

MIDDLETOWN CITY SCHOOL DISTRICT

Single Audit Reports

Year Ended June 30, 2015



CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

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MIDDLETOWN CITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution)</i>				
National School Lunch Program	n/a	10.555	\$ 196,284	196,284
<i>Cash Assistance</i>				
School Breakfast Program	006-000	10.553	1,356,574	1,356,574
National School Lunch Program	006-000	10.555	<u>2,569,186</u>	<u>2,569,186</u>
<i>Cash Assistance Subtotal</i>			<u>3,925,760</u>	<u>3,925,760</u>
Nutrition Cluster Total			<u>4,122,044</u>	<u>4,122,044</u>
Total U.S. Department of Agriculture			<u>4,122,044</u>	<u>4,122,044</u>
<u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	572-9114	84.010	275,000	439,159
Title I Grants to Local Educational Agencies	572-9115	84.010	1,629,357	1,670,350
Title I Grants to Local Educational Agencies	572-9013	84.010	-	62
Title I Grants to Local Educational Agencies	572-9037	84.010	-	432
Title I Grants to Local Educational Agencies	572-9110	84.010	-	1,531
Title I, Part A Cluster Total			<u>1,904,357</u>	<u>2,111,534</u>
Special Education Cluster:				
Special Education - Grants to States	516-9114	84.027	311,737	470,988
Special Education - Grants to States	516-9115	84.027	<u>1,570,921</u>	<u>1,670,318</u>
Special Education Cluster Total			<u>1,882,658</u>	<u>2,141,306</u>
ARRA - Race to the Top	506-9114	84.395	135,822	167,144
ARRA - Race to the Top	506-9115	84.395	<u>31,588</u>	<u>33,484</u>
			<u>167,410</u>	<u>200,628</u>
English Language Acquisition Grants	551-9114	84.365	7,338	9,242
English Language Acquisition Grants	551-9115	84.365	<u>48,114</u>	<u>50,601</u>
			<u>55,452</u>	<u>59,843</u>
Improving Teacher Quality State Grants	590-9114	84.367	15,000	18,547
Improving Teacher Quality State Grants	590-9115	84.367	<u>328,880</u>	<u>376,620</u>
			<u>343,880</u>	<u>395,167</u>
Total U.S. Department of Education			<u>4,353,757</u>	<u>4,908,478</u>
Total Federal Awards			<u>\$ 8,475,801</u>	<u>9,030,522</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE C - NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Middletown City School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Middletown City School District (the "School District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 29, 2015, wherein we noted the School District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was limited for the purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as finding 2015-001 and 2015-002 that we consider to be material weaknesses.

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Compliance and Other Matters

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

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 29, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Middletown City School District:

Report on Compliance for Each Major Federal Program

We have audited Middletown City School District's ("School District") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

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Basis for Qualified Opinion on Special Education Cluster and Improving Teacher Quality State Grants

As described in the accompanying schedule of findings and questions costs, the School District did not comply with requirements regarding CFDA 84.027 Special Education Cluster and CFDA 84.367 Improving Teacher Quality State Grant as described in Finding 2015-003 for Allowable Costs. Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to those programs.

Qualified Opinion on Special Education Cluster and Improving Teacher Quality State Grants

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster and Improving Teacher Quality State Grant for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompany schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The School District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we considered to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The School District's response to the internal control over compliance finding identified in our audit is described in the accompany schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the School District as of and for the year ended June 30, 2015, and have issued our report thereon dated December 29, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 29, 2015

MIDDLETOWN CITY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2015

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to the financial statements noted?	none

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors’ report issued on compliance for major programs:	unmodified for all major programs except for Special Education Cluster (CFDA 84.027) and Improving Teacher Quality State Grants (CFDA 84.367) which were qualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	yes

Identification of major programs:

- Nutrition Cluster:*
 - CFDA 10.553 – School Breakfast Program
 - CFDA 10.555 – National School Lunch Program
- Special Education Cluster:*
 - CFDA 84.027 – Special Education Grants to States
 - CFDA 84.367 – Improving Teacher Quality State Grants

Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	no

MIDDLETOWN CITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015
(Continued)

Section II – Financial Statement Findings

Finding 2015-001 – Audit Adjustments

Condition: We identified misstatements in the financial statements for the year under audit that were not initially identified by the School District's internal control over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over the preparation and review of the School District's financial statements did not operate as designed and we consider this a material weakness.

Throughout the year, the School District maintains its books and records on the cash-basis of accounting and converts its financial statements at year-end to generally accepted accounting principles (GAAP). Audit adjustments to the GAAP financial statements were necessary as follows:

- Accounts payable liabilities were understated in the Building Fund and the Construction Fund by approximately \$74,000 and \$261,000, respectively.
- Long-term liabilities were overstated by approximately \$349,000 due to not properly reflecting a capital lease payment which was made in June 2015.
- Components of net position were improperly classified based on restrictions or lack thereof. Most significantly, the School District overstated net position restricted for capital projects and understated unrestricted net position.
- Intergovernmental receivables related to grants were understated by approximately \$1,854,000.

Recommendation: We recommend the School District enhance its internal controls over financial reporting with steps such as management analysis of the financials compared to prior years and improved communication with its hired consultant to ensure the preparation of reliable financial statements in conformity with generally accepted accounting principles.

Management's Response: School District management has been in communications with the hired consultant to ensure the preparations of reliable financial statements in conformity to generally accepted accounting principles. The School District will be seeking a change in GAAP conversion consultation for the upcoming years for more reliable and accurate financial statements and will enhance internal controls with steps of management analysis to ensure accuracies.

MIDDLETOWN CITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015
(Continued)

Finding 2015-002 – Nonpayroll Cash Disbursement Process

Condition: During our review of the School District's nonpayroll cash disbursement process, we identified key controls for the purpose of testing controls to determine the effectiveness of internal controls over financial reporting. We tested the following internal controls to determine if the controls were functioning as designed:

- Treasurer approval of the Purchase Order Detail Report.
- Treasurer approval of the Check Disbursement Register.

In testing these two controls, there were several instances in which the School District was unable to provide an approved Purchase Order Detail Report and two instances in which the School District was unable to provide an approved Check Disbursement Register to demonstrate that the Treasurer had approved these documents prior to cash disbursements. We recommend the School District implement policies and procedures to ensure that the School District's internal controls are operating as designed.

Management's Response: Management is certain that it complied with all approvals and signatures of purchase order detail reports and check disbursements reports however management is uncertain how some of the reports were lost in the electronic filing of these reports. Not only do these reports get checked and signed by multiple administrators, the accounts payable specialists verifies this before running purchase orders and completing check runs.

Section III – Federal Award Findings and Questioned Costs

U.S. DEPARTMENT OF EDUCATION

Finding 2015-003 – CFDA 84.027--Special Education Cluster and CFDA 84.367--Improving Teacher Quality State Grants – Allowable Costs

Condition: We performed tests to determine if the School District was in compliance with time and effort documentation requirements for payroll charged to the Special Education Cluster and Improving Teacher Quality State Grants programs. The School District utilizes semi-annual certifications for employees that work solely on a specific federal program to support salaries and wages. We noted the School District did not prepare all the required certifications to support salaries and wages for these employees. In addition, the School District also had employees that were charged to the federal program that spent less than 100% of their time on the program that did not track actual time spent on the program. Rather, their time was charged to the grant based on a budget estimate.

MIDDLETOWN CITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015
(Continued)

**Finding 2015-003 – CFDA 84.027--Special Education Cluster and CFDA 84.367--
Improving Teacher Quality State Grants – Allowable Costs (continued)**

Criteria: 2 CFR 225, Appendix B states that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages are to be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semi-annually and will be signed by the employee and supervisor or just the supervisor, if they have firsthand knowledge of the information contained in the certification. Additionally, 2 CFR 225, Appendix B requires where employees work on multiple activities or cost objectives, a distribution of their salaries and wages to be supported by personnel activity reports or equivalent documentation. Personnel activity reports must reflect after-the-fact distribution of actual activity of each employee, must account for the total activity for which each employee is compensated, must be prepared at least monthly and must be signed by the employee. 2 CFR 225, Appendix B goes on to state, budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

Context: The School District charged \$477,125 for payroll costs to the Special Education Cluster related to employees that work solely on the Special Education program that were not support by semi-annual certifications. Also, the School District charged \$51,813 for payroll costs to the Special Education Cluster and charged \$69,775 for payroll costs to the Improving Teacher Quality State Grant program for employees that were charged based on a budget estimate.

Cause: The School District lacked procedures to ensure that all necessary time and effort documentation was maintained.

Effect: Costs of \$528,938 charged to the Special Education Cluster and costs of \$69,775 charged to the Improving Teacher Quality State Grants program are questioned as a result of not maintaining appropriate time and effort documentation.

Recommendation: We recommend the School District implement procedures to ensure that all necessary time and effort documentation is prepared and maintained to comply with federal regulations.

Views of Responsible Officials: We have undergone administrative staff changes this fiscal year with our Senior Director of Special Education and District Treasurer. Both will work closely together along with their staffs to scrutinize allowable expenses and to ensure proper time and effort certifications are completed for federally paid staff to prevent this from happening in the future. Training opportunities will also be looked for to help staff better understand federal funds regulations. Furthermore, the District is currently undertaking a complete policy review with the Ohio School Boards Association to consider their recommendations for newly required and updated policies and procedures. The Senior Director of Special Education and District Treasurer are among several administrators and board members involved in this process.

MIDDLETOWN CITY SCHOOL DISTRICT
Schedule of Prior Audit Findings
Year Ended June 30, 2015

Finding 2014-001 – Audit Adjustments

Misstatements in the financial statements were identified that were not initially identified by the School District's internal control over financial reporting.

Status: Repeated as Finding 2015-001.

Finding 2014-002 – Nonpayroll Cash Disbursement Process

During the review of the School District's nonpayroll cash disbursement process, there were instances of key controls identified that were not functioning as designed.

Status: Repeated as Finding 2015-002.

Finding 2014-003 – CFDA 84.027 and 84.173--Special Education Cluster – Allowable Costs

The School District did not prepare all the required semi-annual certifications to support salaries and wages of employees who worked on this specific program. In addition, the School District charged time of employees who spent less than 100% of their time on the program based on a budget estimate instead of actual time.

Status: Repeated as Finding 2015-003.

Comprehensive Annual Financial Report



Middletown City School District

One Donham Plaza
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www.middletowncityschools.com

For the Fiscal Year Ended June 30, 2015

Middletown City School District
Middletown, Ohio

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Prepared By:
Middletown City School District's
Treasurer's Office

Introductory Section

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Middletown City School District
Butler County, Ohio
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2015

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Middletown City School District
Butler County, Ohio
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Middletown City School District
Butler County, Ohio
Comprehensive Annual Financial Report
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Office of the Treasurer

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December 29, 2015

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 (the "District") for the fiscal year ended June 30, 2015, is hereby submitted. This report, prepared by the Treasurer's office, includes an opinion from our auditor, Clark, Schaefer, Hackett & Co., 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 (the "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 Auditors' Report.

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 school served is John XXIII Elementary School. 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 64 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 guarded with unemployment rates at 7.8 percent for Butler County.

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 25 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 48,702 residents. The tax base of the District is comprised of a unique blend of residential, commercial, and industrial property, with 36% of the tax revenue of the District paid by business and industry.

During the 2014-15 school year, the District had 6,604 students enrolled in 7 elementary schools, one sixth grade center, one middle schools serving grades 7-8 and one comprehensive high school for grades 9-12 including an alternative program. The District also operates a variety of other facilities, including a central administration building, bus garage, and several sports fields. The District has eleven active buildings with the average built year of 1974 but four buildings were in 2007 or after. The projected funded enrollment for fiscal year 2016 is 6,594.

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; and adult education offerings for improvement beyond the high school level. The GED program is operated by Butler Tech.

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, 2015, were as follows:

Board Member	Began Service	Term Expires	Profession
Mrs. Marcia Andrew	January, 2006	December, 2017	Attorney
Rev. Gregory Tyus	Jan 1999 – Dec 2013		Pastor
	January, 2007	December, 2015	
Ms. Christi Delloma	April, 2013	December, 2015	Education
Mrs. Katie McNeil	January, 1996	December, 2015	Executive V.P. of Manufacturing
Mrs. DeAnna Shores	January, 2012	December, 2015	Education

The Superintendent is the Chief Executive Officer of the District, responsible directly to the Board for all educational and support operations. Dr. Sam Ison was appointed Superintendent in July, 2013. Prior to his appointment, Dr. Ison served as Director of Instructional Leadership in Middletown City Schools and was a high school principal in Lebanon City Schools prior to that. Dr. Ison holds a Doctorate Degree in Educational Administration from Miami University and has 36 years of 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. Randall Bertram became Treasurer August 1, 2014. Mr. Bertram holds a Bachelor's of Science in Business Administration and an Associates in Applied Science in Financial Management.

All other District employees, with the exception of the Treasurer's staff, are responsible to the Superintendent and are employed by the Board upon the recommendation of the Superintendent.

EMPLOYEE RELATIONS

The District employed 525 full and part-time staff members during the 2014-15 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. The MTA and District have negotiated a collective bargaining agreement on language, salary and fringe benefits that began July 1, 2014 and expires June 30, 2017. This contract includes modest increases in wages and maintains benefits on the part of the union members, which the Board applied unilaterally to all District employees.

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, clerical support, building maintenance and custodial needs. The current MCEA collective bargaining is effective July 1, 2014 through June 30, 2017 that includes modest increases in wages and maintains benefits on the part of the union members, which the Board applied unilaterally to all District employees.

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

The Middletown City Schools developed a shared vision- "*Success for Each Student*". With that vision statement as the focus, the district has accepted the challenge of "Career and College Readiness". Each building leader has developed goals with their respective staffs to bring *careers and college* as a supplement of what we do each day with our students. The daily instruction aligns with the Ohio Academic Learning Standards which moves our students toward academic success. Classroom teachers participate in professional development which helps the teacher utilize the latest methods and standards to gear instruction with high expectations for students.

The District calendar has 4 full days for professional development. Teaching strategies developed by Robert Marzano are included in the teacher evaluation along with student growth measures. The teachers receive training about the teaching strategies and growth measures. The teachers have written the SLO's (Student Learning Objectives) for the necessary courses and are involved with the Ohio School Improvement Process for continuous improvement.

Overall, Middletown City Schools is on the cutting edge for professional development, teaching strategies and the utilization of data to make decisions on student learning.

The Middletown City School District is currently engaged in a school construction program within Classroom Facilities Assistance Program 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 six new and two renovated 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, was completed in the summer of 2006. Construction of the fifth elementary school began in the spring of 2005 and was completed in the summer of 2007. Construction of the sixth and seventh elementary buildings began in the spring of 2006 and was completed in early 2008. Finally, the renovation and addition of several classrooms to an existing elementary school began in the summer of 2007 with completion in the summer of 2008.

The second phase of the project consists of the construction of a new middle school and renovation of the current high school. The November 2013 ballot issue was defeated. In May 2014 the District successfully passed the \$55,000,000 bond issue for completing the District wide construction program. The District is currently working with Ohio School Facilities Commission, its architects, bond counsel, bond underwriting and municipal advisors to complete this project by 2018. This final phase will include the construction of a new middle school next to the high school, renovating the high school and razing of other vacant school buildings.

In May of 2010, the District combined and placed two existing emergency operating levies on the ballot as a substitute levy in the amount of \$18.3 million dollars. These emergency levies were due to expire December 31, 2010. The substitute levy successfully passed.

While the District continually strives to control rising costs and improve financial efficiencies, the District does not foresee the need to ask the voters for increased operating revenue in the foreseeable future.

RELEVANT FINANCIAL POLICIES

In June of 2006, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2007 and was eliminated in 2009. The tax on telephone and telecommunication property began being phased out in 2009 and was eliminated in 2011. The tax is being phased out by reducing the assessment rate on the property each year. The District was reimbursed fully for the lost revenue through May 2013; in the following six years, the reimbursements will be phased out according to current state law. In August 2015 the Board of Education worked with the treasurer to pass a General Fund Cash Reserve Policy benchmarking a minimum 10% cash reserve.

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 capital 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.

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 Clark, Schaefer, Hackett & Co. performed the audit for the fiscal year ended June 30, 2015. The auditor's unmodified 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, 2014. 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 the 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, 2014. The District believes that the Comprehensive Annual Financial Report for fiscal year June 30, 2015, which will be submitted to ASBO for review, will conform to ASBO's principles and standards.

Acknowledgements

The preparation of the 2015 Comprehensive Annual Financial Report of the Middletown City School District was made possible by the combined efforts of the District's Finance Department and Fraunfelter Accounting Services. The publication of this Comprehensive Annual Financial Report for the District is a major step in the reinforcing of the accountability of the District to the taxpayers of the community. Finally, sincere appreciation is extended to the Board of Education for its interest and support of this project.

Respectfully submitted,

A handwritten signature in black ink that reads "Randall R. Bertram". The signature is written in a cursive style with a large, prominent initial "R".

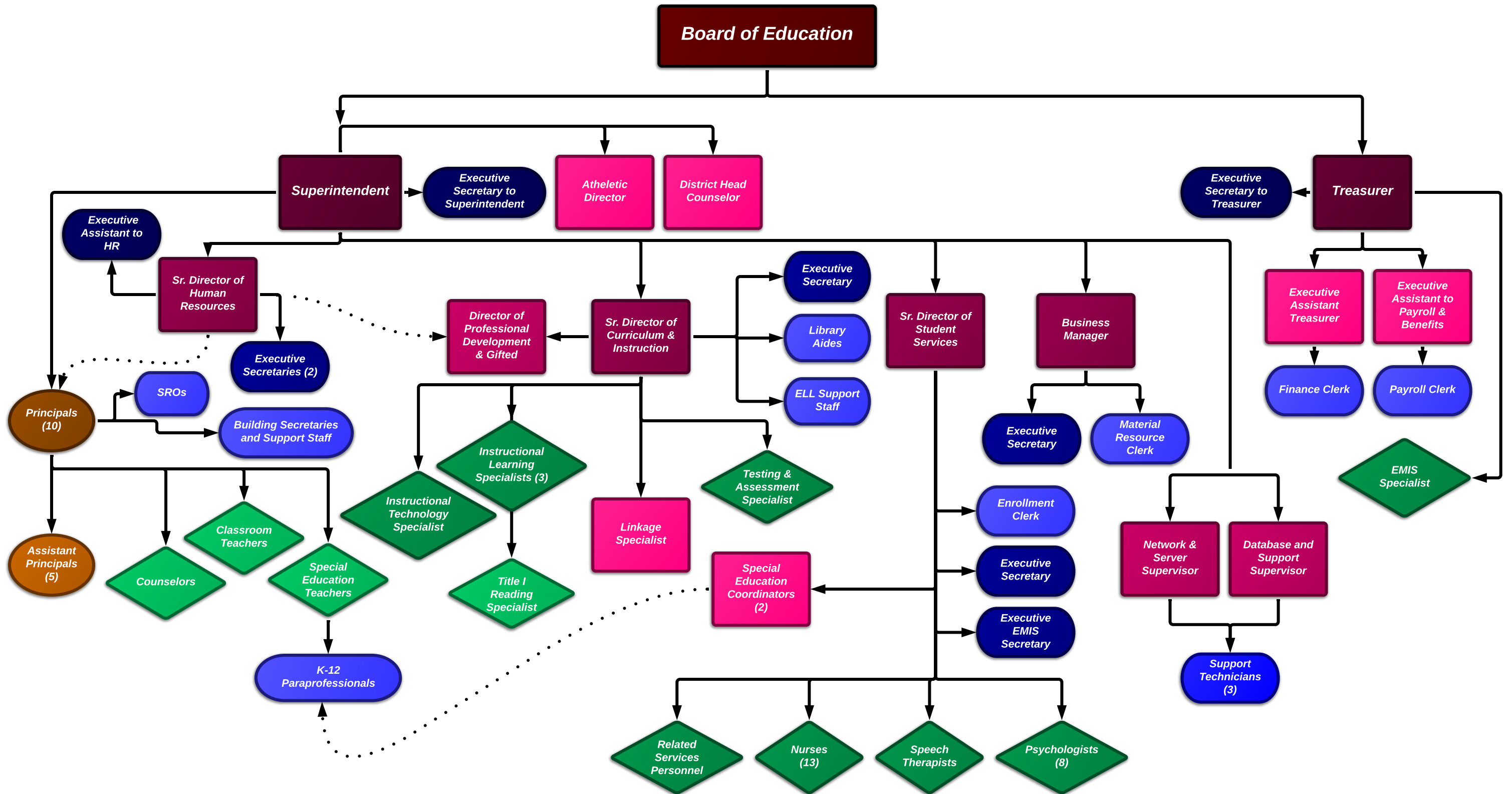
Randall R. Bertram, Treasurer/CFO

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2015**

BOARD OF EDUCATION	
President	Mrs. Marcia Andrew
Vice President	Rev. Gregory Tyus
Board Member	Mrs. Katie McNeil
Board Member	Mrs. DeAnna Shores
Board Member	Ms. Christi Delloma

ADMINISTRATIVE OFFICIALS	
Superintendent	Dr. Sam Ison
Treasurer/CFO	Mr. Randall Bertram
Director of Human Resources & Instructional Leadership	Mr. Eric Gearhart
Director of Student Services	Dr. Tanya Davis
Director of Curriculum & Instruction	Dr. Elizabeth Lolli
Director of Athletics	Mr. Gary Lebo
Legal Counsel	Don Crain, Esq. - Frost, Brown & Todd, Attorneys at Law

2014-2015 Middletown City School District Organizational Chart





Government Finance Officers Association

**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, 2014

Executive Director/CEO

Association of School Business Officials International

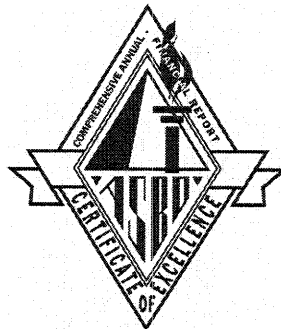


*The Certificate of Excellence in Financial Reporting Award
is presented to*

Middletown City School District

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2014*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



Mark C. Pepera, MBA, RSBO, SFO
President

John D. Musso, CAE, RSBA
Executive Director

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Financial Section

www.middletowncityschools.com

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Middletown City School District:

Report on the Financial Statements

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 (the School District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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f. 513.241.1212

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 as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in Note 19, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions were not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 29, 2015

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**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The management discussion and analysis of the Middletown City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- In total, net position of governmental activities increased \$54,215,858 of which \$51,403,241 is related to the recognition of the school facilities state grant for the construction of the new school facilities.
- General revenues accounted for \$123,553,949 in revenue or 90.89% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,377,913 or 9.11% for total revenues of \$135,931,862.
- The District had \$81,716,004 in expenses related to governmental activities; \$12,377,913 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted/restricted grants and entitlements) were adequate to provide for these programs.
- The District now reports four major funds which include the general fund, bond retirement fund, building and construction capital project funds. The general fund had \$69,398,892 in revenues and other financing sources and \$69,099,954 in expenditures and other financing uses. The general fund's fund balance increased \$298,938 from a deficit balance of \$1,023,532 to a deficit of \$724,594.
- The bond retirement fund had \$4,324,936 in revenues and \$4,691,061 in expenditures. The bond retirement fund's fund balance increased \$3,828,779 with the inclusion of the bond premium during the year.
- The building and construction capital project funds are new major funds this year. The District issued \$45,000,000 in general obligation bonds that mostly remained in restricted cash at the end of the fiscal year.

