

MIDDLETOWN CITY SCHOOL DISTRICT BUTLER COUNTY, OHIO



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE
FISCAL YEAR ENDED JUNE 30, 2017**

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

OF THE

MIDDLETOWN CITY
SCHOOL DISTRICT

BUTLER COUNTY, OHIO

FOR THE

FISCAL YEAR ENDED JUNE 30, 2017

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

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INTRODUCTORY SECTION

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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*Middletown
City Schools*

Office of the Treasurer

ONE DONHAM PLAZA
4th FLOOR
MIDDLETOWN, OHIO 45042

www.middletowncityschools.com

December 13, 2017

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

The Comprehensive Annual Financial Report [CAFR] of the Middletown City School District (the “District”) for the fiscal year ended June 30, 2017, is hereby submitted. This report, prepared by the Treasurer's office, includes an opinion from our auditor, Clark, Schaefer, Hackett & Co., and conforms to generally accepted accounting principles [GAAP] as applicable to governmental entities. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. This report will provide the residents of the Middletown City School District with comprehensive financial data in a format that will enable them to gain an understanding of the District's financial affairs. Copies will be available upon request to taxpayers, financial rating services, banking institutions and other interested parties.

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

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

The District receives pass through grants from the State and distributes these grants to parochial/private schools located within the District. This activity is included in the entity as the Auxiliary Services Special Revenue Fund because of the District's administrative involvement in the program. The parochial/private school served is John XXIII Elementary School and Middletown Christian Schools. While these organizations share operational and service similarity with the District, each is a legally separate and distinct entity. Because of their independent nature, none of these organizations are included in this report.

ECONOMIC CONDITION AND OUTLOOK

The District is located in southwestern Ohio, midway between the cities of Cincinnati and Dayton, in the northeast corner of Butler County. The eastern boundary of the District is along Interstate 75, which runs from Canada to Florida, making it a desirable location for many businesses that require easy access to the nation's interstate system. Approximately 64 percent of the District’s tax base is agricultural and residential properties; the remainder is composed of a wide range of manufacturing, commercial and other business properties. The overall economic outlook for the area remains guarded with unemployment rates at 4.0 percent for Butler County.

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

DESCRIPTION OF THE DISTRICT

The District serves an area of 25 square miles, encompassing the City of Middletown and a portion of Lemon Township in the northeastern corner of Butler County, midway between Cincinnati and Dayton. It also encompasses a small portion of Franklin Township in Warren County. According to information from the U.S. Census Bureau, the population of the City of Middletown is approximately 48,760 residents. The tax base of the District is comprised of a unique blend of residential, commercial, and industrial property, with 39.5% of the tax revenue of the District paid by business and industry.

During the 2016-17 school year, the District had 6,426 students enrolled in 7 elementary schools, one sixth grade center, one middle schools serving grades 7-8 and one comprehensive high school for grades 9-12 including an alternative program. The District also operates a variety of other facilities, including a central administration building, bus garage, and several sports fields. The District has eleven active buildings with the average built year of 1984 but six buildings were in 2006 or after with two additional building remodeled in 2008. The high school is currently undergoing a total renovation and the Middle School is being built new and both scheduled for completion in the summer of 2018. The projected funded enrollment for fiscal year 2018 is 6,400.

The District provides a full range of programs and services for its students and citizens. These include elementary and secondary course offerings at the general and college preparatory levels; a broad range of co-curricular and extra-curricular activities to complement the students 11 curricular program; and adult education offerings for improvement beyond the high school level. The GED program is operated by Butler Tech.

ORGANIZATION OF THE SCHOOL DISTRICT

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

The Board members represent a cross section of professions in the community. The Board members on June 30, 2017, were as follows:

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

The Superintendent is the Chief Executive Officer of the District, responsible directly to the Board for all educational and support operations. Dr. Sam Ison was appointed Superintendent in July, 2013. Prior to his appointment, Dr. Ison served as Director of Instructional Leadership in Middletown City Schools and was a high school principal in Lebanon City Schools prior to that. Dr. Ison holds a Doctorate Degree in Educational Administration from Miami University and has 37 years of experience in education. Mr. Marlon Styles replaced Dr. Sam Ison on August 1, 2017.

The Treasurer is the Chief Financial Officer of the District and is directly responsible to the Board for all financial operations, investments, and serves as Secretary to the Board. Mr. Randall Bertram became Treasurer August 1, 2014. Mr. Bertram holds a Bachelor's of Science in Business Administration and an Associates in Applied Science in Financial Management.

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

EMPLOYEE RELATIONS

The District employed 525 full and part-time staff members during the 2016-17 school year. This included classified employees who are responsible for the operation of the District's support services and the teaching and administrative staff of the District. Two organizations represent the teaching and classified employees. The District's administrative employees are not currently represented.

The Middletown Teachers Association (MTA), an affiliate of the Ohio Education Association (OEA), represents all certificated employees of the District. The MTA and District have negotiated a collective bargaining agreement on language, salary and fringe benefits that began July 1, 2017 and expires June 30, 2020. This contract includes modest increases in wages and maintains benefits on the part of the union members, which the Board applied unilaterally to all District employees.

The Middletown Classified Employees Association (MCEA), also an affiliate of the Ohio Education Association (OEA), represents a majority of the support staff of the District. Classified employees are responsible for providing the necessary support services of the District, including: transportation services, clerical support, building maintenance and custodial needs. The current MCEA collective bargaining is effective July 1, 2017 through June 30, 2020 that includes modest increases in wages and maintains benefits on the part of the union members, which the Board applied unilaterally to all District employees.

SERVICES PROVIDED

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

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

MAJOR CURRENT AND FUTURE INITIATIVES

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

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

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

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

Construction of three of the elementary schools, and the renovation of a fourth, was completed in the summer of 2006. Construction of the fifth elementary school began in the spring of 2005 and was completed in the summer of 2007. Construction of the sixth and seventh elementary buildings began in the spring of 2006 and was completed in early 2008. Finally, the renovation and addition of several classrooms to an existing elementary school began in the summer of 2007 with completion in the summer of 2008.

The second phase of the project consists of the construction of a new middle school and renovation of the current high school. The November 2013 ballot issue was defeated. In May 2014, the District successfully passed the \$55,000,000 bond issue for completing the District -wide construction program. The District is currently working with Ohio Facilities Construction Commission, its architects, bond counsel, and bond underwriting and municipal advisors to complete this project by 2018. This final phase will include the construction of a new middle school and arena next to the high school, renovating the high school and razing of other vacant school buildings. The ground breaking for these projects was in April 2016.

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

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

RELEVANT FINANCIAL POLICIES

In June of 2006, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2007 and was eliminated in 2009. The tax on telephone and telecommunication property began being phased out in 2009 and was eliminated in 2011. The tax is being phased out by reducing the assessment rate on the property each year. The District was reimbursed fully for the lost revenue through May 2013; in the following six years, the reimbursements will be phased out according to current state law. In August 2015, the Board of Education worked with the treasurer to pass a General Fund Cash Reserve Policy benchmarking a minimum 10% cash reserve, and the District met this policy by June 30, 2017. The forecast continues to see increased carryover while initiating needed text book adoptions, technology and set asides for building maintenance and repairs.

FINANCIAL INFORMATION

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

INTERNAL ACCOUNTING AND BUDGETARY CONTROL

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

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

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

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

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

The accounting system used by the District provides interim financial reports which detail year-to-date expenditures and encumbrances versus the original appropriation plus any additional appropriations made to date. In addition to interim financial statements, each program manager is furnished monthly reports showing the status of the budget accounts for which he or she is responsible. Each program manager may request additional financial reports during the month when necessary. As an additional safeguard, a blanket bond covers all employees involved with receiving and depositing funds and a separate, higher bond covers certain individuals in policy-making roles. The basis of accounting and the various funds utilized by the District are fully described in the notes to the basic financial statements. Additional information on the District's budgetary accounts can also be found in the notes to the basic financial statements.

INDEPENDENT AUDIT

The State of Ohio requires an annual audit by either the Ohio Auditor of State or by an independent public accounting firm. The Clark, Schaefer, Hackett & Co. performed the audit for the fiscal year ended June 30, 2017. The auditor's unmodified opinion rendered on the District's basic financial statements, and their report on the combining and individual fund statements and schedules, is included in the financial section of this report. Pursuant to statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all units of local education agencies in Ohio. The District adopted and has been in conformance with that system effective with its annual financial report since the 1979 calendar year.

AWARDS

GFOA Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

ASBO Certificate of Excellence in Financial Reporting

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

The District received the Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2016. The District believes that the Comprehensive Annual Financial Report for fiscal year June 30, 2017, which will be submitted to ASBO for review, will conform to ASBO's principles and standards.

ACKNOWLEDGEMENTS

The preparation of the 2017 Comprehensive Annual Financial Report of the Middletown City School District was made possible by the combined efforts of the District's Finance Department and Julian & Grube, Inc. The publication of this Comprehensive Annual Financial Report for the District is a major step in the reinforcing of the accountability of the District to the taxpayers of the community. Finally, sincere appreciation is extended to the Board of Education for its interest and support of this project.

Respectfully submitted,

A handwritten signature in cursive script that reads "Randall R. Bertram". The signature is written in black ink and is positioned below the text "Respectfully submitted,".

Randall R. Bertram, Treasurer/CFO

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

**LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2017**

BOARD OF EDUCATION

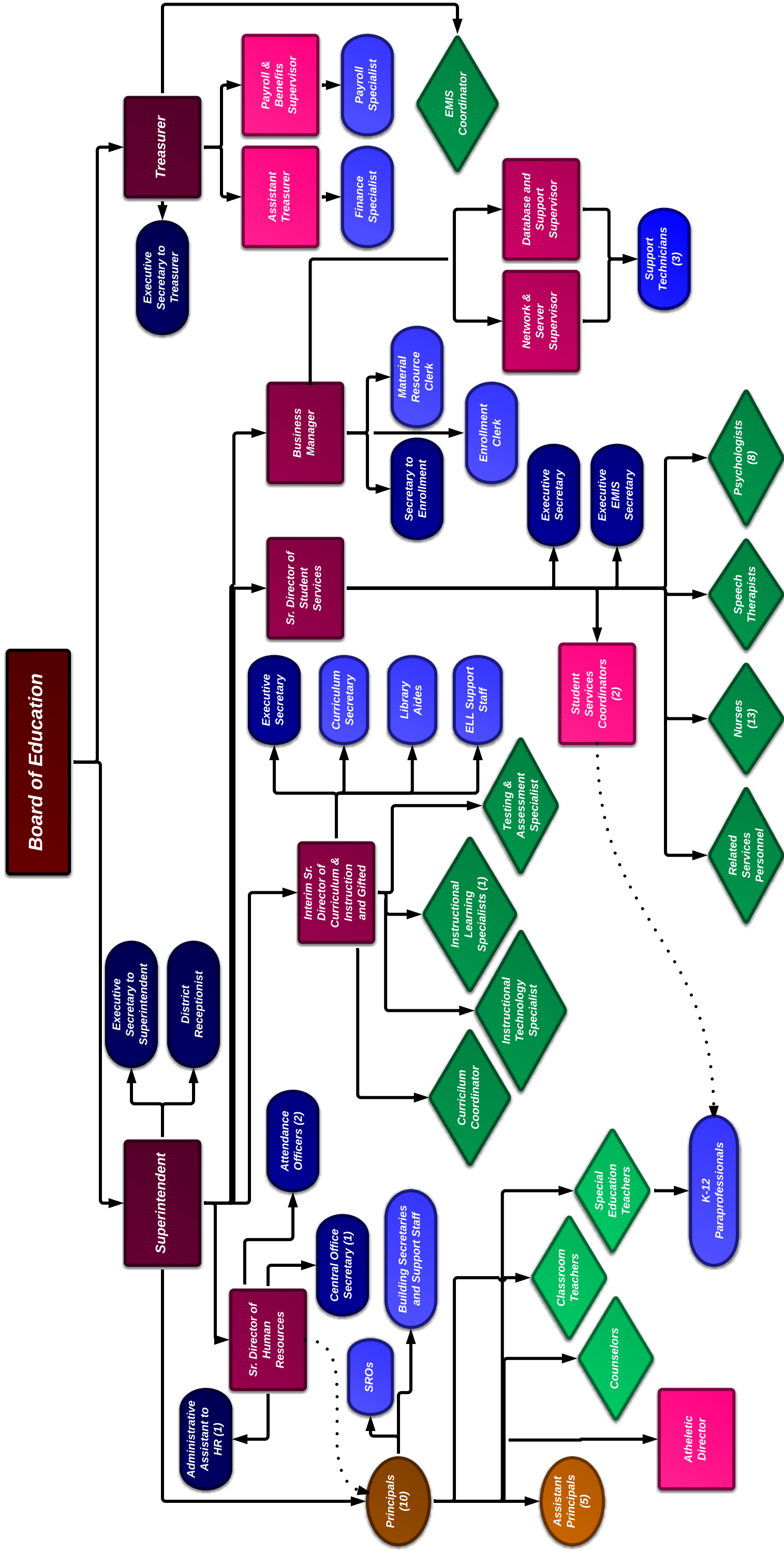
President	Dr. Chris Urso
Vice President	Mrs. Marcia Andrew
Board Member	Mrs. Anita Scheibert
Board Member	Mr. Todd Moore
Board Member	Ms. Michelle Novak

ADMINISTRATIVE OFFICIALS

Superintendent	Dr. Sam Ison ⁽¹⁾
Treasurer	Mr. Randall Bertram
Director of Human Resources & Instructional Leadership	Ms. Deborah Houser
Interim Director of Curriculum & Instruction	Mrs. Carolyn Mack
Director of Student Services	Mrs. Deborah Sander
Curriculum Coordinator	Ms. Beth Olthoff
Director of Athletics	Mr. Aaron Zupka
Legal Counsel	Don Crain, Esq. - Frost, Brown & Todd, Attorneys at Law

⁽¹⁾ Marlon J. Styles became Superintendent of the District on August 1, 2017.

2016-2017 Middletown City School District Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Middletown City School District
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The 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, 2016.

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



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'.

John D. Musso, CAE, RSBA
Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Middletown City School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Middletown City School District (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Middletown City School District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 13, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The management discussion and analysis of the Middletown City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position of governmental activities increased \$8,153,065 which represents a 46.85% increase from June 30, 2016's net position.
- General revenues accounted for \$71,874,747 in revenue or 78.19% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$20,050,283 or 21.81%.
- The District had \$83,771,965 in expenses related to governmental activities; \$20,050,283 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$71,874,747 were adequate to provide for these programs.
- The District has four major funds which include the general fund, the bond retirement fund, the building fund and the construction fund. The general fund had \$72,990,367 in revenues and other financing sources and \$67,516,968 in expenditures and other financing uses. The general fund's fund balance increased \$5,473,399 from \$9,184,088 to \$14,657,487.
- The bond retirement fund had \$5,632,821 in revenues and \$6,429,604 in expenditures. The bond retirement fund's fund balance decreased \$796,783 from \$5,141,164 to \$4,344,381.
- The building fund had \$90,493 in revenues and \$7,256,876 in expenditures. The building fund's fund balance decreased \$7,166,383 from \$15,042,883 to \$7,876,500.
- The construction fund had \$26,471,148 in revenues and \$38,241,032 in expenditures. The construction fund's fund balance decreased \$11,769,884 from \$36,616,742 to \$24,846,858.

Using this Comprehensive Annual Financial Report (CAFR)

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has four major funds: the general fund, the bond retirement fund, the building fund and the construction fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include *all assets, all deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the District as a whole, whether the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 13. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the bond retirement fund, the building fund and the construction fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 20-26 of this report.

Reporting the District's Fiduciary Responsibilities

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-62 of this report.

Required Supplementary Information

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

The District as a Whole

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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The table below provides a summary of the District's net position at June 30, 2017 and June 30, 2016.

	Net Position		
	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>	Percent <u>Change</u>
<u>Assets</u>			
Current and other assets	\$ 118,669,683	\$ 151,009,727	(21.42) %
Capital assets, net	<u>112,029,328</u>	<u>68,839,568</u>	62.74 %
Total assets	<u>230,699,011</u>	<u>219,849,295</u>	4.94 %
<u>Deferred Outflows of Resources</u>			
Unamortized deferred loss on debt refunding	22,619	24,179	(6.45) %
Pension	<u>18,232,718</u>	<u>8,256,579</u>	120.83 %
Total deferred outflows of resources	<u>18,255,337</u>	<u>8,280,758</u>	120.45 %
<u>Liabilities</u>			
Current liabilities	12,221,160	8,535,068	43.19 %
Long-term liabilities:			
Due within one year	2,554,241	2,384,635	7.11 %
Due in more than one year:			
Net pension liability	99,231,687	84,711,209	17.14 %
Other amounts	<u>102,420,651</u>	<u>105,020,140</u>	(2.48) %
Total liabilities	<u>216,427,739</u>	<u>200,651,052</u>	7.86 %
<u>Deferred Inflows of Resources</u>			
Property taxes and PILOTs levied for next year	32,267,013	29,724,790	8.55 %
Unamortized deferred gain on debt refunding	520,588	575,872	(9.60) %
Pensions	<u>8,987,658</u>	<u>14,580,054</u>	(38.36) %
Total deferred inflows of resources	<u>41,775,259</u>	<u>44,880,716</u>	(6.92) %
<u>Net Position</u>			
Net investment in capital assets	33,418,675	8,826,190	278.63 %
Restricted	29,002,067	51,446,955	(43.63) %
Unrestricted	<u>(71,669,392)</u>	<u>(77,674,860)</u>	(7.73) %
Total net position	<u>\$ (9,248,650)</u>	<u>\$ (17,401,715)</u>	(46.85) %

During a previous fiscal year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

**MIDDLETOWN CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

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

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017 and June 30, 2016, the District's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$9,248,650 and \$17,401,715, respectively. Net position increased \$8,153,065 from June 30, 2016's net position.

Assets of the District increased \$10,849,716 or 4.94%. Current assets decreased \$32,340,044 or 21.42%. The most significant decreases were in the areas of intergovernmental receivables and restricted cash and investments with trustee. The intergovernmental receivables decreased to the collection of the Ohio School Facilities Commission (OFCC) grant from the State. Restricted cash and investments decreased due to the spending down of cash for construction purposes. At year-end, capital assets represented 48.56% of total assets. Capital assets include land, buildings and improvements, equipment and construction in progress. Net investment in capital assets at June 30, 2017 and June 30, 2016, were \$33,418,675 and \$8,826,190, respectively. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**MIDDLETOWN CITY SCHOOL DISTRICT
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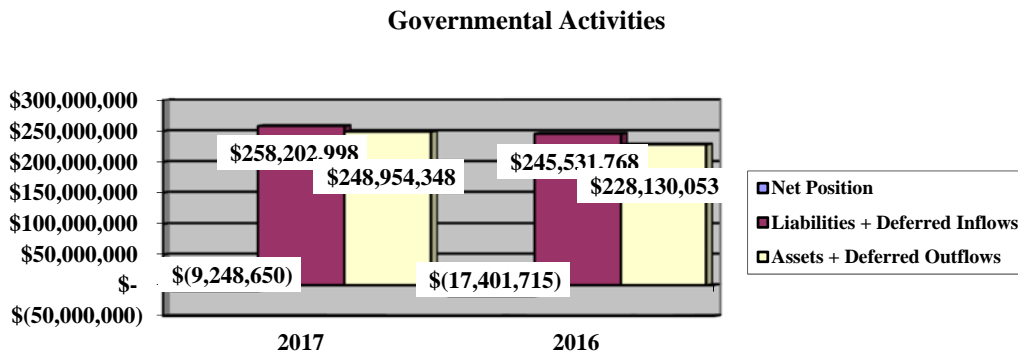
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The capital assets increased due to current year additions of \$45,731,277 exceeding current year depreciation of \$2,541,517. The District major capital asset addition was construction in progress related to the District's building project.

