



Middletown City Schools

Five Year Forecast Financial Report

October, 2017

Randy Bertram, CFO

Table of Contents

	<u>PAGE #</u>
Table of Contents	2
Executive Summary	3
Revenue Overview	4
1.010 - General Property Tax (Real Estate)	5
1.020 - Public Utility Personal Property	6
1.035 - Unrestricted Grants-in-Aid	7
1.040 & 1.045 - Restricted Grants-in-Aid	8
1.050 - Property Tax Allocation	9
1.060 - All Other Operating Revenues	10
2.070 - Total Other Financing Sources	11
Expenditures Overview	12
3.010 - Personnel Services	13
3.020 - Employee Benefits	14
3.030 - Purchased Services	15
3.040 - Supplies and Materials	16
3.050 - Capital Outlay	17
3.060 - 4.060 - Intergovernmental & Debt	18
4.300 - Other Objects	19
5.040 - Total Other Financing Uses	20
Forecast Compare	21
Five Year Forecast	22

Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate."
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

Five Year Forecast - Simplified Statement

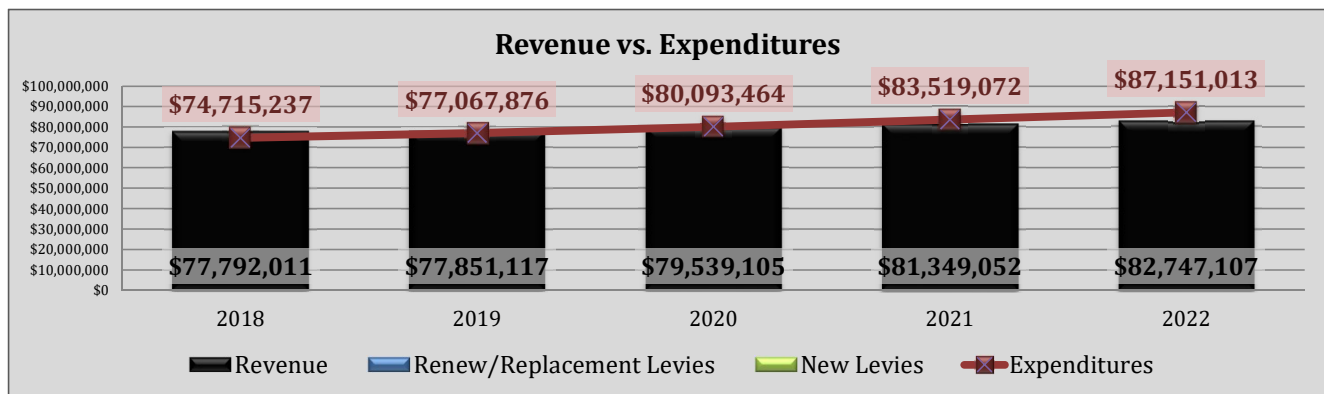
	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Beginning Balance	17,244,650	20,321,424	21,104,666	20,550,306	18,380,286
+ Revenue	77,792,011	77,851,117	79,539,105	81,349,052	82,747,107
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(74,715,237)	(77,067,876)	(80,093,464)	(83,519,072)	(87,151,013)
= Revenue Surplus or Deficit	3,076,774	783,242	(554,359)	(2,170,020)	(4,403,906)
Ending Balance	20,321,424	21,104,666	20,550,306	18,380,286	13,976,380
Revenue Surplus or Deficit w/o Levies	3,076,774	783,242	(554,359)	(2,170,020)	(4,403,906)
Ending Balance w/o Levies	20,321,424	21,104,666	20,550,306	18,380,286	13,976,380

Summary:

The district has made considerable effort to reduce and contain costs in order to maintain financial sustainability. In addition, the state of Ohio has increased the district's per pupil funding. The current forecast shows revenue surplus initially, then trends toward revenue shortfall by FY 2020. Each year the district will make decisions to impact its actual spending considering its future financial sustainability.

A new power plant is expected to be operational in the spring of 2018, which will generate local property tax revenue beginning in tax year 2019, payable in 2020. This revenue will improve local tax collection revenue in the short-term, but in the longer-term it could reduce state per pupil funding once the plant's valuation is included in the state funding calculation. The taxes for the power plant will be abated by 75% for ten years, but will still yield substantial revenue. Additional information has been received since the filing of the original October forecast. The taxable value of the new power plant and associated distribution property is estimated at about \$36 million, based on information from the plant's owner. This will increase property tax revenues to the district by nearly \$1 million per year, with the first full year of new revenue being in FY 2021.

There are no new levies or renewal levies reflected in the forecast.

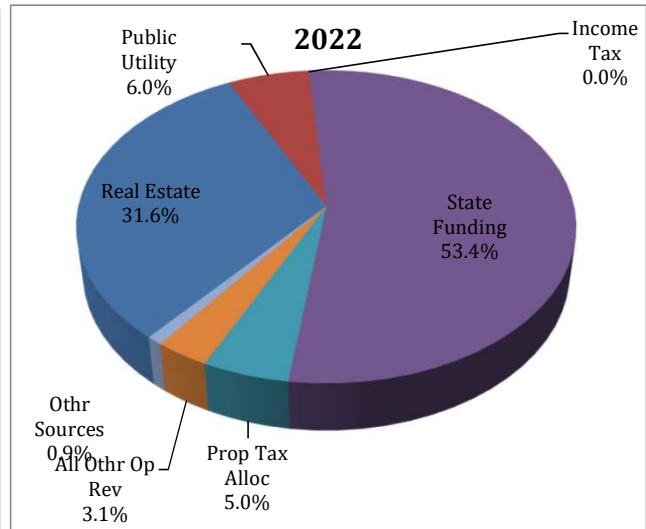
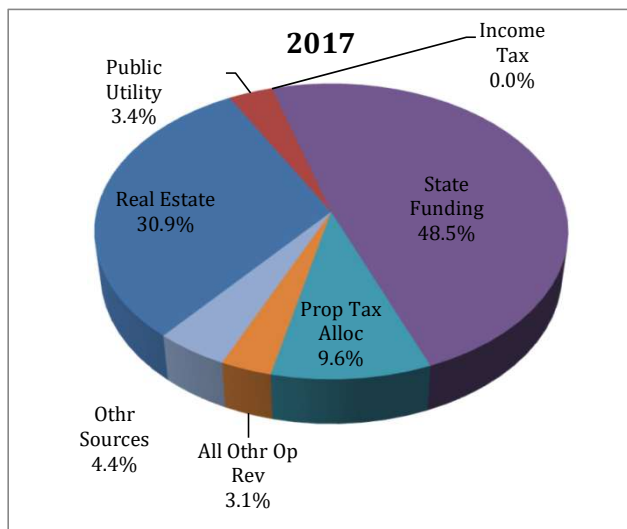


Revenue Overview

	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	
		2018	2019	2020	2021	2022	
Revenue:							
1.010-Real Estate	-0.99%	2.00%	2.14%	0.91%	1.14%	2.09%	1.65%
1.020-Public Utility	5.69%	3.00%	4.54%	32.42%	24.38%	3.64%	13.59%
1.030-Income Tax	n/a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.035-State Funding	4.17%	3.25%	2.21%	3.54%	3.22%	3.01%	3.05%
1.040-Restricted Aid	198.99%	13.22%	3.79%	-1.20%	0.80%	2.23%	3.77%
1.045-Restr Federal SFSF	n/a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.050-Property Tax Alloc	-1.52%	-2.24%	-18.31%	-10.97%	-12.00%	-12.68%	-11.24%
1.060-All Other Operating	24.59%	9.22%	-5.45%	0.26%	0.68%	1.50%	1.24%
1.070-Total Revenue	2.50%	3.10%	0.15%	2.19%	2.30%	1.73%	1.89%
2.070-Total Other Sources	14.72%	-76.59%	-6.98%	0.00%	0.00%	0.00%	-16.71%
2.080-Total Rev & Other Srcs	2.61%	-0.42%	0.08%	2.17%	2.28%	1.72%	1.16%

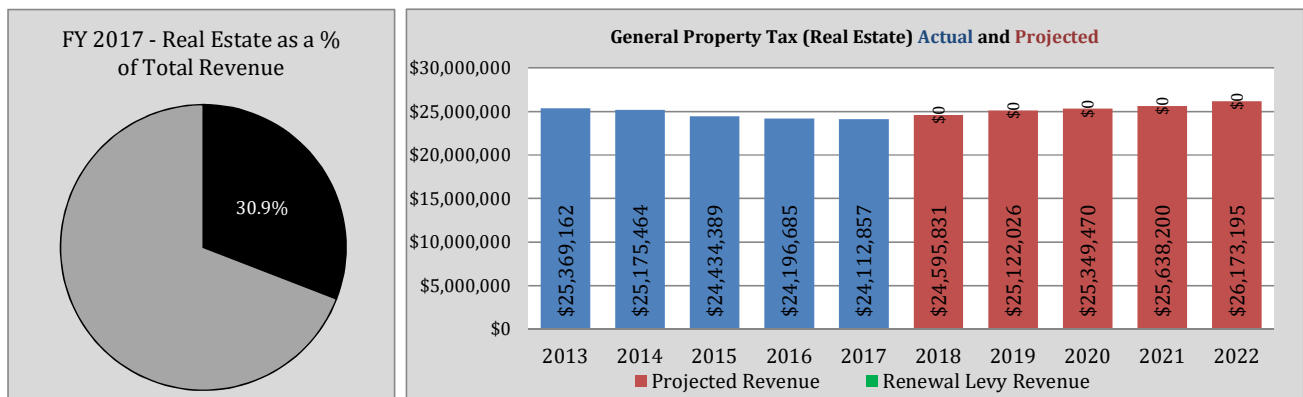
Total Operating Revenue is projected to grow just 1.89% annually through the forecast period. The growth projected is primarily the result of increases in state per pupil (foundation) funding and the new power plant that will begin operations next year. However, at the same time the state is reducing tangible personal property tax reimbursements. This reduction in property tax reimbursements stems from the loss of tangible personal property tax reimbursement. As this reimbursement is phased-out, the district's local tax rates are increased to offset the revenue loss.

State funding is the single largest source of revenue for the district and is stable because the state's per pupil formula calculation is more than the district receives. The full amount of the formula is not received because of the state's imposed cap on year-over-year revenue growth. The modeling specifics of the cap are outlined in the state funding note.



1.010 - General Property Tax (Real Estate)

Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).

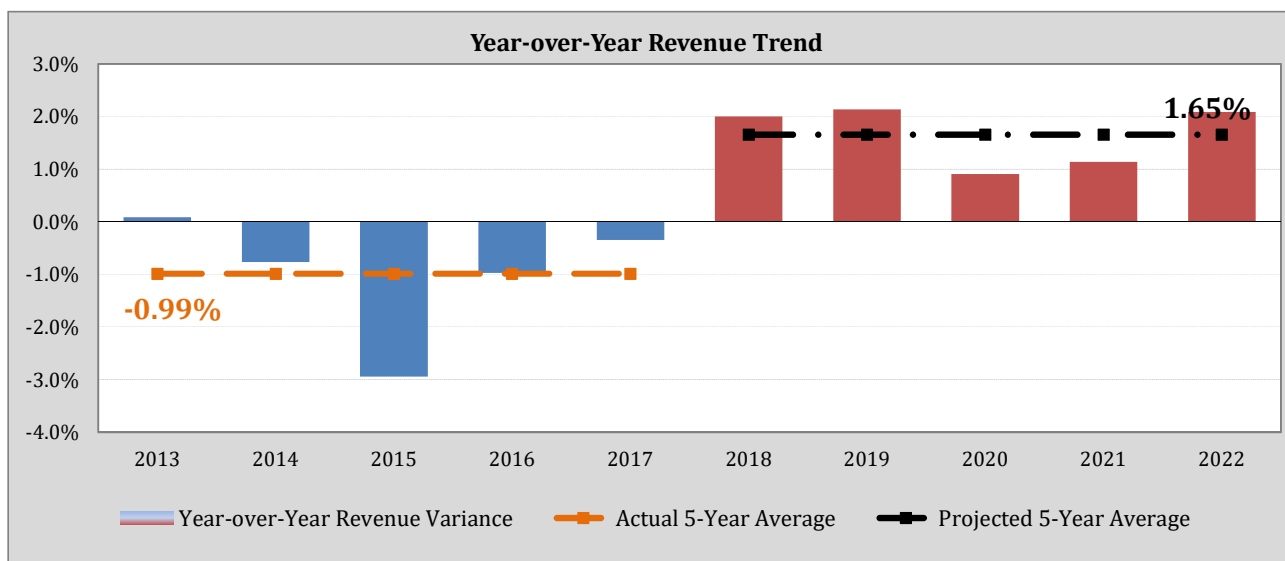


Real estate property taxes include homes, farms, businesses, buildings, and land. The revenue from this local tax is 30.9% of the district's budget.

