



**MIDDLETOWN CITY SCHOOL DISTRICT**

Single Audit Reports

Year Ended June 30, 2016





# Dave Yost • Auditor of State

Board of Directors  
Middletown City School District  
1 Donham Plaza, 4th Floor  
Middletown, OH 45042

We have reviewed the *Independent Auditors' Report* of the Middletown City School District, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Middletown City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 14, 2017

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**MIDDLETOWN CITY SCHOOL DISTRICT**  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2016

<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> (Passed through Ohio Department of Education)				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution)</i>				
National School Lunch Program	2016	10.555	\$ 122,973	122,973
<i>Cash Assistance</i>				
School Breakfast Program	2016	10.553	1,454,710	1,454,710
National School Lunch Program	2016	10.555	<u>2,783,143</u>	<u>2,783,143</u>
<i>Cash Assistance Subtotal</i>			<u>4,237,853</u>	<u>4,237,853</u>
Nutrition Cluster Total			<u>4,360,826</u>	<u>4,360,826</u>
Total U.S. Department of Agriculture			<u>4,360,826</u>	<u>4,360,826</u>
<u>U.S. Department of Education:</u> (Passed through Ohio Department of Education)				
Title I:				
Title I Grants to Local Educational Agencies	2015	84.010	1,232,178	1,190,483
Title I Grants to Local Educational Agencies	S010A150035	84.010	3,114,178	3,043,423
Title I School Improvement Sub A	2016	84.010	<u>32,189</u>	<u>62,189</u>
Title I Total			<u>4,378,545</u>	<u>4,296,095</u>
Special Education Cluster:				
Special Education - Grants to States	2015	84.027	297,104	185,248
Special Education - Grants to States	H027A150111	84.027	1,540,129	1,525,834
Special Education - Preschool Grants	2015	84.173	25,281	25,281
Special Education - Preschool Grants	H173A150119	84.173	<u>25,432</u>	<u>25,432</u>
Special Education Cluster Total			<u>1,887,946</u>	<u>1,761,795</u>
ARRA - Race to the Top	2015	84.395	-	1,668
English Language Acquisition Grants	2016	84.365	<u>40,026</u>	<u>38,014</u>
Improving Teacher Quality State Grants	2015	84.367	117,530	83,899
Improving Teacher Quality State Grants	S367A150034	84.367	<u>265,712</u>	<u>393,681</u>
			<u>383,242</u>	<u>477,580</u>
Total U.S. Department of Education			<u>6,689,759</u>	<u>6,575,152</u>
Total Federal Awards			<u>\$ 11,050,585</u>	<u>10,935,978</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Middletown City School District (the "School District") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE C - FOOD DISTRIBUTION**

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

**NOTE D - 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, 2016, 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 20, 2016.

**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 a combination of deficiencies, in internal control 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 for the limited 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of 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*.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 20, 2016



**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 THE UNIFORM GUIDANCE**

**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 *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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, Title I 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 and CFDA 84.173 Special Education Cluster, CFDA 84.010 Title I and CFDA 84.367 Improving Teacher Quality State Grant as described in Finding 2016-001 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, Title I 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, Title I and Improving Teacher Quality State Grant for the year ended June 30, 2016.

***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 the Uniform Guidance, 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 2016-001 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated December 20, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 20, 2016

**MIDDLETOWN CITY SCHOOL DISTRICT**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2016

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• 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:	qualified for all major programs
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of major programs:

*Special Education Cluster:*

- CFDA 84.027 – Special Education Grants to States*
- CFDA 84.173 – Special Education – Preschool Grants*

*Title I:*

- CFDA 84.010 – Title I Grants to Local Educational Agencies*
- CFDA 84.010 – Title I School Improvement Sub A Grant*

CFDA 84.367 – Improving Teacher Quality State Grants

Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	no

**MIDDLETOWN CITY SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016  
(Continued)

**Section II – Financial Statement Findings**

*None*

**Section III – Federal Award Findings and Questioned Costs**

**U.S. DEPARTMENT OF EDUCATION**

**Finding 2016-001 – CFDA 84.027 and CFDA 84.173--Special Education Cluster; CFDA 84.010 Title I 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 documentation standards for personnel expenses charged to the Special Education Cluster, Title I and Improving Teacher Quality State Grants. 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. This is a repeat of finding 2015-003 from the prior year audit for the Special Education Cluster and Improving Teacher Quality State Grants.

*Criteria:* 2 CFR 200.430(i) – Standards for Documentation of Personnel Expenses states that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. Additionally 2 CFR 200.430(i) states that among other things that the records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. 2 CFR 200.430(i) goes on to state that budget estimates alone do not qualify as support for charges to federal awards.

*Context:* The School District charged \$380,307 for payroll costs to the Special Education Cluster and \$234,923 for payroll costs to the Title I related to employees that work solely on these programs that were not support by semi-annual certifications. Also, the School District charged \$50,718 for payroll costs to the Title I and charged \$78,356 for payroll costs to the Improving Teacher Quality State Grant program for employees that were charged based on a budget estimate.

In total, we tested \$719,668 of the \$786,228 of payroll costs charged to the Special Education Cluster. For the Title I program, we tested \$571,282 of \$1,764,761 payroll costs charged to the program. Finally, we tested \$89,461 of the \$272,261 of payroll costs charged to the Improving Teacher Quality State Grant Program.

*Cause:* The School District lacked procedures to ensure compliance with documentation standards for personnel expenses charged to federal awards.

*Effect:* Costs of \$380,307 charged to the Special Education Cluster, costs of \$285,641 charged to the Title I Part A Cluster and costs of \$78,356 charged to the Improving Teacher Quality State Grants program are questioned as a result of not maintaining appropriate documentation for personnel expenses charged to federal awards.

**MIDDLETOWN CITY SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016  
(Continued)

**Finding 2016-001 – CFDA 84.027 and CFDA 84.173--Special Education Cluster; CFDA 84.010 Title I and CFDA 84.367--Improving Teacher Quality State Grants – Allowable Costs (continued)**

*Recommendation:* We recommend the School District implement procedures to ensure that all necessary documentation is prepared and maintained to support personnel expenses charged to federal awards.

*Views of Responsible Officials:* After the 2015-003 finding for these same discrepancies a procedure was put in place with the Assistant Treasurer to maintain and verify the semi-annual certifications to support salaries and wages of employees who worked on these specific programs. This procedure was followed and maintained through the first half of fiscal year 2016. The Assistant Treasurer abruptly retired from the district before the second half of fiscal year 2016 was completed and therefore the procedure in place was not completed in this time period. The District also underwent staff changes in other administration which furthermore complicated this process of completing the semi-annual certifications. We have once again revamped the procedures for collecting and maintain semi-annual certification which includes the Treasurer's office and Federal Program's office, which will be a good check and balance system to ensure compliance, even in the event of change of staff.

**MIDDLETOWN CITY SCHOOL DISTRICT**  
Schedule of Prior Audit Findings  
Year Ended June 30, 2016

**Finding 2015-001 – 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:** Corrected.

**Finding 2015-002 – 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:** Corrected.

**Finding 2015-003 – CFDA 84.027--Special Education Cluster and CFDA 84.367--  
Improving Teacher Quality State Grants – 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 2016-001.

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# MIDDLETOWN CITY SCHOOL DISTRICT BUTLER COUNTY, OHIO



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE  
FISCAL YEAR ENDED JUNE 30, 2016



COMPREHENSIVE  
ANNUAL FINANCIAL REPORT

OF THE

MIDDLETOWN CITY  
SCHOOL DISTRICT

BUTLER COUNTY, OHIO

FOR THE

FISCAL YEAR ENDED JUNE 30, 2016

PREPARED BY  
TREASURER'S OFFICE  
MR. RANDALL BERTRAM, TREASURER

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# INTRODUCTORY SECTION

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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*Middletown  
City Schools*

*Office of the Treasurer*

ONE DONHAM PLAZA  
4<sup>th</sup> FLOOR  
MIDDLETOWN, OHIO 45042

[www.middletowncityschools.com](http://www.middletowncityschools.com)

December 20, 2016

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, 2016, 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 37.9% of the tax revenue of the District paid by business and industry.

During the 2015-16 school year, the District had 6,598 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 2017 is 6,550.

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 11 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, 2016, were as follows:

<b>Board Member</b>	<b>Began Service</b>	<b>Term Expires</b>	<b>Profession</b>
Mrs. Marcia Andrew	January, 2006	December, 2017	Attorney
Dr. Chris Urso	January, 2016	December, 2019	College Professor
Ms. Michelle Novak	January, 2016	December, 2019	Nonprofit Development Consultant
Mrs. Anita Scheibert	January, 2016	December, 2019	Educator
Mr. Todd Moore	January, 2016	December, 2017	Senior Director

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 2015-16 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 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, and bond underwriting and municipal advisors to complete this project by 2018. This final phase will include the construction of a new middle school and arena next to the high school, renovating the high school and razing of other vacant school buildings. The ground breaking for these projects was in April 2016.

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, and the district met this policy by June 30, 2016. The forecast continues to see increased carryover while initiating needed text book adoptions, technology and set asides for building maintenance and repairs.

## **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, 2016. 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, 2015. 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, 2015. The District believes that the Comprehensive Annual Financial Report for fiscal year June 30, 2016, which will be submitted to ASBO for review, will conform to ASBO's principles and standards.

## **ACKNOWLEDGEMENTS**

The preparation of the 2016 Comprehensive Annual Financial Report of the Middletown City School District was made possible by the combined efforts of the District's Finance Department and Julian & Grube, Inc. 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 cursive script that reads "Randall R. Bertram". The signature is written in black ink and is positioned below the text "Respectfully submitted,".

Randall R. Bertram, Treasurer/CFO



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

**LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2016**

**BOARD OF EDUCATION**

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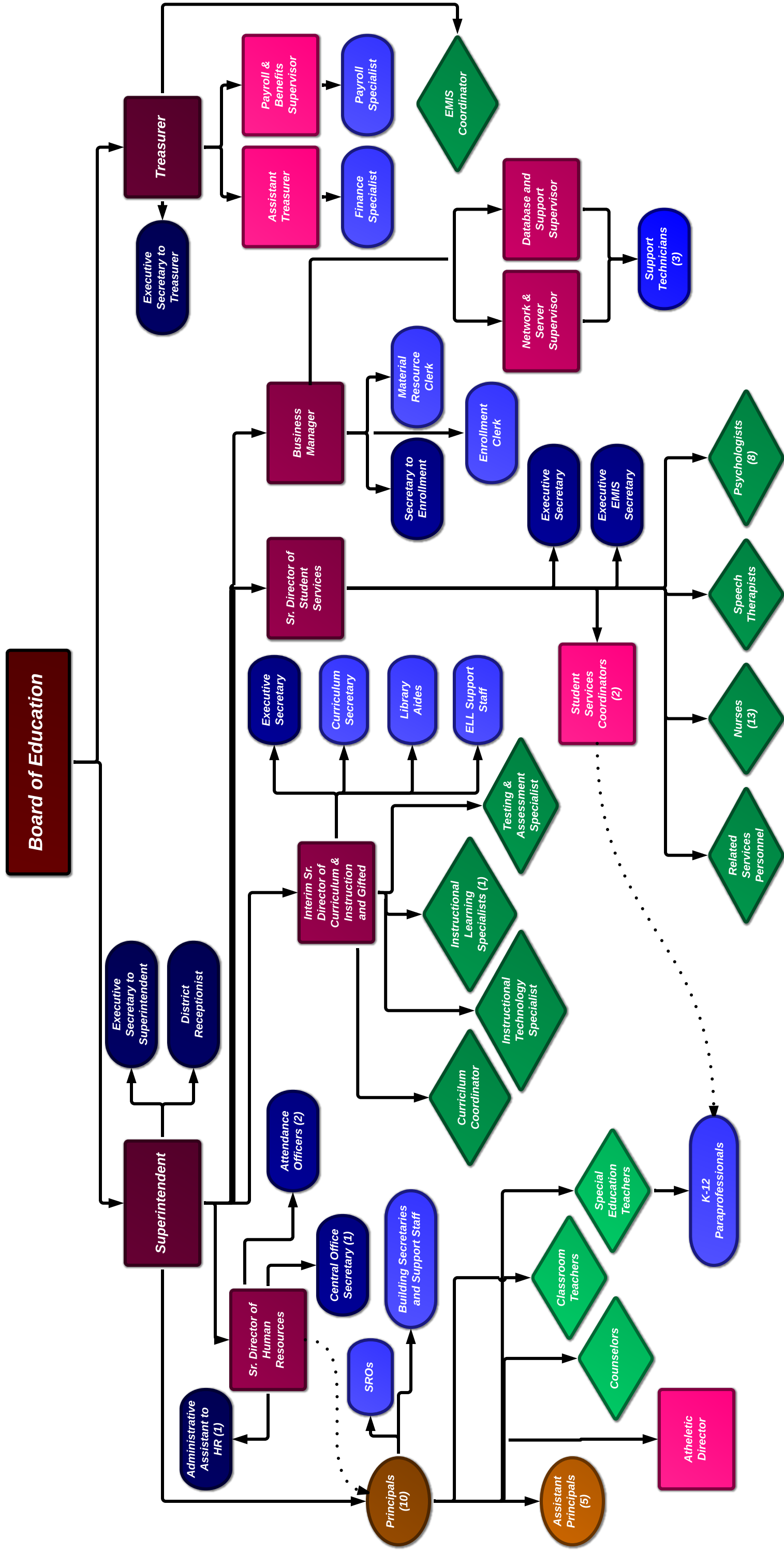
President	Dr. Chris Urso
Vice President	Mrs. Marcia Andrew
Board Member	Mrs. Anita Scheibert
Board Member	Mr. Todd Moore
Board Member	Ms. Michelle Novak

**ADMINISTRATIVE OFFICIALS**

---

Superintendent	Dr. Sam Ison
Treasurer	Mr. Randall Bertram
Director of Human Resources & Instructional Leadership	Mr. Eric Gearhart
Director of Curriculum & Instruction	Dr. Elizabeth Lolli
Director of Professional Development	Mrs. Carolyn Mack
Director of Athletics	Mr. Gary Lebo
Legal Counsel	Don Crain, Esq. - Frost, Brown & Todd, Attorneys at Law

# 2015-2016 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, 2015**

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, 2015.**

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



*Brenda Burkett*

Brenda R. Burkett, CPA, CSBA, SFO  
President

*John D. Musso*

John D. Musso, CAE, RSBA  
Executive Director

## FINANCIAL SECTION

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## **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, 2016, 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.

one east fourth street, ste. 1200  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
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, 2016, 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.

## **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 20, 2016, 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 20, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(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, 2016. 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 2016 are as follows:

- In total, net position of governmental activities increased \$14,947,515 which represents a 46.21% increase from June 30, 2015's net position.
- General revenues accounted for \$78,119,154 in revenue or 81.10% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$18,206,735 or 18.90%.
- The District had \$81,378,374 in expenses related to governmental activities; \$18,206,735 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$78,119,154 were adequate to provide for these programs.
- The District has four major funds which include the general fund, the bond retirement fund, the building fund and the construction fund. The general fund had \$77,024,159 in revenues and other financing sources and \$67,115,477 in expenditures and other financing uses. The general fund's fund balance increased \$9,908,682 from a deficit of \$724,594 to \$9,184,088.
- The bond retirement fund had \$32,962,555 in revenues and other financing sources and \$33,267,416 in expenditures and other financing uses. The bond retirement fund's fund balance decreased \$304,861 from \$5,446,025 to \$5,141,164.
- The building fund had \$162,879 in revenues and \$852,572 in expenditures. The building fund's fund balance decreased \$689,693 from \$15,732,576 to \$15,042,883.
- The construction fund had \$8,512,589 in revenues and \$3,859,311 in expenditures. The construction fund's fund balance increased \$4,653,278 from \$31,963,464 to \$36,616,742.

**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.

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. The District has four major funds: the general fund, the bond retirement fund, the building fund and the construction fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

**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 2016?" The statement of net position and the statement of activities answer this question. These statements include *all assets, all deferred outflows of resources, liabilities, deferred inflows of resources, 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 net 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 17-18 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 13. 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. The District's major governmental funds are the general fund, the bond retirement fund, the building fund and the construction fund.

***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 20-27 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 28 and 29. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

***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 31-61 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's general fund budgetary information and net pension liability and contributions. The required supplementary information can be found on pages 64-74 of this report.

**The District as a Whole**

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	<b>Net Position</b>		
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>	Percent <u>Change</u>
<b><u>Assets</u></b>			
Current and other assets	\$ 151,009,727	\$ 145,270,782	3.95 %
Capital assets, net	<u>68,839,568</u>	<u>65,282,976</u>	5.45 %
Total assets	<u>219,849,295</u>	<u>210,553,758</u>	4.41 %
<b><u>Deferred Outflows of Resources</u></b>			
Unamortized deferred loss on debt refunding	24,179	49,394	(51.05) %
Pension	<u>8,256,579</u>	<u>5,556,971</u>	48.58 %
Total deferred outflows of resources	<u>8,280,758</u>	<u>5,606,365</u>	47.70 %
<b><u>Liabilities</u></b>			
Current liabilities	8,535,068	7,379,129	15.66 %
Long-term liabilities:			
Due within one year	2,384,635	3,389,972	(29.66) %
Due in more than one year:			
Net pension liability	84,711,209	83,073,908	1.97 %
Other amounts	<u>105,020,140</u>	<u>107,861,740</u>	(2.63) %
Total liabilities	<u>200,651,052</u>	<u>201,704,749</u>	(0.52) %
<b><u>Deferred Inflows of Resources</u></b>			
Property taxes and PILOTs levied for next year	29,724,790	31,636,762	(6.04) %
Unamortized deferred gain on debt refunding	575,872	-	100.00 %
Pensions	<u>14,580,054</u>	<u>15,167,842</u>	(3.88) %
Total deferred inflows of resources	<u>44,880,716</u>	<u>46,804,604</u>	(4.11) %
<b><u>Net Position</u></b>			
Net investment in capital assets	8,826,190	3,847,066	129.43 %
Restricted	51,446,955	54,147,596	(4.99) %
Unrestricted	<u>(77,674,860)</u>	<u>(90,343,892)</u>	(14.02) %
Total net position	<u>\$ (17,401,715)</u>	<u>\$ (32,349,230)</u>	(46.21) %

During a previous fiscal year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68" 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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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.

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.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016 and June 30, 2015, the District's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$17,401,715 and \$32,349,230, respectively. Net position increased \$14,947,515 from June 30, 2015's net position.

Assets of the District increased \$9,295,537 or 4.41%. Current assets increased \$5,738,945 or 3.95%. The most significant increases were in the areas of equity in pooled cash and investments and restricted cash and investments with trustee. The increase in equity in pooled cash and investments was the result of careful budgeting practices in the general fund with an emphasis on cutting costs. At year-end, capital assets represented 31.30% of total assets. Capital assets include land, buildings and improvements, equipment and construction in progress. Net investment in capital assets at June 30, 2016 and June 30, 2015, were \$8,826,190 and \$3,847,066, respectively. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)

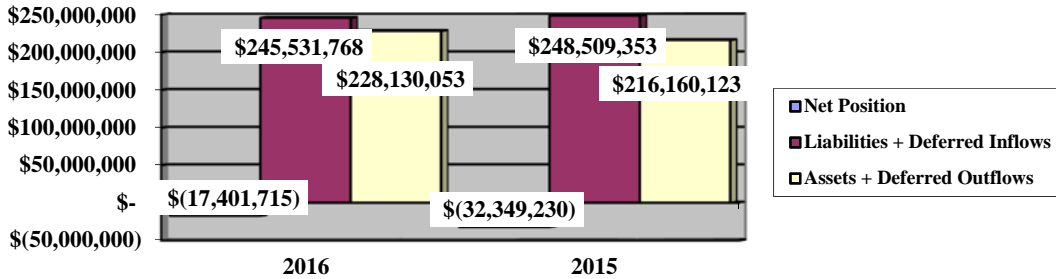
The capital assets increased due to current year additions of \$6,394,237 exceeding current year depreciation of \$2,789,259 and disposals (net of accumulated depreciation) of \$48,386. The District major capital asset addition was construction in progress related to the District's building project.

Liabilities of the District decreased \$1,053,697 or 0.52%. Current liabilities increased \$1,155,939 or 15.66% due to an increase in contracts payable related to the District's construction project and an increase in accrued wages and benefits payable. Long-term liabilities decreased \$2,209,636. This decrease is mainly due to the \$3.3 million in principal payments as well as only a slight increase in the net pension liability. The net pension liability slight increase was a result of a large decrease in proportionate share for the State Teachers Retirement System (STRS).

A portion of the District's net position, \$51,446,955, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$48,327,060 is restricted for capital projects. This amount is related to the District's State share of its Ohio Facilities Construction Commission (OFCC) project that has been unspent thus far. The remaining balance of unrestricted net position is (\$77,674,860).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2016 and June 30, 2015.

**Governmental Activities**



The table below shows the change in net position for fiscal years 2016 and 2015. Certain fiscal year 2015 amounts have been reclassified to conform to fiscal year 2016's presentation.