Liabilities of the District increased \$15,776,687 or 7.86%. Current liabilities increased \$3,686,092 or 43.19% due to an increase in contracts payable and retainage payable related to the District's construction project and an increase in accrued wages and benefits payable. Long-term liabilities increased \$12,090,595. This increase is mainly due to the increase in the net pension liability that was partially offset by \$2.4 million in principal payments on debt. The net pension liability increase was a result of overall increase in net pension liability for both the State Teachers Retirement System (STRS) and School Employees Retirement System (SERS).

A portion of the District's net position, \$29,002,067, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$24,364,459 is restricted for capital projects. This amount is related to the District's State share of its Ohio Facilities Construction Commission (OFCC) project that has been unspent thus far. The remaining balance of unrestricted net position is (\$71,669,392).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2017 and June 30, 2016.



The table below shows the change in net position for fiscal years 2017 and 2016.

Change in Net Position

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>	Percentage <u>Change</u>
Revenues			
Program revenues:			
Charges for services and sales	\$ 1,558,968	\$ 1,380,777	12.91 %
Operating grants and contributions	18,491,315	16,825,958	9.90 %
General revenues:			
Taxes	28,820,905	37,529,024	(23.20) %
Payment in lieu of taxes	677,978	886,632	(23.53) %
Grants and entitlements not restricted	41,547,296	38,775,910	7.15 %
Investment earnings	449,200	448,314	0.20 %
Other	<u>379,368</u>	<u>479,274</u>	(20.85) %
Total revenues	<u>91,925,030</u>	<u>96,325,889</u>	(4.57) %

Continued

**MIDDLETOWN CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Change in Net Position (Continued)

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>	<u>Percentage Change</u>
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 22,090,312	\$ 21,885,329	0.94 %
Special	9,519,030	9,989,974	(4.71) %
Vocational	91,922	83,306	10.34 %
Adult/continuing	2,114	3,477	(39.20) %
Other	14,785,832	13,840,798	6.83 %
Support services:			
Pupil	4,193,175	3,895,910	7.63 %
Instructional staff	2,759,968	2,619,650	5.36 %
Board of education	69,441	70,619	(1.67) %
Administration	4,197,588	3,912,734	7.28 %
Fiscal	1,541,679	1,470,168	4.86 %
Business	279,945	229,965	21.73 %
Operations and maintenance	8,833,372	7,631,480	15.75 %
Pupil transportation	4,244,506	4,125,548	2.88 %
Central	1,218,435	1,218,035	0.03 %
Operations of non-instructional services	4,650,576	4,652,290	(0.04) %
Extracurricular activities	981,923	815,861	20.35 %
Interest and fiscal charges	<u>4,312,147</u>	<u>4,933,230</u>	(12.59) %
Total expenses	<u>83,771,965</u>	<u>81,378,374</u>	2.94 %
Change in net position	8,153,065	14,947,515	(45.46) %
Net position, beginning of year	<u>(17,401,715)</u>	<u>(32,349,230)</u>	46.21
Net position, end of year	<u>\$ (9,248,650)</u>	<u>\$ (17,401,715)</u>	(46.85) %

Net position of the District's governmental activities increased \$8,153,065 in fiscal year 2017 and increased \$14,947,515 in fiscal year 2016. Total governmental expenses of \$83,771,965 were offset by program revenues of \$20,050,283 and general revenues of \$71,874,747 during fiscal year 2017. Program revenues supported 23.93% of the total governmental expenses during fiscal year 2017.

Revenues of the District decreased \$4,400,859 or 4.57%. The most significant decrease was in the area of property taxes. Taxes decreased \$8,708,119 or 23.20% due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Butler County Auditor. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2017, 2016 and 2015 was \$1,230,297, \$4,623,724 and \$1,985,338, respectively. The amount of tax advance available at year-end can vary depending upon when the county auditor distributes tax bills. The increase in operating grants and contributions was the result of an increase in Title VI-B and Title I funding. The increase in unrestricted grants resulted from a new State budget which allowed for increase in State foundation funding in the areas of opportunity grant, targeted assistance and economic disadvantaged funding.

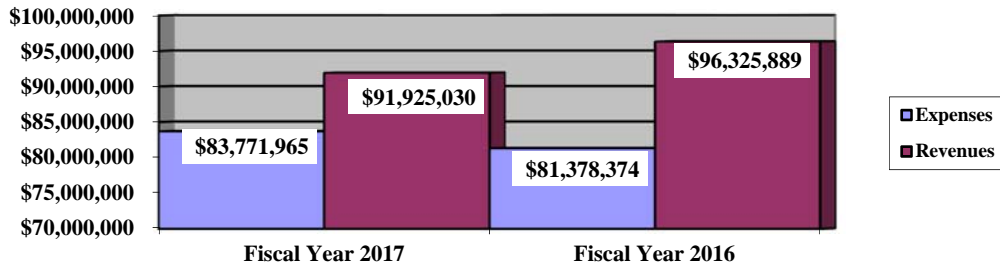
**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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Expenses of the District increased \$2,393,591 or 2.94%. The District showed increases in many functional categories due to increased expenses that resulted from the net pension liability.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2017 and 2016.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program expenses				
Instruction:				
Regular	\$ 22,090,312	\$ 20,817,238	\$ 21,885,329	\$ 20,751,646
Special	9,519,030	377,304	9,989,974	1,272,238
Vocational	91,922	(179,043)	83,306	(199,383)
Adult/continuing	2,114	2,114	3,477	3,477
Other	14,785,832	14,785,832	13,840,798	13,840,798
Support services:				
Pupil	4,193,175	3,994,403	3,895,910	3,769,935
Instructional staff	2,759,968	405,960	2,619,650	1,145,700
Board of education	69,441	69,441	70,619	70,619
Administration	4,197,588	3,707,760	3,912,734	3,540,862
Fiscal	1,541,679	1,117,199	1,470,168	1,470,168
Business	279,945	279,945	229,965	214,638
Operations and maintenance	8,833,372	8,802,882	7,631,480	7,573,078
Pupil transportation	4,244,506	3,737,666	4,125,548	3,774,424
Central	1,218,435	1,191,726	1,218,035	1,214,878
Operations of non-instructional services	4,650,576	(658,703)	4,652,290	(814,034)
Extracurricular activities	981,923	957,811	815,861	609,365
Interest and fiscal charges	4,312,147	4,312,147	4,933,230	4,933,230
Total	<u>\$ 83,771,965</u>	<u>\$ 63,721,682</u>	<u>\$ 81,378,374</u>	<u>\$ 63,171,639</u>

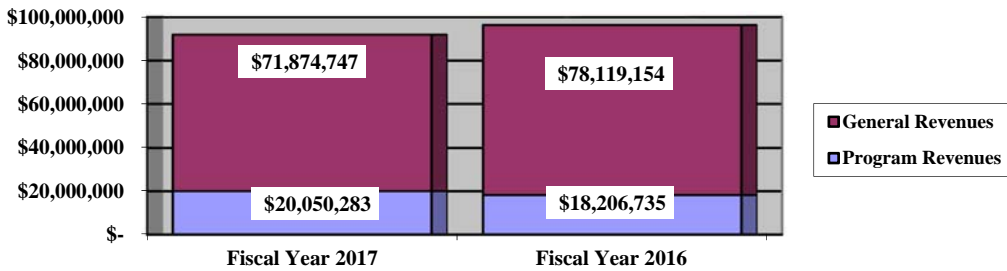
**MIDDLETOWN CITY SCHOOL DISTRICT
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The dependence upon tax and other general revenues for governmental activities is apparent, 77.01% of instruction activities were supported through taxes and other general revenues during fiscal year 2017. For all governmental activities, general revenue support was 76.07% in fiscal year 2017. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District students.

The graph below presents the District's governmental activities revenues for fiscal years 2017 and 2016.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on pages 20-21) reported a combined fund balance of \$54,519,817, which is lower than last year's total of \$68,141,252. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	<u>Change</u>	Percentage <u>Change</u>
General	\$ 14,657,487	\$ 9,184,088	\$ 5,473,399	59.60 %
Bond retirement	4,344,381	5,141,164	(796,783)	(15.50) %
Building	7,876,500	15,042,883	(7,166,383)	(47.64) %
Construction	24,846,858	36,616,742	(11,769,884)	(32.14) %
Other Governmental	<u>2,794,591</u>	<u>2,156,375</u>	<u>638,216</u>	29.60 %
Total	<u>\$ 54,519,817</u>	<u>\$ 68,141,252</u>	<u>\$ (13,621,435)</u>	(19.99) %

General Fund

The general fund increased \$5,473,399 during fiscal year 2017.

**MIDDLETOWN CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2017 <u>Amount</u>	2016 <u>Amount</u>	<u>Change</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 23,944,187	\$ 31,080,203	\$ (7,136,016)	(22.96) %
Payment in lieu of taxes	666,839	886,632	(219,793)	(24.79) %
Earnings on investments	109,363	13,869	95,494	688.54 %
Intergovernmental	46,613,104	43,503,274	3,109,830	7.15 %
Other revenues	<u>1,614,663</u>	<u>1,533,762</u>	<u>80,901</u>	5.27 %
Total	<u>\$ 72,948,156</u>	<u>\$ 77,017,740</u>	<u>\$ (4,069,584)</u>	(5.28) %
<u>Expenditures</u>				
Instruction	\$ 43,993,337	\$ 43,332,353	\$ 660,984	1.53 %
Support services	21,730,766	20,741,915	988,851	4.77 %
Operation of				
non-instructional services	39,374	31,451	7,923	25.19 %
Extracurricular activities	113,162	71,235	41,927	58.86 %
Facilities acquisition and const.	31,879	10,279	21,600	210.14 %
Debt service	<u>403,971</u>	<u>2,006,413</u>	<u>(1,602,442)</u>	(79.87) %
Total	<u>\$ 66,312,489</u>	<u>\$ 66,193,646</u>	<u>\$ 118,843</u>	0.18 %

Revenues of the general fund decreased \$4,069,584 or 5.28%. The most significant decrease was in the area of taxes which decreased \$7,136,016 or 22.96%. This decrease is the result of due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Butler County Auditor. The amount of tax advance available at year-end can vary depending upon when the county auditor distributes tax bills. Intergovernmental revenue increased 7.15% due to increases in State foundation funding related to a new State budget that provided more funding for the District.

Expenditures of the general fund increased \$118,843 or 0.18%. The most significant increases were in the area of instruction and support services. Instruction and support services increased \$660,984 and \$988,851, respectively, due to increases in spending on regular teachers for salaries and benefits. Debt service decreased due to the District no longer issuing bond anticipation notes for general purposes.

Bond Retirement Fund

The bond retirement fund had \$5,632,821 in revenues and \$6,429,604 in expenditures. The bond retirement fund's fund balance decreased \$796,783 from \$5,141,164 to \$4,344,381. This decrease is primarily the result of principal and interest payments on bonds exceeding the property tax collections.

Building Fund

The building fund had \$90,493 in revenues and \$7,256,876 in expenditures. The building fund's fund balance decreased \$7,166,383 from \$15,042,883 to \$7,876,500. The decrease is mainly due to the District incurring costs associated with the Locally Fund Initiative (LFI) portion of the District's OFCC project.

Construction Fund

The construction fund had \$26,471,148 in revenues and \$38,241,032 in expenditures. The construction fund's fund balance decreased \$11,769,884 from \$36,616,742 to \$24,846,858. This decrease was the result of the District spending down of bond proceeds and intergovernmental revenues for the District's ongoing project.

**MIDDLETOWN CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues and other financing sources of \$76,675,944 were increased to \$77,551,387 in the final budget. The District increased its estimate in advances to account for repayment of prior year advances and also increased intergovernmental-state estimates to account for an increase in State foundation money expected from the State of Ohio. Actual revenues and other financing sources increased \$565,646 to \$78,117,033. This increase from the final budget resulted from increased actual State foundation revenues.

General fund original and final appropriations (appropriated expenditures plus other financing uses) were \$71,791,673. The District primarily reallocated appropriations between various functions. The most significant reclassification was to move amounts from regular to other instruction. These reclassifications were necessary to better associate the appropriation's activity with its function. Actual expenditures and other uses of \$69,711,904 were \$2,079,769 lower than final appropriations due to the District's conservative budget practices in all of the various functional expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had \$112,029,328 invested in land, construction in progress, buildings and improvements and equipment. This entire amount is reported in governmental activities.

The following table shows June 30, 2017 balances compared to June 30, 2016.

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 1,527,633	\$ 1,527,633
Construction in progress	52,320,226	6,848,253
Buildings and improvements	57,160,324	59,046,335
Equipment	<u>1,021,145</u>	<u>1,417,347</u>
Total	<u>\$ 112,029,328</u>	<u>\$ 68,839,568</u>

The capital assets increased \$43,189,760. The capital assets increased due to current year additions of \$45,731,277 exceeding current year depreciation of \$2,541,517.

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

Debt Administration

At June 30, 2017, the District had \$104,083,287 in general obligation bonds, House Bill (HB) 264 debt and capital lease obligations outstanding. Of this total, \$2,534,515 is due within one year and \$101,548,772 is due in greater than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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

Outstanding Debt, at Year End

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
General obligation bonds and HB 264 debt	\$ 97,140,249	\$ 99,112,934
Premiums	6,864,592	7,225,605
Capital lease obligations	<u>78,446</u>	<u>128,808</u>
Total	<u>\$ 104,083,287</u>	<u>\$ 106,467,347</u>

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

For the Future

The District has experienced a steady decline in student enrollment over the past several years as a result of students leaving Middletown schools to attend charter/community schools, other public schools (open enrollment), and participate in the state voucher program for parochial schools. Over 766 students attended charter/community schools other than Middletown in fiscal year 2017 while residing within the district boundaries. Another 313 were open enrolled to surrounding public schools while 164 EdChoice scholarships were awarded to students to attend area parochial schools. This has resulted in rising tuition costs and financial pressures that has a negative effect on the general fund carryover balance. However, early indications for fiscal year 2018 indicated that enrollment has leveled with possibly a slight increase.

The District is taking measures to help control rising costs and improve financial efficiencies. The Board also recognized the need for stabilized local operating revenues. After several failed operating levies and one successful levy, the District combined and substituted two tax levies in May, 2010. The levies collected \$24.1 million in FY17 with an expected growth of 2% annually. All operating levies are continuous. The Board also implemented a cash carryover policy in 2015 to require a minimum of 10% cash carryover of operating expenditures to which the District obtained June 30, 2016 with a cash balance of \$8,064,274. The District more than doubled their cash carryover to \$17,244,650 June 30, 2017 to end with 25% above FY17 expenditures.

The District's efforts at cost savings and increased revenues have started to show as the ending cash balance as reported on the District's five year forecast in fiscal year 2016 and 2017 was \$8,064,274 and \$17,244,650 respectfully, and the forecast for fiscal year 2018 is showing an increased ending balance of \$21,166,630 that will slightly increase the following year, with deficit spending beginning in 2020 resulting in a forecasted ending balance of \$10,642,817 fiscal year 2022, which still maintains carryover in excess of board policy requirements. The District's revenue is forecasted to increase steadily due to increased state aide for the next five fiscal years.

The District's will need to maintain sound fiscal management to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's administration team is confident that the District can continue to provide a quality education, while modernizing its programs for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Randall Bertram, Treasurer/CFO, Middletown City School District, 1 Donham Plaza, Middletown, Ohio, 45042.

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

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 25,843,998
Cash in segregated accounts	1,102,275
Receivables:	
Property taxes	37,532,161
Payment in lieu of taxes	617,449
Accounts	46,112
Accrued interest	24,408
Intergovernmental	24,776,404
Loans	510
Prepayments	92,209
Inventory held for resale	8,088
Restricted cash and investments with trustee	28,626,069
Capital assets:	
Nondepreciable capital assets	53,847,859
Depreciable capital assets, net	58,181,469
Capital assets, net	<u>112,029,328</u>
Total assets	<u>230,699,011</u>
Deferred outflows of resources:	
Unamortized deferred loss on debt refunding	22,619
Pension - STRS	13,997,939
Pension - SERS	4,234,779
Total deferred outflows of resources	<u>18,255,337</u>
Liabilities:	
Accounts payable	550,863
Contracts payable	4,088,035
Retainage payable	1,102,275
Accrued wages and benefits payable	5,084,038
Intergovernmental payable	123,958
Pension and postemployment benefits payable	915,009
Accrued interest payable	356,982
Long-term liabilities:	
Due within one year	2,554,241
Due in more than one year:	
Net pension liability	99,231,687
Other amounts due in more than one year	102,420,651
Total liabilities	<u>216,427,739</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	31,660,703
Payment in lieu of taxes levied for the next fiscal year	606,310
Unamortized deferred gain on refunding	520,588
Pension - STRS	8,728,548
Pension - SERS	259,110
Total deferred inflows of resources	<u>41,775,259</u>
Net position:	
Net investment in capital assets	33,418,675
Restricted for:	
Capital projects	24,364,459
Classroom facilities maintenance	669,716
Locally funded programs	54,037
State funded programs	133,279
Federally funded programs	2,338,616
Other purposes	1,441,960
Unrestricted (deficit)	<u>(71,669,392)</u>
Total net position	<u>\$ (9,248,650)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 22,090,312	\$ 1,044,165	\$ 228,909	\$ (20,817,238)
Special	9,519,030	96,545	9,045,181	(377,304)
Vocational	91,922	-	270,965	179,043
Adult/continuing	2,114	-	-	(2,114)
Other	14,785,832	-	-	(14,785,832)
Support services:				
Pupil	4,193,175	46,839	151,933	(3,994,403)
Instructional staff	2,759,968	-	2,354,008	(405,960)
Board of education	69,441	-	-	(69,441)
Administration	4,197,588	-	489,828	(3,707,760)
Fiscal	1,541,679	12,544	411,936	(1,117,199)
Business	279,945	-	-	(279,945)
Operations and maintenance	8,833,372	26,737	3,753	(8,802,882)
Pupil transportation	4,244,506	7,707	499,133	(3,737,666)
Central	1,218,435	-	26,709	(1,191,726)
Operation of non-instructional services:				
Other non-instructional services	949,270	7,114	903,877	(38,279)
Food service operations	3,701,306	310,993	4,087,295	696,982
Extracurricular activities	981,923	6,324	17,788	(957,811)
Interest and fiscal charges	4,312,147	-	-	(4,312,147)
Total governmental activities	\$ 83,771,965	\$ 1,558,968	\$ 18,491,315	(63,721,682)
General revenues:				
Property taxes levied for:				
General purposes				23,847,638
Debt service				4,702,755
Classroom facilities maintenance				270,512
Payments in lieu of taxes				677,978
Grants and entitlements not restricted to specific programs				41,547,296
Investment earnings				449,200
Miscellaneous				379,368
Total general revenues				71,874,747
Change in net position				8,153,065
Net position at beginning of year				(17,401,715)
Net position at end of year				\$ (9,248,650)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Bond Retirement	Building	Construction
Assets:				
Equity in pooled cash and investments	\$ 18,164,675	\$ 4,140,202	\$ -	\$ -
Cash in segregated accounts	-	-	-	1,102,275
Receivables:				
Property taxes	31,349,365	5,889,575	-	-
Payment in lieu of taxes	617,449	-	-	-
Accounts	46,112	-	-	-
Accrued interest	-	-	7,383	17,025
Interfund loans	664,616	-	-	-
Intergovernmental	1,022,594	-	-	20,419,722
Loans	510	-	-	-
Prepayments	80,022	-	-	-
Inventory held for resale	-	-	-	-
Restricted assets:				
Equity in pooled cash and investments	-	-	8,658,874	19,967,195
Total assets	<u>\$ 51,945,343</u>	<u>\$ 10,029,777</u>	<u>\$ 8,666,257</u>	<u>\$ 41,506,217</u>
Liabilities:				
Accounts payable	\$ 129,157	\$ -	\$ -	\$ -
Contracts payable	-	-	782,374	3,305,661
Retainage payable	-	-	-	1,102,275
Accrued wages and benefits payable	4,510,577	-	-	-
Intergovernmental payable	112,806	-	-	-
Pension and postemployment benefits payable	790,724	-	-	-
Interfund loans payable	-	-	-	-
Total liabilities	<u>5,543,264</u>	<u>-</u>	<u>782,374</u>	<u>4,407,936</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	26,175,273	5,226,821	-	-
Payment in lieu of taxes levied for the next fiscal year	606,310	-	-	-
Delinquent property tax revenue not available	4,159,365	458,575	-	-
Intergovernmental revenue not available	792,505	-	-	12,234,398
Accrued interest not available	-	-	7,383	17,025
Delinquent PILOTs not available	11,139	-	-	-
Total deferred inflows of resources	<u>31,744,592</u>	<u>5,685,396</u>	<u>7,383</u>	<u>12,251,423</u>
Fund balances:				
Nonspendable:				
Prepayments	80,022	-	-	-
Restricted:				
Debt service	-	4,344,381	-	-
Capital improvements	-	-	7,876,500	24,846,858
Classroom facilities maintenance	-	-	-	-
Food service operations	-	-	-	-
Non-public schools	-	-	-	-
Targeted academic assistance	-	-	-	-
Extracurricular activities	-	-	-	-
Other purposes	-	-	-	-
Committed:				
Capital improvements	-	-	-	-
Assigned:				
Student instruction	50,379	-	-	-
Student and staff support	728,396	-	-	-
Operation of non-instructional	2,899	-	-	-
Facilities acquisition and construction	21,000	-	-	-
Other purposes	4,583	-	-	-
Unassigned (deficit)	13,770,208	-	-	-
Total fund balances	<u>14,657,487</u>	<u>4,344,381</u>	<u>7,876,500</u>	<u>24,846,858</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 51,945,343</u>	<u>\$ 10,029,777</u>	<u>\$ 8,666,257</u>	<u>\$ 41,506,217</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,539,121	\$ 25,843,998
-	1,102,275
293,221	37,532,161
-	617,449
-	46,112
-	24,408
-	664,616
3,334,088	24,776,404
-	510
12,187	92,209
8,088	8,088
-	28,626,069
<u>\$ 7,186,705</u>	<u>\$ 119,334,299</u>
\$ 421,706	\$ 550,863
-	4,088,035
-	1,102,275
573,461	5,084,038
11,152	123,958
124,285	915,009
664,616	664,616
<u>1,795,220</u>	<u>12,528,794</u>
258,609	31,660,703
-	606,310
23,221	4,641,161
2,315,064	15,341,967
-	24,408
-	11,139
<u>2,596,894</u>	<u>52,285,688</u>
12,187	92,209
-	4,344,381
-	32,723,358
646,495	646,495
1,441,960	1,441,960
86,767	86,767
90,588	90,588
11,704	11,704
105,474	105,474
478,358	478,358
-	50,379
-	728,396
-	2,899
-	21,000
-	4,583
(78,942)	13,691,266
<u>2,794,591</u>	<u>54,519,817</u>
<u>\$ 7,186,705</u>	<u>\$ 119,334,299</u>

