



Mary Taylor, CPA
Auditor of State

MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY

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**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	None	10.550		\$197,744		\$197,744
Nutrition Cluster:						
School Breakfast Program	05-PU 05/06	10.553	\$304,599		\$304,599	
National School Lunch Program	LL-P4 05/06	10.555	1,135,435		1,135,435	
Summer Food Service Program for Children	23/24-PU 05	10.559	9,882		9,882	
Total Nutrition Cluster:			<u>1,449,916</u>		<u>1,449,916</u>	
Team Nutrition Grants	TWNT-2004	10.574	490		292	
Total U.S. Department of Agriculture			<u>1,450,406</u>	<u>197,744</u>	<u>1,450,208</u>	<u>197,744</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Adult Basic Education Grant	AB-S1-05	84.002	37,297		41,022	
	AB-S1-06		195,953		263,541	
	AB-S2-05		6,303		124	
	AB-S2-06		<u>39,756</u>		<u>31,436</u>	
Total Adult Basic Education Grant			279,309		336,123	
Title I	C1-S1-05	84.010	386,280		716,273	
	C1-S1-06		2,024,443		1,875,878	
	C1-SK-06		<u>138,390</u>		<u>106,471</u>	
Total Title I			2,549,113		2,698,622	
Special Education Cluster:						
Special Education Grants to States	6B-SA-05	84.027	10,853		10,192	
	6B-SA-06		13,348		10,332	
	6B-SD-05		(64)		380	
	6B-SF-05		(10,696)		246,149	
	6B-SF-06		<u>1,790,524</u>		<u>1,638,419</u>	
Total Special Education Grants to the States			1,803,965		1,905,472	
Special Education - Preschool Grant	PG-S1-05	84.173	729		0	
	PG-S1-06		<u>34,704</u>		<u>34,704</u>	
Total Special Education - Preschool Grant			35,433		34,704	
Total Special Education Cluster			1,839,398		1,940,176	
Drug Free Schools Grant - State	DR-S1-00	84.186	(8,772)		0	
	DR-S1-05		(77)		15,673	
	DR-S1-06		<u>54,029</u>		<u>40,052</u>	
Total Drug Free Schools Grants - State			45,180		55,725	

(Continued)

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Title V, Part A - Innovative Education Programs	C2-S1-05	84.298	7,312		8,095	
	C2-S1-06		23,984		172,093	
Total Title V, Part A - Innovative Education			<u>31,296</u>		<u>180,188</u>	
Technology Literacy Fund Grants	TJ-S1-05	84.318	(6,841)		566	
	TJ-S1-06		36,519		46,862	
	TJ-SL-05		(1,021)		21,791	
	TJ-SL-06		51,660		51,660	
Total Technology Literacy Fund Grants			<u>80,317</u>		<u>120,879</u>	
Advanced Placement	AV-TF-05	84.330	208		208	
Reading First State Grants	RS-S1-06	84.357	2,123,088		1,901,995	
Title III - Limited English Proficiency	T3-S1-05	84.365	8,241		2,831	
	T3-S1-06		15,614		5,484	
			<u>23,855</u>		<u>8,315</u>	
Improving Teacher Quality State Grant (Title II A)	TR-S1-05	84.367	42,631		64,130	
	TR-S1-06		233,662		138,044	
Total Improving Teacher Quality State Grant (Title II A)			<u>276,293</u>		<u>202,174</u>	
Hurricane Education Recovery	HR-01-06	84.938	23,750		23,750	
Total Department of Education			<u>7,271,807</u>		<u>7,468,155</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Title XIX Medical Assistance Program	None	93.778				
Community Alternative Funding System			299,463		299,463	
State Children's Health Insurance Program			18,521		18,521	
			<u>317,984</u>		<u>317,984</u>	
Title XIX Medical Assistance Program	None	93.778	5,530		0	
Total Department of Health and Human Services			<u>323,514</u>		<u>317,984</u>	
TOTAL FEDERAL ASSISTANCE			<u><u>\$9,045,727</u></u>	<u><u>\$197,744</u></u>	<u><u>\$9,236,347</u></u>	<u><u>\$197,744</u></u>

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

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 2006, the District had food commodities in inventory.

NOTE C -- MATCHING REQUIREMENTS

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

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

During the audit period the District had \$56 of Title I, Part A CSEA of fiscal year 2005 (C1-S1-05) monies transferred to fiscal year 2006 (C1-S1-06). The accompanying schedule of federal awards expenditures has been modified to reflect this transfer.

NOTE E -- TRANSFER AND REFUND OF SPECIAL EDUCATION GRANTS TO STATES FUNDS, CFDA# 84.027

During the audit period the District had \$10,696 of fiscal year 2005 (6B-SF-05) monies transferred to fiscal year 2006 (6B-SF-06). The District also refunded \$64 of 6B-SD-05 funds to the Ohio Department of Education (ODE) due to the expiration of the period of availability. The accompanying schedule of federal awards expenditures has been modified to reflect this transfer and the refund of as reduction of cash receipts.

NOTE F -- TRANSFER AND REFUND OF DRUG FREE SCHOOLS GRANTS FUNDS, CFDA# 84.186

During the audit period the District had \$77 of fiscal year 2005 (DR-S1-05) monies transferred to fiscal year 2006 (DR-S1-06). The District also refunded \$8,772 of DR-S1-00 funds to the Ohio Department of Education (ODE) due to the expiration of the period of availability. The accompanying schedule of federal awards expenditures has been modified to reflect this transfer and the refund as a reduction of cash receipts.

NOTE G --TRANSFER AND REFUND OF TECHNOLOGY LITERACY FUNDS, CFDA# 84.318

During the audit period the District had \$6,841 of fiscal year 2005 (TJ-S1-05) monies transferred to fiscal year 2006 (TJ-S1-06). The District also refunded \$1,021 of TJ-SL-05 funds to the ODE due to the expiration of the period of availability. The accompanying schedule of federal awards expenditures has been modified to reflect this transfer and the refund as a reduction of cash receipts.

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

During the audit period, the District received \$5,530 in CAFS relating to fiscal year 2000. Expenditures relating to this revenue were incurred during fiscal year 2000. The accompanying schedule of federal awards expenditures has been modified to reflect this refund as a cash receipt.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Middletown City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated January 22, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the District's management dated January 22, 2007, we reported other matters related to noncompliance we deemed immaterial.

Middletown City School District
Butler County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 22, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Middletown City School District, Butler County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006. In a separate letter to the District's management dated January 22, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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

Federal Awards Expenditures Schedule

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2006, and have issued our report thereon dated January 22, 2007. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying federal awards expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Mary Taylor, CPA
Auditor of State

January 22, 2007

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.357: Reading First State Grants CFDA # 84.010: Title I CFDA # 93.778: Medical Assistance Program
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2006-001

Finding for Recovery—Repaid Under Audit

During the audit period, the District paid airfare of \$556.80 for the husband of a teacher (Nicole Kidd) to accompany her to training. The husband is not an employee of the District. The amount of the airfare was to be reimbursed to the District but was not. This airfare was paid by the District on June 14, 2006 via an American Express credit card (check # 101201).

**FINDING NUMBER 2006-001
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended was issued against Nicole Kidd, Teacher, in the amount of \$556.80, and in favor of Middletown City School District, in the amount of \$556.80. When notified of this finding, Mrs. Kidd reimbursed the District for \$556.80 on November 28, 2006.

Officials' Response:

This Finding for Recovery was repaid under audit.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Lack of internal controls and inaccurate bank reconciliations	No	Partially Corrected – Repeated in Management Letter
2005-002	Ohio Rev. Code Sec. 149.351: destruction of records	Yes	
2005-003	Ohio Rev. Code Sec. 9.38: failure to deposit monies within the next business day	Yes	
2005-004	Ohio Rev. Code Sec. 5705.10: negative fund balances	No	Partially Corrected – Repeated in Management Letter

MIDDLETOWN CITY SCHOOL DISTRICT
MIDDLETOWN, OHIO

MIDDLETOWN
CITY
SCHOOLS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Middletown City School District
Middletown, Ohio

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2006

Prepared By The Office Of The Treasurer
Paul E. Sotzing, Treasurer
Robin B. Long, Assistant Treasurer

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INTRODUCTORY SECTION

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Middletown City School District

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

January 22, 2007

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

The Comprehensive Annual Financial Report [CAFR] of the Middletown City School District [District] for the fiscal year ended June 30, 2006, is hereby submitted. This report, prepared by the Treasurer's office, includes an opinion from our auditor, the Ohio Auditor of State, and conforms to generally accepted accounting principles [GAAP] as applicable to governmental entities. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. This report will provide the residents of the Middletown City School District with comprehensive financial data in a format that will enable them to gain an understanding of the District's financial affairs. Copies will be available upon request to taxpayers, financial rating services, banking institutions and other interested parties.

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

The Comprehensive Annual Financial Report is divided into three sections:

The **Introductory Section** includes a table of contents, this transmittal letter, a list of principal officials, the District's organization chart and the GFOA and ASBO certificates the District received for the June 30, 2005 CAFR. Also included are the District's major current and future initiatives.

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

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

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

The District receives pass through grants from the State and distributes these grants to parochial/private schools located within the District. This activity is included in the entity as the Auxiliary Services Special Revenue Fund, because of the District's administrative involvement in the program. The parochial/private schools served are John XXIII Elementary School and Middletown Christian 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 50 percent of the District's tax base is agricultural and residential properties; the remainder is composed of a wide range of manufacturing, commercial and other business properties. The overall economic outlook for the area remains very positive with low unemployment rates, slow but steady growth in the local tax base, and low inflationary pressures.

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

DESCRIPTION OF THE DISTRICT

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

During the 2005-06 school year, the District had 6,925 students enrolled in 10 elementary schools, two middle schools serving grades 5-8, one comprehensive high school for grades 9-12, and one alternative high school. The District also operates a variety of other facilities, including a central administration building, bus garage, central supply warehouse, and several sports fields.

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

ORGANIZATION OF THE SCHOOL DISTRICT

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

The Board members represent a cross section of professions in the community. The Board members on June 30, 2006, were as follows:

Board Member	Began Service	Term Expires	Profession
Mrs. Marcia Andrew	January, 2006	December, 2008	Attorney
Dr. David Kabithe	January, 2006	December, 2008	Physician
Dr. Mark McClure	January, 2004	December, 2007	Chiropractor
Mrs. Katie McNeil	January, 1996	December, 2007	Administrative
Mr. John Venturella	January, 2000	December, 2007	CPA

The Superintendent is the Chief Executive Officer of the District, responsible directly to the Board for all educational and support operations. Dr. Steve Price was appointed Superintendent in 2002 and the current contract runs until July 31, 2008. Prior to his appointment, Dr. Price was superintendent of Perry Local Schools in Massillon, Ohio. Dr. Price holds a Doctorate in Education from Miami University and has 21 years experience in education.

The Treasurer is the Chief Financial Officer of the District and is directly responsible to the Board for all financial operations, investments, and serves as Secretary to the Board. Mr. Paul E. Sotzing has served as Treasurer since 2004 and has a total of 15 years of educational experience with three years as a school treasurer in Ohio. Mr. Sotzing holds a B.S. Degree in Agriculture from The Ohio State University and a M.B.A. in Business from the Northern Kentucky University. In January, Mr. Sotzing began the first year of a four-year contract which ends on December 31, 2011.

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

EMPLOYEE RELATIONS

The District employed just fewer than 900 full and part-time staff members during the 2005-06 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 entered into a new collective bargaining agreement on language, salary and fringe benefits that expires on June 30, 2007.

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

SERVICES PROVIDED

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

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

MAJOR CURRENT AND FUTURE INITIATIVES

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

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

Middletown City School District is currently engaged in a school construction program within the Expedited Local Partnership Program (ELPP) of the Ohio Schools Facilities Commission. The master plan is for the construction or renovation of all of its school buildings at a cost that was estimated in 2002 to be \$150.8 million. This total project was divided into two phases. A \$75.8 million bond issue for construction of the 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 is slated for completion in the summer of 2007. Construction of the sixth and seventh elementary buildings began in the spring of 2006 and is expected to be completed in December of 2007. Finally, the renovation and addition of several classrooms to an existing elementary school will begin in the summer of 2007 with an anticipated completion to occur sometime in 2008.

The second phase of the project consists of the construction of a new high school and middle school with the bond issue expected to be on the ballot in 2010.

The District has experienced a steady decline in student enrollment over the past few years. This has resulted in escalating costs and financial pressures that are depleting the General Fund carryover balance. In response, a number of buildings have closed and certificated and classified staffing was reduced over the last several years.

While these measures have helped to control rising costs and improve financial efficiencies, the Board decided to place an additional operating levy on the ballot in May of 2005 to avoid a negative general fund balance for the 2005-06 school year. The operating levy was overwhelmingly approved by voters with the first full year of collection occurring in Fiscal year 2007. Even with the increased revenue, the district will need to continue to strive for operational efficiency into the future.

As anticipated, the district will likely seek additional operating dollars in 2007. There is a three-year emergency levy set to expire that generates approximately 3.9 million dollars annually. As previously stated in 2005, we anticipate the increase to be an increase of approximately 2 to 3 mills to the levy's current millage in order to maintain a positive general fund balance.

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

Business Education Collaborative Committee (BECC)

In cooperation with The Chamber of Commerce and other area organizations, the BECC originally created in 1989 continues to establish formal partnership arrangements between businesses within the community and the School District. The BECC provides a vital link between the community and the school system.

FINANCIAL INFORMATION

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

INTERNAL ACCOUNTING AND BUDGETARY CONTROL

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

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

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

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

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

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

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

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

INDEPENDENT AUDIT

The State of Ohio requires an annual audit by either the Ohio Auditor of State or by an independent public accounting firm. The State Auditor was requested by the Treasurer to perform the audit for the fiscal year ended June 30, 2006. The auditor's unqualified opinion rendered on the District's basic financial statements, and their report on the combining and individual fund statements and schedules, is included in the financial section of this report. Pursuant to statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all units of local education agencies in Ohio. The District adopted and has been in conformance with that system effective with its annual financial report since the 1979 calendar year.

AWARDS

GFOA Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada [GFOA] awarded a Certificate of Achievement to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

ASBO Certificate of Excellence in Financial Reporting

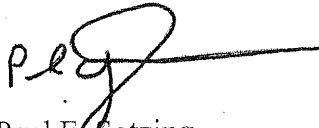
The Association of School Business Officials International [ASBO] awards a Certificate of Excellence in Financial Reporting to school districts that publish Comprehensive Annual Financial Reports which substantially conform to the principles and standards of financial reporting as recommended and adopted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

The District received the Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2005. The District believes that the Comprehensive Annual Financial Report for fiscal year June 30, 2006, which will be submitted to ASBO for review, will conform to ASBO's principles and standards.

ACKNOWLEDGEMENTS

The preparation of the 2006 Comprehensive Annual Financial Report of the Middletown City School District was made possible by the combined efforts of the District's Finance Department and Plattenburg and Associates, Incorporated. The publication of this Comprehensive Annual Financial Report for the District is a major step in reinforcing the accountability of the District to the taxpayers of the community.