**Change in Net Position**

	Governmental Activities 2016	Governmental Activities 2015	Percentage Change
<b>Revenues</b>			
Program revenues:			
Charges for services and sales	\$ 1,380,777	\$ 1,614,201	(14.46) %
Operating grants and contributions	16,825,958	16,164,717	4.09 %
General revenues:			
Taxes	37,529,024	29,034,088	29.26 %
Payment in lieu of taxes	886,632	431,267	105.59 %
Grants and entitlements not restricted	38,775,910	36,730,977	5.57 %
Grants and entitlements restricted		51,403,241	(100.00) %
Investment earnings	448,314	202,447	121.45 %
Other	479,274	350,924	36.57 %
<b>Total revenues</b>	<b>96,325,889</b>	<b>135,931,862</b>	<b>(29.14) %</b>



**MIDDLETOWN CITY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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**Change in Net Position (Continued)**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>	<u>Percentage Change</u>
<b><u>Expenses</u></b>			
Program expenses:			
Instruction:			
Regular	\$ 21,885,329	\$ 24,727,094	(11.49) %
Special	9,989,974	8,757,787	14.07 %
Vocational	83,306	2,709	2,975.16 %
Adult/continuing	3,477	3,665	(5.13) %
Other	13,840,798	13,618,372	1.63 %
Support services:			
Pupil	3,895,910	3,746,251	3.99 %
Instructional staff	2,619,650	1,991,860	31.52 %
Board of education	70,619	59,556	18.58 %
Administration	3,912,734	4,154,176	(5.81) %
Fiscal	1,470,168	1,671,371	(12.04) %
Business	229,965	191,359	20.17 %
Operations and maintenance	7,631,480	7,408,158	3.01 %
Pupil transportation	4,125,548	4,007,357	2.95 %
Central	1,218,035	1,619,365	(24.78) %
Operations of non-instructional services	4,652,290	4,781,569	(2.70) %
Extracurricular activities	815,861	1,083,235	(24.68) %
Interest and fiscal charges	<u>4,933,230</u>	<u>3,892,120</u>	26.75 %
Total expenses	<u>81,378,374</u>	<u>81,716,004</u>	(0.41) %
Change in net position	14,947,515	54,215,858	(72.43) %
Net position, beginning of year	<u>(32,349,230)</u>	<u>(86,565,088)</u>	62.63
Net position, end of year	<u>\$ (17,401,715)</u>	<u>\$ (32,349,230)</u>	(46.21) %

Net position of the District's governmental activities increased \$14,947,515 in fiscal year 2016 and increased \$54,215,858 in fiscal year 2015. Total governmental expenses of \$81,378,374 were offset by program revenues of \$18,206,735 and general revenues of \$78,119,154 during fiscal year 2016. Program revenues supported 22.37% of the total governmental expenses during fiscal year 2016.

Revenues of the District decreased \$39,605,973 or 29.14%. The most significant decrease was in the area of restricted grants and entitlements. In fiscal year 2015, the District was approved for an OFCC project, of which \$51.4 million was a grant from the State. Taxes increased \$8,494,936 or 29.26% due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Butler County Auditor. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2016, 2015 and 2014 was \$4,623,724, \$1,985,338 and \$5,284,198, respectively. The amount of tax advance available at year-end can vary depending upon when the county auditor distributes tax bills. The increase in non-restricted grants and entitlements was primarily due to an increase in State foundation funding, most notably opportunity grant funding as well as an increase in Medicaid School Program (MSP) reimbursements.

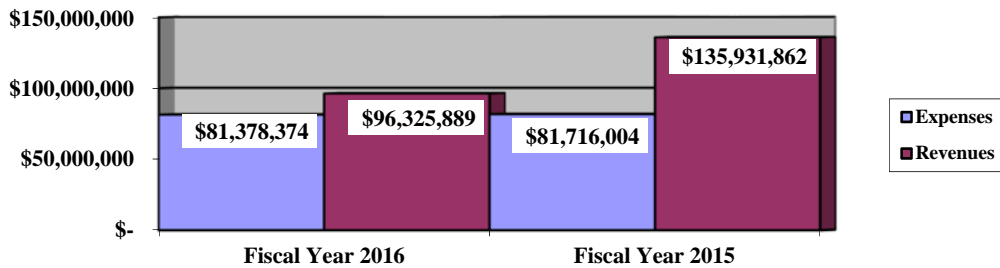
**MIDDLETOWN CITY SCHOOL DISTRICT  
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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Expenses of the District decreased \$337,630 or 0.41%. The most significant decrease was in instruction. Instruction expenses decreased roughly \$1.3 million due to decreases in regular instruction costs. Some of this decrease were negated by an increase in special education costs. The District also saw an increase in interest and fiscal charges of roughly \$1 million due to costs incurred due to the issuance of refunding bonds as well as interest payment on the Series 2015 bonds.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2016 and 2015.

**Governmental Activities - Revenues and Expenses**



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.

**Governmental Activities**

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 21,885,329	\$ 20,751,646	\$ 24,727,094	\$ 23,101,630
Special	9,989,974	1,272,238	8,757,787	355,213
Vocational	83,306	(199,383)	2,709	(120,533)
Adult/continuing	3,477	3,477	3,665	3,665
Other	13,840,798	13,840,798	13,618,372	13,618,372
Support services:				
Pupil	3,895,910	3,769,935	3,746,251	3,493,784
Instructional staff	2,619,650	1,145,700	1,991,860	492,478
Board of education	70,619	70,619	59,556	59,556
Administration	3,912,734	3,540,862	4,154,176	3,782,207
Fiscal	1,470,168	1,470,168	1,671,371	1,597,266
Business	229,965	214,638	191,359	180,382
Operations and maintenance	7,631,480	7,573,078	7,408,158	7,377,680
Pupil transportation	4,125,548	3,774,424	4,007,357	3,939,789
Central	1,218,035	1,214,878	1,619,365	1,619,365
Operations of non-instructional services	4,652,290	(814,034)	4,781,569	(321,315)
Extracurricular activities	815,861	609,365	1,083,235	865,427
Interest and fiscal charges	4,933,230	4,933,230	3,892,120	3,892,120
<b>Total</b>	<u>\$ 81,378,374</u>	<u>\$ 63,171,639</u>	<u>\$ 81,716,004</u>	<u>\$ 63,937,086</u>

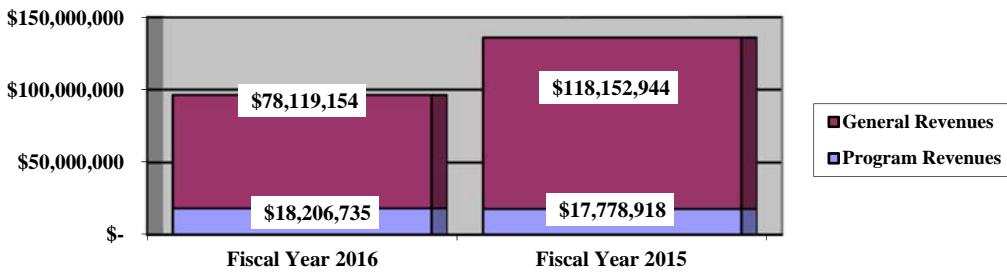
**MIDDLETOWN CITY SCHOOL DISTRICT  
BUTLER COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent, 77.87% of instruction activities were supported through taxes and other general revenues during fiscal year 2016. For all governmental activities, general revenue support was 77.63% in fiscal year 2016. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District students.

The graph below presents the District's governmental activities revenues for fiscal years 2016 and 2015. Certain fiscal year 2015 amounts have been reclassified to conform to fiscal year 2016's presentation.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on pages 20-21) reported a combined fund balance of \$68,141,252, which is higher than last year's total of \$53,124,695. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 9,184,088	\$ (724,594)	\$ 9,908,682	1,367.48 %
Bond retirement	5,141,164	5,446,025	(304,861)	(5.60) %
Building	15,042,883	15,732,576	(689,693)	(4.38) %
Construction	36,616,742	31,963,464	4,653,278	14.56 %
Other Governmental	<u>2,156,375</u>	<u>707,224</u>	<u>1,449,151</u>	204.91 %
Total	<u>\$ 68,141,252</u>	<u>\$ 53,124,695</u>	<u>\$ 15,016,557</u>	28.27 %

**General Fund**

The general fund increased \$9,908,682 during fiscal year 2016.

**MIDDLETOWN CITY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2016 <u>Amount</u>	2015 <u>Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 31,080,203	\$ 23,852,796	\$ 7,227,407	30.30 %
Payment in lieu of taxes	886,632	431,267	455,365	105.59 %
Earnings on investments	13,869	3,365	10,504	312.15 %
Intergovernmental	43,503,274	41,250,794	2,252,480	5.46 %
Other revenues	<u>1,533,762</u>	<u>1,920,583</u>	<u>(386,821)</u>	(20.14) %
Total	<u>\$ 77,017,740</u>	<u>\$ 67,458,805</u>	<u>\$ 9,558,935</u>	14.17 %
<b><u>Expenditures</u></b>				
Instruction	\$ 43,332,353	\$ 44,524,760	\$ (1,192,407)	(2.68) %
Support services	20,741,915	21,086,707	(344,792)	(1.64) %
Operation of				
non-instructional services	31,451	57,569	(26,118)	(45.37) %
Extracurricular activities	71,235	83,916	(12,681)	(15.11) %
Facilities acquisition and const.	10,279	7,065	3,214	45.49 %
Debt service	<u>2,006,413</u>	<u>2,713,365</u>	<u>(706,952)</u>	(26.05) %
Total	<u>\$ 66,193,646</u>	<u>\$ 68,473,382</u>	<u>\$ (2,279,736)</u>	(3.33) %

Revenues of the general fund increased \$9,558,935 or 14.17%. The most significant increase was in the area of taxes which increased \$7,227,407 or 30.30%. This increase is the result of due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Butler County Auditor. The amount of tax advance available at year-end can vary depending upon when the county auditor distributes tax bills. Intergovernmental revenue increased 5.46% due to increases in State foundation funding and increase in Medicaid School Program (MSP) reimbursements. Payment in lieu of taxes increased due to an increase in tax appeal settlement amounts.

Expenditures of the general fund decreased \$2,279,736 or 3.33%. The most significant decrease was in the area of instruction. Instruction decreased \$1,192,407 or 2.68% due a decrease in spending on regular teachers for salaries and benefits. Debt service decreased due to the paying off of capital lease for Apple iPads in the previous year.

***Bond Retirement Fund***

The bond retirement fund had \$32,962,555 in revenues and other financing sources and \$33,267,416 in expenditures and other financing uses. The bond retirement fund's fund balance decreased \$304,861 from \$5,446,025 to \$5,141,164. This decrease is primarily the result of principal and interest payments on bonds exceeding the property tax collections.

***Building Fund***

The building fund had \$162,879 in revenues and \$852,572 in expenditures. The building fund's fund balance decreased \$689,693 from \$15,732,576 to \$15,042,883. The decrease is mainly due to the District incurring costs associated with the Locally Fund Initiative (LFI) portion of the District's OFCC project.

***Construction Fund***

The construction fund had \$8,512,589 in revenues and \$3,859,311 in expenditures. The construction fund's fund balance increased \$4,653,278 from \$31,963,464 to \$36,616,742. This increase was the result of intergovernmental grant revenues received from the State for the District's OFCC project.

**MIDDLETOWN CITY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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***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.

For the general fund, original budgeted revenues and other financing sources of \$75,240,710 were increased to \$75,857,861 in the final budget. The District increased property tax revenue estimates and reimbursements for MSP while decreasing tuition and State funding estimates. Actual revenues and other financing sources increased \$3,406,268 to \$79,264,129. This increase from the final budget resulted from increased actual property tax and State foundation revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$72,535,095 were increased to \$75,648,426 in the final budget. The largest increases related to advances and transfers to other funds. Actual expenditures and other uses of \$74,320,577 were \$1,327,849 lower than final appropriations due to the District's conservative budget practices in all of the various functional expenditures.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2016, the District had \$68,839,568 invested in land, buildings and improvements, equipment and construction in progress. This entire amount is reported in governmental activities.

The following table shows June 30, 2016 balances compared to June 30, 2015.

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 1,527,633	\$ 1,189,017
Construction in progress	6,848,253	1,709,886
Buildings and improvements	59,046,335	60,951,650
Equipment	<u>1,417,347</u>	<u>1,432,423</u>
Total	<u>\$ 68,839,568</u>	<u>\$ 65,282,976</u>

The capital assets increased \$3,556,592. The capital assets increased due to current year additions of \$6,394,237 exceeding current year depreciation of \$2,789,259 and disposals (net of accumulated depreciation) of \$48,386.

See Note 8 to the basic financial statements for detail on the District's capital assets.

***Debt Administration***

At June 30, 2016, the District had \$106,467,347 in general obligation bonds, House Bill (HB) 264 debt and capital lease obligations outstanding. Of this total, \$2,360,301 is due within one year and \$104,107,046 is due in greater than one year.

**MIDDLETOWN CITY SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
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The following table summarizes the bonds and capital lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
General obligation bonds and HB 264 debt	\$ 99,112,934	\$ 100,802,685
Premiums	7,225,605	7,836,414
Bond anticipation notes payable	-	1,600,000
Capital lease obligations	<u>128,808</u>	<u>177,676</u>
Total	<u>\$ 106,467,347</u>	<u>\$ 110,416,775</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 856 students attended charter/community schools other than Middletown in fiscal year 2016 while residing within the district boundaries. Another 320 were opened/enrolled to surrounding public schools while 175 EdChoice scholarships were awarded to students to attend area parochial schools. This has resulted in rising tuition costs and financial pressures that has a negative effect on the general fund carryover balance. However, early indications for fiscal year 2017 indicated that enrollment has leveled with possibly a slight increase.

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 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 to which the District obtained as of June 30, 2016.

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 and 2016 was \$2,593,485 and \$7,314,274 respectfully, and the forecast for fiscal year 2017 is showing an increased ending balance of \$15,357,616 that will increase over the following four years resulting in a forecasted ending balance of \$29,644,092 fiscal year 2021. The District's revenue is forecasted to increase steadily 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 while providing 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, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 17,410,375
Receivables:	
Property taxes . . . . .	38,676,507
Payment in lieu of taxes . . . . .	420,174
Accounts . . . . .	24,926
Accrued interest . . . . .	50,606
Intergovernmental . . . . .	40,985,884
Loans . . . . .	2,500
Inventory held for resale . . . . .	10,693
Restricted cash and investments with trustee . . . . .	53,428,062
Capital assets:	
Nondepreciable capital assets . . . . .	8,375,886
Depreciable capital assets, net . . . . .	60,463,682
Capital assets, net . . . . .	68,839,568
Total assets . . . . .	<u>219,849,295</u>
 <b>Deferred outflows of resources:</b>	
Unamortized deferred loss on debt refunding . . . . .	24,179
Pension - STRS . . . . .	6,879,636
Pension - SERS . . . . .	1,376,943
Total deferred outflows of resources . . . . .	<u>8,280,758</u>
 <b>Liabilities:</b>	
Accounts payable . . . . .	261,903
Contracts payable . . . . .	1,789,184
Accrued wages and benefits payable . . . . .	4,817,045
Intergovernmental payable . . . . .	405,234
Pension and postemployment benefits payable . . . . .	895,825
Accrued interest payable . . . . .	365,877
Long-term liabilities:	
Due within one year . . . . .	2,384,635
Due in more than one year:	
Net pension liability . . . . .	84,711,209
Other amounts due in more than one year . . . . .	105,020,140
Total liabilities . . . . .	<u>200,651,052</u>
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	29,304,616
Payment in lieu of taxes levied for the next fiscal year . . . . .	420,174
Unamortized deferred gain on refunding . . . . .	575,872
Pension - STRS . . . . .	13,673,631
Pension - SERS . . . . .	906,423
Total deferred inflows of resources . . . . .	<u>44,880,716</u>
 <b>Net position:</b>	
Net investment in capital assets . . . . .	8,826,190
Restricted for:	
Capital projects . . . . .	48,327,060
Classroom facilities maintenance . . . . .	456,975
Debt service . . . . .	75,672
Locally funded programs . . . . .	59,548
State funded programs . . . . .	166,230
Federally funded programs . . . . .	1,408,641
Other purposes . . . . .	952,829
Unrestricted (deficit) . . . . .	(77,674,860)
Total net position . . . . .	<u>\$ (17,401,715)</u>

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, 2016

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 21,885,329	\$ 872,392	\$ 261,291	\$ (20,751,646)
Special . . . . .	9,989,974	47,948	8,669,788	(1,272,238)
Vocational . . . . .	83,306	-	282,689	199,383
Adult/continuing . . . . .	3,477	-	-	(3,477)
Other . . . . .	13,840,798	-	-	(13,840,798)
Support services:				
Pupil . . . . .	3,895,910	43,601	82,374	(3,769,935)
Instructional staff . . . . .	2,619,650	-	1,473,950	(1,145,700)
Board of education . . . . .	70,619	-	-	(70,619)
Administration . . . . .	3,912,734	-	371,872	(3,540,862)
Fiscal . . . . .	1,470,168	-	-	(1,470,168)
Business . . . . .	229,965	-	15,327	(214,638)
Operations and maintenance . . . . .	7,631,480	58,402	-	(7,573,078)
Pupil transportation . . . . .	4,125,548	-	351,124	(3,774,424)
Central . . . . .	1,218,035	-	3,157	(1,214,878)
Operation of non-instructional services:				
Other non-instructional services . . . . .	747,593	-	857,168	109,575
Food service operations . . . . .	3,904,697	166,004	4,443,152	704,459
Extracurricular activities . . . . .	815,861	192,430	14,066	(609,365)
Interest and fiscal charges . . . . .	4,933,230	-	-	(4,933,230)
<b>Total governmental activities . . . . .</b>	<b>\$ 81,378,374</b>	<b>\$ 1,380,777</b>	<b>\$ 16,825,958</b>	<b>(63,171,639)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				31,620,677
Debt service . . . . .				5,567,012
Classroom facilities maintenance . . . . .				341,335
Payments in lieu of taxes . . . . .				886,632
Grants and entitlements not restricted to specific programs . . . . .				38,775,910
Investment earnings . . . . .				448,314
Miscellaneous . . . . .				479,274
<b>Total general revenues . . . . .</b>				<b>78,119,154</b>
Change in net position . . . . .				14,947,515
<b>Net position at beginning of year . . . . .</b>				<b>(32,349,230)</b>
<b>Net position at end of year . . . . .</b>				<b>\$ (17,401,715)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Construction</u>
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 8,760,784	\$ 4,426,886	\$ -	\$ -
Receivables:				
Property taxes. . . . .	32,783,914	5,560,323	-	-
Payment in lieu of taxes . . . . .	420,174	-	-	-
Accounts . . . . .	24,269	-	-	-
Accrued interest . . . . .	-	-	15,931	34,675
Interfund loans . . . . .	2,307,877	-	-	-
Intergovernmental. . . . .	553,175	-	-	38,453,224
Loans. . . . .	2,500	-	-	-
Inventory held for resale. . . . .	-	-	-	-
Restricted assets:				
Equity in pooled cash and investments . . . . .	-	-	15,398,607	38,029,455
Total assets . . . . .	<u>\$ 44,852,693</u>	<u>\$ 9,987,209</u>	<u>\$ 15,414,538</u>	<u>\$ 76,517,354</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 191,346	\$ 2,500	\$ -	\$ -
Contracts payable. . . . .	-	-	362,255	1,426,929
Accrued wages and benefits payable . . . . .	4,337,579	-	-	-
Intergovernmental payable . . . . .	395,874	-	-	-
Pension and postemployment benefits payable . . . . .	855,543	-	-	-
Interfund loans payable. . . . .	-	-	-	-
Total liabilities. . . . .	<u>5,780,342</u>	<u>2,500</u>	<u>362,255</u>	<u>1,426,929</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	24,664,676	4,375,062	-	-
Payment in lieu of taxes levied for the next fiscal year. . . . .	420,174	-	-	-
Delinquent property tax revenue not available. . . . .	4,255,914	468,483	-	-
Intergovernmental revenue not available. . . . .	547,499	-	-	38,453,224
Accrued interest not available. . . . .	-	-	9,400	20,459
Total deferred inflows of resources . . . . .	<u>29,888,263</u>	<u>4,843,545</u>	<u>9,400</u>	<u>38,473,683</u>
<b>Fund balances:</b>				
Restricted:				
Debt service . . . . .	-	5,141,164	-	-
Capital improvements . . . . .	-	-	15,042,883	36,616,742
Classroom facilities maintenance . . . . .	-	-	-	-
Food service operations . . . . .	-	-	-	-
Non-public schools . . . . .	-	-	-	-
Special education . . . . .	-	-	-	-
Targeted academic assistance . . . . .	-	-	-	-
Extracurricular activities . . . . .	-	-	-	-
Other purposes. . . . .	-	-	-	-
Committed:				
Capital improvements . . . . .	-	-	-	-
Assigned:				
Student instruction . . . . .	103,704	-	-	-
Student and staff support. . . . .	280,900	-	-	-
Operation of non-instructional . . . . .	610	-	-	-
Facilities acquisition and construction . . . . .	32	-	-	-
Other purposes. . . . .	4,583	-	-	-
Unassigned (deficit). . . . .	8,794,259	-	-	-
Total fund balances . . . . .	<u>9,184,088</u>	<u>5,141,164</u>	<u>15,042,883</u>	<u>36,616,742</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 44,852,693</u>	<u>\$ 9,987,209</u>	<u>\$ 15,414,538</u>	<u>\$ 76,517,354</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,222,705	\$ 17,410,375
332,270	38,676,507
-	420,174
657	24,926
-	50,606
-	2,307,877
1,979,485	40,985,884
-	2,500
10,693	10,693
-	53,428,062
<u>\$ 6,545,810</u>	<u>\$ 153,317,604</u>
\$ 68,057	\$ 261,903
-	1,789,184
479,466	4,817,045
9,360	405,234
40,282	895,825
2,307,877	2,307,877
<u>2,905,042</u>	<u>10,477,068</u>
264,878	29,304,616
-	420,174
23,770	4,748,167
1,195,745	40,196,468
-	29,859
<u>1,484,393</u>	<u>74,699,284</u>
-	5,141,164
-	51,659,625
433,205	433,205
952,829	952,829
144,180	144,180
144,527	144,527
110,042	110,042
16,042	16,042
93,748	93,748
293,040	293,040
-	103,704
-	280,900
-	610
-	32
-	4,583
(31,238)	8,763,021
<u>2,156,375</u>	<u>68,141,252</u>
<u>\$ 6,545,810</u>	<u>\$ 153,317,604</u>