Using this Comprehensive Annual Financial Report (CAFR)

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.

MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The *statement of net position* and *statement 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.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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 2015?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take 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 position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, whether the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 21-22 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 15. 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.

MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Governmental Funds

Most 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 financial 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 position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 23-26 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 27 and 28. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-65 of this report.

Required Supplementary Information

The schedule of revenues, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) for the general fund, required net pension liability and contribution schedules and notes to the required supplementary information are provided on pages 67-76 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The table below provides a summary of the District's net position at June 30, 2015 and 2014.

	Governmental Activities 2015	Governmental Activities 2014	Percentage Change
<u>Assets</u>			
Current and other assets	\$ 145,270,782	\$ 41,342,719	251.38 %
Capital assets, net	<u>65,282,976</u>	<u>65,128,217</u>	0.24 %
Total assets	<u>210,553,758</u>	<u>106,470,936</u>	97.76 %
<u>Deferred Outflows of Resources</u>			
Deferred Charge on Refunding Pension	49,394	52,388	(5.72) %
	<u>5,556,971</u>	<u>5,162,605</u>	7.64 %
Total Deferred Outflows of Resources	<u>5,606,365</u>	<u>5,214,993</u>	7.50 %
<u>Liabilities</u>			
Current liabilities	7,379,129	8,983,713	(17.86) %
Long-term liabilities			
Net Pension Liability	83,073,908	98,745,246	(15.87) %
Other Long-term liabilities	<u>111,251,712</u>	<u>64,620,143</u>	72.16 %
Total liabilities	<u>201,704,749</u>	<u>172,349,102</u>	17.03 %
<u>Deferred Inflows of Resources</u>			
Property Taxes	31,028,151	25,656,343	20.94 %
Revenue in Lieu of Taxes	608,611	245,572	147.83 %
Pensions	<u>15,167,842</u>	-	100.00 %
Total Deferred Inflows of Resources	<u>46,804,604</u>	<u>25,901,915</u>	80.70 %
<u>Net Position</u>			
Net investment in capital assets	3,847,066	3,003,649	28.08 %
Restricted	54,147,596	3,938,419	1,274.86 %
Unrestricted (deficit)	<u>(90,343,892)</u>	<u>(93,507,156)</u>	3.50 %
Total net position	<u>\$ (32,349,230)</u>	<u>\$ (86,565,088)</u>	62.63 %

MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$7,017,553 to (\$86,565,088).

Other than pension related items, the District saw the year end net position of \$60,335,549. During the year, the District issued \$45 million in general obligation bonds and has secured a grant from the Ohio School Facilities Commission to fund the construction of several new construction projects. These two items account for almost \$95 million of the total assets as reported as restricted cash and cash equivalents with the trustee and intergovernmental receivable. Capital assets saw slight change as the \$3.3 million in additions exceeded the \$3.0 million in current year depreciation.

The District saw total liabilities increase as the District issued one new long-term debt issue for \$45 million with almost another \$5 million in premium that is also reported as a long term liability. The deferred inflows of resources for property taxes increased over 20% as a result of the large tax advance available to the District reduced the deferral in fiscal year 2014. That advance was reported as a revenue since it was available as year-end.

A portion of the District's net position, \$54,147,596, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$50,225,088 is restricted for capital projects through the available school facilities revenue, \$731,993 is restricted for debt service and \$3,190,515 is restricted for state and federally funded programs. The District reports an unrestricted deficit of \$90,343,892 with the net pension liability related amounts brought on by GASB 68.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The table below shows the change in net position for fiscal years 2015 and 2014.

	Change in Net Position		
	Governmental Activities 2015	Governmental Activities 2014	Percentage Change
	<u> </u>	<u> </u>	
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 1,614,201	\$ 1,775,340	(9.08) %
Operating grants and contributions	10,763,712	12,666,818	(15.02) %
General revenues:			
Taxes	29,034,088	34,238,674	(15.20) %
Grants and entitlements not restricted	42,131,982	40,073,523	5.14 %
Grants and entitlements restricted	51,403,241	-	100.00 %
Revenue in lieu of taxes	431,267	226,369	90.52 %
Investment earnings	202,447	1,166	100+ %
Other	<u>350,924</u>	<u>417,338</u>	(15.91) %
 Total revenues	 <u>135,931,862</u>	 <u>89,399,228</u>	 52.05 %

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Change in Net Position

	Governmental Activities 2015	Governmental Activities 2014	Percentage Change
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 24,727,094	\$ 27,603,444	(10.42) %
Special	8,757,787	9,012,116	(2.82) %
Other	13,624,746	13,030,926	4.56 %
Support services:			
Pupil	3,746,251	4,442,512	(15.67) %
Instructional staff	1,991,860	3,389,719	(41.24) %
Board of education	59,556	66,159	(9.98) %
Administration	4,154,176	4,663,891	(10.93) %
Fiscal	1,671,371	785,642	112.74 %
Business	191,359	209,337	(8.59) %
Operations and maintenance	7,408,158	9,294,379	(20.29) %
Pupil transportation	4,007,357	4,022,409	(0.37) %
Central	1,619,365	2,669,861	(39.35) %
Operations of non-instructional services			
Food service operations	3,894,011	3,969,272	(1.90) %
Other non-instructional services	887,558	826,523	7.38 %
Extracurricular activities	1,083,235	900,838	20.25 %
Interest and fiscal charges	<u>3,892,120</u>	<u>2,672,184</u>	45.65 %
 Total expenses	 <u>81,716,004</u>	 <u>87,559,212</u>	 (6.67) %
 Change in net position	 54,215,858	 1,840,016	 (2,846.49) %
Net position, beginning of year	(86,565,088)	5,177,537	(1,771.94) %
2014 Restatement (see note 19)	<u>NA</u>	<u>(93,582,641)</u>	
Net position, end of year	<u>\$ (32,349,230)</u>	<u>\$ (86,565,088)</u>	62.63 %

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Governmental Activities

Net position of the District's governmental activities increased \$54,215,858 in fiscal year 2015 and increased \$1,840,016 in fiscal year 2014. Program revenues supported 16.49% of the total governmental expenses during fiscal year 2014 and down slightly at 15.15% of total governmental expenses during fiscal year 2015.

Total revenues of the District increased by \$46,532,634 during fiscal year 2015 mainly from the increase in intergovernmental revenue with the school facilities revenues being reported for fiscal year 2015. The property tax revenue did decrease as the District had \$5,284,198 in available advances for 2014 compared to \$1,985,338 in 2015.

Expenses also decreased by \$5,843,208. This decrease was partially the result of the pension expense recognition from the District implementing GASB 68 resulting in \$897,861 reduction as contractually required contributions of \$4,679,767 are removed and allocated pension expense plus amortization of deferred inflows/outflows of \$3,781,906 are added. The remaining \$4,945,347 decrease can be attributed to the District reducing staff through retirement or resignations and not replacing those positions.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental 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 grants and entitlements.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Program expenses				
Instruction:				
Regular	\$ 24,727,094	\$ 23,101,630	\$ 27,603,444	\$ 25,602,294
Special	8,757,787	5,632,976	9,012,116	6,327,831
Other	13,624,746	13,624,746	13,030,926	12,991,544
Support services:				
Pupil	3,746,251	3,493,784	4,442,512	4,050,129
Instructional staff	1,991,860	492,478	3,389,719	(114,603)
Board of education	59,556	59,556	66,159	66,159
Administration	4,154,176	3,782,207	4,663,891	3,888,814
Fiscal	1,671,371	1,597,266	785,642	785,642
Business	191,359	180,382	209,337	209,337
Operations and maintenance	7,408,158	7,377,680	9,294,379	9,260,746
Pupil transportation	4,007,357	3,939,789	4,022,409	4,000,655
Central	1,619,365	1,619,365	2,669,861	2,646,205
Operations of non-instructional services:				
Food service operations	3,894,011	(476,451)	3,969,272	(64,357)
Other non-instructional services	887,558	155,136	826,523	133,138
Extracurricular activities	1,083,235	865,427	900,838	661,336
Interest and fiscal charges	<u>3,892,120</u>	<u>3,892,120</u>	<u>2,672,184</u>	<u>2,672,184</u>
 Total	 <u>\$ 81,716,004</u>	 <u>\$ 69,338,091</u>	 <u>\$ 87,559,212</u>	 <u>\$ 73,117,054</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 89.92% of instruction activities were supported through taxes and other general revenues during fiscal year 2015 and 90.48% in fiscal year 2014. For all governmental activities, general revenue support was 84.85% in fiscal year 2015 and 83.51% in fiscal year 2014. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District students.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 23) reported a combined fund balance of \$53,124,695, which is better than last year's total of \$1,127,541 although \$51,110,678 of the change is related to long term debt reported as other financing sources. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance / (Deficit) <u>June 30, 2015</u>	Fund Balance / (Deficit) <u>June 30, 2014</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ (724,594)	\$ (1,023,532)	\$ 298,938	29.21 %
Bond Retirement	5,446,025	1,617,246	3,828,779	100+ %
Building	15,732,576	-	15,732,576	100.00 %
Construction	31,963,464	-	31,963,464	100.00 %
Nonmajor Governmental	<u>707,224</u>	<u>533,827</u>	<u>173,397</u>	32.48 %
Total	<u>\$ 53,124,695</u>	<u>\$ 1,127,541</u>	<u>\$ 51,997,154</u>	100+ %

General Fund

The general fund increased \$298,938 during fiscal year 2015. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 23,852,796	\$ 30,803,350	\$ (6,950,554)	(22.56) %
Tuition and fees	1,032,757	1,126,473	(93,716)	(8.32) %
Revenue in Lieu of Taxes	431,267	497,553	(66,286)	(13.32) %
Intergovernmental	41,250,794	39,841,070	1,409,724	3.54 %
Other revenues	<u>891,191</u>	<u>743,035</u>	<u>148,156</u>	19.94 %
 Total	 <u>\$ 67,458,805</u>	 <u>\$ 73,011,481</u>	 <u>\$ (5,552,676)</u>	 (7.61) %
 <u>Expenditures</u>				
Instruction	\$ 44,524,760	\$ 46,377,978	\$ (1,853,218)	(4.00) %
Support services	21,086,707	25,165,486	(4,078,779)	(16.21) %
Operation of				
non-instructional services	57,569	72,127	(14,558)	(20.18) %
Extracurricular activities	83,916	78,952	4,964	6.29 %
Capital outlay	7,065	259,741	(252,676)	(97.28) %
Debt service	<u>2,713,365</u>	<u>644,541</u>	<u>2,068,824</u>	320.98 %
 Total	 <u>\$ 68,473,382</u>	 <u>\$ 72,598,825</u>	 <u>\$ (4,125,443)</u>	 (5.68) %

Revenues of the general fund decreased \$5,552,676 or 7.61%. The most significant decrease was in the area of taxes. This decrease for taxes is the result of higher amount available for advance in fiscal year 2014 as discussed earlier. Intergovernmental revenues increased \$1,409,724 or 3.54%. The increase for intergovernmental revenue is mainly from the foundation revenue increasing over fiscal year 2014.

Expenditures of the general fund decreased \$4,125,443 or 5.68%. This decrease is primarily the result of decreased personal service costs in the instruction and support service line items.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Bond Retirement Fund

The bond retirement fund saw the fund balance increase although the revenue was less than the expenditures. The District recorded \$4.1 million of bond premium in the fund during the year.

Building Capital Projects Fund

The building capital projects fund is a new major fund for fiscal year 2015. The District reported a portion of the \$45 million general obligation bond in this fund. The District is paying for a portion of the construction project from this fund as well. The fund reports almost \$16 million in restricted cash and cash equivalents.

Construction Capital Projects fund

The construction capital projects fund is a new major fund for fiscal year 2015. The District reported a portion of the \$45 million general obligation bond in this fund. The District is paying for a portion of the construction project from this fund as well. This fund will account for the school facilities revenues received from the State of Ohio to pay that portion of the construction project. The fund reports over \$32 million in restricted cash and cash equivalents.

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 year 2015, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$80,432,082 were \$6,438,145 higher than the original budgeted revenues and other financing sources estimate of \$73,993,937. The main differences were in other financing sources as the District issued a short term operating note during the year. The remaining difference comes from variances across various revenue accounts. The actual revenues were \$3.7 million below the final budget as the District actual taxes came in lower with higher delinquency amounts.

General fund original appropriations were \$73,581,221. Final appropriations (budgeted expenditures plus other financing uses) of \$78,264,063 were \$4,682,842 higher than original budgeted expenditures. Approximately \$3.8 million of the difference related to the funding the District loses to community schools when District students attend a different school. Actual expenditures and other financing uses were \$2.1 million under the final budget as the District held year end expenditures in place given the reduction in general fund available balance.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$65,282,976 invested in land, construction in progress, buildings and improvements and equipment. This entire amount is reported in governmental activities.

The following table shows June 30, 2015 balances compared to June 30, 2014.

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2015	2014
Land	\$ 1,189,017	\$ 1,211,493
Construction in progress	1,709,886	-
Buildings and improvements	61,464,700	62,199,494
Equipment	919,373	1,717,230
Total	\$ 65,282,976	\$ 65,128,217

The capital assets increased \$154,759. This is due to additions exceeding depreciation expense of \$2,980,795 and disposals (net of accumulated depreciation). See Note 8 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2015 the District had \$110,416,775 in general obligation bonds, notes and capital lease obligations outstanding. Of this total, \$3,338,618 is due within one year and \$107,078,157 is due in greater than one year.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The following table summarizes the bonds, notes and capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2015	Governmental Activities 2014
	<u>2015</u>	<u>2014</u>
Construction bonds	\$ 990,000	\$ 1,680,000
2007 refunding bonds		
Current Interest and term	53,220,000	53,255,000
Premium	3,403,125	3,609,375
2015 general obligation bonds		
Current Interest and term	45,000,000	-
Premium	4,433,289	-
HB 264 conservation notes	589,386	691,422
2008 HB 264 conservation notes	203,299	271,065
2014 HB 264 conservation notes	800,000	845,000
Long-Term Bond Anticipation note	1,600,000	1,600,000
Capital lease obligations	<u>177,676</u>	<u>911,284</u>
 Total	 <u>\$ 110,416,775</u>	 <u>\$ 62,863,146</u>

See Note 9 to the basic financial statements for detail on the District's debt administration.

For the Future

The District has experienced a steady decline in student enrollment over the past several years as a result of students leaving Middletown schools to attend charter/community schools, other public schools (open enrollment), and participate in the state voucher program for parochial schools. Over 580 students attended charter/community schools other than Middletown in fiscal year 2015 while residing within the district boundaries. Another 321 were opened enrolled to surrounding public schools while 187 EdChoice scholarships were awarded to students to attend area parochial schools. This has resulted in rising tuition costs and financial pressures that as a negative effect on the general fund carryover balance. However, early indications for fiscal 2016 indicate that enrollment has leveled with possibly a slight increase overall.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The District is taking measures to help control rising costs and improve financial efficiencies, the Board also recognized the need for stabilized local operating revenues. After several failed operating levies and one successful levy, the District combined and substituted two tax levies in May, 2010. The levies will collect \$18.3 million annually and are continuous. The Board also implemented a cash carryover policy in 2015 to require a minimum of 10% cash carryover of operating expenditures with a detailed procedure to ensure that the District will get to the 10% requirement and be able to maintain it.

The District's efforts at cost savings and increased revenues have started to show as the ending cash balance as reported on the District's five year forecast in fiscal year 2015 was \$2,593,485 and the forecast for fiscal year 2016 is showing an increased ending balance of \$7,263,707 that will increase over the following four years resulting in a forecasted ending balance of \$19,259,499 fiscal year 2020. The District's revenue is forecasted to increase significantly due to increased state aide for the next five fiscal years.

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, 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 Mr. Randall Bertram, Treasurer/CFO, Middletown City School District, 1 Donham Plaza, Middletown, Ohio, 45042.

*Middletown City School District
Butler County, Ohio
Statement of Net Position
June 30, 2015*

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Investments	\$8,528,167
Materials and Supplies Inventory	93,564
Accrued Interest Receivable	44,449
Accounts Receivable	176,636
Intergovernmental Receivable	50,431,560
Property Taxes Receivable	37,234,872
Revenue in Lieu of Taxes Receivable	608,611
Restricted Cash and Cash Equivalents with Trustee	48,152,923
Capital Assets:	
Non-depreciable Capital Assets	2,898,903
Depreciable Capital Assets, Net	62,384,073
<i>Total Assets</i>	210,553,758
<u>Deferred Outflows of Resources:</u>	
Deferred Charge on Refunding	49,394
Pensions	5,556,971
<i>Total Deferred Outflows of Resources</i>	5,606,365
<u>Liabilities:</u>	
Accounts Payable	1,455,449
Contracts Payable	112,161
Accrued Wages and Benefits Payable	4,323,147
Intergovernmental Payable	1,033,147
Accrued Interest Payable	455,225
Long-Term Liabilities:	
Due Within One Year	3,389,972
Due in More Than One Year	
Net Pension Liability	83,073,908
Other Long Term Liabilities	107,861,740
<i>Total Liabilities</i>	201,704,749
<u>Deferred Inflows of Resources:</u>	
Property Taxes	31,028,151
Revenue in Lieu of Taxes	608,611
Pensions	15,167,842
<i>Total Deferred Inflows of Resources</i>	46,804,604
<u>Net Position:</u>	
Net Investment in Capital Assets	3,847,066
Restricted for Debt Service	731,993
Restricted for Capital Projects	50,225,088
Restricted for Grants	3,190,515
Unrestricted (Deficit)	(90,343,892)
<i>Total Net Position</i>	(\$32,349,230)

See Accompanying Notes to the Basic Financial Statements

*Middletown City School District
Butler County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2015*

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$24,727,094	\$1,166,456	\$459,008	(\$23,101,630)
Special	8,757,787	698	3,124,113	(5,632,976)
Vocational	2,709	0	0	(2,709)
Adult/Continuing	3,665	0	0	(3,665)
Community Schools	7,307,374	0	0	(7,307,374)
Other	6,310,998	0	0	(6,310,998)
Support Services:				
Pupils	3,746,251	47,981	204,486	(3,493,784)
Instructional Staff	1,991,860	0	1,499,382	(492,478)
Board of Education	59,556	0	0	(59,556)
Administration	4,154,176	0	371,969	(3,782,207)
Fiscal	1,671,371	0	74,105	(1,597,266)
Business	191,359	0	10,977	(180,382)
Operation and Maintenance of Plant	7,408,158	30,478	0	(7,377,680)
Pupil Transportation	4,007,357	0	67,568	(3,939,789)
Central	1,619,365	0	0	(1,619,365)
Operation of Non-Instructional Services				
Food Service Operations	3,894,011	153,619	4,216,843	476,451
Auxiliary Services	722,476	0	643,232	(79,244)
Other	165,082	0	89,190	(75,892)
Extracurricular Activities	1,083,235	214,969	2,839	(865,427)
Interest on Long-Term Debt	3,892,120	0	0	(3,892,120)
<i>Total Governmental Activities</i>	<u>\$81,716,004</u>	<u>\$1,614,201</u>	<u>\$10,763,712</u>	<u>(69,338,091)</u>
<u>General Revenues:</u>				
Property Taxes Levied for:				
General Purposes				24,805,279
Debt Service				3,979,176
Capital Projects				249,633
Revenue In Lieu of Taxes				431,267
Grants and Entitlements not Restricted to Specific Programs				42,131,982
Grants and Entitlements Restricted to School Facilities Program				51,403,241
Interest				202,447
Miscellaneous				350,924
<i>Total General Revenues</i>				<u>123,553,949</u>
<i>Change in Net Position</i>				54,215,858
<i>Net Position at Beginning of Year - Restated (See Note 19)</i>				<u>(86,565,088)</u>
<i>Net Position at End of Year</i>				<u><u>(\$32,349,230)</u></u>