Revenue dropped from 2012 to 2015 because property values decreased \$71,000,000 over the three years ending December 31, 2014. Valuations held steady in 2015, but dropped again in 2016. The forecast includes a 1.5% increase in values in tax year 2017 (for collection in 2018). The county is going through the triennial property value update in 2017. Part of the district's tax rates are fixed sum which means that the rate will decrease if values go up. Also, the district's fixed rate levies are above the state minimum and therefore they too will be reduced in response to inflation. These reductions in rates mostly offset potential gain from inflationary value increases.

The percentage of current taxes paid by residential taxpayers in 2017 was 94.7%. An average current collection rate of 94.6% is modeled in the forecast. The gross collection rate (includes current taxes plus prior year delinquencies paid in current year) averages 99.8% for the forecast through FY 2022. This near 100% gross collection rate is providing stability so that the net amount of unpaid taxes is not increasing significantly over time.

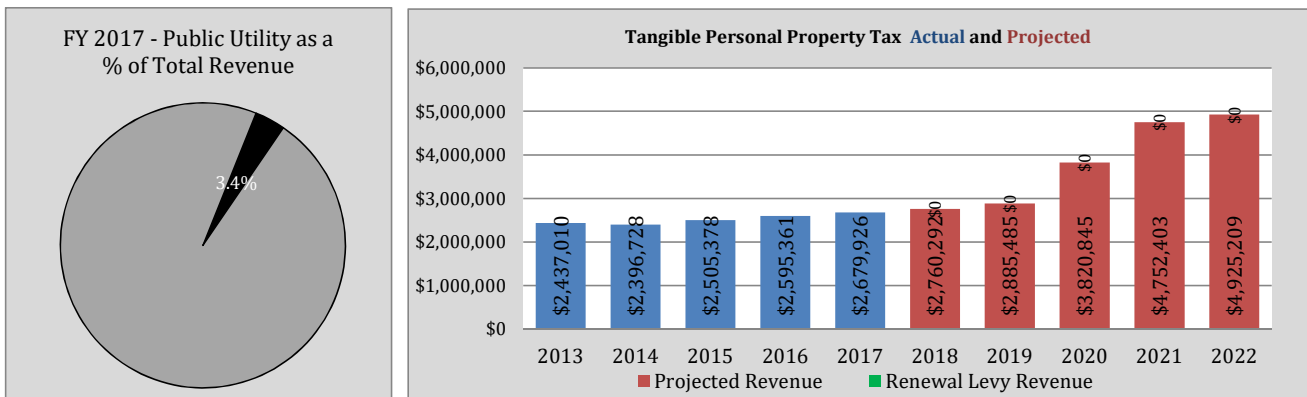
Worsening economic conditions would reduce the payment of local taxes and revenue to the district. Current economic evidence suggests stability.



*Projected % trends include renewal levies

1.020 - Public Utility Personal Property

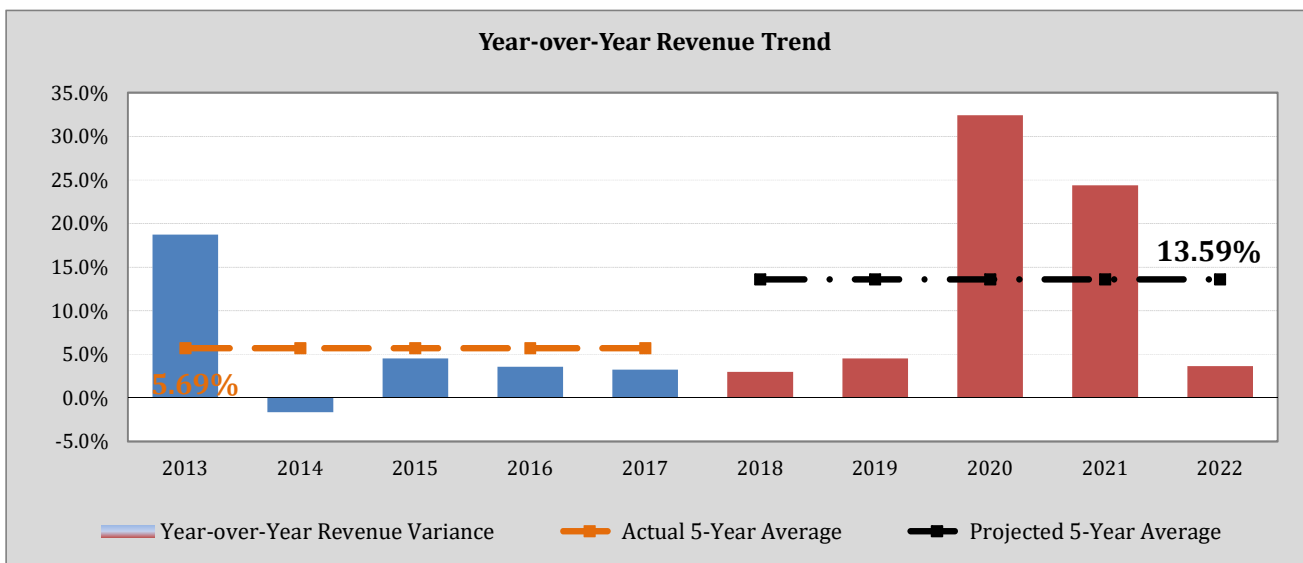
Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.



Public Utility Personal Property (PUPP) tax revenue provides 3.4% of the district's revenue. PUPP values have increased moderately, but consistently, and that trend is projected to continue. The property is taxed at the district's full voted tax rate which for the general fund is 45.76 mills for 2017 collections.

The 2014 revenue dipped slightly because of the timing of payments that shifted some 2014 expected revenue into 2015. Going forward the projections assume a 50% split of taxes paid in the 1st half versus 2nd half of the collection year.

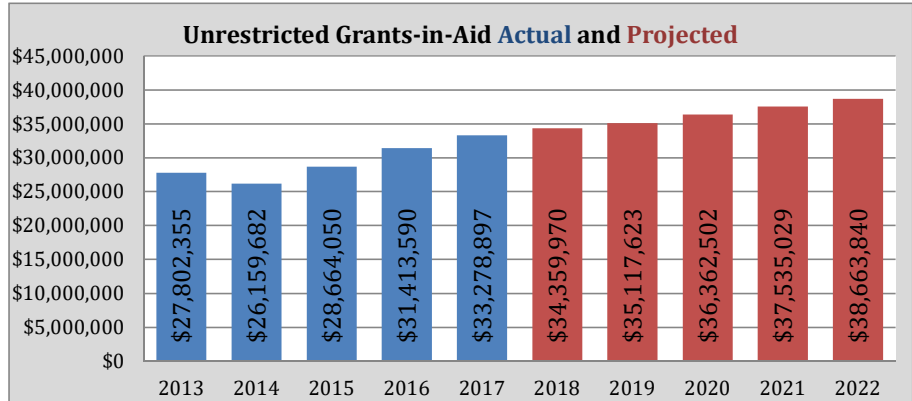
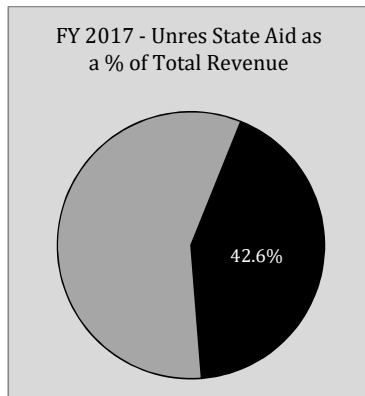
A natural gas electric generating plant is being constructed within the district's boundaries. There will be local tax revenue growth starting in the 2020 tax collection from the new plant. The additional new valuation will add about \$500,000 of additional revenue in FY 2020 and about \$1 million each year thereafter. The state uses a three-year average of property values to calculate per pupil funding. Any increases in valuation has a delayed adverse impact on state per pupil funding and is not expected to impact state funding significantly during the forecast period.



*Projected % trends include renewal levies

1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.

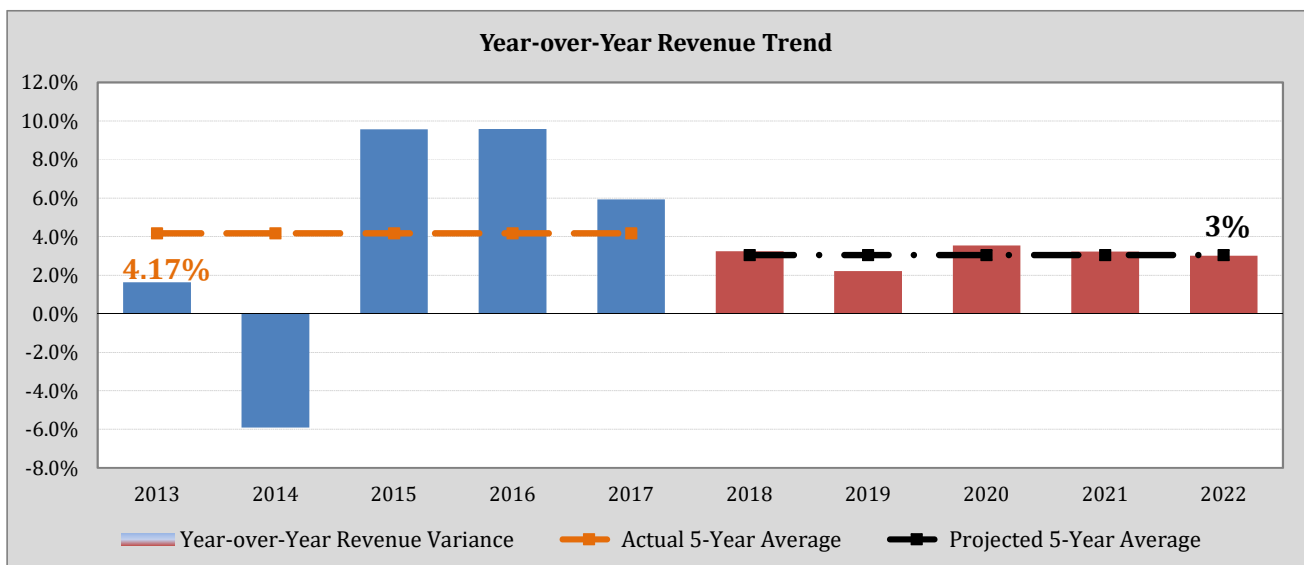


Fiscal year 2017 state unrestricted per pupil revenue was 42.6% of the district's annual revenue which is up from the prior year's level of 39.6%. This revenue source is generally referred to as the state foundation, or state formula funding. A portion of the revenue (economic disadvantaged funding) is required to be designated as "restricted" and is therefore reflected in the next category. Together, the combined percentage of revenue is 48.5% of the district's budget.

In FY 2018, the state's share of the \$6,010 in per pupil funding is 70.7% and generates \$4,246 per pupil. The reason for the relatively high state share is because the district's local wealth and income indicators both trail the statewide patterns.