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		\$	54,519,817
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			112,029,328
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.			
Property taxes receivable	\$	4,641,161	
Payment in lieu of taxes receivable		11,139	
Accrued interest receivable		24,408	
Intergovernmental receivable		15,341,967	
Total		<u>15,341,967</u>	20,018,675
Unamortized premiums on bonds issued are not recognized in the funds.			(6,864,592)
Unamortized amounts on refundings are not recognized in the funds.			
Unamortized deferred loss on refunding		22,619	
Unamortized deferred gain on refunding		(520,588)	
Total		<u>(520,588)</u>	(497,969)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(356,982)
The net pension liability is not due and payable in the current period; therefore, the liability and the related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - pension		18,232,718	
Deferred inflows of resources - pension		(8,987,658)	
Net pension liability		(99,231,687)	
Total		<u>(99,231,687)</u>	(89,986,627)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(96,060,020)	
Capital lease obligations		(78,446)	
Compensated absences		(891,605)	
Energy conservation notes payable		(1,080,229)	
Total		<u>(1,080,229)</u>	(98,110,300)
Net position of governmental activities		<u>\$</u>	<u>(9,248,650)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Construction</u>
Revenues:				
From local sources:				
Property taxes	\$ 23,944,187	\$ 4,712,663	\$ -	\$ -
Payment in lieu of taxes	666,839	-	-	-
Tuition	1,022,553	-	-	-
Transportation fees	7,707	-	-	-
Earnings on investments	109,363	1,583	90,493	252,322
Charges for services	-	-	-	-
Extracurricular	62,477	-	-	-
Classroom materials and fees	43,426	-	-	-
Rental income	24,401	-	-	-
Contributions and donations	274,553	-	-	-
Contract services	71,536	-	-	-
Other local revenues	108,010	-	-	-
Intergovernmental - state	45,865,701	918,575	-	26,218,826
Intergovernmental - federal	747,403	-	-	-
Total revenues	<u>72,948,156</u>	<u>5,632,821</u>	<u>90,493</u>	<u>26,471,148</u>
Expenditures:				
Current:				
Instruction:				
Regular	22,298,042	-	-	-
Special	6,815,352	-	-	-
Vocational	94,111	-	-	-
Other	14,785,832	-	-	-
Support services:				
Pupil	4,111,432	-	-	-
Instructional staff	749,296	-	-	-
Board of education	70,196	-	-	-
Administration	3,928,546	-	-	-
Fiscal	1,077,051	74,749	4,170	21,765
Business	272,019	-	-	-
Operations and maintenance	6,302,097	-	-	-
Pupil transportation	4,065,677	-	-	-
Central	1,154,452	-	-	-
Operation of non-instructional services:				
Other non-instructional services	39,374	-	-	-
Food service operations	-	-	-	-
Extracurricular activities	113,162	-	-	-
Facilities acquisition and construction	31,879	-	7,252,706	38,219,267
Debt service:				
Principal retirement	343,067	2,085,000	-	-
Interest and fiscal charges	60,904	4,269,855	-	-
Total expenditures	<u>66,312,489</u>	<u>6,429,604</u>	<u>7,256,876</u>	<u>38,241,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,635,667</u>	<u>(796,783)</u>	<u>(7,166,383)</u>	<u>(11,769,884)</u>
Other financing sources (uses):				
Sale of capital assets	42,211	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(1,204,479)	-	-	-
Total other financing sources (uses)	<u>(1,162,268)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,473,399	(796,783)	(7,166,383)	(11,769,884)
Fund balances at beginning of year	<u>9,184,088</u>	<u>5,141,164</u>	<u>15,042,883</u>	<u>36,616,742</u>
Fund balances at end of year	<u>\$ 14,657,487</u>	<u>\$ 4,344,381</u>	<u>\$ 7,876,500</u>	<u>\$ 24,846,858</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Nonmajor Governmental Funds	Total Governmental Funds
\$ 271,061	\$ 28,927,911
-	666,839
-	1,022,553
-	7,707
3,394	457,155
160,457	160,457
163,216	225,693
-	43,426
-	24,401
51,994	326,547
-	71,536
15,786	123,796
1,160,687	74,163,789
9,911,636	10,659,039
<u>11,738,231</u>	<u>116,880,849</u>
203,851	22,501,893
2,905,384	9,720,736
-	94,111
-	14,785,832
126,177	4,237,609
2,015,316	2,764,612
-	70,196
412,345	4,340,891
381,213	1,558,948
-	272,019
21,975	6,324,072
235,474	4,301,151
11,872	1,166,324
941,764	981,138
3,784,594	3,784,594
888,099	1,001,261
376,430	45,880,282
-	2,428,067
-	4,330,759
<u>12,304,494</u>	<u>130,544,495</u>
<u>(566,263)</u>	<u>(13,663,646)</u>
-	42,211
1,204,479	1,204,479
-	(1,204,479)
<u>1,204,479</u>	<u>42,211</u>
638,216	(13,621,435)
<u>2,156,375</u>	<u>68,141,252</u>
<u>\$ 2,794,591</u>	<u>\$ 54,519,817</u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds	\$	(13,621,435)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 45,731,277	
Current year depreciation	(2,541,517)	
Total		43,189,760
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(107,006)	
Payment in lieu of taxes	11,139	
Earnings on investments	(5,451)	
Intergovernmental	(24,854,501)	
Total		(24,955,819)
Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
General obligation bonds	2,085,000	
Energy conservation bonds and notes payable	292,705	
Capital leases	50,362	
Total		2,428,067
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Change in accrued interest payable	8,895	
Accreted interest on capital appreciation bonds	(405,020)	
Amortization of bond premiums	361,013	
Amortization of deferred losses	(1,560)	
Amortization of deferred gains	55,284	
Total		18,612
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		5,074,615
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(4,026,558)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		45,823
Change in net position of governmental activities	\$	8,153,065

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 17,443	\$ 88,782
Receivables:		
Accounts	-	1,464
Total assets.	17,443	\$ 90,246
Liabilities:		
Accounts payable.	-	\$ 10,101
Loans payable	-	510
Undistributed monies	-	79,635
Total liabilities	-	\$ 90,246
Net position:		
Held in trust for scholarships	17,443	
Total net position.	\$ 17,443	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions	\$ 7,535
Total additions	7,535
 Deductions:	
Scholarships awarded	12,035
Change in net position	(4,500)
Net position at beginning of year	21,943
Net position at end of year	\$ 17,443

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - DESCRIPTION OF THE DISTRICT

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

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by State and/or Federal agencies. The Board controls the District's instructional and support facilities staffed by 105 classified personnel and 454 certified teaching and administrative personnel to provide services to students and other community members.

The District currently operates 7 elementary schools, one sixth grade center, one middle school serving grades 7 - 8, one comprehensive high school (grades 9-12) including an alternative program. The District encompasses a total of 25 square miles that includes the City of Middletown and portions of Lemon Township.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles.

The District's significant accounting policies are described below.

A. Reporting Entity

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

The Southwestern Ohio Computer Association (SWOCA)

The Southwestern Ohio Computer Association (SWOCA) is a jointly governed organization among a four county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. The Governing Board of SWOCA consists of six members elected by majority vote of all charter member schools plus one representative from the fiscal agent. The District paid SWOCA \$271,818 for services provided during the year. Financial information can be obtained from Mr. Michael Crumley, who serves as Director, at 3607 Hamilton-Middletown Rd., Hamilton, OH 45011.

The Butler Technology and Career Development Center

The Butler Technology and Career Development Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. It possesses its own budgeting and taxing authority.

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

Butler Health Plan (BHP)

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

B. Measurement Focus

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions are financed.

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

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students which uses the economic resources measurement focus. The District has one agency fund that has no measurement focus. The student activity fund accounts for assets and liabilities generated by student managed activities.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, payment in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 12 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Investments

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

During fiscal year 2017, the District invested in U.S. government money market mutual funds, Federal Farm Credit bank (FFCB) discount notes, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, negotiable certificates of deposit, the State Treasury Asset Reserve of Ohio (STAR Ohio) and commercial paper.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2017, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$109,363, which includes \$43,376 assigned from other funds. The food service, classroom facilities maintenance and auxiliary services special revenue funds and bond retirement fund also received interest of \$2,111, \$890, \$393 and \$1,583, respectively. The building fund and construction fund received interest of \$90,493 and \$252,322, respectively, which is assigned specifically to those funds due to the District's Ohio Facilities Construction Commission project.

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

F. Inventory

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

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

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable on the fund financial statements by an amount equal to the carrying value of the asset.

H. Capital Assets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 acquisition values as of the date received. The District’s capitalization threshold is \$2,500 for capital assets. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

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

I. Interfund Balances

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

J. Compensated Absences

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

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vested payment method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2017 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments. The entire compensated absence liability is reported on the government-wide financial statements.

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

K. Accrued Liabilities and Long-Term Obligations

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

L. Pensions

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

M. Bond Issuance Costs/Unamortized Bond Premium/Deferred Charges on Debt Refunding

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

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

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

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

N. Fund Balance

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

Nonspendable - fund balance includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

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

O. Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets is capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. None of the District's restricted net position was restricted by enabling legislation.

P. Estimates

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

Q. Restricted Assets

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

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

R. Interfund Activity

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

S. Fair Value

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

T. Minimum Fund Balance Policy

The District Board requires in the general fund a minimum of 10% cash carryover of operating expenditures to which the District obtained as of June 30, 2017. This amount is included as part of the unassigned balance in the District's general fund.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 18); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Alternative schools	\$ 542
Title VI-B	75,081
School Improvement Stimulus A	731

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**MIDDLETOWN CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year end, the District had \$1,450 in undeposited cash on hand, which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$8,114,067. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$7,584,349 of the District's bank balance of \$8,463,562 was exposed to custodial risk as discussed below, while \$879,213 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Investments

As of June 30, 2017, the District had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	Investment Maturities		
		6 months or <u>less</u>	7 to 12 <u>months</u>	13 to 18 <u>months</u>
Fair Value:				
FHLB	\$ 4,315,678	\$ 2,057,855	\$ 2,257,823	\$ -
FHLMC	1,592,708	1,049,753	542,955	-
FNMA	1,529,118	1,529,118	-	-
Negotiable CD's	4,719,023	2,729,503	496,620	1,492,900
FFCB discount note	2,795,068	-	2,795,068	-
Toyota Motor Credit CP	1,819,745	1,819,745	-	-
TD USA CP	2,144,485	2,144,485	-	-
BNP Paribas CP	2,149,398	2,149,398	-	-
Bank of Montreal CP	2,397,600	2,397,600	-	-
JP Morgan CP	2,394,528	2,394,528	-	-
Chevron CP	1,483,876	1,483,876	-	-
Bank of Tokyo CP	942,543	-	942,543	-
U.S. Government money market	11,990	11,990	-	-
Amortized Cost:				
STAR Ohio	19,267,290	19,267,290	-	-
Total	<u>\$ 47,563,050</u>	<u>\$ 39,035,141</u>	<u>\$ 7,035,009</u>	<u>\$ 1,492,900</u>

The weighted average of maturity of investments is 0.23 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FHLB, FNMA, FFCB, FHLMC), commercial paper and negotiable CD's are valued using pricing sources provided by the investment manager (Level 2 inputs).

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

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: The District's investments in commercial were rated either A-1 or A-1+ by Standard & Poor's. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio Law requires that STAR Ohio and the U.S. Government money market maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement</u>	
	<u>Value</u>	<u>% of Total</u>
Fair Value:		
FHLB	\$ 4,315,678	9.07
FHLMC	1,592,708	3.35
FNMA	1,529,118	3.21
Negotiable CD's	4,719,023	9.92
FFCB discount notes	2,795,068	5.88
Toyota Motor Credit CP	1,819,745	3.83
TD USA CP	2,144,485	4.51
BNP Paribas CP	2,149,398	4.52
Bank of Montreal CP	2,397,600	5.04
JP Morgan CP	2,394,528	5.03
Chevron CP	1,483,876	3.12
Bank of Tokyo CP	942,543	1.98
U.S. Government money market	11,990	0.03
Amortized Cost:		
STAR Ohio	<u>19,267,290</u>	<u>40.51</u>
Total	<u>\$ 47,563,050</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,114,067
Investments	47,563,050
Cash on hand	<u>1,450</u>
Total	<u>\$ 55,678,567</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 55,572,342
Private purpose trust funds	17,443
Agency funds	<u>88,782</u>
Total	<u>\$ 55,678,567</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	<u>\$ 1,204,479</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

B. Interfund loans receivable/payable consisted of the following at June 30, 2017, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 664,616</u>

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

C. Loans receivable/payable consisted of the following at June 30, 2017, as reported on the fund statement and the statement of fiduciary net position:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Agency fund	\$ <u>510</u>

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016 and are collected in 2017 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Butler and Warren Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available for advance at June 30, 2017, \$1,014,727 in the general fund, \$204,179 in the bond retirement fund and \$11,391 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount available for advance at June 30, 2016, \$3,863,324 in the general fund, \$716,778 in the bond retirement fund and \$43,622 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 603,512,220	91.31	\$ 604,441,470	91.12
Public utility personal	<u>57,446,810</u>	<u>8.69</u>	<u>58,917,790</u>	<u>8.88</u>
Total	<u>\$ 660,959,030</u>	<u>100.00</u>	<u>\$ 663,359,260</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$45.79		\$45.65	
Debt service	8.25		8.25	
Permanent improvement	0.50		0.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 consisted of property taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year. The intergovernmental receivable at June 30 consisted of federal grants and other receivables.

Governmental activities:

Property taxes	\$ 37,532,161
Payment in lieu of taxes	617,449
Accounts	46,112
Accrued interest	24,408
Intergovernmental:	
State foundation adjustments	273,446
Miscellaneous intergovernmental amounts	120,553
Medicaid School Program reimbursements	651,767
Ohio Facilities Construction Commission (OFCC)	20,419,722
Alternative schools	20,206
Title VI-B	855,697
Title I Stimulus A	62,435
Title III	48,400
Title I	1,684,879
Improving Teacher Quality	<u>639,299</u>
Total	<u>\$ 62,996,534</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows.

<u>Governmental activities:</u>	Balance <u>06/30/16</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/17</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,527,633	\$ -	\$ -	\$ 1,527,633
Construction in progress	<u>6,848,253</u>	<u>45,471,973</u>	-	<u>52,320,226</u>
<i>Total capital assets, not being depreciated</i>	<u>8,375,886</u>	<u>45,471,973</u>	-	<u>53,847,859</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	89,650,023	19,980	-	89,670,003
Equipment	<u>16,813,571</u>	<u>239,324</u>	<u>(1,276,534)</u>	<u>15,776,361</u>
<i>Total capital assets, being depreciated</i>	<u>106,463,594</u>	<u>259,304</u>	<u>(1,276,534)</u>	<u>105,446,364</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(30,603,688)	(1,905,991)	-	(32,509,679)
Equipment	<u>(15,396,224)</u>	<u>(635,526)</u>	<u>1,276,534</u>	<u>(14,755,216)</u>
<i>Total accumulated depreciation</i>	<u>(45,999,912)</u>	<u>(2,541,517)</u>	<u>1,276,534</u>	<u>(47,264,895)</u>
Total capital assets, net	<u>\$ 68,839,568</u>	<u>\$ 43,189,760</u>	<u>\$ -</u>	<u>\$ 112,029,328</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 214,811
Special	7,404
Adult/continuing	2,114
<u>Support services:</u>	
Pupil	1,400
Instructional staff	45,437
Administration	5,644
Business	1,912
Operations and maintenance	2,104,063
Pupil transportation	59,190
Central	71,344
<u>Operation of non-instructional services:</u>	
Other non-instructional services	19,138
Food service operations	6,718
Extracurricular activities	<u>2,342</u>
Total depreciation expense	<u>\$ 2,541,517</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2017, the following changes in governmental activities long-term obligations:

	Balance 6/30/16	Additions	Deductions	Balance 6/30/17	Amount Due Within One Year
<u>Governmental Activities:</u>					
General obligation bonds:					
2007 refunding bonds:					
2007 current interest and term bonds	\$ 27,730,000	\$ -	\$ (1,060,000)	\$ 26,670,000	\$ 1,140,000
Premium on 2007 refunding bonds	1,665,875	-	(107,472)	1,558,403	-
2015 general obligation bonds	44,525,000	-	(760,000)	43,765,000	670,000
Premium on 2015 general obligation bonds	4,300,622	-	(132,667)	4,167,955	-
2016 refunding bonds:					
Current interest and term	24,530,000	-	(265,000)	24,265,000	505,000
Capital appreciation bonds	955,000	-	-	955,000	-
Accreted interest on CABs	-	405,020	-	405,020	-
Premium on 2016 refunding bonds	1,259,108	-	(120,874)	1,138,234	-
Total general obligation bonds	<u>104,965,605</u>	<u>405,020</u>	<u>(2,446,013)</u>	<u>102,924,612</u>	<u>2,315,000</u>
House Bill (HB) 264 notes					
HB 264 energy conservation note	482,402	-	(112,173)	370,229	117,613
2008 HB 264 energy conservation note	135,532	-	(135,532)	-	-
2014 HB 264 energy conservation note	755,000	-	(45,000)	710,000	50,000
Total HB 264 notes	<u>1,372,934</u>	<u>-</u>	<u>(292,705)</u>	<u>1,080,229</u>	<u>167,613</u>
Other long-term obligations:					
Capital leases	128,808	-	(50,362)	78,446	51,902
Net pension liability	84,711,209	14,520,478	-	99,231,687	-
Compensated absences	937,428	103,637	(149,460)	891,605	19,726
Total other long-term obligations	<u>85,777,445</u>	<u>14,624,115</u>	<u>(199,822)</u>	<u>100,201,738</u>	<u>71,628</u>
Total Long-Term Obligations	<u>\$ 192,115,984</u>	<u>\$ 15,029,135</u>	<u>\$ (2,938,540)</u>	<u>\$ 204,206,579</u>	<u>\$ 2,554,241</u>

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

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

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

As a result, \$56,975,000 of the construction bonds are considered to be defeased and the related liability for those bonds has been removed from the statement of net position. At June 30, 2017, \$56,975,000 of bonds outstanding are considered to be defeased. The bonds issued had a premium of \$5,156,250 and have a final maturity date of December 1, 2031.