See Accompanying Notes to the Basic Financial Statements

*Middletown City School District
Butler County, Ohio
Balance Sheet
Governmental Funds
June 30, 2015*

	General	Bond Retirement	Building	Construction	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in Pooled Cash and Investments	\$2,700,026	\$5,137,217	\$0	\$0	\$690,924	\$8,528,167
Receivables:						
Property Taxes	32,720,530	4,235,575	0	0	278,767	37,234,872
Revenue in Lieu of Taxes	608,611	0	0	0	0	608,611
Intergovernmental	264,543	0	0	46,681,618	3,485,399	50,431,560
Accounts	176,636	0	0	0	0	176,636
Accrued Interest	0	0	0	44,449	0	44,449
Interfund	167,216	0	0	0	0	167,216
Materials and Supplies Inventory	0	0	0	0	93,564	93,564
Restricted Assets:						
Equity in Pooled Cash and Investments	0	0	15,809,985	32,342,938	0	48,152,923
Total Assets	\$36,637,562	\$9,372,792	\$15,809,985	\$79,069,005	\$4,548,654	\$145,437,998
<u>Liabilities, Deferred Inflows and Fund Balances</u>						
<u>Liabilities:</u>						
Accounts Payable	538,891	\$0	\$77,409	\$267,313	\$571,836	\$1,455,449
Contracts Payable	0	0	0	112,161	0	112,161
Accrued Wages and Benefits Payable	4,024,256	0	0	0	298,891	4,323,147
Intergovernmental Payable	880,991	0	0	0	152,156	1,033,147
Interfund Payable	0	0	0	0	167,216	167,216
Matured Compensated Absences Payable	11,299	0	0	0	0	11,299
Total Liabilities	5,455,437	0	77,409	379,474	1,190,099	7,102,419
<u>Deferred Inflows of Resources:</u>						
Property Taxes	31,060,554	3,926,767	0	0	262,213	35,249,534
Revenue in Lieu of Taxes	608,611	0	0	0	0	608,611
Interest	0	0	0	44,449	0	44,449
Intergovernmental Revenue	237,554	0	0	46,681,618	2,389,118	49,308,290
Total Deferred Inflows of Resources	31,906,719	3,926,767	0	46,726,067	2,651,331	85,210,884
<u>Fund Balances:</u>						
Nonspendable	0	0	0	0	93,564	93,564
Restricted	0	5,446,025	15,732,576	31,963,464	421,653	53,563,718
Committed	0	0	0	0	216,852	216,852
Assigned	480,211	0	0	0	0	480,211
Unassigned (Deficit)	(1,204,805)	0	0	0	(24,845)	(1,229,650)
Total Fund Balances	(724,594)	5,446,025	15,732,576	31,963,464	707,224	53,124,695
Total Liabilities, Deferred Inflows and Fund Balances	\$36,637,562	\$9,372,792	\$15,809,985	\$79,069,005	\$4,548,654	\$145,437,998

See Accompanying Notes to the Basic Financial Statements

Middletown City School District
Butler County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances \$53,124,695

**Amounts reported for governmental activities in the
Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets	109,355,485	
Accumulated depreciation	(44,072,509)	
Total capital assets		65,282,976

Some of the District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	4,221,383	
Interest	44,449	
Intergovernmental	49,308,290	
Total		53,574,122

Unamortized premiums on long term bonds payable are not recognized in governmental funds but allocated as an expense over the life of the debt on a full accrual basis. (7,836,414)

Unamortized deferred amount on refundings are not recognized in governmental funds but allocated as an expense over the life of the debt on a full accrual basis. 49,394

In the Statement of Net Position, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (455,225)

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reporting in governmental funds.

Deferred Outflows - Pension	5,556,971	
Deferred Inflows - Pension	(15,167,842)	
Net Pension Liability	(83,073,908)	
Total		(92,684,779)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(99,210,000)	
Energy Conservation Note Payables	(1,592,685)	
Long Term Note Payable	(1,600,000)	
Capital leases	(177,676)	
Compensated absences	(823,638)	
Total liabilities		(103,403,999)

Net Position of Governmental Activities \$32,349,230

See Accompanying Notes to the Basic Financial Statements

*Middletown City School District
Butler County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015*

	General	Bond Retirement	Building	Construction	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Property Taxes	\$23,852,796	\$3,799,668	\$0	\$0	\$220,051	\$27,872,515
Revenue in Lieu of Taxes	431,267	0	0	0	0	431,267
Intergovernmental	41,250,794	524,251	0	4,721,623	10,311,716	56,808,384
Interest	3,365	1,017	0	153,467	149	157,998
Tuition and Fees	1,032,757	0	0	0	0	1,032,757
Extracurricular Activities	63,988	0	0	0	179,278	243,266
Rent	30,478	0	0	0	0	30,478
Charges for Services	142,497	0	0	0	153,619	296,116
Gifts and Donations	330,153	0	0	0	37,295	367,448
Miscellaneous	320,710	0	0	0	12,853	333,563
Total Revenues	67,458,805	4,324,936	0	4,875,090	10,914,961	87,573,792
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	24,771,258	0	0	0	499,463	25,270,721
Special	6,135,130	0	0	0	2,789,287	8,924,417
Adult/Continuing	0	0	0	0	182	182
Community School Services	7,307,374	0	0	0	0	7,307,374
Other	6,310,998	0	0	0	2,709	6,313,707
Support Services:						
Pupils	3,636,117	0	0	0	241,350	3,877,467
Instructional Staff	761,352	0	0	0	1,258,010	2,019,362
Board of Education	59,556	0	0	0	0	59,556
Administration	3,893,724	0	0	0	384,437	4,278,161
Fiscal	1,115,693	72,039	0	402,067	72,371	1,662,170
Business	181,487	0	0	0	8,432	189,919
Operation and Maintenance of Plant	5,918,891	0	0	0	452,750	6,371,641
Pupil Transportation	3,857,097	0	0	0	69,859	3,926,956
Central	1,662,790	0	0	0	3,202	1,665,992
Operation of Non-Instructional Services	57,569	0	0	0	4,696,476	4,754,045
Extracurricular Activities	83,916	0	0	0	844,790	928,706
Capital Outlay	7,065	0	353,101	1,811,656	44,818	2,216,640
Debt Service:						
Principal Retirement	2,548,410	725,000	0	0	0	3,273,410
Interest and Fiscal Charges	164,955	3,822,022	0	0	0	3,986,977
Total Expenditures	68,473,382	4,619,061	353,101	2,213,723	11,368,136	87,027,403
Excess of Revenues Over (Under) Expenditures	(1,014,577)	(294,125)	(353,101)	2,661,367	(453,175)	546,389
<u>Other Financing Sources (Uses):</u>						
Face Value of Bonds Issued	0	0	16,085,677	28,914,323	0	45,000,000
Premium on the Sale of Bonds	0	4,122,904	0	387,774	0	4,510,678
Proceeds from Bond Anticipation Notes	1,600,000	0	0	0	0	1,600,000
Proceeds from Sale of Capital Assets	340,087	0	0	0	0	340,087
Transfers In	0	0	0	0	626,572	626,572
Transfers Out	(626,572)	0	0	0	0	(626,572)
Total Other Financing Sources (Uses)	1,313,515	4,122,904	16,085,677	29,302,097	626,572	51,450,765
Net Change in Fund Balances	298,938	3,828,779	15,732,576	31,963,464	173,397	51,997,154
Fund Balances (Deficit) at Beginning of Year	(1,023,532)	1,617,246	0	0	533,827	1,127,541
Fund Balances (Deficit) at End of Year	(\$724,594)	\$5,446,025	\$15,732,576	\$31,963,464	\$707,224	\$53,124,695

See Accompanying Notes to the Basic Financial Statements

Middletown City School District
Butler County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2015*

Net Change in Fund Balances - Total Governmental Funds		\$51,997,154
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital assets additions	3,316,732	
Depreciation expense	(2,980,795)	
Excess of capital asset additions over depreciation expense		335,937
 The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the Statement of Net Position and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.		
Loss on disposal of capital assets		(181,178)
 Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.		
Delinquent property taxes	1,161,573	
Interest	44,449	
Intergovernmental	47,135,152	
		48,341,174
 In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in lower interest being reported in the statement of activities:		
Increase in accrued interest payable	(185,788)	
Amortization of deferred refunding charges	(2,994)	
		(188,782)
 The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds reported the effect of premiums, whereas these amounts are deferred and amortized in the statement of activities. This amount is net effect of these differences in the treatment of long-term debt and related items. The details are as follows:		
Debits issued or incurred:		
Long-Term Bond issued	(45,000,000)	
Long-Term Bond Anticipation Notes issued	(1,600,000)	
Plus Net Premium on Bond Payable	(4,227,039)	
Principal Payments		
Long-Term Bond Anticipation Notes payments	1,600,000	
General Obligation Bond payments	725,000	
Energy Conservation Note payments	214,802	
Capital lease payments	733,608	
		(47,553,629)
 Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		4,679,767
 Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(3,781,906)
 Some expenses reported in the Statement of Activities, such as compensated absences and retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		567,321
Change in Net Position of Governmental Activities		\$54,215,858

See Accompanying Notes to the Basic Financial Statements

Middletown City School District
Butler County, Ohio
 Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2015

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Investments	\$18,438	\$84,920
<u>Liabilities:</u>		
Undistributed Monies	0	84,920
<i>Total Liabilities</i>	0	\$84,920
<u>Net Position</u>		
Held in Trust for Scholarships	\$18,438	

See Accompanying Notes to the Basic Financial Statements

Middletown City School District
Butler County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
<u>Additions:</u>	
Contributions and Donations	\$ 32,692
Miscellaneous Revenue	965
Total Additions	33,657
<u>Deductions:</u>	
Payments in Accordance with Trust Agreements	34,769
Total Deductions	34,769
<i>Change in Net Position</i>	(1,112)
<i>Net Position at Beginning of Year</i>	19,550
<i>Net Position at End of Year</i>	\$18,438

See Accompanying Notes to the Basic Financial Statements

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Middletown City School District (the "District"), Butler County, 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 109 classified personnel and 448 certified teaching and administrative personnel to provide services to students and other community members.

In terms of enrollment, the District is the 40th largest in the State of Ohio (among 918 districts and community schools) and the 4th largest in Butler County. It currently operates 7 elementary schools, one sixth grade center, one middle school serving grades 7 - 8, one comprehensive high school (grades 9-12) including an alternative program. The District encompasses a total of 25 square miles that includes the City of Middletown and portions of Lemon Township.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61 "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization.

*MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO*

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

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 Southwestern Ohio Computer Association (SWOCA)

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 \$265,925 for services provided during the year. Financial information can be obtained from Mr. Michael Crumley, who serves as Director, at 3607 Hamilton-Middletown Rd., Hamilton, OH 45011.

The Butler Technology and Career Development Center

The Butler Technology and Career Development Center 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 Technology and Career Development Center was formed to provide vocational education opportunities to the students of Butler County, including students of the District. Financial information can be obtained from Mr. Paul Carpenter, who serves as Treasurer, at 3603 Hamilton-Middletown Rd., Hamilton, OH 45011.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Measurement Focus

Government-Wide Financial Statements - The government-wide statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of the District are included on the Statement of Net Position. Fiduciary funds are not included in government-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, current liabilities and deferred inflows 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.

C. 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 are those through which most governmental functions are financed.

*MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO*

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, liabilities and deferred inflows is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported 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.

Bond Retirement Fund - The bond retirement 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 Fund - The building capital projects fund is used to account for the District's share of the school construction project. A portion of the general obligation bonds were recorded in this fund and will be used to pay for the project as it progresses.

Construction Fund - The school facilities capital projects fund accounts for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Nonmajor governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 which uses the economic resources measurement focus. The District has one agency fund that has no measurement focus. The student activity fund accounts for assets and liabilities generated by student managed activities.

*MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO*

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. 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.

Revenues - Exchange and Nonexchange 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, include 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 (see Note 6). 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 fiscal 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 fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position represents a composition of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The District reports a deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also reports deferred outflows of resources on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 13.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will be recognized until that time. Delinquent property taxes, interest, revenue in lieu of taxes, and grants and entitlements received before the eligibility requirements are met and pensions are also recorded as deferred inflows of resources. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (see Note 13). On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources. On the statement of net position, property taxes and revenue in lieu of taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations, have been recorded as deferred inflows.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental 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 governmental funds.

E. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2015, the District invested in money market mutual funds, federal agency securities, the State Treasury Asset Reserve of Ohio (STAROhio) and commercial paper. 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 shares price which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$3,365, which includes \$2,688 assigned from other funds. The food service and auxiliary services special revenue funds, bond retirement and classroom capital projects fund also received interest of \$74, \$75, \$1,017 and \$153,467, respectively.

*MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO*

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory

On government-wide and fund financial statements, purchased inventories are reported at cost and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food, purchased food and non-food supplies.

G. Capital Assets

Capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

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's capitalization threshold is \$2,500 for capital assets. 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 capitalized.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Buildings and improvements	20 - 45 years
Equipment	5 - 20 years

*MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Interfund Balances

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

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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. Sick leave benefits are accrued as a liability using the vested payment method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2015 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and the early retirement incentive will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and notes are recognized on the fund financial statements when due.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Pensions

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

L. Bond Premiums

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

M. Fund Balance

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

-Nonspendable fund balance relates to the value of consumable inventories.

-Restricted fund balances relate to money received from local, state or federal grants or maintained in segregated accounts for construction.

-Committed fund balances include amounts that can be used only for the specific purpose imposed by formal action (the highest level action via resolution) of the District's Board of Education.

-Assigned fund balances are balances the District administration have specified the future use. The District uses the policy of encumbering certain obligations within the general fund that are reported as an assigned fund balance. This is completed by the Treasurer's office as required by the Ohio Revised Code. The District also reports the cash balance of the principal support fund and neediest kids of all fund as assigned balances within the general fund. These funds are segregated by the accounting function within the Treasurer's office as required by the Ohio Revised Code.

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

*MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO*

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

N. Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets is 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Of the District's \$54,147,596 in restricted net position, none were restricted by enabling legislation.

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the unspent bond proceeds held with the trustee for construction purposes.

Q. 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. Interfund activity between governmental funds is eliminated in the statement of activities.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTABILITY

Fund balances at June 30, 2015 include the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General Fund	\$724,594
<u>Nonmajor fund</u>	
District Managed Activities	21,609
Auxiliary Services	179
Alternative Schools	240
Race to the Top Grant	1,351
Title III Grant	173
Teacher Quality	1,293

The General Fund deficit fund balance was due to adjustments for accrued liabilities. The District is monitoring the General Fund deficit and will take appropriate action if deemed necessary. The deficits in the nonmajor funds were due to timing of grant reimbursements at year end. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are 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.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

*MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 monies deposited with the institution.

*MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

A. Cash on Hand

At fiscal year end, the District had \$1,500 in undeposited cash on hand, which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$20,987,552. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$21,821,927 of the District's bank balance of \$22,426,765 was exposed to custodial risk as discussed below, while \$604,838 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2015, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities in years</u>	<u>Concentration of Credit Risk</u>
Federal Home Loan Bank Notes	\$ 8,005,400	1.62	22.36%
Federal National Mortgage Association Notes	5,558,319	2.13	15.53%
Federal Home Loan Mortgage Corporation Notes	11,847,148	2.17	33.09%
Federal Farm Credit Bank Notes	2,250,962	1.68	6.29%
Star Ohio	1,364,801	0.10	3.81%
Commerical Paper	6,746,198	1.57	18.85%
First American Treasury Obligation Fund	24,068	0.10	0.07%
Total	<u>\$ 35,796,896</u>		

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less, unless matched to a specific obligation or debt of the District.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Below are the credit ratings of the School District's investments:

<u>Security</u>	<u>Rating Agency</u>	
	<u>Moody's</u>	<u>Standard & Poor's</u>
Federal Home Loan Bank Note	Aaa	AA+
Federal National Mortgage Association Note	Aaa	AA+
Federal Home Loan Mortgage Corporation Note	Aaa	AA+
Federal Farm Credit Bank Notes	Aaa	AA+
First American Treasury Obligations Fund	Aaa-mf	AAAM

Custodial Credit Risk: For an investment, 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. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer.

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2015, consist of the following individual receivables and payables and transfers in the governmental balance sheet (such amounts are removed from consolidated columns in the statement of net position):

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$167,216
<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$626,572

The interfund receivable/payable was the resulting grant timing with the various federal grants and districted management activities special revenue funds. The receivable is expected to be repaid within a year. Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District's fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

*MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Butler and Warren Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$1,985,338 in the general, debt service and permanent improvement funds. The amount available for advance at June 30, 2014 was \$5,284,198 in the general, debt service and permanent improvement funds. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 657,709,970	92.34	\$ 603,212,590	92.34
Public Utility personal	<u>54,597,780</u>	<u>7.66</u>	<u>56,477,890</u>	<u>7.66</u>
Total	<u>\$ 712,307,750</u>	<u>100.00</u>	<u>\$ 659,690,480</u>	<u>100.00</u>

Tax rate per \$1,000 of
assessed valuation for:

General	\$23.43	\$23.43
Emergency	20.77	22.83
Debt service	4.75	8.25
Permanent Improvement	0.24	0.50

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 - RECEIVABLES

Receivables at June 30, 2015 consisted of property taxes, revenue in lieu of taxes, accounts (billings for user charged services and student fees), interfund loans and intergovernmental grants and entitlements. 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. A summary of the principal items of receivables reported in the statement of net position follows:

Governmental activities:	
Property taxes	\$37,234,872
Payment in lieu of taxes	608,611
Accounts	176,636
Intergovernmental:	
School Facilities Grant	46,681,618
SERS Refund	249,641
Medicaid	26,989
Bureau of Workers Compensation	12,049
Alternative schools	11,366
Title VI-B	404,166
Title III	12,808
Title I	2,406,453
EHA Preschool	25,281
Improving Teacher Quality	601,189
Total	<u><u>\$ 88,451,679</u></u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance <u>6/30/14</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/15</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,211,493	\$ 73,680	\$ (96,156)	\$ 1,189,017
Construction in progress	-	1,709,886	-	1,709,886
Total capital assets, not being depreciated	<u>1,211,493</u>	<u>1,783,566</u>	<u>(96,156)</u>	<u>2,898,903</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	88,864,815	1,257,465	-	90,122,280
Equipment	17,331,079	275,701	(1,272,478)	16,334,302
Total capital assets, being depreciated	<u>106,195,894</u>	<u>1,533,166</u>	<u>(1,272,478)</u>	<u>106,456,582</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(26,665,321)	(1,992,259)	-	(28,657,580)
Equipment	(15,613,849)	(988,536)	1,187,456	(15,414,929)
Total accumulated depreciation	<u>(42,279,170)</u>	<u>(2,980,795)</u>	<u>1,187,456</u>	<u>(44,072,509)</u>
Governmental activities capital assets, net	<u>\$ 65,128,217</u>	<u>\$ 335,937</u>	<u>\$ (181,178)</u>	<u>\$ 65,282,976</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 269,320
Special	49,462
Other	3,477
<u>Support services:</u>	
Pupil	1,400
Instructional staff	1,417
Administration	5,049
Fiscal	137
Operations and maintenance	2,216,658
Pupil transportation	80,401
Central	318,581
<u>Operation of non-instructional services:</u>	
Food service operations	31,138
Extracurricular activities	3,755
Total depreciation expense	<u>\$ 2,980,795</u>

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2015, the following changes occurred in governmental activities long term obligations:

	Outstanding 6/30/14	Additions	Reductions	Outstanding 6/30/15	Due in One Year
Construction bonds	\$ 1,680,000	\$ -	\$ (690,000)	\$ 990,000	\$ 990,000
2007 refunding bonds:					
2007 current interest and term bonds	53,255,000	-	(35,000)	53,220,000	5,000
Premium on 2007 refunding bonds	3,609,375	-	(206,250)	3,403,125	-
HB 264 energy conservation note	691,422	-	(102,036)	589,386	106,984
2008 HB 264 energy conservation note	271,065	-	(67,766)	203,299	67,766
2014 HB 264 energy conservation note	845,000	-	(45,000)	800,000	45,000
Long Term Bond Anticipation note	1,600,000	1,600,000	(1,600,000)	1,600,000	1,600,000
2015 General Obligation Bonds	-	45,000,000	-	45,000,000	475,000
Premium on 2015 General Obligation Bonds	-	4,510,678	(77,389)	4,433,289	-
Total bonds and notes	<u>61,951,862</u>	<u>51,110,678</u>	<u>(2,823,441)</u>	<u>110,239,099</u>	<u>3,289,750</u>
Capital leases	<u>911,284</u>	<u>-</u>	<u>(733,608)</u>	<u>177,676</u>	<u>48,868</u>
Total long term debt	62,863,146	51,110,678	(3,557,049)	110,416,775	3,338,618
Retirement incentive	138,494	-	(138,494)	-	-
Net Pension Liabilities:					
SERS	15,385,248	-	(2,291,576)	13,093,672	-
STRS	83,359,998	-	(13,379,762)	69,980,236	-
Compensated absences	<u>1,618,503</u>	<u>827,265</u>	<u>(1,610,831)</u>	<u>834,937</u>	<u>51,354</u>
Total governmental activities	<u>\$163,365,389</u>	<u>\$ 51,937,943</u>	<u>\$(20,977,712)</u>	<u>\$194,325,620</u>	<u>\$ 3,389,972</u>

General obligation bonds will be paid from the debt service fund and the HB264 energy conservation notes will be paid from the general fund. Compensated absences will be paid from the fund from which the person is paid, typically the general fund and special revenue funds. Capital lease obligations will be paid from the general fund.

In March 2004, the District issued \$70,800,000 in bonds that was used on various construction projects throughout the District, mainly the construction of new buildings. The interest rates for the bonds are fixed rates (the rate for each year is disclosed in the bond documents) that change from year-to-year. After the refunding, as described below, the outstanding bonds have a final maturity date of December 1, 2015.