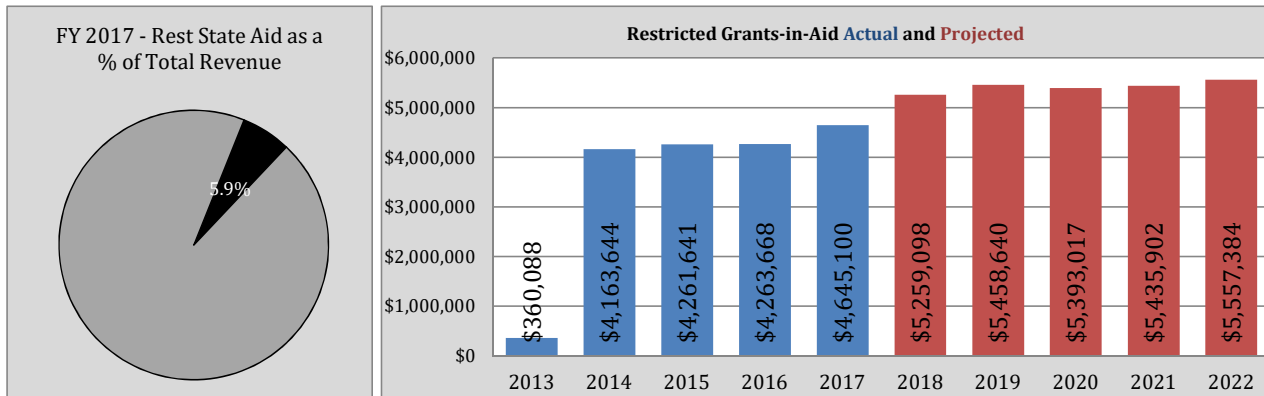
The district's year-over-year funding gains were capped by state legislation at 7.5% in 2016 and 2017. The cap in FY 2018 and FY 2019 is 3.0%. This 'cap' prevents the district from receiving all of its calculated per pupil funding. The district's actual funding received was \$37.3 million in FY 2017, yet the per pupil formula generated an additional \$12.5 million that is not funded. Because of the unfunded formula the district's enrollment fluctuation will not increase or decrease state funding significantly.

The new power plant coming on the books in tax year 2019 will begin impacting calculations of state aid in the 2022/2023 biennium, assuming the current funding formula is still in place. The additional valuation should no have an impact on aid from the state. It will serve only to lower the outstanding amount of unfunded cap revenue.



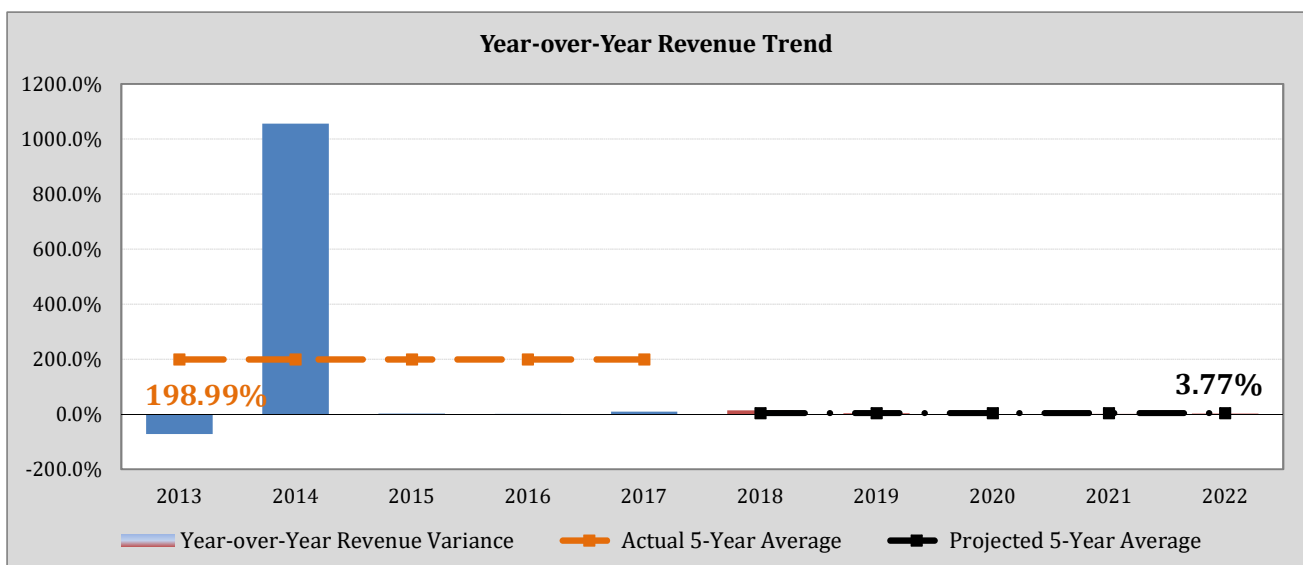
1.040 & 1.045 - Restricted Grants-in-Aid

Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



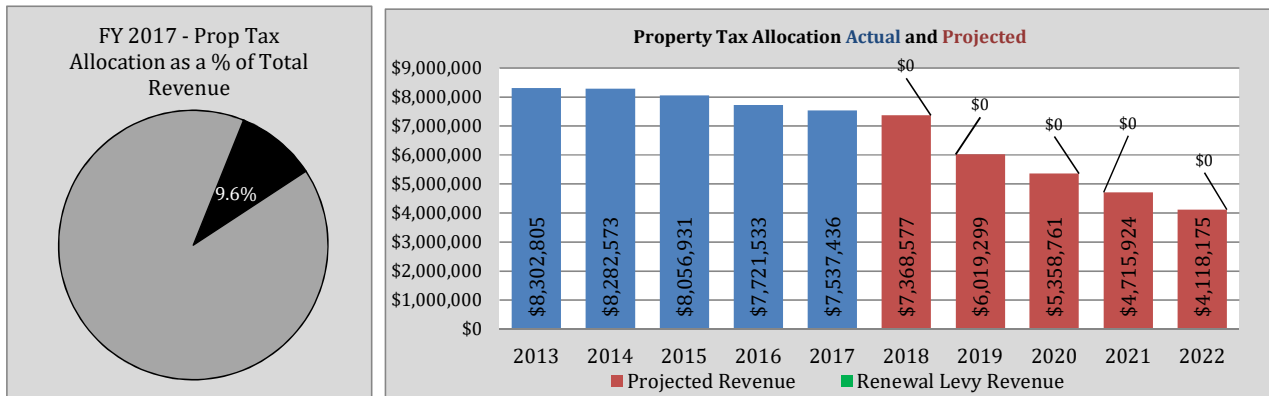
Restricted state funding is primarily comprised of economic disadvantaged funding, and makes up about 5.9% of the total district revenue. Starting in 2014 the district was required to post this revenue separately from unrestricted, which is why there is an increase reflected above in 2014.

Approximately 90% of the district's students are identified as economically disadvantaged for state funding purposes; it is this high level of poverty that generates the bulk of this revenue. The level of identified student poverty is projected to remain consistent through 2022.



1.050 - Property Tax Allocation

Includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback.

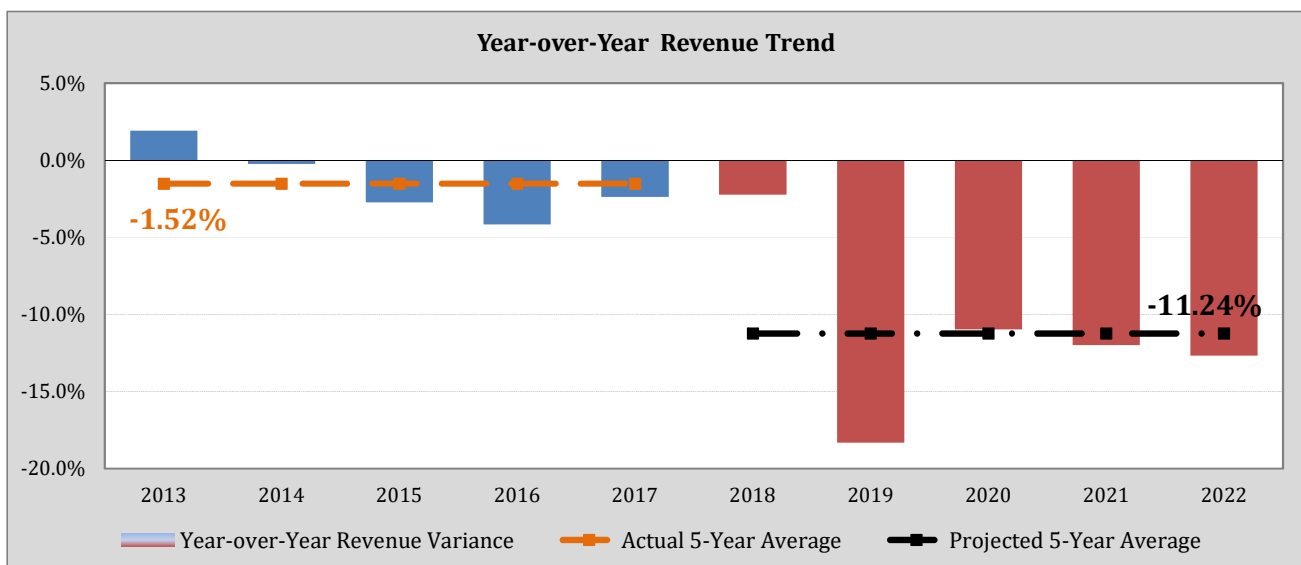


Property tax allocation (PTA) is comprised of three types of revenue that, when combined, are about 9.6% of district's revenue. One type of PTA is projected to decline starting in 2018 in accordance with state law.

The first two types of PTA revenue involve state reimbursement for local real estate tax credits (deductions). In essence, local residential real estate taxes are reduced by rollback (12.5% for owner occupied houses) and also for homestead (disabled, senior citizens, etc.). This revenue reimbursement is about \$3.5 million of the PTA total.

The third type of revenue included in the PTA category is the state's reimbursement of local personal property tax revenue losses resulting from statewide tax policy changes in 2005. This revenue is scheduled to be phased-out starting in 2018, and will result in slightly higher local property tax rates to offset the state's annual phase-out amount. The state's reimbursement is scheduled to reduce from \$3.4 million in 2017 to \$343,743 million in 2022. The phase-out will continue until it is completely eliminated, and each year the local tax rates will be adjusted upward to make-up for the state's reduced payment.

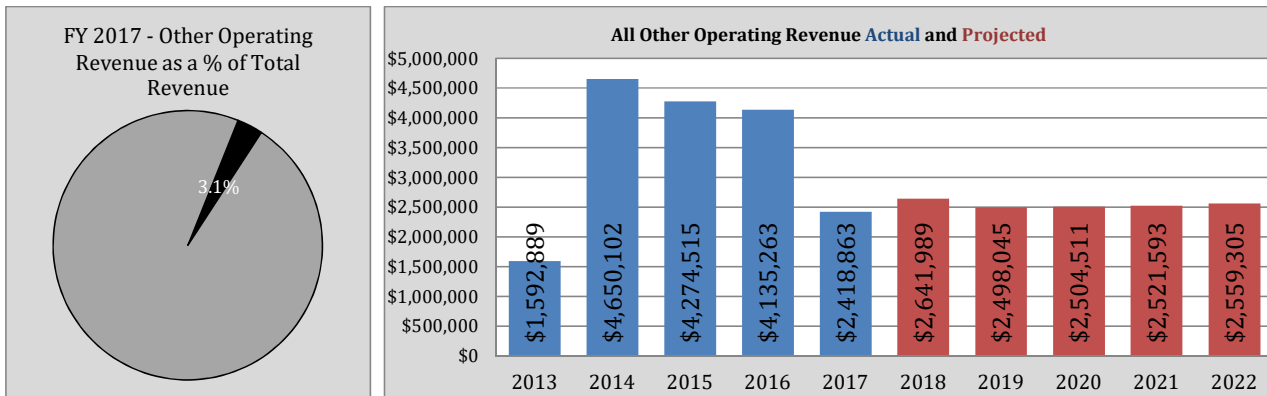
The district also includes some supplemental state reimbursement from other fixed sum operating levies in this revenue category. The amount is approximately \$750,000 in FY 2018, and reduces to \$0 by FY 2019.