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

<b>Total governmental fund balances</b>		\$	68,141,252
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			68,839,568
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.			
Property taxes receivable	\$	4,748,167	
Accrued interest receivable		29,859	
Intergovernmental receivable		40,196,468	
Total		44,974,494	44,974,494
Unamortized premiums on bonds issued are not recognized in the funds.			(7,225,605)
Unamortized amounts on refundings are not recognized in the funds.			
Unamortized deferred loss on refunding		24,179	
Unamortized deferred gain on refunding		(575,872)	
Total		(551,693)	(551,693)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(365,877)
The net pension liability is not due and payable in the current period; therefore, the liability and the related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - pension		8,256,579	
Deferred inflows of resources - pension		(14,580,054)	
Net pension liability		(84,711,209)	
Total		(91,034,684)	(91,034,684)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(97,740,000)	
Capital lease obligations		(128,808)	
Compensated absences		(937,428)	
Energy conservation notes payable		(1,372,934)	
Total		(100,179,170)	(100,179,170)
<b>Net position of governmental activities</b>		<u>\$</u>	<u>(17,401,715)</u>

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, 2016

	General	Bond Retirement	Building	Construction
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 31,080,203	\$ 5,574,174	\$ -	\$ -
Payment in lieu of taxes . . . . .	886,632	-	-	-
Tuition . . . . .	769,292	-	-	-
Earnings on investments . . . . .	13,869	1,838	162,879	284,195
Charges for services . . . . .	-	-	-	-
Extracurricular . . . . .	83,644	-	-	-
Classroom materials and fees . . . . .	43,605	-	-	-
Rental income . . . . .	56,871	-	-	-
Contributions and donations . . . . .	336,414	-	-	-
Contract services . . . . .	97,832	-	-	-
Other local revenues . . . . .	146,104	-	-	-
Intergovernmental - intermediate . . . . .	-	-	-	-
Intergovernmental - state . . . . .	41,009,579	632,362	-	8,228,394
Intergovernmental - federal . . . . .	2,493,695	-	-	-
<b>Total revenues . . . . .</b>	<b>77,017,740</b>	<b>6,208,374</b>	<b>162,879</b>	<b>8,512,589</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	23,113,922	-	-	-
Special . . . . .	6,291,458	-	-	-
Vocational . . . . .	86,175	-	-	-
Other . . . . .	13,840,798	-	-	-
Support services:				
Pupil . . . . .	3,865,849	-	-	-
Instructional staff . . . . .	909,909	-	-	-
Board of education . . . . .	58,127	-	-	-
Administration . . . . .	3,572,777	-	-	-
Fiscal . . . . .	1,190,113	148,729	-	28,387
Business . . . . .	224,401	-	-	-
Operations and maintenance . . . . .	5,994,566	-	-	-
Pupil transportation . . . . .	3,937,640	-	-	-
Central . . . . .	988,533	-	-	-
Operation of non-instructional services:				
Other operation of non-instructional . . . . .	31,451	-	-	-
Food service operations . . . . .	-	-	-	-
Extracurricular activities . . . . .	71,235	-	-	-
Facilities acquisition and construction . . . . .	10,279	-	852,572	3,830,924
Debt service:				
Principal retirement . . . . .	1,868,619	1,470,000	-	-
Interest and fiscal charges . . . . .	137,794	4,894,507	-	-
Bond issuance costs . . . . .	-	243,537	-	-
<b>Total expenditures . . . . .</b>	<b>66,193,646</b>	<b>6,756,773</b>	<b>852,572</b>	<b>3,859,311</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	10,824,094	(548,399)	(689,693)	4,653,278
<b>Other financing sources (uses):</b>				
Premium on bonds issued . . . . .	-	1,269,181	-	-
Issuance of refunding bonds . . . . .	-	25,485,000	-	-
Sale of capital assets . . . . .	6,419	-	-	-
Transfers in . . . . .	-	-	-	-
Transfers (out) . . . . .	(921,831)	-	-	-
Payment to refunded bond escrow agent . . . . .	-	(26,510,643)	-	-
<b>Total other financing sources (uses) . . . . .</b>	<b>(915,412)</b>	<b>243,538</b>	<b>-</b>	<b>-</b>
Net change in fund balances . . . . .	9,908,682	(304,861)	(689,693)	4,653,278
<b>Fund balances (deficit) at beginning of year . . . . .</b>	<b>(724,594)</b>	<b>5,446,025</b>	<b>15,732,576</b>	<b>31,963,464</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 9,184,088</b>	<b>\$ 5,141,164</b>	<b>\$ 15,042,883</b>	<b>\$ 36,616,742</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 347,863	\$ 37,002,240
-	886,632
-	769,292
383	463,164
166,004	166,004
160,285	243,929
-	43,605
-	56,871
55,335	391,749
-	97,832
1,660	147,764
62,377	62,377
1,238,391	51,108,726
10,734,980	13,228,675
<u>12,767,278</u>	<u>104,668,860</u>
312,435	23,426,357
3,883,751	10,175,209
-	86,175
-	13,840,798
78,274	3,944,123
1,967,492	2,877,401
-	58,127
376,422	3,949,199
92,870	1,460,099
21,564	245,965
6,150	6,000,716
111,654	4,049,294
3,671	992,204
717,222	748,673
3,879,163	3,879,163
766,943	838,178
22,347	4,716,122
-	3,338,619
-	5,032,301
-	243,537
<u>12,239,958</u>	<u>89,902,260</u>
<u>527,320</u>	<u>14,766,600</u>
-	1,269,181
-	25,485,000
-	6,419
1,079,247	1,079,247
(157,416)	(1,079,247)
-	(26,510,643)
<u>921,831</u>	<u>249,957</u>
1,449,151	15,016,557
707,224	53,124,695
<u>\$ 2,156,375</u>	<u>\$ 68,141,252</u>

**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, 2016

**Net change in fund balances - total governmental funds** \$ 15,016,557

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 6,394,237	
Current year depreciation	(2,789,259)	
<b>Total</b>		<b>3,604,978</b>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (48,386)

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

Property taxes	526,784	
Earnings on investments	(14,590)	
Intergovernmental	(9,111,822)	
<b>Total</b>		<b>(8,599,628)</b>

Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:

General obligation bonds	1,470,000	
Energy conservation bonds and notes payable	219,751	
Bond anticipation notes	1,600,000	
Capital leases	48,868	
<b>Total</b>		<b>3,338,619</b>

Issuances of bonds and premiums are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.

Bonds	(25,485,000)	
Premiums	(1,269,181)	
<b>Total</b>		<b>(26,754,181)</b>

Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:

Bonds refunded	25,485,000	
Premiums refunded	1,629,778	
Deferred charges on refundings refunded	(23,656)	
Deferred gain on refundings	(580,479)	
<b>Total</b>		<b>26,510,643</b>

(Continued)



**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 (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 additional interest being reported in the statement of activities:

Change in accrued interest payable	\$	89,348	
Amortization of bond premiums		250,212	
Amortization of deferred charges		(1,559)	
Amortization of deferred gains		4,607	
Total		4,607	\$ 342,608

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.			4,686,705
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Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.			(3,036,610)
--	--	--	-------------

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			(113,790)
--	--	--	-----------

<b>Change in net position of governmental activities</b>			\$ 14,947,515
--	--	--	---------------

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 21,943	\$ 90,575
Total assets. . . . .	21,943	\$ 90,575
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 516
Loans payable . . . . .	-	2,500
Undistributed monies . . . . .	-	87,559
Total liabilities . . . . .	-	\$ 90,575
<b>Net position:</b>		
Held in trust for scholarships . . . . .	21,943	
Total net position. . . . .	\$ 21,943	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 26,514
Total additions. . . . .	26,514
 <b>Deductions:</b>	
Scholarships awarded . . . . .	23,009
Change in net position . . . . .	3,505
<b>Net position at beginning of year. . . . .</b>	<b>18,438</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 21,943</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 1 - DESCRIPTION OF THE 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 88 classified personnel and 432 certified teaching and administrative personnel to provide services to students and other community members.

The District 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 entity 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.

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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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 \$319,010 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.

Butler Health Plan (BHP)

The District has elected to provide employee health and dental benefits through Butler Health Plan (BHP), a public entity risk pool currently operating as a common risk management and insurance program. Butler Health Plan has provided competitive health and dental benefits to school districts in southwest Ohio for over 29 years. Building on that success, Butler Health Plan looked to the future and helped create a multi-state consortium, Optimal Health Initiatives that now includes over 80 public employers and represents more than 40,000 employees and their families. Allied Benefits and Anthem provide claims review and processing services for BHP. The District pays a monthly premium to the pool for its general insurance coverage. The employees share the cost of the monthly premium for the coverage with the Board. The risk of loss transfers entirely to BHP. To obtain financial information write to Butler Health Plan, 400 North Erie Blvd. Suite B., Hamilton, Ohio 45011.

**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.

**MIDDLETOWN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

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.

**MIDDLETOWN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

**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, payment in lieu of 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.



**MIDDLETOWN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 13 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results 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.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results 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.

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 2016, the District invested in U.S. government money market mutual funds, Federal Farm Credit bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, negotiable certificates of deposit, the State Treasury Asset Reserve of Ohio (STAR Ohio) and commercial paper.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

During fiscal year 2016, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2016 amounted to \$13,869, which includes \$7,380 assigned from other funds. The food service, classroom facilities maintenance and auxiliary services special revenue funds, bond retirement and permanent improvement capital projects fund also received interest of \$196, \$85, \$64, \$1,838 and \$38, respectively.

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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and improvements	20 - 45 Years
Equipment	5 - 20 Years

**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, 2016 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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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 Issuance Costs/Unamortized Bond Premium/Deferred Charges on Debt Refunding**

On government-wide and fund financial statements, bond issuance costs are expensed in the year they occur.

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.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred inflow or outflow of resources on the statement of net position.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.A.

**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 includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable. There were no nonspendable amounts at June 30, 2016.

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

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. None of the District's restricted net position was 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.

**R. Fair Market Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**S. Minimum Fund Balance Policy**

The District Board requires in the general fund a minimum of 10% cash carryover of operating expenditures to which the District obtained as of June 30, 2016. This amount is included as part of the unassigned balance in the District's general fund.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Alternative schools	\$ 1,238
School improvement stimulus A	30,000

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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.

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;
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 2% 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 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note 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, 2016

**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 \$1,450 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, 2016, the carrying amount of all District deposits was \$20,221,259. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$19,790,417 of the District’s bank balance of \$20,408,115 was exposed to custodial risk as discussed below, while \$617,698 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.

**C. Investments**

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Commercial paper	\$ 17,040,338	\$ 9,481,984	\$ 7,558,354	\$ -	\$ -	\$ -
FFCB	2,252,605	1,050,577	1,202,028	-	-	-
FHLB	7,281,536	1,100,858	2,905,737	1,001,200	2,273,741	-
FHLMC	5,168,195	-	1,154,942	2,209,941	1,803,312	-
FNMA	5,564,188	-	2,505,050	3,059,138	-	-
Negotiable CD's	4,998,347	-	248,501	2,740,692	500,141	1,509,013
U.S. Government money market	4,041	4,041	-	-	-	-
STAR Ohio	8,418,996	8,418,996	-	-	-	-
<b>Total</b>	<b>\$ 50,728,246</b>	<b>\$ 20,056,456</b>	<b>\$ 15,574,612</b>	<b>\$ 9,010,971</b>	<b>\$ 4,577,194</b>	<b>\$ 1,509,013</b>



**MIDDLETOWN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The weighted average of maturity of investments is 0.73 years.

The District's investments in commercial paper, federal agency securities and negotiable CD's are valued using pricing sources a provided by the investment managers (Level 2 inputs). The U.S. Government money market and STAR Ohio are valued using net asset value.

*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.

*Credit Risk:* The District's investments in commercial were rated either A-1 or A-1+ by Standard & Poor's. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio Law requires that STAR Ohio and the U.S. Government money market 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.

*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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. 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. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Commercial paper	\$ 17,040,338	33.59
FFCB	2,252,605	4.44
FHLB	7,281,536	14.35
FHLMC	5,168,195	10.19
FNMA	5,564,188	10.97
Negotiable CD's	4,998,347	9.85
U.S. Government money market	4,041	0.01
STAR Ohio	8,418,996	16.60
Total	<u>\$ 50,728,246</u>	<u>100.00</u>

**MIDDLETOWN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 20,221,259
Investments	50,728,246
Cash on hand	<u>1,450</u>
Total	<u>\$ 70,950,955</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 70,838,437
Private purpose trust funds	21,943
Agency funds	<u>90,575</u>
Total	<u>\$ 70,950,955</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 921,831
<u>Transfers from nonmajor governmental fund to:</u>	
Nonmajor governmental fund	<u>157,416</u>
Total	<u>\$ 1,079,247</u>

Transfers are used to 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 to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the the permanent improvement (a nonmajor governmental fund) to the classroom facilities maintenance fund (a nonmajor governmental fund) was to provide initial funding for the fund that was created for the District's Ohio Facilities Construction Commission (OFCC) project.

**B.** Interfund loans receivable/payable consisted of the following at June 30, 2016, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ <u>2,307,877</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide statement of net position.

**MIDDLETOWN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

C. Loans receivable/payable consisted of the following at June 30, 2016, as reported on the fund statement and the statement of fiduciary net position:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Agency fund	\$ <u>2,500</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District 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 and public utility property located in the District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. 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 revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Butler and Warren Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available for advance at June 30, 2016, \$3,863,324 in the general fund, \$716,778 in the bond retirement fund and \$43,622 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount available for advance at June 30, 2015, \$1,659,976 in the general fund, \$308,808 in the bond retirement fund and \$16,554 in the permanent improvement fund (a nonmajor governmental fund). 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 tangible personal property taxes which are measurable as of June 30, 2016 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 revenue has been reported as a deferred inflow of resources.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 603,212,590	92.34	\$ 603,512,220	91.31
Public utility personal	<u>56,477,890</u>	<u>7.66</u>	<u>57,446,810</u>	<u>8.69</u>
Total	<u>\$ 659,690,480</u>	<u>100.00</u>	<u>\$ 660,959,030</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation				
General	\$ 23.43		\$ 45.79	
Emergency	22.83		-	
Debt service	8.25		8.25	
Permanent improvement	0.50		0.50	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016 consisted of property taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees) and intergovernmental. 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. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year. The intergovernmental receivable at June 30 consisted of federal grants and other receivables.

**Governmental activities:**

Property taxes	\$ 38,676,507
Payment in lieu of taxes	420,174
Accounts	24,926
Accrued interest	50,606
Intergovernmental:	
State foundation adjustments	6,558
Miscellaneous intergovernmental amounts	5,328
Medicaid School Program reimbursements	541,289
Ohio Facilities Construction Commission (OFCC)	38,453,224
Alternative schools	18,537
Title VI-B	306,149
Title I Stimulus A	73,811
Title III	31,797
Title I	941,558
Improving Teacher Quality	<u>607,633</u>
Total	<u>\$ 80,158,097</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016 was as follows. \$513,050 in capital assets, being depreciated has been reclassified in the beginning balance from buildings and improvements to equipment.

<u>Governmental activities:</u>	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/16</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,189,017	\$ 338,616	\$ -	\$ 1,527,633
Construction in progress	1,709,886	5,138,367	-	6,848,253
<i>Total capital assets, not being depreciated</i>	<u>2,898,903</u>	<u>5,476,983</u>	<u>-</u>	<u>8,375,886</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	89,609,230	40,793	-	89,650,023
Equipment	16,847,352	876,461	(910,242)	16,813,571
<i>Total capital assets, being depreciated</i>	<u>106,456,582</u>	<u>917,254</u>	<u>(910,242)</u>	<u>106,463,594</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(28,657,580)	(1,946,108)	-	(30,603,688)
Equipment	(15,414,929)	(843,151)	861,856	(15,396,224)
<i>Total accumulated depreciation</i>	<u>(44,072,509)</u>	<u>(2,789,259)</u>	<u>861,856</u>	<u>(45,999,912)</u>
Total capital assets, net	<u>\$ 65,282,976</u>	<u>\$ 3,604,978</u>	<u>\$ (48,386)</u>	<u>\$ 68,839,568</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 206,658
Special	47,252
Adult/continuing	3,477
<u>Support services:</u>	
Pupil	1,400
Instructional staff	34,664
Administration	5,643
Business	1,562
Operations and maintenance	2,161,467
Pupil transportation	76,982
Central	220,284
Other non-instructional services	16,746
Extracurricular activities	2,059
Food service operations	11,065
Total depreciation expense	<u>\$ 2,789,259</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2016, the following changes in governmental activities long-term obligations:

	Balance 6/30/15	Additions	Deductions	Balance 6/30/16	Amount Due Within One Year
<b><u>Governmental Activities:</u></b>					
Construction bonds	\$ 990,000	\$ -	\$ (990,000)	\$ -	\$ -
2007 refunding bonds:					
2007 current interest and term bonds	53,220,000	-	(25,490,000)	27,730,000	1,060,000
Premium on 2007 refunding bonds	3,403,125	-	(1,737,250)	1,665,875	-
HB 264 energy conservation note	589,386	-	(106,984)	482,402	112,173
2008 HB 264 energy conservation note	203,299	-	(67,767)	135,532	67,766
2014 HB 264 energy conservation note	800,000	-	(45,000)	755,000	45,000
Long term anticipation note	1,600,000	-	(1,600,000)	-	-
2015 general obligation bonds	45,000,000	-	(475,000)	44,525,000	760,000
Premium on 2015 general obligation bonds	4,433,289	-	(132,667)	4,300,622	-
2016 refunding bonds:					
Current interest and term	-	24,530,000	-	24,530,000	265,000
Capital appreciation bonds	-	955,000	-	955,000	-
Premium on 2016 refunding bonds	-	1,269,181	(10,073)	1,259,108	-
Total bonds and notes	<u>110,239,099</u>	<u>26,754,181</u>	<u>(30,654,741)</u>	<u>106,338,539</u>	<u>2,309,939</u>
Capital leases	<u>177,676</u>	<u>-</u>	<u>(48,868)</u>	<u>128,808</u>	<u>50,362</u>
Total long term debt	110,416,775	26,754,181	(30,703,609)	106,467,347	2,360,301
Net pension liability	83,073,908	1,637,301	-	84,711,209	-
Compensated absences	<u>834,937</u>	<u>289,203</u>	<u>(186,712)</u>	<u>937,428</u>	<u>24,334</u>
Total Long-Term Obligations	<u>\$ 194,325,620</u>	<u>\$ 28,680,685</u>	<u>\$ (30,890,321)</u>	<u>\$ 192,115,984</u>	<u>\$ 2,384,635</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.

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, 2016, \$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.

**MIDDLETOWN CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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%. At June 30, 2016, there were \$41,815,648 in unspent bond proceeds.

During fiscal year 2016, the District issued \$25,485,000 in general obligation bonds to advance refund \$25,485,000 of the 2007 refunding bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2016 was \$25,485,000.

The issue is comprised of current interest bonds, par value \$24,530,000 and capital appreciation bonds par value \$955,000. The interest rates on the current interest bonds range from 0.98% - 3.036%. The capital appreciation bonds mature on December 1, 2018 (stated interest rate 39.54207%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,335,000.

The net carrying amount of the old debt exceeded the reacquisition price by \$580,479. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2026. This advance refunding was undertaken to reduce the combined total debt service payments by \$2,558,189 and resulted in an economic gain of \$2,194,605.

**MIDDLETOWN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

Fiscal Year Ending June 30	General Obligation Bonds and Notes			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 2,309,939	\$ 4,319,607	\$ 6,629,546	\$ -	\$ -	\$ -
2018	2,550,379	4,255,417	6,805,796	-	-	-
2019	293,318	4,212,258	4,505,576	955,000	1,380,000	2,335,000
2020	2,779,298	4,180,167	6,959,465	-	-	-
2021	2,685,000	4,121,391	6,806,391	-	-	-
2022 - 2026	15,980,000	19,524,776	35,504,776	-	-	-
2027 - 2031	23,415,000	15,893,237	39,308,237	-	-	-
2032 - 2036	11,405,000	10,691,188	22,096,188	-	-	-
2037 - 2041	10,100,000	8,404,200	18,504,200	-	-	-
2042 - 2046	14,805,000	5,170,068	19,975,068	-	-	-
2047 - 2049	11,835,000	963,245	12,798,245	-	-	-
Total	<u>\$ 98,157,934</u>	<u>\$ 81,735,554</u>	<u>\$ 179,893,488</u>	<u>\$ 955,000</u>	<u>\$ 1,380,000</u>	<u>\$ 2,335,000</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, 2016, are a voted debt margin of \$11,412,477 and an unvoted debt margin of \$660,959. During a prior fiscal year, the District issued \$45 million of voted general obligation bonds. Since the bonds are a voted bond issue, the \$44,525,000 balance at June 30, 2016 has been excluded from the legal debt margin calculation.