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

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

In fiscal year 2008, the District issued \$677,662 in notes that was used for energy conservation within the District. The interest rate is 4.20% with the notes maturing in fiscal year 2017. The first payment on the notes was made in fiscal year 2009.

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

In fiscal year 2015, the District issued \$45,000,000 in general obligations bonds as the local share of the school facilities project. The bonds were issued as serial bonds maturing in December 2034 of \$6,695,000 and three term bonds maturing in December 2031 for \$40,000, maturing in December 2040 for \$11,625,000 and maturing in December 2048 for \$26,640,000. The combined series has an interest rate of 5.23%. At June 30, 2017, there were \$20,617,705 in unspent bond proceeds.

During fiscal year 2016, the District issued \$25,485,000 in general obligation bonds to advance refund \$25,485,000 of the 2007 refunding bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2017 was \$25,485,000.

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

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

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30	General Obligation Bonds		Capital Appreciation Bonds		HB 264 Bonds & Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 2,315,000	\$ 4,215,491	\$ -	\$ -	\$ 167,613	\$ 37,756
2019	120,000	4,181,706	955,000	1,380,000	173,318	30,552
2020	2,600,000	4,157,096	-	-	179,298	23,071
2021	2,630,000	4,106,241	-	-	55,000	15,150
2022	2,890,000	4,046,080	-	-	55,000	13,500
2023 - 2027	16,400,000	19,018,392	-	-	305,000	64,602
2028 - 2032	25,555,000	14,643,127	-	-	145,000	3,563
2033 - 2037	7,180,000	10,203,374	-	-	-	-
2038 - 2042	10,870,000	7,853,738	-	-	-	-
2043 - 2047	15,980,000	4,361,962	-	-	-	-
2048 - 2049	8,160,000	438,376	-	-	-	-
Total	<u>\$ 94,700,000</u>	<u>\$ 77,225,583</u>	<u>\$ 955,000</u>	<u>\$ 1,380,000</u>	<u>\$ 1,080,229</u>	<u>\$ 188,194</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$13,111,714 and an unvoted debt margin of \$663,359. During a prior fiscal year, the District issued \$45 million of voted general obligation bonds. Since the bonds are a voted bond issue, the \$43,765,000 balance at June 30, 2017 has been excluded from the legal debt margin calculation.

NOTE 10 - CAPITAL LEASES

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

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

The equipment lease for fiscal year 2014 does qualify for capitalization resulting in \$248,273 being reported on the statement of net position. This amount represents the present value of the future minimum lease payments at the time of acquisition. Depreciation expense of \$49,655 was recognized during fiscal year 2017. Accumulated depreciation as of June 30, 2017 was \$173,791 leaving a current book value of \$74,482.

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - CAPITAL LEASES - (Continued)

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 53,554
2019	<u>26,778</u>
Total minimum lease payments	80,332
Less: amount representing interest	<u>(1,886)</u>
Total	<u>\$ 78,446</u>

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During the fiscal year, the District contracted with Liberty Mutual for general liability insurance coverage with a \$1,000,000 single occurrence limit and a \$2,000,000 aggregate limit covering all employees and volunteers of the District. The policy holds a \$5,000 occurrence deductible, with no deductible on general liability.

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

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

The Liberty Mutual Company maintains a \$100,000 public official bond for the Treasurer and a \$20,000 performance bond for the Board President and Superintendent. A blanket school employee honesty bond in the amount of \$5,000 per position is secured for all employees maintaining a position of trust. This includes food service cashiers, school building cashiers, and other employees who handle cash as a part of their job requirements.

Medical and dental insurance benefits are offered to employees through the Butler Health Plan (BHP). The employees share the cost of the monthly premium for the coverage with the District. The District also provides life insurance through American United Life to all employees and access to accidental death and dismemberment insurance through Assurant Life.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$1,084,749 for fiscal year 2017. Of this amount, \$132,972 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$3,989,866 for fiscal year 2017. Of this amount, \$639,568 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.25062120%	0.25476835%	
Proportion of the net pension liability current measurement date	<u>0.25307420%</u>	<u>0.24111659%</u>	
Change in proportionate share	<u>0.00245300%</u>	<u>-0.01365176%</u>	
Proportionate share of the net pension liability	\$ 18,522,696	\$ 80,708,991	\$ 99,231,687
Pension expense	\$ 1,801,607	\$ 2,224,951	\$ 4,026,558

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	\$ 249,828	\$ 3,261,033	\$ 3,510,861
Net difference between projected and actual earnings on pension plan investments	1,527,853	6,701,015	8,228,868
Changes of assumptions	1,236,492	-	1,236,492
Difference between District contributions and proportionate share of contributions/change in proportionate share	135,857	46,025	181,882
District contributions subsequent to the measurement date	1,084,749	3,989,866	5,074,615
Total deferred outflows of resources	\$4,234,779	\$13,997,939	\$18,232,718
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/change in proportionate share	\$ 259,110	\$ 8,728,548	\$ 8,987,658
Total deferred inflows of resources	\$ 259,110	\$ 8,728,548	\$ 8,987,658

\$5,074,615 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$ 680,611	\$ (1,050,466)	\$ (369,855)
2019	680,482	(1,050,467)	(369,985)
2020	1,090,632	1,497,890	2,588,522
2021	439,195	1,882,568	2,321,763
Total	\$ 2,890,920	\$ 1,279,525	\$ 4,170,445

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
 Total	 <u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current	1% Increase
	(6.50%)	Discount Rate (7.50%)	(8.50%)
District's proportionate share of the net pension liability	\$24,522,896	\$ 18,522,696	\$ 13,500,280

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 107,255,690	\$ 80,708,991	\$ 58,315,285

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$129,996.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$129,996, \$125,902, and \$176,824, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 14 - CONTINGENCIES

A. Grants

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

However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2017, if applicable, cannot be determined at this time.

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - CONTINGENCIES - (Continued)

C. School District Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2016-2017 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 15 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2016	\$ -
Current year set-aside requirement	1,094,203
Current year offsets	(829,073)
Prior year offset from bond proceeds	<u>(265,130)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside reserve balance June 30, 2017	<u>\$ -</u>

Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years. The District has \$119,279,740 remaining from debt proceeds that will be available in future fiscal years as a capital improvements offset.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 16 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 702,185
Building	1,038,844
Construction	5,028,559
Nonmajor governmental	<u>694,332</u>
 Total	 <u>\$ 7,463,920</u>

NOTE 17 - CONTRACTUAL COMMITMENTS

As of June 30, 2017, the District had the following contractual commitments outstanding:

<u>Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2017</u>
Faning Howey and Associates	\$ 4,161,434	\$ (2,187,170)	\$ 1,974,264
Conger Construction	35,731,174	(31,726,565)	4,004,609
Stan and Associates	<u>250,427</u>	<u>(74,476)</u>	<u>175,951</u>
 Total	 <u>\$ 40,143,035</u>	 <u>\$ (33,988,211)</u>	 <u>\$ 6,154,824</u>

NOTE 18 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The City of Middletown provides tax abatements through two programs - Enterprise Zone Agreements and Community Reinvestment Area (CRA) Agreements. Under the agreements, various businesses receive the abatement of property taxes to bring jobs and economic development to the City. The agreement affects the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by \$292,583 during fiscal year 2017.

REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 27,017,287	\$ 26,785,167	\$ 26,792,782	\$ 7,615
Tuition	739,869	914,978	912,955	(2,023)
Earnings on investments	10,599	95,102	95,556	454
Extracurricular	-	6,410	6,324	(86)
Classroom materials and fees	40,852	43,075	44,192	1,117
Rental income	20,717	25,700	24,221	(1,479)
Contributions and donations	315,676	271,006	271,000	(6)
Contract services	88,609	71,814	71,521	(293)
Other local revenues	225,745	35,382	40,297	4,915
Intergovernmental - state	44,335,050	44,899,848	45,461,432	561,584
Intergovernmental - federal	510,763	259,898	255,921	(3,977)
Total revenues	74,223,521	74,100,019	74,665,448	565,429
Expenditures:				
Current:				
Instruction:				
Regular	34,599,211	23,700,664	23,046,859	653,805
Special	9,618,754	7,166,797	6,874,394	292,403
Vocational	111,186	87,409	93,901	(6,492)
Other	113,863	14,734,014	14,756,274	(22,260)
Support services:				
Pupil	5,026,853	4,189,260	3,980,843	208,417
Instructional staff	1,173,433	996,582	778,077	218,505
Board of education	82,944	91,604	86,187	5,417
Administration	5,503,920	3,987,686	3,907,050	80,636
Fiscal	1,580,385	1,272,044	1,069,716	202,328
Business	302,884	289,217	272,847	16,370
Operations and maintenance	6,852,984	7,006,700	6,868,914	137,786
Pupil transportation	4,431,590	4,047,363	4,104,104	(56,741)
Central	1,305,493	1,331,624	1,246,767	84,857
Other operation of non-instructional services	36,101	45,899	26,573	19,326
Extracurricular activities	111,189	105,795	111,623	(5,828)
Facilities acquisition and construction	14,883	62,050	50,906	11,144
Debt service:				
Principal	-	292,790	292,705	85
Interest and fiscal charges	-	57,729	57,712	17
Total expenditures	70,865,673	69,465,227	67,625,452	1,839,775
Excess revenues over expenditures	3,357,848	4,634,792	7,039,996	2,405,204
Other financing sources (uses):				
Refund of prior year's expenditures	2,269,055	1,100,000	1,099,734	(266)
Refund of prior year's receipts	(1,000)	(1,000)	-	1,000
Transfers (out)	(750,000)	(1,575,446)	(1,421,326)	154,120
Advances in	177,000	2,310,000	2,310,377	377
Advances (out)	(175,000)	(750,000)	(665,126)	84,874
Sale of capital assets	6,368	41,368	41,474	106
Total other financing sources (uses)	1,526,423	1,124,922	1,365,133	240,211
Net change in fund balance	4,884,271	5,759,714	8,405,129	2,645,415
Fund balance at beginning of year	7,536,991	7,536,991	7,536,991	-
Prior year encumbrances appropriated	527,258	527,258	527,258	-
Fund balance at end of year	\$ 12,948,520	\$ 13,823,963	\$ 16,469,378	\$ 2,645,415

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.25307420%	0.25062120%	0.25872000%	0.25872000%
District's proportionate share of the net pension liability	\$ 18,522,696	\$ 14,300,689	\$ 13,093,672	\$ 15,385,248
District's covered payroll	\$ 8,169,900	\$ 6,936,912	\$ 6,725,440	\$ 6,851,857
District's proportionate share of the net pension liability as a percentage of its covered payroll	226.72%	206.15%	194.69%	224.54%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.24111659%	0.25476835%	0.28770674%	0.28770674%
District's proportionate share of the net pension liability	\$ 80,708,991	\$ 70,410,520	\$ 69,980,236	\$ 83,359,998
District's covered payroll	\$ 25,306,564	\$ 26,896,300	\$ 30,217,564	\$ 30,267,971
District's proportionate share of the net pension liability as a percentage of its covered payroll	318.93%	261.79%	231.59%	275.41%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,084,749	\$ 1,143,786	\$ 914,285	\$ 932,146
Contributions in relation to the contractually required contribution	<u>(1,084,749)</u>	<u>(1,143,786)</u>	<u>(914,285)</u>	<u>(932,146)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 7,748,207	\$ 8,169,900	\$ 6,936,912	\$ 6,725,440
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2013	2012	2011	2010	2009	2008
\$ 948,297	\$ 711,941	\$ 1,043,279	\$ 1,090,340	\$ 698,131	\$ 629,439
<u>(948,297)</u>	<u>(711,941)</u>	<u>(1,043,279)</u>	<u>(1,090,340)</u>	<u>(698,131)</u>	<u>(629,439)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,851,857	\$ 5,293,242	\$ 8,299,753	\$ 8,052,733	\$ 7,094,827	\$ 6,409,766
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,989,866	\$ 3,542,919	\$ 3,765,482	\$ 4,230,459
Contributions in relation to the contractually required contribution	<u>(3,989,866)</u>	<u>(3,542,919)</u>	<u>(3,765,482)</u>	<u>(4,230,459)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	\$ 28,499,043	\$ 25,306,564	\$ 26,896,300	\$ 32,541,992
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 4,237,516	\$ 4,277,136	\$ 4,668,933	\$ 4,798,681	\$ 4,296,776	\$ 3,834,907
<u>(4,237,516)</u>	<u>(4,277,136)</u>	<u>(4,668,933)</u>	<u>(4,798,681)</u>	<u>(4,296,776)</u>	<u>(3,834,907)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 32,596,277	\$ 32,901,046	\$ 35,914,869	\$ 36,912,931	\$ 33,052,123	\$ 29,499,285
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - BUDGETARY PROCESS

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

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

Tax Budget:

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

Estimated Resources:

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

Appropriations:

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - BUDGETARY PROCESS – (Continued)

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

Encumbrances:

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

Lapsing of Appropriations:

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

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The schedule of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - BUDGETARY PROCESS - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 8,405,129
Net adjustment for revenue accruals	(1,852,304)
Net adjustment for expenditure accruals	662,191
Net adjustment for other sources/uses	(2,744,315)
Funds budgeted elsewhere	227,449
Adjustment for encumbrances	775,249
GAAP basis	<u>\$ 5,473,399</u>

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

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES**

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

MAJOR FUNDS

General Fund

The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio. A budgetary schedule for the general fund is presented as part of the required supplementary information. The level of detail presented in that schedule is greater than the legal level of budgetary control; therefore, a separate additional schedule is not presented.

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

Spotlight and Neediest Kids & Medicaid Reserve

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

Special Rotary

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

Public School Support

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

OTHER MAJOR FUNDS

Bond Retirement

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

Building

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

Construction

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

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPOTLIGHT & NEEDIEST KIDS & MEDICAID RESERVE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Other local revenues	\$ 300	\$ 1,850	\$ 1,850	\$ -
Total revenues	<u>300</u>	<u>1,850</u>	<u>1,850</u>	<u>-</u>
Expenditures:				
Current:				
Support services:				
Pupil	609,806	4,011	555	3,456
Total expenditures	<u>609,806</u>	<u>4,011</u>	<u>555</u>	<u>3,456</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(609,506)</u>	<u>(2,161)</u>	<u>1,295</u>	<u>3,456</u>
Other financing sources:				
Transfers in	-	217,095	217,095	-
Total other financing sources	<u>-</u>	<u>217,095</u>	<u>217,095</u>	<u>-</u>
Net change in fund balance	(609,506)	214,934	218,390	3,456
Fund balance at beginning of year	592,173	592,173	592,173	-
Prior year encumbrances appropriated	66	66	66	-
Fund balance (deficit) at end of year	<u>\$ (17,267)</u>	<u>\$ 807,173</u>	<u>\$ 810,629</u>	<u>\$ 3,456</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL ROTARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
Current:				
Instruction:				
Special.	\$ 4,583	\$ -	\$ -	\$ -
Total expenditures	<u>4,583</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(4,583)	-	-	-
Fund balance at beginning of year	4,583	4,583	4,583	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 4,583</u>	<u>\$ 4,583</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PUBLIC SCHOOL SUPPORT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Extracurricular.	\$ 48,359	\$ 79,442	\$ 56,153	\$ (23,289)
Contributions and donations	1,568	2,575	3,553	978
Other local revenues.	40,903	67,192	73,611	6,419
Total revenues	90,830	149,209	133,317	(15,892)
Expenditures:				
Current:				
Support services:				
Pupil.	161,963	161,749	107,382	54,367
Operations and maintenance.	7,250	7,240	4,855	2,385
Operation of non-instructional services	16,710	16,688	15,703	985
Total expenditures	185,923	185,677	127,940	57,737
Excess (deficiency) of revenues over (under) expenditures.	(95,093)	(36,468)	5,377	41,845
Other financing sources (uses):				
Transfers out	-	(247)	(247)	-
Refund of prior year expenditure	-	113	200	87
Sale of capital assets	-	66	66	-
Total other financing sources (uses)	-	(68)	19	87
Net change in fund balance	(95,093)	(36,536)	5,396	41,932
Fund balance at beginning of year	90,621	90,621	90,621	-
Prior year encumbrances appropriated	4,472	4,472	4,472	-
Fund balance at end of year	\$ -	\$ 58,557	\$ 100,489	\$ 41,932

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
BOND RETIREMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Property taxes.	\$ 4,278,577	\$ 5,212,000	\$ 5,225,262	\$ 13,262
Earnings on investments.	1,231	1,500	1,713	213
Intergovernmental - state	1,174,852	1,431,160	918,575	(512,585)
Total revenues	5,454,660	6,644,660	6,145,550	(499,110)
Expenditures:				
Current:				
Support services:				
Fiscal	123,250	123,250	77,249	46,001
Debt service:				
Principal	2,085,000	2,085,000	2,085,000	-
Interest and fiscal charges	4,269,855	4,269,855	4,269,855	-
Total expenditures	6,478,105	6,478,105	6,432,104	46,001
Net change in fund balance	(1,023,445)	166,555	(286,554)	(453,109)
Fund balance at beginning of year	4,423,506	4,423,506	4,423,506	-
Prior year encumbrances appropriated	3,250	3,250	3,250	-
Fund balance at end of year	\$ 3,403,311	\$ 4,593,311	\$ 4,140,202	\$ (453,109)