*Projected % trends include renewal levies

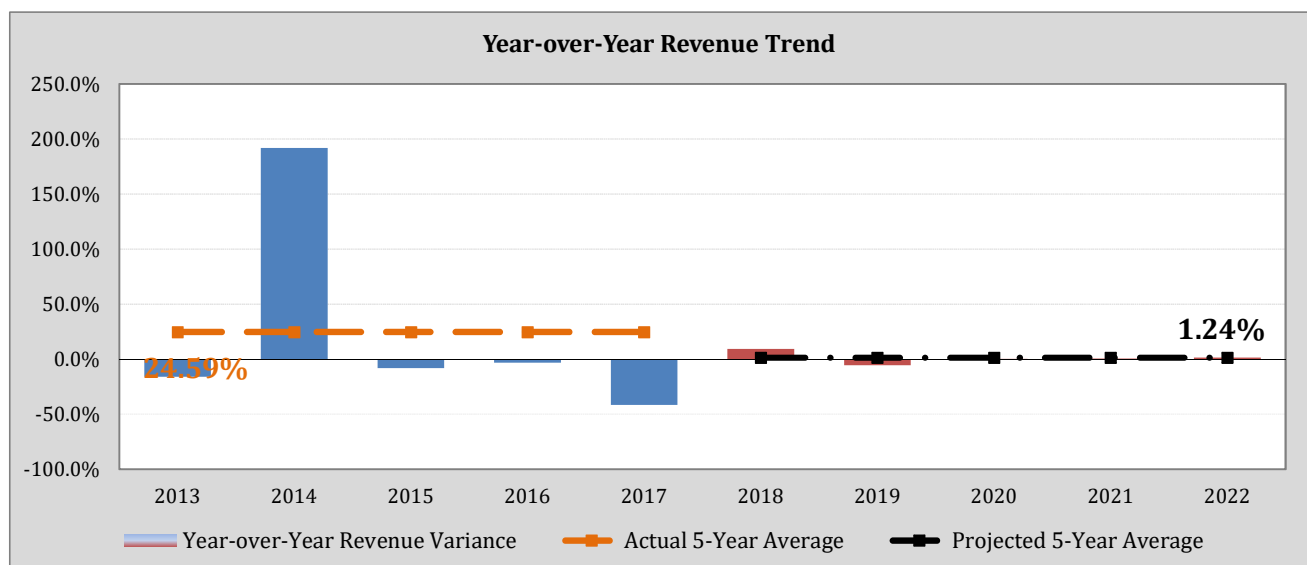
1.060 - All Other Operating Revenues

Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



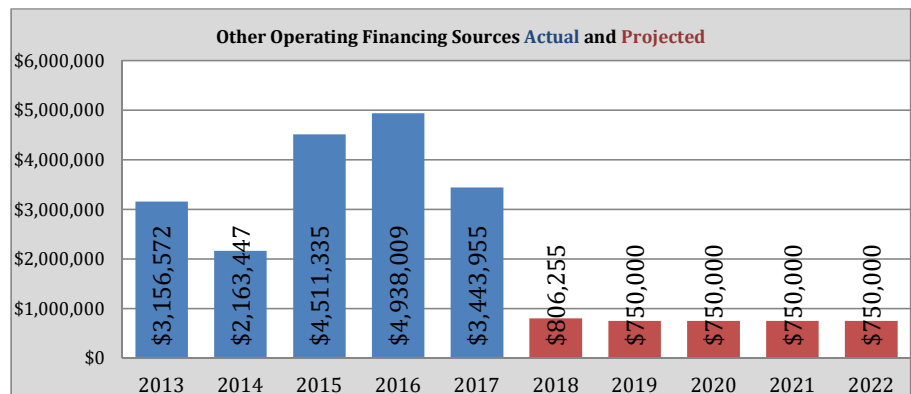
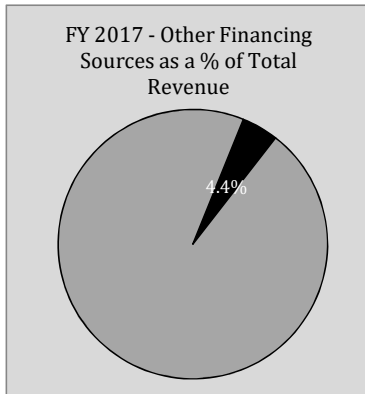
Other operating revenue is inflated in 2014, 2015 and 2016 because of annual borrowing to finance capital projects. The district borrowed for the Barnitz Stadium project \$1,587,915 in FY 2014, \$1,600,000 in FY 2015, and only \$1,090,000 for FY 2016 because of the \$520,000 (FY 2014 \$200,000 and \$320,000 FY 2015) received in donations towards the project. Donations were \$330,000 in FY 2016, \$270,000 in FY 2017, and are projected to be \$310,000 in FY 2018, \$120,000 in FY 2019, \$100,000 in FY 2020, and \$0 in FY 2021.

The large component of FY 2018 revenue is tuition paid by other districts which is projected to be \$1,146,944 in FY 2018.



2.070 - Total Other Financing Sources

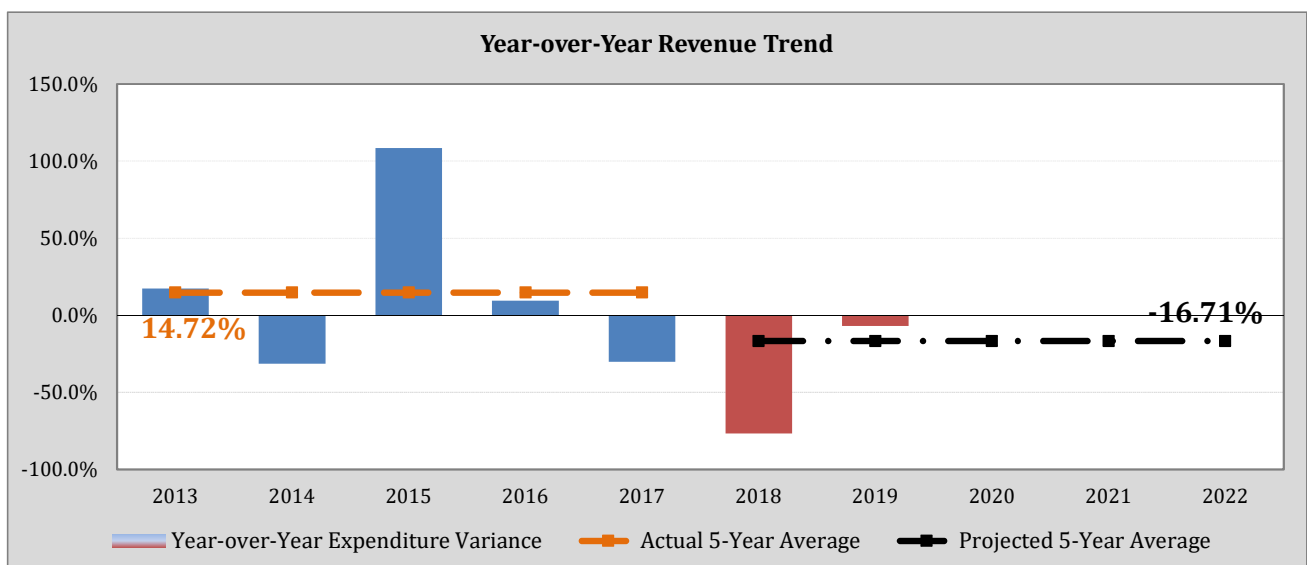
Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.



Prior to 2015, the district had large amounts of returned advances to grants and other funds; this practice was minimized starting in 2015. In 2015 and 2016, the primary revenue source involved cash flow borrowing that helped to ensure that the district maintained a positive monthly cash balance (FY 2015 \$3,500,000 borrowed, and FY 2016 \$2,500,000 borrowed).

In addition to the cash flow borrowing, 2016 also includes a one-time Medicaid reimbursement payment stemming from costs incurred in fiscal years 2005 through 2010. The payment of \$1,425,000 is reflected as a refund of prior year expense and is captured in the "Other Financing Sources" category. The forecast also reflects a corresponding transfer out ("Other Uses" on page 20) of \$590,076 to a district created escrow fund. These funds will be held in escrow until the district is confident that federal program audits do not result in any repayment requirements. The district does receive annual and more timely Medicaid reimbursement which is reflected as operating revenue in the "Other Operating Revenue" note.

No cash flow borrowing is reflected in FY 2017 and beyond. Return of advances have been modeled in FY 2018 and beyond at \$750,000.

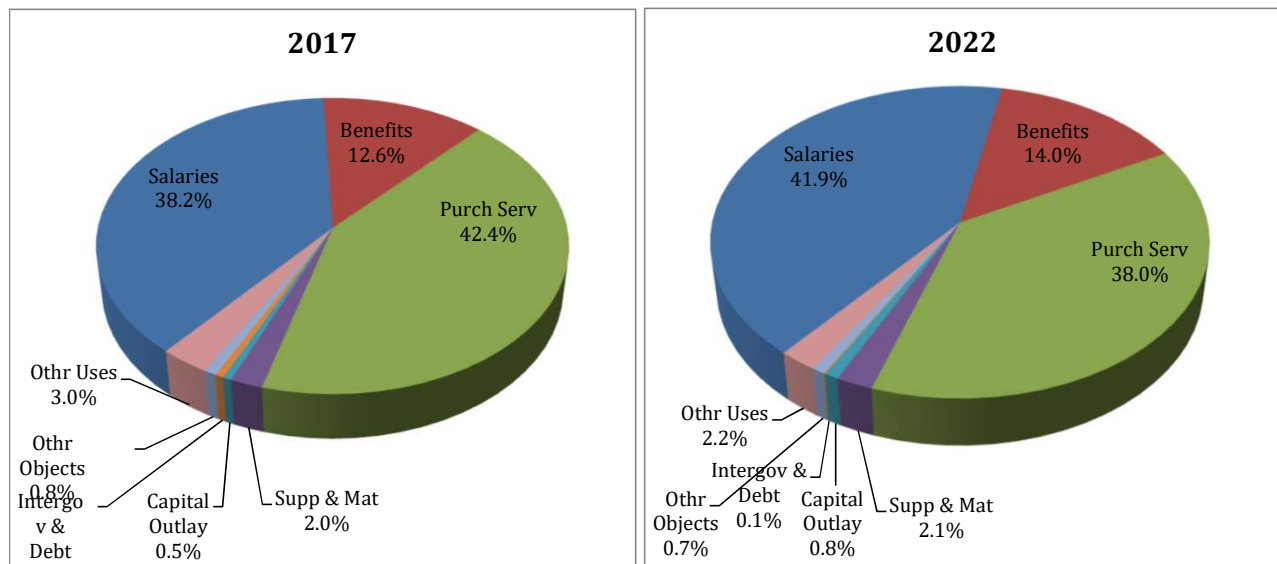


Expenditures Overview

	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	
Expenditures:							
3.010-Salaries	-4.55%	9.72%	6.30%	6.20%	6.08%	5.75%	6.81%
3.020-Benefits	-7.71%	7.52%	7.56%	6.81%	6.74%	6.63%	7.05%
3.030-Purchased Services	8.79%	6.33%	-0.85%	2.43%	2.43%	2.47%	2.56%
3.040-Supplies & Materials	1.76%	11.17%	8.93%	4.08%	3.97%	3.86%	6.40%
3.050-Capital Outlay	-21.75%	169.96%	9.76%	-35.53%	0.58%	0.59%	29.07%
3.060-Intergov	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.010-4.060-Debt	425.21%	-38.93%	-0.70%	-0.71%	-62.63%	-2.09%	-21.01%
4.300-Other Objects	-4.81%	10.59%	2.17%	2.18%	2.20%	2.21%	3.87%
4.500-Total Expenditures	-0.32%	8.62%	3.45%	4.03%	4.38%	4.45%	4.99%
5.040-Total Other Uses	34.62%	0.78%	-7.26%	0.00%	0.00%	0.00%	-1.30%
5.050-Total Exp & Other Uses	-0.53%	8.38%	3.15%	3.93%	4.28%	4.35%	4.82%