On February 27, 2007, the District issued \$60,621,250 in general obligation bonds with an average interest rate of 5.02% of which \$55,465,000 was used to partially advance refund \$56,975,000 of outstanding construction bonds issued in March 2004. The net proceeds of \$59,855,611 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payment on the construction bonds.

*MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)

As a result, \$56,975,000 of the construction bonds are considered to be defeased and the related liability for those bonds has been removed from the statement of net position. At June 30, 2015, \$56,975,000 of bonds outstanding are considered to be defeased. The bonds issued had a premium of \$5,156,250 and have a final maturity date of December 1, 2031.

The reacquisition price exceeded the net carrying amount of the old debt by \$74,841. This amount is being amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

In September 2004, the District issued \$1,421,541 in notes that was used for energy conservation within the District. The interest rate is 4.85% with the maturity date of September 22, 2019. The first payment on the notes was September 22, 2005.

In fiscal year 2008, the District issued \$677,662 in notes that was used for energy conservation within the District. The interest rate is 4.20% with the notes maturing in fiscal year 2018. The first payment on the notes was made in fiscal year 2009.

In fiscal year 2014, the District issued \$845,000 in notes that was used for energy conservation within the District. The interest rate ranges from 3.00% to 4.75% with the notes maturing in fiscal year 2022. The first payment on the notes was made in fiscal year 2015.

In fiscal year 2015, the District issued \$1,600,000 in bond anticipation notes that were used for the Barnitz renovation. On July 10, 2015, the District refunded the notes with a new bond anticipation note for \$1,090,000. The fiscal year 2015 bond anticipation notes were issued at a 1.875% interest rate.

In fiscal year 2015, the District issued \$45,000,000 in general obligations bonds as the local share of the school facilities project. The bonds were issued as serial bonds maturing in December 2034 of \$6,695,000 and three term bonds maturing in December 2031 for \$40,000, maturing in December 2040 for \$11,625,000 and maturing in December 2048 for \$26,640,000. The combined series has an interest rate of 5.23%

Retirement incentive - During fiscal year 2012, the District offered employees a retirement incentive known as The Employee Severance Plan (the "ESP"). This was a one time offer to full time teachers, administrators and classified staff that will have ten or more years of service with the District and were eligible for full or reduced State retirement benefits as of June 30, 2012. The ESP was not available to those who have retired and were subsequently re-hired by the District or for contracted services employees. Teachers and administrators who elected the ESP received \$45,000, plus an amount equivalent to the employee's applicable contractual sick leave pay. Classified staff who elected the ESP received 100% of his or her fiscal year 2012 base salary, not to exceed \$20,000, plus an amount equivalent to the employee's applicable contractual sick leave pay. The remaining \$138,494 was paid during fiscal year 2015.

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)

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

Fiscal Year Ending June 30,	General Obligation Bonds and Notes		
	Principal	Interest	Total
2016	\$ 3,289,750	\$ 5,024,119	\$ 8,313,869
2017	2,044,940	4,929,019	6,973,959
2018	2,045,379	4,855,593	6,900,972
2019	2,263,318	4,766,268	7,029,586
2020	2,514,298	4,660,050	7,174,348
2021-2025	14,750,000	21,485,045	36,235,045
2026-2030	21,735,000	17,074,190	38,809,190
2031-2035	15,495,000	11,397,182	26,892,182
2036-2040	9,270,000	8,912,663	18,182,663
2041-2045	13,685,000	5,917,930	19,602,930
2046-2049	15,310,000	1,675,801	16,985,801
	<u>\$ 102,402,685</u>	<u>\$ 90,697,860</u>	<u>\$ 193,100,545</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2015, are a voted debt margin of \$6,870,681 and an unvoted debt margin of \$659,690. During 2015, the District issued \$45 million of voted general obligation bonds. Since the bonds are a voted bond issue they are excluded from the legal debt margin calculation.

NOTE 10 – SHORT TERM NOTES

On December 16, 2014, the District issued \$3,500,000 in tax anticipation notes at an interest rate of 2.5% for the purpose of cash flow during the local tax collection period of January through April 2015. The notes matured on May 1, 2015.

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - CAPITAL LEASES

In prior years, the District entered into capital leases for copiers and computers.

The leases meet the criteria of capital leases as defined by accounting standards, which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments for the computers and copiers will be made from the general fund.

Equipment, from all prior leases, in the amount of \$2,249,676 has not been capitalized since the assets do not individually meet the District's capitalization threshold. The equipment lease for fiscal year 2014 does qualify for capitalization resulting in \$248,273 being reported on the statement of net position.

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

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2016	\$ 53,554
2017	53,554
2018	53,554
2019	<u>26,777</u>
Total minimum lease payments	187,439
Less: amount representing interest	(9,763)
Total	<u><u>\$177,676</u></u>

NOTE 12 - 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.

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 \$2,000,000 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - RISK MANAGEMENT – (Continued)

Vehicle insurance coverage for the District's non-bus vehicles is provided by Indiana Insurance under a combined liability limit of \$1,000,000 per occurrence for bodily injury and property damage. The buses are provided by Petermann and not considered the District's asset.

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 Health Plan (BHP). The employees share the cost of the monthly premium for the coverage with the District. The District also provides life insurance through Prudential Life Insurance to all employees and access to accidental death and dismemberment insurance through UNUM.

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.

NOTE 13 - PENSION PLANS

Net Pension Liability

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

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

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

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - PENSION PLANS (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – The District's non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - PENSION PLANS (Continued)

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$914,285 for fiscal year 2015. Of this amount \$92,592 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The District's licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - PENSION PLANS (Continued)

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - PENSION PLANS (Continued)

The District's contractually required contribution to STRS was \$3,765,482 for fiscal year 2015. Of this amount \$539,931 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$13,093,672	\$69,980,236	\$83,073,908
Proportion of the Net Pension Liability	0.258720%	0.28770674%	
Pension Expense	\$750,362	\$3,031,544	\$3,781,906

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$111,441	\$673,712	\$785,153
Difference between District contributions and proportionate share of contributions	0	92,051	92,051
District contributions subsequent to the measurement date	<u>914,285</u>	<u>3,765,482</u>	<u>4,679,767</u>
Total Deferred Outflows of Resources	<u><u>\$1,025,726</u></u>	<u><u>\$4,531,245</u></u>	<u><u>\$5,556,971</u></u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$2,125,140	\$12,946,609	\$15,071,749
Difference between District contributions and proportionate share of contributions	<u>96,093</u>	<u>0</u>	<u>96,093</u>
Total Deferred Inflows of Resources	<u><u>\$2,221,233</u></u>	<u><u>\$12,946,609</u></u>	<u><u>\$15,167,842</u></u>

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - PENSION PLANS (Continued)

\$4,679,767 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$533,058)	(\$3,045,211)	(\$3,578,269)
2017	(533,058)	(3,045,211)	(3,578,269)
2018	(533,058)	(3,045,212)	(3,578,270)
2019	<u>(510,618)</u>	<u>(3,045,212)</u>	<u>(3,555,830)</u>
Total	<u>(\$2,109,792)</u>	<u>(\$12,180,846)</u>	<u>(\$14,290,638)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - PENSION PLANS (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	<u>15.00</u>	7.50
 Total	 <u><u>100.00 %</u></u>	

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - PENSION PLANS (Continued)

Discount Rate

The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$18,680,742	\$13,093,672	\$8,394,419

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years; one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - PENSION PLANS (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$100,181,397	\$69,980,236	\$44,434,161

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - PENSION PLANS (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS/STRS Ohio have an option to choose Social Security or SERS/STRS Ohio. As of June 30, 2015, three members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined pension plan the School Employees Retirement System of Ohio (SERS) administers a post-employment benefit plans.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2015, the health care allocation is 0.82 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For the fiscal year June 30, 2015, the minimum compensation level was established at \$20,450. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2015, 2014 and 2013, were \$176,824, \$131,084 and \$133,496, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving dependents. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

The financial reports of SERS' Health Care Plan is included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

State Teachers Retirement System

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$290,027, and \$317,004 respectively. The full amount has been contributed for fiscal years 2014 and 2013.

NOTE 15 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 adverse effect on the overall financial position of the District at June 30, 2015.

B. Litigation

The District is not party to legal proceedings.

*MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO*

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 15 – CONTINGENCIES (Continued)

C. School Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end.

As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 16 - 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 construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2014	\$ -
Current year set-aside requirement	1,079,414
Current year qualifying expenditures	(1,759,186)
Current year offset for bond proceeds carryover	<u>-</u>
Total	<u>\$ (679,772)</u>
Balance carried forward to fiscal year 2016	<u>\$ -</u>
Set-aside balance June 30, 2015	<u><u>\$ -</u></u>

Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years. The District has \$120,014,137 remaining from debt proceeds that will be available in future fiscal years as a capital improvements offset.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$872,984
Building fund	1,001,910
Classroom facilities fund	4,889,293
Nonmajor governmental funds	1,508,847
 Total	 <u><u>\$8,273,034</u></u>

NOTE 18 - FUND BALANCE ALLOCATION

The District has chosen to present the consolidated summary of fund balance classification on the financial statements. The detail of those fund balance classifications is outlined below:

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Construction</u>	<u>Non-Major Funds</u>
Fund Balances:					
Nonspendable:					
Inventory	\$0	\$0	\$0	\$0	\$93,564
Restricted for:					
Debt Service	0	5,446,025	0	0	0
Food Service	0	0	0	0	129,272
Grants	0	0	0	0	292,381
Capital Projects	0	0	15,732,576	31,963,464	0
Committed for:					
Capital Improvements	0	0	0	0	216,852
Assigned to:					
Neediest Kids of All	2,387	0	0	0	0
Public School Support	77,003	0	0	0	0
Encumbrances	400,821	0	0	0	0
Unassigned	(1,204,805)	0	0	0	(24,845)
Total Fund Balances	<u>(\$724,594)</u>	<u>\$5,446,025</u>	<u>\$15,732,576</u>	<u>\$31,963,464</u>	<u>\$707,224</u>

*MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO*

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 18 - FUND BALANCE ALLOCATION (Continued)

The committed fund balance for capital improvements comes from the Board of Education's resolution to transfer funds in prior years into the permanent improvement fund for a specific purpose. The assigned fund balance comes from cash basis funds created by the administration without specific revenue sources causing the cash basis fund being combined into the General Fund under GAAP reporting.

NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	\$7,017,553
Adjustments:	
Net Pension Liability	(98,745,246)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>5,162,605</u>
Restated Net Position June 30, 2014	<u><u>(\$86,565,088)</u></u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

*MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO*

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 20 – SUBSEQUENT EVENTS

On July 1, 2015, the District issued \$2.5 million in tax anticipation notes at an interest rate of 1.75%. The notes will mature on May 3, 2016.

On July 6, 2015, the District issued \$1,090,000 in lease purchase revenue bond anticipation notes that mature on July 5, 2016 at interest rate of 1.75%

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*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2015*

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$30,342,691	\$30,465,133	\$26,939,768	(\$3,525,365)
Intergovernmental	41,262,078	41,428,584	41,223,805	(204,779)
Interest	1,793	1,800	1,512	(288)
Tuition and Fees	1,275,453	1,280,600	1,289,518	8,918
Rent	30,875	31,000	30,478	(522)
Extracurricular Activities	26,194	26,300	24,105	(2,195)
Gifts and Donations	318,823	320,110	320,000	(110)
Customers Sales and Services	141,927	142,500	142,497	(3)
Revenue in Lieu of Taxes	490,023	492,000	492,567	567
Miscellaneous	104,080	104,500	104,143	(357)
Total Revenues	73,993,937	74,292,527	70,568,393	(3,724,134)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	28,285,376	26,861,947	26,125,990	735,957
Special	6,504,855	6,464,952	6,287,827	177,125
Other	10,191,045	14,093,753	13,707,616	386,137
Support Services:				
Pupils	4,783,908	4,138,602	4,025,214	113,388
Instructional Staff	1,082,870	929,931	904,453	25,478
Board of Education	76,204	67,873	66,013	1,860
Administration	4,057,060	4,043,563	3,932,778	110,785
Fiscal	778,710	1,139,613	1,108,390	31,223
Business	254,659	182,319	177,324	4,995
Operation and Maintenance of Plant	6,046,837	7,326,456	7,125,727	200,729
Pupil Transportation	3,892,766	3,999,816	3,890,230	109,586
Central	2,562,118	2,458,741	2,391,377	67,364
Operation of Non-				0
Instructional Services	0	59,521	57,890	1,631
Extracurricular Activities	56,084	86,106	83,747	2,359
Capital Outlay	11,200	13,639	13,265	374
Debt Service:				
Principal Retirement	4,945,529	5,464,518	5,314,802	149,716
Interest and Fiscal Charges	52,000	128,716	125,189	3,527
Total Expenditures	73,581,221	77,460,066	75,337,832	2,122,234
Excess of Revenues over (Under) Expenditures	412,716	(3,167,539)	(4,769,439)	(1,601,900)
<u>Other Financing Sources (Uses):</u>				
Advances In	0	186,000	185,748	(252)
Proceeds from the Sale of Bonds	0	5,128,590	5,128,510	(80)
Proceeds from Sale of Capital Assets	0	340,000	340,087	87
Refund of Prior Year Expenditures	0	484,965	485,445	480
Advances Out	0	0	(167,216)	(167,216)
Transfers Out	0	(804,000)	(803,484)	516
Total Other Financing Sources (Uses)	0	5,335,555	5,169,090	(166,465)
Net Change in Fund Balance	412,716	2,168,016	399,651	(1,768,365)
Fund Balances at Beginning of Year	189,274	189,274	189,274	0
Prior Year Encumbrances Appropriated	1,131,530	1,131,530	1,131,530	0
Fund Balances at End of Year	\$1,733,520	\$3,488,820	\$1,720,455	(\$1,768,365)

See accompanying notes to the required supplementary information

Middletown City School District (the "School District")
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
The School District's Proportion of the Net Pension Liability	0.258720%	0.258720%
The School District's Proportion Share of the Net Pension Liability	\$ 13,093,672	\$ 15,385,248
The School District's Covered-Employee Payroll	6,725,440	6,851,857
The School District's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	194.69%	224.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available

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

Middletown City School District (the "School District")
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Two Fiscal Years (1)

	2014	2013
The School District's Proportion of the Net Pension Liability	0.28770674%	0.28770674%
The School District's Proportion Share of the Net Pension Liability	\$ 69,980,236	\$ 83,359,998
The School District's Covered-Employee Payroll	30,217,564	30,267,971
The School District's Proportion Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	231.59%	275.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available

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

Middletown City School District (the "School District")
 Required Supplementary Information
 Schedule of School District's Contributions
 School Employees Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contributions	\$ 914,285	\$ 932,146	\$ 948,297	\$ 711,941
Contributions in Relation to the Contractually Required Contribution	<u>(914,285)</u>	<u>(932,146)</u>	<u>(948,297)</u>	<u>(711,941)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The School District Covered-Employee Payroll	\$ 6,936,912	\$ 6,725,440	\$ 6,851,857	\$ 5,293,245
Contributions as a Percentage of Covered- Employee Payroll	13.18%	13.86%	13.84%	13.45%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,043,279	\$ 1,090,340	\$ 698,131	\$ 629,439	\$ 722,111	\$ 702,935
<u>(1,043,279)</u>	<u>(1,090,340)</u>	<u>(698,131)</u>	<u>(629,439)</u>	<u>(722,111)</u>	<u>(702,935)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,299,750	\$ 8,052,731	\$ 7,094,831	\$ 6,409,770	\$ 6,761,336	\$ 6,643,999
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Middletown City School District (the "School District")
 Required Supplementary Information
 Schedule of School District's Contributions
 State Teachers Retirement System of Ohio
 Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contributions	\$ 3,765,482	\$ 4,230,459	\$ 4,237,516	\$ 4,277,136
Contributions in Relation to the Contractually Required Contribution	<u>(3,765,482)</u>	<u>(4,230,459)</u>	<u>(4,237,516)</u>	<u>(4,277,136)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The School District Covered-Employee Payroll	\$ 26,896,300	\$ 30,217,564	\$ 30,267,971	\$ 32,901,048
Contributions as a Percentage of Covered- Employee Payroll	14.00%	13.00%	13.00%	13.00%

2011	2010	2009	2008	2007	2006
\$ 4,668,933	\$ 4,798,681	\$ 4,296,776	\$ 3,834,907	\$ 3,990,573	\$ 3,953,533
<u>(4,668,933)</u>	<u>(4,798,681)</u>	<u>(4,296,776)</u>	<u>(3,834,907)</u>	<u>(3,990,573)</u>	<u>(3,953,533)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 35,914,868	\$ 36,912,930	\$ 33,052,125	\$ 29,499,288	\$ 30,696,714	\$ 30,411,796
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 – BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the function level for the General Fund and the fund level for all other funds. The Treasurer has been given the authority to further allocate the Board's appropriations. Any budgetary modifications at the legal level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed by the Board of Education.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 – BUDGETARY PROCESS – (Continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. Budgetary controls require that the appropriation resolution, by fund, be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, these amendments were not significant.

The budgetary figures which appear in the "Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual – General Fund" are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as assigned fund balance in the general fund and within the other funds respective fund balance classifications.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While 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, appropriations and encumbrances.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 – BUDGETARY PROCESS – (Continued)

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

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. Outstanding year-end encumbrances are treated as expenditures for all funds (budget basis) rather than as a assignment of fund balance for governmental fund types (GAAP basis).
4. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
5. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets budget basis.

	General Fund
GAAP Basis	\$298,938
Adjustments:	
Revenue Accruals	3,233,090
Expenditure Accruals	(5,613,300)
Fund budgeted elsewhere	(16,223)
Debt proceeds	3,528,510
Transfers	(176,912)
Advances	18,532
Encumbrances	(872,984)
Budget Basis	\$399,651

MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO
GASB 54 FUNDS

General
Fund

The general fund is used to account for and report all financial resources not accounted for and reported 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. A budgetary schedule for the general fund is presented as part of the required supplementary information. The level of detail presented in that schedule is at the legal level of budgetary control; therefore, a separate additional schedule is not presented.

Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis):

Spotlight and Neediest Kids

To account for all revenues and expenditures related to the Spotlight and Neediest Kids program.

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 expenditures 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.

Public School Support

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

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Combined General Funds
For the Fiscal Year Ended June 30, 2015

	Spotlight and Neediest Kids Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Miscellaneous	\$500	\$500	\$0	(\$500)
Total Revenues	500	500	0	(500)
<u>Expenditures:</u>				
Current:				
Support Services:				
Pupils	180	1,083	249	834
Total Expenditures	180	1,083	249	834
Net Change in Fund Balance	320	(583)	(249)	334
Fund Balances at Beginning of Year	2,636	2,636	2,636	0
Fund Balances at End of Year	<u>\$2,956</u>	<u>\$2,053</u>	<u>\$2,387</u>	<u>\$334</u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Combined General Funds
For the Fiscal Year Ended June 30, 2015*

	Uniform School Supply Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Tuition and Fees	\$0	\$1,370	\$2,374	\$1,004
Total Revenues	0	1,370	2,374	1,004
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	180,000	3,621	1,534	2,087
Total Expenditures	180,000	3,621	1,534	2,087
Excess of Revenues Over (Under) Expenditures	(180,000)	(2,251)	840	3,091
<u>Other Financing Sources (Uses):</u>				
Transfers In	180,000	180,000	176,912	(3,088)
Refund of Prior Year Expenditures	0	150	147	(3)
Advances Out	0	(177,899)	(177,899)	0
Total Other Financing Sources (Uses)	180,000	2,251	(840)	(3,091)
Net Change in Fund Balance	0	0	0	0
Fund Balances at Beginning of Year	0	0	0	0
Fund Balances at End of Year	\$0	\$0	\$0	\$0

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Combined General Funds
For the Fiscal Year Ended June 30, 2015*

	Special Rotary Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Extracurricular Activities	\$200	\$700	\$698	(\$2)
Gifts and Donations	2,000	2,000	1,658	(342)
Total Revenues	<u>2,200</u>	<u>2,700</u>	<u>2,356</u>	<u>(344)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	1,000	613	613	0
Special	6,529	7,535	4,583	2,952
Total Expenditures	<u>7,529</u>	<u>8,148</u>	<u>5,196</u>	<u>2,952</u>
Net Change in Fund Balance	(5,329)	(5,448)	(2,840)	2,608
Fund Balances at Beginning of Year	3,367	3,367	3,367	0
Prior Year Encumbrances Appropriated	<u>2,081</u>	<u>2,081</u>	<u>2,081</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$119</u></u>	<u><u>\$0</u></u>	<u><u>\$2,608</u></u>	<u><u>\$2,608</u></u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Combined General Funds
For the Fiscal Year Ended June 30, 2015*

	Public School Support Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Tuition and Fees	\$4,000	\$8,800	\$8,796	(\$4)
Extracurricular Activities	34,200	45,921	39,185	(6,736)
Gifts and Donations	11,250	17,050	8,495	(8,555)
Miscellaneous	29,838	68,150	64,668	(3,482)
Total Revenues	<u>79,288</u>	<u>139,921</u>	<u>121,144</u>	<u>(18,777)</u>
<u>Expenditures:</u>				
Current:				
Support Services:				
Pupils	33,336	137,700	105,310	32,390
Operation and Maintenance of Plant	0	2,250	2,250	0
Extracurricular Activities	0	130	130	0
Total Expenditures	<u>33,336</u>	<u>140,080</u>	<u>107,690</u>	<u>32,390</u>
Excess of Revenues (Under) Expenditures	45,952	(159)	13,454	13,613
<u>Other Financing Source (Uses):</u>				
Refund of Prior Year Expenditures	0	252	252	0
Transfers In	0	0	251	251
Transfers Out	0	(251)	(251)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>1</u>	<u>252</u>	<u>251</u>
Net Change in Fund Balance	45,952	(158)	13,706	13,864
Fund Balances at Beginning of Year	47,545	47,545	47,545	0
Prior Year Encumbrances Appropriated	15,753	15,753	15,753	0
Fund Balances at End of Year	<u>\$109,250</u>	<u>\$63,140</u>	<u>\$77,004</u>	<u>\$13,864</u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Major Bond Retirement Fund
For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$3,065,000	\$3,315,375	\$4,002,267	\$686,892
Intergovernmental	417,500	417,500	524,251	106,751
Interest	0	1,500	1,017	(483)
Total Revenues	<u>3,482,500</u>	<u>3,734,375</u>	<u>4,527,535</u>	<u>793,160</u>
<u>Expenditures:</u>				
Current:				
Support Services:				
Fiscal	0	72,500	72,039	461
Debt Service:				
Principal Retirement	3,000,000	3,195,000	3,190,595	4,405
Interest and Fiscal Charges	<u>437,208</u>	<u>1,356,427</u>	<u>1,356,427</u>	<u>0</u>
Total Expenditures	<u>3,437,208</u>	<u>4,623,927</u>	<u>4,619,061</u>	<u>4,866</u>
Excess of Revenues Over (Under) Expenditures	45,292	(889,552)	(91,526)	798,026
<u>Other Financing Sources:</u>				
Premium on Sale of Bonds	<u>0</u>	<u>4,122,904</u>	<u>4,122,904</u>	<u>0</u>
Total Other Financing Sources	<u>0</u>	<u>4,122,904</u>	<u>4,122,904</u>	<u>0</u>
Net Change in Fund Balance	45,292	3,233,352	4,031,378	798,026
Fund Balances at Beginning of Year	<u>1,105,839</u>	<u>1,105,839</u>	<u>1,105,839</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$1,151,131</u></u>	<u><u>\$4,339,191</u></u>	<u><u>\$5,137,217</u></u>	<u><u>\$798,026</u></u>

*Middletown City School District
Butler County, Ohio*

Fund Descriptions

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. The following are descriptions of the School District's nonmajor special revenue funds:

Nonmajor Special Revenue Funds

Food Service – It accounts for all food service charges for services, state and federal grants specific to the fund service activity, as well as related food service expenditures.

