846,651	22,329,032	89.87%	975,874	23,304,906	93.79%	2,978,986	11.99%
2004	28,625,917	24,440,699	85.38%	1,173,928	25,614,627	89.48%	2,170,182	7.58%
2005	26,179,182	24,403,174	93.22%	1,325,800	25,728,974	98.28%	917,774	3.51%

Source: Butler County Auditor

(1) At June 30, 2000 the district formerly known as the Middletown/Monroe City School District was separated into two districts, Middletown City School District and Monroe Local School District.

TABLE 6

Middletown City School District
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Collection Years (1)

Collection Year	Real Property		Tangible Personal Property		Public Utilities Personal		Total	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1996	\$596,732,960	\$1,704,951,314	\$205,791,439	\$823,165,756	\$91,847,380	\$114,809,225	\$894,371,779	\$2,642,926,295
1997	661,069,610	1,888,770,314	224,104,236	896,416,944	91,108,250	113,885,313	976,282,096	2,899,072,571
1998	675,189,920	1,929,114,057	246,903,455	987,613,820	88,903,890	111,129,863	1,010,997,265	3,027,857,740
1999	687,607,230	1,964,592,086	236,392,230	945,568,920	90,672,470	113,340,588	1,014,671,930	3,023,501,594
2000	636,518,934	1,818,625,526	217,179,292	868,717,168	62,854,774	78,568,468	916,553,000	2,765,911,162
2001	658,757,370	1,882,163,914	229,281,088	949,636,988	61,598,530	76,998,163	949,636,988	2,908,799,065
2002	665,606,070	1,901,731,629	245,768,523	983,074,092	41,319,270	46,953,716	952,693,863	2,931,759,437
2003	685,392,310	1,958,263,743	236,048,065	944,192,260	38,401,320	43,637,864	959,841,695	2,946,093,867
2004	769,265,780	2,197,902,229	261,226,106	1,044,904,424	44,182,110	50,206,943	1,074,673,996	3,293,013,596
2005	696,828,230	1,990,937,800	247,896,469	991,585,876	44,752,120	50,854,681	989,476,819	3,033,378,357

Source: Butler County Auditor.

(1) At June 30, 2000 the district formerly known as the Middletown/Monroe City School District was separated into two school districts, Middletown City School District and Monroe Local School District.

TABLE 7

Middletown City School District
 Property Tax Rates (Per \$1,000 of Assessed Valuation)
 Direct and Overlapping Governments
 Last Ten Collection (Calendar) Years (1)

	2004		2003		2002		2001		2000		1999		1998		1997		1996		1995	
	TAX YEAR	COLLECTION YEAR	TAX YEAR	COLLECTION YEAR	TAX YEAR	COLLECTION YEAR	TAX YEAR	COLLECTION YEAR	TAX YEAR	COLLECTION YEAR	TAX YEAR	COLLECTION YEAR	TAX YEAR	COLLECTION YEAR	TAX YEAR	COLLECTION YEAR	TAX YEAR	COLLECTION YEAR	TAX YEAR	COLLECTION YEAR
Middletown CSD	2004	2005	2003	2004	2002	2003	2001	2002	2000	2001	1999	2000	1998	1999	1997	1998	1996	1997	1995	1996
	\$38.08	8.74	\$38.08	8.75	\$33.58	8.75	\$34.78	8.75	\$34.98	8.45	\$35.33	8.45	\$36.53	8.45	\$37.03	8.45	\$37.03	7.45	\$38.20	7.45
Butler County		11.17		11.17		11.17		11.17		11.17		7.85		7.85		7.85		7.85		7.85
City of Monroe		5.90		5.86		5.86		5.86		5.86		6.36		6.31		6.31		6.31		6.31
City of Middletown		1.93		1.93		1.93		1.93		1.93		1.93		1.93		1.93		1.93		1.93
Butler County Joint Vocational		-		-		-		-		-		-		-		-		-		-
Lemon Township		-		-		-		-		-		-		-		-		-		-
Lemon TWP - Monroe Corp.		-		-		-		-		-		-		-		-		-		-

Source: Butler County Auditor.

(1) At June 30, 2000 the district formerly known as the Middletown/Monroe City School District was separated into two school districts, Middletown City School District and Monroe Local School District.