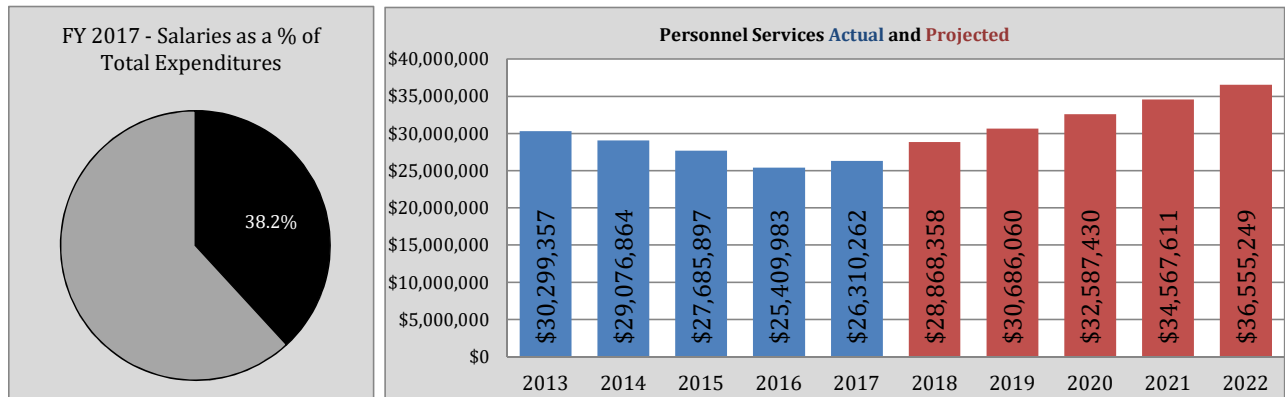
Purchased services is the largest component of the district's budget. The 6.04% increase in FY 2018 is skewed because of the timing of payment for FY 2017 out-of-district regular and special education tuition costs. Some of these FY 2017 costs will be paid in FY 2018. This timing issue also skews the FY 2019 increase lower.

Salaries reflect additional FTE in FY 2018 and current negotiations.



3.010 - Personnel Services

Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.

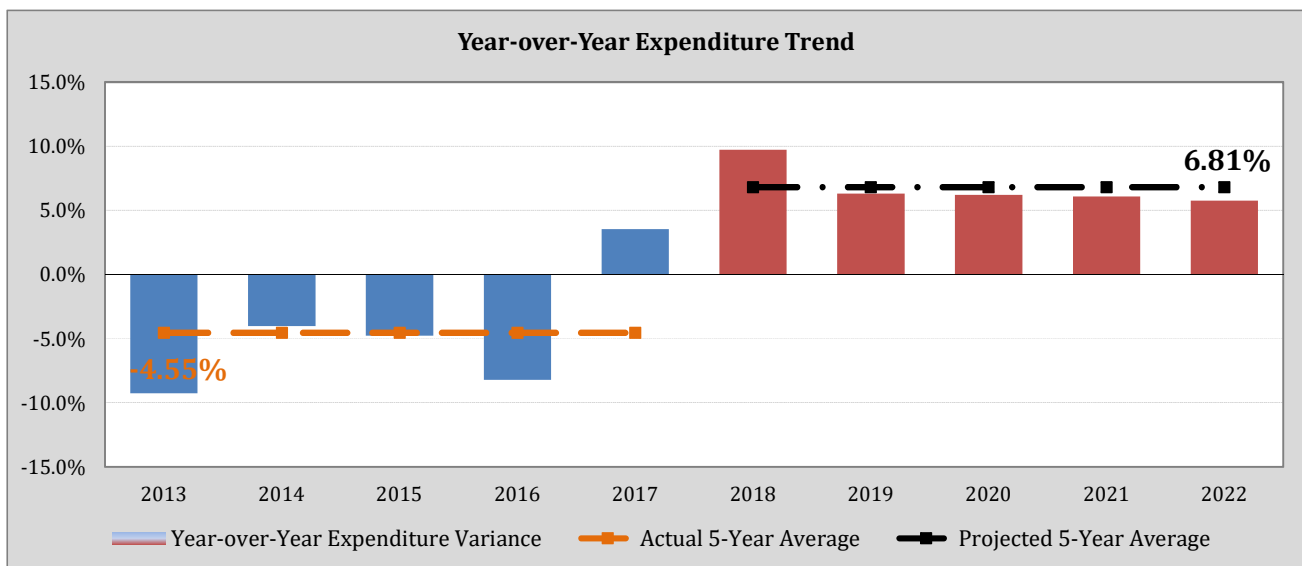


The forecast for salaries includes currently negotiated agreements and trends through FY 2022. Additional staff in FY 2018 is currently modeled at a net 14 FTE. In addition, two positions are being transferred from ESC employment to direct employment at the district. There is a 1.0 FTE reduction modeled in FY 2019. All combined the cost of employees is projected to grow 9.72% in FY 2018, and 6.3% in FY 2019. The average annual rate of growth for the forecast period is 6.81%.

Salary negotiations resulted in an increase of 3.0% in 2017-2018, 2.5% in 2018-2019, and 2.5% in 2019-2020. The historical personnel cost trends are extended in FY 2021 and FY 2022 for modeling.

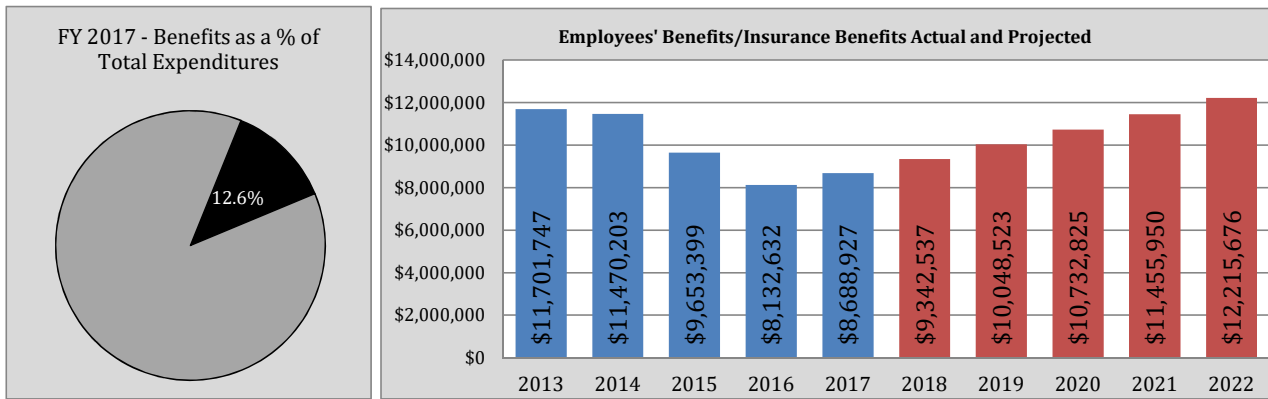
Note: Salary costs declined in FY 2016 in part because of the retirement-replacement savings. FY 2016 average teacher salary of \$52,705 was \$2,524, or 5% lower than FY 2015's average of \$55,230.

	Actual	Projected				
	2017	2018	2019	2020	2021	2022
Student Health Center Van Driver		21,250	3,750			
Recommended Staff Increases 15.5 FTE's		628,150	110,850			
Recommended Staff Decreases 1.5 FTE's		(68,000)	(12,000)			
Recommended Staff Decreases 1.0 FTE's			(76,500)	(13,500)		
Special Education Supervisors (2.0 FTE)		153,000	27,000			



3.020 - Employees' Benefits

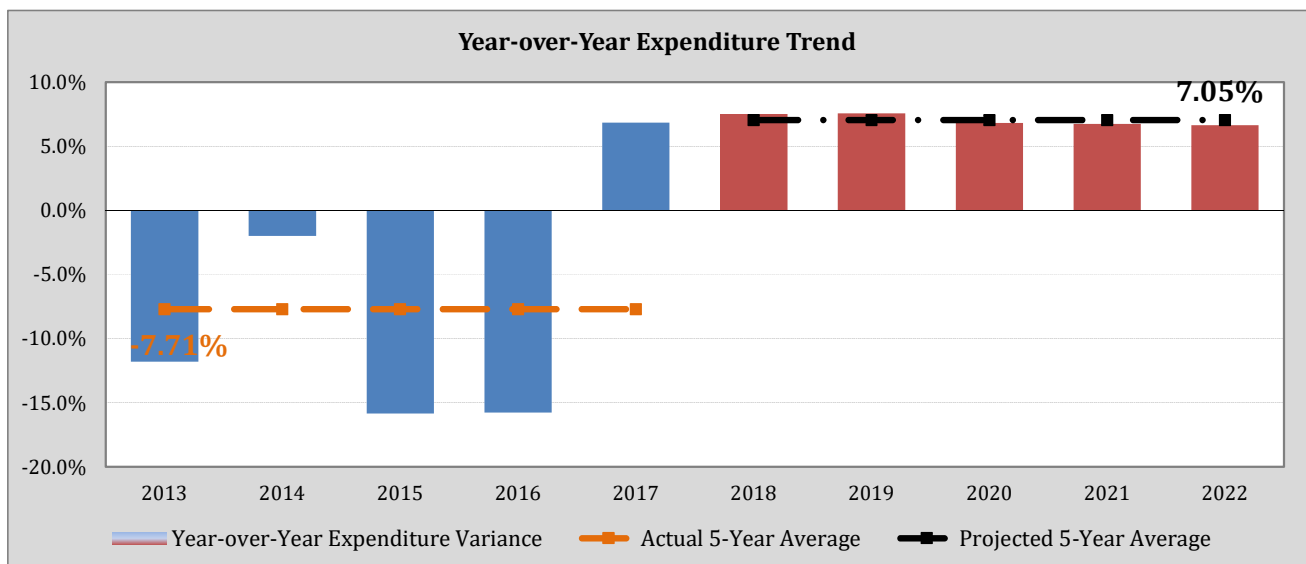
Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



At 12.6% of the budget, benefit costs have been significantly contained by salary reductions which in-turn reduces retirement contributions. In addition, health insurance costs have been reduced by having fewer employees insured. Finally, benefit costs have been reduced and contained because of lower premium increases managed by the district's insurance consortium.

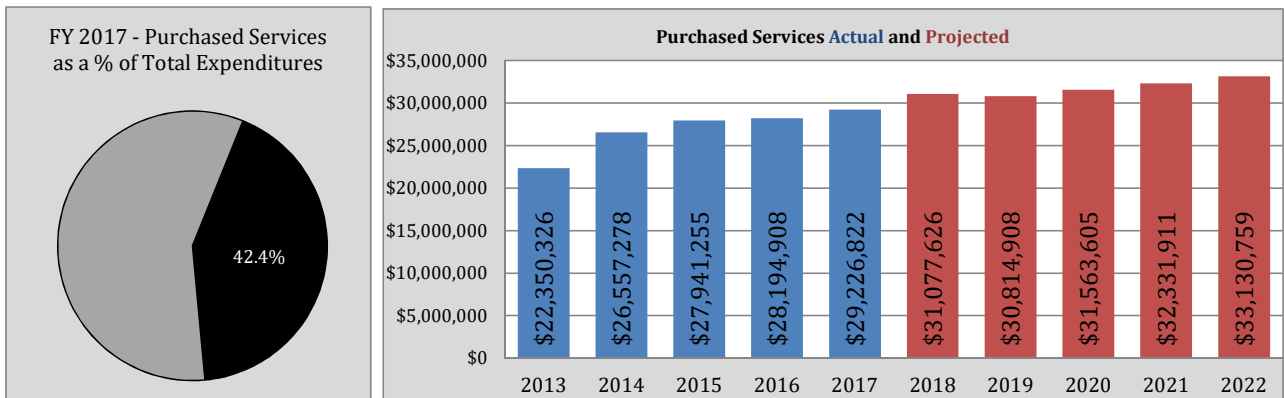
Health insurance premiums did not increase for calendar year 2017. Costs are expected to increase 6.0% on January 1, 2018 and 8.0% annually thereafter.