Other Grant – This fund accounts for the proceeds of specific revenue sources, except for state and federal grants that are legally restricted to expenditures for specified purposes.

District Managed Activities – This fund accounts for those student activity programs that have student participation in the activity, but do not have student management of the programs.

Auxiliary Services – This fund accounts for monies which provide services and materials to pupils attending non-public schools within the School District.

Public Preschool Grant – This fund accounts the costs of preschool programs for three to four year olds.

Data Communications Grant - This fund provides to account for money appropriated for Ohio Educational Computer Network Connections.

Alternative Schools – A fund used to account for alternative educational programs for existing and new at-risk and delinquent youth. Programs shall be focused on youth in one or more of the following categories: those who have been expelled or suspended, those who have dropped out of school or who are at risk of dropping out of school, those who are habitually truant or disruptive, or those on probation or on parole from a Department of Youth Services' facility.

Miscellaneous State Grants – This fund accounts for various monies received from State agencies that are not classified elsewhere. A separate special cost center must be used for each grant and be approved by the Auditor of State.

Middletown City School District
Butler County, Ohio

Fund Descriptions
Nonmajor Special Revenue Funds (continued)

Adult Basic Education – This fund accounts for instructional programs for persons sixteen year of age or older who are not enrolled in secondary school and who have less than a twelfth-grade education or its equivalent.

Race to the Top Grant – This fund provides for either a new program or expansion of an existing program to support initiatives in the following areas: Standards and Assessments; Using Data to improve Instruction; Great Teachers and Leaders; and Turning Around the Lowest- Achieving Schools.

Title VI-B Grant – This fund accounts for federal funds for the provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels and to assist in the training of teachers, supervisors and other specialists in providing educational services to the handicapped.

Title III Grant - This fund accounts for the School to develop and carry out elementary and secondary school programs, including activities at the pre-school level, to meet the educational needs of children of limited English proficiency.

Title I Grant – This fund accounts for federal funds expended for services provided to meet special educational needs of educationally deprived children.

EHA Preschool Grant – The Preschool Grant Program, Section 619 of Public Law 99-457, addresses the improvement and expansion of services for handicapped children ages three (3) through five (5) years.

Improving Teacher Quality Grant – This fund accounts for federal funds to be used to support the teachers in grades 1 through 3, so that the number of students per teacher will be reduced.

Miscellaneous Federal Grants – This fund accounts for other minor federal funds classified by the Ohio Department of Education to be recorded in this fund.

***Middletown City School District
Butler County, Ohio***

Fund Descriptions

Capital Projects Funds

The Capital Projects Funds are used to account for the financing and acquisition or construction of major capital facilities, such as new school buildings or additions to existing buildings, and for major renovation projects including equipment purchases. The following is a description of the School District's nonmajor capital project funds:

Nonmajor Capital Projects Funds

Permanent Improvement Fund – This fund accounts for all transactions related to the acquiring, constructing, or improving of such permanent improvements as defined in the Ohio Revised Code.

*Middletown City School District
Butler County, Ohio
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2015*

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets:</u>			
Equity in Pooled Cash and Investments	\$ 490,626	\$ 200,298	\$ 690,924
Receivables:			
Property and Other Taxes	-	278,767	278,767
Intergovernmental	3,485,399	-	3,485,399
Materials and Supplies Inventory	93,564	-	93,564
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>4,069,589</u>	<u>479,065</u>	<u>4,548,654</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>			
<u>Liabilities:</u>			
Payables:			
Accounts	571,836	-	571,836
Intergovernmental	152,156	-	152,156
Accrued Wages and Benefits Payable	298,891	-	298,891
Interfund	167,216	-	167,216
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,190,099</u>	<u>-</u>	<u>1,190,099</u>
<u>Deferred Inflows of Resources:</u>			
Intergovernmental Revenue	2,389,118	-	2,389,118
Property Taxes	-	262,213	262,213
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>2,389,118</u>	<u>262,213</u>	<u>2,651,331</u>
<u>Fund Balances:</u>			
Nonspendable	93,564	-	93,564
Restricted	421,653	-	421,653
Committed	-	216,852	216,852
Unassigned (Deficit)	(24,845)	-	(24,845)
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>490,372</u>	<u>216,852</u>	<u>707,224</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 4,069,589</u>	<u>\$ 479,065</u>	<u>\$ 4,548,654</u>

*Middletown City School District
Butler County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2015*

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues:			
Property and Other Taxes	\$ -	\$ 220,051	\$ 220,051
Intergovernmental	10,288,287	23,429	10,311,716
Charges for Services	153,619	-	153,619
Interest	149	-	149
Gifts and Donations	37,295	-	37,295
Extracurricular Activities	179,278	-	179,278
Miscellaneous	12,853	-	12,853
Total Revenues	10,671,481	243,480	10,914,961
Expenditures:			
Current:			
Instruction:			
Regular	499,463	-	499,463
Special	2,789,287	-	2,789,287
Vocational	2,709	-	2,709
Adult/Continuing	182	-	182
Support Services:			
Pupils	241,350	-	241,350
Instructional Staff	1,258,010	-	1,258,010
Administration	384,437	-	384,437
Fiscal	67,075	5,296	72,371
Business	8,432	-	8,432
Operation and Maintenance of Plant	446,893	5,857	452,750
Pupil Transportation	69,859	-	69,859
Central	2,575	627	3,202
Operation of Non-Instructional Services	4,696,476	-	4,696,476
Extracurricular Activities	844,790	-	844,790
Capital Outlay	-	44,818	44,818
Total Expenditures	11,311,538	56,598	11,368,136
Excess of Revenues Over (Under) Expenditures	(640,057)	186,882	(453,175)
Other Financing Sources			
Transfers - In	626,572	-	626,572
Total Other Financing Sources	626,572	-	626,572
Net Change in Fund Balances	(13,485)	186,882	173,397
Fund Balances - beginning	503,857	29,970	533,827
Fund Balances - ending	<u>\$ 490,372</u>	<u>\$ 216,852</u>	<u>\$ 707,224</u>

*Middletown City School District
Butler County, Ohio
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2015*

	Food Service	Other Grant	District Managed Activities	Auxiliary Services	Public Preschool Grant
<u>Assets:</u>					
Equity in Pooled Cash and Investments	\$ 250,265	\$ 88,073	\$ 32,662	\$ 57,286	\$ 1
Receivables:					
Intergovernmental	14,469	-	9,667	-	-
Materials and Supplies Inventory	93,564	-	-	-	-
Total Assets	<u>358,298</u>	<u>88,073</u>	<u>42,329</u>	<u>57,286</u>	<u>1</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>					
<u>Liabilities:</u>					
Payables:					
Accounts	68,333	6,319	8,897	16,310	-
Intergovernmental	52,660	252	27,786	6,428	-
Accrued Wages and Benefits Payable	-	1,382	-	34,727	-
Interfund	-	-	17,588	-	-
Total Liabilities	<u>120,993</u>	<u>7,953</u>	<u>54,271</u>	<u>57,465</u>	<u>-</u>
<u>Deferred Inflows of Resources:</u>					
Intergovernmental Revenue	14,469	-	9,667	-	-
Total Deferred Inflows of Resources	<u>14,469</u>	<u>-</u>	<u>9,667</u>	<u>-</u>	<u>-</u>
<u>Fund Balances:</u>					
Nonspendable	93,564	-	-	-	-
Restricted	129,272	80,120	-	-	1
Unassigned	-	-	(21,609)	(179)	-
Total Fund Balances (Deficit)	<u>222,836</u>	<u>80,120</u>	<u>(21,609)</u>	<u>(179)</u>	<u>1</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 358,298</u>	<u>\$ 88,073</u>	<u>\$ 42,329</u>	<u>\$ 57,286</u>	<u>\$ 1</u>

*Middletown City School District
Butler County, Ohio
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2015*

Alternative Schools	Miscellaneous State Grants	Race to the Top Grant	Title VI-B Grant	Title III Grant
\$ 160	\$ 35,408	\$ 1,667	\$ 21,455	\$ 212
11,366	-	-	404,166	12,808
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>11,526</u>	<u>35,408</u>	<u>1,667</u>	<u>425,621</u>	<u>13,020</u>
-	-	-	58,717	213
4,211	175	3,018	26,575	172
7,555	-	-	103,094	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>99,397</u>	<u>-</u>
<u>11,766</u>	<u>175</u>	<u>3,018</u>	<u>287,783</u>	<u>385</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>107,061</u>	<u>12,808</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>107,061</u>	<u>12,808</u>
-	-	-	-	-
-	35,233	-	30,777	-
<u>(240)</u>	<u>-</u>	<u>(1,351)</u>	<u>-</u>	<u>(173)</u>
<u>(240)</u>	<u>35,233</u>	<u>(1,351)</u>	<u>30,777</u>	<u>(173)</u>
<u>\$ 11,526</u>	<u>\$ 35,408</u>	<u>\$ 1,667</u>	<u>\$ 425,621</u>	<u>\$ 13,020</u>

(continued)

*Middletown City School District
Butler County, Ohio
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2015
(Continued)*

	Title I Grant	EHA Preschool Grant	Teacher Quality	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
<u>Assets:</u>					
Equity in Pooled Cash and Investments	\$ 1	\$ 1	\$ 2	\$ 3,433	\$ 490,626
Receivables:					
Intergovernmental	2,406,453	25,281	601,189	-	3,485,399
Materials and Supplies Inventory	-	-	-	-	93,564
Total Assets	<u>2,406,454</u>	<u>25,282</u>	<u>601,191</u>	<u>3,433</u>	<u>4,069,589</u>
<u>Liabilities, Deferred Inflows and Fund Balances</u>					
<u>Liabilities:</u>					
Payables:					
Accounts	377,207	25,281	10,559	-	571,836
Intergovernmental	27,330	-	3,549	-	152,156
Accrued Wages and Benefits Payable	145,167	-	6,966	-	298,891
Interfund	19,868	-	30,363	-	167,216
Total Liabilities	<u>569,572</u>	<u>25,281</u>	<u>51,437</u>	<u>-</u>	<u>1,190,099</u>
<u>Deferred Inflows of Resources:</u>					
Intergovernmental Revenue	<u>1,694,066</u>	<u>-</u>	<u>551,047</u>	<u>-</u>	<u>2,389,118</u>
Total Deferred Inflows of Resources	<u>1,694,066</u>	<u>-</u>	<u>551,047</u>	<u>-</u>	<u>2,389,118</u>
<u>Fund Balances:</u>					
Nonspendable	-	-	-	-	93,564
Restricted	142,816	1	-	3,433	421,653
Unassigned	-	-	(1,293)	-	(24,845)
Total Fund Balances (Deficit)	<u>142,816</u>	<u>1</u>	<u>(1,293)</u>	<u>3,433</u>	<u>490,372</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 2,406,454</u>	<u>\$ 25,282</u>	<u>\$ 601,191</u>	<u>\$ 3,433</u>	<u>\$ 4,069,589</u>

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*Middletown City School District
Butler County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015*

	Food Service	Other Grant	District Managed Activities	Auxiliary Services	Public Preschool Grant
Revenues:					
Intergovernmental	\$ 4,202,374	\$ 81,234	\$ -	\$ 643,232	\$ 420,023
Charges for Services	153,619	-	-	-	-
Interest	74	-	-	75	-
Gifts and Donations	-	35,824	1,471	-	-
Extracurricular Activities	-	-	179,278	-	-
Miscellaneous	242	1,025	11,586	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	4,356,309	118,083	192,335	643,307	420,023
Expenditures:					
Current:					
Instruction:					
Regular	-	50,103	-	-	313,952
Special	-	1,285	-	-	-
Vocational	-	2,709	-	-	-
Adult/Continuing	-	-	-	-	-
Support Services:					
Pupils	-	-	-	-	-
Instructional Staff	-	48,103	-	-	-
Administration	-	-	-	-	-
Fiscal	-	-	-	-	-
Business	-	-	-	-	-
Operation and Maintenance of Plant	446,698	195	-	-	-
Pupil Transportation	-	-	-	-	-
Central	-	2,575	-	-	-
Operation of Non-Instructional Services	3,894,011	-	-	722,476	-
Extracurricular Activities	-	1,800	842,990	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	4,340,709	106,770	842,990	722,476	313,952
Excess (deficiency) of Revenues Over (Under) Expenditures	15,600	11,313	(650,655)	(79,169)	106,071
Other Financing Sources					
Transfers - In	-	2,547	624,025	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	-	2,547	624,025	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	15,600	13,860	(26,630)	(79,169)	106,071
Fund Balances (deficit) - beginning	207,236	66,260	5,021	78,990	(106,070)
Fund Balances (deficit) - ending	<u>\$ 222,836</u>	<u>\$ 80,120</u>	<u>\$ (21,609)</u>	<u>\$ (179)</u>	<u>\$ 1</u>

*Middletown City School District
Butler County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015*

Data Communications Grant	Alternative Schools	Miscellaneous State Grants	Adult Basic Education	Race to the Top Grant
\$ 18,000	\$ 139,274	\$ 25,000	\$ -	\$ 47,311
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
18,000	139,274	25,000	-	47,311
-	133,203	387	-	-
-	-	-	-	-
-	-	-	182	-
-	-	-	-	37,454
18,000	103	24,557	-	24,694
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
18,000	133,306	24,944	182	62,148
-	5,968	56	(182)	(14,837)
-	-	-	-	-
-	-	-	-	-
-	5,968	56	(182)	(14,837)
-	(6,208)	35,177	182	13,486
\$ -	\$ (240)	\$ 35,233	\$ -	\$ (1,351)

(continued)

*Middletown City School District
Butler County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015
(continued)*

	Title VI-B Grant	Title III Grant	Title I Grant
Revenues:			
Intergovernmental	\$ 1,916,072	\$ 49,720	\$ 2,341,744
Charges for Services	-	-	-
Interest	-	-	-
Gifts and Donations	-	-	-
Extracurricular Activities	-	-	-
Miscellaneous	-	-	-
Total Revenues	1,916,072	49,720	2,341,744
Expenditures:			
Current:			
Instruction:			
Regular	-	1,818	-
Special	1,276,919	-	1,485,803
Vocational	-	-	-
Adult/Continuing	-	-	-
Support Services:			
Pupils	153,321	48,887	20
Instructional Staff	37,430	-	682,212
Administration	328,543	-	55,894
Fiscal	33,785	-	33,290
Business	-	-	8,432
Operation and Maintenance of Plant	-	-	-
Pupil Transportation	59,767	-	10,092
Central	-	-	-
Operation of Non-Instructional Services	38,202	-	41,787
Extracurricular Activities	-	-	-
Total Expenditures	1,927,967	50,705	2,317,530
Excess (deficiency) of Revenues Over (Under) Expenditures	(11,895)	(985)	24,214
Other Financing Sources			
Transfers - In	-	-	-
Total Other Financing Sources	-	-	-
Net Change in Fund Balances	(11,895)	(985)	24,214
Fund Balances (deficit) - beginning	42,672	812	118,602
Fund Balances (deficit) - ending	<u>\$ 30,777</u>	<u>\$ (173)</u>	<u>\$ 142,816</u>

*Middletown City School District
Butler County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015
(continued)*

EHA Preschool Grant	Improving Teacher Quality	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ 25,281	\$ 379,022	\$ -	\$ 10,288,287
-	-	-	153,619
-	-	-	149
-	-	-	37,295
-	-	-	179,278
-	-	-	12,853
<u>25,281</u>	<u>379,022</u>	<u>-</u>	<u>10,671,481</u>
-	-	-	499,463
25,280	-	-	2,789,287
-	-	-	2,709
-	-	-	182
-	-	1,668	241,350
-	403,693	19,218	1,258,010
-	-	-	384,437
-	-	-	67,075
-	-	-	8,432
-	-	-	446,893
-	-	-	69,859
-	-	-	2,575
-	-	-	4,696,476
-	-	-	844,790
<u>25,280</u>	<u>403,693</u>	<u>20,886</u>	<u>11,311,538</u>
1	(24,671)	(20,886)	(640,057)
<u>-</u>	<u>-</u>	<u>-</u>	<u>626,572</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>626,572</u>
1	(24,671)	(20,886)	(13,485)
<u>-</u>	<u>23,378</u>	<u>24,319</u>	<u>503,857</u>
<u>\$ 1</u>	<u>\$ (1,293)</u>	<u>\$ 3,433</u>	<u>\$ 490,372</u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015*

	Food Service Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$4,170,000	\$4,257,000	\$4,006,090	(\$250,910)
Interest	200	200	74	(126)
Charges for Services	112,000	176,500	154,235	(22,265)
Miscellaneous	0	250	242	(8)
Total Revenues	<u>4,282,200</u>	<u>4,433,950</u>	<u>4,160,641</u>	<u>(273,309)</u>
<u>Expenditures:</u>				
Current:				
Support Services:				
Fiscal	60,000	60,000	60,000	0
Operation and Maintenance of Plant	350,000	395,992	394,038	1,954
Operation of Non-Instructional Services	3,798,126	4,154,333	3,997,628	156,705
Total Expenditures	<u>4,208,126</u>	<u>4,610,325</u>	<u>4,451,666</u>	<u>158,659</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	74,074	(176,375)	(291,025)	(114,650)
<u>Other Financing Sources:</u>				
Refund of Prior Year Expenditures	0	328,474	328,474	0
Total Other Financing Sources	<u>0</u>	<u>328,474</u>	<u>328,474</u>	<u>0</u>
Net Change in Fund Balance	74,074	152,099	37,449	(114,650)
Fund Balances at Beginning of Year	105,448	105,448	105,448	0
Prior Year Encumbrances Appropriated	<u>8,126</u>	<u>8,126</u>	<u>8,126</u>	<u>0</u>
Fund Balances at End of Year	<u>\$187,648</u>	<u>\$265,673</u>	<u>\$151,023</u>	<u>(\$114,650)</u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015*

	Other Grants			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$18,300	\$81,234	\$81,234	\$0
Extracurricular Activities	200	200	0	(200)
Gifts and Donations	48,200	43,798	35,824	(7,974)
Miscellaneous	0	1,000	1,025	25
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	66,700	126,232	118,083	(8,149)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	54,171	73,489	66,830	6,659
Special	10,000	10,000	6,819	3,181
Vocational	2,765	2,765	2,709	56
Other				0
Support Services:				
Pupils	2,000	2,000	0	2,000
Instructional Staff	49,401	49,401	49,332	69
Administration	508	508	508	0
Operation and Maintenance of Plant	195	195	195	0
Central	3,504	3,504	2,579	925
Extracurricular Activities	0	0	1,800	(1,800)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	122,544	141,862	130,772	11,090
Excess of Revenues Over (Under) Expenditures	(55,844)	(15,630)	(12,689)	2,941
<u>Other Financing Sources:</u>				
Refund of Prior Year Expenditures	0	253	263	10
Transfers In	0	0	2,547	2,547
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	0	253	2,810	2,557
Net Change in Fund Balance	(55,844)	(15,377)	(9,879)	5,498
Fund Balances at Beginning of Year	63,423	63,423	63,423	0
Prior Year Encumbrances Appropriated	8,541	8,541	8,541	0
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances at End of Year	<u>\$16,120</u>	<u>\$56,587</u>	<u>\$62,085</u>	<u>\$5,498</u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015*