**NOTE 10 - SHORT TERM NOTES**

On July 6, 2015, the District issued short-term bond anticipation notes (Series 2015) for the purpose of repaying the notes issued for the Barnitz renovation. Issuance proceeds totaled \$1,090,000. The notes carried an interest rate of 2.35% and matured on June 8, 2016.

On July 1, 2015, the District issued short-term tax anticipation notes (Series 2015) for the purpose of anticipating tax revenues. Issuance proceeds totaled \$2,500,000. The notes carried an interest rate of 2.35% and matured on May 9, 2016.



**MIDDLETOWN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 10 - SHORT TERM NOTES - (Continued)**

The table below summarized the short term note activity during the fiscal year:

	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016
Bond anticipation notes - 2.35%	\$ -	\$ 1,090,000	\$ (1,090,000)	\$ -
Tax anticipation notes - 2.35%	-	2,500,000	(2,500,000)	-
Total short term notes payable	<u>\$ -</u>	<u>\$ 3,590,000</u>	<u>\$ (3,590,000)</u>	<u>\$ -</u>

**NOTE 11 - CAPITAL LEASES**

In prior years, the District entered into a capital lease for copiers.

The lease meets 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.

The equipment lease for fiscal year 2014 does qualify for capitalization resulting in \$248,273 being reported on the statement of net position. This amount represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2016 was \$124,136 leaving a current book value of \$124,137.

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>Amount</u>
2017	\$ 53,554
2018	53,554
2019	<u>26,778</u>
Total minimum lease payments	133,886
Less: amount representing interest	<u>(5,078)</u>
Total	<u>\$ 128,808</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.

**MIDDLETOWN CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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 American United Life to all employees and access to accidental death and dismemberment insurance through Assurant Life.

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 - DEFINED BENEFIT 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.

The 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.

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 *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - School Employees Retirement System (SERS)***

Plan Description –District 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](http://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 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.

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, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$1,143,786 for fiscal year 2016. Of this amount, \$113,402 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description –District 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](http://www.strsoh.org).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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.

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, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$3,542,919 for fiscal year 2016. Of this amount, \$623,988 is reported as pension and postemployment benefits payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***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, 2015, 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	\$ 14,300,689	\$ 70,410,520	\$ 84,711,209
Proportion of the net pension liability	0.25062120%	0.25476835%	
Pension expense	\$ 684,776	\$ 2,351,834	\$ 3,036,610

At June 30, 2016, 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>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 233,157	\$ 3,267,679	\$ 3,500,836
Difference between District contributions and proportionate share of contributions	-	69,038	69,038
District contributions subsequent to the measurement date	<u>1,143,786</u>	<u>3,542,919</u>	<u>4,686,705</u>
Total deferred outflows of resources	<u>\$ 1,376,943</u>	<u>\$ 6,879,636</u>	<u>\$ 8,256,579</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 523,721	\$ 6,175,502	\$ 6,699,223
Difference between District contributions and proportionate share of contributions/ changes in proportionate share	<u>382,702</u>	<u>7,498,129</u>	<u>7,880,831</u>
Total deferred inflows of resources	<u>\$ 906,423</u>	<u>\$ 13,673,631</u>	<u>\$ 14,580,054</u>

\$4,686,705 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, 2017.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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:	SERS	STRS	Total
2017	\$ (311,369)	\$ (3,345,530)	\$ (3,656,899)
2018	(311,369)	(3,345,530)	(3,656,899)
2019	(311,369)	(3,345,532)	(3,656,901)
2020	260,841	(300,322)	(39,481)
Total	\$ (673,266)	\$ (10,336,914)	\$ (11,010,180)

***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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	15.00	7.50
Total	<u>100.00 %</u>	

**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	\$ 19,829,916	\$ 14,300,689	\$ 9,644,623

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Actuarial Assumptions - STRS***

The total pension liability in the June 30, 2015, 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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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	1.00	3.00
Total	<u>100.00 %</u>	

***Discount Rate*** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 97,805,524	\$ 70,410,520	\$ 47,243,959

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide 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 fiscal year 2016, the District's surcharge obligation was \$125,902.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$125,902, \$176,824, and \$131,084, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. 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](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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 years 2016 and 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, 2016, 2015, and 2014 were \$0, \$0, and \$290,027, respectively. The full amount has been contributed for fiscal year 2014.

**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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

**B. Litigation**

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the basic financial statements.

**C. School District 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 districts, 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, 2016 Foundation funding for the 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 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 acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 16 - SET-ASIDES - (Continued)**

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

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2015	\$ -
Current year set-aside requirement	1,092,979
Current year qualifying expenditures	-
Current year offsets	(623,712)
Prior year offset from bond proceeds	<u>(469,267)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside reserve balance June 30, 2016	<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 \$119,544,870 remaining from debt proceeds that will be available in future fiscal years as a capital improvements offset.

**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	\$ 295,477
Bond retirement	750
Building	13,566,215
Construction	67,105,934
Nonmajor governmental	<u>1,446,164</u>
Total	<u>\$ 82,414,540</u>

**NOTE 18 - CONTRACTUAL COMMITMENTS**

As of June 30, 2016, the District had the following contractual commitments outstanding:

<u>Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2016</u>
Faning Howey and Associates	\$ 4,141,707	\$ (1,559,351)	\$ 2,582,356
Conger Construction	79,613,937	(10,640,771)	68,973,166
Stan and Associates	<u>250,163</u>	<u>(68,482)</u>	<u>181,681</u>
Total	<u>\$ 84,005,807</u>	<u>\$ (12,268,604)</u>	<u>\$ 71,737,203</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 26,260,330	\$ 27,466,931	\$ 28,876,855	\$ 1,409,924
Tuition. . . . .	1,244,526	774,978	774,978	-
Earnings on investments . . . . .	3,029	11,102	11,102	-
Extracurricular. . . . .	29,293	38,487	38,487	-
Classroom materials and fees . . . . .	37,376	42,791	42,791	-
Rental income . . . . .	33,576	56,151	56,151	-
Contributions and donations . . . . .	200,296	330,656	330,656	-
Contract services. . . . .	150,616	92,814	92,814	-
Other local revenues . . . . .	111,687	236,458	236,458	-
Intergovernmental - intermediate . . . . .	414,381	871,932	871,932	-
Intergovernmental - state . . . . .	42,907,145	39,613,979	41,313,979	1,700,000
Intergovernmental - federal . . . . .	235,348	265,836	562,180	296,344
<b>Total revenues . . . . .</b>	<b>71,627,603</b>	<b>69,802,115</b>	<b>73,208,383</b>	<b>3,406,268</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	35,276,015	23,714,833	23,276,416	438,417
Special. . . . .	8,969,329	6,304,855	6,188,297	116,558
Vocational. . . . .	-	73,741	72,378	1,363
Other. . . . .	277,380	14,364,548	14,098,991	265,557
Support services:				
Pupil. . . . .	4,343,864	4,012,280	3,938,105	74,175
Instructional staff . . . . .	371,346	906,388	889,632	16,756
Board of education . . . . .	63,073	66,797	65,562	1,235
Administration. . . . .	5,496,143	3,715,531	3,646,842	68,689
Fiscal . . . . .	1,304,504	1,262,333	1,238,996	23,337
Business . . . . .	230,002	235,852	231,492	4,360
Operations and maintenance. . . . .	5,135,735	6,294,739	6,178,368	116,371
Pupil transportation . . . . .	3,024,770	4,041,465	3,966,750	74,715
Central. . . . .	1,328,460	1,045,849	1,026,514	19,335
Other operation of non-instructional services . . . . .	27,565	32,850	32,243	607
Extracurricular activities. . . . .	98,927	72,723	71,379	1,344
Facilities acquisition and construction . . . . .	9,653	10,505	10,311	194
Debt service:				
Principal . . . . .	6,383,704	5,511,644	5,409,750	101,894
Interest and fiscal charges. . . . .	194,625	159,158	156,216	2,942
<b>Total expenditures . . . . .</b>	<b>72,535,095</b>	<b>71,826,091</b>	<b>70,498,242</b>	<b>1,327,849</b>
Excess expenditures over revenues. . . . .	(907,492)	(2,023,976)	2,710,141	4,734,117
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	-	2,269,055	2,269,055	-
Refund of prior year's receipts. . . . .	-	(51)	(51)	-
Transfers (out). . . . .	-	(1,511,907)	(1,511,907)	-
Advances in. . . . .	-	167,216	167,216	-
Advances (out) . . . . .	-	(2,310,377)	(2,310,377)	-
Premium on notes issued . . . . .	23,107	23,107	23,107	-
Issuance of bond anticipation notes . . . . .	1,090,000	1,090,000	1,090,000	-
Issuance of tax anticipation notes . . . . .	2,500,000	2,500,000	2,500,000	-
Sale of capital assets . . . . .	-	6,368	6,368	-
<b>Total other financing sources (uses) . . . . .</b>	<b>3,613,107</b>	<b>2,233,411</b>	<b>2,233,411</b>	<b>-</b>
Net change in fund balance . . . . .	2,705,615	209,435	4,943,552	4,734,117
<b>Fund balance at beginning of year . . . . .</b>	<b>1,720,455</b>	<b>1,720,455</b>	<b>1,720,455</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>872,984</b>	<b>872,984</b>	<b>872,984</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 5,299,054</b>	<b>\$ 2,802,874</b>	<b>\$ 7,536,991</b>	<b>\$ 4,734,117</b>

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.25062120%	0.25872000%	0.25872000%
District's proportionate share of the net pension liability	\$ 14,300,689	\$ 13,093,672	\$ 15,385,248
District's covered-employee payroll	\$ 6,936,912	\$ 6,725,440	\$ 6,851,857
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	206.15%	194.69%	224.54%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

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

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.25476835%	0.28770674%	0.28770674%
District's proportionate share of the net pension liability	\$ 70,410,520	\$ 69,980,236	\$ 83,359,998
District's covered-employee payroll	\$ 26,896,300	\$ 30,217,564	\$ 30,267,971
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	261.79%	231.59%	275.41%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

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



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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,143,786	\$ 914,285	\$ 932,146	\$ 948,297
Contributions in relation to the contractually required contribution	<u>(1,143,786)</u>	<u>(914,285)</u>	<u>(932,146)</u>	<u>(948,297)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 8,169,900	\$ 6,936,912	\$ 6,725,440	\$ 6,851,857
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 711,941	\$ 1,043,279	\$ 1,090,340	\$ 698,131	\$ 629,439	\$ 722,111
<u>(711,941)</u>	<u>(1,043,279)</u>	<u>(1,090,340)</u>	<u>(698,131)</u>	<u>(629,439)</u>	<u>(722,111)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,293,242	\$ 8,299,753	\$ 8,052,733	\$ 7,094,827	\$ 6,409,766	\$ 6,761,339
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 3,542,919	\$ 3,765,482	\$ 4,230,459	\$ 4,237,516
Contributions in relation to the contractually required contribution	<u>(3,542,919)</u>	<u>(3,765,482)</u>	<u>(4,230,459)</u>	<u>(4,237,516)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 25,306,564	\$ 26,896,300	\$ 32,541,992	\$ 32,596,277
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 4,277,136	\$ 4,668,933	\$ 4,798,681	\$ 4,296,776	\$ 3,834,907	\$ 3,990,573
<u>(4,277,136)</u>	<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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 32,901,046	\$ 35,914,869	\$ 36,912,931	\$ 33,052,123	\$ 29,499,285	\$ 30,696,715
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, 2016

**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.

*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.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 1 - BUDGETARY PROCESS – (Continued)**

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 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 and disbursements.

The schedule of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the 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:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 1 - BUDGETARY PROCESS - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 4,943,552
Net adjustment for revenue accruals	3,685,476
Net adjustment for expenditure accruals	3,887,316
Net adjustment for other sources/uses	(3,738,951)
Funds budgeted elsewhere	604,031
Adjustment for encumbrances	527,258
GAAP basis	<u>\$ 9,908,682</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the spotlight and neediest kids fund, the Medicaid reimbursement reserve fund, the special trust fund, the rotary fund, the adult education fund, and the public school support fund.

**NOTE 2 - REQUIRED SUPPLEMENTARY INFORMATION FOR THE DISTRICT'S NET PENSION LIABILITY**

**SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO**

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO**

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.



**COMBINING STATEMENTS AND  
INDIVIDUAL FUND SCHEDULES**

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

**MAJOR 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 greater than 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 & Medicaid Reserve**

To account for all revenues and expenditures related to the Spotlight and Neediest Kids program and the Medicaid School Program (MSP) reserve fund.

**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.

**OTHER MAJOR FUNDS**

**Bond Retirement**

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 for governmental resources when the District is obligated in some manner for the payment.

**Building**

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**

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.

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
SPOTLIGHT & NEEDIEST KIDS & MEDICAID RESERVE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Contributions and donations . . . . .	\$ 350	\$ 350	\$ 350	\$ -
Other local revenues. . . . .	500	500	500	-
<b>Total revenues . . . . .</b>	<b>850</b>	<b>850</b>	<b>850</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
Support services:				
Pupil. . . . .	40,000	33,237	1,140	32,097
<b>Total expenditures . . . . .</b>	<b>40,000</b>	<b>33,237</b>	<b>1,140</b>	<b>32,097</b>
Excess of expenditures over revenues. . . . .	(39,150)	(32,387)	(290)	32,097
<b>Other financing sources:</b>				
Transfers in . . . . .	-	590,076	590,076	-
<b>Total other financing sources . . . . .</b>	<b>-</b>	<b>590,076</b>	<b>590,076</b>	<b>-</b>
Net change in fund balance . . . . .	(39,150)	557,689	589,786	32,097
<b>Fund balance at beginning of year . . . . .</b>	<b>2,387</b>	<b>2,387</b>	<b>2,387</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ (36,763)</b>	<b>\$ 560,076</b>	<b>\$ 592,173</b>	<b>\$ 32,097</b>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
SPECIAL ROTARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Contributions and donations . . . . .	2,700	\$ 1,975	\$ 1,975	\$ -
Total revenues . . . . .	<u>2,700</u>	<u>1,975</u>	<u>1,975</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special . . . . .	2,607	3,518	436	3,082
Total expenditures . . . . .	<u>2,607</u>	<u>3,518</u>	<u>436</u>	<u>3,082</u>
Net change in fund balance . . . . .	93	(1,543)	1,539	3,082
<b>Fund balance at beginning of year . . . . .</b>	2,608	2,608	2,608	-
<b>Prior year encumbrances appropriated . . . .</b>	436	436	436	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,137</u>	<u>\$ 1,501</u>	<u>\$ 4,583</u>	<u>\$ 3,082</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
PUBLIC SCHOOL SUPPORT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
From local sources:				
Extracurricular. . . . .	\$ 39,878	\$ 45,132	\$ 45,132	\$ -
Contributions and donations . . . . .	3,033	3,433	3,433	-
Other local revenues. . . . .	63,914	72,336	72,336	-
Total revenues . . . . .	<u>106,825</u>	<u>120,901</u>	<u>120,901</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Support services:				
Pupil. . . . .	120,113	178,173	108,494	69,679
Operations and maintenance. . . . .	4,887	7,249	4,414	2,835
Total expenditures . . . . .	<u>125,000</u>	<u>185,422</u>	<u>112,908</u>	<u>72,514</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(18,175)</u>	<u>(64,521)</u>	<u>7,993</u>	<u>72,514</u>
<b>Other financing sources:</b>				
Refund of prior year expenditure . . . . .	-	150	150	-
Sale of capital assets . . . . .	-	52	52	-
Total other financing sources . . . . .	<u>-</u>	<u>202</u>	<u>202</u>	<u>-</u>
Net change in fund balance . . . . .	(18,175)	(64,319)	8,195	72,514
<b>Fund balance at beginning of year . . . . .</b>	77,004	77,004	77,004	-
<b>Prior year encumbrances appropriated . . . . .</b>	5,422	5,422	5,422	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 64,251</u>	<u>\$ 18,107</u>	<u>\$ 90,621</u>	<u>\$ 72,514</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
BOND RETIREMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Property taxes. . . . .	\$ 3,854,876	\$ 5,166,204	\$ 5,166,204	\$ -
Earnings on investments. . . . .	1,274	1,708	1,708	-
Intergovernmental - state . . . . .	471,851	632,362	632,362	-
Total revenues . . . . .	<u>4,328,001</u>	<u>5,800,274</u>	<u>5,800,274</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Support services:				
Fiscal . . . . .	146,978	149,479	149,479	-
Debt service:				
Principal . . . . .	1,445,405	1,470,000	1,470,000	-
Interest and fiscal charges . . . . .	4,812,617	4,894,507	4,894,507	-
Bond issuance costs . . . . .	-	243,537	243,537	-
Total expenditures . . . . .	<u>6,405,000</u>	<u>6,757,523</u>	<u>6,757,523</u>	<u>-</u>
Excess of expenditures over revenues. . . . .	<u>(2,076,999)</u>	<u>(957,249)</u>	<u>(957,249)</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Premiums on bonds issued. . . . .		1,309,595	1,269,181	(40,414)
Issuance of refunding bonds . . . . .	-	25,485,000	25,485,000	-
Payment to refunded bond escrow agent . . . . .	-	(26,510,643)	(26,510,643)	-
Total other financing sources (uses) . . . . .	<u>-</u>	<u>283,952</u>	<u>243,538</u>	<u>(40,414)</u>
Net change in fund balance . . . . .	(2,076,999)	(673,297)	(713,711)	(40,414)
<b>Fund balance at beginning of year . . . . .</b>	<u>5,137,217</u>	<u>5,137,217</u>	<u>5,137,217</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,060,218</u>	<u>\$ 4,463,920</u>	<u>\$ 4,423,506</u>	<u>\$ (40,414)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
BUILDING FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Earnings on investments. . . . .	\$ 11,000	\$ 97,676	\$ 97,676	\$ -
Total revenues . . . . .	<u>11,000</u>	<u>97,676</u>	<u>97,676</u>	<u>-</u>
<b>Expenditures:</b>				
Facilities acquisition and construction. . . . .	15,809,985	15,907,660	14,496,195	1,411,465
Total expenditures . . . . .	<u>15,809,985</u>	<u>15,907,660</u>	<u>14,496,195</u>	<u>1,411,465</u>
Net change in fund balance . . . . .	(15,798,985)	(15,809,984)	(14,398,519)	1,411,465
<b>Fund balance at beginning of year . . . . .</b>	14,808,074	14,808,074	14,808,074	-
<b>Prior year encumbrances appropriated . . . . .</b>	1,001,910	1,001,910	1,001,910	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 10,999</u>	<u>\$ -</u>	<u>\$ 1,411,465</u>	<u>\$ 1,411,465</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
CONSTRUCTION FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Earnings on investments. . . . .	\$ 10,000	\$ 240,417	\$ 240,417	\$ -
Intergovernmental - state . . . . .	46,686,618	46,681,618	3,719,587	(42,962,031)
<b>Total revenues . . . . .</b>	<b>46,696,618</b>	<b>46,922,035</b>	<b>3,960,004</b>	<b>(42,962,031)</b>
<b>Expenditures:</b>				
Current:				
Support services:				
Fiscal . . . . .	13,794	33,812	30,472	3,340
Facilities acquisition and construction. . . . .	32,283,008	79,130,460	71,314,258	7,816,202
<b>Total expenditures . . . . .</b>	<b>32,296,802</b>	<b>79,164,272</b>	<b>71,344,730</b>	<b>7,819,542</b>
Excess (deficiency) of revenues over (under) expenditures. . . . .	14,399,816	(32,242,237)	(67,384,726)	(35,142,489)
<b>Other financing sources:</b>				
Refund of prior year expenditure . . . . .	-	12	12	-
<b>Total other financing sources . . . . .</b>	<b>-</b>	<b>12</b>	<b>12</b>	<b>-</b>
Net change in fund balance . . . . .	14,399,816	(32,242,225)	(67,384,714)	(35,142,489)
<b>Fund balance at beginning of year . . . . .</b>	<b>27,352,933</b>	<b>27,352,933</b>	<b>27,352,933</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>4,889,292</b>	<b>4,889,292</b>	<b>4,889,292</b>	<b>-</b>
<b>Fund balance (deficit) at end of year . . . . .</b>	<b>\$ 46,642,041</b>	<b>\$ -</b>	<b>\$ (35,142,489)</b>	<b>\$ (35,142,489)</b>