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
BUILDING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Earnings on investments.	\$ -	\$ 108,000	\$ 111,327	\$ 3,327
Total revenues	<u>-</u>	<u>108,000</u>	<u>111,327</u>	<u>3,327</u>
Expenditures:				
Support services:				
Fiscal	4,563	4,173	4,170	3
Facilities acquisition and construction.	15,335,371	14,024,149	7,884,945	6,139,204
Total expenditures	<u>15,339,934</u>	<u>14,028,322</u>	<u>7,889,115</u>	<u>6,139,207</u>
Net change in fund balance	(15,339,934)	(13,920,322)	(7,777,788)	6,142,534
Fund balance at beginning of year	1,411,465	1,411,465	1,411,465	-
Prior year encumbrances appropriated	13,928,470	13,928,470	13,928,470	-
Fund balance at end of year	<u>\$ 1</u>	<u>\$ 1,419,613</u>	<u>\$ 7,562,147</u>	<u>\$ 6,142,534</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CONSTRUCTION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Earnings on investments.	\$ 289,704	\$ 291,500	\$ 294,498	\$ 2,998
Intergovernmental - state	42,697,338	42,962,042	22,542,309	(20,419,733)
Total revenues	42,987,042	43,253,542	22,836,807	(20,416,735)
Expenditures:				
Current:				
Support services:				
Fiscal	25,697	23,298	24,236	(938)
Facilities acquisition and construction.	76,351,719	69,222,853	41,440,531	27,782,322
Total expenditures	76,377,416	69,246,151	41,464,767	27,781,384
Net change in fund balance	(33,390,374)	(25,992,609)	(18,627,960)	7,364,649
Fund balance (deficit) at beginning of year. . .	(35,142,489)	(35,142,489)	(35,142,489)	-
Prior year encumbrances appropriated	68,532,863	68,532,863	68,532,863	-
Fund balance at end of year	\$ -	\$ 7,397,765	\$ 14,762,414	\$ 7,364,649

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund - Permanent Improvement Fund	Total Nonmajor Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 3,039,119	\$ 500,002	\$ 3,539,121
Receivables:			
Property taxes	293,221	-	293,221
Intergovernmental	3,334,088	-	3,334,088
Prepayments	12,187	-	12,187
Inventory held for resale	8,088	-	8,088
Total assets.	\$ 6,686,703	\$ 500,002	\$ 7,186,705
Liabilities:			
Accounts payable.	\$ 400,062	\$ 21,644	\$ 421,706
Accrued wages and benefits	573,461	-	573,461
Intergovernmental payable	11,152	-	11,152
Pension and postemployment benefits payable	124,285	-	124,285
Interfund loans payable	664,616	-	664,616
Total liabilities.	1,773,576	21,644	1,795,220
Deferred inflows of resources:			
Property taxes levied for the next year.	258,609	-	258,609
Delinquent property tax revenue not available	23,221	-	23,221
Intergovernmental revenue not available	2,315,064	-	2,315,064
Total deferred inflows of resources.	2,596,894	-	2,596,894
Fund balances:			
Nonspendable:			
Prepayments	12,187	-	12,187
Restricted:			
Classroom facilities maintenance	646,495	-	646,495
Food service operations	1,441,960	-	1,441,960
Non-public schools	86,767	-	86,767
Targeted academic assistance	90,588	-	90,588
Extracurricular activities	11,704	-	11,704
Other puposes	105,474	-	105,474
Committed:			
Capital improvements	-	478,358	478,358
Unassigned (deficit)	(78,942)	-	(78,942)
Total fund balances	2,316,233	478,358	2,794,591
Total liabilities, deferred inflows, and fund balances	\$ 6,686,703	\$ 500,002	\$ 7,186,705

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Fund - Permanent Improvement Fund	Total Nonmajor Governmental Funds
Revenues:			
From local sources:			
Property taxes	\$ 271,061	\$ -	\$ 271,061
Earnings on investments	3,394	-	3,394
Charges for services	160,457	-	160,457
Extracurricular	163,216	-	163,216
Contributions and donations	51,994	-	51,994
Other local revenues	15,786	-	15,786
Intergovernmental - state	1,160,687	-	1,160,687
Intergovernmental - federal	9,911,636	-	9,911,636
Total revenues	<u>11,738,231</u>	<u>-</u>	<u>11,738,231</u>
Expenditures:			
Current:			
Instruction:			
Regular	203,851	-	203,851
Special	2,905,384	-	2,905,384
Support services:			
Pupil	126,177	-	126,177
Instructional staff	2,015,316	-	2,015,316
Administration	412,345	-	412,345
Fiscal	381,213	-	381,213
Operations and maintenance	21,975	-	21,975
Pupil transportation	235,474	-	235,474
Central	11,872	-	11,872
Operation of non-instructional services:			
Other non-instructional services	941,764	-	941,764
Food service operations	3,784,594	-	3,784,594
Extracurricular activities	888,099	-	888,099
Facilities acquisition and construction	61,748	314,682	376,430
Total expenditures	<u>11,989,812</u>	<u>314,682</u>	<u>12,304,494</u>
Excess of expenditures over revenues	<u>(251,581)</u>	<u>(314,682)</u>	<u>(566,263)</u>
Other financing sources:			
Transfers in	704,479	500,000	1,204,479
Total other financing sources	<u>704,479</u>	<u>500,000</u>	<u>1,204,479</u>
Net change in fund balances	452,898	185,318	638,216
Fund balances			
at beginning of year	1,863,335	293,040	2,156,375
Fund balances at end of year	<u><u>\$ 2,316,233</u></u>	<u><u>\$ 478,358</u></u>	<u><u>\$ 2,794,591</u></u>

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

Nonmajor Special Revenue Funds

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

Food Service

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

Other Grants

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

Classroom Facilities Maintenance

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

District Managed Activities

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

Auxiliary Services

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

Public School Preschool Grant

This fund accounts for the costs of preschool programs for three to four year olds.

Data Communications Grant

This fund provides to account for money appropriated for Ohio Educational Computer Network Connections.

Alternative Schools

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

Miscellaneous State Grants

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

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

Nonmajor Special Revenue Funds (Continued)

Title VI-B Grant

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

School Improvement Stimulus A Grant

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

Title III Grant

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

Title I Grant

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

EHA Preschool Grant

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

Improving Teacher Quality Grant

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

Miscellaneous Federal Grants

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

Capital Projects Funds

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

Permanent Improvement

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

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	<u>Food Service</u>	<u>Other Grants</u>	<u>Classroom Facilities Maintenance</u>	<u>District Managed Activities</u>
Assets:				
Equity in pooled cash and investments	\$ 1,737,347	\$ 55,533	\$ 635,104	\$ 31,737
Receivables:				
Property taxes	-	-	293,221	-
Intergovernmental	-	8,034	-	2,081
Prepayments	-	110	-	1,722
Inventory held for resale	8,088	-	-	-
Total assets.	<u>\$ 1,745,435</u>	<u>\$ 63,677</u>	<u>\$ 928,325</u>	<u>\$ 35,540</u>
Liabilities:				
Accounts payable.	\$ 303,475	\$ 982	\$ -	\$ 3,224
Accrued wages and benefits	-	-	-	7,971
Due to other governments	-	-	-	254
Pension and postemployment benefits payable	-	146	-	6,266
Interfund loans payable	-	8,512	-	4,399
Total liabilities.	<u>303,475</u>	<u>9,640</u>	<u>-</u>	<u>22,114</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	-	-	258,609	-
Delinquent property tax revenue not available	-	-	23,221	-
Intergovernmental revenue not available.	-	-	-	-
Total deferred inflows of resources.	<u>-</u>	<u>-</u>	<u>281,830</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Prepayments	-	110	-	1,722
Restricted:				
Classroom facilities maintenance	-	-	646,495	-
Food service operations	1,441,960	-	-	-
Non-public schools	-	-	-	-
Targeted academic assistance	-	-	-	-
Extracurricular activities.	-	-	-	11,704
Other puposes	-	53,927	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances (deficit)	<u>1,441,960</u>	<u>54,037</u>	<u>646,495</u>	<u>13,426</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,745,435</u>	<u>\$ 63,677</u>	<u>\$ 928,325</u>	<u>\$ 35,540</u>

Auxiliary Services	Data Communications Grant	Alternative Schools	Miscellaneous State Grants	Title VI-B Grant	School Improvement Stimulus A Grant	Title III Grant
\$ 150,577	\$ 18,000	\$ 3,110	\$ 30,654	\$ 110,422	\$ -	\$ 19,394
-	-	-	-	-	-	-
2,087	-	20,206	-	859,519	62,435	48,528
836	-	362	-	2,165	61	96
-	-	-	-	-	-	-
<u>\$ 153,500</u>	<u>\$ 18,000</u>	<u>\$ 23,678</u>	<u>\$ 30,654</u>	<u>\$ 972,106</u>	<u>\$ 62,496</u>	<u>\$ 68,018</u>
\$ 4,538	\$ -	\$ -	\$ -	\$ 13,217	\$ -	\$ 11,957
54,345	-	12,268	-	134,378	10,744	4,410
658	-	178	-	1,211	155	63
6,356	-	1,718	-	44,602	1,498	2,379
-	-	-	-	218,215	254	16,598
<u>65,897</u>	<u>-</u>	<u>14,164</u>	<u>-</u>	<u>411,623</u>	<u>12,651</u>	<u>35,407</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	10,056	-	635,564	50,576	32,299
-	-	10,056	-	635,564	50,576	32,299
836	-	362	-	2,165	61	96
-	-	-	-	-	-	-
-	-	-	-	-	-	-
86,767	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	18,000	-	30,654	-	-	216
-	-	(904)	-	(77,246)	(792)	-
<u>87,603</u>	<u>18,000</u>	<u>(542)</u>	<u>30,654</u>	<u>(75,081)</u>	<u>(731)</u>	<u>312</u>
<u>\$ 153,500</u>	<u>\$ 18,000</u>	<u>\$ 23,678</u>	<u>\$ 30,654</u>	<u>\$ 972,106</u>	<u>\$ 62,496</u>	<u>\$ 68,018</u>

(Continued)

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

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2017

	<u>Title I Grant</u>	<u>Improving Teacher Quality Grant</u>	<u>Miscellaneous Federal Grants</u>	<u>Total Nonmajor Special Revenue Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 224,850	\$ 19,714	\$ 2,677	\$ 3,039,119
Receivables:				
Property taxes	-	-	-	293,221
Intergovernmental	1,691,336	639,862	-	3,334,088
Prepayments	6,236	599	-	12,187
Inventory held for resale	-	-	-	8,088
Total assets.	<u>\$ 1,922,422</u>	<u>\$ 660,175</u>	<u>\$ 2,677</u>	<u>\$ 6,686,703</u>
Liabilities:				
Accounts payable.	\$ 60,118	\$ 2,551	\$ -	\$ 400,062
Accrued wages and benefits	342,967	6,378	-	573,461
Due to other governments	8,545	88	-	11,152
Pension and postemployment benefits payable	60,382	938	-	124,285
Interfund loans payable	368,879	47,759	-	664,616
Total liabilities.	<u>840,891</u>	<u>57,714</u>	<u>-</u>	<u>1,773,576</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	-	-	-	258,609
Delinquent property tax revenue not available	-	-	-	23,221
Intergovernmental revenue not available.	989,188	597,381	-	2,315,064
Total deferred inflows of resources.	<u>989,188</u>	<u>597,381</u>	<u>-</u>	<u>2,596,894</u>
Fund balances:				
Nonspendable:				
Prepayments	6,236	599	-	12,187
Restricted:				
Classroom facilities maintenance	-	-	-	646,495
Food service operations	-	-	-	1,441,960
Non-public schools	-	-	-	86,767
Targeted academic assistance	86,107	4,481	-	90,588
Extracurricular activities.	-	-	-	11,704
Other puposes	-	-	2,677	105,474
Unassigned (deficit)	-	-	-	(78,942)
Total fund balances (deficit)	<u>92,343</u>	<u>5,080</u>	<u>2,677</u>	<u>2,316,233</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,922,422</u>	<u>\$ 660,175</u>	<u>\$ 2,677</u>	<u>\$ 6,686,703</u>

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Food Service</u>	<u>Other Grants</u>	<u>Classroom Facilities Maintenance</u>	<u>District Managed Activities</u>
Revenues:				
From local sources:				
Property taxes	\$ -	\$ -	\$ 271,061	\$ -
Earnings on investments	2,111	-	890	-
Charges for services	160,457	-	-	-
Extracurricular	-	-	-	163,216
Contributions and donations	-	49,991	-	2,003
Other local revenues	-	-	-	15,785
Intergovernmental - state	5,690	-	25,781	-
Intergovernmental - federal	4,430,202	-	-	-
Total revenues.	<u>4,598,460</u>	<u>49,991</u>	<u>297,732</u>	<u>181,004</u>
Expenditures:				
Current:				
Instruction:				
Regular.	-	38,836	-	-
Special	-	-	-	-
Support services:				
Pupil	-	-	-	-
Instructional staff.	-	1,732	-	-
Administration	-	3,062	-	-
Fiscal.	321,260	-	4,194	-
Operations and maintenance	3,475	-	18,500	-
Pupil transportation	-	-	-	-
Central	-	11,872	-	-
Operation of non-instructional services:				
Other non-instructional services	-	-	-	-
Food service operations	3,784,594	-	-	-
Extracurricular activities	-	-	-	888,099
Facilities acquisition and construction.	-	-	61,748	-
Total expenditures	<u>4,109,329</u>	<u>55,502</u>	<u>84,442</u>	<u>888,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>489,131</u>	<u>(5,511)</u>	<u>213,290</u>	<u>(707,095)</u>
Other financing sources:				
Transfers in.	-	-	-	704,479
Total other financing sources.	<u>-</u>	<u>-</u>	<u>-</u>	<u>704,479</u>
Change in fund balance	489,131	(5,511)	213,290	(2,616)
Fund balances (deficit)				
at beginning of year	952,829	59,548	433,205	16,042
Fund balances (deficit) at end of year	<u>\$ 1,441,960</u>	<u>\$ 54,037</u>	<u>\$ 646,495</u>	<u>\$ 13,426</u>

<u>Auxiliary Services</u>	<u>Public Preschool Grant</u>	<u>Data Communications Grant</u>	<u>Alternative Schools</u>	<u>Miscellaneous State Grants</u>	<u>Title VI-B Grant</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
393	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
680,289	280,000	18,000	125,927	25,000	-
-	-	-	-	-	1,347,792
<u>680,682</u>	<u>280,000</u>	<u>18,000</u>	<u>125,927</u>	<u>25,000</u>	<u>1,347,792</u>
-	-	-	125,231	-	-
-	280,000	-	-	-	869,648
-	-	-	-	-	114,147
-	-	-	-	25,000	70,863
-	-	-	-	-	302,562
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	132,252
-	-	-	-	-	-
737,259	-	-	-	-	77,928
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>737,259</u>	<u>280,000</u>	<u>-</u>	<u>125,231</u>	<u>25,000</u>	<u>1,567,400</u>
<u>(56,577)</u>	<u>-</u>	<u>18,000</u>	<u>696</u>	<u>-</u>	<u>(219,608)</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>(56,577)</u>	<u>-</u>	<u>18,000</u>	<u>696</u>	<u>-</u>	<u>(219,608)</u>
144,180	-	-	(1,238)	30,654	144,527
<u>\$ 87,603</u>	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ (542)</u>	<u>\$ 30,654</u>	<u>\$ (75,081)</u>

(Continued)

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	School Improvement Stimulus A Grant	Title III Grant	Title I Grant	EHA Preschool Grant
Revenues:				
From local sources:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-
Charges for services	-	-	-	-
Extracurricular	-	-	-	-
Contributions and donations	-	-	-	-
Other local revenues	-	-	-	-
Intergovernmental - state	-	-	-	-
Intergovernmental - federal	153,236	53,631	3,673,831	27,215
Total revenues.	<u>153,236</u>	<u>53,631</u>	<u>3,673,831</u>	<u>27,215</u>
Expenditures:				
Current:				
Instruction:				
Regular.	-	739	-	-
Special	119,902	-	1,608,619	27,215
Support services:				
Pupil	-	12,030	-	-
Instructional staff.	4,065	4,750	1,704,035	-
Administration	-	-	106,721	-
Fiscal.	-	-	49,022	-
Operations and maintenance	-	-	-	-
Pupil transportation	-	-	103,222	-
Central	-	-	-	-
Operation of non-instructional services:				
Other non-instructional services	-	36,669	79,468	-
Food service operations	-	-	-	-
Extracurricular activities	-	-	-	-
Facilities acquisition and construction.	-	-	-	-
Total expenditures	<u>123,967</u>	<u>54,188</u>	<u>3,651,087</u>	<u>27,215</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,269</u>	<u>(557)</u>	<u>22,744</u>	<u>-</u>
Other financing sources:				
Transfers in.	-	-	-	-
Total other financing sources.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	29,269	(557)	22,744	-
Fund balances (deficit) at beginning of year	<u>(30,000)</u>	<u>869</u>	<u>69,599</u>	<u>-</u>
Fund balances (deficit) at end of year	<u>\$ (731)</u>	<u>\$ 312</u>	<u>\$ 92,343</u>	<u>\$ -</u>

Improving Teacher Quality Grant	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 271,061
-	-	3,394
-	-	160,457
-	-	163,216
-	-	51,994
1	-	15,786
-	-	1,160,687
225,729	-	9,911,636
<u>225,730</u>	<u>-</u>	<u>11,738,231</u>
39,045	-	203,851
-	-	2,905,384
-	-	126,177
204,871	-	2,015,316
-	-	412,345
6,737	-	381,213
-	-	21,975
-	-	235,474
-	-	11,872
10,440	-	941,764
-	-	3,784,594
-	-	888,099
-	-	61,748
<u>261,093</u>	<u>-</u>	<u>11,989,812</u>
<u>(35,363)</u>	<u>-</u>	<u>(251,581)</u>
-	-	704,479
-	-	704,479
(35,363)	-	452,898
40,443	2,677	1,863,335
<u>\$ 5,080</u>	<u>\$ 2,677</u>	<u>\$ 2,316,233</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Earnings on investments.	\$ 140	\$ 140	\$ 1,558	\$ 1,418
Charges for services.	158,000	158,000	160,457	2,457
Other local revenues.	100	100	-	(100)
Intergovernmental - State	80,000	80,000	5,690	(74,310)
Intergovernmental - Federal	4,100,000	4,100,000	4,351,687	251,687
Total revenues	4,338,240	4,338,240	4,519,392	181,152
Expenditures:				
Current:				
Support services:				
Fiscal	642,521	642,521	421,260	221,261
Operations and maintenance.	27,500	27,500	3,603	23,897
Operation of non-instructional services:				
Food service operations	4,183,517	4,183,517	3,935,132	248,385
Total expenditures	4,853,538	4,853,538	4,359,995	493,543
Net change in fund balance	(515,298)	(515,298)	159,397	674,695
Fund balance at beginning of year	454,326	454,326	454,326	-
Prior year encumbrances appropriated	487,748	487,748	487,748	-
Fund balance at end of year	\$ 426,776	\$ 426,776	\$ 1,101,471	\$ 674,695