Respectfully submitted,



Paul E. Sotzing
Treasurer

**MIDDLETOWN CITY SCHOOL DISTRICT
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2006**

BOARD OF EDUCATION

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

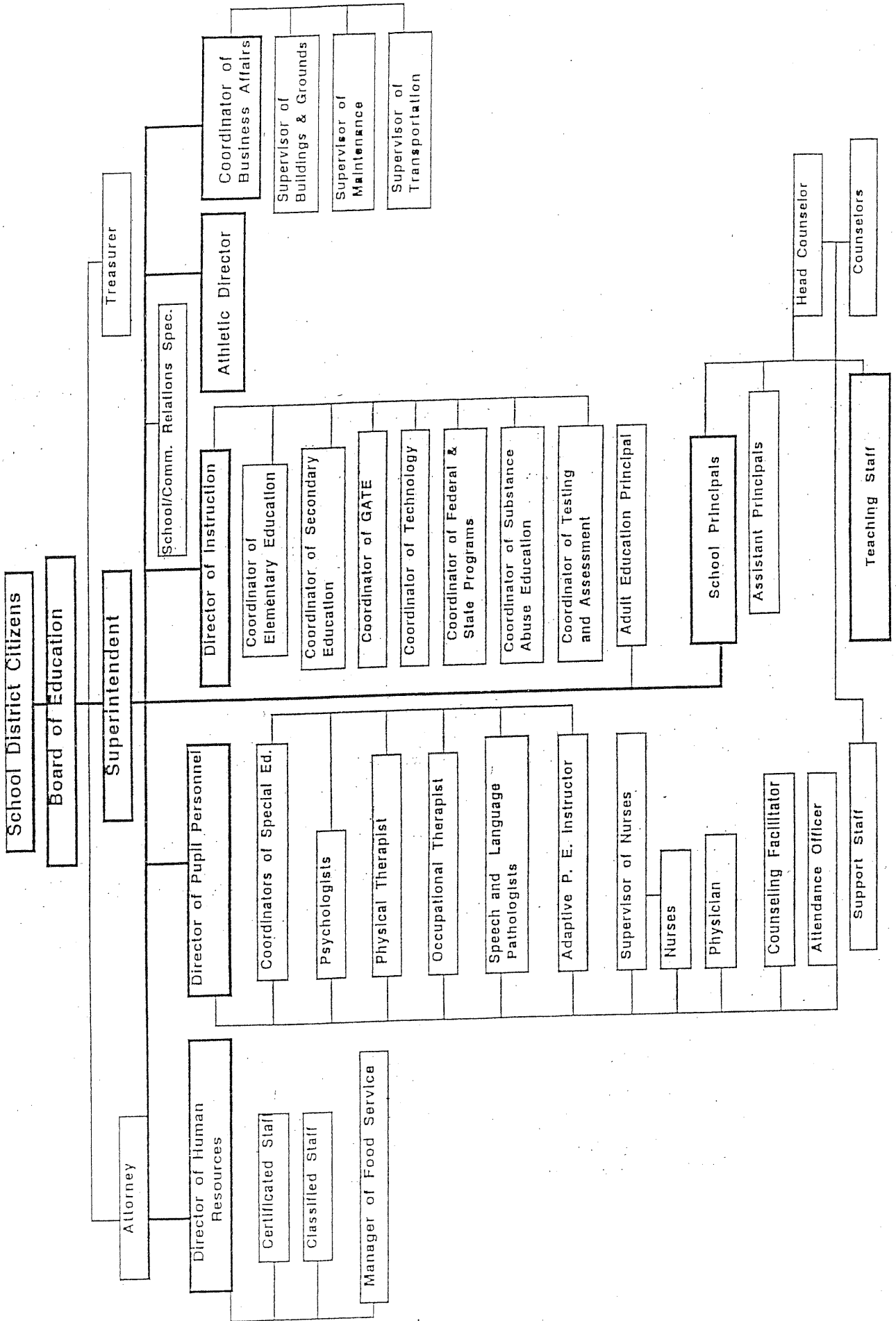
**Mr. John Venturella
Dr. Mark McClure
Dr. David Kabithe
Mrs. Katie McNeil
Mrs. Marcia Andrew**

ADMINISTRATIVE OFFICIALS

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

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

Middletown City School District Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Middletown City School
District, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



President

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

MIDDLETOWN CITY SCHOOL DISTRICT

**For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2005**

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

President

Interim Executive Director

FINANCIAL SECTION

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Middletown City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Middletown City School District, Butler County, Ohio, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Mary Taylor, CPA
Auditor of State

January 22, 2007

**MIDDLETOWN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2006
(Unaudited)**

The discussion and analysis of Middletown City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and the basic financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- Net assets of governmental activities increased \$2,982,597 which represents a 30% increase from 2005.
- General revenues accounted for \$64,888,763 in revenue or 80% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$16,760,589 or 20% of total revenues of \$81,649,352.
- The District had \$78,666,755 in expenses related to governmental activities; \$16,760,589 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$64,888,763 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Government-wide Financial Statements, the overall financial position of the District is presented as Governmental Activities. All of the District's programs and services are reported here including instruction, support services, operation of noninstructional services, extracurricular activities and interest and fiscal charges.

Fund Financial Statements

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

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

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

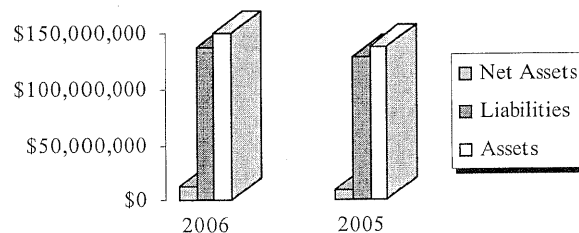
The District as a Whole

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

Table 1 provides a summary of the District's net assets for 2006 compared to 2005:

Table 1
Net Assets

	Governmental Activities	
	2006	2005 Restated
Assets		
Current Assets	\$102,235,531	\$120,880,982
Capital Assets	47,108,151	16,346,458
Total Assets	149,343,682	137,227,440
Liabilities		
Long-Term Liabilities	74,488,547	72,672,262
Other Liabilities	61,980,698	54,663,338
Total Liabilities	136,469,245	127,335,600
Net Assets		
Invested in Capital		
Assets Net of Debt	3,333,501	2,603,054
Restricted	12,868,892	9,985,928
Unrestricted	(3,327,956)	(2,697,142)
Total Net Assets	\$12,874,437	\$9,891,840



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$12,874,437.

At year-end, capital assets represented 32% of total assets. Capital assets include land, construction in progress, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2006, was \$3,333,501. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$12,868,892, represents resources that are subject to external restriction on how they may be used.

Net assets of governmental activities increased \$2,982,597 from 2005 to 2006, which represents an overall improvement in financial position. Overall, current assets decreased \$18,645,451 from the prior year. The decrease was due to an increase of \$25,703,687 in expenditures for the District's on-going construction of new buildings, while the District had increases in taxes revenue (county auditors tri-annual update) and intergovernmental revenue (grant monies received). Capital assets increased primarily due to the District's on-going construction of new buildings (\$31,132,169 increase in construction in progress for 2006). Other liabilities increased from the prior year due largely to the increase in deferred revenue. The increase in deferred revenue was caused by an increase in taxes receivable (county auditors tri-annual update) and an increase in taxes available for advance.

Table 2 shows the change in net assets for fiscal year 2006, with comparisons to fiscal year 2005.

Table 2
Changes in Net Assets

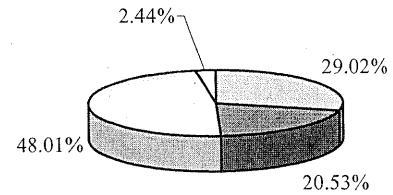
	Governmental Activities	
	2006	2005 Restated
Revenues		
Program Revenues:		
Charges for Services	\$2,107,710	\$2,009,686
Operating Grants	14,625,856	10,463,524
Capital Grants	27,023	99,364
General Revenue:		
Property Taxes	39,203,598	34,349,348
Grants and Entitlements	23,692,530	23,197,208
Other	1,992,635	2,891,040
Total Revenues	<u>81,649,352</u>	<u>73,010,170</u>
Program Expenses:		
Instruction	42,988,158	42,528,699
Support Services:		
Pupil and Instructional Staff	8,286,546	7,904,638
General and School Administrative, Fiscal and Business	6,947,016	7,986,177
Operations and Maintenance	7,612,955	7,338,408
Pupil Transportation	2,919,435	3,101,570
Central	1,707,030	1,951,807
Operation of Non-Instructional Services	3,960,309	3,640,857
Extracurricular Activities	795,465	680,894
Interest and Fiscal Charges	3,449,841	3,258,401
Total Expenses	<u>78,666,755</u>	<u>78,391,451</u>
Change in Net Assets	2,982,597	(5,381,281)
Beginning Net Assets	<u>9,891,840</u>	<u>15,273,121</u>
Ending Net Assets	<u>\$12,874,437</u>	<u>\$9,891,840</u>

The District revenues are mainly from two sources. Property taxes levied for general purposes, special revenues purposes, debt service purposes and grants and entitlements comprised 77% of the District's revenues for governmental activities.

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 48% of revenue for governmental activities for the District in fiscal year 2006.

Revenue Sources	2006	Percent of Total
General Grants	\$23,692,530	29.02%
Program Revenues	16,760,589	20.53%
General Tax Revenues	39,203,598	48.01%
Other Revenues	1,992,635	2.44%
	<u>\$81,649,352</u>	<u>100.00%</u>



Instruction comprises 55% of governmental program expenses. Support services expenses were 35% of governmental program expenses. All other expenses including interest expense were 10%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Operating grants increased from the prior year due to an increase in grant monies received by the District. Property tax revenue increased from 2005 mainly due to the District's renewal (Emergency Levy Fund) of a five year levy (6.8 mills) and an increase of an additional 7.5 mill with the collections beginning in January 2006. Instructional expenses increased over the prior year due to increases of personnel costs and general inflationary factors.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005 Restated	2006	2005 Restated
Instruction	\$42,988,158	\$42,528,699	(\$35,412,806)	(\$37,972,169)
Support Services:				
Pupil and Instructional Staff	8,286,546	7,904,638	(5,196,343)	(5,848,086)
General and School Administrative, Fiscal and Business	6,947,016	7,986,177	(6,437,941)	(7,594,197)
Operations and Maintenance	7,612,955	7,338,408	(6,934,232)	(6,678,471)
Pupil Transportation	2,919,435	3,101,570	(2,554,619)	(2,528,376)
Central	1,707,030	1,951,807	(1,559,167)	(1,790,094)
Operation of Non-Instructional Services	3,960,309	3,640,857	154,631	325,555
Extracurricular Activities	795,465	680,894	(515,848)	(474,638)
Interest and Fiscal Charges	3,449,841	3,258,401	(3,449,841)	(3,258,401)
Total Expenses	<u>\$78,666,755</u>	<u>\$78,391,451</u>	<u>(\$61,906,166)</u>	<u>(\$65,818,877)</u>

The District's Funds

The District has four major governmental funds: the General Fund, Emergency Levy Fund, Debt Service Fund and Building Fund. Assets of the general fund comprised \$26,444,760 (25%), the emergency levy fund comprised \$22,153,752 (21%), the debt service fund comprised \$6,403,877 (6%) and the building fund comprised \$44,270,886 (43%) of the total \$103,997,359 governmental funds assets.

General Fund: Fund balance at June 30, 2006 was (\$3,886,585) including (\$4,806,920) of unreserved balance. The primary reason for the decrease in fund balance was an increase in instruction and operation and maintenance expenditures.

Emergency Levy Fund: Fund balance at June 30, 2006 was \$2,650,442 including \$2,174,744 of unreserved balance. The primary reason for the increase in fund balance was an increase in property tax revenue, the District's renewal (Emergency Levy Fund) of a five year levy (6.8 mills) and an increase of an additional 7.5 mill with the collections beginning in January 2006.

Debt Service Fund: Fund balance at June 30, 2006 was (\$2,797,460) including (\$2,922,416) of unreserved balance. The primary reason for the increase in fund balance from the prior year was a decrease in principal and interest payments.

Building Fund: Fund balance at June 30, 2006 was \$40,515,985. The primary reason for the decrease in fund balance is due to increases in expenditures for the new building projects.

General Fund Budgeting Highlights

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

During the course of fiscal 2006, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$45,593,987, compared to the original budget revenue of \$44,871,681. Of the \$722,306 difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District did not have an ending unobligated cash balance for the General Fund. The District's ending unobligated actual fund balance for the General Fund was equal to the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$47,108,151 invested in land, construction in progress, buildings and improvements and equipment. Table 4 shows fiscal 2006 balances compared to fiscal 2005:

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

	Governmental Activities	
	2006	2005 Restated
Land	\$634,641	\$20,525
Construction in Progress	37,780,783	6,648,614
Buildings and Improvements	5,859,654	6,072,282
Equipment	2,833,073	3,605,037
Total Net Capital Assets	<u>\$47,108,151</u>	<u>\$16,346,458</u>

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

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

Debt

At June 30, 2006, the District had \$71,954,751 in long-term debt and \$2,163,240 due within one year. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities	
	2006	2005
Bonds:		
Construction Bond	\$65,650,000	\$66,970,000
HB 264	1,354,916	1,421,541
Premium on Construction Bond	2,919,518	0
Capital Lease Payable		
MHS Fitness Center	0	56,591
Vail Fitness Center	0	18,096
Computer Lease	1,098,939	899,342
Roof Repairs	539,899	620,954
Phone System	391,479	0
Total Outstanding Debt at Year End	<u>\$71,954,751</u>	<u>\$69,986,524</u>

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

For the Future

In June of 2005, 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 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

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

With no increase in state funding projected, the District must increase revenues by submitting an operating levy to the community in the near future. At this time, the Board has not set the date and amount for the levy. Even though the District is projecting a slight decrease in enrollment, the need for increased revenues is projected for fiscal year 2006. This increased funding will be needed to provide all students a quality education. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

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

Contacting the District's Financial Management

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

Middletown City School District
Statement of Net Assets
June 30, 2006

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$50,082,813
Restricted Cash and Investments	426,064
Receivables:	
Taxes	48,844,372
Accounts	32,666
Intergovernmental	2,776,061
Inventory	73,555
Nondepreciable Capital Assets	38,415,424
Depreciable Capital Assets, Net	<u>8,692,727</u>
 Total Assets	 <u>149,343,682</u>
Liabilities:	
Accounts Payable	1,063,323
Accrued Wages and Benefits	7,246,348
Retainage Payable	426,064
Accrued Interest Payable	276,408
Contracts Payable	3,160,592
Unearned Revenue	45,582,963
Bond Anticipation Notes Payable	4,225,000
Long-Term Liabilities:	
Due Within One Year	2,533,934
Due In More Than One Year	<u>71,954,613</u>
 Total Liabilities	 <u>136,469,245</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	3,333,501
Restricted for:	
Special Revenue	4,318,984
Capital Projects	8,549,908
Unrestricted	<u>(3,327,956)</u>
 Total Net Assets	 <u>\$12,874,437</u>

See accompanying notes to the basic financial statements.

Middletown City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$26,639,849	\$692,483	\$2,468,031	\$0	(\$23,479,335)
Special	9,150,693	0	3,314,774	0	(5,835,919)
Vocational	44,031	0	3,308	0	(40,723)
Other	7,153,585	5,657	1,091,099	0	(6,056,829)
Support Services:					
Pupil	4,182,323	29,595	1,025,078	0	(3,127,650)
Instructional Staff	4,104,223	0	2,035,530	0	(2,068,693)
General Administration	23,603	0	0	0	(23,603)
School Administration	5,274,363	0	496,408	0	(4,777,955)
Fiscal	1,346,439	0	12,667	0	(1,333,772)
Business	302,611	0	0	0	(302,611)
Operations and Maintenance	7,612,955	115,677	563,046	0	(6,934,232)
Pupil Transportation	2,919,435	160,878	176,915	27,023	(2,554,619)
Central	1,707,030	0	147,863	0	(1,559,167)
Operation of Non-Instructional Services	3,960,309	823,803	3,291,137	0	154,631
Extracurricular Activities	795,465	279,617	0	0	(515,848)
Interest and Fiscal Charges	3,449,841	0	0	0	(3,449,841)
Total Governmental Activities	\$78,666,755	\$2,107,710	\$14,625,856	\$27,023	(61,906,166)

General Revenues:

Property Taxes Levied for:

General Purposes	21,009,706
Special Revenue Purposes	13,680,223
Debt Service Purposes	4,513,669
Grants and Entitlements not Restricted to Specific Programs	23,692,530
Payment in Lieu of Taxes	75,613
Unrestricted Contributions	4,977
Investment Earnings	1,667,994
Other Revenues	244,051

Total General Revenues 64,888,763

Change in Net Assets 2,982,597

Net Assets Beginning of Year, Restated 9,891,840

Net Assets End of Year \$12,874,437

See accompanying notes to the basic financial statements.