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

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Fund - Permanent Improvement Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 3,929,665	\$ 293,040	\$ 4,222,705
Receivables:			
Property taxes . . . . .	332,270	-	332,270
Accounts . . . . .	657	-	657
Intergovernmental . . . . .	1,979,485		1,979,485
Inventory held for resale . . . . .	10,693		10,693
Total assets. . . . .	\$ 6,252,770	\$ 293,040	\$ 6,545,810
<b>Liabilities:</b>			
Accounts payable. . . . .	\$ 68,057	\$ -	\$ 68,057
Accrued wages and benefits . . . . .	479,466	-	479,466
Intergovernmental payable . . . . .	9,360	-	9,360
Pension and postemployment benefits payable . . . . .	40,282	-	40,282
Interfund loans payable . . . . .	2,307,877	-	2,307,877
Total liabilities. . . . .	2,905,042	-	2,905,042
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next year. . . . .	264,878	-	264,878
Delinquent property tax revenue not available . . . . .	23,770	-	23,770
Intergovernmental revenue not available . . . . .	1,195,745	-	1,195,745
Total deferred inflows of resources. . . . .	1,484,393	-	1,484,393
<b>Fund balances:</b>			
Restricted:			
Classroom facilities maintenance. . . . .	433,205	-	433,205
Food service operations . . . . .	952,829	-	952,829
Non-public schools . . . . .	144,180	-	144,180
Special education . . . . .	144,527	-	144,527
Targeted academic assistance . . . . .	110,042	-	110,042
Extracurricular activities . . . . .	16,042	-	16,042
Other puposes . . . . .	93,748	-	93,748
Comitted:			
Capital improvements . . . . .	-	293,040	293,040
Unassigned (deficit) . . . . .	(31,238)	-	(31,238)
Total fund balances . . . . .	1,863,335	293,040	2,156,375
Total liabilities, deferred inflows, and fund balances . . . . .	\$ 6,252,770	\$ 293,040	\$ 6,545,810

**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, 2016

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Fund - Permanent Improvement Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 347,863	\$ -	347,863
Earnings on investments . . . . .	345	38	383
Charges for services . . . . .	166,004	-	166,004
Extracurricular . . . . .	160,285	-	160,285
Contributions and donations . . . . .	55,335	-	55,335
Other local revenues . . . . .	1,660	-	1,660
Intergovernmental - intermediate . . . . .	62,377	-	62,377
Intergovernmental - state . . . . .	1,238,391	-	1,238,391
Intergovernmental - federal . . . . .	10,734,980	-	10,734,980
Total revenues . . . . .	<u>12,767,240</u>	<u>38</u>	<u>12,767,278</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	273,707	38,728	312,435
Special . . . . .	3,883,751	-	3,883,751
Support services:			
Pupil . . . . .	78,274	-	78,274
Instructional staff . . . . .	1,967,492	-	1,967,492
Administration . . . . .	376,422	-	376,422
Fiscal . . . . .	92,480	390	92,870
Business . . . . .	21,564	-	21,564
Operations and maintenance . . . . .	6,150	-	6,150
Pupil transportation . . . . .	111,654	-	111,654
Central . . . . .	3,671	-	3,671
Operation of non-instructional services:			
Other non-instructional services . . . . .	717,222	-	717,222
Food service operations . . . . .	3,879,163	-	3,879,163
Extracurricular activities . . . . .	766,943	-	766,943
Facilities acquisition and construction . . . . .	2,031	20,316	22,347
Total expenditures . . . . .	<u>12,180,524</u>	<u>59,434</u>	<u>12,239,958</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>586,716</u>	<u>(59,396)</u>	<u>527,320</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	786,247	293,000	1,079,247
Transfers out . . . . .	-	(157,416)	(157,416)
Total other financing sources (uses) . . . . .	<u>786,247</u>	<u>135,584</u>	<u>921,831</u>
Net change in fund balances . . . . .	1,372,963	76,188	1,449,151
<b>Fund balances</b>			
at beginning of year . . . . .	490,372	216,852	707,224
Fund balances at end of year . . . . .	<u>\$ 1,863,335</u>	<u>\$ 293,040</u>	<u>\$ 2,156,375</u>

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

**Nonmajor Special Revenue Funds**

The special revenue funds are established to account for proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The term proceeds of specific sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. A description of the District's special revenue funds follows:

**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 Grants**

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.

**Classroom Facilities Maintenance**

This fund is used to account for the proceeds of a levy for the maintenance of facilities.

**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 School Preschool Grant**

This fund accounts for 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**

**Nonmajor Special Revenue Funds (Continued)**

**Race to the Top Grant**

To account for Federal grant monies used to establish a new program or expand an existing program aligned to an approved scope of work. An approved scope of work must support Race to the Top initiatives in the areas of Standard 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.

**School Improvement Stimulus A Grant**

To account for restricted federal grant monies used for school improvements.

**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.

**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 District's nonmajor capital project fund:

**Permanent Improvement**

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

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

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2016

	<u>Food Service</u>	<u>Other Grants</u>	<u>Classroom Facilities Maintenance</u>	<u>District Managed Activities</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 942,136	\$ 72,903	\$ 389,583	\$ 21,882
Receivables:				
Property taxes . . . . .	-	-	332,270	-
Accounts . . . . .	-	-	-	657
Intergovernmental . . . . .	-	-	-	-
Inventory held for resale . . . . .	10,693	-	-	-
Total assets. . . . .	<u>\$ 952,829</u>	<u>\$ 72,903</u>	<u>\$ 721,853</u>	<u>\$ 22,539</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ -	\$ 3,062	\$ -	\$ -
Accrued wages and benefits . . . . .	-	3,387	-	-
Intergovernmental payable . . . . .	-	49	-	-
Pension and postemployment benefits payable . . . . .	-	980	-	2,497
Interfund loans payable . . . . .	-	5,877	-	4,000
Total liabilities. . . . .	<u>-</u>	<u>13,355</u>	<u>-</u>	<u>6,497</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes levied for the next fiscal year. . . . .	-	-	264,878	-
Delinquent property tax revenue not available . . . . .	-	-	23,770	-
Intergovernmental revenue not available. . . . .	-	-	-	-
Total deferred inflows of resources. . . . .	<u>-</u>	<u>-</u>	<u>288,648</u>	<u>-</u>
<b>Fund balances:</b>				
Restricted:				
Classroom facilities maintenance . . . . .	-	-	433,205	-
Food service operations . . . . .	952,829	-	-	-
Non-public schools . . . . .	-	-	-	-
Special education . . . . .	-	-	-	-
Targeted academic assistance . . . . .	-	-	-	-
Extracurricular activities. . . . .	-	-	-	16,042
Other puposes . . . . .	-	59,548	-	-
Unassigned (deficit) . . . . .	-	-	-	-
Total fund balances (deficit) . . . . .	<u>952,829</u>	<u>59,548</u>	<u>433,205</u>	<u>16,042</u>
Total liabilities, deferred inflows, and fund balances . . . . .	<u>\$ 952,829</u>	<u>\$ 72,903</u>	<u>\$ 721,853</u>	<u>\$ 22,539</u>

<u>Auxiliary Services</u>	<u>Alternative Schools</u>	<u>Miscellaneous State Grants</u>	<u>Title VI-B Grant</u>	<u>School Improvement Stimulus A</u>	<u>Title III Grant</u>	<u>Title I Grant</u>
\$ 198,357	\$ 4,164	\$ 30,654	\$ 394,204	\$ -	\$ 5,724	\$ 1,672,582
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	18,537	-	306,149	73,811	31,797	941,558
-	-	-	-	-	-	-
<u>\$ 198,357</u>	<u>\$ 22,701</u>	<u>\$ 30,654</u>	<u>\$ 700,353</u>	<u>\$ 73,811</u>	<u>\$ 37,521</u>	<u>\$ 2,614,140</u>
\$ 3,188	\$ -	\$ -	\$ 2,355	\$ -	\$ 132	\$ 59,051
47,298	19,607	-	100,389	-	4,343	289,141
633	270	-	1,065	-	62	3,650
3,058	1,306	-	10,605	-	1,503	19,603
-	-	-	365,000	30,000	3,500	1,580,000
<u>54,177</u>	<u>21,183</u>	<u>-</u>	<u>479,414</u>	<u>30,000</u>	<u>9,540</u>	<u>1,951,445</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,756	-	76,412	73,811	27,112	593,096
-	2,756	-	76,412	73,811	27,112	593,096
-	-	-	-	-	-	-
-	-	-	-	-	-	-
144,180	-	-	-	-	-	-
-	-	-	144,527	-	-	-
-	-	-	-	-	-	69,599
-	-	-	-	-	-	-
-	-	30,654	-	-	869	-
-	(1,238)	-	-	(30,000)	-	-
<u>144,180</u>	<u>(1,238)</u>	<u>30,654</u>	<u>144,527</u>	<u>(30,000)</u>	<u>869</u>	<u>69,599</u>
<u>\$ 198,357</u>	<u>\$ 22,701</u>	<u>\$ 30,654</u>	<u>\$ 700,353</u>	<u>\$ 73,811</u>	<u>\$ 37,521</u>	<u>\$ 2,614,140</u>

(Continued)

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

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
JUNE 30, 2016

	<b>EHA Preschool Grant</b>	<b>Improving Teacher Quality</b>	<b>Miscellaneous Federal Grants</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 25,500	\$ 169,299	\$ 2,677	\$ 3,929,665
Receivables:				
Property taxes . . . . .	-	-	-	332,270
Accounts . . . . .	-	-	-	657
Intergovernmental . . . . .	-	607,633	-	1,979,485
Inventory held for resale . . . . .	-	-	-	10,693
Total assets. . . . .	<u>\$ 25,500</u>	<u>\$ 776,932</u>	<u>\$ 2,677</u>	<u>\$ 6,252,770</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ -	\$ 269	\$ -	\$ 68,057
Accrued wages and benefits . . . . .	-	15,301	-	479,466
Intergovernmental payable . . . . .	-	3,631	-	9,360
Pension and postemployment benefits payable . . . . .	-	730	-	40,282
Interfund loans payable . . . . .	25,500	294,000	-	2,307,877
Total liabilities. . . . .	<u>25,500</u>	<u>313,931</u>	<u>-</u>	<u>2,905,042</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes levied for the next fiscal year. . . . .	-	-	-	264,878
Delinquent property tax revenue not available . . . . .	-	-	-	23,770
Intergovernmental revenue not available. . . . .	-	422,558	-	1,195,745
Total deferred inflows of resources. . . . .	<u>-</u>	<u>422,558</u>	<u>-</u>	<u>1,484,393</u>
<b>Fund balances:</b>				
Restricted:				
Classroom facilities maintenance . . . . .	-	-	-	433,205
Food service operations . . . . .	-	-	-	952,829
Non-public schools . . . . .	-	-	-	144,180
Special education . . . . .	-	-	-	144,527
Targeted academic assistance . . . . .	-	40,443	-	110,042
Extracurricular activities. . . . .	-	-	-	16,042
Other puposes . . . . .	-	-	2,677	93,748
Unassigned (deficit) . . . . .	-	-	-	(31,238)
Total fund balances (deficit) . . . . .	<u>-</u>	<u>40,443</u>	<u>2,677</u>	<u>1,863,335</u>
Total liabilities, deferred inflows, and fund balances . . . . .	<u>\$ 25,500</u>	<u>\$ 776,932</u>	<u>\$ 2,677</u>	<u>\$ 6,252,770</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, 2016

	<u>Food Service</u>	<u>Other Grant</u>	<u>Classroom Facilities Maintenance</u>	<u>District Managed Activities</u>
<b>Revenues:</b>				
From local sources:				
Property taxes	\$ -	\$ -	\$ 347,863	\$ -
Earnings on investments . . . . .	196	-	85	-
Charges for services . . . . .	166,004	-	-	-
Extracurricular . . . . .	-	-	-	160,285
Contributions and donations . . . . .	-	51,482	-	3,853
Other local revenues . . . . .	115	-	-	1,542
Intergovernmental - intermediate. . . . .	-	62,377	-	-
Intergovernmental - state . . . . .	82,015	-	26,471	-
Intergovernmental - federal . . . . .	4,360,826	-	-	-
Total revenues. . . . .	<u>4,609,156</u>	<u>113,859</u>	<u>374,419</u>	<u>165,680</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	-	110,147	-	-
Special . . . . .	-	5,534	-	-
Support services:				
Pupil . . . . .	-	163	-	-
Instructional staff. . . . .	-	2,522	-	-
Administration . . . . .	-	46	-	-
Fiscal. . . . .	-	-	92,480	-
Business . . . . .	-	-	-	-
Operations and maintenance . . . . .	-	-	6,150	-
Pupil transportation . . . . .	-	-	-	-
Central . . . . .	-	3,671	-	-
Operation of non-instructional services:				
Other non-instructional services . . . . .	-	234	-	-
Food service operations . . . . .	3,879,163	-	-	-
Extracurricular activities . . . . .	-	10,083	-	756,860
Facilities acquisition and construction. . . . .	-	2,031	-	-
Total expenditures . . . . .	<u>3,879,163</u>	<u>134,431</u>	<u>98,630</u>	<u>756,860</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>729,993</u>	<u>(20,572)</u>	<u>275,789</u>	<u>(591,180)</u>
<b>Other financing sources:</b>				
Transfers in. . . . .	-	-	157,416	628,831
Total other financing sources. . . . .	<u>-</u>	<u>-</u>	<u>157,416</u>	<u>628,831</u>
Change in fund balance . . . . .	729,993	(20,572)	433,205	37,651
<b>Fund balances (deficit)</b>				
at beginning of year . . . . .	222,836	80,120	-	(21,609)
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ 952,829</u>	<u>\$ 59,548</u>	<u>\$ 433,205</u>	<u>\$ 16,042</u>

<u>Auxiliary Services</u>	<u>Public Preschool Grant</u>	<u>Data Communications Grant</u>	<u>Alternative Schools</u>	<u>Miscellaneous State Grants</u>	<u>Race to the Top Grant</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
64	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
666,054	280,000	18,000	140,851	25,000	-
-	-	-	-	-	1,351
<u>666,118</u>	<u>280,000</u>	<u>18,000</u>	<u>140,851</u>	<u>25,000</u>	<u>1,351</u>
-	-	-	141,849	-	-
-	280,001	-	-	4,752	-
-	-	-	-	-	-
-	-	18,000	-	24,827	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
521,759	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>521,759</u>	<u>280,001</u>	<u>18,000</u>	<u>141,849</u>	<u>29,579</u>	<u>-</u>
<u>144,359</u>	<u>(1)</u>	<u>-</u>	<u>(998)</u>	<u>(4,579)</u>	<u>1,351</u>
-	-	-	-	-	-
-	-	-	-	-	-
144,359	(1)	-	(998)	(4,579)	1,351
(179)	1	-	(240)	35,233	(1,351)
<u>\$ 144,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,238)</u>	<u>\$ 30,654</u>	<u>\$ -</u>

(Continued)

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Title VI-B Grant</u>	<u>School Improvement Stimulus A</u>	<u>Title III Grant</u>	<u>Title I Grant</u>
<b>Revenues:</b>				
From local sources:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Earnings on investments . . . . .	-	-	-	-
Charges for services . . . . .	-	-	-	-
Extracurricular . . . . .	-	-	-	-
Contributions and donations . . . . .	-	-	-	-
Other local revenues . . . . .	1	-	-	1
Intergovernmental - intermediate. . . . .	-	-	-	-
Intergovernmental - state . . . . .	-	-	-	-
Intergovernmental - federal . . . . .	1,769,865	32,189	44,711	3,982,431
Total revenues. . . . .	<u>1,769,866</u>	<u>32,189</u>	<u>44,711</u>	<u>3,982,432</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	-	-	7,865	-
Special . . . . .	1,060,110	62,189	-	2,445,732
Support services:				
Pupil . . . . .	78,102	-	-	9
Instructional staff. . . . .	48,776	-	743	1,411,203
Administration . . . . .	304,963	-	-	71,413
Fiscal. . . . .	-	-	-	-
Business . . . . .	-	-	-	21,564
Operations and maintenance . . . . .	-	-	-	-
Pupil transportation . . . . .	81,754	-	-	29,900
Central . . . . .	-	-	-	-
Operation of non-instructional services:				
Other non-instructional services . . . . .	82,411	-	35,061	75,828
Food service operations . . . . .	-	-	-	-
Extracurricular activities . . . . .	-	-	-	-
Facilities acquisition and construction. . . . .	-	-	-	-
Total expenditures . . . . .	<u>1,656,116</u>	<u>62,189</u>	<u>43,669</u>	<u>4,055,649</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>113,750</u>	<u>(30,000)</u>	<u>1,042</u>	<u>(73,217)</u>
<b>Other financing sources:</b>				
Transfers in. . . . .	-	-	-	-
Total other financing sources. . . . .	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance . . . . .	113,750	(30,000)	1,042	(73,217)
<b>Fund balances (deficit)</b>				
at beginning of year . . . . .	30,777	-	(173)	142,816
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ 144,527</u>	<u>\$ (30,000)</u>	<u>\$ 869</u>	<u>\$ 69,599</u>

<b>EHA Preschool Grant</b>	<b>Improving Teacher Quality</b>	<b>Miscellaneous Federal Grants</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ -		\$ -	\$ 347,863
-	-	-	345
-	-	-	166,004
-	-	-	160,285
-	-	-	55,335
-	1	-	1,660
-	-	-	62,377
-	-	-	1,238,391
25,432	518,175	-	10,734,980
<u>25,432</u>	<u>518,176</u>	<u>-</u>	<u>12,767,240</u>
-	13,090	756	273,707
25,433	-	-	3,883,751
-	-	-	78,274
-	461,421	-	1,967,492
-	-	-	376,422
-	-	-	92,480
-	-	-	21,564
-	-	-	6,150
-	-	-	111,654
-	-	-	3,671
-	1,929	-	717,222
-	-	-	3,879,163
-	-	-	766,943
-	-	-	2,031
<u>25,433</u>	<u>476,440</u>	<u>756</u>	<u>12,180,524</u>
<u>(1)</u>	<u>41,736</u>	<u>(756)</u>	<u>586,716</u>
-	-	-	786,247
-	-	-	786,247
(1)	41,736	(756)	1,372,963
1	(1,293)	3,433	490,372
<u>\$ -</u>	<u>\$ 40,443</u>	<u>\$ 2,677</u>	<u>\$ 1,863,335</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOOD SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
From local sources:				
Earnings on investments. . . . .	\$ 125	\$ 134	\$ 134	\$ -
Charges for services. . . . .	154,957	166,004	166,004	-
Other local revenues. . . . .	107	115	115	-
Intergovernmental - State . . . . .	76,557	82,015	82,015	-
Intergovernmental - Federal . . . . .	3,955,829	4,237,853	4,237,853	-
<b>Total revenues . . . . .</b>	<b>4,187,575</b>	<b>4,486,121</b>	<b>4,486,121</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
Support services:				
Fiscal . . . . .	389,908	398,907	389,593	9,314
Operations and maintenance. . . . .	3,653	3,737	3,650	87
Operation of non-instructional services:				
Food service operations . . . . .	3,906,439	3,996,598	3,903,286	93,312
<b>Total expenditures . . . . .</b>	<b>4,300,000</b>	<b>4,399,242</b>	<b>4,296,529</b>	<b>102,713</b>
Excess (deficiency) of revenues over (under) expenditures. . . . .	(112,425)	86,879	189,592	102,713
<b>Other financing sources:</b>				
Refund of prior year expenditure . . . . .	-	14,469	14,469	-
<b>Total other financing sources . . . . .</b>	<b>-</b>	<b>14,469</b>	<b>14,469</b>	<b>-</b>
Net change in fund balance . . . . .	(112,425)	101,348	204,061	102,713
<b>Fund balance at beginning of year . . . . .</b>	<b>151,023</b>	<b>151,023</b>	<b>151,023</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>99,242</b>	<b>99,242</b>	<b>99,242</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 137,840</b>	<b>\$ 351,613</b>	<b>\$ 454,326</b>	<b>\$ 102,713</b>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
OTHER GRANTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
From local sources:				
Contributions and donations . . . . .	\$ 35,356	\$ 51,482	\$ 51,482	\$ -
Intergovernmental - intermediate . . . . .	42,839	62,377	62,377	-
Total revenues . . . . .	<u>78,195</u>	<u>113,859</u>	<u>113,859</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	114,068	163,106	124,187	38,919
Special . . . . .	6,263	8,956	6,819	2,137
Support Services:				
Pupil . . . . .	150	214	163	51
Instructional staff . . . . .	1,892	2,706	2,060	646
Administration . . . . .	2,855	4,082	3,108	974
Central . . . . .	3,372	4,821	3,671	1,150
Operation of non-instructional services . . . . .	273	390	297	93
Extracurricular activities . . . . .	9,262	13,243	10,083	3,160
Facilities acquisition and construction . . . . .	1,865	2,667	2,031	636
Total expenditures . . . . .	<u>140,000</u>	<u>200,185</u>	<u>152,419</u>	<u>47,766</u>
Excess of expenditures over revenues . . . . .	<u>(61,805)</u>	<u>(86,326)</u>	<u>(38,560)</u>	<u>47,766</u>
<b>Other financing sources (uses):</b>				
Advances in . . . . .	-	5,877	5,877	-
Refund of prior year receipts . . . . .	-	(804)	(804)	-
Refund of prior year expenditure . . . . .	-	686	686	-
Total other financing sources (uses) . . . . .	<u>-</u>	<u>5,759</u>	<u>5,759</u>	<u>-</u>
Net change in fund balance . . . . .	(61,805)	(80,567)	(32,801)	47,766
<b>Fund balance at beginning of year . . . . .</b>	62,085	62,085	62,085	-
<b>Prior year encumbrances appropriated . . . . .</b>	25,989	25,989	25,989	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 26,269</u>	<u>\$ 7,507</u>	<u>\$ 55,273</u>	<u>\$ 47,766</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
CLASSROOM FACILITIES MAINTENANCE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ -	\$ 304,241	\$ 304,241	\$ -
Earnings on investments. . . . .	-	54	54	-
Intergovernmental - state . . . . .	-	26,471	26,471	-
<b>Total revenues . . . . .</b>	<b>-</b>	<b>330,766</b>	<b>330,766</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
Support Services:				
Fiscal . . . . .	-	241,588	92,480	149,108
Operations and maintenance. . . . .	-	16,066	6,150	9,916
<b>Total expenditures . . . . .</b>	<b>-</b>	<b>257,654</b>	<b>98,630</b>	<b>159,024</b>
Excess of revenues over expenditures. . . . .	-	73,112	232,136	159,024
<b>Other financing sources:</b>				
Transfers in . . . . .	-	157,416	157,416	-
<b>Total other financing sources . . . . .</b>	<b>-</b>	<b>157,416</b>	<b>157,416</b>	<b>-</b>
Net change in fund balance . . . . .	-	230,528	389,552	159,024
<b>Fund balance at beginning of year . . . . .</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ -</b>	<b>\$ 230,528</b>	<b>\$ 389,552</b>	<b>\$ 159,024</b>