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
OTHER GRANTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Contributions and donations	\$ 12,904	\$ 55,166	\$ 49,991	\$ (5,175)
Intergovernmental - intermediate	936	4,000	-	(4,000)
Total revenues	<u>13,840</u>	<u>59,166</u>	<u>49,991</u>	<u>(9,175)</u>
Expenditures:				
Current:				
Instruction:				
Regular	65,621	59,784	57,703	2,081
Support Services:				
Instructional staff	2,217	2,020	2,229	(209)
Administration	3,361	3,062	3,062	-
Central	15,367	14,000	13,860	140
Operation of non-instructional services	177	161	-	161
Total expenditures	<u>86,743</u>	<u>79,027</u>	<u>76,854</u>	<u>2,173</u>
Excess of expenditures over revenues	<u>(72,903)</u>	<u>(19,861)</u>	<u>(26,863)</u>	<u>(7,002)</u>
Other financing sources (uses):				
Transfers in	-	1,840	1,840	-
Transfers out	-	(1,840)	(1,840)	-
Advances in	-	-	8,512	8,512
Advances out	-	(5,877)	(5,877)	-
Total other financing sources (uses)	<u>-</u>	<u>(5,877)</u>	<u>2,635</u>	<u>8,512</u>
Net change in fund balance	(72,903)	(25,738)	(24,228)	1,510
Fund balance at beginning of year	55,273	55,273	55,273	-
Prior year encumbrances appropriated	17,630	17,630	17,630	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 47,165</u>	<u>\$ 48,675</u>	<u>\$ 1,510</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Property taxes	\$ 304,685	\$ 303,994	\$ 303,292	\$ (702)
Earnings on investments.	501	500	741	241
Intergovernmental - state	25,558	25,500	25,781	281
Total revenues	<u>330,744</u>	<u>329,994</u>	<u>329,814</u>	<u>(180)</u>
Expenditures:				
Current:				
Support Services:				
Fiscal	31,592	4,500	4,194	306
Operations and maintenance.	236,588	33,700	28,500	5,200
Facilities acquisition and construction.	452,116	64,400	61,748	2,652
Total expenditures	<u>720,296</u>	<u>102,600</u>	<u>94,442</u>	<u>8,158</u>
Net change in fund balance	(389,552)	227,394	235,372	7,978
Fund balance at beginning of year	<u>389,552</u>	<u>389,552</u>	<u>389,552</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 616,946</u>	<u>\$ 624,924</u>	<u>\$ 7,978</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DISTRICT MANAGED ACTIVITIES FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Extracurricular.	\$ 301,077	\$ 352,092	\$ 163,868	\$ (188,224)
Contributions and donations	11,629	13,600	2,003	(11,597)
Other local revenues.	4,043	4,728	15,785	11,057
Total revenues	<u>316,749</u>	<u>370,420</u>	<u>181,656</u>	<u>(188,764)</u>
Expenditures:				
Extracurricular activities.	906,786	902,726	879,353	23,373
Total expenditures	<u>906,786</u>	<u>902,726</u>	<u>879,353</u>	<u>23,373</u>
Excess of expenditures over revenues.	<u>(590,037)</u>	<u>(532,306)</u>	<u>(697,697)</u>	<u>(165,391)</u>
Other financing sources (uses):				
Transfers in	712,600	712,600	705,539	(7,061)
Transfers out	-	(1,060)	(1,060)	-
Advances in.	-	-	4,399	4,399
Advances out	-	(4,000)	(4,000)	-
Refund of prior year expenditure	-	12,170	1,571	(10,599)
Total other financing sources (uses)	<u>712,600</u>	<u>719,710</u>	<u>706,449</u>	<u>(13,261)</u>
Net change in fund balance	122,563	187,404	8,752	(178,652)
Fund balance at beginning of year	15,096	15,096	15,096	-
Prior year encumbrances appropriated	6,786	6,786	6,786	-
Fund balance at end of year	<u>\$ 144,445</u>	<u>\$ 209,286</u>	<u>\$ 30,634</u>	<u>\$ (178,652)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
AUXILIARY SERVICES FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Earnings on investments.	\$ 431	\$ 353	\$ 353	\$ -
Intergovernmental - state	830,095	680,289	680,289	-
Total revenues	<u>830,526</u>	<u>680,642</u>	<u>680,642</u>	<u>-</u>
Expenditures:				
Operation of non-instructional services	1,028,870	878,679	810,354	68,325
Total expenditures	<u>1,028,870</u>	<u>878,679</u>	<u>810,354</u>	<u>68,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(198,344)</u>	<u>(198,037)</u>	<u>(129,712)</u>	<u>68,325</u>
Other financing sources (uses):				
Transfers in	-	139,890	-	(139,890)
Transfers out	-	(139,890)	-	139,890
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(198,344)	(198,037)	(129,712)	68,325
Fund balance at beginning of year	138,880	138,880	138,880	-
Prior year encumbrances appropriated	59,464	59,464	59,464	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 307</u>	<u>\$ 68,632</u>	<u>\$ 68,325</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PUBLIC SCHOOL PRESCHOOL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DATA COMMUNICATION GRANT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALTERNATIVE SCHOOLS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - state	\$ 153,130	\$ 151,764	\$ 131,558	\$ (20,206)
Total revenues	<u>153,130</u>	<u>151,764</u>	<u>131,558</u>	<u>(20,206)</u>
Expenditures:				
Current:				
Instruction:				
Regular	157,294	155,928	132,612	23,316
Total expenditures	<u>157,294</u>	<u>155,928</u>	<u>132,612</u>	<u>23,316</u>
Net change in fund balance	(4,164)	(4,164)	(1,054)	3,110
Fund balance at beginning of year	<u>4,164</u>	<u>4,164</u>	<u>4,164</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,110</u>	<u>\$ 3,110</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MISCELLANEOUS STATE GRANTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - state	\$ -	\$ 25,000	\$ 25,000	\$ -
Total revenues	-	25,000	25,000	-
Expenditures:				
Current:				
Support services:				
Instructional staff	30,654	25,000	25,000	-
Total expenditures	30,654	25,000	25,000	-
Net change in fund balance	(30,654)	-	-	-
Fund balance at beginning of year	30,654	30,654	30,654	-
Fund balance at end of year	\$ -	\$ 30,654	\$ 30,654	\$ -

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TITLE VI-B FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - federal	\$ 2,159,077	\$ 2,345,511	\$ 1,357,396	\$ (988,115)
Total revenues	<u>2,159,077</u>	<u>2,345,511</u>	<u>1,357,396</u>	<u>(988,115)</u>
Expenditures:				
Current:				
Instruction:				
Special	1,516,445	1,405,533	853,103	552,430
Support services:				
Pupil	186,857	173,190	166,907	6,283
Instructional staff	225,901	209,379	57,271	152,108
Administration	390,398	361,845	310,126	51,719
Pupil transportation	134,877	125,012	132,272	(7,260)
Operation of non-instructional services	98,803	91,577	76,972	14,605
Total expenditures	<u>2,553,281</u>	<u>2,366,536</u>	<u>1,596,651</u>	<u>769,885</u>
Excess of expenditures over revenues	<u>(394,204)</u>	<u>(21,025)</u>	<u>(239,255)</u>	<u>(218,230)</u>
Other financing sources (uses):				
Transfers in	-	132,419	132,419	-
Transfers out	-	-	(132,419)	(132,419)
Advances in	-	-	218,215	218,215
Advances out	-	(365,000)	(365,000)	-
Refund of prior year expenditure	-	16	16	-
Total other financing sources (uses)	<u>-</u>	<u>(232,565)</u>	<u>(146,769)</u>	<u>85,796</u>
Net change in fund balance	(394,204)	(253,590)	(386,024)	(132,434)
Fund balance at beginning of year	68,965	68,965	68,965	-
Prior year encumbrances appropriated	325,239	325,239	325,239	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 140,614</u>	<u>\$ 8,180</u>	<u>\$ (132,434)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SCHOOL IMPROVEMENT STIMULUS A FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - federal	\$ 160,000	\$ 203,811	\$ 141,377	\$ (62,434)
Total revenues	<u>160,000</u>	<u>203,811</u>	<u>141,377</u>	<u>(62,434)</u>
Expenditures:				
Current:				
Instruction:				
Special.	130,635	141,911	107,566	34,345
Support Services:				
Instructional staff	23,842	25,900	4,065	21,835
Pupil transportation	5,523	6,000	-	6,000
Total expenditures	<u>160,000</u>	<u>173,811</u>	<u>111,631</u>	<u>62,180</u>
Excess of revenues over expenditures.	<u>-</u>	<u>30,000</u>	<u>29,746</u>	<u>(254)</u>
Other financing sources (uses):				
Advances in.	-	-	254	254
Advances out	-	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(30,000)</u>	<u>(29,746)</u>	<u>254</u>
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TITLE III FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - federal	\$ 63,323	\$ 90,614	\$ 42,215	\$ (48,399)
Total revenues	63,323	90,614	42,215	(48,399)
Expenditures:				
Current:				
Instruction:				
Regular	3,490	4,614	739	3,875
Special	4,435	5,862	5,862	-
Support services:				
Pupil	15,098	19,957	12,030	7,927
Instructional staff	4,918	6,500	4,750	1,750
Operation of non-instructional services	41,106	54,332	36,081	18,251
Total expenditures	69,047	91,265	59,462	31,803
Excess of expenditures over revenues	(5,724)	(651)	(17,247)	(16,596)
Other financing sources (uses):				
Advances in	-	-	16,598	16,598
Advances out	-	(3,500)	(3,500)	-
Total other financing sources (uses)	-	(3,500)	13,098	16,598
Net change in fund balance	(5,724)	(4,151)	(4,149)	2
Fund balance at beginning of year	24	24	24	-
Prior year encumbrances appropriated	5,700	5,700	5,700	-
Fund balance at end of year	\$ -	\$ 1,573	\$ 1,575	\$ 2

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TITLE I FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - federal	\$ 4,455,109	\$ 5,011,481	\$ 3,326,602	\$ (1,684,879)
Total revenues	4,455,109	5,011,481	3,326,602	(1,684,879)
Expenditures:				
Current:				
Instruction:				
Special.	2,483,223	2,066,704	1,686,642	380,062
Support services:				
Instructional staff	3,064,303	2,550,317	1,686,901	863,416
Administration.	180,668	150,364	120,590	29,774
Fiscal	111,769	93,022	93,022	-
Pupil transportation	121,883	101,439	116,308	(14,869)
Operation of non-instructional services	165,845	138,027	80,410	57,617
Total expenditures	6,127,691	5,099,873	3,783,873	1,316,000
Excess of expenditures over revenues.. . . .	(1,672,582)	(88,392)	(457,271)	(368,879)
Other financing sources (uses):				
Advances in.	-	-	368,879	368,879
Advances out	-	(1,580,000)	(1,580,000)	-
Refund of prior year expenditure	-	451	451	-
Total other financing sources (uses)	-	(1,579,549)	(1,210,670)	368,879
Net change in fund balance	(1,672,582)	(1,667,941)	(1,667,941)	-
Fund balance (deficit) at beginning of year . .	1,206,626	1,206,626	1,206,626	-
Prior year encumbrances appropriated	465,956	465,956	465,956	-
Fund balance at end of year	\$ -	\$ 4,641	\$ 4,641	\$ -

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EHA PRESCHOOL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - federal	\$ 27,215	\$ 27,215	\$ 27,215	\$ -
Total revenues	<u>27,215</u>	<u>27,215</u>	<u>27,215</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Special.	27,215	27,215	27,215	-
Total expenditures	<u>27,215</u>	<u>27,215</u>	<u>27,215</u>	<u>-</u>
Excess of revenues over expenditures.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing uses:				
Advances out	(25,500)	(25,500)	(25,500)	-
Total other financing uses.	<u>(25,500)</u>	<u>(25,500)</u>	<u>(25,500)</u>	<u>-</u>
Net change in fund balance	(25,500)	(25,500)	(25,500)	-
Fund balance at beginning of year	<u>25,500</u>	<u>25,500</u>	<u>25,500</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
IMPROVING TEACHER QUALITY GRANT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Other local revenues	\$ -	\$ 1	\$ 1	\$ -
Intergovernmental - federal	676,877	1,023,036	368,886	(654,150)
Total revenues	676,877	1,023,037	368,887	(654,150)
Expenditures:				
Current:				
Instruction:				
Regular	29,079	47,235	32,160	15,075
Support services:				
Instructional staff	508,029	825,198	242,656	582,542
Fiscal	4,148	6,737	6,737	-
Operation of non-instructional services	10,920	17,737	11,965	5,772
Total expenditures	552,176	896,907	293,518	603,389
Excess of revenues over expenditures	124,701	126,130	75,369	(50,761)
Other financing sources (uses):				
Transfers in	-	14,851	14,851	-
Transfers out	-	-	(14,851)	(14,851)
Advances in	-	-	47,759	47,759
Advances out	(294,000)	(294,000)	(294,000)	-
Refund of prior year expenditure	-	3,000	3,000	-
Total other financing sources (uses)	(294,000)	(276,149)	(243,241)	32,908
Net change in fund balance	(169,299)	(150,019)	(167,872)	(17,853)
Fund balance at beginning of year	24,710	24,710	24,710	-
Prior year encumbrances appropriated	144,589	144,589	144,589	-
Fund balance at end of year	\$ -	\$ 19,280	\$ 1,427	\$ (17,853)

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MISCELLANEOUS FEDERAL GRANTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental - federal	\$ -	\$ 10,000	\$ -	\$ (10,000)
Total revenues	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,677	-	-	-
Total expenditures	<u>2,677</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(2,677)	10,000	-	(10,000)
Fund balance at beginning of year	<u>2,677</u>	<u>2,677</u>	<u>2,677</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 12,677</u>	<u>\$ 2,677</u>	<u>\$ (10,000)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PERMANENT IMPROVEMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
Facilities acquisition and construction.	\$ 293,014	\$ 293,000	\$ 293,000	\$ -
Total expenditures	<u>293,014</u>	<u>293,000</u>	<u>293,000</u>	<u>-</u>
Excess of expenditures over revenues.	<u>(293,014)</u>	<u>(293,000)</u>	<u>(293,000)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	-	500,000	500,000	-
Refund of prior year receipts	-	(14)	(14)	-
Total other financing sources (uses)	<u>-</u>	<u>499,986</u>	<u>499,986</u>	<u>-</u>
Net change in fund balance	(293,014)	206,986	206,986	-
Fund balance at beginning of year	<u>293,016</u>	<u>293,016</u>	<u>293,016</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2</u>	<u>\$ 500,002</u>	<u>\$ 500,002</u>	<u>\$ -</u>

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations.

AGENCY FUND

Student Managed Activities Fund

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

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

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Beginning Balance July 1, 2016	Additions	Deletions	Ending Balance June 30, 2017
Student Activity				
Assets:				
Equity in pooled cash and investments	\$ 90,575	\$ 34,385	\$ 36,178	\$ 88,782
Receivables				
Accounts	-	1,464	-	1,464
Total assets	<u>\$ 90,575</u>	<u>\$ 35,849</u>	<u>\$ 36,178</u>	<u>\$ 90,246</u>
Liabilities:				
Accounts payable	\$ 516	\$ 10,101	\$ 516	\$ 10,101
Loans payable	2,500	510	2,500	510
Undistributed monies	87,559	25,238	33,162	79,635
Total liabilities.	<u>\$ 90,575</u>	<u>\$ 35,849</u>	<u>\$ 36,178</u>	<u>\$ 90,246</u>

STATISTICAL SECTION

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

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	116-125
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	126-131
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	132-137
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	138-139
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	140-151

Sources: Sources are noted on the individual schedules.

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

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
SCHEDULE 1

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental activities				
Net investment in capital assets	\$ 33,418,675	\$ 8,826,190	\$ 3,847,066	\$ 3,003,649
Restricted	29,002,067	51,446,955	54,147,596	3,938,419
Unrestricted (deficit)	(71,669,392)	(77,674,860)	(90,343,892)	(93,507,156)
Total governmental activities net position	<u>\$ (9,248,650)</u>	<u>\$ (17,401,715)</u>	<u>\$ (32,349,230)</u>	<u>\$ (86,565,088)</u>

Source: School District financial records.

(1) Amounts have been restated as previously reported.

2013	2012	2011	2010	2009 (1)	2008
\$ 6,234,371	\$ 8,239,520	\$ 8,243,758	\$ 6,999,059	\$ 5,483,895	\$ 12,290,959
2,337,991	3,507,622	5,998,474	3,734,017	4,704,174	5,485,245
(3,394,825)	(3,138,373)	(2,282,638)	6,290,172	8,488,821	7,913,355
<u>\$ 5,177,537</u>	<u>\$ 8,608,769</u>	<u>\$ 11,959,594</u>	<u>\$ 17,023,248</u>	<u>\$ 18,676,890</u>	<u>\$ 25,689,559</u>

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

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
SCHEDULE 2

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenses				
Governmental activities:				
Instruction	\$ 46,489,210	\$ 45,802,884	\$ 47,109,627	\$ 49,646,486
Support services:				
Pupil	4,193,175	3,895,910	3,746,251	4,442,512
Instructional staff	2,759,968	2,619,650	1,991,860	3,389,719
Board of education	69,441	70,619	59,556	66,159
Administration	4,197,588	3,912,734	4,154,176	4,663,891
Fiscal	1,541,679	1,470,168	1,671,371	785,642
Business	279,945	229,965	191,359	209,337
Operations and maintenance	8,833,372	7,631,480	7,408,158	9,294,379
Pupil transportation	4,244,506	4,125,548	4,007,357	4,022,409
Central	1,218,435	1,218,035	1,619,365	2,669,861
Operation of non-instructional services	4,650,576	4,652,290	4,781,569	4,795,795
Extracurricular activities	981,923	815,861	1,083,235	900,838
Interest and fiscal charges	4,312,147	4,933,230	3,892,120	2,672,184
Total expenses	<u>83,771,965</u>	<u>81,378,374</u>	<u>81,716,004</u>	<u>87,559,212</u>

	2013 (1)	2012	2011	2010 (2)	2009	2008 (3)
\$	48,384,018	\$ 46,929,114	\$ 50,188,859	\$ 49,044,574	\$ 47,565,415	\$ 43,559,450
	4,265,190	4,655,026	5,585,042	4,919,527	4,664,923	4,269,073
	3,868,239	4,939,816	5,229,348	5,980,662	5,950,980	4,294,621
	43,835	56,405	52,578	103,269	39,990	-
	4,445,825	4,530,426	5,343,818	5,899,057	5,918,107	4,998,030
	688,210	723,250	670,419	1,455,723	1,350,653	1,602,802
	254,239	441,139	469,884	511,414	484,511	378,914
	7,914,945	7,792,863	7,399,143	7,712,461	8,501,464	8,650,520
	3,812,314	3,758,699	3,682,543	3,685,251	3,292,293	3,179,889
	1,486,066	3,397,181	5,344,434	1,963,221	2,330,840	1,764,603
	4,543,308	4,369,441	3,886,436	3,651,317	3,843,355	3,689,463
	890,157	1,025,636	1,028,730	1,002,233	1,022,353	787,327
	2,713,127	2,703,229	2,840,830	2,857,619	3,009,066	2,999,529
	<u>83,309,473</u>	<u>85,322,225</u>	<u>91,722,064</u>	<u>88,786,328</u>	<u>87,973,950</u>	<u>80,174,221</u>

(Continued)

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

CHANGES IN NET POSITION - (Continued)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
SCHEDULE 2

Program Revenues	2017	2016	2015	2014
Governmental activities:				
Charges for services:				
Instruction	\$ 1,140,710	\$ 920,340	\$ 1,167,154	\$ 1,328,997
Support services	93,827	102,003	78,459	74,984
Operation of non-instructional services	318,107	166,004	153,619	371,359
Extracurricular activities	6,324	192,430	214,969	-
Operating grants and contributions	18,491,315	16,825,958	10,763,712	12,666,818
Capital grants and contributions	-	-	-	-
Total governmental program revenues	<u>20,050,283</u>	<u>18,206,735</u>	<u>12,377,913</u>	<u>14,442,158</u>
Net (Expense)/Revenue				
Governmental activities	<u>\$ (63,721,682)</u>	<u>\$ (63,171,639)</u>	<u>\$ (69,338,091)</u>	<u>\$ (73,117,054)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes levied for:				
General purposes	\$ 23,847,638	\$ 31,620,677	\$ 24,805,279	\$ 30,753,332
Debt service	4,702,755	5,567,012	3,979,176	3,317,360
Special revenue	270,512	341,335	-	-
Capital projects	-	-	249,633	167,982
Payment in lieu of taxes	677,978	886,632	431,267	226,369
Grants and entitlements not restricted to specific programs	41,547,296	38,775,910	42,131,982	40,073,523
Grants and entitlements restricted to school facilities program	-	-	51,403,241	-
Investment earnings	449,200	448,314	202,447	1,166
Unrestricted contributions	-	-	-	-
Miscellaneous	379,368	479,274	350,924	417,338
Total governmental activities	<u>71,874,747</u>	<u>78,119,154</u>	<u>123,553,949</u>	<u>74,957,070</u>
Change in Net Position				
Governmental activities	<u>\$ 8,153,065</u>	<u>\$ 14,947,515</u>	<u>\$ 54,215,858</u>	<u>\$ 1,840,016</u>

Source: School District financial records.