Middletown City School District
Balance Sheet
Governmental Funds
June 30, 2006

	General	Emergency Levy	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Investments	\$431,417	\$2,633,541	\$1,302,584	\$43,844,822	\$1,870,449	\$50,082,813
Restricted Cash and Investments	0	0	0	426,064	0	426,064
Receivables:						
Taxes	24,222,868	19,520,211	5,101,293	0	0	48,844,372
Accounts	30,159	0	0	0	2,507	32,666
Intergovernmental	0	0	0	0	2,776,061	2,776,061
Interfund	1,760,316	0	0	0	1,512	1,761,828
Inventory	0	0	0	0	73,555	73,555
Total Assets	26,444,760	22,153,752	6,403,877	44,270,886	4,724,084	103,997,359
Liabilities and Fund Balances:						
Liabilities:						
Accounts Payable	196,992	366,871	0	168,245	331,215	1,063,323
Accrued Wages and Benefits	6,225,171	85,501	0	0	935,676	7,246,348
Compensated Absences	250,947	6,425	0	0	2,565	259,937
Retainage Payable	0	0	0	426,064	0	426,064
Contracts Payable	0	0	0	3,160,592	0	3,160,592
Interfund Payable	0	0	0	0	1,761,828	1,761,828
Deferred Revenue	23,658,235	19,044,513	4,976,837	0	2,432,033	50,111,618
Bond Anticipation Notes Payable	0	0	4,225,000	0	0	4,225,000
Total Liabilities	30,331,345	19,503,310	9,201,837	3,754,901	5,463,317	68,254,710
Fund Balances:						
Reserved for Encumbrances	355,702	0	0	33,510,054	2,006,898	35,872,654
Reserved for Inventory	0	0	0	0	73,555	73,555
Reserved for Property Tax Advances	564,633	475,698	124,456	0	0	1,164,787
Unreserved, Undesignated, Reported in:						
General Fund	(4,806,920)	0	0	0	0	(4,806,920)
Special Revenue Funds	0	2,174,744	0	0	(3,258,710)	(1,083,966)
Debt Service Funds	0	0	(2,922,416)	0	0	(2,922,416)
Capital Projects Funds	0	0	0	7,005,931	439,024	7,444,955
Total Fund Balances	(3,886,585)	2,650,442	(2,797,960)	40,515,985	(739,233)	35,742,649
Total Liabilities and Fund Balances	\$26,444,760	\$22,153,752	\$6,403,877	\$44,270,886	\$4,724,084	\$103,997,359

See accompanying notes to the basic financial statements.

Middletown City School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2006

Total Governmental Fund Balance		\$35,742,649
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		47,108,151
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	2,096,622	
Intergovernmental	<u>2,432,033</u>	
		4,528,655
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(276,408)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences	<u>(2,273,859)</u>	
		(2,273,859)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(71,954,751)</u>
Net Assets of Governmental Activities		<u>\$12,874,437</u>
See accompanying notes to the basic financial statements.		

Middletown City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Emergency Levy	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$20,790,404	\$13,163,574	\$4,497,685	\$0	\$0	\$38,451,663
Tuition and Fees	858,544	0	0	0	80,863	939,407
Investment Earnings	296,157	0	0	1,369,666	2,171	1,667,994
Intergovernmental	23,312,189	1,593,204	593,900	0	11,836,852	37,336,145
Extracurricular Activities	32,155	0	0	0	196,194	228,349
Charges for Services	0	0	0	0	823,804	823,804
Other Revenues	196,913	210	0	8,225	149,171	354,519
Total Revenues	45,486,362	14,756,988	5,091,585	1,377,891	13,089,055	79,801,881
Expenditures:						
Current:						
Instruction:						
Regular	23,823,249	950,657	0	0	1,294,630	26,068,536
Special	4,966,683	49,330	0	0	4,144,452	9,160,465
Vocational	0	37,562	0	0	0	37,562
Other	268,626	6,090,950	0	0	799,875	7,159,451
Support Services:						
Pupil	3,242,042	0	0	0	919,341	4,161,383
Instructional Staff	1,434,563	577,231	0	0	2,012,813	4,024,607
General Administration	23,603	0	0	0	0	23,603
School Administration	4,899,592	0	0	0	335,772	5,235,364
Fiscal	1,042,908	216,307	72,082	0	0	1,331,297
Business	288,765	0	0	0	0	288,765
Operations and Maintenance	4,754,098	2,277,724	0	53,339	258,437	7,343,598
Pupil Transportation	0	2,577,897	0	0	115,965	2,693,862
Central	789,830	692,397	0	0	66,436	1,548,663
Operation of Non-Instructional Services	65,808	0	0	0	3,933,313	3,999,121
Extracurricular Activities	607,111	0	0	0	184,928	792,039
Capital Outlay	138,906	0	0	31,892,670	263,552	32,295,128
Debt Service:						
Principal Retirement	253,164	299,780	1,320,000	0	0	1,872,944
Interest and Fiscal Charges	112,314	0	3,295,769	0	0	3,408,083
Total Expenditures	46,711,262	13,769,835	4,687,851	31,946,009	14,329,514	111,444,471
Excess of Revenues Over (Under) Expenditures	(1,224,900)	987,153	403,734	(30,568,118)	(1,240,459)	(31,642,590)
Other Financing Sources (Uses):						
Issuance of Capital Leases	422,276	499,377	0	0	0	921,653
Proceeds from Sale of Capital Assets	10,660	0	0	0	0	10,660
Total Other Financing Sources (Uses)	432,936	499,377	0	0	0	932,313
Net Change in Fund Balance	(791,964)	1,486,530	403,734	(30,568,118)	(1,240,459)	(30,710,277)
Fund Balance Beginning of Year	(3,094,621)	1,163,912	(3,201,694)	71,084,103	501,226	66,452,926
Fund Balance End of Year	(\$3,886,585)	\$2,650,442	(\$2,797,960)	\$40,515,985	(\$739,233)	\$35,742,649

See accompanying notes to the basic financial statements.

Middletown City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balance - Total Governmental Funds (\$30,710,277)

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

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

Capital assets used in governmental activities	32,261,024	
Depreciation Expense	<u>(1,450,770)</u>	30,810,254

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (48,561)

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

Delinquent Property Taxes	751,934	
Intergovernmental	<u>1,084,877</u>	1,836,811

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,872,944

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. (155,506)

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

Compensated Absences	184,837	
Amortization of Bond Premium	<u>113,748</u>	298,585

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

Proceeds from debt issues	<u>(921,653)</u>	<u>(921,653)</u>
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Change in Net Assets of Governmental Activities \$2,982,597

See accompanying notes to the basic financial statements.

Middletown City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$554	\$70,381
Receivables:		
Accounts	0	89
Total Assets	<u>554</u>	<u>\$70,470</u>
Liabilities:		
Accounts Payable	0	608
Other Liabilities	0	69,862
Total Liabilities	<u>0</u>	<u>\$70,470</u>
Net Assets:		
Held in Trust	<u>554</u>	
Total Net Assets	<u>\$554</u>	

See accompanying notes to the basic financial statements.

Middletown City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2006

	Private Purpose Trust
Additions:	
Donations	<u>\$19,724</u>
Total Additions	<u>19,724</u>
Deductions:	
Scholarships	<u>20,275</u>
Total Deductions	<u>20,275</u>
Change in Net Assets	(551)
Net Assets Beginning of Year	<u>1,105</u>
Net Assets End of Year	<u><u>\$554</u></u>

See accompanying notes to the basic financial statements.

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MIDDLETOWN CITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006

1. DESCRIPTION OF THE DISTRICT

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

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board controls the District's instructional and support facilities staffed by 216 classified personnel and 497 certified teaching and administrative personnel to provide services to students and other community members.

In terms of enrollment the District is the 37th largest in the State of Ohio (among 613 districts) and the fourth largest in Butler County. It currently operates 10 elementary schools, 2 middle schools (grades 6 - 8), one comprehensive high school (grades 9-12) and one alternative high school. The District encompasses a total of 25 square miles that includes the city of Middletown and portions of Lemon Township.

REPORTING ENTITY

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

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

The following activities are included within the reporting entity:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Fiduciary Funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

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

Governmental Funds

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

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Emergency Levy - The emergency levy is used to account for the proceeds of an emergency operating levy originally passed in 1989 and has been renewed through 2006. Although expenditures in this fund are not restricted to specific purposes, the State of Ohio requires this fund to be classified as a special revenue fund.

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

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

Fiduciary Funds

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

3. BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Unearned Revenue

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

Expenses/Expenditures

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

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

EQUITY IN POOLED CASH AND INVESTMENTS

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$296,157, \$1,369,666 to the building fund and \$2,171 to other governmental funds.

INVENTORY

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

CAPITAL ASSETS

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

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

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

COMPENSATED ABSENCES

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

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

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

NET ASSETS

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

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

INTERFUND ACTIVITY

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

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

As a general rule the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

FUND EQUITY

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

ESTIMATES

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

RESTRICTED ASSETS

Restricted assets in the building fund represent equity in pooled cash and investments set aside to establish retainage accounts for the District's continuing construction of new buildings.

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

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

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

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

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.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2006, \$1,132,538 of the District's bank balance of \$1,332,538 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2006, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighed Average Maturity (Years)</u>
Repurchase Agreement	\$2,333,211	0.00
STAR Ohio	641,877	0.00
Money Market Funds	9,029,647	0.00
Federal Home Loan Bank	10,862,553	1.06
Federal Home Loan Mortgage	10,753,161	0.90
U.S. Treasury Notes	6,180,001	0.26
Federal National Mortgage Association	<u>10,651,863</u>	1.51
Total Fair Value	<u>\$50,452,313</u>	
Portfolio Weighted Average Maturity		0.78

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Federal Home Loan Bank, Federal Home Loan Mortgage, U.S. Treasury Notes, Federal National Mortgage Association, and Money Market Funds were rated AAA by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

Concentration of credit risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities. The District diversifies investments to reduce risk. The District has invested more than 5% of the District’s investments in securities issued by the Federal Home Loan Bank (21.5%), the Federal Home Loan Mortgage (21.3%), and the Federal National Mortgage Association (21.1%).

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

5. PROPERTY TAXES

Real property taxes collected in 2006 were levied in April on the assessed values as of January 1, 2005, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

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

Real property taxes are payable annually or semi-annually. In 2006, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2006. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2006. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2006, was \$564,633 for General Fund, \$124,456 for Debt Service and \$475,698 for Emergency Levy fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2006 operations.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$718,418,410
Public Utility Personal	40,602,020
Tangible Personal Property	<u>237,035,441</u>
Total	<u>\$996,055,871</u>

6. RECEIVABLES

Receivables at June 30, 2006, consisted of taxes, accounts, intergovernmental grants and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$20,525	\$614,116	\$0	\$634,641
Construction in Progress	6,648,614	31,132,169	0	37,780,783
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	27,826,317	440,542	0	28,266,859
Equipment	<u>13,784,144</u>	<u>74,197</u>	<u>395,254</u>	<u>13,463,087</u>
Totals at Historical Cost	<u>48,279,600</u>	<u>32,261,024</u>	<u>395,254</u>	<u>80,145,370</u>
Less Accumulated Depreciation:				
Buildings and Improvements	21,754,035	653,170	0	22,407,205
Equipment	<u>10,179,107</u>	<u>797,600</u>	<u>346,693</u>	<u>10,630,014</u>
Total Accumulated Depreciation	<u>31,933,142</u>	<u>1,450,770</u>	<u>346,693</u>	<u>33,037,219</u>
Governmental Activities Capital Assets, Net	<u>\$16,346,458</u>	<u>\$30,810,254</u>	<u>\$48,561</u>	<u>\$47,108,151</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$699,618
Special		35,319
Vocational		6,469
Other Instruction		2,395
Support Services:		
Pupil		1,330
Instructional Staff		12,685
School Administration		36,839
Fiscal		1,996
Business		14,593
Operations and Maintenance		281,817
Pupil Transportation		237,418
Central		108,119
Operation of Non-Instructional Services		9,315
Extracurricular Activities		2,857
Total Depreciation Expense		<u><u>\$1,450,770</u></u>

8. NOTES PAYABLE

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30</u>
Bond Anticipation	4.30%	06/09/06	06/09/07	\$0	\$4,225,000	\$0	\$4,225,000
Bond Anticipation	4.00%	06/09/05	06/08/06	<u>4,875,000</u>	<u>0</u>	<u>4,875,000</u>	<u>0</u>
				<u>\$4,875,000</u>	<u>\$4,225,000</u>	<u>\$4,875,000</u>	<u>\$4,225,000</u>

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

9. LONG-TERM LIABILITIES

	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
Governmental Activities:					
Construction Bond	\$66,970,000	\$0	\$1,320,000	\$65,650,000	\$1,520,000
Premium on Construction Bond	3,033,266	0	113,748	2,919,518	113,748
HB 264 Energy Conservation Note	1,421,541	0	66,625	1,354,916	69,856
Capital Lease	1,594,983	921,653	486,319	2,030,317	459,636
Total Long Term Debt	73,019,790	921,653	1,986,692	71,954,751	2,163,240
Compensated Absences	2,685,738	158,086	310,028	2,533,796	370,694
Total Governmental Activities	<u>\$75,705,528</u>	<u>\$1,079,739</u>	<u>\$2,296,720</u>	<u>\$74,488,547</u>	<u>\$2,533,934</u>

General obligation bonds will be paid from the debt service fund and 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, and the emergency levy fund.

In March 2004, the District issued \$70,800,000 in bonds that will be used on various construction projects throughout the District, mainly the construction of new buildings. The interest rates for the bonds are fixed rates (which the rate for each year is disclosed in the bond documents) that change from year-to-year, with the maturity date of December 1, 2031. The first payment on the bonds was made December 1, 2004.

In September 2004, the District issued \$1,421,541 in notes that will be 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 note was September 22, 2005.

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

Fiscal Year Ending June 30	General Obligation Bonds and Note		
	Principal	Interest	Total
2007	\$1,589,856	\$3,119,068	\$4,708,924
2008	1,673,244	3,058,447	4,731,691
2009	1,721,796	3,018,333	4,740,129
2010	380,521	2,990,670	3,371,191
2011	409,426	2,977,297	3,386,723
2012-2016	3,772,671	14,526,801	18,299,472
2017-2021	9,062,402	13,121,394	22,183,796
2022-2026	16,255,000	10,024,450	26,279,450
2027-2031	25,595,000	5,052,013	30,647,013
2032	6,545,000	163,625	6,708,625
Total	<u>\$67,004,916</u>	<u>\$58,052,098</u>	<u>\$125,057,014</u>

10. LEASES

CAPITAL LEASES

The District, in prior years, has entered into two capital leases for fitness centers, a capital lease for computers and a capital lease for roof repairs. The District entered into a capital lease during fiscal year 2006 for computers and a phone system.

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

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

Fiscal Year Ending June 30	Long-Term Debt
2007	\$490,465
2008	490,465
2009	489,728
2010	489,728
2011	172,782
2012	91,811
Total Minimum Lease Payment	2,224,979
Less: Amount Representing Interest	(194,662)
Present Value of Minimum Lease Payments	<u>\$2,030,317</u>

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

Equipment	\$2,887,502
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11. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58% of annual covered salary was the portion used to fund obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$1,229,136, \$1,280,868, and \$1,272,312, respectively; 51% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004.

STATE TEACHERS RETIREMENT SYSTEM

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

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$4,626,540, \$4,583,568, and \$4,501,572, respectively; 83% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$4,481,698 made by the District and \$3,201,251 made by the plan members.

12. POST EMPLOYMENT BENEFITS

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

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$330,467 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge during the 2006 fiscal year equaled \$301,138.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributed for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

13. CONTINGENT LIABILITIES

GRANTS

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2006.

LITIGATION

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

14. RISK MANAGEMENT

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

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

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

Vehicle insurance coverage for the District's school buses and other vehicles is provided by Indiana Insurance under a combined liability limit of \$1,000,000 per occurrence for bodily injury and property damage.

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

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

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

15. JOINTLY GOVERNED ORGANIZATIONS

The Southwestern Ohio Computer Association (SWOCA) is a jointly governed organization among a four county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. The Governing Board of SWOCA consists of six members elected by majority vote of all charter member schools plus one representative from the fiscal agent. The District paid SWOCA \$128,480 for services provided during the year. Financial information can be obtained from Mr. Michael Crumley, who serves as Director, at 3603 Hamilton-Middletown Rd., Hamilton, OH 45011.