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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
DISTRICT MANAGED ACTIVITIES FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Extracurricular. . . . .	\$ 329,724	\$ 159,633	\$ 159,633	\$ -
Contributions and donations . . . . .	7,958	3,853	3,853	-
Other local revenues. . . . .	3,185	1,542	1,542	-
Total revenues . . . . .	<u>340,867</u>	<u>165,028</u>	<u>165,028</u>	<u>-</u>
<b>Expenditures:</b>				
Extracurricular activities. . . . .	1,000,000	819,706	809,584	10,122
Total expenditures . . . . .	<u>1,000,000</u>	<u>819,706</u>	<u>809,584</u>	<u>10,122</u>
Excess of expenditures over revenues. . . . .	<u>(659,133)</u>	<u>(654,678)</u>	<u>(644,556)</u>	<u>10,122</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	643,533	643,533	643,533	-
Transfers out . . . . .	-	(14,702)	(14,702)	-
Advances in. . . . .	-	4,000	4,000	-
Advances out . . . . .	-	(17,588)	(17,588)	-
Refund of prior year expenditure . . . . .	-	11,737	11,737	-
Total other financing sources (uses) . . . . .	<u>643,533</u>	<u>626,980</u>	<u>626,980</u>	<u>-</u>
Net change in fund balance . . . . .	(15,600)	(27,698)	(17,576)	10,122
<b>Fund balance at beginning of year . . . . .</b>	22,551	22,551	22,551	-
<b>Prior year encumbrances appropriated . . . . .</b>	10,121	10,121	10,121	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 17,072</u>	<u>\$ 4,974</u>	<u>\$ 15,096</u>	<u>\$ 10,122</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
AUXILIARY SERVICES FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Earnings on investments. . . . .	\$ 51	\$ 51	\$ 51	\$ -
Intergovernmental - state . . . . .	671,325	666,054	666,054	-
<b>Total revenues . . . . .</b>	<u>671,376</u>	<u>666,105</u>	<u>666,105</u>	<u>-</u>
<b>Expenditures:</b>				
Operation of non-instructional services . . . . .	671,297	723,731	584,851	138,880
<b>Total expenditures . . . . .</b>	<u>671,297</u>	<u>723,731</u>	<u>584,851</u>	<u>138,880</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>79</u>	<u>(57,626)</u>	<u>81,254</u>	<u>138,880</u>
<b>Other financing sources:</b>				
Refund of prior year expenditure . . . . .	-	334	334	-
<b>Total other financing sources . . . . .</b>	<u>-</u>	<u>334</u>	<u>334</u>	<u>-</u>
Net change in fund balance . . . . .	79	(57,292)	81,588	138,880
<b>Fund balance at beginning of year . . . . .</b>	36,103	36,103	36,103	-
<b>Prior year encumbrances appropriated . . . . .</b>	21,189	21,189	21,189	-
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ 57,371</u>	<u>\$ -</u>	<u>\$ 138,880</u>	<u>\$ 138,880</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
PUBLIC SCHOOL PRESCHOOL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental - state . . . . .	\$ 280,000	\$ 280,000	\$ 280,000	\$ -
Total revenues . . . . .	<u>280,000</u>	<u>280,000</u>	<u>280,000</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special. . . . .	280,000	280,000	280,000	-
Total expenditures . . . . .	<u>280,000</u>	<u>280,000</u>	<u>280,000</u>	<u>-</u>
Net change in fund balance . . . . .	-	-	-	-
<b>Fund balance at beginning of year . . . . .</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
DATA COMMUNICATION GRANT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental - state . . . . .	\$ 18,000	\$ 18,000	\$ 18,000	\$ -
Total revenues . . . . .	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Support services:				
Instructional staff . . . . .	18,000	18,000	18,000	-
Total expenditures . . . . .	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>-</u>
Net change in fund balance . . . . .	-	-	-	-
<b>Fund balance at beginning of year . . . . .</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALTERNATIVE SCHOOLS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental - state . . . . .	\$ 135,482	\$ 136,436	\$ 136,436	\$ -
Total revenues . . . . .	<u>135,482</u>	<u>136,436</u>	<u>136,436</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	135,482	132,432	132,432	-
Total expenditures . . . . .	<u>135,482</u>	<u>132,432</u>	<u>132,432</u>	<u>-</u>
Net change in fund balance . . . . .	-	4,004	4,004	-
<b>Fund balance at beginning of year . . . . .</b>	<u>160</u>	<u>160</u>	<u>160</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 160</u>	<u>\$ 4,164</u>	<u>\$ 4,164</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
MISCELLANEOUS STATE GRANTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental - state . . . . .	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Total revenues . . . . .	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special. . . . .	9,647	9,647	4,752	4,895
Support services:				
Instructional staff . . . . .	50,759	50,759	25,002	25,757
Total expenditures . . . . .	<u>60,406</u>	<u>60,406</u>	<u>29,754</u>	<u>30,652</u>
Net change in fund balance . . . . .	(35,406)	(35,406)	(4,754)	30,652
<b>Fund balance at beginning of year . . . . .</b>	<u>35,408</u>	<u>35,408</u>	<u>35,408</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 30,654</u>	<u>\$ 30,652</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
RACE TO THE TOP FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
Current:				
Support services:				
Pupil. . . . .	\$ -	\$ 1,668	\$ 1,671	\$ (3)
Total expenditures . . . . .	<u>-</u>	<u>1,668</u>	<u>1,671</u>	<u>(3)</u>
Net change in fund balance . . . . .	-	(1,668)	(1,671)	(3)
<b>Fund balance at beginning of year . . . . .</b>	<u>1,671</u>	<u>1,671</u>	<u>1,671</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,671</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ (3)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
TITLE VI-B FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Other local revenues . . . . .	\$ -	\$ 1	\$ 1	\$ -
Intergovernmental - federal . . . . .	1,943,614	1,837,233	1,837,233	-
<b>Total revenues . . . . .</b>	<b>1,943,614</b>	<b>1,837,234</b>	<b>1,837,234</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special . . . . .	1,178,165	1,439,258	1,392,833	46,425
Support services:				
Pupil . . . . .	82,537	100,828	97,576	3,252
Instructional staff . . . . .	44,036	53,795	52,060	1,735
Administration . . . . .	262,549	320,732	310,387	10,345
Fiscal . . . . .	28,578	34,911	33,785	1,126
Pupil transportation . . . . .	70,689	86,354	83,569	2,785
Operation of non-instructional services . . . . .	77,060	94,137	91,101	3,036
<b>Total expenditures . . . . .</b>	<b>1,743,614</b>	<b>2,130,015</b>	<b>2,061,311</b>	<b>68,704</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	200,000	(292,781)	(224,077)	68,704
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	12,459	12,459	-
Transfers out . . . . .	-	(12,459)	(12,459)	-
Advances in . . . . .	-	365,000	365,000	-
Advances out . . . . .	-	(99,397)	(99,397)	-
Refund of prior year expenditure . . . . .	-	5,979	5,979	-
<b>Total other financing sources (uses) . . . . .</b>	<b>-</b>	<b>271,582</b>	<b>271,582</b>	<b>-</b>
Net change in fund balance . . . . .	200,000	(21,199)	47,505	68,704
<b>Fund balance (deficit) at beginning of year . . . . .</b>	<b>(47,244)</b>	<b>(47,244)</b>	<b>(47,244)</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>68,704</b>	<b>68,704</b>	<b>68,704</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 221,460</b>	<b>\$ 261</b>	<b>\$ 68,965</b>	<b>\$ 68,704</b>



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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
SCHOOL IMPROVEMENT STIMULUS A FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental - federal . . . . .	\$ 106,000	\$ 37,189	\$ 32,189	\$ (5,000)
Total revenues . . . . .	<u>106,000</u>	<u>37,189</u>	<u>32,189</u>	<u>(5,000)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special. . . . .	106,000	62,189	62,189	-
Total expenditures . . . . .	<u>106,000</u>	<u>62,189</u>	<u>62,189</u>	<u>-</u>
Excess of expenditures over revenues . . . . .	<u>-</u>	<u>(25,000)</u>	<u>(30,000)</u>	<u>(5,000)</u>
<b>Other financing sources:</b>				
Advances in. . . . .	-	30,000	30,000	-
Total other financing sources . . . . .	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balance . . . . .	-	5,000	-	(5,000)
<b>Fund balance at beginning of year . . . . .</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ (5,000)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
TITLE III FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental - federal . . . . .	\$ 55,108	\$ 40,026	\$ 40,026	\$ -
Total revenues . . . . .	55,108	40,026	40,026	-
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	9,571	7,865	7,865	-
Support services:				
Pupil . . . . .	377	310	310	-
Instructional staff . . . . .	904	743	743	-
Operation of non-instructional services . . . . .	44,257	36,371	36,371	-
Total expenditures . . . . .	55,109	45,289	45,289	-
Excess of expenditures over revenues . . . . .	(1)	(5,263)	(5,263)	-
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	213	213	-
Transfers out . . . . .	-	(213)	(213)	-
Advances in . . . . .	-	3,500	3,500	-
Refund of prior year expenditure . . . . .	-	1,575	1,575	-
Total other financing sources (uses) . . . . .	-	5,075	5,075	-
Net change in fund balance . . . . .	(1)	(188)	(188)	-
<b>Fund balance at beginning of year . . . . .</b>	<b>212</b>	<b>212</b>	<b>212</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 211</b>	<b>\$ 24</b>	<b>\$ 24</b>	<b>\$ -</b>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
TITLE I FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
From local sources:				
Other local revenues . . . . .	\$ -	\$ 1	\$ 1	\$ -
Intergovernmental - federal . . . . .	4,139,203	4,346,356	4,346,356	-
Total revenues . . . . .	<u>4,139,203</u>	<u>4,346,357</u>	<u>4,346,357</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special . . . . .	1,746,786	3,636,805	2,894,772	742,033
Support services:				
Pupil . . . . .	5	11	9	2
Instructional staff . . . . .	911,476	1,897,690	1,510,496	387,194
Administration . . . . .	43,401	90,361	71,924	18,437
Fiscal . . . . .	49,670	103,412	82,312	21,100
Business . . . . .	15,853	33,005	26,271	6,734
Pupil transportation . . . . .	21,443	44,645	35,536	9,109
Operation of non-instructional services . . . . .	49,922	103,938	82,731	21,207
Total expenditures . . . . .	<u>2,838,556</u>	<u>5,909,867</u>	<u>4,704,051</u>	<u>1,205,816</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,300,647</u>	<u>(1,563,510)</u>	<u>(357,694)</u>	<u>1,205,816</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	21,828	21,828	-
Transfers out . . . . .	-	(21,828)	(21,828)	-
Advances in . . . . .	-	1,580,000	1,580,000	-
Advances out . . . . .	-	(19,868)	(19,868)	-
Refund of prior year expenditure . . . . .	-	4,188	4,188	-
Total other financing sources (uses) . . . . .	<u>-</u>	<u>1,564,320</u>	<u>1,564,320</u>	<u>-</u>
Net change in fund balance . . . . .	1,300,647	810	1,206,626	1,205,816
<b>Fund balance (deficit) at beginning of year . . . . .</b>	(1,205,816)	(1,205,816)	(1,205,816)	-
<b>Prior year encumbrances appropriated . . . . .</b>	1,205,816	1,205,816	1,205,816	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,300,647</u>	<u>\$ 810</u>	<u>\$ 1,206,626</u>	<u>\$ 1,205,816</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
EHA PRESCHOOL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental - federal . . . . .	\$ 50,713	\$ 50,713	\$ 50,713	\$ -
Total revenues . . . . .	<u>50,713</u>	<u>50,713</u>	<u>50,713</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special. . . . .	25,432	50,713	50,713	-
Total expenditures . . . . .	<u>25,432</u>	<u>50,713</u>	<u>50,713</u>	<u>-</u>
Excess of revenues over expenditures. . . . .	<u>25,281</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources:</b>				
Advances in. . . . .	-	25,500	25,500	-
Total other financing sources . . . . .	<u>-</u>	<u>25,500</u>	<u>25,500</u>	<u>-</u>
Net change in fund balance . . . . .	25,281	25,500	25,500	-
<b>Fund balance (deficit) at beginning of year . .</b>	(25,281)	(25,281)	(25,281)	-
<b>Prior year encumbrances appropriated . . . .</b>	25,281	25,281	25,281	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 25,281</u>	<u>\$ 25,500</u>	<u>\$ 25,500</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
IMPROVING TEACHER QUALITY GRANT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
From local sources:				
Other local revenues . . . . .	\$ -	\$ 1	\$ 1	\$ -
Intergovernmental - federal . . . . .	444,119	383,242	383,242	-
Total revenues . . . . .	<u>444,119</u>	<u>383,243</u>	<u>383,243</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	11,801	19,555	18,825	730
Support services:				
Instructional staff . . . . .	368,117	610,016	587,249	22,767
Fiscal . . . . .	8,124	13,462	12,960	502
Operation of non-instructional services . . . . .	<u>2,076</u>	<u>3,441</u>	<u>3,313</u>	<u>128</u>
Total expenditures . . . . .	<u>390,118</u>	<u>646,474</u>	<u>622,347</u>	<u>24,127</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>54,001</u>	<u>(263,231)</u>	<u>(239,104)</u>	<u>24,127</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	3,268	3,268	-
Transfers out . . . . .	-	(3,268)	(3,268)	-
Advances in . . . . .	-	294,000	294,000	-
Advances out . . . . .	-	(30,363)	(30,363)	-
Refund of prior year expenditure . . . . .	-	175	175	-
Total other financing sources (uses) . . . . .	<u>-</u>	<u>263,812</u>	<u>263,812</u>	<u>-</u>
Net change in fund balance . . . . .	54,001	581	24,708	24,127
<b>Fund balance (deficit) at beginning of year . . . . .</b>	(24,127)	(24,127)	(24,127)	-
<b>Prior year encumbrances appropriated . . . . .</b>	24,129	24,129	24,129	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 54,003</u>	<u>\$ 583</u>	<u>\$ 24,710</u>	<u>\$ 24,127</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
MISCELLANEOUS FEDERAL GRANTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	\$ 3,433	\$ 3,433	\$ 756	\$ 2,677
Total expenditures . . . . .	<u>3,433</u>	<u>3,433</u>	<u>756</u>	<u>2,677</u>
Net change in fund balance . . . . .	(3,433)	(3,433)	(756)	2,677
<b>Fund balance at beginning of year . . . . .</b>	<u>3,433</u>	<u>3,433</u>	<u>3,433</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,677</u></u>	<u><u>\$ 2,677</u></u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
PERMANENT IMPROVEMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
From local sources:				
Earnings on investments. . . . .	\$ -	\$ 14	\$ 14	\$ -
Total revenues . . . . .	<u>-</u>	<u>14</u>	<u>14</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	63,389	63,389	22,173	41,216
Support services:				
Fiscal . . . . .	1,115	1,115	390	725
Facilities acquisition and construction. . . . .	58,080	58,080	20,316	37,764
Total expenditures . . . . .	<u>122,584</u>	<u>122,584</u>	<u>42,879</u>	<u>79,705</u>
Excess of expenditures over revenues. . . . .	<u>(122,584)</u>	<u>(122,570)</u>	<u>(42,865)</u>	<u>79,705</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	280,000	293,000	293,000	-
Transfers out . . . . .	(157,416)	(157,416)	(157,416)	-
Total other financing sources (uses) . . . . .	<u>122,584</u>	<u>135,584</u>	<u>135,584</u>	<u>-</u>
Net change in fund balance . . . . .	-	13,014	92,719	79,705
<b>Fund balance at beginning of year . . . . .</b>	177,951	177,951	177,951	-
<b>Prior year encumbrances appropriated . . . . .</b>	22,346	22,346	22,346	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 200,297</u>	<u>\$ 213,311</u>	<u>\$ 293,016</u>	<u>\$ 79,705</u>

**MIDDLETOWN CITY SCHOOL DISTRICT  
COMBINING STATEMENTS - FIDUCIARY FUNDS**

***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 purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations.

***AGENCY FUND***

**Student Managed Activities Fund**

To account for assets and liabilities generated by student managed activities.



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

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Beginning Balance July 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2016</b>
<b>Student Activity</b>				
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 84,920	\$ 50,477	\$ 44,822	\$ 90,575
Total assets . . . . .	<u>\$ 84,920</u>	<u>\$ 50,477</u>	<u>\$ 44,822</u>	<u>\$ 90,575</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ -	\$ 516	\$ -	\$ 516
Loans payable . . . . .	-	2,500	-	2,500
Undistributed monies . . . . .	<u>84,920</u>	<u>47,461</u>	<u>44,822</u>	<u>87,559</u>
Total liabilities. . . . .	<u>\$ 84,920</u>	<u>\$ 50,477</u>	<u>\$ 44,822</u>	<u>\$ 90,575</u>

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# STATISTICAL SECTION

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

STATISTICAL SECTION

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

**Contents**

**Page**

**Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

**118-127**

**Revenue Capacity**

These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

**128-133**

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

**134-139**

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

**140-141**

**Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

**142-153**

**Sources:** Sources are noted on the individual schedules.

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

NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Governmental activities</b>				
Net investment in capital assets	\$ 8,826,190	\$ 3,847,066	\$ 3,003,649	\$ 6,234,371
Restricted	51,446,955	54,147,596	3,938,419	2,337,991
Unrestricted (deficit)	(77,674,860)	(90,343,892)	(93,507,156)	(3,394,825)
Total governmental activities net position	<u>\$ (17,401,715)</u>	<u>\$ (32,349,230)</u>	<u>\$ (86,565,088)</u>	<u>\$ 5,177,537</u>

**Source:** School District financial records.

(1) Amounts have been restated as previously reported.