TABLE 8

Middletown City School District
 Ratio of Net General Bonded Debt to Assessed Value
 And Net Bonded Debt Per Capita
 Last Ten Fiscal Years (3)

Year	Population (1)	Total Assessed Value (2)	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value (%)	Estimated Net Bonded Debt Per Capita
1996	62,684	\$894,371,779	\$375,000	\$2,131,561	\$0	0.00%	\$0
1997	62,684	976,282,096	290,000	1,642,235	0	0.00%	0
1998	62,684	1,010,997,265	200,000	503,152	0	0.00%	0
1999	62,684	1,014,671,930	105,000	618,539	0	0.00%	0
2000	62,889	916,553,000	0	744,181	0	0.00%	0
2001	51,913	949,636,988	0	140,022	0	0.00%	0
2002	51,913	952,693,863	0	384,980	0	0.00%	0
2003	51,913	959,841,695	0	118,200	0	0.00%	0
2004	51,913	1,074,673,996	70,800,000	0	70,800,000	6.59%	1,364
2005	51,913	989,476,819	71,845,000	0	71,845,000	7.26%	1,384

Source:

(1) U.S. Census Bureau

(2) Butler County Auditor, calendar year basis.

(3) At June 30, 2000 the district formerly known as the Middletown/Monroe City School District was separated into two school districts, Middletown City School District and Monroe Local School District.

TABLE 9

Middletown City School District
 Computation of Legal Debt Margin
 June 30, 2005

Assessed Valuation of District	<u>\$989,476,819</u>
<u>Overall Direct Debt Limitation</u>	
Direct debt limitation	
9% of assessed valuation	\$89,052,914
Amount available in Debt Service Fund	0
Gross indebtedness	(71,845,000)
Less: Debt exempt from limitation	<u>0</u>
Debt subject to 9% limitation	(71,845,000)
Legal debt margin within 9% limitation	<u>\$17,207,914</u>
<u>Unvoted Direct Debt Limitation</u>	
Unvoted debt limitation	
0.1% of assessed valuation	\$989,477
Amount available in Debt Service Fund	0
related to unvoted debt	<u>0</u>
Gross indebtedness authorized by the Board	0
Less: Debt exempt from limitation	<u>0</u>
Debt subject to 0.1% limitation	0
Legal debt margin within 0.1% limitation	<u>\$989,477</u>

Source: Middletown City School District records.

TABLE 10

Middletown City School District
 Computation of Direct and Overlapping Debt
 June 30, 2005

Governmental Unit	Gross General Obligation	Percent Applicable to District (1)	Amount Applicable to District
Direct:			
Middletown City School District	\$71,845,000	100.00%	\$71,845,000
Overlapping:			
City of Middletown	\$24,371,000	98.91%	\$24,105,356
Butler County	80,380,000	13.42%	10,786,996
Warren County	684,665	1.74%	11,913
Turtle Creek Township	2,925,000	2.48%	72,540
Butler Technology & Career Center Joint Vocational School District	2,295,000	16.70%	383,265
Total overlapping:	\$110,655,665		\$35,360,070
Total direct and overlapping debt:	\$182,500,665		\$107,205,070

Source: Ohio Municipal Advisory Council.

(1) Calculated by the Ohio Municipal Advisory Council.

TABLE 11

Middletown City School District
 Ratio of Annual Debt Service Expenditures
 For General Bonded Debt to Total General Fund Expenditures
 Last Ten Fiscal Years (2)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures (1)	Ratio of Debt Service to General Fund Expenditures (%)
1996	\$75,000	\$28,875	\$103,875	\$41,216,060	0.25%
1997	85,000	23,275	108,275	47,603,654	0.23%
1998	90,000	17,150	107,150	47,847,209	0.22%
1999	95,000	10,675	105,675	50,587,893	0.21%
2000	105,000	3,902	108,902	53,344,960	0.20%
2001	0	21,165	21,165	52,059,072	0.04%
2002	0	0	0	54,485,162	0.00%
2003	0	0	0	59,284,600	0.00%
2004	0	1,416,306	1,416,306	60,784,724	2.33%
2005	3,830,000	3,262,043	7,092,043	63,538,618	11.16%

Source: Middletown City School District

(1) Includes General and Emergency Levy Funds only.

(2) At June 30, 2000 the district formerly known as the Middletown/Monroe City School District was separated into two school districts, Middletown City School District and Monroe Local School District.