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

Butler County Joint Vocational School District was formed to provide vocational education opportunities to the students of Butler County, including students of the District. The District paid \$144 for services provided during the year. Financial information can be obtained from Mr. Ed Pokora, who serves as Treasurer, at 3603 Hamilton-Middletown Rd., Hamilton, OH 45011.

16. ACCOUNTABILITY

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

<u>Fund</u>	<u>Deficit</u>
General Fund	\$3,886,585
Special Revenue Fund:	
Alternative Schools	54,340
DPIA	86,106
Title VI-B	73,744
Title I	126,775
Title VI	154,047
Miscellaneous Federal	134,515
Food Service	1,302,574
Debt Service Fund	2,797,960

17. FUND BALANCE RESERVES FOR SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2005	(\$228,808)	\$0
Current Year Set-aside Requirement	970,026	970,026
Qualified Disbursements	(862,325)	(837,502)
Current Year Offsets	<u>0</u>	<u>(132,524)</u>
Set-Aside Reserve Balance as of June 30, 2006	<u>(\$121,107)</u>	<u>\$0</u>

Qualifying disbursements and carryover from prior years for textbooks resulted in \$121,107 for carryover to offset textbook requirements in future years.

18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2006, consisted of the following interfund receivable and interfund payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$1,760,316	\$0
Other Governmental Funds	<u>1,512</u>	<u>1,761,828</u>
Total all funds	<u>\$1,761,828</u>	<u>\$1,761,828</u>

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

19. SIGNIFICANT CONTRACTUAL OBLIGATIONS

Listed below are the District's contracts that had outstanding balances in excess of \$100,000 at year end:

A-1 Sprinkler Company	\$208,832
Beacon Electric Co.	216,429
Benchmark Masonry	1,618,675
C R & R, Inc	3,918,800
Dalmation Fire Protection	106,000
ESI Electrical Contractor	2,650,000
Farnham Equipment	941,800
Feldkamp Enterprise	1,594,067
Graebel/Cincinnati Movers	175,851
Habegger Corp	294,000
Hi-Mark Building Group	8,510,513
Library Design Associates	181,322
M & D Blacktop	206,350
Martin Public Seating	141,451
Miles-McClellan	472,761
Mulhall Becker Construction	761,594
Norwood Hardware	527,081
Peck Hannaford & Briggs	169,150
Pezzo Constructions, Inc.	3,093,000
Pro-Onsite Technologies	239,554
Settle Muter Electric	174,223
Stan & Associates, Inc.	137,941
Steed Hammond Paul	470,466
Stonecreek Interior System	110,632
T. W. Ruff	204,938
The Quandel Group, Inc.	250,000
Time Warner Cable	148,953
Triton Services Inc.	3,284,400
Virco, Inc	336,774
Wasserstrom Co.	574,327
Williams Interior Design	127,258
Total	<u><u>\$31,847,142</u></u>

20. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required to restate capital assets at June 30, 2005 due to an understatement of accumulated depreciation in the prior year. This restatement had the following effect on net assets at June 30, 2005:

	<u>General</u>
Net assets as previously reported	\$10,428,703
Restatement for capital assets	<u>(536,863)</u>
Net assets, restated at June 30, 2005	<u><u>\$9,891,840</u></u>

21. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets for Insurance Recoveries"; GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of the primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to all termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

22. SUBSEQUENT EVENT

On October 9, 2006, the District authorized the issuance of school improvement refunding bonds not to exceed \$58,655,000 for the purpose of new construction, improvements, renovations, and additions to school facilities and providing equipment, furnishings, site improvements, and land acquisition therefore.

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REQUIRED SUPPLEMENTARY INFORMATION

Middletown City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	General Fund			Variance from Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$20,471,814	\$20,801,352	\$20,801,352	\$0
Tuition and Fees	868,236	882,212	882,212	0
Investment Earnings	291,165	295,852	295,852	0
Intergovernmental	22,942,874	23,312,189	23,312,189	0
Extracurricular Activities	32,442	32,964	32,964	0
Other Revenues	265,150	269,418	269,418	0
Total Revenues	44,871,681	45,593,987	45,593,987	0
Expenditures:				
Current:				
Instruction:				
Regular	23,323,574	23,748,991	23,748,991	0
Special	4,836,181	4,924,392	4,924,392	0
Other	315,798	321,558	321,558	0
Support Services:				
Pupil	3,239,492	3,298,580	3,298,580	0
Instructional Staff	1,433,473	1,459,619	1,459,619	0
General Administration	23,671	24,103	24,103	0
School Administration	5,037,677	5,129,563	5,129,563	0
Fiscal	1,063,290	1,082,684	1,082,684	0
Business	308,384	314,009	314,009	0
Operations and Maintenance	4,589,272	4,672,979	4,672,979	0
Central	849,948	865,451	865,451	0
Operation of Non-Instructional Services	54,253	55,243	55,243	0
Extracurricular Activities	593,361	604,184	604,184	0
Capital Outlay	136,418	138,906	138,906	0
Debt Service:				
Principal Retirement	248,629	253,164	253,164	0
Interest and Fiscal Charges	110,302	112,314	112,314	0
Total Expenditures	46,163,723	47,005,740	47,005,740	0
Excess of Revenues Over (Under) Expenditures	(1,292,042)	(1,411,753)	(1,411,753)	0
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	10,491	10,660	10,660	0
Advances In	1,754,843	1,783,091	1,783,091	0
Advances (Out)	(1,647,041)	(1,677,083)	(1,677,083)	0
Total Other Financing Sources (Uses)	118,293	116,668	116,668	0
Net Change in Fund Balance	(1,173,749)	(1,295,085)	(1,295,085)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,173,114	1,173,114	1,173,114	0
Fund Balance End of Year	(\$635)	(\$121,971)	(\$121,971)	\$0

See accompanying notes to the required supplementary information.

Middletown City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	Emergency Levy Fund			Variance from Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$12,386,420	\$12,971,184	\$12,971,184	\$0
Intergovernmental	1,521,380	1,593,204	1,593,204	0
Other Revenues	201	210	210	0
Total Revenues	13,908,001	14,564,598	14,564,598	0
Expenditures:				
Current:				
Instruction:				
Regular	220,521	155,656	155,656	0
Special	56,529	49,480	49,480	0
Vocational	42,912	37,562	37,562	0
Other	6,958,456	6,090,950	6,090,950	0
Support Services:				
Instructional Staff	693,149	606,735	606,735	0
Fiscal	247,115	216,307	216,307	0
Operations and Maintenance	2,663,891	2,331,786	2,331,786	0
Pupil Transportation	2,986,824	2,614,459	2,614,459	0
Central	787,537	689,355	689,355	0
Debt Service:				
Principal Retirement	299,780	299,780	299,780	0
Total Expenditures	14,956,714	13,092,070	13,092,070	0
Net Change in Fund Balance	(1,048,713)	1,472,528	1,472,528	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,048,713	1,048,713	1,048,713	0
Fund Balance End of Year	\$0	\$2,521,241	\$2,521,241	\$0

See accompanying notes to the required supplementary information.

MIDDLETOWN CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2006

1. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2006.

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

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

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

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

Net Change in Fund Balance

	<u>General</u>	<u>Emergency Levy</u>
GAAP Basis	(\$791,964)	\$1,486,530
Net Adjustment for Revenue Accruals	1,468,440	(691,767)
Net Adjustment for Expenditure Accruals	(1,418,867)	790,068
Encumbrances	<u>(552,694)</u>	<u>(112,303)</u>
Budget Basis	<u>(\$1,295,085)</u>	<u>\$1,472,528</u>

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**COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES**

DESCRIPTION OF FUNDS - NONMAJOR FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DPIA: To account for state funds which, related to the District's DPIA program.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Middletown City School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$1,431,425	\$439,024	\$1,870,449
Receivables:			
Accounts	2,507	0	2,507
Intergovernmental	2,776,061	0	2,776,061
Interfund	1,512	0	1,512
Inventory	73,555	0	73,555
Total Assets	4,285,060	439,024	4,724,084
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	331,215	0	331,215
Accrued Wages and Benefits	935,676	0	935,676
Compensated Absences	2,565	0	2,565
Interfund Payable	1,761,828	0	1,761,828
Deferred Revenue	2,432,033	0	2,432,033
Total Liabilities	5,463,317	0	5,463,317
Fund Balances:			
Reserved for Encumbrances	2,006,898	0	2,006,898
Reserved for Inventory	73,555	0	73,555
Unreserved, Undesignated, Reported in:			
Special Revenue Funds	(3,258,710)	0	(3,258,710)
Capital Projects Funds	0	439,024	439,024
Total Fund Balances	(1,178,257)	439,024	(739,233)
Total Liabilities and Fund Balances	\$4,285,060	\$439,024	\$4,724,084

Middletown City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Tuition and Fees	\$80,863	\$0	\$80,863
Investment Earnings	2,171	0	2,171
Intergovernmental	11,836,852	0	11,836,852
Extracurricular Activities	196,194	0	196,194
Charges for Services	823,804	0	823,804
Other Revenues	136,017	13,154	149,171
Total Revenues	13,075,901	13,154	13,089,055
Expenditures:			
Current:			
Instruction:			
Regular	1,281,577	13,053	1,294,630
Special	4,144,452	0	4,144,452
Other	799,875	0	799,875
Support Services:			
Pupil	919,341	0	919,341
Instructional Staff	2,012,813	0	2,012,813
School Administration	335,772	0	335,772
Operations and Maintenance	258,437	0	258,437
Pupil Transportation	115,965	0	115,965
Central	66,436	0	66,436
Operation of Non-Instructional Services	3,933,313	0	3,933,313
Extracurricular Activities	184,928	0	184,928
Capital Outlay	0	263,552	263,552
Total Expenditures	14,052,909	276,605	14,329,514
Net Change in Fund Balance	(977,008)	(263,451)	(1,240,459)
Fund Balance Beginning of Year	(201,249)	702,475	501,226
Fund Balance End of Year	(\$1,178,257)	\$439,024	(\$739,233)

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Middletown City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Public School Support	Local Grants	Venture Capital	Athletic	Auxiliary Services	Management Information System
Assets:						
Equity in Pooled Cash and Investments	\$71,447	\$249,127	\$684	\$58,201	\$135,734	\$0
Receivables:						
Accounts	342	0	0	0	0	0
Intergovernmental	0	0	0	0	0	0
Interfund	0	1,512	0	0	0	0
Inventory	0	0	0	0	0	0
Total Assets	71,789	250,639	684	58,201	135,734	0
Liabilities and Fund Balances:						
Liabilities:						
Accounts Payable	444	2,586	0	11,684	7,484	0
Accrued Wages and Benefits	0	0	0	0	59,417	0
Compensated Absences	0	0	0	0	0	0
Interfund Payable	0	0	0	4,024	0	0
Deferred Revenue	0	0	0	0	0	0
Total Liabilities	444	2,586	0	15,708	66,901	0
Fund Balances:						
Reserved for Encumbrances	13,358	34,065	0	1,849	77,269	0
Reserved for Inventory	0	0	0	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	57,987	213,988	684	40,644	(8,436)	0
Total Fund Balances	71,345	248,053	684	42,493	68,833	0
Total Liabilities and Fund Balances	\$71,789	\$250,639	\$684	\$58,201	\$135,734	\$0

Entry Year	Disadvantaged Pupil Impact Aid	OneNet Network Connectivity	SchoolNet Professional Development	Ohio Reads	Summer Intervention	Alternative Schools
\$702	\$0	\$0	\$675	\$5,033	\$0	\$4,188
0	0	0	0	0	0	0
0	0	0	0	31,228	0	66,544
0	0	0	0	0	0	0
0	0	0	0	0	0	0
702	0	0	675	36,261	0	70,732
0	0	0	0	1,404	0	0
0	0	0	0	0	0	29,879
0	0	0	0	0	0	2,565
0	0	0	0	0	0	37,336
0	0	0	0	5,406	0	55,292
0	0	0	0	6,810	0	125,072
0	0	0	676	32,762	0	29,208
0	0	0	0	0	0	0
702	0	0	(1)	(3,311)	0	(83,548)
702	0	0	675	29,451	0	(54,340)
\$702	\$0	\$0	\$675	\$36,261	\$0	\$70,732

Continued

Middletown City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	DPIA	Miscellaneous State Grants	Adult Basic Education	Title VI-B	Title III	Title I
Assets:						
Equity in Pooled Cash and Investments	\$0	\$40,476	\$63,797	\$155,121	\$10,131	\$231,962
Receivables:						
Accounts	0	0	0	0	0	0
Intergovernmental	0	0	365,459	473,948	25,504	570,069
Interfund	0	0	0	0	0	0
Inventory	0	0	0	0	0	0
Total Assets	0	40,476	429,256	629,069	35,635	802,031
Liabilities and Fund Balances:						
Liabilities:						
Accounts Payable	0	1,136	2,811	32,439	0	3,689
Accrued Wages and Benefits	86,106	4,343	21,178	196,426	0	344,049
Compensated Absences	0	0	0	0	0	0
Interfund Payable	0	10,452	0	0	0	10,999
Deferred Revenue	0	0	333,494	473,948	25,504	570,069
Total Liabilities	86,106	15,931	357,483	702,813	25,504	928,806
Fund Balances:						
Reserved for Encumbrances	0	9,453	35,220	518,805	34,317	677,533
Reserved for Inventory	0	0	0	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	(86,106)	15,092	36,553	(592,549)	(24,186)	(804,308)
Total Fund Balances	(86,106)	24,545	71,773	(73,744)	10,131	(126,775)
Total Liabilities and Fund Balances	\$0	\$40,476	\$429,256	\$629,069	\$35,635	\$802,031

Title VI	Drug-Free Schools	Preschool	Class Size Reduction	Miscellaneous Federal	Food Service	Uniform School Supply
\$7,460	\$13,976	\$0	\$95,619	\$242,098	\$0	\$27,450
0	0	0	1,083	228	648	206
178,350	0	6,013	183,257	659,625	216,064	0
0	0	0	0	0	0	0
0	0	0	0	0	73,555	0
<u>185,810</u>	<u>13,976</u>	<u>6,013</u>	<u>279,959</u>	<u>901,951</u>	<u>290,267</u>	<u>27,656</u>
0	250	0	1,375	192,290	73,234	0
0	0	0	22,119	172,159	0	0
0	0	0	0	0	0	0
161,507	5,511	0	0	12,392	1,519,607	0
178,350	0	6,013	124,332	659,625	0	0
<u>339,857</u>	<u>5,761</u>	<u>6,013</u>	<u>147,826</u>	<u>1,036,466</u>	<u>1,592,841</u>	<u>0</u>
16,545	4,280	6,013	58,287	441,721	0	8,411
0	0	0	0	0	73,555	0
<u>(170,592)</u>	<u>3,935</u>	<u>(6,013)</u>	<u>73,846</u>	<u>(576,236)</u>	<u>(1,376,129)</u>	<u>19,245</u>
<u>(154,047)</u>	<u>8,215</u>	<u>0</u>	<u>132,133</u>	<u>(134,515)</u>	<u>(1,302,574)</u>	<u>27,656</u>
<u>\$185,810</u>	<u>\$13,976</u>	<u>\$6,013</u>	<u>\$279,959</u>	<u>\$901,951</u>	<u>\$290,267</u>	<u>\$27,656</u>

Continued

Middletown City School District
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2006

	Special Rotary	Adult Education	Total Nonmajor Special Revenue Funds
Assets:			
Equity in Pooled Cash and Investments	\$4,608	\$12,936	\$1,431,425
Receivables:			
Accounts	0	0	2,507
Intergovernmental	0	0	2,776,061
Interfund	0	0	1,512
Inventory	0	0	73,555
Total Assets	<u>4,608</u>	<u>12,936</u>	<u>4,285,060</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	0	389	331,215
Accrued Wages and Benefits	0	0	935,676
Compensated Absences	0	0	2,565
Interfund Payable	0	0	1,761,828
Deferred Revenue	0	0	2,432,033
Total Liabilities	<u>0</u>	<u>389</u>	<u>5,463,317</u>
Fund Balances:			
Reserved for Encumbrances	0	7,126	2,006,898
Reserved for Inventory	0	0	73,555
Unreserved, Undesignated, Reported in: Special Revenue Funds	<u>4,608</u>	<u>5,421</u>	<u>(3,258,710)</u>
Total Fund Balances	<u>4,608</u>	<u>12,547</u>	<u>(1,178,257)</u>
Total Liabilities and Fund Balances	<u>\$4,608</u>	<u>\$12,936</u>	<u>\$4,285,060</u>