	District Managed Activities			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Extracurricular Activities	\$401,000	\$196,000	\$177,135	(\$18,865)
Gifts and Donations	3,000	5,000	1,471	(3,529)
Miscellaneous	6,000	16,000	14,002	(1,998)
Total Revenues	<u>410,000</u>	<u>217,000</u>	<u>192,608</u>	<u>(24,392)</u>
<u>Expenditures:</u>				
Current:				
Extracurricular Activities	684,486	1,030,002	864,360	165,642
Total Expenditures	<u>684,486</u>	<u>1,030,002</u>	<u>864,360</u>	<u>165,642</u>
Excess of Revenues (Under) Expenditures	(274,486)	(813,002)	(671,752)	141,250
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	0	11,302	11,302
Refund of Prior Year Receipts	0	(2,416)	(2,416)	0
Advances In	850,000	0	17,588	17,588
Advances Out	(535,610)	0	0	0
Transfers In	0	773,757	626,168	(147,589)
Total Other Financing Sources (Uses)	<u>314,390</u>	<u>771,341</u>	<u>652,642</u>	<u>(118,699)</u>
Net Change in Fund Balance	39,904	(41,661)	(19,110)	22,551
Fund Balances at Beginning of Year	21,566	21,566	21,566	0
Prior Year Encumbrances Appropriated	<u>20,095</u>	<u>20,095</u>	<u>20,095</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$81,565</u></u>	<u><u>\$0</u></u>	<u><u>\$22,551</u></u>	<u><u>\$22,551</u></u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015*

	Auxiliary Services			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$640,000	\$667,554	\$643,232	(\$24,322)
Interest	100	200	75	(125)
Total Revenues	<u>640,100</u>	<u>667,754</u>	<u>643,307</u>	<u>(24,447)</u>
<u>Expenditures:</u>				
Current:				
Operation of Non- Instructional Services	<u>726,576</u>	<u>834,365</u>	<u>774,920</u>	<u>59,445</u>
Total Expenditures	<u>726,576</u>	<u>834,365</u>	<u>774,920</u>	<u>59,445</u>
Excess of Revenues Over (Under) Expenditures	(86,476)	(166,611)	(131,613)	34,998
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	620	1,725	1,105
Transfers In	0	62,432	62,432	0
Transfers Out	<u>0</u>	<u>(62,432)</u>	<u>(62,432)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>620</u>	<u>1,725</u>	<u>1,105</u>
Net Change in Fund Balance	(86,476)	(165,991)	(129,888)	36,103
Fund Balances at Beginning of Year	89,411	89,411	89,411	0
Prior Year Encumbrances Appropriated	<u>76,580</u>	<u>76,580</u>	<u>76,580</u>	<u>0</u>
Fund Balances at End of Year	<u>\$79,515</u>	<u>\$0</u>	<u>\$36,103</u>	<u>\$36,103</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	Public School Preschool			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$280,000	\$420,023	\$420,023	\$0
Total Revenues	280,000	420,023	420,023	0
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	280,000	420,023	420,022	1
Total Expenditures	280,000	420,023	420,022	1
Net Change in Fund Balance	0	0	1	1
Fund Balances at Beginning of Year	0	0	0	0
Fund Balances at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$1</u>	<u>\$1</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	Data Communications Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$18,000	\$18,000	\$18,000	\$0
Total Revenues	18,000	18,000	18,000	0
<u>Expenditures:</u>				
Current:				
Support Services:				
Instructional Staff	18,000	18,000	18,000	0
Total Expenditures	18,000	18,000	18,000	0
Net Change in Fund Balance	0	0	0	0
Fund Balances at Beginning of Year	0	0	0	0
Fund Balances at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015*

	Alternative Schools			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$140,729	\$145,003	\$133,637	(\$11,366)
Total Revenues	140,729	145,003	133,637	(11,366)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	152,244	157,062	145,536	11,526
Support Services:				
Instructional Staff	0	103	103	0
Total Expenditures	152,244	157,165	145,639	11,526
Excess of Revenues Over (Under) Expenditures	(11,515)	(12,162)	(12,002)	160
<u>Other Financing Sources:</u>				
Refund of Prior Year Expenditures	0	590	590	0
Total Other Financing Sources	0	590	590	0
Net Change in Fund Balance	(11,515)	(11,572)	(11,412)	160
Fund Balances (Deficit) at Beginning of Year	(5,190)	(5,190)	(5,190)	0
Prior Year Encumbrances Appropriated	16,762	16,762	16,762	0
Fund Balances at End of Year	<u>\$57</u>	<u>\$0</u>	<u>\$160</u>	<u>\$160</u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015*

	Miscellaneous State Grants			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$320,868	\$45,869	\$33,475	(\$12,394)
Total Revenues	320,868	45,869	33,475	(12,394)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	500	387	387	0
Support Services:				
Instructional Staff	66,432	33,476	25,944	7,532
Pupil Transportation	600	630	626	4
Total Expenditures	67,532	34,493	26,957	7,536
Excess of Revenues Over (Under) Expenditures	253,336	11,376	6,518	(4,858)
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	945	945	0
Advances Out	0	(7,848)	(7,848)	0
Total Other Financing Sources (Uses)	0	(6,903)	(6,903)	0
Net Change in Fund Balance	253,336	4,473	(385)	(4,858)
Fund Balances at Beginning of Year	28,261	28,261	28,261	0
Prior Year Encumbrances Appropriated	7,532	7,532	7,532	0
Fund Balances at End of Year	<u>\$289,129</u>	<u>\$40,266</u>	<u>\$35,408</u>	<u>(\$4,858)</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	Adult Basic Education			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Total Revenues	\$0	\$0	\$0	\$0
<u>Expenditures:</u>				
Total Expenditures	0	0	0	0
Excess of Revenues Over (Under) Expenditures	0	0	0	0
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	1,045	1,045	0
Refund of Prior Year Receipts	0	(1,227)	(1,227)	0
Total Other Financing Sources (Uses)	0	(182)	(182)	0
Net Change in Fund Balance	0	(182)	(182)	0
Fund Balances at Beginning of Year	182	182	182	0
Fund Balances at End of Year	<u>\$182</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015*

	Race to the Top Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$189,000	\$175,822	\$167,410	(\$8,412)
Total Revenues	189,000	175,822	167,410	(8,412)
<u>Expenditures:</u>				
Current:				
Support Services:				
Pupils	34,608	34,608	34,608	0
Instructional Staff	159,399	149,540	139,459	10,081
Administration	28,553	28,553	28,553	0
Total Expenditures	222,560	212,701	202,620	10,081
Excess of Revenues Over (Under) Expenditures	(33,560)	(36,879)	(35,210)	1,669
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	2,544	2,544	0
Transfers In	0	3,015	3,015	0
Transfers Out	0	(3,015)	(3,015)	0
Total Other Financing Sources (Uses)	0	2,544	2,544	0
Net Change in Fund Balance	(33,560)	(34,335)	(32,666)	1,669
Fund Balances (Deficit) at Beginning of Year	(128,223)	(128,223)	(128,223)	0
Prior Year Encumbrances Appropriated	162,560	162,560	162,560	0
Fund Balances at End of Year	\$777	\$2	\$1,671	\$1,669

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	Title VI-B Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$2,331,000	\$2,281,737	\$1,882,658	(\$399,079)
Total Revenues	2,331,000	2,281,737	1,882,658	(399,079)
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	1,308,537	1,572,248	1,489,609	82,639
Support Services:				
Pupils	209,669	209,669	197,430	12,239
Instructional Staff	149,086	149,086	69,515	79,571
Administration	358,787	358,787	335,264	23,523
Fiscal	31,000	31,000	31,000	0
Pupil Transportation	85,000	85,000	61,264	23,736
Operation of Non- Instructional Services	67,272	67,272	36,563	30,709
Total Expenditures	2,209,351	2,473,062	2,220,645	252,417
Excess of Revenues Over (Under) Expenditures	121,649	(191,325)	(337,987)	(146,662)
<u>Other Financing Sources:</u>				
Refund of Prior Year Expenditures	0	10,634	10,634	0
Advances In	0	0	99,397	99,397
Total Other Financing Sources	0	10,634	110,031	99,397
Net Change in Fund Balance	121,649	(180,691)	(227,956)	(47,265)
Fund Balances (Deficit) at Beginning of Year	(227,235)	(227,235)	(227,235)	0
Prior Year Encumbrances Appropriated	407,947	407,947	407,947	0
Fund Balances (Deficit) at End of Year	<u>\$302,361</u>	<u>\$21</u>	<u>(\$47,244)</u>	<u>(\$47,265)</u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015*

	Title III Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$71,000	\$72,338	\$55,452	(\$16,886)
Total Revenues	71,000	72,338	55,452	(16,886)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	1,640	2,032	1,818	214
Support Services:				
Pupils	44,986	76,270	59,386	16,884
Total Expenditures	46,626	78,302	61,204	17,098
Excess of Revenues Over (Under) Expenditures	24,374	(5,964)	(5,752)	212
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	1,416	1,416	0
Transfers In	0	2,644	2,644	0
Transfers Out	0	(2,644)	(2,644)	0
Total Other Financing Sources (Uses)	0	1,416	1,416	0
Net Change in Fund Balance	24,374	(4,548)	(4,336)	212
Fund Balances (Deficit) at Beginning of Year	(5,918)	(5,918)	(5,918)	0
Prior Year Encumbrances Appropriated	10,466	10,466	10,466	0
Fund Balances at End of Year	<u>\$28,922</u>	<u>\$0</u>	<u>\$212</u>	<u>\$212</u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015*

	Title I Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$3,854,000	\$4,267,743	\$1,904,357	(\$2,363,386)
Total Revenues	3,854,000	4,267,743	1,904,357	(2,363,386)
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	1,732,592	2,292,895	2,236,564	56,331
Support Services:				
Pupils	5,176	6,850	20	6,830
Instructional Staff	1,355,938	1,794,435	881,308	913,127
Administration	65,282	86,393	65,502	20,891
Fiscal	26,447	35,000	35,000	0
Business	22,669	30,000	30,000	0
Pupil Transportation	34,759	46,000	13,831	32,169
Operation of Non- Instructional Services	130,225	172,339	63,986	108,353
Total Expenditures	3,373,088	4,463,912	3,326,211	1,137,701
Excess of Revenues Over (Under) Expenditures	480,912	(196,169)	(1,421,854)	(1,225,685)
<u>Other Financing Sources (Uses):</u>				
Advances In	0	0	19,868	19,868
Refund of Prior Year Expenditures	0	17,290	17,290	0
Transfers In	0	18,376	18,376	0
Transfers Out	0	(18,376)	(18,376)	0
Total Other Financing Sources (Uses)	0	17,290	37,158	19,868
Net Change in Fund Balance	480,912	(178,879)	(1,384,696)	(1,205,817)
Fund Balances (Deficit) at Beginning of Year	(226,006)	(226,006)	(226,006)	0
Prior Year Encumbrances Appropriated	404,886	404,886	404,886	0
Fund Balances (Deficit) at End of Year	<u>\$659,792</u>	<u>\$1</u>	<u>(\$1,205,816)</u>	<u>(\$1,205,817)</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	EHA Preschool Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$25,281	\$25,281	\$0	(\$25,281)
Total Revenues	25,281	25,281	0	(25,281)
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	25,281	25,281	25,281	0
Total Expenditures	25,281	25,281	25,281	0
Net Change in Fund Balance	0	0	(25,281)	(25,281)
Fund Balances at Beginning of Year	0	0	0	0
Fund Balances (Deficit) at End of Year	<u>\$0</u>	<u>\$0</u>	<u>(\$25,281)</u>	<u>(\$25,281)</u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015*

	Improving Teacher Quality			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$507,000	\$949,862	\$343,880	(\$605,982)
Total Revenues	507,000	949,862	343,880	(605,982)
<u>Expenditures:</u>				
Current:				
Support Services:				
Instructional Staff	511,053	964,169	412,677	551,492
Fiscal	10,000	7,850	7,850	0
Total Expenditures	521,053	972,019	420,527	551,492
Excess of Revenues Over (Under) Expenditures	(14,053)	(22,157)	(76,647)	(54,490)
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	1,233	1,233	0
Advances In	0	0	30,363	30,363
Transfers In	0	17,377	17,377	0
Transfers Out	0	(17,377)	(17,377)	0
Total Other Financing Sources (Uses)	0	1,233	31,596	30,363
Net Change in Fund Balance	(14,053)	(20,924)	(45,051)	(24,127)
Fund Balances (Deficit) at Beginning of Year	(6,897)	(6,897)	(6,897)	0
Prior Year Encumbrances Appropriated	27,821	27,821	27,821	0
Fund Balances (Deficit) at End of Year	<u>\$6,871</u>	<u>\$0</u>	<u>(\$24,127)</u>	<u>(\$24,127)</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	Miscellaneous Federal Grants			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Total Revenues	\$0	\$0	\$0	\$0
<u>Expenditures:</u>				
Current:				
Support Services:				
Pupils	4,319	4,319	1,668	2,651
Instructional Staff	20,000	20,000	19,218	782
Total Expenditures	24,319	24,319	20,886	3,433
Net Change in Fund Balance	(24,319)	(24,319)	(20,886)	3,433
Fund Balances at Beginning of Year	24,319	24,319	24,319	0
Fund Balances at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$3,433</u>	<u>\$3,433</u>

*Middletown City School District
Butler County, Ohio
Combining Balance Sheet - Nonmajor Capital Projects Fund
June 30, 2015*

	Permanent Improvement
<u>Assets:</u>	
Equity in Pooled Cash and Investments	\$ 200,298
Receivables:	
Property and Other Taxes	278,767
Total Assets	479,065
<u>Liabilities, Deferred Inflows and Fund Balances</u>	
<u>Liabilities:</u>	
Total Liabilities	-
<u>Deferred Inflows of Resources:</u>	
Property Taxes	262,213
Total Deferred Inflows of Resources	262,213
<u>Fund Balances:</u>	
Committed	216,852
Total Fund Balances	216,852
Total Liabilities, Deferred Inflows and Fund Balances	\$ 479,065

Middletown City School District
Butler County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Capital Projects Fund
For the Fiscal Year Ended June 30, 2015

	Permanent Improvement
<u>Revenues:</u>	
Property and other taxes	\$ 220,051
Intergovernmental	23,429
	243,480
Total Revenues	243,480
<u>Expenditures:</u>	
Current:	
Support Services:	
Fiscal	5,296
Operation and Maintenance of Plant	5,857
Central	627
Capital Outlay	44,818
	56,598
Total Expenditures	56,598
Net Change in Fund Balances	186,882
Fund Balances - beginning	29,970
Fund Balances - ending	\$ 216,852

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Capital Projects Fund
For the Fiscal Year Ended June 30, 2015*

	Permanent Improvement			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$285,150	\$465,000	\$229,340	(\$235,660)
Intergovernmental	25,000	20,150	23,429	3,279
Total Revenues	310,150	485,150	252,769	(232,381)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	12,727	12,727	12,727	0
Support Services:				
Fiscal	1,631	1,631	5,296	(3,665)
Operation and Maintenance of Plant	5,857	5,857	5,857	0
Central	4,753	4,753	627	4,126
Capital Outlay	287,322	481,517	71,646	409,871
Total Expenditures	312,290	506,485	96,153	410,332
Excess of Revenues Over (Under) Expenditures	(2,140)	(21,335)	156,616	177,951
<u>Other Financing Sources</u>				
Refund of Prior Year Expenditures	0	4,482	4,482	0
Total Other Financing Sources	0	4,482	4,482	0
Net Change in Fund Balance	(2,140)	(16,853)	161,098	177,951
Fund Balances at Beginning of Year	1	1	1	0
Prior Year Encumbrances Appropriated	16,852	16,852	16,852	0
Fund Balances at End of Year	\$14,713	\$0	\$177,951	\$177,951

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Major Capital Projects Funds
For the Fiscal Year Ended June 30, 2015

	Building Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Total Revenues	\$0	\$0	\$0	\$0
<u>Expenditures:</u>				
Capital Outlay	0	16,085,677	1,277,603	14,808,074
Total Expenditures	0	16,085,677	1,277,603	14,808,074
Excess of Revenues (Under) Expenditures	0	(16,085,677)	(1,277,603)	14,808,074
<u>Other Financing Sources</u>				
Face Value from Sale of Bonds	0	16,085,677	16,085,677	0
Total Other Financing Sources	0	16,085,677	16,085,677	0
Net Change in Fund Balance	0	0	14,808,074	14,808,074
Fund Balances at Beginning of Year	0	0	0	0
Fund Balances at End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$14,808,074</u>	<u>\$14,808,074</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Major Capital Projects Funds
For the Fiscal Year Ended June 30, 2015

	Construction Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Intergovernmental	\$0	\$51,403,242	\$4,721,623	(\$46,681,619)
Interest	0	50,000	52,755	2,755
Total Revenues	0	51,453,242	4,774,378	(46,678,864)
Expenditures:				
Current:				
Support Services:				
Fiscal	0	411,324	400,056	11,268
Capital Outlay	0	80,344,015	6,323,486	74,020,529
Total Expenditures	0	80,755,339	6,723,542	74,043,065
Excess of Revenues (Under) Expenditures	0	(29,302,097)	(1,949,164)	27,352,933
Other Financing Sources				
Face Value from Sale of Bonds	0	28,914,323	28,914,323	0
Premium on Bonds Issued	0	387,774	387,774	0
Total Other Financing Sources	0	29,302,097	29,302,097	0
Net Change in Fund Balance	0	0	27,352,933	27,352,933
Fund Balances at Beginning of Year	0	0	0	0
Fund Balances at End of Year	\$0	\$0	\$27,352,933	\$27,352,933

Middletown City School District
Butler County, Ohio
Statement of Changes
in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2015

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Student Managed Activities				
<u>Assets:</u>				
Equity in Pooled Cash and Investments	\$ 79,703	\$ 51,667	\$ 46,450	\$ 84,920
Total Assets	<u>79,703</u>	<u>51,667</u>	<u>46,450</u>	<u>84,920</u>
<u>Liabilities:</u>				
Undistributed Monies	<u>79,703</u>	<u>51,667</u>	<u>46,450</u>	<u>84,920</u>
Total Liabilities	<u>\$ 79,703</u>	<u>\$ 51,667</u>	<u>\$ 46,450</u>	<u>\$ 84,920</u>

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Statistical Section

www.middletowncityschools.com

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

**STATISTICAL SECTION DESCRIPTIONS
JUNE 30, 2015**

This part of the School District's report presents detailed information as a context for understanding what the information in the financial statements, note disclosure, and required supplementary information says about the School District's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the School District's financial performance and situation have changed over time.	121-126
Revenue Capacity These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax and income tax.	127-130
Debt Capacity These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.	131-135
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within in which the School District's financial activities takes place.	136-137
Operating Information These schedules contain operational data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.	138-143

Middletown City School District
 Butler County, Ohio
 Net Position by Component
 Last Ten Years
 (accrual basis of accounting)

	2015 (2)	2014 (1)	2013	2012 (1)	2011
Governmental Activities					
Net Investment in Capital Assets	\$ 3,847,066	\$ 3,003,649	\$ 6,234,371	\$ 8,239,520	\$ 8,243,758
Restricted	54,147,596	3,938,419	2,337,991	3,507,622	5,998,474
Unrestricted (Deficit)	<u>(90,343,892)</u>	<u>(93,507,156)</u>	<u>(3,394,825)</u>	<u>(3,138,373)</u>	<u>(2,282,638)</u>
<i>Total Governmental Activities Net Position</i>	<u>\$ (32,349,230)</u>	<u>\$ (86,565,088)</u>	<u>\$ 5,177,537</u>	<u>\$ 8,608,769</u>	<u>\$ 11,959,594</u>
	2010	2009 (1)	2008	2007	2006
Governmental Activities					
Net Investment in Capital Assets	\$ 6,999,059	\$ 5,483,895	\$ 12,290,959	\$ 7,823,154	\$ 3,333,501
Restricted	3,734,017	4,704,174	5,485,245	17,120,766	12,868,892
Unrestricted (Deficit)	<u>6,290,172</u>	<u>8,488,821</u>	<u>7,913,355</u>	<u>(4,558,346)</u>	<u>(3,327,956)</u>
<i>Total Governmental Activities Net Position</i>	<u>\$ 17,023,248</u>	<u>\$ 18,676,890</u>	<u>\$ 25,689,559</u>	<u>\$ 20,385,574</u>	<u>\$ 12,874,437</u>

Source: School District financial records

(1) Amounts have been restated as previously reported.

(2) The School District has significant bond proceeds remaining and available school facilities grant revenue.