The number of insured employees is projected to increase by 16.0 in FY 2018 in response to the staff additions explained in the salary note.



3.030 - Purchased Services

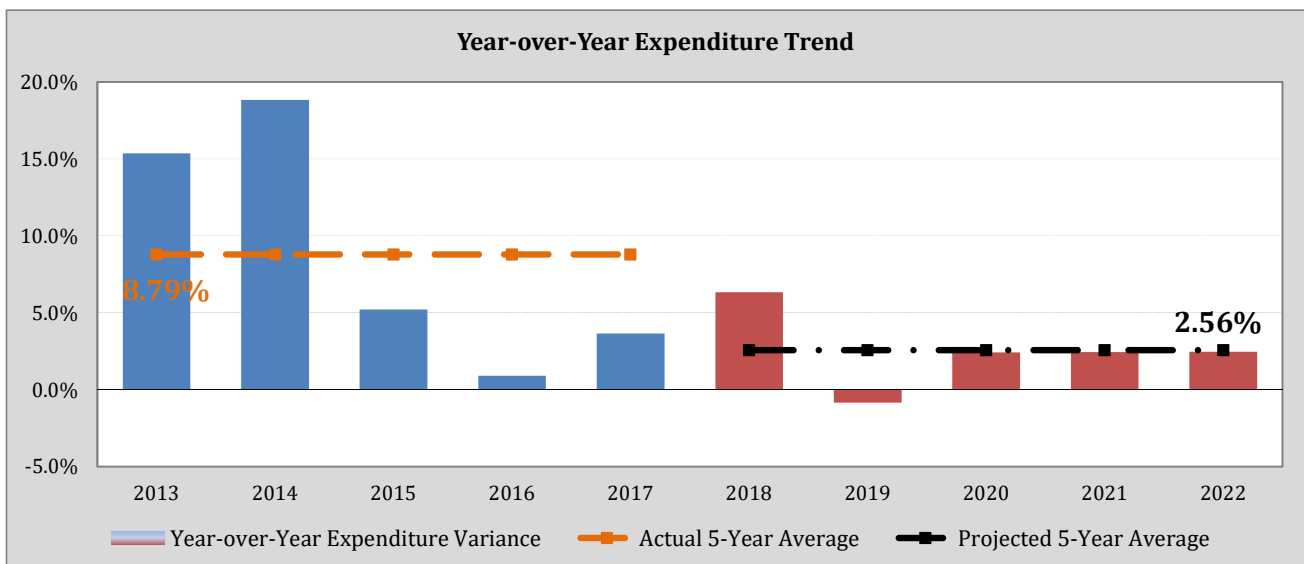
Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, and other services which the school district may purchase.



Purchased services are 42.4% of the budget and up from last year's 38.2% of budget. They are now the single largest component of the district's budget. Costs have increased since 2011 because of the outsourcing of non-instructional services, but also because of the increases in community school and scholarship (voucher) tuition payments. Total tuition payments (including scholarships, open enrollment and PSEO/CCP payments) make up 50% of purchased services, and community school tuition payments were the single largest in 2017 at \$7.4 million. The Department of Education revised the FY 2017 amount downward by about \$300,000 after the close of the fiscal year and the FY 2018 community school projected expense is reflected at \$7,067,368.

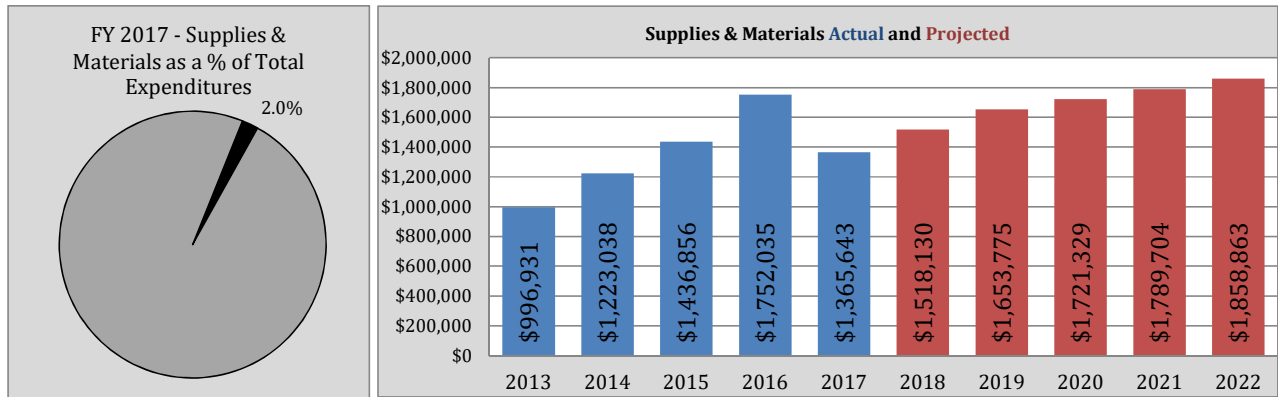
Tuition expense is a challenging category to project because of the special education component, and also the volatility associated with community school enrollment. Special education tuition is expected to be higher in FY 2018 because of a delay of tuition charges from FY 2017. Special education tuition totaled \$4,448,551 in FY 2017, and is expected to total \$5,501,579 in FY 2018 and \$4,938,239 in FY 2019.

The second largest category of purchased services involves outsourced services such as Butler County ESC, transportation and custodial. The ESC services are being expanded in FY 2018 for preschool program offerings. Finally, utilities make up about \$1.4 million of the purchased services budget.



3.040 - Supplies & Materials

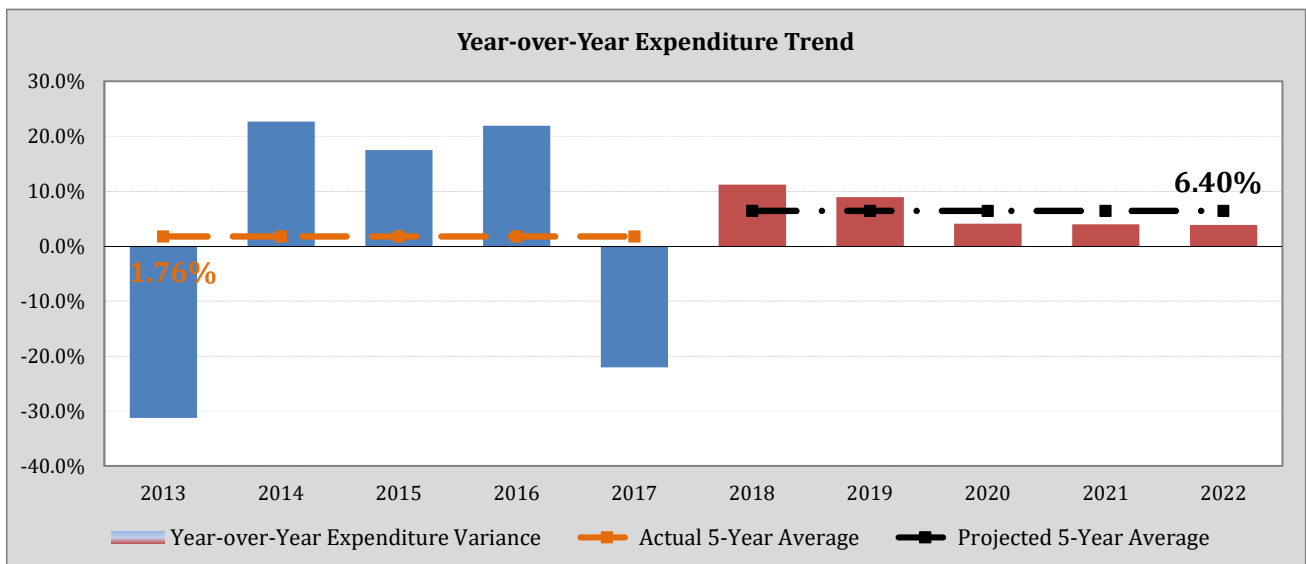
Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.



Supplies were just 2.0% of the overall budget in 2017, which is a decrease from 2016's 2.4%.

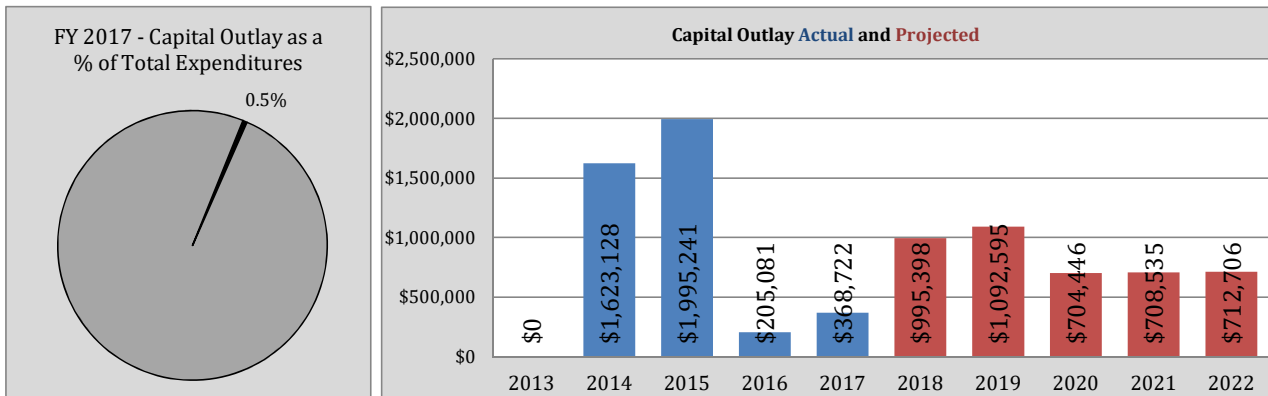
General supplies, including instruction, totaled \$657,833 in FY 2017. Textbooks totaled \$295,466 which was down from FY 2016's level of \$722,39. Textbooks are projected to total \$325,000 in FY 2018, and then average \$400,000 per year in fiscal years 2019 through 2022.

The last major area of supplies is for transportation which totaled \$288,880 in FY 2017, an increase of 33% over FY 2016's \$217,187. Transportation fuel and supplies are projected to grow 5.0% per year in fiscal years 2018 through 2022.



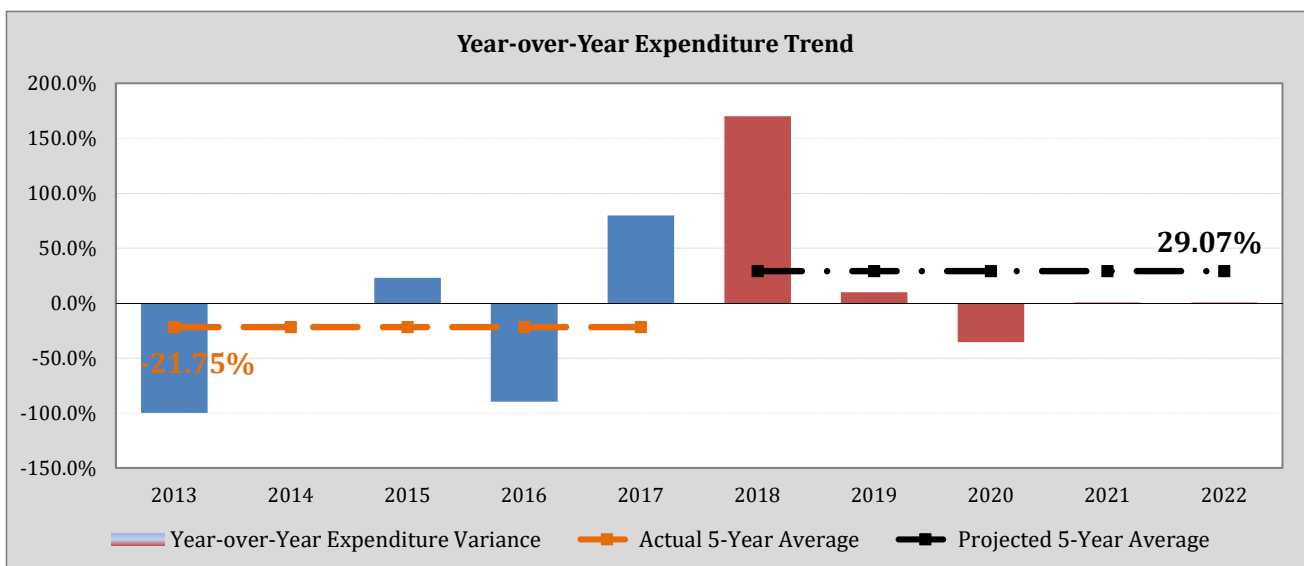
3.050 - Capital Outlay

This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.