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Middletown City School District
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 Nonmajor Special Revenue Funds
 For the Fiscal Year Ended June 30, 2006

	Public School Support	Local Grants	Venture Capital	Athletic	Auxiliary Services	Management Information System
Revenues:						
Tuition and Fees	\$0	\$0	\$0	\$0	\$0	\$0
Investment Earnings	0	0	0	0	2,171	0
Intergovernmental	0	52,565	0	0	582,262	21,946
Extracurricular Activities	29,270	218	0	166,706	0	0
Charges for Services	0	0	0	0	0	0
Other Revenues	96,822	22,314	0	11,043	469	0
Total Revenues	126,092	75,097	0	177,749	584,902	21,946
Expenditures:						
Current:						
Instruction:						
Regular	0	74,205	0	0	0	0
Special	0	2,192	0	0	0	0
Other	0	0	0	0	0	0
Support Services:						
Pupil	129,147	260	0	0	0	0
Instructional Staff	0	45,048	0	0	0	0
School Administration	0	4	0	0	0	0
Operations and Maintenance	0	13,589	0	0	0	0
Pupil Transportation	0	0	0	0	0	0
Central	0	2,490	0	0	0	21,946
Operation of Non-Instructional Services	0	0	0	0	673,690	0
Extracurricular Activities	0	7,330	0	177,598	0	0
Total Expenditures	129,147	145,118	0	177,598	673,690	21,946
Net Change in Fund Balance	(3,055)	(70,021)	0	151	(88,788)	0
Fund Balance Beginning of Year	74,400	318,074	684	42,342	157,621	0
Fund Balance End of Year	\$71,345	\$248,053	\$684	\$42,493	\$68,833	\$0

Entry Year	Disadvantaged Pupil Impact Aid	OneNet Network Connectivity	SchoolNet Professional Development	Ohio Reads	Summer Intervention	Alternative Schools
\$0	\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0	0
12,700	108,398	42,000	3,925	183,314	20,884	222,222
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
12,700	108,398	42,000	3,925	183,314	20,884	222,222
11,200	0	0	0	7,070	35,197	270,472
0	0	0	0	121,235	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	3,255
0	0	0	5,794	31,148	0	4,329
1,500	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	1,581	0	0
0	0	42,000	0	0	0	0
0	0	0	0	5,363	0	0
0	0	0	0	0	0	0
12,700	0	42,000	5,794	166,397	35,197	278,056
0	108,398	0	(1,869)	16,917	(14,313)	(55,834)
702	(108,398)	0	2,544	12,534	14,313	1,494
\$702	\$0	\$0	\$675	\$29,451	\$0	(\$54,340)

Continued

Middletown City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006

	DPIA	Miscellaneous State Grants	Adult Basic Education	Title VI-B	Title III	Title I
Revenues:						
Tuition and Fees	\$0	\$0	\$0	\$0	\$0	\$0
Investment Earnings	0	0	0	0	0	0
Intergovernmental	1,288,846	25,725	434,489	1,804,029	23,855	2,549,113
Extracurricular Activities	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	0
Other Revenues	0	0	4	0	0	56
Total Revenues	1,288,846	25,725	434,493	1,804,029	23,855	2,549,169
Expenditures:						
Current:						
Instruction:						
Regular	572,981	1,136	0	0	0	549
Special	0	1,701	0	904,974	5,324	2,055,032
Other	556,463	0	243,061	0	0	0
Support Services:						
Pupil	3,008	0	0	567,828	0	177,388
Instructional Staff	0	27,651	58,655	231,864	2,991	331,125
School Administration	0	0	20,299	203,743	0	13,393
Operations and Maintenance	242,500	0	2,348	0	0	0
Pupil Transportation	0	0	0	0	0	114,384
Central	0	0	0	0	0	0
Operation of Non-Instructional Services	0	205	420	48,129	0	48,969
Extracurricular Activities	0	0	0	0	0	0
Total Expenditures	1,374,952	30,693	324,783	1,956,538	8,315	2,740,840
Net Change in Fund Balance	(86,106)	(4,968)	109,710	(152,509)	15,540	(191,671)
Fund Balance Beginning of Year	0	29,513	(37,937)	78,765	(5,409)	64,896
Fund Balance End of Year	<u>(\$86,106)</u>	<u>\$24,545</u>	<u>\$71,773</u>	<u>(\$73,744)</u>	<u>\$10,131</u>	<u>(\$126,775)</u>

Title VI	Drug-Free Schools	Preschool	Class Size Reduction	Miscellaneous Federal	Food Service	Uniform School Supply
\$0	\$0	\$0	\$0	\$0	\$89	\$80,176
0	0	0	0	0	0	0
31,296	53,952	35,434	335,218	2,228,667	1,755,414	0
0	0	0	0	0	0	0
0	0	0	0	0	823,804	0
0	0	0	1,083	228	559	15
<u>31,296</u>	<u>53,952</u>	<u>35,434</u>	<u>336,301</u>	<u>2,228,895</u>	<u>2,579,866</u>	<u>80,191</u>
167,602	2,623	0	62,844	75,698	0	0
0	14,071	0	0	1,039,923	0	0
0	0	0	0	0	0	0
0	0	34,705	0	3,750	0	0
0	48,053	0	33,343	1,192,812	0	0
0	0	0	0	96,833	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
933	0	0	0	591	3,025,754	96,369
0	0	0	0	0	0	0
<u>168,535</u>	<u>64,747</u>	<u>34,705</u>	<u>96,187</u>	<u>2,409,607</u>	<u>3,025,754</u>	<u>96,369</u>
(137,239)	(10,795)	729	240,114	(180,712)	(445,888)	(16,178)
(16,808)	19,010	(729)	(107,981)	46,197	(856,686)	43,834
<u>(\$154,047)</u>	<u>\$8,215</u>	<u>\$0</u>	<u>\$132,133</u>	<u>(\$134,515)</u>	<u>(\$1,302,574)</u>	<u>\$27,656</u>

Continued

Middletown City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006

	Special Rotary	Adult Education	Total Nonmajor Special Revenue Funds
Revenues:			
Tuition and Fees	\$0	\$598	\$80,863
Investment Earnings	0	0	2,171
Intergovernmental	0	20,598	11,836,852
Extracurricular Activities	0	0	196,194
Charges for Services	0	0	823,804
Other Revenues	1,000	2,424	136,017
Total Revenues	1,000	23,620	13,075,901
Expenditures:			
Current:			
Instruction:			
Regular	0	0	1,281,577
Special	0	0	4,144,452
Other	0	351	799,875
Support Services:			
Pupil	0	0	919,341
Instructional Staff	0	0	2,012,813
School Administration	0	0	335,772
Operations and Maintenance	0	0	258,437
Pupil Transportation	0	0	115,965
Central	0	0	66,436
Operation of Non-Instructional Services	75	32,815	3,933,313
Extracurricular Activities	0	0	184,928
Total Expenditures	75	33,166	14,052,909
Net Change in Fund Balance	925	(9,546)	(977,008)
Fund Balance Beginning of Year	3,683	22,093	(201,249)
Fund Balance End of Year	\$4,608	\$12,547	(\$1,178,257)

Middletown City School District
 Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2006

	Permanent Improvement	SchoolNet Plus	Total Nonmajor Capital Projects Funds
Assets:			
Equity in Pooled Cash and Investments	\$439,024	\$0	\$439,024
Total Assets	<u>439,024</u>	<u>0</u>	<u>439,024</u>
Unreserved, Undesignated, Reported in: Capital Projects Funds	<u>439,024</u>	<u>0</u>	<u>439,024</u>
Total Fund Balances	<u>439,024</u>	<u>0</u>	<u>439,024</u>
Total Liabilities and Fund Balances	<u>\$439,024</u>	<u>\$0</u>	<u>\$439,024</u>

Middletown City School District
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 Nonmajor Capital Projects Funds
 For the Fiscal Year Ended June 30, 2006

	Permanent Improvement	SchoolNet Plus	Total Nonmajor Capital Projects Funds
Revenues:			
Other Revenues	\$0	\$13,154	\$13,154
Total Revenues	0	13,154	13,154
Expenditures:			
Current:			
Instruction:			
Regular	0	13,053	13,053
Capital Outlay	263,552	0	263,552
Total Expenditures	263,552	13,053	276,605
Net Change in Fund Balance	(263,552)	101	(263,451)
Fund Balance Beginning of Year	702,576	(101)	702,475
Fund Balance End of Year	\$439,024	\$0	\$439,024

Middletown City School District
Statement of Changes In Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2006

	Beginning Balance	Student Activity		Ending Balance
		Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$70,202	\$96,269	\$96,090	\$70,381
Receivables:				
Accounts	126	89	126	89
Total Assets	<u>70,328</u>	<u>96,358</u>	<u>96,216</u>	<u>70,470</u>
Liabilities:				
Accounts Payable	5,956	608	5,956	608
Other Liabilities	64,372	95,750	90,260	69,862
Total Liabilities	<u>\$70,328</u>	<u>\$96,358</u>	<u>\$96,216</u>	<u>\$70,470</u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Public School Support Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Extracurricular Activities	\$31,095	\$31,095	\$0
Other Revenues	97,008	97,008	0
Total Revenues	128,103	128,103	0
Expenditures:			
Current:			
Support Services:			
Pupil	143,132	143,132	0
Total Expenditures	143,132	143,132	0
Net Change in Fund Balance	(15,029)	(15,029)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	72,673	72,673	0
Fund Balance End of Year	\$57,644	\$57,644	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Local Grants Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$52,565	\$52,565	\$0
Extracurricular Activities	218	218	0
Other Revenues	22,316	22,316	0
Total Revenues	75,099	75,099	0
Expenditures:			
Current:			
Instruction:			
Regular	75,901	75,901	0
Special	2,192	2,192	0
Support Services:			
Pupil	260	260	0
Instructional Staff	45,814	45,814	0
School Administration	4	4	0
Operations and Maintenance	45,270	45,270	0
Central	2,413	2,413	0
Extracurricular Activities	7,330	7,330	0
Total Expenditures	179,184	179,184	0
Net Change in Fund Balance	(104,085)	(104,085)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	316,562	316,562	0
Fund Balance End of Year	\$212,477	\$212,477	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

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

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Athletic Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Extracurricular Activities	\$165,214	\$168,866	\$3,652
Other Revenues	10,804	11,043	239
Total Revenues	<u>176,018</u>	<u>179,909</u>	<u>3,891</u>
Expenditures:			
Current:			
Extracurricular Activities	184,385	184,385	0
Total Expenditures	<u>184,385</u>	<u>184,385</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(8,367)</u>	<u>(4,476)</u>	<u>3,891</u>
Other financing sources (uses):			
Advances In	6,039	6,172	133
Advances (Out)	<u>(2,148)</u>	<u>(2,148)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>3,891</u>	<u>4,024</u>	<u>133</u>
Net Change in Fund Balance	(4,476)	(452)	4,024
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>45,116</u>	<u>45,116</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$40,640</u></u>	<u><u>\$44,664</u></u>	<u><u>\$4,024</u></u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Auxiliary Services Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$2,171	\$2,171	\$0
Intergovernmental	582,262	582,262	0
Other Revenues	469	469	0
Total Revenues	<u>584,902</u>	<u>584,902</u>	<u>0</u>
Expenditures:			
Current:			
Operation of Non-Instructional Services	<u>745,401</u>	<u>745,401</u>	<u>0</u>
Total Expenditures	<u>745,401</u>	<u>745,401</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(160,499)</u>	<u>(160,499)</u>	<u>0</u>
Other financing sources (uses):			
Advances (Out)	<u>(1,014)</u>	<u>(1,014)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(1,014)</u>	<u>(1,014)</u>	<u>0</u>
Net Change in Fund Balance	(161,513)	(161,513)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>212,493</u>	<u>212,493</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$50,980</u></u>	<u><u>\$50,980</u></u>	<u><u>\$0</u></u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Management Information System Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$21,946	\$21,946	\$0
Total Revenues	21,946	21,946	0
Expenditures:			
Current:			
Support Services:			
Central	21,946	21,946	0
Total Expenditures	21,946	21,946	0
Net Change in Fund Balance	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0
Fund Balance End of Year	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Entry Year Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$12,700	\$12,700	\$0
Total Revenues	12,700	12,700	0
Expenditures:			
Current:			
Instruction:			
Regular	11,200	11,200	0
Support Services:			
School Administration	1,500	1,500	0
Total Expenditures	12,700	12,700	0
Excess of Revenues Over (Under) Expenditures	0	0	0
Other financing sources (uses):			
Advances In	1,074	1,074	0
Advances (Out)	(1,074)	(1,074)	0
Total Other Financing Sources (Uses)	0	0	0
Net Change in Fund Balance	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	702	702	0
Fund Balance End of Year	\$702	\$702	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Disadvantaged Pupil Impact Aid Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$0	\$0	\$0
Total Revenues	0	0	0
Expenditures:			
Current:			
Instruction:			
Regular	0	0	0
Total Expenditures	0	0	0
Excess of Revenues Over (Under) Expenditures	0	0	0
Net Change in Fund Balance	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

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

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	SchoolNet Professional Development Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$3,925	\$3,925	\$0
Total Revenues	3,925	3,925	0
Expenditures:			
Current:			
Support Services:			
Instructional Staff	6,469	6,469	0
Total Expenditures	6,469	6,469	0
Net Change in Fund Balance	(2,544)	(2,544)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,544	2,544	0
Fund Balance End of Year	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Ohio Reads Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$157,492	\$157,492	\$0
Total Revenues	157,492	157,492	0
Expenditures:			
Current:			
Instruction:			
Regular	7,252	7,252	0
Special	148,782	148,782	0
Support Services:			
Instructional Staff	32,116	32,116	0
Pupil Transportation	2,001	2,001	0
Operation of Non-Instructional Services	9,008	9,008	0
Total Expenditures	199,159	199,159	0
Excess of Revenues Over (Under) Expenditures	(41,667)	(41,667)	0
Other financing sources (uses):			
Advances In	13,387	13,387	0
Advances (Out)	(17,751)	(17,751)	0
Total Other Financing Sources (Uses)	(4,364)	(4,364)	0
Net Change in Fund Balance	(46,031)	(46,031)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	16,898	16,898	0
Fund Balance End of Year	(\$29,133)	(\$29,133)	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Summer Intervention Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$20,883	\$20,883	\$0
Total Revenues	20,883	20,883	0
Expenditures:			
Current:			
Instruction:			
Regular	35,196	35,196	0
Total Expenditures	35,196	35,196	0
Excess of Revenues Over (Under) Expenditures	(14,313)	(14,313)	0
Other financing sources (uses):			
Advances (Out)	(20,923)	(20,923)	0
Total Other Financing Sources (Uses)	(20,923)	(20,923)	0
Net Change in Fund Balance	(35,236)	(35,236)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	35,236	35,236	0
Fund Balance End of Year	\$0	\$0	\$0