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009 (1)</b>	<b>2008</b>	<b>2007</b>
\$ 8,239,520	\$ 8,243,758	\$ 6,999,059	\$ 5,483,895	\$ 12,290,959	\$ 7,823,154
3,507,622	5,998,474	3,734,017	4,704,174	5,485,245	17,120,766
(3,138,373)	(2,282,638)	6,290,172	8,488,821	7,913,355	(4,558,346)
<u>\$ 8,608,769</u>	<u>\$ 11,959,594</u>	<u>\$ 17,023,248</u>	<u>\$ 18,676,890</u>	<u>\$ 25,689,559</u>	<u>\$ 20,385,574</u>

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

CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013 (1)</u>
<b>Expenses</b>				
Governmental activities:				
Instruction	\$ 45,802,884	\$ 47,109,627	\$ 49,646,486	\$ 48,384,018
Support services:				
Pupil	3,895,910	3,746,251	4,442,512	4,265,190
Instructional staff	2,619,650	1,991,860	3,389,719	3,868,239
Board of education	70,619	59,556	66,159	43,835
Administration	3,912,734	4,154,176	4,663,891	4,445,825
Fiscal	1,470,168	1,671,371	785,642	688,210
Business	229,965	191,359	209,337	254,239
Operations and maintenance	7,631,480	7,408,158	9,294,379	7,914,945
Pupil transportation	4,125,548	4,007,357	4,022,409	3,812,314
Central	1,218,035	1,619,365	2,669,861	1,486,066
Operation of non-instructional services	4,652,290	4,781,569	4,795,795	4,543,308
Extracurricular activities	815,861	1,083,235	900,838	890,157
Interest and fiscal charges	4,933,230	3,892,120	2,672,184	2,713,127
Total expenses	<u>81,378,374</u>	<u>81,716,004</u>	<u>87,559,212</u>	<u>83,309,473</u>



	<u>2012</u>	<u>2011</u>	<u>2010 (2)</u>	<u>2009</u>	<u>2008 (3)</u>	<u>2007</u>
\$	46,929,114	\$ 50,188,859	\$ 49,044,574	\$ 47,565,415	\$ 43,559,450	\$ 42,406,738
	4,655,026	5,585,042	4,919,527	4,664,923	4,269,073	4,499,071
	4,939,816	5,229,348	5,980,662	5,950,980	4,294,621	4,767,755
	56,405	52,578	103,269	39,990	-	-
	4,530,426	5,343,818	5,899,057	5,918,107	4,998,030	5,583,789
	723,250	670,419	1,455,723	1,350,653	1,602,802	1,565,314
	441,139	469,884	511,414	484,511	378,914	498,372
	7,792,863	7,399,143	7,712,461	8,501,464	8,650,520	7,228,123
	3,758,699	3,682,543	3,685,251	3,292,293	3,179,889	3,062,815
	3,397,181	5,344,434	1,963,221	2,330,840	1,764,603	2,098,304
	4,369,441	3,886,436	3,651,317	3,843,355	3,689,463	3,097,638
	1,025,636	1,028,730	1,002,233	1,022,353	787,327	912,856
	2,703,229	2,840,830	2,857,619	3,009,066	2,999,529	2,437,992
	<u>85,322,225</u>	<u>91,722,064</u>	<u>88,786,328</u>	<u>87,973,950</u>	<u>80,174,221</u>	<u>78,158,767</u>

(Continued)

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

CHANGES IN NET POSITION - (Continued)  
LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

<b>Program Revenues</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Governmental activities:				
Charges for services:				
Instruction	\$ 920,340	\$ 1,167,154	\$ 1,328,997	\$ 728,828
Support services	102,003	78,459	74,984	60,921
Operation of non-instructional services	166,004	153,619	371,359	690,941
Extracurricular activities	192,430	214,969	-	-
Operating grants and contributions	16,825,958	10,763,712	12,666,818	10,881,913
Capital grants and contributions	-	-	-	-
Total governmental program revenues	<u>18,206,735</u>	<u>12,377,913</u>	<u>14,442,158</u>	<u>12,362,603</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	<u>\$ (63,171,639)</u>	<u>\$ (69,338,091)</u>	<u>\$ (73,117,054)</u>	<u>\$ (70,946,870)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Property taxes levied for:				
General purposes	\$ 31,620,677	\$ 24,805,279	\$ 30,753,332	\$ 26,836,512
Debt service	5,567,012	3,979,176	3,317,360	2,907,788
Special revenue	341,335	-	-	-
Capital projects	-	249,633	167,982	132,316
Payment in lieu of taxes	886,632	431,267	226,369	303,813
Grants and entitlements not restricted to specific programs	38,775,910	42,131,982	40,073,523	37,215,406
Grants and entitlements restricted to to school facilities program	-	51,403,241	-	-
Investment earnings	448,314	202,447	1,166	1,923
Unrestricted contributions	-	-	-	-
Miscellaneous	479,274	350,924	417,338	117,880
Total governmental activities	<u>78,119,154</u>	<u>123,553,949</u>	<u>74,957,070</u>	<u>67,515,638</u>
<b>Change in Net Position</b>				
Governmental activities	<u>\$ 14,947,515</u>	<u>\$ 54,215,858</u>	<u>\$ 1,840,016</u>	<u>\$ (3,431,232)</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

<u>2012</u>	<u>2011</u>	<u>2010 (2)</u>	<u>2009</u>	<u>2008 (3)</u>	<u>2007</u>
\$ 760,855	\$ 747,531	\$ 708,352	\$ 717,696	\$ 536,644	\$ 826,053
101,071	169,629	206,090	178,057	470,327	254,075
816,136	781,124	864,398	917,389	921,098	1,088,329
-	-	-	-	-	-
12,112,072	19,941,094	18,469,879	17,762,109	17,204,236	18,905,396
-	-	316,140	66,437	14,078	94,861
<u>13,790,134</u>	<u>21,639,378</u>	<u>20,564,859</u>	<u>19,641,688</u>	<u>19,146,383</u>	<u>21,168,714</u>
<u>\$ (71,532,091)</u>	<u>\$ (70,082,686)</u>	<u>\$ (68,221,469)</u>	<u>\$ (68,332,262)</u>	<u>\$ (61,027,838)</u>	<u>\$ (56,990,053)</u>
\$ 27,947,132	\$ 28,460,928	\$ 15,443,139	\$ 16,749,487	\$ 19,017,594	\$ 19,301,596
3,816,214	3,477,334	3,404,818	3,862,804	4,373,040	4,243,108
-	-	13,390,494	14,565,287	15,925,322	15,998,068
113,113	-	-	-	-	-
552,566	280,612	517,839	-	-	54,728
-	-	-	-	-	-
35,874,604	32,733,997	33,774,716	33,102,516	25,460,103	22,572,267
-	-	-	-	-	-
-	-	-	-	-	-
9,601	28,936	26,337	228,509	1,391,914	2,131,508
-	-	-	-	24,728	22,223
465,234	37,225	10,484	23,272	139,122	177,692
<u>68,778,464</u>	<u>65,019,032</u>	<u>66,567,827</u>	<u>68,531,875</u>	<u>66,331,823</u>	<u>64,501,190</u>
<u>\$ (2,753,627)</u>	<u>\$ (5,063,654)</u>	<u>\$ (1,653,642)</u>	<u>\$ 199,613</u>	<u>\$ 5,303,985</u>	<u>\$ 7,511,137</u>

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

FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Fund:				
Restricted	\$ -	\$ -	\$ 24,610	\$ 24,610
Assigned	389,829	480,211	65,935	386,691
Unassigned (deficit)	8,794,259	(1,204,805)	(1,114,077)	(3,932,766)
Reserved	-	-	-	-
Unreserved (deficit)	-	-	-	-
Total general fund	<u>\$ 9,184,088</u>	<u>\$ (724,594)</u>	<u>\$ (1,023,532)</u>	<u>\$ (3,521,465)</u>
All Other Governmental Funds:				
Nonspendable	\$ -	\$ 93,564	\$ 97,652	\$ 48,607
Restricted	58,695,362	53,563,718	2,135,729	2,212,418
Committed	293,040	216,852	29,970	8,463
Unassigned (deficit)	(31,238)	(24,845)	(112,278)	(245)
Reserved	-	-	-	-
Unreserved (deficit), reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Total all other governmental funds	<u>\$ 58,957,164</u>	<u>\$ 53,849,289</u>	<u>\$ 2,151,073</u>	<u>\$ 2,269,243</u>
Total governmental funds	<u>\$ 68,141,252</u>	<u>\$ 53,124,695</u>	<u>\$ 1,127,541</u>	<u>\$ (1,252,222)</u>

**Source:** School District financial records.

(1) Amounts have been reclassified to conform to 2011's presentation.

Note: The School District implemented GASB 54 in fiscal year 2011.

<u>2012</u>	<u>2011</u>	<u>2010 (1)</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 24,610	\$ 186,444	\$ -	\$ -	\$ -	\$ -
306,347	739,638	-	-	-	-
(4,483,802)	(3,717,700)	-	-	-	-
-	-	1,305,189	1,392,826	1,280,574	21,167
-	-	2,589,792	(1,245,433)	(3,511,819)	(6,546,685)
<u>\$ (4,152,845)</u>	<u>\$ (2,791,618)</u>	<u>\$ 3,894,981</u>	<u>\$ 147,393</u>	<u>\$ (2,231,245)</u>	<u>\$ (6,525,518)</u>
\$ 29,397	\$ 41,988	\$ -	\$ -	\$ -	\$ -
3,253,825	4,631,246	-	-	-	-
8,111	51,081	-	-	-	-
(25,155)	(20,782)	-	-	-	-
-	-	1,457,598	2,351,469	7,505,213	16,761,290
-	-	(469,675)	3,774,571	3,183,607	4,710,288
-	-	2,186,547	2,352,696	1,896	2,040,524
-	-	(907,311)	(1,265,409)	(1,711,469)	(1,566,396)
<u>\$ 3,266,178</u>	<u>\$ 4,703,533</u>	<u>\$ 2,267,159</u>	<u>\$ 7,213,327</u>	<u>\$ 8,979,247</u>	<u>\$ 21,945,706</u>
<u>\$ (886,667)</u>	<u>\$ 1,911,915</u>	<u>\$ 6,162,140</u>	<u>\$ 7,360,720</u>	<u>\$ 6,748,002</u>	<u>\$ 15,420,188</u>

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

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>				
From local sources:				
Property taxes	\$ 37,002,240	\$ 27,872,515	\$ 34,294,811	\$ 31,261,754
Payment in lieu of taxes	886,632	431,267	497,553	444,506
Tuition and fees	769,292	1,032,757	1,126,473	566,267
Transportation fees	-	-	-	-
Earnings on investments	463,164	157,998	1,166	1,923
Charges for services	166,004	296,116	349,214	651,126
Extracurricular	243,929	243,266	257,306	233,516
Classroom materials and fees	43,605	-	-	-
Rental income	56,871	30,478	33,633	22,675
Contributions and donations	391,749	367,448	262,615	46,956
Contract services	97,832	-	-	-
Other local revenues	147,764	333,563	223,265	123,851
Intergovernmental	64,399,778	56,808,384	50,921,081	48,067,339
<b>Total revenues</b>	<u>104,668,860</u>	<u>87,573,792</u>	<u>87,967,117</u>	<u>81,419,913</u>
<b>Expenditures</b>				
Current:				
Instruction	47,528,539	47,816,401	49,279,372	48,133,204
Support services:				
Pupil	3,944,123	3,877,467	4,424,408	4,379,076
Instructional staff	2,877,401	2,019,362	3,417,238	3,832,870
Board of education	58,127	59,556	66,159	43,835
Administration	3,949,199	4,278,161	4,656,085	4,456,818
Fiscal	1,460,099	1,662,170	784,141	689,018
Business	245,965	189,919	209,442	253,527
Operations and maintenance	6,000,716	6,371,641	7,925,541	5,684,561
Pupil transportation	4,049,294	3,926,956	3,905,361	3,689,610
Central	992,204	1,665,992	3,459,367	1,257,761
Operation of non-instructional services	4,627,836	4,754,045	4,754,840	4,518,730
Extracurricular activities	838,178	928,706	924,948	883,030
Capital outlay	4,716,122	2,216,640	433,676	8,723
Debt service:				
Principal retirement	3,338,619	3,273,410	1,177,325	1,033,416
Interest and fiscal charges	5,032,301	3,986,977	2,865,082	2,921,769
Bond issuance costs	243,537	-	-	-
<b>Total expenditures</b>	<u>89,902,260</u>	<u>87,027,403</u>	<u>88,282,985</u>	<u>81,785,948</u>
Excess of revenues over (under) expenditures	14,766,600	546,389	(315,868)	(366,035)
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,079,247	626,572	610,354	604,934
Transfers (out)	(1,079,247)	(626,572)	(610,354)	(604,934)
Sale of notes	-	-	-	-
Refund of prior year receipts	-	-	-	-
Sale of capital assets	6,419	340,087	2,358	480
Capital lease transaction	-	-	248,273	-
Issuance of long term debt	-	46,600,000	2,445,000	-
Sale of refunding bonds	-	-	-	-
Refunding bond issue costs	-	-	-	-
Payments to refunding bond escrow agent	(26,510,643)	-	-	-
Premium on the sale of refunding bonds	1,269,181	4,510,678	-	-
Insurance proceeds	-	-	-	-
Issuance of bonds	25,485,000	-	-	-
<b>Total other financing sources (uses)</b>	<u>249,957</u>	<u>51,450,765</u>	<u>2,695,631</u>	<u>480</u>
<b>Net change in fund balances</b>	<u>\$ 15,016,557</u>	<u>\$ 51,997,154</u>	<u>\$ 2,379,763</u>	<u>\$ (365,555)</u>
Capital expenditures	\$ 6,394,237	\$ 3,316,732	\$ 1,526,035	\$ 258,984
Debt service as a percentage of noncapital expenditures	10.02%	8.67%	4.66%	4.85%

Source: School District financial records.

	2012	2011	2010	2009	2008	2007
\$	31,341,229	\$ 30,834,774	\$ 31,981,033	\$ 34,695,348	\$ 39,009,403	\$ 39,823,228
	148,212	279,392	511,536	-	-	-
	724,610	525,839	516,322	493,420	972,600	1,027,156
	-	65,664	144,614	97,048	-	-
	9,601	29,126	31,260	223,963	1,391,914	2,131,508
	588,504	561,722	614,698	667,441	637,736	811,212
	341,328	320,910	308,493	280,515	260,034	254,306
	-	138,801	109,042	142,369	-	-
	10,458	-	-	-	-	-
	110,623	-	-	-	-	-
	-	-	-	-	-	-
	477,276	200,672	200,899	204,393	221,547	275,698
	48,553,938	51,866,741	53,233,060	51,642,603	42,563,950	41,943,602
	<u>82,305,779</u>	<u>84,823,641</u>	<u>87,650,957</u>	<u>88,447,100</u>	<u>85,057,184</u>	<u>86,266,710</u>
	47,192,759	48,974,881	47,816,574	45,381,711	42,666,670	41,718,933
	4,695,154	5,502,709	4,825,255	4,454,170	4,318,458	4,484,000
	4,964,134	5,182,361	5,827,474	5,809,655	4,338,546	4,747,707
	56,405	51,456	101,002	39,105	-	-
	4,517,281	5,327,370	5,809,833	5,702,554	5,064,734	5,535,204
	717,447	654,400	1,417,411	1,329,362	1,626,470	1,567,948
	427,734	444,542	485,305	456,107	425,545	489,650
	5,454,243	6,239,542	6,735,701	8,125,211	6,992,725	8,997,255
	3,629,508	3,527,369	3,472,888	3,379,531	3,116,607	2,913,572
	3,853,759	3,782,437	1,954,306	2,221,285	1,715,473	2,033,815
	4,382,701	3,834,439	3,583,679	3,756,691	3,685,944	3,072,757
	1,017,934	1,008,812	977,802	1,014,207	789,531	913,324
	397,027	2,050,587	510,385	1,684,649	13,708,012	25,417,655
	927,375	880,261	2,357,860	2,229,778	2,813,657	2,049,492
	2,881,709	3,007,587	3,036,523	3,167,536	3,178,262	2,651,808
	-	-	-	-	-	-
	<u>85,115,170</u>	<u>90,468,753</u>	<u>88,911,998</u>	<u>88,751,552</u>	<u>94,440,634</u>	<u>106,593,120</u>
	(2,809,391)	(5,645,112)	(1,261,041)	(304,452)	(9,383,450)	(20,326,410)
	620,080	692,375	699,567	1,932	366,669	963,581
	(620,080)	(692,375)	(699,567)	(1,932)	(366,669)	(963,581)
	-	-	-	-	-	-
	-	-	-	-	-	-
	10,810	46,120	62,461	913	33,602	3,949
	-	1,348,767	-	478,000	-	-
	-	-	-	-	677,662	-
	-	-	-	-	-	55,465,000
	-	-	-	-	-	(765,639)
	-	-	-	-	-	(59,855,611)
	-	-	-	-	-	5,156,250
	-	-	-	438,257	-	-
	-	-	-	-	-	-
	<u>10,810</u>	<u>1,394,887</u>	<u>62,461</u>	<u>917,170</u>	<u>711,264</u>	<u>3,949</u>
\$	<u>(2,798,581)</u>	<u>(4,250,225)</u>	<u>(1,198,580)</u>	<u>612,718</u>	<u>(8,672,186)</u>	<u>(20,322,461)</u>
\$	1,442,769	\$ 1,787,485	\$ 485,751	\$ 1,731,427	\$ 14,805,754	\$ 28,067,984
	4.55%	4.38%	6.10%	6.20%	7.52%	5.99%

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

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN CALENDAR YEARS

<b>Tax Year</b>	<b>Real Property Assessed Value</b>	<b>Tangible Personal Property Assessed Value</b>	<b>Public Utilities Personal Assessed Value</b>	<b>Total Assessed Value</b>	<b>Total Estimated Actual Value</b>	<b>Total Direct Rate</b>	<b>Ratio</b>
2015	\$ 603,512,220	\$ -	\$ 57,446,810	\$ 660,959,030	\$ 1,955,500,089	\$ 54.54	33.80%
2014	603,212,590	-	56,477,890	659,690,480	1,884,829,943	54.51	35.00%
2013	657,709,970	-	54,597,780	712,307,750	2,035,165,000	48.95	35.00%
2012	665,572,990	-	50,710,520	716,283,510	2,046,524,314	47.16	35.00%
2011	673,961,050	-	51,549,940	725,510,990	2,072,888,543	47.16	35.00%
2010	739,511,220	-	50,482,380	789,993,600	2,337,259,172	46.99	33.80%
2009	750,828,210	-	40,785,100	791,613,310	2,342,051,213	47.00	33.80%
2008	799,643,380	-	38,837,820	838,481,200	2,480,713,609	45.75	33.80%
2007	717,245,370	133,592,134	36,901,260	887,738,764	2,620,542,282	45.75	33.88%
2006	761,885,206	271,040,472	48,930,248	1,081,855,926	3,309,907,010	45.13	32.69%

**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 on telephone and telecommunications property will be eliminated by 2011

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rate 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 exemptions before being billed.



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

DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN CALENDAR YEARS

Calendar Year	District Direct Rates						Overlapping Rates	
	Voted			Permanent Improvement	Unvoted	Total	Butler County	Warren County
	General	Emergency	Bond					
2015	\$40.73	\$ -	\$8.25	\$ 0.50	\$ 4.92	\$54.40	\$ 9.72	\$ 7.78
2014	18.27	22.83	8.25	-	5.16	54.51	9.72	7.78
2013	18.27	20.77	4.75	-	5.16	48.95	9.72	7.78
2012	18.27	18.98	4.75	-	5.16	47.16	9.72	7.78
2011	18.27	18.81	4.75	-	5.16	46.99	9.72	7.78
2010	18.27	18.81	4.99	-	4.92	46.99	9.72	5.78
2009	18.27	18.89	4.92	-	4.92	47.00	9.75	5.78
2008	18.27	17.82	4.74	-	4.92	45.75	9.75	5.21
2007	18.27	17.82	4.74	-	4.92	45.75	10.95	6.71
2006	18.27	17.20	4.74	-	4.92	45.13	10.95	6.46

**Source:** County Auditor

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

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

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

N/A - Information not available.

**Overlapping Rates**

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<b>Franklin Township (1)</b>	<b>Turtlecreek Township (2)</b>	<b>City of Middletown</b>	<b>Butler County Joint Vocational School</b>	<b>Metroparks</b>	<b>Midpointe Library</b>	<b>Total Overlapping Rates</b>	<b>Total Overlapping and Direct Rates</b>
\$ 3.87	\$ 9.12	\$ 6.90	\$ 1.93	\$ 0.50	\$ 0.75	\$ 40.57	\$ 94.97
3.87	9.12	6.90	1.93	0.50	0.75	40.57	95.08
3.87	9.12	6.72	1.93	0.50	0.75	40.39	89.34
3.87	9.12	5.90	1.93	N/A	N/A	38.32	85.48
3.87	9.12	5.90	1.93	N/A	N/A	38.32	85.31
3.87	0.61	5.90	1.93	N/A	N/A	27.81	74.80
4.00	1.61	5.90	1.93	N/A	N/A	28.97	75.97
7.17	1.61	5.90	1.93	N/A	N/A	31.57	77.32
N/A	N/A	5.90	1.93	N/A	N/A	25.49	71.24
N/A	N/A	5.90	1.93	N/A	N/A	25.24	70.37

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

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN CALENDAR YEARS (1)

Calendar Year	Taxes Levied for the Calendar Year (1)	Collected within the Calendar Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes (3)	Percentage Outstanding Delinquent Taxes to Tax Levied
		Amount (2)	Percentage of Levy		Amount	Percentage of Levy		
2015	\$ 35,954,046	\$ 30,512,832	84.87%	\$ 1,749,741	\$ 32,262,573	89.73%	\$ 4,291,273	11.94%
2014	35,954,046	29,625,371	82.40%	1,667,238	31,292,609	87.04%	4,125,765	11.48%
2013	31,531,399	29,625,371	93.96%	2,033,122	31,658,493	100.40%	3,898,991	12.37%
2012	30,713,002	28,911,321	94.13%	2,421,728	31,333,049	102.02%	4,619,013	15.04%
2011	32,633,101	31,682,293	97.09%	1,736,442	33,418,735	102.41%	5,357,474	16.42%
2010	32,511,295	31,267,882	96.18%	918,290	32,186,172	99.00%	4,852,706	14.93%
2009	35,638,317	30,469,584	85.50%	2,134,606	32,604,190	91.49%	4,202,583	11.79%
2008	38,249,797	32,358,689	84.60%	2,393,834	34,752,523	90.86%	3,893,720	10.18%
2007	40,619,396	33,468,165	82.39%	1,726,207	35,194,372	86.64%	4,273,994	10.52%
2006	32,065,355	29,721,793	92.69%	1,516,132	31,237,925	97.42%	3,045,480	9.50%

**Source:** Butler County Auditor's Office

(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 "collection 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**

**PRINCIPAL PROPERTY TAX PAYERS  
CURRENT CALENDAR YEAR AND NINE YEARS AGO**

<b>2015</b>		
<b>Taxpayer</b>	<b>Assessed Value</b>	<b>Percentage of Total Assessed Value</b>
Duke Energy	\$ 45,685,310	6.91%
AK Steel	10,057,860	1.52%
Rockies Express	4,456,610	0.67%
Boymel Family	3,955,660	0.60%
Middletown Coke	3,149,200	0.48%
Precision Strip	2,757,040	0.42%
Bavarian Woods	2,186,690	0.33%
Liberty Retirement	2,104,050	0.32%
Store Master Funding	2,030,000	0.31%
Chaka-Chak	1,963,260	0.30%
	\$ 78,345,680	11.85%

<b>2006</b>		
<b>Taxpayer</b>	<b>Assessed Value</b>	<b>Percentage of Total Assessed Value</b>
Cincinnati Gas and Electric	\$ 31,002,250	2.87%
AK Steel Corp.	15,095,550	1.40%
Ohio Bell Telephone	5,836,540	0.54%
Precision Strip Inc.	4,166,220	0.39%
Southwestern Ohio Steel	4,061,950	0.38%
Boymel Sam	3,567,860	0.33%
Bavarian Woods Apts.	2,272,110	0.21%
Trinity Place Comm	2,033,000	0.19%
Bay West Paper Corp.	1,817,680	0.17%
Riverside Village LTD PRT	1,765,950	0.16%
Total	\$ 71,619,110	6.62%

**Source:** Butler County Auditor's Office

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

OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities (a)				Total Primary Government	Ratio of Total Debt to Estimated Actual Value (d)
	Construction Bond	Refunding Bonds	Long-Term Capital Notes	Capital Leases		
2016	\$ 48,825,622	\$ 56,139,983	\$ 1,372,934	\$ 128,808	\$ 106,467,347	5.44%
2015	50,423,289	56,623,125	3,192,685	177,676	110,416,775	5.86%
2014	1,680,000	56,864,375	3,407,487	911,284	62,863,146	3.09%
2013	2,325,000	57,095,625	1,127,569	1,005,254	61,553,448	3.01%
2012	2,930,000	57,258,498	1,288,149	1,258,090	62,734,737	3.03%
2011	3,285,000	53,340,000	1,444,436	1,629,178	59,698,614	2.55%
2010	3,610,000	53,380,000	1,596,629	643,479	59,230,108	2.53%
2009	3,910,000	54,740,000	1,744,916	1,193,052	61,587,968	2.48%
2008	5,555,000	54,719,650	1,889,478	1,105,268	63,269,396	2.41%
2007	7,155,000	55,391,656	1,285,060	1,570,681	65,402,397	1.98%

**Source:** School District financial records

- (a) See notes to the financial statements regarding the District's outstanding debt information.
- (b) See schedule " Demographic and Economic Statistic, Last Ten Years" for personal income, per capita, population and enrollment information.
- (d) Assessed values are on a calendar year basis (i.e. fiscal year 2016 is calendar year 2015). See the table on page 128 for details on assessed values.