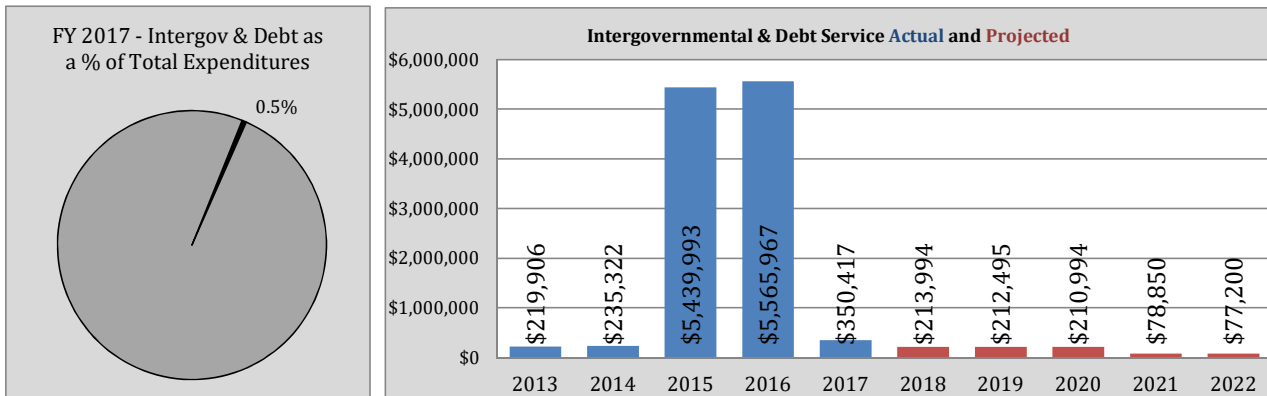
Capital outlay investment in FY 2018 includes \$430,000 for the Student Health Center improvement, and a van. FY 2019 includes \$400,000 for the Arena Connector and \$150,000 for the new HS track. Fiscal years 2018 through 2020 also include \$500,000 in technology and other equipment per year.

Note: This forecast also includes the transfer of \$500,000 per year to the permanent improvement fund for additional needs. This transaction can be found on the other uses note.

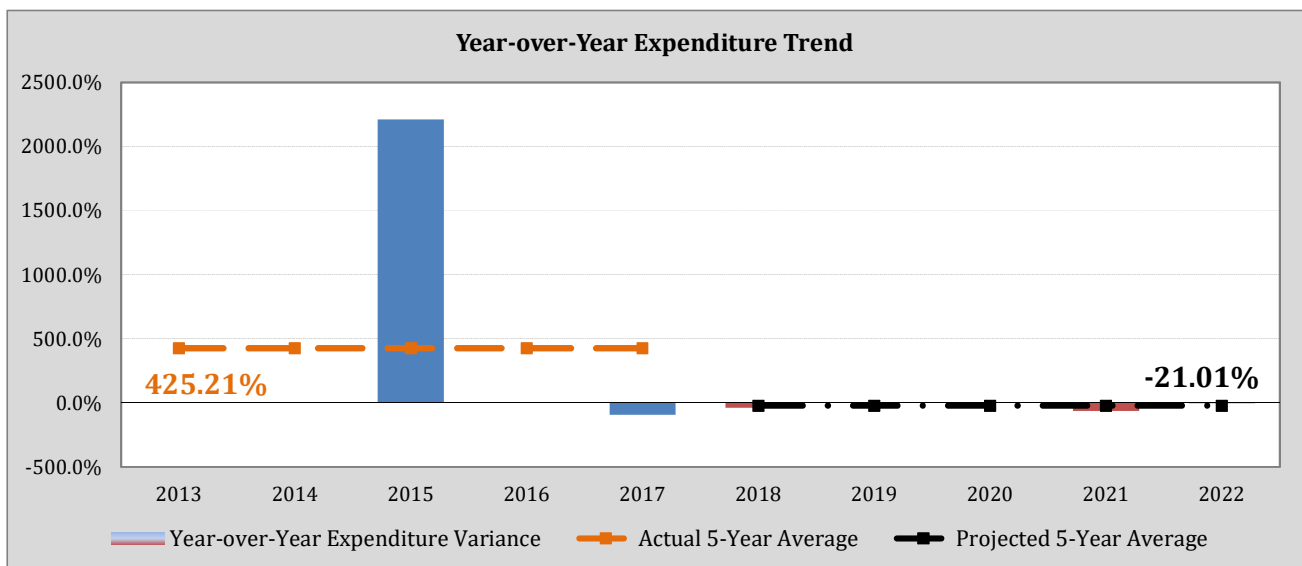


3.060-4.060 - Intergovernmental & Debt

These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.

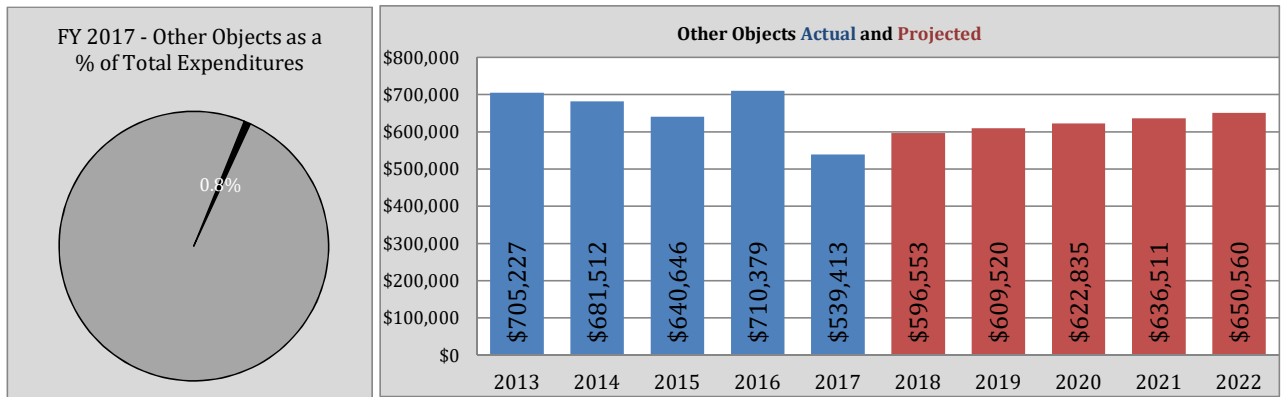


One of the district's HB 264 energy loans was paid off in advance in FY 2017. Two HB 264 loans remain, and the debt repayment schedule is reflected in the bar chart above. The payments decrease noticeably in FY 2021 because one of the two remaining loans will be fully satisfied.



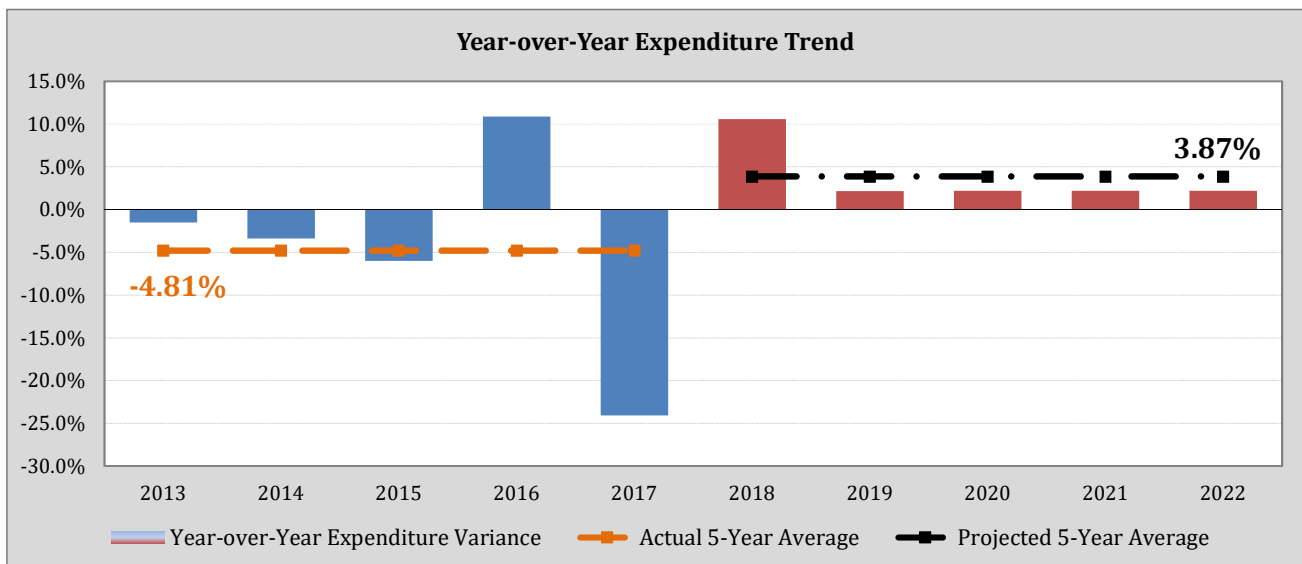
4.300 - Other Objects

Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.



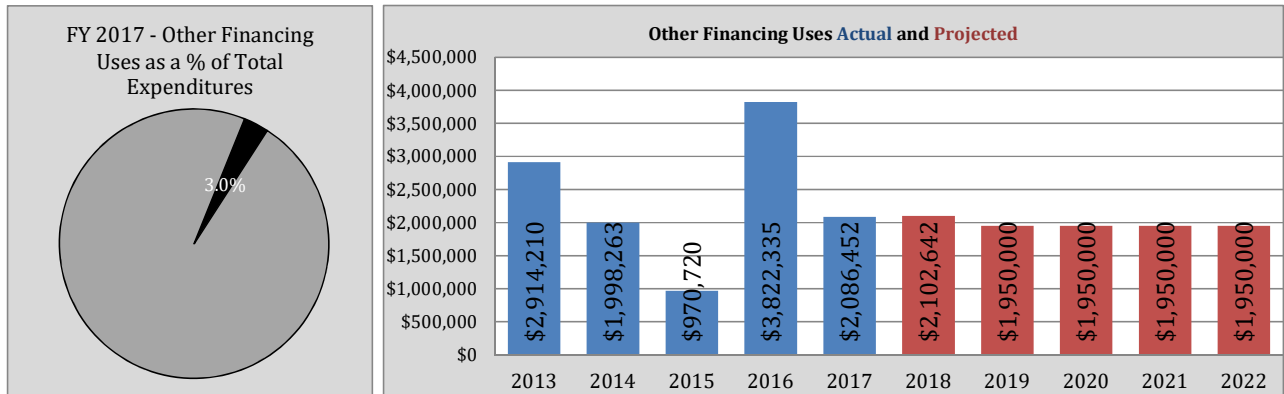
Other operating expenses include auditor and treasurer tax collection fees, building insurance, and other smaller operating costs. Fiscal year 2017 reflects lower than previously expected fees for the collection of local tax revenue. The FY 2018 level for these fees is increased to approximately 80% of the FY 2016 level.