Middletown City School District
Butler County, Ohio
Changes in Net Position
Last Ten Years
(accrual basis of accounting)

	2015	2014	2013	2012 (1)
Expenses				
Governmental Activities:				
Instruction	47,109,627	49,646,486	48,384,018	46,929,114
Support Services:				
Pupils	3,746,251	4,442,512	4,265,190	4,655,026
Instructional Staff	1,991,860	3,389,719	3,868,239	4,939,816
Board of Education	59,556	66,159	43,835	56,405
Administration	4,154,176	4,663,891	4,445,825	4,530,426
Fiscal	1,671,371	785,642	688,210	723,250
Business	191,359	209,337	254,239	441,139
Operation and Maintenance of Plant	7,408,158	9,294,379	7,914,945	7,792,863
Pupil Transportation	4,007,357	4,022,409	3,812,314	3,758,699
Central	1,619,365	2,669,861	1,486,066	3,397,181
Operation of Non-Instructional Services	4,781,569	4,795,795	4,543,308	4,369,441
Extracurricular Activities	1,083,235	900,838	890,157	1,025,636
Interest on Long-Term Debt	3,892,120	2,672,184	2,713,127	2,703,229
<i>Total Governmental Activities Expenses</i>	<u>81,716,004</u>	<u>87,559,212</u>	<u>83,309,473</u>	<u>85,322,225</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
Instruction	1,167,154	1,328,997	728,828	760,855
Support Services	78,459	74,984	60,921	101,071
Other	368,588	371,359	690,941	816,136
Operating Grants and Contributions	10,763,712	12,666,818	10,881,913	12,112,072
Capital Grants and Contributions	0	0	0	0
<i>Total Governmental Activities Program Revenues</i>	<u>12,377,913</u>	<u>14,442,158</u>	<u>12,362,603</u>	<u>13,790,134</u>
Net (Expense)/Revenue	<u>(69,338,091)</u>	<u>(73,117,054)</u>	<u>(70,946,870)</u>	<u>(71,532,091)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes:				
General purposes	24,805,279	30,753,332	26,836,512	27,947,132
Special revenue	0	0	0	0
Debt service	3,979,176	3,317,360	2,907,788	3,816,214
Capital projects	249,633	167,982	132,316	113,113
Grants and Entitlements not Restricted to Specific Programs	42,131,982	40,073,523	37,215,406	35,874,604
Grants and Entitlements Restricted to School Facilities Program	51,403,241	0	0	0
Investment Earnings	202,447	1,166	1,923	9,601
Payments in Lieu of Taxes	431,267	226,369	303,813	552,566
Unrestricted contributions	0	0	0	0
Miscellaneous	350,924	417,338	117,880	465,234
<i>Total Governmental Activities</i>	<u>123,553,949</u>	<u>74,957,070</u>	<u>67,515,638</u>	<u>68,778,464</u>
Change in Net Position	<u>\$ 54,215,858</u>	<u>\$ 1,840,016</u>	<u>\$ (3,431,232)</u>	<u>\$ (2,753,627)</u>

Source: School District financial records

- (1) Amounts have been reclassified to conform to fiscal year 2013's presentation
(2) Amounts have been reclassified to conform to fiscal year 2011's presentation
(3) Amounts have been reclassified to conform to fiscal year 2009's presentation.

2011	2010 (2)	2009	2008 (3)	2007	2006
50,188,859	49,044,574	47,565,415	43,559,450	42,406,738	42,988,158
5,585,042	4,919,527	4,664,923	4,269,073	4,499,071	4,182,323
5,229,348	5,980,662	5,950,980	4,294,621	4,767,755	4,104,223
52,578	103,269	39,990	0	0	0
5,343,818	5,899,057	5,918,107	4,998,030	5,583,789	5,297,966
670,419	1,455,723	1,350,653	1,602,802	1,565,314	1,346,439
469,884	511,414	484,511	378,914	498,372	302,611
7,399,143	7,712,461	8,501,464	8,650,520	7,228,123	7,612,955
3,682,543	3,685,251	3,292,293	3,179,889	3,062,815	2,919,435
5,344,434	1,963,221	2,330,840	1,764,603	2,098,304	1,707,030
3,886,436	3,651,317	3,843,355	3,689,463	3,097,638	3,960,309
1,028,730	1,002,233	1,022,353	787,327	912,856	795,465
2,840,830	2,857,619	3,009,066	2,999,529	2,437,992	3,449,841
91,722,064	88,786,328	87,973,950	80,174,221	78,158,767	78,666,755
747,531	708,352	717,696	536,644	826,053	698,140
169,629	206,090	178,057	470,327	254,075	306,150
781,124	864,398	917,389	921,098	1,088,329	1,103,420
19,941,094	18,469,879	17,762,109	17,204,236	18,905,396	14,625,856
0	316,140	66,437	14,078	94,861	27,023
21,639,378	20,564,859	19,641,688	19,146,383	21,168,714	16,760,589
(70,082,686)	(68,221,469)	(68,332,262)	(61,027,838)	(56,990,053)	(61,906,166)
28,460,928	15,443,139	16,749,487	19,017,594	19,301,596	21,009,706
0	13,390,494	14,565,287	15,925,322	15,998,068	13,680,223
3,477,334	3,404,818	3,862,804	4,373,040	4,243,108	4,513,669
32,733,997	33,774,716	33,102,516	25,460,103	22,572,267	23,692,530
0	0	0	0	0	0
28,936	26,337	228,509	1,391,914	2,131,508	1,667,994
280,612	517,839	0	0	54,728	75,613
0	0	0	24,728	22,223	4,977
37,225	10,484	23,272	139,122	177,692	244,051
65,019,032	66,567,827	68,531,875	66,331,823	64,501,190	64,888,763
\$ (5,063,654)	\$ (1,653,642)	\$ 199,613	\$ 5,303,985	\$ 7,511,137	\$ 2,982,597

Middletown City School District
Butler County, Ohio
Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2015	2014	2013	2012	2011 (1)	2010	2009	2008	2007	2006
General Fund										
Restricted	\$ 0	\$ 24,610	\$ 24,610	\$ 24,610	\$ 186,444	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Assigned	480,211	65,935	386,691	306,347	739,638	0	0	0	0	0
Unassigned	(1,204,805)	(1,114,077)	(3,932,766)	(4,483,802)	(3,717,700)	0	0	0	0	0
Reserved	0	0	0	0	0	1,305,189	1,392,826	1,280,574	21,167	920,335
Unreserved	0	0	0	0	0	2,589,792	(1,245,433)	(3,511,819)	(6,546,685)	(4,806,920)
Total General Fund	(724,594)	(1,023,532)	(3,521,465)	(4,152,845)	(2,791,618)	3,894,981	147,393	(2,231,245)	(6,525,518)	(3,886,585)
All Other Governmental Funds										
Nonspendable	\$ 93,564	\$ 97,652	\$ 48,607	\$ 29,397	\$ 41,988	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted	53,563,718	2,135,729	2,212,418	3,253,825	4,631,246	0	0	0	0	0
Committed	216,852	29,970	8,463	8,111	51,081	0	0	0	0	0
Unassigned	(24,845)	(112,278)	(245)	(25,155)	(20,782)	0	0	0	0	0
Reserved	0	0	0	0	0	1,457,598	2,351,469	7,505,213	16,761,290	36,190,661
Undesignated, Reported in:										
Special Revenue funds	0	0	0	0	0	(469,675)	3,774,571	3,183,607	4,710,288	(1,083,966)
Debt Service funds	0	0	0	0	0	2,186,547	2,352,696	1,896	2,040,524	7,444,955
Capital Projects funds	0	0	0	0	0	(907,311)	(1,265,409)	(1,711,469)	(1,566,396)	(2,922,416)
Total All Other Governmental Funds	53,849,289	2,151,073	2,269,243	3,266,178	4,703,533	2,267,159	7,213,327	8,979,247	21,945,706	39,629,234
Total Governmental Funds	\$53,124,695	\$1,127,541	(\$1,252,222)	(\$886,667)	\$1,911,915	\$6,162,140	\$7,360,720	\$6,748,002	\$15,420,188	\$35,742,649

Source: The School District records.
(1) The School District implemented GASB 54 for 2011 and has chosen to not retroactively implement it.

Midletown City School District
Butler County, Ohio
 Changes in Fund Balances, Governmental Funds
 Last Ten Years
 (modified accrual basis of accounting)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Property Taxes	\$27,872,515	\$34,294,811	\$31,261,754	\$31,341,229	\$30,634,774	\$31,981,033	\$34,695,348	\$39,009,403	\$39,823,228	\$38,451,663
Payment in Lieu of Taxes	431,267	497,553	444,506	148,212	279,382	511,536	0	0	0	0
Tuition and Fees	1,032,757	1,126,473	566,267	724,610	525,839	516,322	493,420	972,600	1,027,156	939,407
Transportation Fees	0	0	0	0	65,664	144,614	0	0	0	0
Interest	157,998	1,166	1,923	9,601	29,126	31,260	223,963	1,391,914	2,131,508	1,667,994
Rent	30,478	33,633	22,675	10,458	0	0	0	0	0	0
Charges for Services	296,116	349,214	651,126	588,504	561,722	614,698	667,441	637,736	811,212	823,804
Extracurricular Activities	243,266	257,306	233,516	341,328	320,910	308,493	280,515	260,034	254,306	228,349
Classroom materials and fees	0	0	0	0	138,801	109,042	142,369	0	0	0
Gifts and Donations	367,448	262,615	46,956	110,623	0	0	0	0	0	0
Miscellaneous	333,563	223,265	123,851	477,276	200,672	200,899	204,393	221,547	275,698	354,519
Intergovernmental	56,808,394	50,921,081	48,067,339	48,553,938	51,866,741	53,233,060	51,642,603	42,563,950	41,943,602	37,336,145
Total Revenues	87,573,792	87,967,117	81,419,913	82,305,779	84,823,641	87,650,957	88,447,100	86,057,184	86,266,710	79,807,881
Expenditures										
Current:										
Instruction:										
Support Services	47,816,401	49,279,372	48,133,204	47,192,759	48,974,881	47,816,574	45,381,711	42,666,670	41,718,933	42,426,014
Pupils	3,877,467	4,424,408	4,379,076	4,695,154	5,502,709	4,825,255	4,454,170	4,318,458	4,484,000	4,161,383
Instructional Staff	2,019,362	3,417,238	3,832,870	4,964,134	5,182,361	5,827,474	5,809,655	4,338,546	4,747,707	4,024,607
Board of Education	59,556	66,159	43,835	56,405	51,456	101,002	39,105	0	0	0
Administration	4,278,161	4,656,085	4,456,816	4,517,281	5,327,370	5,808,833	5,702,554	5,084,734	5,535,204	5,258,967
Fiscal	1,662,170	784,141	689,018	717,447	654,400	1,417,411	1,329,362	1,626,470	1,567,948	1,331,297
Business	189,919	209,442	253,527	427,734	444,542	485,305	456,107	425,545	469,650	288,765
Operation and Maintenance of Plant	6,371,641	7,925,541	5,684,561	5,454,243	6,230,542	6,735,701	8,125,211	6,992,725	8,997,255	7,343,598
Pupil Transportation	3,926,956	3,905,361	3,689,610	3,629,508	3,527,369	3,472,888	3,379,531	3,116,607	2,913,572	2,693,862
Central	1,665,992	3,453,367	1,257,761	3,853,759	3,782,437	2,221,285	2,221,285	1,715,473	2,033,815	1,548,663
Operation of Non-Instructional Services	4,754,045	4,754,840	4,518,730	4,382,701	3,834,439	3,583,679	3,756,691	3,685,944	3,072,757	3,999,121
Extracurricular Activities	928,706	924,948	883,030	1,017,934	1,008,812	977,802	1,014,207	789,531	913,324	792,039
Capital Outlay	2,216,640	433,676	8,723	397,027	2,050,587	510,385	1,684,649	13,708,012	25,417,655	32,295,128
Debt Service:										
Principal Retirement	3,273,410	1,177,325	1,033,416	927,375	880,261	2,357,860	2,229,778	2,813,657	2,049,482	1,872,944
Interest and Fiscal Charges	3,986,977	2,865,082	2,921,769	2,881,709	3,007,587	3,036,523	3,167,536	3,178,262	2,651,808	3,409,083
Total Expenditures	87,027,403	88,282,985	81,785,948	85,115,170	90,468,753	88,911,998	88,751,552	94,440,634	106,593,120	111,444,471
Excess of Revenues Over (Under) Expenditures	546,389	(315,868)	(366,035)	(2,809,391)	(6,645,112)	(1,261,041)	(304,452)	(9,383,450)	(20,326,410)	(31,642,590)
Other Financing Sources (Uses)										
Transfers In	626,572	610,354	604,534	620,080	692,375	699,567	1,932	366,669	963,561	0
Transfers Out	(626,572)	(610,354)	(604,534)	(620,080)	(692,375)	(699,567)	(1,932)	(366,669)	(963,561)	0
Sale of capital assets	340,087	2,356	480	10,810	46,120	62,461	913	33,602	3,949	10,660
Capital lease transaction	0	246,273	0	0	1,348,767	0	478,000	0	0	921,653
Issuance of long term debt	46,600,000	2,445,000	0	0	0	0	0	677,662	0	0
Sale of refunding bonds	0	0	0	0	0	0	0	0	0	0
Refunding bond issuance costs	0	0	0	0	0	0	0	0	55,465,000	0
Payments to refunding bond escrow agent	0	0	0	0	0	0	0	0	(765,639)	0
Premium on the sale of long term bonds	4,510,678	0	0	0	0	0	0	0	(59,855,611)	0
									5,156,250	0

Middletown City School District
 Butler County, Ohio
 Changes in Fund Balances, Governmental Funds
 Last Ten Years
 (modified accrual basis of accounting)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Insurance proceeds	0	0	0	0	0	0	438,257	0	0	0
Total Other Financing Sources (Uses)	51,450,765	2,895,631	480	10,810	1,394,887	62,461	917,170	711,264	3,949	932,313
Net Change in Fund Balances	\$51,997,154	\$2,379,763	(\$365,555)	(\$2,798,591)	(\$4,250,225)	(\$1,196,590)	\$612,718	(\$8,672,186)	(\$20,322,461)	(\$30,710,277)
Debt Service as a Percentage of Noncapital Expenditures	8.67%	4.68%	4.85%	4.55%	4.38%	6.10%	6.20%	7.52%	5.98%	6.67%

Source: School District records

**Middletown City School District
Butler County, Ohio**

Assessed and Estimated Actual Value of Taxable Property
Last Ten Collection (Calendar) Years

Tax Year	Real Property		Tangible Personal Property		Public Utilities Personal		Total		Direct Rate	Ratio
	Assessed Value		Assessed Value		Assessed Value		Assessed Value	Estimated Actual Value		
2005	\$ 696,828,230	\$	247,896,469	\$	44,752,120	\$	989,476,819	\$ 3,033,378,357	38.08	32.62%
2006	761,885,206		271,040,472		48,930,248		1,081,855,926	3,309,907,010	45.13	32.69%
2007	717,245,370		133,592,134		36,901,260		887,738,764	2,620,542,282	45.75	33.88%
2008	799,643,380		-		38,837,820		838,481,200	2,480,713,609	45.75	33.80%
2009	750,828,210		-		40,785,100		791,613,310	2,342,051,213	47.00	33.80%
2010	739,511,220		-		50,482,380		789,993,600	2,337,259,172	46.99	33.80%
2011	673,961,050		-		51,549,940		725,510,990	2,072,888,543	47.16	35.00%
2012	665,572,990		-		50,710,520		716,283,510	2,046,524,314	47.16	35.00%
2013	657,709,970		-		54,597,780		712,307,750	2,035,165,000	48.95	35.00%
2014	603,212,590		-		56,477,890		659,690,480	1,884,829,943	54.51	35.00%

Source: State of Ohio Department of Taxation tax year 2008 and forward: note that these values are a combination of Butler County and Warren County

Note: The assessed value of real property (including public utility real property) is 35 percent of estimated true value.
 The tangible personal property tax of general business and railroad property was eliminated in 2009.
 The tangible personal property tax of telephone and telecommunications property was eliminated in 2011.
 The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates generated the property tax revenue to be received in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by 10 percent, 2 1/2 percent and homestead exemption before being billed.

**Middletown City School District
Butler County, Ohio**

Property Tax Rates (Per \$1,000 of Assessed Value)
Direct and Overlapping Governments
Last Ten Calendar Years

Calendar Years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Middletown City School District										
General	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27
Emergency	10.15	17.20	17.82	17.82	18.89	18.81	18.81	18.98	20.77	22.83
Bond	4.74	4.74	4.74	4.74	4.92	4.99	4.75	4.75	4.75	8.25
Unvoted	4.92	4.92	4.92	4.92	4.92	4.92	5.16	5.16	5.16	5.16
Total	<u>38.08</u>	<u>45.13</u>	<u>45.75</u>	<u>45.75</u>	<u>47.00</u>	<u>46.99</u>	<u>46.99</u>	<u>47.16</u>	<u>48.95</u>	<u>54.51</u>
Overlapping Rates										
Butler County	8.75	10.95	10.95	9.75	9.75	9.72	9.72	9.72	9.72	9.72
Warren County	6.53	6.46	6.71	5.21	5.78	5.78	7.78	7.78	7.78	7.78
Franklin Township (1)	NA	NA	NA	7.17	4.00	3.87	3.87	3.87	3.87	3.87
Turtlecreek Township (2)	NA	NA	NA	1.61	1.61	0.61	9.12	9.12	9.12	9.12
City of Middletown	5.86	5.90	5.90	5.90	5.90	5.90	5.90	5.90	6.72	6.90
Butler Tech	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93
Metroparks									0.50	0.50
Midpointe Library									0.75	0.75
Total	<u>7.79</u>	<u>7.83</u>	<u>7.83</u>	<u>16.61</u>	<u>13.44</u>	<u>12.31</u>	<u>20.82</u>	<u>20.82</u>	<u>19.62</u>	<u>19.80</u>
Total	<u>\$ 45.87</u>	<u>\$ 52.96</u>	<u>\$ 53.58</u>	<u>\$ 62.36</u>	<u>\$ 60.44</u>	<u>\$ 59.30</u>	<u>\$ 67.81</u>	<u>\$ 67.98</u>	<u>\$ 68.57</u>	<u>\$ 74.31</u>

Source:

Notes: Rates may only be raised by obtaining the approval of the voters at a public election.

(1) - Includes Franklin Township, Franklin Township - Joint Medical Service, Warren-Clinton Community Mental Health and Health Levy.

(2) - Includes Turtlecreek Township and the Turtlecreek Township - Warren-Clinton Community Mental Health Levy.

NA - Information not available.

Middletown City School District

Butler County, Ohio

Property Tax Levies and Collections - Real and Public Utility Property

Last Ten Collection (Calendar) Years

Calendar Year	Taxes Levied for the Calendar Year (1)	Collected within the Calendar Year of the Levy		Collections from Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes (3)	Percent of Outstanding Delinquent Taxes to Tax Levied
		Amount (2)	Percentage of Levy		Amount	Percent of Levy		
2005	\$ 26,179,182	\$ 24,403,174	93.22%	\$ 1,325,800	\$ 25,728,974	98.28%	NA	0.00%
2006	32,065,355	29,721,793	92.69%	1,516,132	31,237,925	97.42%	3,045,480	9.50%
2007	40,619,396	33,468,165	82.39%	1,726,207	35,194,372	86.64%	4,273,994	10.52%
2008	38,249,797	32,358,689	84.60%	2,393,834	34,752,523	90.86%	3,893,720	10.18%
2009	35,638,317	30,469,584	85.50%	2,134,606	32,604,190	91.49%	4,202,583	11.79%
2010	32,511,295	31,267,882	96.18%	918,290	32,186,172	99.00%	4,852,706	14.93%
2011	32,633,101	31,682,293	97.09%	1,736,442	33,418,735	102.41%	5,357,474	16.42%
2012	30,713,002	28,911,321	94.13%	2,421,728	31,333,050	102.02%	4,619,013	15.04%
2013	31,531,399	29,625,371	93.96%	2,033,122	31,658,493	100.40%	3,898,991	12.37%
2014	35,954,046	29,625,371	82.40%	1,667,238	31,292,609	87.04%	4,125,765	11.48%

Source:

Butler County Auditor

- (1) Taxes levied and collected are presented on a cash basis.
- (2) State reimbursements of rollback and homestead exemptions are included.
- (3) Penalties and interest are included, since by Ohio law they become part of the tax obligation as assessment occurs.

Note: The District understands that the information presented in the "collections from subsequent years" is not presented as required; however, this is how the information is supplied by the respective County Auditor. The amount in this column will sometimes result in the percentage of levy exceeding 100% for the respective calendar year.

Middletown City School District
Butler County, Ohio
 Top Ten Principal Taxpayers
 Real Property Only

Current Year and Nine Years Ago

Name of Taxpayer	Calendar Year 2014			Calendar Year 2005		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Duke Energy Ohio Inc. (formerly Cincinnati Gas/Elec)	\$ 45,685,310	1	6.93%	\$ 31,002,250	1	3.13%
AK Steel Corporation	10,057,860	2	1.52%	15,095,550	2	1.53%
Rockies Express Pipeline	4,456,610	3	0.68%			
Boymel Sam	3,955,660	4	0.60%	3,567,860	8	0.36%
Middletown Coke	3,149,200	5	0.48%			
Precision Strip Inc	2,757,040	6	0.42%			
Bavarian Woods	2,186,690	7	0.33%			
Liberty Retirement Properties	2,104,505	8	0.32%			
HEP CSTCC Ohio	2,030,000	9	0.31%			
Chaka-Chak LLC	1,963,260	10	0.30%			
Ohio Bell Telephone				5,836,540	3	0.59%
Meijer Stores Unlimited				5,373,220	4	0.43%
Towne Mall				4,284,480	5	0.41%
Southwestern Ohio Steel Inc.				4,061,950	6	0.42%
Precision Strip Inc.				4,166,220	7	0.42%
Fath Village East Apartments				3,424,340	9	0.35%
Bavarian Woods LLC				2,272,110	10	0.23%
Total	\$ 78,346,135		11.88%	\$ 79,084,520		7.45%
Total Assessed Valuation	\$ 659,690,480			\$ 989,476,819		

Butler and Warren County Auditors

Source:

Middletown City School District

Butler County, Ohio

Ratio of Total Debt to Estimated Actual Property Value, Personal Income and per Capita
Last Ten Fiscal Years

Fiscal Year	Governmental Activities (a)						Ratio of Total Outstanding Debt to Estimated Actual Value (c)	Total Outstanding Personal Income (b)	Total Outstanding Debt per Capita (b)
	General Obligation/ Construction Bonds	Refunding Bonds	Long-Term Capital Notes	Capital Leases	Total Outstanding Debt				
2006	\$ 65,650,000	\$ -	\$ 1,354,916	\$ 2,030,317	\$ 69,035,233	2.28%	6.87%	\$ 1,349	
2007	7,155,000	55,391,656	1,285,060	1,570,681	65,402,397	1.98%	6.53%	1,282	
2008	5,555,000	54,719,650	1,889,478	1,105,268	63,269,396	2.41%	6.23%	1,223	
2009	3,910,000	54,740,000	1,744,916	1,193,052	61,587,968	2.48%	6.10%	1,198	
2010	3,610,000	53,380,000	1,596,629	643,479	59,230,108	2.53%	5.88%	1,209	
2011	3,285,000	53,340,000	1,444,436	1,629,178	59,698,614	2.55%	5.97%	1,226	
2012	2,930,000	57,258,498	1,288,149	1,258,090	62,734,737	3.03%	6.54%	1,289	
2013	2,325,000	57,095,625	1,127,569	1,005,254	61,553,448	3.01%	6.36%	1,266	
2014	1,680,000	56,864,375	3,407,487	911,284	62,863,146	3.09%	6.40%	1,293	
2015	50,423,289	56,623,125	3,192,685	177,676	110,416,775	5.86%	11.24%	2,271	

Source: School District records

(a) See notes to the financial statements regarding the District's outstanding debt information and does not include short term notes payable
 (b) See schedule "Demographic and Economic Statistics, Last Ten Years" for personal income, per capita, population and enrollment information.
 (c) Assessed values are on a calendar year basis (i.e. fiscal year 2014 is calendar year 2013).