Middletown City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	Alternative Schools Fund		Variance from Final Budget
	Final Budget	Actual	
Revenues:			
Intergovernmental	\$210,970	\$210,970	\$0
Total Revenues	210,970	210,970	0
Expenditures:			
Current:			
Instruction:			
Regular	317,258	317,258	0
Support Services:			
Pupil	12,618	12,618	0
Instructional Staff	1,764	1,764	0
Total Expenditures	331,640	331,640	0
Excess of Revenues Over (Under) Expenditures	(120,670)	(120,670)	0
Other financing sources (uses):			
Advances In	29,521	29,521	0
Advances (Out)	(3,437)	(3,437)	0
Total Other Financing Sources (Uses)	26,084	26,084	0
Net Change in Fund Balance	(94,586)	(94,586)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	69,565	69,565	0
Fund Balance End of Year	(\$25,021)	(\$25,021)	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	DPIA Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$1,288,846	\$1,288,846	\$0
Total Revenues	<u>1,288,846</u>	<u>1,288,846</u>	<u>0</u>
Expenditures:			
Current:			
Instruction:			
Regular	486,875	486,875	0
Other	556,463	556,463	0
Support Services:			
Pupil	3,008	3,008	0
Operations and Maintenance	242,500	242,500	0
Total Expenditures	<u>1,288,846</u>	<u>1,288,846</u>	<u>0</u>
Net Change in Fund Balance	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Miscellaneous State Grants Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$25,725	\$25,725	\$0
Total Revenues	<u>25,725</u>	<u>25,725</u>	<u>0</u>
Expenditures:			
Current:			
Instruction:			
Regular	9,522	9,522	0
Special	1,701	1,701	0
Support Services:			
Instructional Staff	24,375	24,375	0
Operation of Non-Instructional Services	882	882	0
Total Expenditures	<u>36,480</u>	<u>36,480</u>	<u>0</u>
Net Change in Fund Balance	(10,755)	(10,755)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>40,646</u>	<u>40,646</u>	<u>0</u>
Fund Balance End of Year	<u>\$29,891</u>	<u>\$29,891</u>	<u>\$0</u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Adult Basic Education Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$402,524	\$402,524	\$0
Other Revenues	112	112	0
Total Revenues	<u>402,636</u>	<u>402,636</u>	<u>0</u>
Expenditures:			
Current:			
Instruction:			
Other	277,966	277,966	0
Support Services:			
Instructional Staff	72,380	72,380	0
School Administration	20,299	20,299	0
Operations and Maintenance	3,089	3,089	0
Operation of Non-Instructional Services	420	420	0
Total Expenditures	<u>374,154</u>	<u>374,154</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>28,482</u>	<u>28,482</u>	<u>0</u>
Other financing sources (uses):			
Advances In	34,966	34,966	0
Advances (Out)	(73,523)	(73,523)	0
Transfers In	149	149	0
Transfers (Out)	(149)	(149)	0
Total Other Financing Sources (Uses)	<u>(38,557)</u>	<u>(38,557)</u>	<u>0</u>
Net Change in Fund Balance	(10,075)	(10,075)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>35,841</u>	<u>35,841</u>	<u>0</u>
Fund Balance End of Year	<u>\$25,766</u>	<u>\$25,766</u>	<u>\$0</u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Title VI-B Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$1,804,029	\$1,804,029	\$0
Total Revenues	1,804,029	1,804,029	0
Expenditures:			
Current:			
Instruction:			
Special	1,262,044	1,262,044	0
Support Services:			
Pupil	615,097	615,097	0
Instructional Staff	246,631	246,631	0
School Administration	260,395	260,395	0
Operation of Non-Instructional Services	72,615	72,615	0
Total Expenditures	2,456,782	2,456,782	0
Excess of Revenues Over (Under) Expenditures	(652,753)	(652,753)	0
Other financing sources (uses):			
Advances In	93,646	93,646	0
Advances (Out)	(133,256)	(133,256)	0
Transfers In	10,696	10,696	0
Transfers (Out)	(10,696)	(10,696)	0
Total Other Financing Sources (Uses)	(39,610)	(39,610)	0
Net Change in Fund Balance	(692,363)	(692,363)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	296,240	296,240	0
Fund Balance End of Year	(\$396,123)	(\$396,123)	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Title III Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$23,855	\$23,855	\$0
Total Revenues	23,855	23,855	0
Expenditures:			
Current:			
Instruction:			
Special	5,324	5,324	0
Support Services:			
Instructional Staff	37,308	37,308	0
Total Expenditures	42,632	42,632	0
Excess of Revenues Over (Under) Expenditures	(18,777)	(18,777)	0
Other financing sources (uses):			
Advances (Out)	(8,671)	(8,671)	0
Total Other Financing Sources (Uses)	(8,671)	(8,671)	0
Net Change in Fund Balance	(27,448)	(27,448)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,262	3,262	0
Fund Balance End of Year	(\$24,186)	(\$24,186)	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Title I Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$2,549,113	\$2,549,113	\$0
Other Revenues	140	140	0
Total Revenues	2,549,253	2,549,253	0
Expenditures:			
Current:			
Instruction:			
Regular	549	549	0
Special	2,530,609	2,530,609	0
Support Services:			
Pupil	209,835	209,835	0
Instructional Staff	416,298	416,298	0
School Administration	33,533	33,533	0
Pupil Transportation	139,384	139,384	0
Operation of Non-Instructional Services	49,635	49,635	0
Total Expenditures	3,379,843	3,379,843	0
Excess of Revenues Over (Under) Expenditures	(830,590)	(830,590)	0
Other financing sources (uses):			
Advances In	24,540	24,540	0
Advances (Out)	(593,174)	(593,174)	0
Total Other Financing Sources (Uses)	(568,634)	(568,634)	0
Net Change in Fund Balance	(1,399,224)	(1,399,224)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	949,962	949,962	0
Fund Balance End of Year	(\$449,262)	(\$449,262)	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Title VI Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$31,297	\$31,297	\$0
Total Revenues	31,297	31,297	0
Expenditures:			
Current:			
Instruction:			
Regular	195,802	195,802	0
Operation of Non-Instructional Services	933	933	0
Total Expenditures	196,735	196,735	0
Excess of Revenues Over (Under) Expenditures	(165,438)	(165,438)	0
Other financing sources (uses):			
Advances In	150,272	150,272	0
Advances (Out)	(11,554)	(11,554)	0
Total Other Financing Sources (Uses)	138,718	138,718	0
Net Change in Fund Balance	(26,720)	(26,720)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	17,631	17,631	0
Fund Balance End of Year	(\$9,089)	(\$9,089)	\$0

Middletown City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	Drug-Free Schools Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$53,952	\$53,952	\$0
Total Revenues	53,952	53,952	0
Expenditures:			
Current:			
Instruction:			
Regular	2,623	2,623	0
Special	14,071	14,071	0
Support Services:			
Instructional Staff	52,333	52,333	0
Total Expenditures	69,027	69,027	0
Excess of Revenues Over (Under) Expenditures	(15,075)	(15,075)	0
Other financing sources (uses):			
Advances In	18,605	18,605	0
Advances (Out)	(18,605)	(18,605)	0
Transfers In	77	77	0
Transfers (Out)	(77)	(77)	0
Total Other Financing Sources (Uses)	0	0	0
Net Change in Fund Balance	(15,075)	(15,075)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	24,522	24,522	0
Fund Balance End of Year	\$9,447	\$9,447	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Preschool Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$35,434	\$35,434	\$0
Total Revenues	35,434	35,434	0
Expenditures:			
Current:			
Support Services:			
Pupil	40,718	40,718	0
Total Expenditures	40,718	40,718	0
Excess of Revenues Over (Under) Expenditures	(5,284)	(5,284)	0
Other financing sources (uses):			
Advances In	10,306	10,306	0
Advances (Out)	(11,035)	(11,035)	0
Total Other Financing Sources (Uses)	(729)	(729)	0
Net Change in Fund Balance	(6,013)	(6,013)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0
Fund Balance End of Year	(\$6,013)	(\$6,013)	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Class Size Reduction Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$276,293	\$276,293	\$0
Total Revenues	<u>276,293</u>	<u>276,293</u>	<u>0</u>
Expenditures:			
Current:			
Instruction:			
Regular	58,906	58,906	0
Support Services:			
Instructional Staff	202,930	202,930	0
Total Expenditures	<u>261,836</u>	<u>261,836</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>14,457</u>	<u>14,457</u>	<u>0</u>
Other financing sources (uses):			
Advances (Out)	(36,756)	(36,756)	0
Total Other Financing Sources (Uses)	<u>(36,756)</u>	<u>(36,756)</u>	<u>0</u>
Net Change in Fund Balance	(22,299)	(22,299)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>58,255</u>	<u>58,255</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$35,956</u></u>	<u><u>\$35,956</u></u>	<u><u>\$0</u></u>

Middletown City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	Miscellaneous Federal Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$2,228,667	\$2,228,667	\$0
Total Revenues	<u>2,228,667</u>	<u>2,228,667</u>	<u>0</u>
Expenditures:			
Current:			
Instruction:			
Regular	75,699	75,699	0
Special	1,326,793	1,326,793	0
Support Services:			
Pupil	3,750	3,750	0
Instructional Staff	1,178,884	1,178,884	0
School Administration	96,839	96,839	0
Operation of Non-Instructional Services	1,524	1,524	0
Total Expenditures	<u>2,683,489</u>	<u>2,683,489</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(454,822)</u>	<u>(454,822)</u>	<u>0</u>
Other financing sources (uses):			
Advances In	10,343	10,343	0
Transfers In	6,841	6,841	0
Transfers (Out)	(6,841)	(6,841)	0
Total Other Financing Sources (Uses)	<u>10,343</u>	<u>10,343</u>	<u>0</u>
Net Change in Fund Balance	<u>(444,479)</u>	<u>(444,479)</u>	<u>0</u>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>52,569</u>	<u>52,569</u>	<u>0</u>
Fund Balance End of Year	<u>(\$391,910)</u>	<u>(\$391,910)</u>	<u>\$0</u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Food Service Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Intergovernmental	\$1,521,315	\$1,521,315	\$0
Charges for Services	825,253	825,253	0
Total Revenues	<u>2,346,568</u>	<u>2,346,568</u>	<u>0</u>
Expenditures:			
Current:			
Operation of Non-Instructional Services	2,812,947	2,812,947	0
Total Expenditures	<u>2,812,947</u>	<u>2,812,947</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(466,379)</u>	<u>(466,379)</u>	<u>0</u>
Other financing sources (uses):			
Advances In	1,219,607	1,219,607	0
Advances (Out)	<u>(785,525)</u>	<u>(785,525)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>434,082</u>	<u>434,082</u>	<u>0</u>
Net Change in Fund Balance	(32,297)	(32,297)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>32,296</u>	<u>32,296</u>	<u>0</u>
Fund Balance End of Year	<u><u>(\$1)</u></u>	<u><u>(\$1)</u></u>	<u><u>\$0</u></u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Uniform School Supply Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Tuition and Fees	\$80,966	\$80,966	\$0
Other Revenues	15	15	0
Total Revenues	<u>80,981</u>	<u>80,981</u>	<u>0</u>
Expenditures:			
Current:			
Operation of Non-Instructional Services	104,780	104,780	0
Total Expenditures	<u>104,780</u>	<u>104,780</u>	<u>0</u>
Net Change in Fund Balance	(23,799)	(23,799)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>42,839</u>	<u>42,839</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$19,040</u></u>	<u><u>\$19,040</u></u>	<u><u>\$0</u></u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Special Rotary Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Other Revenues	\$1,000	\$1,000	\$0
Total Revenues	1,000	1,000	0
Expenditures:			
Current:			
Operation of Non-Instructional Services	75	75	0
Total Expenditures	75	75	0
Net Change in Fund Balance	925	925	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,685	3,685	0
Fund Balance End of Year	\$4,610	\$4,610	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Adult Education Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Tuition and Fees	\$598	\$598	\$0
Intergovernmental	20,598	20,598	0
Other Revenues	2,424	2,424	0
Total Revenues	23,620	23,620	0
Expenditures:			
Current:			
Operation of Non-Instructional Services	43,471	43,471	0
Total Expenditures	43,471	43,471	0
Net Change in Fund Balance	(19,851)	(19,851)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	25,273	25,273	0
Fund Balance End of Year	\$5,422	\$5,422	\$0

Middletown City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2006

	Debt Service Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$4,498,834	\$4,498,834	\$0
Intergovernmental	593,900	593,900	0
Total Revenues	<u>5,092,734</u>	<u>5,092,734</u>	<u>0</u>
Expenditures:			
Current:			
Support Services:			
Fiscal	72,082	72,082	0
Debt Service:			
Principal Retirement	4,875,000	4,875,000	0
Interest and Fiscal Charges	4,615,781	4,615,781	0
Total Expenditures	<u>9,562,863</u>	<u>9,562,863</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,470,129)</u>	<u>(4,470,129)</u>	<u>0</u>
Other financing sources (uses):			
Proceeds of Long-Term Capital-Related Debt	4,225,000	4,225,000	0
Premium on Bonds Payable	12	12	0
Total Other Financing Sources (Uses)	<u>4,225,012</u>	<u>4,225,012</u>	<u>0</u>
Net Change in Fund Balance	(245,117)	(245,117)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>1,547,700</u>	<u>1,547,700</u>	<u>0</u>
Fund Balance End of Year	<u>\$1,302,583</u>	<u>\$1,302,583</u>	<u>\$0</u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Building Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Investment Earnings	\$2,145,658	\$2,145,658	\$0
Other Revenues	8,225	8,225	0
Total Revenues	<u>2,153,883</u>	<u>2,153,883</u>	<u>0</u>
Expenditures:			
Current:			
Support Services:			
Operations and Maintenance	1,291,082	1,291,082	0
Capital Outlay	<u>61,284,713</u>	<u>61,284,713</u>	<u>0</u>
Total Expenditures	<u>62,575,795</u>	<u>62,575,795</u>	<u>0</u>
Net Change in Fund Balance	(60,421,912)	(60,421,912)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>71,364,428</u>	<u>71,364,428</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$10,942,516</u></u>	<u><u>\$10,942,516</u></u>	<u><u>\$0</u></u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	Permanent Improvement Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$0	\$0	\$0
Total Revenues	0	0	0
Expenditures:			
Capital Outlay	374,816	374,816	0
Total Expenditures	374,816	374,816	0
Net Change in Fund Balance	(374,816)	(374,816)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	813,839	813,839	0
Fund Balance End of Year	\$439,023	\$439,023	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2006

	SchoolNet Plus Fund		
	Final Budget	Actual	Variance from Final Budget
Revenues:			
Taxes	\$0	\$0	\$0
Total Revenues	0	0	0
Expenditures:			
Current:			
Instruction:			
Regular	13,053	13,053	0
Total Expenditures	13,053	13,053	0
Net Change in Fund Balance	(13,053)	(13,053)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	13,053	13,053	0
Fund Balance End of Year	\$0	\$0	\$0

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STATISTICAL SECTION

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Statistical Section

This part of the 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

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial position has changed over time.

Revenue Capacity

These schedules contain information to help the reader understand and assess the factors affecting the School District's ability to generate its most significant local revenue source(s), the property tax (and the income tax).

Debt Capacity

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

Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the School District's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.

Operating Information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The School District implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that fiscal year.