The projections reflect modest inflationary growth through the forecast period.



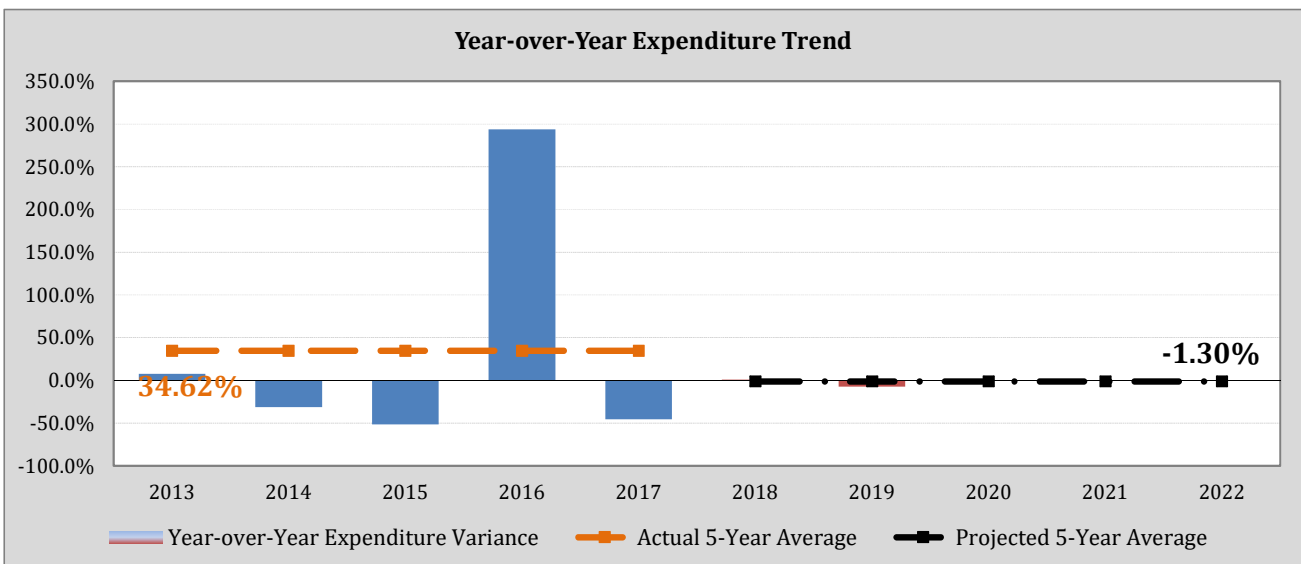
5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.



In FY 2016, the district advanced at year-end about \$2,310,377 to other funds that returned the advance to the general fund in FY 2017. In FY 2017 and beyond the district's transfers and advances are reflected below:

		Actual		Projected			
		2017	2018	2019	2020	2021	2022
5.010 - Operating Transfers-Out				Projections are not Based Upon Previous Fiscal Year			
Student Waived Fees 009 and 300	700,000	700,000	700,000	700,000	700,000	700,000	
Transfer to Medicaid Refund Escrow Account							
Transfer to Athletic Fund	50,000						
Transfer to PI from Capital Forecast	500,000	500,000	500,000	500,000	500,000	500,000	
Other	171,326						
Total [5.010]	1,421,326	1,421,326	1,200,000	1,200,000	1,200,000	1,200,000	
5.020 - Advances-Out				Projections are not Based Upon Previous Fiscal Year			
Yearend Advances-Out	665,126	665,126	750,000	750,000	750,000	750,000	
Total [5.020]	665,126	665,126	750,000	750,000	750,000	750,000	
5.030 - All Other Financing Uses				Not Projected Based Upon Previous Fiscal Year			
Refund of Prior Year "Correction" July, 2017	-	-	152,642	-	-	-	
Total [5.030]	-	-	152,642	-	-	-	
Total [5.010 to 5.030]		2,086,452	2,102,642	1,950,000	1,950,000	1,950,000	
Dollar Change over Prior year		2,086,452	16,190	(152,642)	-	-	
Percentage Change over Prior Year		0.00%	0.78%	-7.26%	0.00%	0.00%	



Forecast Compare

Comparison of Previous Forecast Amounts to Current Forecasted Numbers
F.Y. 2018

		Column A	Column B	Column C	Column D
		Previous	Current	Dollar	Percent
		Forecast	Forecast	Difference	Difference
		Amounts For	Amounts For	Between	Between
		F.Y. 2018	F.Y. 2018	Previous	Previous
		Prepared on:	Prepared on:	and	and
		Oct '17 as Filed	11/19/2017	Current	Current
Revenue:					
1	Real Estate & Property Allocation	\$31,964,408	\$31,964,408	\$0	0.0%
2	Public Utility Personal Property	\$2,760,292	\$2,760,292	\$0	0.0%
3	Income Tax	\$0	\$0	\$0	n/a
4	State Foundation Restricted & Unrestricted	\$39,599,860	\$39,619,067	\$19,207	0.0%
5	Other Revenue	\$2,641,989	\$2,641,989	\$0	0.0%
6	Other Non Operating Revenue	\$806,255	\$806,255	\$0	0.0%
7	Total Revenue	\$77,772,804	\$77,792,011	\$19,207	0.0%
Expenditures:					
8	Salaries	\$28,868,358	\$28,868,358	\$0	0.0%
9	Fringe Benefits	\$9,342,537	\$9,342,537	\$0	0.0%
10	Purchased Services	\$30,993,021	\$31,077,626	\$84,605	0.3%
11	Supplies, Debt, Capital Outlay & Other	\$3,324,075	\$3,324,075	\$0	0.0%
12	Other Non Operating Expenditures	\$2,102,642	\$2,102,642	\$0	0.0%
13	Total Expenditures	\$74,630,633	\$74,715,237	\$84,605	0.1%
14	Revenue Over/(Under) Expenditures	\$3,142,171	\$3,076,774	-\$65,397	-0.1%*
15	Ending Cash Balance	\$20,386,821	\$20,321,424	-\$65,397	-0.1%*

*Percentage expressed in terms of total expenditures

The largest variance in revenue is State Foundation Unrestricted & Restricted (Line 4). The state's final budget adopted June, 2017 allows only 3.0% year-over-year annual growth in state funding. Middletown's per pupil funding is significantly higher than it is receiving, but the state budget only allows a 3.0% annual increase. In May, the increase was modeled at 5.5% which was less than historical practice. The state's FY 2018 per pupil funding formula calculated revenue is substantially more than the district is receiving; as an illustration, the state's per pupil formula calculation generates \$13,892,462 more than the district is receiving.

Purchased services (Line 10) are lower in FY 2018 because the FY 2017 actual as a basis was \$524,631 less than estimated. In addition, the district, as of September 29, 2017, is scheduled to receive an approximate \$300,000 in community school reimbursement because of over payment as of the June #2, 2017 SFPR.

Overall the district's operating margin, Revenue over/(Under) Expenditures (Line 14) is nearly unchanged.

The district's cash balance, however, is projected to be \$1,579,661 higher on June 30, 2018 than estimated in May, 2017. The variance is primarily caused by a higher than expected ending cash balance as of June 30, 2017 of \$1,582,235. Fiscal year 2017's ending cash balance was improved because of an increase in other financing sources revenue (+\$474,898). Also salaries were down -\$350,812, purchased services were down -\$524,631, and capital outlay was down -\$570,502.

Middletown City Schools

Fiscal Year:	Actual	FORECASTED				
	2017	2018	2019	2020	2021	2022
Revenue:						
1.010 - General Property Tax (Real Estate)	24,112,857	24,595,831	25,122,026	25,349,470	25,638,200	26,173,195
1.020 - Public Utility Personal Property	2,679,926	2,760,292	2,885,485	3,820,845	4,752,403	4,925,209
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	33,278,897	34,359,970	35,117,623	36,362,502	37,535,029	38,663,840
1.040 - Restricted Grants-in-Aid	4,645,100	5,259,098	5,458,640	5,393,017	5,435,902	5,557,384
1.045 - Restricted Federal Grants - SFSF	-	-	-	-	-	-
1.050 - Property Tax Allocation	7,537,436	7,368,577	6,019,299	5,358,761	4,715,924	4,118,175
1.060 - All Other Operating Revenues	2,418,863	2,641,989	2,498,045	2,504,511	2,521,593	2,559,305
1.070 - Total Revenue	74,673,080	76,985,756	77,101,117	78,789,105	80,599,052	81,997,107
Other Financing Sources:						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-
2.050 - Advances-In	2,310,377	665,126	750,000	750,000	750,000	750,000
2.060 - All Other Financing Sources	1,133,578	141,129	-	-	-	-
2.070 - Total Other Financing Sources	3,443,955	806,255	750,000	750,000	750,000	750,000
2.080 - Total Rev & Other Sources	78,117,034	77,792,011	77,851,117	79,539,105	81,349,052	82,747,107
Expenditures:						
3.010 - Personnel Services	26,310,262	28,868,358	30,686,060	32,587,430	34,567,611	36,555,249
3.020 - Employee Benefits	8,688,927	9,342,537	10,048,523	10,732,825	11,455,950	12,215,676
3.030 - Purchased Services	29,226,822	31,077,626	30,814,908	31,563,605	32,331,911	33,130,759
3.040 - Supplies and Materials	1,365,643	1,518,130	1,653,775	1,721,329	1,789,704	1,858,863
3.050 - Capital Outlay	368,722	995,398	1,092,595	704,446	708,535	712,706
3.060 - Intergovernmental	-	-	-	-	-	-
Debt Service:						
4.010 - Principal-All Years	292,245	-	-	-	-	-
4.020 - Principal - Notes	-	-	-	-	-	-
4.030 - Principal - State Loans	-	-	-	-	-	-
4.040 - Principal - State Advances	-	-	-	-	-	-
4.050 - Principal - HB264 Loan	-	213,994	212,495	210,994	78,850	77,200
4.055 - Principal - Other	-	-	-	-	-	-
4.060 - Interest and Fiscal Charges	58,172	-	-	-	-	-
4.300 - Other Objects	539,413	596,553	609,520	622,835	636,511	650,560
4.500 - Total Expenditures	66,850,206	72,612,595	75,117,876	78,143,464	81,569,072	85,201,013
Other Financing Uses						
5.010 - Operating Transfers-Out	1,421,326	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
5.020 - Advances-Out	665,126	750,000	750,000	750,000	750,000	750,000
5.030 - All Other Financing Uses	-	152,642	-	-	-	-
5.040 - Total Other Financing Uses	2,086,452	2,102,642	1,950,000	1,950,000	1,950,000	1,950,000
5.050 - Total Exp and Other Financing Uses	68,936,658	74,715,237	77,067,876	80,093,464	83,519,072	87,151,013
6.010 - Excess of Rev Over/(Under) Exp	9,180,376	3,076,774	783,242	(554,359)	(2,170,020)	(4,403,906)
7.010 - Cash Balance July 1 (No Levies)	8,064,274	17,244,650	20,321,424	21,104,666	20,550,306	18,380,286
7.020 - Cash Balance June 30 (No Levies)	17,244,650	20,321,424	21,104,666	20,550,306	18,380,286	13,976,380
8.010 - Estimated Encumbrances June 30	750,000	750,000	750,000	750,000	750,000	750,000
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	16,494,650	19,571,424	20,354,666	19,800,306	17,630,286	13,226,380
Rev from Replacement/Renewal Levies						
11.010 & 11.020 - Income & Property Tax-Renewal	-	-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-
12.010 - Fund Bal June 30 for Cert of Obligations	16,494,650	19,571,424	20,354,666	19,800,306	17,630,286	13,226,380
Revenue from New Levies						
13.010 & 13.020 - Income & Property Tax-New	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	16,494,650	19,571,424	20,354,666	19,800,306	17,630,286	13,226,380