Middletown City School District

Butler County, Ohio

Ratio of Net General Bonded Debt to Estimated Actual Value, Personal Income and per Capita
Last Ten Fiscal Years

Fiscal Year	Governmental Activities (a)		Total Primary Government	Less Bond Retirement Fund	Net Bond Debt	Ratio of Net Bonded Debt to Estimated Actual Value (c)	Net Bonded Debt per Capita (b)
	Construction Bonds	Refunding Bonds					
2006	\$ 65,650,000	\$ -	\$ 65,650,000	\$ 7,444,955	\$ 58,205,045	1.92%	\$ 1,137
2007	7,155,000	55,391,656	62,546,656	2,040,524	60,506,132	1.83%	1,186
2008	5,555,000	54,719,650	60,274,650	1,896	60,272,754	2.30%	1,165
2009	3,910,000	54,740,000	58,650,000	2,352,696	56,297,304	2.27%	1,095
2010	3,610,000	53,380,000	56,990,000	2,186,547	54,803,453	2.34%	1,118
2011	3,285,000	53,340,000	56,625,000	725,144	55,899,856	2.39%	1,148
2012	2,930,000	57,258,498	60,188,498	1,307,781	58,880,717	2.84%	1,210
2013	2,325,000	57,095,625	59,420,625	1,332,329	58,088,296	2.84%	1,194
2014	1,680,000	56,864,375	58,544,375	1,617,246	56,927,129	2.80%	1,171
2015	50,423,289	56,623,125	107,046,414	5,446,025	101,600,389	4.99%	2,089

Source: School District records

- (a) See notes to the financial statements regarding the District's outstanding debt information.
- (b) See schedule "Demographic and Economic Statistics, Last Ten Years" for personal income, per capita, population and enrollment information.
- (c) Assessed values are on a calendar year basis (i.e. fiscal year 2014 is calendar year 2013).

Middletown City School District
Butler County, Ohio
 Computation of Direct and Overlapping Debt
 June 30, 2015

Governmental Unit	Direct Debt	Percent Applicable to District (1)	Amount Applicable to District
Direct:			
Middletown City School District	\$ 110,416,775	100.00%	\$ 110,416,775
Overlapping:			
Butler County (2)	63,048,000	10.50%	6,620,040
Warren County (2)	11,056,000	1.37%	151,467
City of Middletown (2)	24,214,000	91.88%	22,247,823
Total Overlapping	98,318,000		29,019,330
Total Direct and Overlapping Debt	\$ 208,734,775		\$ 139,436,105

Sources:

(1) Percentages were determined by dividing the assessed valuation of the overlapping government located within the boundaries of the School District by the total assessed valuation of the government.

(2) City of Middletown annual financial report for December 31, 2014

Middletown City School District
 Butler County, Ohio
 Computation of Legal Debt Margin
 Last Ten Years

	2015	2014	2013
Assessed Valuation of District	\$ 659,690,480	\$ 712,307,750	\$ 716,283,510
<u>Overall Direct Debt Limit</u>			
Direct Debt Limitation 9% of assessed valuation (1)	\$ 59,372,143	\$ 64,107,698	\$ 64,465,516
Amount available in Debt Service Fund	5,446,025	1,617,246	1,332,329
Gross Indebtedness	<u>57,947,487 (2)</u>	<u>59,253,771</u>	<u>57,737,823</u>
Legal Debt Margin within 9% Limitation	<u>\$ 6,870,681</u>	<u>\$ 6,471,173</u>	<u>\$ 8,060,022</u>
Total Net Debt Applicable to the Limit as a Percentage of the Limit	89.40%	90.15%	87.75%
<u>Unvoted Direct Debt Limitation</u>			
Unvoted Debt Limitation 0.1% of assessed valuation	<u>\$ 659,690</u>	<u>\$ 712,308</u>	<u>\$ 716,284</u>

Source: School District records

- (1) Assessed values are on a calendar year basis (i.e fiscal year 2015 is calendar year 2014)
- (2) The \$45 million of general obligation bonds issued in fiscal year 2015 were a voted bond issue allowing the total outstanding balance to be excluded from the legal debt margin calculation.

2012	2011	2010	2009	2008	2007	2006
\$ 725,510,990	\$ 789,993,600	\$ 791,613,310	\$ 838,481,200	\$ 887,738,764	\$ 1,081,855,926	\$ 989,476,819

\$ 65,295,989	\$ 71,099,424	\$ 71,245,198	\$ 75,463,308	\$ 79,896,489	\$ 97,367,033	\$ 89,052,914
1,307,781	725,144	-	-	-	-	-
62,734,737	56,625,000	59,290,000	62,285,000	63,566,816	66,105,060	71,229,916
\$ 3,869,033	\$ 15,199,568	\$ 11,955,198	\$ 13,178,308	\$ 16,329,673	\$ 31,261,973	\$ 17,822,998

94.19%

\$ 725,511	\$ 952,694	\$ 959,842	\$ 1,074,674	\$ 989,477	\$ 1,081,856	\$ 887,739
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**Middletown City School District
Butler County, Ohio**

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

Year	Population (1)	Personal Income 000s (1)	Per-Capita Personal Income	Unemployment Rate (1)
2014	48,630	\$ 982,281	\$ 20,199	5.40%
2013	48,630	982,281	20,199	7.80%
2012	48,630	968,285	19,911	8.60%
2011	48,660	959,385	19,716	10.10%
2010	48,694	1,000,321	20,543	10.80%
2009	49,000	1,006,607	20,543	11.20%
2008	51,422	1,009,620	19,634	7.20%
2007	51,739	1,015,844	19,634	6.00%
2006	51,018	1,001,687	19,634	7.00%
2005	51,187	1,005,006	19,634	6.00%

Sources:

(1) Information is taken from the City of Middletown annual financial report as it encompasses 91% of the School District and specific information related to the School District is not available.

Middletown City School District
Butler County, Ohio
Principal Employers
Current Year and Eight Years Ago

2014		
Employer	Employees	Percentage of Total City Employment
AK Steel	2,277	11.42 %
Atrium Medical Center	1,807	9.06
CM Temporary Services, Inc.	1,328	6.66
Crown Service 36 LLC	1,116	5.60
CBS Temporary Service, LLC	925	4.64
Middletown City School District	842	4.22
Onesource Employee Management LLC	833	4.18
Miami University	620	3.11
Kroger Limited Partnership	619	3.10
Belcan Services Group II	563	2.82
Total	<u>10,930</u>	<u>54.81 %</u>
Total City Employees	<u>19,940</u>	

2006		
Employer	Employees	Percentage of Total City Employment
AK Steel	4,651	
Atrium Medical Center (formerly Middletown Regional Hospital)	1,836	
Strom Engineering Corporation	1,181	
Middletown City School District	1,248	
Miami University	667	
Garden Manor Extended Care	563	
City of Middletown	514	
National Workforce Assistance	505	
Sone Container Corporation	314	
Bay West Paper Corporation	197	
Total	<u>11,676</u>	
Total City Employees	<u>Not Available</u>	

Source: City of Middletown annual financial report for December 31, 2014

Middletown City School District
 Butler County, Ohio
 Full-Time Equivalent School Employees by Function/Program
 Last Ten Fiscal Years

<u>Function/program</u>	2015	2014	2013	2012 (1)	2011	2010	2009	2008	2007	2006
Instruction:										
Classroom teachers	351.00	367.00	368.00	324.29	342.49	380.05	401.00	306.50	337.50	354.50
Special Education teachers and tutors	38.00	40.00	49.00	78.68	95.41	84.65	86.00	80.00	78.00	69.00
Educational aides	-	1.00	1.00	2.00	37.80	66.00	67.00	58.00	52.00	41.50
Special Education aides and attendants	59.00	68.00	62.00	58.00	57.50	12.00	16.00	9.00	8.00	12.00
Total Instruction	448.00	476.00	480.00	462.97	533.20	542.70	570.00	453.50	475.50	477.00
Support Services:										
Support personnel										
Librarians, nurses, counselors, visiting teacher	43.00	52.00	52.00	80.23	70.66	67.35	55.00	91.50	98.00	99.00
Principals	17.00	10.00	11.00	15.00	22.00	23.00	23.00	21.00	23.00	25.00
Central office administration	10.00	10.00	11.00	11.00	12.00	16.00	24.00	20.00	21.00	19.00
Secretaries and clerical	39.00	38.00	40.00	44.60	47.00	50.00	45.00	46.00	57.00	47.00
Transportation (2)	-	-	-	-	40.81	43.81	47.00	50.00	55.00	51.00
Custodial (2)	-	-	-	31.00	33.00	33.00	37.00	36.00	44.00	45.00
Maintenance and mechanics (2)	-	-	-	7.00	16.00	16.00	8.00	8.00	11.00	12.00
Total Support Services	109.00	110.00	114.00	188.83	241.47	249.16	239.00	272.50	309.00	298.00
Total Governmental Activities	557.00	586.00	594.00	651.80	774.67	791.86	809.00	726.00	784.50	775.00

Source: School District records

(1) Middletown City School District began outsourcing its transportation operation.

(2) These positions are outsourced.

Middletown City School District
Butler County, Ohio
 Operating Statistics
 Last Ten Fiscal Years

Fiscal Year	Enrollment (ADM)	Operating Expenditures (1)	Cost Per Pupil (2)	Percentage Change	Expenses (3)	Cost per pupil (4)	Percentage Change	Teaching Staff	Pupil/Teacher Ratio	Percentage of Free or Reduced Lunches (5)
2015	6,777	\$ 77,550,376	\$ 11,443	-10.66%	\$ 81,716,004	\$ 12,058	-9.90%	448	15	100.0%
2014	6,543	83,806,902	12,809	6.25%	87,559,212	13,382	5.31%	426	15	100.0%
2013	6,534	78,766,846	12,055	-3.29%	83,029,498	12,707	-3.33%	490	13	72.1%
2012	6,491	80,909,059	12,465	-3.56%	85,322,225	13,145	-6.28%	462	14	72.1%
2011	6,540	84,530,318	12,925	2.16%	91,722,064	14,025	4.27%	438	15	71.5%
2010	6,601	83,517,615	12,652	3.05%	88,786,328	13,450	3.20%	465	14	70.0%
2009	6,750	82,876,238	12,278	8.19%	87,973,950	13,033	7.06%	487	14	63.9%
2008	6,586	74,740,703	11,348	-4.49%	80,174,221	12,173	0.24%	387	17	65.0%
2007	6,436	76,474,165	11,882	11.39%	78,158,767	12,144	6.90%	416	15	66.5%
2006	6,925	73,868,316	10,667	5.75%	78,666,755	11,360	5.03%	424	16	52.3%

(1) Operating expenditures is total expenditures minus facilities acquisition and construction, capital outlay and debt service from the statement of revenues, expenditures and changes in fund balance.

(2) Operating expenditure by enrollment

(3) Expenses is total expenses from statement of activities

(4) Expenses by enrollment

(5) The District entered a new program for fiscal year 2014 where everyone is provided a free breakfast or lunch and the District receives a higher reimbursement rate.

Source: School District records

Middletown City School District
Butler County, Ohio
 School Building Information
 Last Ten Fiscal Years

	Year Built	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Elementary Schools											
<i>Amanda</i>	1961	68,234	68,234	68,234	68,234	68,234	68,234	68,234	68,234	68,234	68,234
Square Feet		518	518	518	518	518	518	518	518	518	518
Capacity (students)		515	476	471	490	396	410	411	468	400	276
Enrollment		99%	92%	91%	94%	76%	79%	79%	90%	77%	51%
Percentage of capacity (3)		17	17	17	17	17	17	17	17	17	17
Site acreage		(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)
<i>Old Central Academy</i>	1960	(12)	(12)	(12)	(12)	(12)	(12)	(12)	30,271	30,271	30,271
Square Feet		(12)	(12)	(12)	(12)	(12)	(12)	(12)	243	243	243
Capacity (students)		(12)	(12)	(12)	(12)	(12)	(12)	(12)	245	270	291
Enrollment		(12)	(12)	(12)	(12)	(12)	(12)	(12)	101%	111%	120%
Percentage of capacity (3)		(12)	(12)	(12)	(12)	(12)	(12)	(12)	2	2	2
Site acreage		(12)	(12)	(12)	(12)	(12)	(12)	(12)	(9)	(9)	(9)
<i>New Central Academy</i>	1966	32,795	32,795	32,795	32,795	32,795	32,795	32,795	350	350	350
Square Feet		350	350	350	350	350	350	350	293	293	293
Capacity (students)		316	360	382	414	320	327	327	83%	83%	83%
Enrollment		90%	103%	109%	118%	91%	93%	93%	7	7	7
Percentage of capacity (3)		7	7	7	7	7	7	7	(11)	(11)	(11)
Site acreage		(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)
<i>Old Creekview</i>	1961	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)
Square Feet		(11)	(11)	(11)	(11)	(11)	(11)	(11)	40,869	40,869	40,869
Capacity (students)		(11)	(11)	(11)	(11)	(11)	(11)	(11)	327	327	327
Enrollment		(11)	(11)	(11)	(11)	(11)	(11)	(11)	354	359	417
Percentage of capacity (3)		(11)	(11)	(11)	(11)	(11)	(11)	(11)	108%	110%	128%
Site acreage		(11)	(11)	(11)	(11)	(11)	(11)	(11)	12	12	12
<i>New Creekview</i>	2007	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000
Square Feet		503	503	503	503	503	503	503	503	503	503
Capacity (students)		575	453	470	423	449	425	455	442	456	456
Enrollment		114%	90%	93%	84%	89%	84%	90%	88%	91%	91%
Percentage of capacity (3)		12	12	12	12	12	12	12	12	12	12
Site acreage		62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000
<i>Highview</i>	2007	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000
Square Feet		503	503	503	503	503	503	503	503	503	503
Capacity (students)		478	426	436	427	377	397	455	449	448	448
Enrollment		95%	85%	87%	84%	75%	79%	90%	89%	89%	89%
Percentage of capacity (3)		5	5	5	5	5	5	5	5	5	5
Site acreage		49,828	49,828	49,828	49,828	49,828	49,828	49,828	49,828	49,828	49,828
<i>Mayfield</i>	1939	49,828	49,828	49,828	49,828	49,828	49,828	49,828	49,828	49,828	49,828
Square Feet											

Middletown City School District
Butler County, Ohio
 School Building Information
 Last Ten Fiscal Years

	Year Built	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Capacity (students)		503	503	503	503	503	503	503	425	425	425
Enrollment		552	505	475	469	445	452	376	(6)	(6)	537
Percentage of capacity (3)		110%	100%	94%	93%	88%	89%	74%	(6)	(6)	126%
Site acreage		5	5	5	5	5	5	5	5	5	5
<i>Miller Ridge</i>	2008										
Square Feet		62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	(8)	(8)
Capacity (students)		503	503	503	503	502	502	502	503	(8)	(8)
Enrollment		510	467	495	515	461	448	434	421	(8)	(8)
Percentage of capacity (3)		101%	93%	98%	102%	92%	89%	86%	84%	(8)	(8)
Site acreage		37	37	37	37	37	37	37	37	(8)	(8)
<i>Roosevelt</i>	1930										
Square Feet		(10)	(10)	(10)	(10)	(10)	(10)	(10)	114,456	114,456	114,456
Capacity (students)		(10)	(10)	(10)	(10)	(10)	(10)	(10)	812	812	812
Enrollment		(10)	(10)	(10)	(10)	(10)	(10)	(10)	414	601	765
Percentage of capacity (3)		(10)	(10)	(10)	(10)	(10)	(10)	(10)	51%	74%	94%
Site acreage		(10)	(10)	(10)	(10)	(10)	(10)	(10)	7	7	7
<i>Rosa Park</i>	2007										
Square Feet		62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	(5)
Capacity (students)		503	503	503	503	503	503	503	503	503	(5)
Enrollment		772	699	595	608	423	417	413	457	453	(5)
Percentage of capacity (3)		153%	139%	118%	120%	84%	83%	82%	91%	90%	(5)
Site acreage		8	8	8	8	8	8	8	8	8	(5)
<i>Rosedale</i>	1966										
Square Feet		(9)	(9)	(9)	(9)	(9)	(9)	(9)	32,795	32,795	32,795
Capacity (students)		(9)	(9)	(9)	(9)	(9)	(9)	(9)	262	262	262
Enrollment		(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	268	332
Percentage of capacity (3)		(9)	(9)	(9)	(9)	(9)	(9)	(9)	(9)	102%	127%
Site acreage		(9)	(9)	(9)	(9)	(9)	(9)	(9)	7	7	7
<i>Taif</i>	1952										
Square Feet		(11)	(11)	(11)	(11)	(11)	(11)	(11)	64,456	64,456	64,456
Capacity (students)		(11)	(11)	(11)	(11)	(11)	(11)	(11)	537	537	537
Enrollment		(11)	(11)	(11)	(11)	(11)	(11)	(11)	(7)	(7)	271
Percentage of capacity (3)		(11)	(11)	(11)	(11)	(11)	(11)	(11)	(7)	(7)	50%
Site acreage		(11)	(11)	(11)	(11)	(11)	(11)	(11)	6	6	6
<i>Wildwood</i>	1959 (4)										
Square Feet		44,450	44,450	44,450	44,450	44,450	44,450	44,450	44,450	44,450	44,450
Capacity (students)		503	503	503	503	503	503	503	356	356	356
Enrollment		612	543	612	564	503	475	457	(6)	(6)	390
Percentage of capacity (3)		122%	108%	122%	112%	100%	94%	90%	(6)	(6)	110%

Middletown City School District
Butler County, Ohio
 School Building Information
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Wilson										
Site acreage	4	4	4	4	4	4	4	4	4	4
Square Feet	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Capacity (students)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Enrollment	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Percentage of capacity (3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Site acreage	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Middle Schools										
Middletown Middle School (formerly Vail)										
1923										
Square Feet	222,409	222,409	222,409	222,409	222,409	222,409	222,409	222,409	222,409	222,409
Capacity (students)	1,576	1,576	1,576	1,576	1,576	1,576	1,576	1,576	1,576	1,576
Enrollment	1,042	841	785	825	776	807	802	821	907	703
Percentage of capacity (3)	66%	53%	50%	52%	49%	51%	51%	52%	58%	45%
Site acreage	3	3	3	3	3	3	3	3	3	3
George M. Verity - closed										
1968										
Square Feet	81,589	81,589	81,589	81,589	81,589	81,589	81,589	81,589	81,589	81,589
Capacity (students)	653	653	653	653	653	653	653	653	653	653
Enrollment	-	-	-	-	596	625	625	599	489	483
Percentage of capacity (3)	0%	0%	0%	0%	91%	96%	96%	92%	75%	74%
Site acreage	39	39	39	39	39	39	39	39	39	39
High Schools										
Garfield Alternative										
1925										
Square Feet	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Capacity (students)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Enrollment	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Percentage of capacity (3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Site acreage	3	3	3	3	3	3	3	3	3	3
Middletown High										
1969										
Square Feet	363,627	363,627	363,627	363,627	363,627	363,627	363,627	363,627	363,627	363,627
Capacity (students)	2,178	2,178	2,178	2,178	2,178	2,178	2,178	2,178	2,178	2,178
Enrollment	1,404	1,773	1,813	1,804	1,794	1,829	1,840	1,834	1,797	1,831
Percentage of capacity (3)	64%	81%	83%	82%	82%	84%	84%	84%	83%	84%
Site acreage	8	8	8	8	8	8	8	8	8	8

Source: School District records

(2) Middletown City School District demolished Oneida Elementary

(3) Enrollment divided by capacity

(4) Annexed in 1993

Middletown City School District
Butler County, Ohio
 School Building Information
 Last Ten Fiscal Years

Year Built	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
(5) Rosa Parks opened in fiscal year 2007										
(6) In 2008, due to construction, Wildwood students were housed at the Roosevelt Building and Mayfield was housed at the old Creekvie building. Original Roosevelt students have been dispersed amongst the District because the building is no longer in use after Wildwood students return after the Wildwood construction was completed.										
(7) Taft Elementary was being used for storage										
(8) Miller Ridge Elementary opened in fiscal year 2007.										
(9) Rosedale Elementary was under renovation during fiscal year 2008, and was renamed New Central Academy.										
(10) Roosevelt Elementary was unoccupied in 2009 awaiting demolition.										
(11) Demolished 2008.										
(12) 2009 and forward houses Butler County Head Start.										

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Dave Yost • Auditor of State

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
MARCH 17, 2016**