Middletown City School District
 Net Assets by Component
 Last Four Fiscal Years (1)
 (accrual basis of accounting)
 Schedule 1

	Fiscal Year			
	2003	2004	2005	2006
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$10,017,056	\$1,764,137	\$3,139,917	\$3,333,501
Restricted	8,437,904	12,430,660	9,985,928	12,868,892
Unrestricted	(1,886,754)	1,078,324	(2,697,142)	(3,327,956)
Total Net Assets	<u>\$16,568,206</u>	<u>\$15,273,121</u>	<u>\$10,428,703</u>	<u>\$12,874,437</u>

Source: District Records

(1) - The district began to report accrual information when it implemented GASB Statement 34 in 2003

Middletown City School District
 Expenses, Program Revenues and Net (Expense)/Revenue
 Last Four Fiscal Years (1)
 (accrual basis of accounting)
 Schedule 2

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental Activities:				
Instruction	\$40,067,476	\$39,780,688	\$42,252,745	\$42,988,158
Pupil	4,046,144	4,220,322	4,358,304	4,182,323
Instructional Staff	3,767,945	3,427,309	3,540,476	4,104,223
General Administration	80,157	38,334	36,659	23,603
School Administration	5,865,161	5,686,716	6,081,530	5,274,363
Fiscal	1,190,464	1,316,828	1,486,704	1,346,439
Business	205,079	271,843	355,906	302,611
Operation and Maintenance	6,719,128	6,912,662	7,256,478	7,612,955
Pupil Transportation	2,271,967	2,655,273	3,000,568	2,919,435
Central	1,638,800	1,672,277	1,909,674	1,707,030
Operation of Non-Instructional Services	918,003	4,028,191	3,636,886	3,960,309
Extracurricular Activities	735,315	804,618	680,257	795,465
Interest and Fiscal Charges	18,532	1,403,415	3,258,401	3,449,841
Total Expenses	67,524,171	72,218,476	77,854,588	78,666,755
Program Revenues				
Governmental Activities:				
Charges for Services				
Instruction	322,602	567,430	512,974	698,140
Pupil	125,618	79,212	24,256	29,595
Instructional Staff	747	9,994	0	0
General Administration	0	950	0	0
School Administration	255	417	0	0
Fiscal	0	0	0	0
Business	0	0	0	0
Operation and Maintenance	38,474	36,175	30,150	115,677
Pupil Transportation	68,807	94,210	122,808	160,878
Central	31	418	0	0
Operation of Non-Instructional Services	0	1,159,617	1,113,242	823,803
Extracurricular Activities	201,284	206,952	206,256	279,617
Interest and Fiscal Charges	0	0	0	0
Operating Grants and Contributions	7,935,288	10,042,965	10,463,524	14,625,856
Capital Grants and Contributions	195,055	135,480	99,364	27,023
Total Program Revenues	8,888,161	12,333,820	12,572,574	16,760,589
Net (Expense)/Revenue	(\$58,636,010)	(\$59,884,656)	(\$65,282,014)	(\$61,906,166)

Source: District Records

(1) - The district began to report accrual information when it implemented GASB Statement 34 in 2003

Middletown City School District
 General Revenues and Total Change in Net Assets
 Last Four Fiscal Years (1)
 (accrual basis of accounting)
 Schedule 3

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense)/Revenue	(\$58,636,010)	(\$59,884,656)	(\$65,282,014)	(\$61,906,166)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Property Taxes Levied for General Purposes	19,959,809	25,655,529	20,001,616	21,009,706
Property Taxes Levied for Special Revenue Purposes	10,173,736	6,387,321	9,568,394	13,680,223
Property Taxes Levied for Debt Service Purposes	226,967	2,105,183	4,779,338	4,513,669
Grants and Entitlements Not Restricted to Specific Programs	22,943,643	24,016,973	23,197,208	23,692,530
Payment in Lieu of Taxes	117,986	108,066	96,121	75,613
Unrestricted Contributions	62,468	76,893	11,547	4,977
Investment Earnings	514,161	715,854	1,933,251	1,667,994
Other Revenues	294,034	0	850,121	244,051
Total General Revenues	54,292,804	59,065,819	60,437,596	64,888,763
Change in Net Assets	(\$4,343,206)	(\$818,837)	(\$4,844,418)	\$2,982,597

Source: District Records

(1) - The district began to report accrual information when it implemented GASB Statement 34 in 2003

Middletown City School District
Fund Balances, Governmental Funds
Last Ten Fiscal Years (1)
(modified accrual basis of accounting)
Schedule 4

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$2,787,349	\$3,190,535	\$5,268,305	\$3,342,907	\$4,764,491	\$2,131,718	\$2,390,098	\$1,889,528	\$1,124,195	\$920,335
Unreserved	(5,745,714)	(1,049,447)	2,931,152	4,201,827	6,293,759	7,557,800	(288,621)	(4,414,450)	(4,218,816)	(4,806,920)
Total General Fund	(2,958,365)	2,141,088	8,199,457	7,544,734	11,058,250	9,689,518	2,101,477	(2,524,922)	(3,094,621)	(3,886,585)
All Other Governmental Funds										
Reserved	2,380,481	2,713,476	4,144,406	1,972,443	3,359,677	1,163,450	1,480,242	3,260,690	20,901,245	36,190,661
Unreserved, Reported in:										
Capital Project Funds	754,956	410,495	439,018	(130,639)	672,057	217,203	245,622	75,199,149	53,297,603	7,444,955
Debt Service Funds	1,642,235	486,414	576,845	724,145	119,986	375,640	108,809	(1,236,199)	(3,327,299)	(2,922,416)
Special Revenue Funds	1,742,808	993,010	1,403,728	2,287,587	779,488	722,289	4,495,189	3,581,989	(1,324,002)	(1,083,966)
Total all Other Governmental Funds	\$6,520,480	\$4,603,395	\$6,563,997	\$4,853,536	\$4,931,208	\$2,478,582	\$6,329,862	\$80,805,629	\$69,547,547	\$39,629,234

Source: District Records

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

Middletown City School District
 Governmental Funds Revenues
 Last Ten Fiscal Years (1)
 (modified accrual basis of accounting)
 Schedule 5

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues:										
Taxes	\$31,721,438	\$30,910,302	\$36,035,145	\$30,513,263	\$30,376,975	\$24,996,519	\$30,360,512	\$31,977,851	\$35,174,840	\$38,451,663
Revenue in Lieu of Taxes	0	0	0	0	0	0	55,096	0	0	0
Tuition and Fees	62,431	72,309	42,790	13,366	180,804	176,775	389,861	653,559	638,515	939,407
Investment Earnings	700,852	802,942	823,497	1,167,796	1,233,654	738,280	514,161	715,854	1,933,143	1,667,994
Intergovernmental	24,084,842	24,244,000	28,886,256	28,253,056	31,657,070	31,988,568	31,272,030	33,728,062	33,965,516	37,336,145
Extracurricular Activities	0	0	0	0	222,069	287,543	273,536	239,873	229,091	228,349
Charges for Services	0	0	0	0	0	0	0	1,225,238	1,113,242	823,804
Other Revenues	645,220	1,127,967	680,115	689,121	632,919	225,185	384,531	278,851	899,993	354,519
Total Revenues	\$57,214,783	\$57,157,520	\$66,467,803	\$60,636,602	\$64,303,491	\$58,412,870	\$63,249,727	\$68,819,288	\$73,954,340	\$79,801,881

Source: District Records

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

Middletown City School District
 Governmental Funds Expenditures and Debt Service Ratio
 Last Ten Fiscal Years (1)
 (modified accrual basis of accounting)
 Schedule 6

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Instruction	\$33,153,758	\$31,991,569	\$33,868,267	\$35,468,908	\$34,843,063	\$35,954,906	\$39,331,434	\$39,833,435	\$41,082,618	\$42,426,014
Pupil	2,232,720	2,573,863	3,004,287	3,169,856	3,271,434	3,920,210	4,033,639	4,249,898	4,294,936	4,161,383
Instructional Staff	2,216,892	2,334,455	2,887,864	3,313,510	3,569,265	3,418,662	3,756,598	3,423,316	3,517,975	4,024,607
General Administration	102,245	76,782	0	525,750	32,060	41,326	80,157	38,334	36,659	23,603
School Administration	4,218,552	4,427,903	4,919,583	4,479,357	4,946,418	5,374,191	5,822,331	5,667,094	6,018,784	5,235,364
Fiscal	1,148,811	1,121,836	1,163,645	1,298,096	1,043,413	1,093,594	1,194,161	1,320,047	1,484,731	1,331,297
Business	0	0	0	0	175,501	181,619	220,962	257,521	329,267	288,765
Operation and Maintenance	5,443,525	6,112,869	6,675,984	6,913,108	6,715,808	6,750,096	7,074,712	6,859,066	6,983,690	7,343,598
Pupil Transportation	1,969,623	2,512,870	2,564,669	2,666,474	2,203,544	2,174,030	2,504,501	2,485,935	2,750,990	2,693,862
Central	580,181	821,384	1,449,453	1,167,387	1,687,451	1,777,628	1,665,322	1,584,175	1,794,486	1,548,663
Operation of Non-Instructional Services	456,449	563,618	900,563	1,115,875	944,139	843,677	909,419	3,935,230	3,634,918	3,999,121
Extracurricular Activities	682,907	693,349	774,104	815,772	596,687	754,181	741,966	802,265	677,981	792,039
Capital Outlay	1,856,946	0	132,300	369,741	191,333	208,113	0	459,630	8,501,833	32,295,128
Debt Service										
Principal	610,791	589,564	95,000	105,000	0	0	50,739	122,636	4,269,617	1,872,944
Interest	292,873	170,472	56,163	3,902	21,165	0	17,976	1,424,838	3,270,067	3,408,083
Total Expenditures	\$54,966,273	\$53,990,534	\$58,491,882	\$61,412,736	\$60,241,281	\$62,492,233	\$67,403,917	\$72,463,420	\$88,648,552	\$111,444,471
Debt Service as a Percentage of Noncapital Expenditures	1.70%	1.41%	0.26%	0.18%	0.04%	0.00%	0.10%	2.15%	9.41%	6.67%

Source: District Records

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

Middletown City School District
 Other Financing Sources and Uses and Net Change in Fund Balances
 Governmental Funds
 Last Ten Fiscal Years (1)
 (modified accrual basis of accounting)
 Schedule 7

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$70,800,000	\$0	\$0
Proceeds of Long Term Debt	0	0	0	0	0	0	0	3,184,930	0	0
Premium on Bonds Payable	0	0	0	0	0	0	374,688	0	3,254,828	921,653
Issuance of Capital Leases	0	0	0	0	0	0	40,983	7,120	45,485	10,660
Proceeds from Sale of Capital Assets	36,198	15,385	43,049	9,675	28,978	258,005	0	0	0	0
Pass Through Grant	(24,446)	0	0	0	0	0	0	0	0	0
Refund of Prior Years Receipts	(79,271)	0	0	0	0	0	0	0	0	0
Transfers In	3,509,861	3,480,886	2,444,951	24,000	880,345	8,713	523,102	76,060,346	100	0
Transfers (Out)	(3,509,861)	(3,480,886)	(2,444,951)	(524,000)	(1,380,345)	(8,713)	(523,102)	(76,060,346)	(100)	0
Total Other Financing Sources (Uses)	(67,519)	15,385	43,049	(490,325)	(471,022)	258,005	415,671	73,992,050	3,300,313	932,313
Net Change in Fund Balances	\$2,180,991	\$3,182,371	\$8,018,970	(\$1,266,459)	\$3,591,188	(\$3,821,358)	(\$3,738,519)	\$70,347,918	(\$11,393,899)	(\$30,710,277)

Source: District Records

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

Middletown City School District
 Assessed Value and Actual Value of Taxable Property
 Last Ten Calendar Years (1)
 Schedule 8

Calendar Year	Real Property Assessed Value (2)	Tangible Personal Property Assessed Value (2)	Public Utilities Personal Assessed Value (2)	Total Assessed Value (2)	Total Estimated Actual Value	Total Direct Rate
1996	\$596,732,960	\$205,791,439	\$91,847,380	\$894,371,779	\$2,642,926,295	38.20
1997	661,069,610	224,104,236	91,108,250	976,282,096	2,899,072,571	37.03
1998	675,189,920	246,903,455	88,903,890	1,010,997,265	3,027,857,740	37.03
1999	687,607,230	236,392,230	90,672,470	1,014,671,930	3,023,501,594	36.53
2000	636,518,934	217,179,292	62,854,774	916,553,000	2,765,911,162	35.33
2001	658,757,370	229,281,088	61,598,530	949,636,988	2,908,799,065	34.98
2002	665,606,070	245,768,523	41,319,270	952,693,863	2,931,759,437	34.78
2003	685,392,310	236,048,065	38,401,320	959,841,695	2,946,093,867	33.58
2004	769,265,780	261,226,106	44,182,110	1,074,673,996	3,293,013,596	38.08
2005	696,828,230	247,896,469	44,752,120	989,476,819	3,033,378,357	38.08

Source: County Auditor

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

(2) - Assessed values shown in this schedule will not agree to amounts in the notes to the financial statements, since the schedules are shown on a calendar year basis, which is consistent with the method county auditors maintain this information

Note: The assessed value of real property (including public utility real property) is 35 percent of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property is assessed at 25 percent for everything except inventories, which are assessed at 23 percent. Property is assessed annually.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue to be received in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10 percent, 2 1/2 percent and homestead exemptions before being billed.

Middletown City School District
 Direct and Overlapping Property Tax Rates
 Last Ten Calendar Years
 Schedule 9

Calendar Year	District Direct Rates	Overlapping Rates			
		Butler County	City of Monroe	City of Middletown	Butler County Joint Vocational School
1996	38.20	7.45	7.85	6.31	1.93
1997	37.03	7.45	7.85	6.31	1.93
1998	37.03	8.45	7.85	6.31	1.93
1999	36.53	8.45	7.85	6.31	1.93
2000	35.33	8.45	7.85	6.36	1.93
2001	34.98	8.45	11.17	5.86	1.93
2002	34.78	8.75	11.17	5.86	1.93
2003	33.58	8.75	11.17	5.86	1.93
2004	38.08	8.75	11.17	5.86	1.93
2005	38.08	8.74	11.17	5.90	1.93

Source: County Auditor

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

Middletown City School District
 Principal Property Tax Payers
 Current Calendar Year (1)
 Schedule 10

Taxpayer	2005	
	Assessed Value	Percentage of Total Assessed Value
Cincinnati Gas and Electric	\$31,002,250	3.13%
AK Steel Corp	15,095,550	1.53%
Ohio Bell Telephone	5,836,540	0.59%
Precision Strip INC	4,166,220	0.42%
Southwestern Ohio Steel	4,061,950	0.41%
Boymel Sam	3,567,860	0.36%
Bavarian Woods Apts.	2,272,110	0.23%
Trinity Place Comm	2,033,000	0.21%
Bay West Paper Corp	1,817,680	0.18%
Riverside Village LTD PRT	1,765,950	0.18%
	<u>\$71,619,110</u>	<u>7.24%</u>

Source: County Auditor

(1) - Prior year information only available

Middletown City School District
Property Tax Levies and Collections
Last Ten Calendar Years (1)
Schedule 11

Calendar Year	Taxes Levied for the Calendar Year	Collected within the Calendar Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1996	\$24,403,739	\$23,698,673	97.11%	\$591,960	\$24,290,633	99.54%
1997	25,501,907	24,824,360	97.34%	651,156	25,475,516	99.90%
1998	25,775,921	24,927,425	96.71%	720,380	25,647,805	99.50%
1999	25,711,787	25,555,250	99.39%	838,957	26,394,207	102.65%
2000	27,097,451	26,743,803	98.69%	777,770	27,521,573	101.57%
2001	27,097,451	26,743,803	98.69%	777,770	27,521,573	101.57%
2002	22,470,749	18,955,457	84.36%	893,360	19,848,817	88.33%
2003	24,846,651	22,329,032	89.87%	975,874	23,304,906	93.79%
2004	28,625,917	24,440,699	85.38%	1,173,928	25,614,627	89.48%
2005	26,179,182	24,403,174	93.22%	1,325,800	25,728,974	98.28%

Source: County Auditor

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

Middletown City School District
 Outstanding Debt by Type
 Last Ten Fiscal Years
 Schedule 12

Fiscal Year	Governmental Activities											Percentage of Personal Income (1)	Per Capita
	General Obligation Bonds	Construction Bond	Construction Bond Premium	Long-Term Capital Notes	Capital Leases	Bond Anticipation Notes	Total Primary Government						
1997	\$290,000	\$0	\$0	\$0	\$499,564	\$0	\$789,564	0.01%	\$13				
1998	200,000	0	0	0	0	0	200,000	0.00%	3				
1999	105,000	0	0	0	0	0	105,000	0.00%	2				
2000	0	0	0	0	0	850,000	850,000	0.01%	14				
2001	0	0	0	0	0	0	0	0.00%	0				
2002	0	0	0	0	0	500,000	500,000	0.01%	10				
2003	0	0	0	0	323,949	0	323,949	0.00%	6				
2004	0	70,800,000	0	0	201,313	5,000,000	76,001,313	0.70%	1,464				
2005	0	66,970,000	0	1,421,541	1,594,983	4,875,000	74,861,524	N/A	1,442				
2006	0	65,650,000	2,919,518	1,354,916	2,030,317	4,225,000	76,179,751	N/A	N/A				

Source: District Records

N/A - Information not available

(1) - On the calendar year basis

Middletown City School District
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2006
 Schedule 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Direct and Overlapping Debt
Overlapping Debt:			
Butler County	\$72,135,000	12.55%	\$9,052,943
Warren County	421,790	1.72%	7,255
Middletown City	25,118,000	98.69%	24,788,954
Turtlecreek Township	2,775,000	2.94%	81,585
Butler Technology and Career Center Joint Vocational School District	3,195,000	15.64%	499,698
Subtotal, Overlapping Debt	103,644,790		34,430,435
District Direct Debt	71,229,916	100.00%	71,229,916
Total Direct and Overlapping Debt	\$174,874,706		\$105,660,351

Source: Ohio Municipal Advisory Council

(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.