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

2013	2012	2011	2010 (2)	2009	2008 (3)
\$ 728,828	\$ 760,855	\$ 747,531	\$ 708,352	\$ 717,696	\$ 536,644
60,921	101,071	169,629	206,090	178,057	470,327
690,941	816,136	781,124	864,398	917,389	921,098
-	-	-	-	-	-
10,881,913	12,112,072	19,941,094	18,469,879	17,762,109	17,204,236
-	-	-	316,140	66,437	14,078
<u>12,362,603</u>	<u>13,790,134</u>	<u>21,639,378</u>	<u>20,564,859</u>	<u>19,641,688</u>	<u>19,146,383</u>
<u>\$ (70,946,870)</u>	<u>\$ (71,532,091)</u>	<u>\$ (70,082,686)</u>	<u>\$ (68,221,469)</u>	<u>\$ (68,332,262)</u>	<u>\$ (61,027,838)</u>
\$ 26,836,512	\$ 27,947,132	\$ 28,460,928	\$ 15,443,139	\$ 16,749,487	\$ 19,017,594
2,907,788	3,816,214	3,477,334	3,404,818	3,862,804	4,373,040
-	-	-	13,390,494	14,565,287	15,925,322
132,316	113,113	-	-	-	-
303,813	552,566	280,612	517,839	-	-
37,215,406	35,874,604	32,733,997	33,774,716	33,102,516	25,460,103
-	-	-	-	-	-
1,923	9,601	28,936	26,337	228,509	1,391,914
-	-	-	-	-	24,728
117,880	465,234	37,225	10,484	23,272	139,122
<u>67,515,638</u>	<u>68,778,464</u>	<u>65,019,032</u>	<u>66,567,827</u>	<u>68,531,875</u>	<u>66,331,823</u>
<u>\$ (3,431,232)</u>	<u>\$ (2,753,627)</u>	<u>\$ (5,063,654)</u>	<u>\$ (1,653,642)</u>	<u>\$ 199,613</u>	<u>\$ 5,303,985</u>

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

FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
SCHEDULE 3

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund:				
Nonspendable	\$ 80,022	\$ -	\$ -	\$ -
Restricted	-	-	-	24,610
Assigned	807,257	389,829	480,211	65,935
Unassigned (deficit)	13,770,208	8,794,259	(1,204,805)	(1,114,077)
Reserved	-	-	-	-
Unreserved (deficit)	-	-	-	-
Total general fund	<u>\$ 14,657,487</u>	<u>\$ 9,184,088</u>	<u>\$ (724,594)</u>	<u>\$ (1,023,532)</u>
All Other Governmental Funds:				
Nonspendable	\$ 12,187	\$ -	\$ 93,564	\$ 97,652
Restricted	39,450,727	58,695,362	53,563,718	2,135,729
Committed	478,358	293,040	216,852	29,970
Unassigned (deficit)	(78,942)	(31,238)	(24,845)	(112,278)
Reserved	-	-	-	-
Unreserved (deficit), reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Total all other governmental funds	<u>\$ 39,862,330</u>	<u>\$ 58,957,164</u>	<u>\$ 53,849,289</u>	<u>\$ 2,151,073</u>
Total governmental funds	<u>\$ 54,519,817</u>	<u>\$ 68,141,252</u>	<u>\$ 53,124,695</u>	<u>\$ 1,127,541</u>

Source: School District financial records.

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

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

2013	2012	2011	2010 (1)	2009	2008
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24,610	24,610	186,444	-	-	-
386,691	306,347	739,638	-	-	-
(3,932,766)	(4,483,802)	(3,717,700)	-	-	-
-	-	-	1,305,189	1,392,826	1,280,574
-	-	-	2,589,792	(1,245,433)	(3,511,819)
<u>\$ (3,521,465)</u>	<u>\$ (4,152,845)</u>	<u>\$ (2,791,618)</u>	<u>\$ 3,894,981</u>	<u>\$ 147,393</u>	<u>\$ (2,231,245)</u>
\$ 48,607	\$ 29,397	\$ 41,988	\$ -	\$ -	\$ -
2,212,418	3,253,825	4,631,246	-	-	-
8,463	8,111	51,081	-	-	-
(245)	(25,155)	(20,782)	-	-	-
-	-	-	1,457,598	2,351,469	7,505,213
-	-	-	(469,675)	3,774,571	3,183,607
-	-	-	2,186,547	2,352,696	1,896
-	-	-	(907,311)	(1,265,409)	(1,711,469)
<u>\$ 2,269,243</u>	<u>\$ 3,266,178</u>	<u>\$ 4,703,533</u>	<u>\$ 2,267,159</u>	<u>\$ 7,213,327</u>	<u>\$ 8,979,247</u>
<u>\$ (1,252,222)</u>	<u>\$ (886,667)</u>	<u>\$ 1,911,915</u>	<u>\$ 6,162,140</u>	<u>\$ 7,360,720</u>	<u>\$ 6,748,002</u>

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

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
SCHEDULE 4

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues				
From local sources:				
Property taxes	\$ 28,927,911	\$ 37,002,240	\$ 27,872,515	\$ 34,294,811
Payment in lieu of taxes	666,839	886,632	431,267	497,553
Tuition and fees	1,022,553	769,292	1,032,757	1,126,473
Transportation fees	7,707	-	-	-
Earnings on investments	457,155	463,164	157,998	1,166
Charges for services	160,457	166,004	296,116	349,214
Extracurricular	225,693	243,929	243,266	257,306
Classroom materials and fees	43,426	43,605	-	-
Rental income	24,401	56,871	30,478	33,633
Contributions and donations	326,547	391,749	367,448	262,615
Contract services	71,536	97,832	-	-
Other local revenues	123,796	147,764	333,563	223,265
Intergovernmental	84,822,828	64,399,778	56,808,384	50,921,081
Total revenues	<u>116,880,849</u>	<u>104,668,860</u>	<u>87,573,792</u>	<u>87,967,117</u>
Expenditures				
Current:				
Instruction	47,102,572	47,528,539	47,816,401	49,279,372
Support services:				
Pupil	4,237,609	3,944,123	3,877,467	4,424,408
Instructional staff	2,764,612	2,877,401	2,019,362	3,417,238
Board of education	70,196	58,127	59,556	66,159
Administration	4,340,891	3,949,199	4,278,161	4,656,085
Fiscal	1,558,948	1,460,099	1,662,170	784,141
Business	272,019	245,965	189,919	209,442
Operations and maintenance	6,324,072	6,000,716	6,371,641	7,925,541
Pupil transportation	4,301,151	4,049,294	3,926,956	3,905,361
Central	1,166,324	992,204	1,665,992	3,459,367
Operation of non-instructional services	4,765,732	4,627,836	4,754,045	4,754,840
Extracurricular activities	1,001,261	838,178	928,706	924,948
Capital outlay	45,880,282	4,716,122	2,216,640	433,676
Debt service:				
Principal retirement	2,428,067	3,338,619	3,273,410	1,177,325
Interest and fiscal charges	4,330,759	5,032,301	3,986,977	2,865,082
Bond issuance costs	-	243,537	-	-
Total expenditures	<u>130,544,495</u>	<u>89,902,260</u>	<u>87,027,403</u>	<u>88,282,985</u>
Excess of revenues over (under) expenditures	(13,663,646)	14,766,600	546,389	(315,868)
Other Financing Sources (Uses)				
Transfers in	1,204,479	1,079,247	626,572	610,354
Transfers (out)	(1,204,479)	(1,079,247)	(626,572)	(610,354)
Sale of notes	-	-	-	-
Refund of prior year receipts	-	-	-	-
Sale of capital assets	42,211	6,419	340,087	2,358
Capital lease transaction	-	-	-	248,273
Issuance of long term debt	-	-	46,600,000	2,445,000
Sale of refunding bonds	-	-	-	-
Refunding bond issue costs	-	-	-	-
Payments to refunding bond escrow agent	-	(26,510,643)	-	-
Premium on the sale of refunding bonds	-	1,269,181	4,510,678	-
Insurance proceeds	-	-	-	-
Issuance of bonds	-	25,485,000	-	-
Total other financing sources (uses)	<u>42,211</u>	<u>249,957</u>	<u>51,450,765</u>	<u>2,695,631</u>
Net change in fund balances	<u>\$ (13,621,435)</u>	<u>\$ 15,016,557</u>	<u>\$ 51,997,154</u>	<u>\$ 2,379,763</u>
Capital expenditures	\$ 45,731,277	\$ 6,394,237	\$ 3,316,732	\$ 1,526,035
Debt service as a percentage of noncapital expenditures	7.97%	10.02%	8.67%	4.66%

Source: School District financial records.

	2013	2012	2011	2010	2009	2008
\$	31,261,754	\$ 31,341,229	\$ 30,834,774	\$ 31,981,033	\$ 34,695,348	\$ 39,009,403
	444,506	148,212	279,392	511,536	-	-
	566,267	724,610	525,839	516,322	493,420	972,600
	-	-	65,664	144,614	97,048	-
	1,923	9,601	29,126	31,260	223,963	1,391,914
	651,126	588,504	561,722	614,698	667,441	637,736
	233,516	341,328	320,910	308,493	280,515	260,034
	-	-	138,801	109,042	142,369	-
	22,675	10,458	-	-	-	-
	46,956	110,623	-	-	-	-
	-	-	-	-	-	-
	123,851	477,276	200,672	200,899	204,393	221,547
	48,067,339	48,553,938	51,866,741	53,233,060	51,642,603	42,563,950
	<u>81,419,913</u>	<u>82,305,779</u>	<u>84,823,641</u>	<u>87,650,957</u>	<u>88,447,100</u>	<u>85,057,184</u>
	48,133,204	47,192,759	48,974,881	47,816,574	45,381,711	42,666,670
	4,379,076	4,695,154	5,502,709	4,825,255	4,454,170	4,318,458
	3,832,870	4,964,134	5,182,361	5,827,474	5,809,655	4,338,546
	43,835	56,405	51,456	101,002	39,105	-
	4,456,818	4,517,281	5,327,370	5,809,833	5,702,554	5,064,734
	689,018	717,447	654,400	1,417,411	1,329,362	1,626,470
	253,527	427,734	444,542	485,305	456,107	425,545
	5,684,561	5,454,243	6,239,542	6,735,701	8,125,211	6,992,725
	3,689,610	3,629,508	3,527,369	3,472,888	3,379,531	3,116,607
	1,257,761	3,853,759	3,782,437	1,954,306	2,221,285	1,715,473
	4,518,730	4,382,701	3,834,439	3,583,679	3,756,691	3,685,944
	883,030	1,017,934	1,008,812	977,802	1,014,207	789,531
	8,723	397,027	2,050,587	510,385	1,684,649	13,708,012
	1,033,416	927,375	880,261	2,357,860	2,229,778	2,813,657
	2,921,769	2,881,709	3,007,587	3,036,523	3,167,536	3,178,262
	-	-	-	-	-	-
	<u>81,785,948</u>	<u>85,115,170</u>	<u>90,468,753</u>	<u>88,911,998</u>	<u>88,751,552</u>	<u>94,440,634</u>
	(366,035)	(2,809,391)	(5,645,112)	(1,261,041)	(304,452)	(9,383,450)
	604,934	620,080	692,375	699,567	1,932	366,669
	(604,934)	(620,080)	(692,375)	(699,567)	(1,932)	(366,669)
	-	-	-	-	-	-
	-	-	-	-	-	-
	480	10,810	46,120	62,461	913	33,602
	-	-	1,348,767	-	478,000	-
	-	-	-	-	-	677,662
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	438,257	-
	-	-	-	-	-	-
	<u>480</u>	<u>10,810</u>	<u>1,394,887</u>	<u>62,461</u>	<u>917,170</u>	<u>711,264</u>
\$	<u>(365,555)</u>	<u>(2,798,581)</u>	<u>(4,250,225)</u>	<u>(1,198,580)</u>	<u>612,718</u>	<u>(8,672,186)</u>
\$	258,984	\$ 1,442,769	\$ 1,787,485	\$ 485,751	\$ 1,731,427	\$ 14,805,754
	4.85%	4.55%	4.38%	6.10%	6.20%	7.52%

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

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN CALENDAR YEARS
SCHEDULE 5

Tax Year	Real Property Assessed Value	Tangible Personal Property Assessed Value	Public Utilities Personal Assessed Value	Total Assessed Value	Total Estimated Actual Value	Total Direct Rate	Ratio
2016	\$ 604,441,470	\$ -	\$ 58,917,790	\$ 663,359,260	\$ 1,962,601,361	\$54.40	33.80%
2015	603,512,220	-	57,446,810	660,959,030	1,955,500,089	54.54	33.80%
2014	603,212,590	-	56,477,890	659,690,480	1,884,829,943	54.51	35.00%
2013	657,709,970	-	54,597,780	712,307,750	2,035,165,000	48.95	35.00%
2012	665,572,990	-	50,710,520	716,283,510	2,046,524,314	47.16	35.00%
2011	673,961,050	-	51,549,940	725,510,990	2,072,888,543	47.16	35.00%
2010	739,511,220	-	50,482,380	789,993,600	2,337,259,172	46.99	33.80%
2009	750,828,210	-	40,785,100	791,613,310	2,342,051,213	47.00	33.80%
2008	799,643,380	-	38,837,820	838,481,200	2,480,713,609	45.75	33.80%
2007	717,245,370	133,592,134	36,901,260	887,738,764	2,620,542,282	45.75	33.88%

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

Note: The assessed value of real property (including public utility real property) is 35 percent of estimated true value.

The tangible personal property tax of general business and railroad property was eliminated in 2009.

The tangible personal property tax on telephone and telecommunications property will be eliminated by 2011

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

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

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN CALENDAR YEARS
SCHEDULE 6

Calendar Year	District Direct Rates						Overlapping Rates	
	Voted			Permanent Improvement	Unvoted	Total	Butler County	Warren County
	General	Emergency	Bond					
2016	\$40.73	\$ -	\$8.25	\$ 0.50	\$ 4.92	\$54.40	\$ 9.72	\$ 7.78
2015	40.87	-	8.25	0.50	4.92	54.54	9.72	7.78
2014	18.27	22.83	8.25	-	5.16	54.51	9.72	7.78
2013	18.27	20.77	4.75	-	5.16	48.95	9.72	7.78
2012	18.27	18.98	4.75	-	5.16	47.16	9.72	7.78
2011	18.27	18.98	4.75	-	5.16	47.16	9.72	7.78
2010	18.27	18.81	4.99	-	4.92	46.99	9.72	5.78
2009	18.27	18.89	4.92	-	4.92	47.00	9.75	5.78
2008	18.27	17.82	4.74	-	4.92	45.75	9.75	5.21
2007	18.27	17.82	4.74	-	4.92	45.75	10.95	6.71

Source: County Auditor

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

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

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

N/A - Information not available.

Overlapping Rates

	Franklin Township (1)	Turtlecreek Township (2)	City of Middletown	Butler County Joint Vocational School	Metroparks	Midpointe Library	Total Overlapping Rates	Total Overlapping and Direct Rates
\$	3.87	\$ 9.12	\$ 6.90	\$ 1.93	\$ 0.50	\$ 0.75	\$ 40.57	\$ 94.97
	3.87	9.12	6.90	1.93	0.50	0.75	40.57	95.11
	3.87	9.12	6.90	1.93	0.50	0.75	40.57	95.08
	3.87	9.12	6.72	1.93	0.50	0.75	40.39	89.34
	3.87	9.12	5.90	1.93	N/A	N/A	38.32	85.48
	3.87	9.12	5.90	1.93	N/A	N/A	38.32	85.48
	3.87	0.61	5.90	1.93	N/A	N/A	27.81	74.80
	4.00	1.61	5.90	1.93	N/A	N/A	28.97	75.97
	7.17	1.61	5.90	1.93	N/A	N/A	31.57	77.32
	N/A	N/A	5.90	1.93	N/A	N/A	25.49	71.24

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

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN CALENDAR YEARS (1)
SCHEDULE 7

Calendar Year	Taxes Levied for the Calendar Year (1)	Collected within the Calendar Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes (3)	Percentage Outstanding Delinquent Taxes to Tax Levied
		Amount (2)	Percentage of Levy		Amount	Percentage of Levy		
2016	\$ 36,050,347	\$ 30,546,560	84.73%	\$ 1,676,407	\$ 32,222,967	89.38%	\$4,683,274	12.99%
2015	35,954,046	30,512,832	84.87%	1,749,741	32,262,573	89.73%	4,291,273	11.94%
2014	35,954,046	29,625,371	82.40%	1,667,238	31,292,609	87.04%	4,125,765	11.48%
2013	31,531,399	29,625,371	93.96%	2,033,122	31,658,493	100.40%	3,898,991	12.37%
2012	30,713,002	28,911,321	94.13%	2,421,728	31,333,049	102.02%	4,619,013	15.04%
2011	32,633,101	31,682,293	97.09%	1,736,442	33,418,735	102.41%	5,357,474	16.42%
2010	32,511,295	31,267,882	96.18%	918,290	32,186,172	99.00%	4,852,706	14.93%
2009	35,638,317	30,469,584	85.50%	2,134,606	32,604,190	91.49%	4,202,583	11.79%
2008	38,249,797	32,358,689	84.60%	2,393,834	34,752,523	90.86%	3,893,720	10.18%
2007	40,619,396	33,468,165	82.39%	1,726,207	35,194,372	86.64%	4,273,994	10.52%

Source: Butler County Auditor's Office

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

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

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

PRINCIPAL PROPERTY TAX PAYERS
CURRENT CALENDAR YEAR AND NINE YEARS AGO
SCHEDULE 8

		2016	
Taxpayer		Assessed Value	Percentage of Total Assessed Value
Duke Energy	1	\$ 38,830,720	5.85%
AK Steel	2	9,994,120	1.51%
AJB Realty	3	4,312,670	0.65%
Rockies Express	4	1,231,210	0.19%
Boymel Family	5	3,955,660	0.60%
Dynegy Dicks Creek	6	3,156,130	0.48%
Middletown Coke	7	3,149,200	0.47%
Texas Eastern Transmission	8	2,946,590	0.44%
CTR Partnership	9	2,904,620	0.44%
Precision Strip	10	2,757,040	0.42%
		\$ 73,237,960	11.04%

		2007	
Taxpayer		Assessed Value	Percentage of Total Assessed Value
Cincinnati Gas and Electric	1	\$ 33,348,310	3.76%
AK Steel Corp.	2	15,095,550	1.70%
Ohio Bell Telephone	3	5,836,540	0.66%
Precision Strip Inc.	4	4,166,220	0.47%
Southwestern Ohio Steel	5	4,061,950	0.46%
Boymel Sam	6	3,567,860	0.40%
Bavarian Woods Apts.	7	2,955,990	0.33%
Chake-Chak LLC	8	2,033,000	0.23%
Texas Eastern Transmission	9	1,886,190	0.21%
Bay West Paper Corp	10	1,817,680	0.20%
Total		\$ 74,769,290	8.42%

Source: Butler County Auditor's Office

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

OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
SCHEDULE 9

Fiscal Year	Governmental Activities (a)				Total Primary Government	Ratio of Total Debt to Estimated Actual Value (d)
	Construction Bond	Refunding Bonds	Long-Term Capital Notes	Capital Leases		
2017	\$ 47,932,955	\$ 54,991,657	\$ 1,080,229	\$ 78,446	\$ 104,083,287	5.30%
2016	48,825,622	56,139,983	1,372,934	128,808	106,467,347	5.44%
2015	50,423,289	56,623,125	3,192,685	177,676	110,416,775	5.86%
2014	1,680,000	56,864,375	3,407,487	911,284	62,863,146	3.09%
2013	2,325,000	57,095,625	1,127,569	1,005,254	61,553,448	3.01%
2012	2,930,000	57,258,498	1,288,149	1,258,090	62,734,737	3.03%
2011	3,285,000	53,340,000	1,444,436	1,629,178	59,698,614	2.55%
2010	3,610,000	53,380,000	1,596,629	643,479	59,230,108	2.53%
2009	3,910,000	54,740,000	1,744,916	1,193,052	61,587,968	2.48%
2008	5,555,000	54,719,650	1,889,478	1,105,268	63,269,396	2.41%

Source: School District financial records

- (a) See notes to the financial statements regarding the District's outstanding debt information.
- (b) See schedule " Demographic and Economic Statistic, Last Ten Years" for personal income, per capita, population and enrollment information.
- (d) Assessed values are on a calendar year basis (i.e. fiscal year 2017 is calendar year 2016). See the table on page 126 for details on assessed values.