TABLE 12

Middletown City School District
Demographic Statistics
Last Ten Fiscal Years (4)

Fiscal Year	Population (1)	School Enrollment (2)	Unemployment Rate (3)		
			Middletown Service Area	State of Ohio	United States
1996	62,684	9,780	4.30%	4.90%	5.30%
1997	62,684	9,816	3.50%	4.30%	5.20%
1998	62,684	9,656	3.60%	4.50%	4.70%
1999	62,684	9,466	3.70%	4.50%	4.50%
2000	62,889	9,260	3.30%	4.10%	4.00%
2001	51,913	7,705	3.70%	4.30%	4.50%
2002	51,913	7,700	5.00%	5.70%	5.90%
2003	51,913	7,462	5.00%	5.70%	5.90%
2004	51,913	7,066	5.00%	5.70%	5.90%
2005	51,913	7,028	5.10%	5.70%	5.00%

Sources:

- (1) U.S. Census Bureau
- (2) Middletown City School District records
- (3) Ohio Bureau of Employment Services, rates are for Butler County
- (4) At June 30, 2000 the district formerly known as the Middletown/Monroe City School District was separated into two school districts, Middletown City School District and Monroe Local School District.

TABLE 13

Middletown City School District
Construction, Bank Deposits and Property Values
Last Ten Calendar Years (4)

Calendar Year	Construction (1)	Bank Deposits (2)	Property Values (3)
1996	\$209,121,147	\$800,556,000	\$596,732,960
1997	26,948,400	783,398,000	661,069,610
1998	40,738,971	815,435,000	675,189,920
1999	38,753,171	864,105,000	687,607,230
2000	10,836,229	913,169,000	636,518,934
2001	6,972,980	1,146,859,000	658,757,370
2002	7,688,040	1,136,994,000	665,606,070
2003	10,322,580	1,355,739,000	685,392,310
2004	5,818,820	1,412,807,000	769,265,780
2005	4,102,420	1,665,776,000	696,828,230

Sources:

- (1) Butler County Auditor
- (2) Total deposits of all banks headquartered in Butler County, Ohio. (includes national and state chartered banks). Data was not available for the District only. Department of Commerce, Banks Division.
- (3) Butler County Auditor, calendar year basis, real property only. Figures are 35% of real property value.

(4) At June 30, 2000 the district formerly known as the Middletown/Monroe City School District was separated into two school districts, Middletown City School District and Monroe Local School District.

TABLE 14

Middletown City School District
 Real and Tangible Personal Property
 Top Ten Principal Taxpayers
 June 30, 2005*

Name of Taxpayer	Real Property	Personal Property	Total Assessed Valuation	% of Total Assessed Valuation
AK Steel Corp.	\$21,974,710	\$135,526,830	\$157,501,540	14.66%
Cincinnati Gas & Electric Co.	29,005,980	0	29,005,980	2.70%
Bay West Paper Corp.	1,780,300	14,035,140	15,815,440	1.47%
United Care Corp.	10,540,520	0	10,540,520	0.98%
Southwestern Ohio Steel	4,061,850	5,753,220	9,815,070	0.91%
Jefferson Smurfit Corporation	1,630,590	6,319,360	7,949,950	0.74%
Ohio Bell	7,476,770	0	7,476,770	0.70%
Precision Strip Inc.	4,163,700	2,193,780	6,357,480	0.59%
Aeronec, Inc.	1,437,960	4,817,950	6,255,910	0.58%
Messer Griesheim	0	4,698,310	4,698,310	0.44%
All Other Taxpayers	687,193,400	132,063,626	819,257,026	76.23%
Total	\$769,265,780	\$305,408,216	\$1,074,673,996	100.00%

Source: Butler County Auditor.

* - 2005 data not available. 2004 data used as an estimate

TABLE 15

Middletown City School District
Miscellaneous Statistical Data
June 30, 2005

Year of Incorporation: 1837
Form of Government: Public School District
Area of District: 23 sq. mi.

Number of Schools	
Elementary	10
Middle	2
High	2
	<u>14</u>

Fiscal Year (1)	Education of Certified Staff			Average Years Experience
	Bachelor	Masters and beyond		
1996	52.30%	47.70%		14.8
1997	55.90%	44.10%		13.2
1998	58.00%	42.00%		13.0
1999	57.60%	42.40%		13.1
2000	59.40%	40.60%		13.5
2001	54.55%	45.45%		13.7
2002	49.00%	51.00%		14.1
2003	41.00%	59.00%		11.8
2004	44.00%	56.00%		10.0
2005	37.60%	62.40%		14.0

Source: Ohio Department of Education records.

(1) At June 30, 2000 the district formerly known as the Middletown/Monroe City School District was separated into two school districts, Middletown City School District and Monroe Local School District.



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MIDDLETOWN CITY SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2006**