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value (1)	\$989,476,819
Debt limit (9% of assessed value)	89,052,914
Debt applicable to limit	71,229,916
Legal debt margin	<u>\$17,822,998</u>

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$80,493,460	\$87,865,389	\$90,989,754	\$91,320,474	\$82,489,770	\$85,467,329	\$85,742,448	\$86,385,753	\$96,720,660	\$89,052,914
Total Net Debt Applicable to Limit	0	0	0	0	0	0	0	70,800,000	71,845,000	71,229,916
Legal Debt Margin	\$80,493,460	\$87,865,389	\$90,989,754	\$91,320,474	\$82,489,770	\$85,467,329	\$85,742,448	\$15,585,753	\$24,875,660	\$17,822,998

Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	81.96%	74.28%	79.99%
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Source: District Records

(1) - Assessed values are on a calendar year basis (i.e. fiscal year 2006 is calendar year 2005)

Middletown City School District
 Demographic and Economic Statistics
 Last Ten Calendar Years
 Schedule 15

Calendar Year	Population (1)	Personal Income (Thousands of Dollars) (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
1996	62,684	\$7,391,912	\$22,948	4.20%
1997	62,684	7,983,144	24,531	3.50%
1998	62,684	8,560,958	26,079	3.60%
1999	62,684	9,087,357	27,475	3.30%
2000	62,684	9,547,252	28,612	3.20%
2001	51,913	9,729,127	28,949	3.20%
2002	51,913	9,938,473	29,415	4.50%
2003	51,913	10,285,549	30,297	4.50%
2004	51,913	10,844,563	29,864	4.30%
2005	51,913	N/A	N/A	5.20%

- Sources:
- (1) - Population estimates provided by U.S. Census Bureau
 - (2) - Personal Income information provided by Bureau of Economic Analysis: Regional Economic Accounts for Butler County
 - (3) - Per Capita Personal Income information provided by Bureau of Economic Analysis: Regional Economic Accounts for Butler County
 - (4) - Ohio Bureau of Employment Services, rates are for Butler County

N/A - Information not available

Middletown City School District
 Principal Employers
 Current Fiscal Year (1)
 Schedule 16

2006 (2)

Taxpayer	Number of Employees	Percentage of Total Employment
Miami University	4,250	2.36%
AK Steel	3,142	1.74%
Cincinnati Insurance Co.	2,600	1.44%
Butler County Governement	2,000	1.11%
Ft Hamilton Memorial Hospital	2,000	1.11%
Middletown Regional Hospital	1,800	1.00%
Mercy Regional Hospital	1,601	0.89%
Lakota School District	1,600	0.89%
Ohio Casualty Insurance Co.	1,300	0.72%
Hamilton City School District	1,150	0.64%
	<u>21,443</u>	<u>11.89%</u>
 Total County Employment	 180,400	

Source: County Chamber of Commerce

(1) - Only current fiscal year information available

(2) - Data current as of April 2005

Middletown City School District
 Full-Time Equivalent District Employees by Type
 Last Ten Fiscal Years
 Schedule 17

	Fiscal Year									
	1997	1998	1999	2000	2001 (1)	2002	2003	2004	2005	2006 (2)
Instruction										
Classroom teachers	487.0	484.0	496.0	514.0	444.0	455.0	435.0	408.0	367.0	354.5
Special education teachers and tutors	65.0	70.0	78.0	83.0	73.0	70.0	72.0	75.0	70.0	69.0
Educational aides	25.0	25.0	30.0	33.0	32.0	42.0	40.0	41.0	43.0	41.5
Special education aides and attendants	8.0	9.0	11.0	11.0	11.0	11.0	13.0	12.0	12.0	12.0
Total Instruction	<u>585.0</u>	<u>588.0</u>	<u>615.0</u>	<u>641.0</u>	<u>560.0</u>	<u>578.0</u>	<u>560.0</u>	<u>536.0</u>	<u>492.0</u>	<u>477.0</u>
Support Services										
Support personnel										
Librarians, nurses, counselors, visiting teache	62.0	70.0	85.0	92.0	103.0	92.0	92.0	91.0	92.0	99.0
Principals	31.0	31.0	32.0	33.0	30.0	32.0	30.0	28.0	26.0	25.0
Central office administration	19.0	20.0	20.0	21.0	20.0	22.0	23.0	22.0	23.0	19.0
Secretaries and clerical	52.0	54.0	56.0	55.0	52.0	54.0	56.0	51.0	48.0	47.0
Transportation	56.0	58.0	58.0	58.0	50.0	51.0	51.0	51.0	52.0	51.0
Food service	81.0	79.0	79.0	75.0	68.0	63.0	57.0	60.0	56.0	0.0
Custodial	51.0	52.0	54.0	53.0	52.0	51.0	54.0	51.0	47.0	45.0
Maintenance and mechanics	18.0	17.0	19.0	17.0	15.0	15.0	15.0	16.0	16.0	12.0
Total Support and administration	<u>370.0</u>	<u>381.0</u>	<u>403.0</u>	<u>404.0</u>	<u>390.0</u>	<u>380.0</u>	<u>378.0</u>	<u>370.0</u>	<u>360.0</u>	<u>298.0</u>
Total Employees	<u>955.0</u>	<u>969.0</u>	<u>1018.0</u>	<u>1045.0</u>	<u>950.0</u>	<u>958.0</u>	<u>938.0</u>	<u>906.0</u>	<u>852.0</u>	<u>775.0</u>

Source: District Records

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

(2) - Middletown City School District began to outsource its food service.

Middletown City School District
 Operating Statistics
 Last Ten Fiscal Years
 Schedule 18

Fiscal Year	Enrollment	Operating Expenditure (1)	Cost Per Pupil (2)	Percentage Change	Expenses (3)	Cost Per Pupil (4)	Percentage Change	Cost Per Pupil (5)	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Free or Reduced-Price Meals	Percentage of Students Receiving
1997	9,817	\$52,205,663	\$5,318	N/A	N/A	N/A	N/A	\$5,779	N/A	552	18	30.36%	
1998	9,662	53,230,498	5,509	3.60%	N/A	N/A	N/A	6,185	7.03%	554	17	30.09%	
1999	9,566	58,208,419	6,085	10.45%	N/A	N/A	N/A	6,514	5.32%	574	17	29.13%	
2000	9,343	60,934,093	6,522	7.18%	N/A	N/A	N/A	7,127	9.41%	597	16	32.81%	
2001	7,818	60,028,783	7,678	17.73%	N/A	N/A	N/A	8,165	14.56%	517	15	39.06%	
2002	7,836	62,284,120	7,948	3.52%	N/A	N/A	N/A	8,514	4.27%	525	15	36.01%	
2003	7,631	67,335,202	8,824	11.01%	\$67,524,171	\$8,849	N/A	9,116	7.07%	507	15	42.45%	
2004	7,302	70,456,316	9,649	9.35%	72,218,476	9,890	11.77%	9,440	3.55%	483	15	48.63%	
2005	7,198	72,607,035	10,087	4.54%	77,854,588	10,816	9.36%	9,879	4.65%	437	16	52.70%	
2006	6,925	73,868,316	10,667	5.75%	78,666,755	11,360	5.03%	10,689	8.20%	424	16	52.29%	

Source: District Records

(1) - Operating Expenditure is Total Expenditures minus Capital Outlay and Debt Service from Schedule 6

(2) - Operating Expenditure by Enrollment

(3) - Expenses is Total Expenses from Schedule 2

(4) - Expenses by Enrollment

(5) - From Ohio Department of Education

N/A - Information not available

Middletown City School District
 School Building Information
 Last Ten Fiscal Years
 Schedule 19

School	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<u>School</u>										
Elementary Schools										
Amanda Elementary - 1961										
Square feet	68,234	68,234	68,234	68,234	68,234	68,234	68,234	68,234	68,234	68,234
Capacity	546	546	546	546	546	546	546	546	546	546
Enrollment	476	441	431	406	238	231	416	385	446	276
Percent of Capacity (3)	87%	81%	79%	74%	44%	42%	76%	71%	82%	51%
Site Acreage	17	17	17	17	17	17	17	17	17	17
Central Academy - 1960										
Square feet	30,271	30,271	30,271	30,271	30,271	30,271	30,271	30,271	30,271	30,271
Capacity	243	243	243	243	243	243	243	243	243	243
Enrollment	301	301	298	292	268	270	285	271	292	291
Percent of Capacity (3)	124%	124%	123%	120%	110%	111%	117%	112%	120%	120%
Site Acreage	2	2	2	2	2	2	2	2	2	2
Creekview Elementary - 1961										
Square feet	40,869	40,869	40,869	40,869	40,869	40,869	40,869	40,869	40,869	40,869
Capacity	327	327	327	327	327	327	327	327	327	327
Enrollment	387	371	438	358	336	358	342	442	383	417
Percent of Capacity (3)	118%	113%	134%	109%	103%	109%	105%	135%	117%	128%
Site Acreage	12	12	12	12	12	12	12	12	12	12
Jefferson Elementary - 1912										
Square feet	41,704	41,704	41,704	41,704	41,704	41,704	41,704	(2)	(2)	(2)
Capacity	334	334	334	334	334	334	334	(2)	(2)	(2)
Enrollment	352	339	322	329	293	274	312	(2)	(2)	(2)
Percent of Capacity (3)	105%	101%	96%	99%	88%	82%	93%	(2)	(2)	(2)
Site Acreage	3	3	3	3	3	3	3	3	3	3
Mayfield Elementary - 1939										
Square feet	49,828	49,828	49,828	49,828	49,828	49,828	49,828	49,828	49,828	49,828
Capacity	425	425	425	425	425	425	425	425	425	425
Enrollment	647	667	624	596	555	530	458	447	576	537
Percent of Capacity (3)	152%	157%	147%	140%	131%	125%	108%	105%	136%	126%
Site Acreage	5	5	5	5	5	5	5	5	5	5
McKinley Elementary - 1930										
Square feet	76,673	76,673	76,673	76,673	76,673	76,673	76,673	76,673	76,673	76,673
Capacity	639	639	639	639	639	639	639	639	639	639
Enrollment	484	411	390	406	437	436	330	233	203	227
Percent of Capacity (3)	76%	64%	61%	64%	68%	68%	52%	36%	32%	36%
Site Acreage	8	8	8	8	8	8	8	8	8	8
Monroe Elementary - 1955										
Square feet	44,638	44,638	44,638	44,638	(1)	(1)	(1)	(1)	(1)	(1)
Capacity	500	500	500	500	(1)	(1)	(1)	(1)	(1)	(1)
Enrollment	380	406	432	448	(1)	(1)	(1)	(1)	(1)	(1)
Percent of Capacity (3)	76%	81%	86%	90%	(1)	(1)	(1)	(1)	(1)	(1)
Site Acreage	8	8	8	8	(1)	(1)	(1)	(1)	(1)	(1)
Oneida Elementary - 1953										
Square feet	37,255	37,255	37,255	37,255	37,255	37,255	(2)	(2)	(2)	(2)
Capacity	299	299	299	299	299	299	(2)	(2)	(2)	(2)
Enrollment	311	295	268	266	268	265	(2)	(2)	(2)	(2)
Percent of Capacity (3)	104%	99%	90%	89%	90%	89%	(2)	(2)	(2)	(2)
Site Acreage	11	11	11	11	11	11	11	11	11	11

Middletown City School District
 School Building Information
 Last Ten Fiscal Years
 Schedule 19 (continued)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<u>School</u>										
Elementary Schools (continued)										
Roosevelt Elementary - 1930										
Square feet	114,456	114,456	114,456	114,456	114,456	114,456	114,456	114,456	114,456	114,456
Capacity	812	812	812	812	812	812	812	812	812	812
Enrollment	768	757	755	763	709	669	728	731	746	765
Percent of Capacity (3)	95%	93%	93%	94%	87%	82%	90%	90%	92%	94%
Site Acreage	7	7	7	7	7	7	7	7	7	7
Rosedale Elementary - 1966										
Square feet	32,795	32,795	32,795	32,795	32,795	32,795	32,795	32,795	32,795	32,795
Capacity	262	262	262	262	262	262	262	262	262	262
Enrollment	369	356	339	322	335	338	314	307	325	332
Percent of Capacity (3)	141%	136%	129%	123%	128%	129%	120%	117%	124%	127%
Site Acreage	7	7	7	7	7	7	7	7	7	7
Taft Elementary - 1952										
Square feet	64,456	64,456	64,456	64,456	64,456	64,456	64,456	64,456	64,456	64,456
Capacity	537	537	537	537	537	537	537	537	537	537
Enrollment	382	356	378	379	362	356	313	379	302	271
Percent of Capacity (3)	71%	66%	70%	71%	67%	66%	58%	71%	56%	50%
Site Acreage	6	6	6	6	6	6	6	6	6	6
Wildwood Elementary - 1959 (4)										
Square feet	44,450	44,450	44,450	44,450	44,450	44,450	44,450	44,450	44,450	44,450
Capacity	356	356	356	356	356	356	356	356	356	356
Enrollment	303	308	314	341	323	311	300	433	392	390
Percent of Capacity (3)	85%	87%	88%	96%	91%	87%	84%	122%	110%	110%
Site Acreage	4	4	4	4	4	4	4	4	4	4
Wilson Elementary - 1951										
Square feet	48,313	48,313	48,313	48,313	48,313	48,313	48,313	48,313	48,313	48,313
Capacity	387	387	387	387	387	387	387	387	387	387
Enrollment	408	382	340	323	308	284	270	357	337	330
Percent of Capacity (3)	105%	99%	88%	83%	80%	73%	70%	92%	87%	85%
Site Acreage	5	5	5	5	5	5	5	5	5	5
Middle Schools										
Stephen Vail Middle - 1923										
Square feet	222,409	222,409	222,409	222,409	222,409	222,409	222,409	222,409	222,409	222,409
Capacity	1,577	1,577	1,577	1,577	1,577	1,577	1,577	1,577	1,577	1,577
Enrollment	925	945	943	773	765	827	799	797	736	703
Percent of Capacity (3)	59%	60%	60%	49%	49%	52%	51%	51%	47%	45%
Site Acreage	3	3	3	3	3	3	3	3	3	3
George M. Verity Middle - 1968										
Square feet	81,589	81,589	81,589	81,589	81,589	81,589	81,589	81,589	81,589	81,589
Capacity	653	653	653	653	653	653	653	653	653	653
Enrollment	627	678	645	699	622	616	617	605	483	489
Percent of Capacity (3)	96%	104%	99%	107%	95%	94%	94%	93%	74%	75%
Site Acreage	39	39	39	39	39	39	39	39	39	39

Middletown City School District
 School Building Information
 Last Ten Fiscal Years
 Schedule 19 (concluded)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<u>School</u>										
High School										
Garfield Alternative - 1925										
Square feet	56038	56038	56038	56038	56038	56038	56038	56038	56038	56038
Capacity	312	312	312	312	312	312	312	312	312	312
Enrollment	202	179	169	169	174	148	177	158	122	66
Percent of Capacity (3)	65%	57%	54%	54%	56%	47%	57%	51%	39%	21%
Site Acreage	3	3	3	3	3	3	3	3	3	3
Lemon Monroe High - 1949										
Square feet	175,476	175,476	175,476	175,476	(1)	(1)	(1)	(1)	(1)	(1)
Capacity	1,200	1,200	1,200	1,200	(1)	(1)	(1)	(1)	(1)	(1)
Enrollment	923	924	940	896	(1)	(1)	(1)	(1)	(1)	(1)
Percent of Capacity (3)	77%	77%	78%	75%	(1)	(1)	(1)	(1)	(1)	(1)
Site Acreage	35	35	35	35	(1)	(1)	(1)	(1)	(1)	(1)
Middletown High - 1969										
Square feet	363,627	363,627	363,627	363,627	363,627	363,627	363,627	363,627	363,627	363,627
Capacity	2,178	2,178	2,178	2,178	2,178	2,178	2,178	2,178	2,178	2,178
Enrollment	1,569	1,537	1,536	1,569	1,740	1,839	1,832	1,754	1,809	1,831
Percent of Capacity (3)	72%	71%	71%	72%	80%	84%	84%	81%	83%	84%
Site Acreage	8	8	8	8	8	8	8	8	8	8

Source: District Records

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

(2) - Middletown City School District demolished this building.

(3) - Enrollment divided by Capacity

(4) - Annexed 1993



Mary Taylor, CPA
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 27, 2007