Percentage of Personal Income (b)	Total Debt Per Capita (b)	Total Bonded Debt	Less: Bond Retirement Fund	Net Bond Debt	Ratio of Net Bonded Debt to Estimated Actual Value (d)	Net General Bonded Debt Per Capita (b)
10.53%	\$ 2,135	\$ 102,924,612	\$ 4,344,381	\$ 98,580,231	5.02%	\$ 2,022
10.80%	2,183	104,965,605	5,141,164	99,824,441	5.10%	2,047
11.24%	2,271	107,046,414	5,446,025	101,600,389	5.39%	2,089
6.40%	1,293	58,544,375	1,617,246	56,927,129	2.80%	1,171
6.36%	1,266	59,420,625	1,332,329	58,088,296	2.84%	1,194
6.54%	1,289	60,188,498	1,307,781	58,880,717	2.84%	1,210
5.97%	1,226	56,625,000	725,144	55,899,856	2.39%	1,148
5.88%	1,209	56,990,000	2,186,547	54,803,453	2.34%	1,118
6.10%	1,198	58,650,000	2,352,696	56,297,304	2.27%	1,095
6.23%	1,223	60,274,650	1,896	60,272,754	2.30%	1,165

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017
SCHEDULE 10

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Overlapping Debt:			
Butler County (2)	\$ 50,320,000	8.70%	\$ 4,377,840
Warren County (2)	19,227,000	1.40%	269,178
City of Middletown (2)	21,689,000	91.88%	19,927,853
Subtotal, Overlapping Debt	<u>91,236,000</u>		<u>24,574,871</u>
District Direct Debt	<u>104,083,287</u>	100.00%	<u>104,083,287</u>
Total Direct and Overlapping Debt	<u><u>195,319,287</u></u>		<u><u>128,658,158</u></u>

Sources:

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

(2) - City of Middletown annual financial report for December 31, 2016.

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

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
SCHEDULE 11

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assessed Valuation of District	\$ 663,359,260	\$ 660,959,030	\$ 659,690,480	\$ 712,307,750	\$ 716,283,510
Overall direct debt limit					
Direct debt limitation 9% of assessed valuation	59,702,333	59,486,313	59,372,143	64,107,698	64,465,516
Amount available in bond retirement fund	4,344,381	5,141,164	5,446,025	1,617,246	1,332,329
Gross indebtedness (2)	<u>50,935,000</u>	<u>53,215,000</u>	<u>57,947,487</u>	<u>59,253,771</u>	<u>57,737,823</u>
Legal margin within 9% limitation	<u>\$ 13,111,714</u>	<u>\$ 11,412,477</u>	<u>\$ 6,870,681</u>	<u>\$ 6,471,173</u>	<u>\$ 8,060,022</u>
Total net debt applicable to the limit as a percentage of the limit	79.53%	82.34%	89.40%	90.15%	87.75%
Unvoted direct debt limitation					
Unvoted debt limitation 0.1% of assessed valuation	<u>\$ 663,359</u>	<u>\$ 660,959</u>	<u>\$ 659,690</u>	<u>\$ 712,308</u>	<u>\$ 716,284</u>

Source: School District financial records

- (1) - Assessed values are on a calendar year basis (i.e. fiscal year 2017 is calendar year 2016)
- (2) - The general obligation bonds issued in fiscal year 2015 were a voted bond issue allowing the total outstanding balance to be excluded from the legal debt margin calculation.

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

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

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
SCHEDULE 12

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (Thousands of Dollars) (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate (1)</u>
2016	48,760	\$ 988,365	\$ 20,270	4.0%
2015	48,760	985,476	20,345	4.3%
2014	48,630	982,281	20,199	5.4%
2013	48,630	982,281	20,199	7.8%
2012	48,630	968,285	19,911	8.6%
2011	48,660	959,385	19,716	10.1%
2010	48,694	1,000,321	20,543	10.8%
2009	49,000	1,006,607	20,543	11.2%
2008	51,422	1,009,620	19,634	7.2%
2007	51,739	1,015,844	19,634	6.0%

Sources:

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

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

MAJOR EMPLOYERS
CURRENT CALENDAR YEAR AND NINE YEARS AGO
SCHEDULE 13

2016

<u>Major Employers</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
AK Steel	2,483	12.80%
Atrium Medical Center	1,872	9.65%
CM Temporary Services, Inc.	1,590	8.20%
Middletown City School District	799	4.12%
Crown Services 36, LLC.	761	3.92%
Belflex Staffing Network, LLC.	733	3.78%
Kroger Limited Partnership	687	3.54%
CBS Personnel	646	3.33%
Miami University	624	3.22%
City of Middletown	429	2.21%
	<u>10,624</u>	
Total City Employment	<u>19,400</u>	

2007

<u>Employer</u>	<u>Number of Employees</u>	<u>Percentage of Total Employment</u>
AK Steel	4,651	19.38%
Atrium Medical Center (formerly Middletown Regional Hospital)	1,836	7.65%
Strom Engineering Corporation	1,248	5.20%
Middletown City School District	1,181	4.92%
Miami University	667	2.78%
Garden Manor Extended Care	563	2.35%
City of Middletown	514	2.14%
National Workforce Assistance	505	2.10%
Sone Container Corporation	314	1.31%
Bay West Paper Corporation	197	0.82%
	<u>11,676</u>	
Total City Employment	<u>24,000</u>	

Source: City of Middletown annual financial report for December 31, 2016.

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

**FULL TIME EQUIVALENT DISTRICT EMPLOYEES BY TYPE
LAST TEN FISCAL YEARS
SCHEDULE 14**

Type	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Instruction										
Classroom teachers	315.65	306.00	351.00	367.00	368.00	324.29	342.49	380.05	401.00	306.50
Special education teachers and tutors	91.01	77.48	38.00	40.00	49.00	78.68	95.41	84.65	86.00	80.00
Educational aides	-	-	-	1.00	1.00	2.00	37.80	66.00	67.00	58.00
Special education aides and attendants	61.00	64.00	59.00	68.00	62.00	58.00	57.50	12.00	16.00	9.00
Total Instruction	467.66	447.48	448.00	476.00	480.00	462.97	533.20	542.70	570.00	453.50
Support Services										
Support personnel										
Librarians, nurses, counselors, visiting teachers	42.95	46.12	43.00	52.00	52.00	80.23	70.66	67.35	55.00	91.50
Principals	17.00	15.00	17.00	10.00	11.00	15.00	22.00	23.00	23.00	21.00
Central office administration	11.20	13.00	10.00	10.00	11.00	11.00	12.00	16.00	24.00	20.00
Secretaries and clerical	38.00	38.00	39.00	38.00	40.00	44.60	47.00	50.00	45.00	46.00
Transportation	-	-	-	-	-	-	40.81	43.81	47.00	50.00
Food Service	-	-	-	-	-	-	-	-	-	-
Custodial	-	-	-	-	-	31.00	33.00	33.00	37.00	36.00
Maintenance and mechanics	-	-	-	-	-	7.00	16.00	16.00	8.00	8.00
Total Support Services	109.15	112.12	109.00	110.00	114.00	188.83	241.47	249.16	239.00	272.50
Total	576.81	559.60	557.00	586.00	594.00	651.80	774.67	791.86	809.00	726.00

Source: School District records

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

OPERATING STATISTICS
LAST TEN FISCAL YEARS
SCHEDULE 15

Fiscal Year	Enrollment	Operating Expenditures (1)	Cost per pupil (2)	Percent Change	Expenses (3)	Cost per pupil (4)
2017	6,426	\$ 77,905,387	12,123	4.47%	\$ 83,771,965	\$ 13,036
2016	6,598	76,571,681	11,605	1.42%	81,378,374	12,334
2015	6,777	77,550,376	11,443	-10.66%	81,716,004	12,058
2014	6,543	83,806,902	12,809	6.25%	87,559,212	13,382
2013	6,534	78,766,846	12,055	-3.29%	83,029,498	12,707
2012	6,491	80,909,059	12,465	-6.87%	85,322,225	13,145
2011	6,540	87,537,905	13,385	2.08%	91,722,064	14,025
2010	6,601	86,554,138	13,112	6.80%	88,786,328	13,450
2009	6,750	82,876,238	12,278	8.19%	87,973,950	13,033
2008	6,586	74,740,703	11,348	-4.49%	80,174,221	12,173

Source: School District records

- (1) - Operating expenditure is total expenditures minus facilities acquisition and construction, capital outlay and debt service from schedule 4
- (2) - Operating expenditure by enrollment
- (3) - Expenses is total expenses from schedule 2
- (4) - Expenses by enrollment
- (5) - The District entered a new program for fiscal year 2014 where everyone is provided a free breakfast or lunch and the District receives a higher reimbursement rate.

Percent Change	Teaching Staff	Pupil/Teacher Ratio	of Free or Reduced Lunches (5)
5.70%	454	14	100.00%
2.29%	432	15	100.00%
-9.90%	448	15	100.00%
5.31%	426	15	100.00%
-3.33%	490	13	72.10%
-6.28%	462	14	72.10%
4.27%	438	15	71.50%
3.20%	465	14	70.00%
7.06%	487	14	63.89%
0.24%	387	17	65.00%

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

SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
SCHEDULE 16

School	2017	2016	2015	2014	2013	2012
Elementary Schools						
Amanda Elementary (1961)						
Square feet	68,234	68,234	68,234	68,234	68,234	68,234
Capacity (students)	553	553	518	518	518	518
Enrollment	410	426	515	476	471	490
Percent of Capacity (3)	74%	77%	99%	92%	91%	94%
Site Acreage	17	17	17	17	17	17
Old Central Academy Elementary (1960)						
Square feet	(12)	(12)	(12)	(12)	(12)	(12)
Capacity (students)	(12)	(12)	(12)	(12)	(12)	(12)
Enrollment	(12)	(12)	(12)	(12)	(12)	(12)
Percent of Capacity (3)	(12)	(12)	(12)	(12)	(12)	(12)
Site Acreage	(12)	(12)	(12)	(12)	(12)	(12)
New Central Academy Elementary (1966)						
Square feet	32,795	32,795	32,795	32,795	32,795	32,795
Capacity (students)	400	400	350	350	350	350
Enrollment	325	326	316	360	382	414
Percent of Capacity (3)	81%	82%	90%	103%	109%	118%
Site Acreage	7	7	7	7	7	7
Old Creekview Elementary (1961)						
Square feet	(11)	(11)	(11)	(11)	(11)	(11)
Capacity (students)	(11)	(11)	(11)	(11)	(11)	(11)
Enrollment	(11)	(11)	(11)	(11)	(11)	(11)
Percent of Capacity (3)	(11)	(11)	(11)	(11)	(11)	(11)
Site Acreage	(11)	(11)	(11)	(11)	(11)	(11)
New Creekview Elementary (2007)						
Square feet	62,000	62,000	62,000	62,000	62,000	62,000
Capacity (students)	525	525	503	503	503	503
Enrollment	461	458	575	453	470	423
Percent of Capacity (3)	88%	87%	114%	90%	93%	84%
Site Acreage	12	12	12	12	12	12
Highview Elementary (2007)						
Square feet	62,000	62,000	62,000	62,000	62,000	62,000
Capacity (students)	575	575	503	503	503	503
Enrollment	439	458	478	426	436	427
Percent of Capacity (3)	76%	80%	95%	85%	87%	84%
Site Acreage	5	5	5	5	5	5
Mayfield Elementary (1939)						
Square feet	49,828	49,828	49,828	49,828	49,828	49,828
Capacity (students)	575	575	503	503	503	503
Enrollment	531	518	552	505	475	469
Percent of Capacity (3)	92%	90%	110%	100%	94%	93%
Site Acreage	5	5	5	5	5	5

2011	2010	2009	2008
68,234	68,234	68,234	68,234
518	518	518	518
396	410	411	468
76%	79%	79%	90%
17	17	17	17
(12)	(12)	(12)	30,271
(12)	(12)	(12)	243
(12)	(12)	(12)	245
(12)	(12)	(12)	101%
(12)	(12)	(12)	2
32,795	32,795	32,795	(9)
350	350	350	(9)
320	327	293	(9)
91%	93%	84%	(9)
7	7	7	(9)
(11)	(11)	(11)	40,869
(11)	(11)	(11)	327
(11)	(11)	(11)	354
(11)	(11)	(11)	108%
(11)	(11)	(11)	12
62,000	62,000	62,000	62,000
503	503	503	503
449	425	455	442
89%	84%	90%	88%
12	12	12	12
62,000	62,000	62,000	62,000
503	503	503	503
377	397	455	449
75%	79%	90%	89%
5	5	5	5
49,828	49,828	49,828	49,828
503	503	503	425
445	452	376	(6)
88%	89%	75%	(6)
5	5	5	5

(Continued)

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

SCHOOL BUILDING INFORMATION (CONTINUED)
LAST TEN FISCAL YEARS
SCHEDULE 16

School	2017	2016	2015	2014	2013	2012
Elementary Schools (continued)						
Miller Ridge Elementary (2008)						
Square feet	62,000	62,000	62,000	62,000	62,000	62,000
Capacity (students)	525	525	503	503	503	503
Enrollment	472	457	510	467	495	515
Percent of Capacity (3)	90%	87%	101%	93%	98%	102%
Site Acreage	37	37	37	37	37	37
Roosevelt Elementary (1930)						
Square feet	(10)	(10)	(10)	(10)	(10)	(10)
Capacity (students)	(10)	(10)	(10)	(10)	(10)	(10)
Enrollment	(10)	(10)	(10)	(10)	(10)	(10)
Percent of Capacity (3)	(10)	(10)	(10)	(10)	(10)	(10)
Site Acreage	(10)	(10)	(10)	(10)	(10)	(10)
Rosa Parks Elementary (2007)						
Square feet	62,000	62,000	62,000	62,000	62,000	62,000
Capacity (students)	575	575	503	503	503	503
Enrollment	590	555	772	699	595	608
Percent of Capacity (3)	103%	97%	153%	139%	118%	120%
Site Acreage	8	8	8	8	8	8
Rosedale Elementary (1966)						
Square feet	(9)	(9)	(9)	(9)	(9)	(9)
Capacity (students)	(9)	(9)	(9)	(9)	(9)	(9)
Enrollment	(9)	(9)	(9)	(9)	(9)	(9)
Percent of Capacity (3)	(9)	(9)	(9)	(9)	(9)	(9)
Site Acreage	(9)	(9)	(9)	(9)	(9)	(9)
Taft Elementary (1952)						
Square feet	(11)	(11)	(11)	(11)	(11)	(11)
Capacity (students)	(11)	(11)	(11)	(11)	(11)	(11)
Enrollment	(11)	(11)	(11)	(11)	(11)	(11)
Percent of Capacity (3)	(11)	(11)	(11)	(11)	(11)	(11)
Site Acreage	(11)	(11)	(11)	(11)	(11)	(11)

2011	2010	2009	2008
62,000	62,000	62,000	62,000
502	502	502	502
461	448	434	421
92%	89%	86%	84%
37	37	37	37
(10)	(10)	(10)	114,456
(10)	(10)	(10)	812
(10)	(10)	(10)	414
(10)	(10)	(10)	51%
(10)	(10)	(10)	7
62,000	62,000	62,000	62,000
503	503	503	503
423	417	413	457
84%	83%	82%	91%
8	8	8	8
(9)	(9)	(9)	32,795
(9)	(9)	(9)	262
(9)	(9)	(9)	(9)
(9)	(9)	(9)	(9)
(9)	(9)	(9)	7
(11)	(11)	(11)	64,456
(11)	(11)	(11)	537
(11)	(11)	(11)	(7)
(11)	(11)	(11)	(7)
(11)	(11)	(11)	6

(Continued)

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

SCHOOL BUILDING INFORMATION (CONTINUED)
LAST TEN FISCAL YEARS
SCHEDULE 16

School	2017	2016	2015	2014	2013	2012
Elementary Schools (continued)						
Wildwood Elementary (1959) (4)						
Square feet	44,450	44,450	44,450	44,450	44,450	44,450
Capacity (students)	575	575	503	503	503	503
Enrollment	563	540	612	543	612	564
Percent of Capacity (3)	98%	94%	122%	108%	122%	112%
Site Acreage	4	4	4	4	4	4
Middle Schools						
Steven Vail Middle (1923)						
Square feet	222,409	222,409	222,409	222,409	222,409	222,409
Capacity (students)	1,435	1,435	1,576	1,576	1,576	1,576
Enrollment	865	895	1,042	841	785	825
Percent of Capacity (3)	60%	62%	66%	53%	50%	52%
Site Acreage	3	3	3	3	3	3
George M. Verity Middle (1968)						
Square feet	(13)	(13)	81,589	81,589	81,589	81,589
Capacity (students)	(13)	(13)	653	653	653	653
Enrollment	(13)	(13)	-	-	-	-
Percent of Capacity (3)	(13)	(13)	0%	0%	0%	0%
Site Acreage	(13)	(13)	39	39	39	39

2011	2010	2009	2008
44,450	44,450	44,450	44,450
503	503	503	356
503	475	457	(6)
100%	94%	91%	(6)
4	4	4	4
222,409	222,409	222,409	222,409
1,576	1,576	1,576	1,576
776	807	802	821
49%	51%	51%	52%
3	3	3	3
81,589	81,589	81,589	81,589
653	653	653	653
596	625	625	599
91%	96%	96%	92%
39	39	39	39

(Continued)

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

SCHOOL BUILDING INFORMATION (CONTINUED)
LAST TEN FISCAL YEARS
SCHEDULE 16

School	2017	2016	2015	2014	2013	2012
High Schools						
Middletown High (1969)						
Square feet	363,627	363,627	363,627	363,627	363,627	363,627
Capacity (students)	2,178	2,178	2,178	2,178	2,178	2,178
Enrollment	1,430	1,447	1,404	1,773	1,813	1,804
Percent of Capacity (3)	66%	66%	64%	81%	83%	82%
Site Acreage	8	8	8	8	8	8

Source: District records

- (2) - Middletown City School District demolished Oneida Elementary
- (3) - Enrollment divided by Capacity
- (4) - Annexed 1993
- (5) - Rosa Parks Elementary opened in fiscal year 2007
- (6) - In 2008, due to construction, Wildwood students were housed at the Roosevelt building and Mayfield was housed at the old Creekview building. Original Roosevelt students have been dispersed amongst the District because the building is no longer in use after Wildwood students return after the Wildwood construction was completed.
- (7) - Taft Elementary was being used for storage
- (8) - Miller Ridge Elementary opened in fiscal year 2008
- (9) - Rosedale Elementary was under renovation during fiscal year 2008, and was renamed New Central Academy
- (10) - Roosevelt Elementary was unoccupied in 2009 awaiting demolition.
- (11) - Demolished 2008
- (12) - 2009 and forward houses Butler County Head Start
- (13) - Sold building in 2015

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
363,627	363,627	363,627	363,627
2,178	2,178	2,178	2,178
1,794	1,829	1,840	1,834
82%	84%	84%	84%
8	8	8	8

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