<b>Percentage of Personal Income (b)</b>	<b>Total Debt Per Capita (b)</b>	<b>Total Bonded Debt</b>	<b>Less: Bond Retirement Fund</b>	<b>Net Bond Debt</b>	<b>Ratio of Net Bonded Debt to Estimated Actual Value (d)</b>	<b>Net General Bonded Debt Per Capita (b)</b>
10.80%	\$ 2,183	\$ 104,965,605	\$ 5,141,164	\$ 99,824,441	5.10%	\$ 2,047
11.24%	2,271	107,046,414	5,446,025	101,600,389	5.39%	2,089
6.40%	1,293	58,544,375	1,617,246	56,927,129	2.80%	1,171
6.36%	1,266	59,420,625	1,332,329	58,088,296	2.84%	1,194
6.54%	1,289	60,188,498	1,307,781	58,880,717	2.84%	1,210
5.97%	1,226	56,625,000	725,144	55,899,856	2.39%	1,148
5.88%	1,209	56,990,000	2,186,547	54,803,453	2.34%	1,118
6.10%	1,198	58,650,000	2,352,696	56,297,304	2.27%	1,095
6.23%	1,223	60,274,650	1,896	60,272,754	2.30%	1,165
6.53%	1,282	62,546,656	2,040,524	60,506,132	1.83%	1,186

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2016

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Debt:			
Butler County (2)	\$ 56,315,000	8.70%	\$ 4,899,405
Warren County (2)	9,339,000	1.52%	141,953
City of Middletown (2)	21,393	91.88%	19,656
Subtotal, Overlapping Debt	<u>65,675,393</u>		<u>5,061,014</u>
District Direct Debt	<u>106,467,347</u>	100.00%	<u>106,467,347</u>
Total Direct and Overlapping Debt	<u><u>172,142,740</u></u>		<u><u>111,528,361</u></u>

**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, 2015.



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

LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assessed Valuation of District	\$ 660,959,030	\$ 659,690,480	\$ 712,307,750	\$ 716,283,510
<u>Overall direct debt limit</u>				
Direct debt limitation 9% of assessed valuation	59,486,313	59,372,143	64,107,698	64,465,516
Amount available in bond retirement fund	5,141,164	5,446,025	1,617,246	1,332,329
Gross indebtedness (2)	<u>53,215,000</u>	<u>57,947,487</u>	<u>59,253,771</u>	<u>57,737,823</u>
Legal margin within 9% limitation	<u>\$ 11,412,477</u>	<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	82.34%	89.40%	90.15%	87.75%
<u>Unvoted direct debt limitation</u>				
Unvoted debt limitation 0.1% of assessed valuation	<u>\$ 660,959</u>	<u>\$ 659,690</u>	<u>\$ 712,308</u>	<u>\$ 716,284</u>

**Source:** School District financial records

- (1) - Assessed values are on a calendar year basis (i.e. fiscal year 2016 is calendar year 2015)
- (2) - The 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.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>\$ 725,510,990</u>	<u>\$ 789,993,600</u>	<u>\$ 791,613,310</u>	<u>\$ 838,481,200</u>	<u>\$ 887,738,764</u>	<u>\$ 1,081,855,926</u>
65,295,989	71,099,424	71,245,198	75,463,308	79,896,489	97,367,033
1,307,781	725,144	-	-	-	-
<u>62,734,737</u>	<u>56,625,000</u>	<u>59,290,000</u>	<u>62,285,000</u>	<u>63,566,816</u>	<u>66,105,060</u>
<u>\$ 3,869,033</u>	<u>\$ 15,199,568</u>	<u>\$ 11,955,198</u>	<u>\$ 13,178,308</u>	<u>\$ 16,329,673</u>	<u>\$ 31,261,973</u>
94.19%	78.84%	83.22%	82.54%	79.56%	67.89%
<u>\$ 725,511</u>	<u>\$ 789,994</u>	<u>\$ 791,613</u>	<u>\$ 838,481</u>	<u>\$ 887,739</u>	<u>\$ 1,081,856</u>

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

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS

<b>Year</b>	<b>Population (1)</b>	<b>Personal Income (Thousands of Dollars) (1)</b>	<b>Per Capita Personal Income (1)</b>	<b>Unemployment Rate (1)</b>
2015	48,760	\$ 985,476	\$ 20,345	4.3%
2014	48,630	982,281	20,199	5.4%
2013	48,630	982,281	20,199	7.8%
2012	48,630	968,285	19,911	8.6%
2011	48,660	959,385	19,716	10.1%
2010	48,694	1,000,321	20,543	10.8%
2009	49,000	1,006,607	20,543	11.2%
2008	51,422	1,009,620	19,634	7.2%
2007	51,739	1,015,844	19,634	6.0%
2006	51,018	1,001,687	19,634	7.0%

Sources:

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

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

MAJOR EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

**2015**

<b>Major Employers</b>	<b>Number of Employees</b>	<b>Percentage of Total Employment</b>
AK Steel	2,483	12.80%
Atrium Medical Center	1,872	9.65%
CM Temporary Services, Inc.	1,590	8.20%
Triumphant Return Rehab, LLC.	942	4.86%
Middletown City School District	832	4.29%
Crown Services 36, LLC.	761	3.92%
Belflex Staffing Network, LLC.	733	3.78%
Kroger Limited Partnership	687	3.54%
CBS Personnel	646	3.33%
Miami University	624	3.22%
	<u>11,170</u>	
Total City Employment	<u>19,400</u>	

**2006**

<b>Employer</b>	<b>Number of Employees</b>	<b>Percentage of Total Employment</b>
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	
	<u>11,676</u>	
Total County Employment	<u>Not Available</u>	

Source: City of Middletown annual financial report for December 31, 2015.

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

FULL TIME EQUIVALENT DISTRICT EMPLOYEES BY TYPE  
LAST TEN FISCAL YEARS

<u>Type</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Instruction										
Classroom teachers	289.00	351.00	367.00	368.00	324.29	342.49	380.05	401.00	306.50	337.50
Special education teachers and tutors	80.00	38.00	40.00	49.00	78.68	95.41	84.65	86.00	80.00	78.00
Educational aides	-	-	1.00	1.00	2.00	37.80	66.00	67.00	58.00	52.00
Special education aides and attendants	57.00	59.00	68.00	62.00	58.00	57.50	12.00	16.00	9.00	8.00
Total Instruction	<u>426.00</u>	<u>448.00</u>	<u>476.00</u>	<u>480.00</u>	<u>462.97</u>	<u>533.20</u>	<u>542.70</u>	<u>570.00</u>	<u>453.50</u>	<u>475.50</u>
Support Services										
Support personnel										
Librarians, nurses, counselors, visiting teachers	40.00	43.00	52.00	52.00	80.23	70.66	67.35	55.00	91.50	98.00
Principals	15.00	17.00	10.00	11.00	15.00	22.00	23.00	23.00	21.00	23.00
Central office administration	11.00	10.00	10.00	11.00	11.00	12.00	16.00	24.00	20.00	21.00
Secretaries and clerical	32.00	39.00	38.00	40.00	44.60	47.00	50.00	45.00	46.00	57.00
Transportation	-	-	-	-	-	40.81	43.81	47.00	50.00	55.00
Food Service	-	-	-	-	-	-	-	-	-	-
Custodial	-	-	-	-	31.00	33.00	33.00	37.00	36.00	44.00
Maintenance and mechanics	-	-	-	-	7.00	16.00	16.00	8.00	8.00	11.00
Total Support Services	<u>98.00</u>	<u>109.00</u>	<u>110.00</u>	<u>114.00</u>	<u>188.83</u>	<u>241.47</u>	<u>249.16</u>	<u>239.00</u>	<u>272.50</u>	<u>309.00</u>
Total	<u>524.00</u>	<u>557.00</u>	<u>586.00</u>	<u>594.00</u>	<u>651.80</u>	<u>774.67</u>	<u>791.86</u>	<u>809.00</u>	<u>726.00</u>	<u>784.50</u>

Source: School District records

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

OPERATING STATISTICS  
LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Enrollment</b>	<b>Operating Expenditures (1)</b>	<b>Cost per pupil (2)</b>	<b>Percent Change</b>	<b>Expenses (3)</b>	<b>Cost per pupil (4)</b>
2016	6,598	76,571,681	11,605	1.42%	81,378,374	12,334
2015	6,777	77,550,376	11,443	-10.66%	81,716,004	12,058
2014	6,543	83,806,902	12,809	6.25%	87,559,212	13,382
2013	6,534	78,766,846	12,055	-3.29%	83,029,498	12,707
2012	6,491	80,909,059	12,465	-6.87%	85,322,225	13,145
2011	6,540	87,537,905	13,385	2.08%	91,722,064	14,025
2010	6,601	86,554,138	13,112	6.80%	88,786,328	13,450
2009	6,750	82,876,238	12,278	8.19%	87,973,950	13,033
2008	6,586	74,740,703	11,348	-4.49%	80,174,221	12,173
2007	6,436	76,474,165	11,882	11.39%	78,158,767	12,144

**Source:** School District records

- (1) - Operating expenditure is total expenditures minus facilities acquisition and construction, capital outlay and debt service from schedule 4
- (2) - Operating expenditure by enrollment
- (3) - Expenses is total expenses from schedule 2
- (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.



<b>Percent Change</b>	<b>Teaching Staff</b>	<b>Pupil/Teacher Ratio</b>	<b>of Free or Reduced Lunches (5)</b>
2.29%	432	15	100.00%
-9.90%	448	15	100.00%
5.31%	426	15	100.00%
-3.33%	490	13	72.10%
-6.28%	462	14	72.10%
4.27%	438	15	71.50%
3.20%	465	14	70.00%
7.06%	487	14	63.89%
0.24%	387	17	65.00%
6.90%	416	15	66.50%

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

**SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS**

School	2016	2015	2014	2013	2012	2011
<b>Elementary Schools</b>						
Amanda Elementary (1961)						
Square feet	68,234	68,234	68,234	68,234	68,234	68,234
Capacity (students)	553	518	518	518	518	518
Enrollment	426	515	476	471	490	396
Percent of Capacity (3)	77%	99%	92%	91%	94%	76%
Site Acreage	17	17	17	17	17	17
Old Central Academy Elementary (1960)						
Square feet	(12)	(12)	(12)	(12)	(12)	(12)
Capacity (students)	(12)	(12)	(12)	(12)	(12)	(12)
Enrollment	(12)	(12)	(12)	(12)	(12)	(12)
Percent of Capacity (3)	(12)	(12)	(12)	(12)	(12)	(12)
Site Acreage	(12)	(12)	(12)	(12)	(12)	(12)
New Central Academy Elementary (1966)						
Square feet	32,795	32,795	32,795	32,795	32,795	32,795
Capacity (students)	400	350	350	350	350	350
Enrollment	326	316	360	382	414	320
Percent of Capacity (3)	82%	90%	103%	109%	118%	91%
Site Acreage	7	7	7	7	7	7
Old Creekview Elementary (1961)						
Square feet	(11)	(11)	(11)	(11)	(11)	(11)
Capacity (students)	(11)	(11)	(11)	(11)	(11)	(11)
Enrollment	(11)	(11)	(11)	(11)	(11)	(11)
Percent of Capacity (3)	(11)	(11)	(11)	(11)	(11)	(11)
Site Acreage	(11)	(11)	(11)	(11)	(11)	(11)
New Creekview Elementary (2007)						
Square feet	62,000	62,000	62,000	62,000	62,000	62,000
Capacity (students)	525	503	503	503	503	503
Enrollment	458	575	453	470	423	449
Percent of Capacity (3)	87%	114%	90%	93%	84%	89%
Site Acreage	12	12	12	12	12	12
Highview Elementary (2007)						
Square feet	62,000	62,000	62,000	62,000	62,000	62,000
Capacity (students)	575	503	503	503	503	503
Enrollment	458	478	426	436	427	377
Percent of Capacity (3)	80%	95%	85%	87%	84%	75%
Site Acreage	5	5	5	5	5	5
Mayfield Elementary (1939)						
Square feet	49,828	49,828	49,828	49,828	49,828	49,828
Capacity (students)	575	503	503	503	503	503
Enrollment	518	552	505	475	469	445
Percent of Capacity (3)	90%	110%	100%	94%	93%	88%
Site Acreage	5	5	5	5	5	5

2010	2009	2008	2007
68,234	68,234	68,234	68,234
518	518	518	518
410	411	468	400
79%	79%	90%	77%
17	17	17	17
(12)	(12)	30,271	30,271
(12)	(12)	243	243
(12)	(12)	245	270
(12)	(12)	101%	111%
(12)	(12)	2	2
32,795	32,795	(9)	(9)
350	350	(9)	(9)
327	293	(9)	(9)
93%	84%	(9)	(9)
7	7	(9)	(9)
(11)	(11)	40,869	40,869
(11)	(11)	327	327
(11)	(11)	354	359
(11)	(11)	108%	110%
(11)	(11)	12	12
62,000	62,000	62,000	62,000
503	503	503	503
425	455	442	456
84%	90%	88%	91%
12	12	12	12
62,000	62,000	62,000	62,000
503	503	503	503
397	455	449	448
79%	90%	89%	89%
5	5	5	5
49,828	49,828	49,828	49,828
503	503	425	425
452	376	(6)	(6)
89%	75%	(6)	(6)
5	5	5	5

(Continued)

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

SCHOOL BUILDING INFORMATION (CONTINUED)  
LAST TEN FISCAL YEARS

School	2016	2015	2014	2013	2012	2011
<b>Elementary Schools (continued)</b>						
Miller Ridge Elementary (2008)						
Square feet	62,000	62,000	62,000	62,000	62,000	62,000
Capacity (students)	525	503	503	503	503	502
Enrollment	457	510	467	495	515	461
Percent of Capacity (3)	87%	101%	93%	98%	102%	92%
Site Acreage	37	37	37	37	37	37
Roosevelt Elementary (1930)						
Square feet	(10)	(10)	(10)	(10)	(10)	(10)
Capacity (students)	(10)	(10)	(10)	(10)	(10)	(10)
Enrollment	(10)	(10)	(10)	(10)	(10)	(10)
Percent of Capacity (3)	(10)	(10)	(10)	(10)	(10)	(10)
Site Acreage	(10)	(10)	(10)	(10)	(10)	(10)
Rosa Parks Elementary (2007)						
Square feet	62,000	62,000	62,000	62,000	62,000	62,000
Capacity (students)	575	503	503	503	503	503
Enrollment	555	772	699	595	608	423
Percent of Capacity (3)	97%	153%	139%	118%	120%	84%
Site Acreage	8	8	8	8	8	8
Rosedale Elementary (1966)						
Square feet	(9)	(9)	(9)	(9)	(9)	(9)
Capacity (students)	(9)	(9)	(9)	(9)	(9)	(9)
Enrollment	(9)	(9)	(9)	(9)	(9)	(9)
Percent of Capacity (3)	(9)	(9)	(9)	(9)	(9)	(9)
Site Acreage	(9)	(9)	(9)	(9)	(9)	(9)
Taft Elementary (1952)						
Square feet	(11)	(11)	(11)	(11)	(11)	(11)
Capacity (students)	(11)	(11)	(11)	(11)	(11)	(11)
Enrollment	(11)	(11)	(11)	(11)	(11)	(11)
Percent of Capacity (3)	(11)	(11)	(11)	(11)	(11)	(11)
Site Acreage	(11)	(11)	(11)	(11)	(11)	(11)

2010	2009	2008	2007
62,000	62,000	62,000	(8)
502	502	502	(8)
448	434	421	(8)
89%	86%	84%	(8)
37	37	37	(8)
(10)	(10)	114,456	114,456
(10)	(10)	812	812
(10)	(10)	414	601
(10)	(10)	51%	74%
(10)	(10)	7	7
62,000	62,000	62,000	62,000
503	503	503	503
417	413	457	453
83%	82%	91%	90%
8	8	8	8
(9)	(9)	32,795	32,795
(9)	(9)	262	262
(9)	(9)	(9)	268
(9)	(9)	(9)	102%
(9)	(9)	7	7
(11)	(11)	64,456	64,456
(11)	(11)	537	537
(11)	(11)	(7)	(7)
(11)	(11)	(7)	(7)
(11)	(11)	6	6

(Continued)

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

SCHOOL BUILDING INFORMATION (CONTINUED)  
LAST TEN FISCAL YEARS

School	2016	2015	2014	2013	2012	2011
<b>Elementary Schools (continued)</b>						
Wildwood Elementary (1959) (4)						
Square feet	44,450	44,450	44,450	44,450	44,450	44,450
Capacity (students)	575	503	503	503	503	503
Enrollment	540	612	543	612	564	503
Percent of Capacity (3)	94%	122%	108%	122%	112%	100%
Site Acreage	4	4	4	4	4	4
<b>Middle Schools</b>						
Steven Vail Middle (1923)						
Square feet	222,409	222,409	222,409	222,409	222,409	222,409
Capacity (students)	1,435	1,576	1,576	1,576	1,576	1,576
Enrollment	895	1,042	841	785	825	776
Percent of Capacity (3)	62%	66%	53%	50%	52%	49%
Site Acreage	3	3	3	3	3	3
George M. Verity Middle (1968)						
Square feet	(13)	81,589	81,589	81,589	81,589	81,589
Capacity (students)	(13)	653	653	653	653	653
Enrollment	(13)	-	-	-	-	596
Percent of Capacity (3)	(13)	0%	0%	0%	0%	91%
Site Acreage	(13)	39	39	39	39	39

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
44,450	44,450	44,450	44,450
503	503	356	356
475	457	(6)	(6)
94%	91%	(6)	(6)
4	4	4	4
222,409	222,409	222,409	222,409
1,576	1,576	1,576	1,576
807	802	821	907
51%	51%	52%	58%
3	3	3	3
81,589	81,589	81,589	81,589
653	653	653	653
625	625	599	489
96%	96%	92%	75%
39	39	39	39

(Continued)

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

SCHOOL BUILDING INFORMATION (CONTINUED)  
LAST TEN FISCAL YEARS

School	2016	2015	2014	2013	2012	2011
<b>High Schools</b>						
Middletown High (1969)						
Square feet	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
Enrollment	1,447	1,404	1,773	1,813	1,804	1,794
Percent of Capacity (3)	66%	64%	81%	83%	82%	82%
Site Acreage	8	8	8	8	8	8

**Source:** District records

- (2) - Middletown City School District demolished Oneida Elementary
- (3) - Enrollment divided by Capacity
- (4) - Annexed 1993
- (5) - Rosa Parks Elementary 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 Creekview 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 2008
- (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
- (13) - Sold building in 2015



<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
363,627	363,627	363,627	363,627
2,178	2,178	2,178	2,178
1,829	1,840	1,834	1,797
84%	84%	84%	83%
8	8	8	8

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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  
FEBRUARY 28, 2017**