

MIDDLETOWN CITY SCHOOL DISTRICT

Single Audit Reports

June 30, 2003



**Auditor of State
Betty Montgomery**

Board of Education
Middletown City School District
1515 Girard Avenue
Middletown, Ohio 45044

We have reviewed the Independent Auditor's Report of the Middletown City School District, Butler County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 12, 2004

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**Report on compliance and on internal control over financial reporting
based on an audit of financial statements performed in accordance with
*Government Auditing Standards***

December 10, 2003

To the Board of Education:

We have audited the basic financial statements of the Middletown City School District, (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 10, 2003, wherein we noted the District adopted Government Accounting Standards Board 34, 37 and 38 and Government Accounting Standards Board Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Plattenburg & Associates, Inc.
Certified Public Accountants



Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133

December 10, 2003

To the Board of Education:

Compliance

We have audited the compliance of the Middletown City School District, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results portion of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulation, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

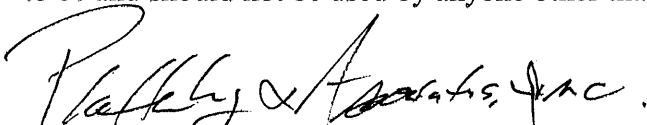
The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control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

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

Schedule of Federal Awards Expenditures

We have audited the basic financial statements of the District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 10, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Plattenburg & Associates, Inc.
Certified Public Accountants

MIDDLETOWN CITY SCHOOL DISTRICT

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
Passed Through Ohio Department of Education:						
Child Nutrition Cluster:						
Food Commodity Distribution	03-PU	10.550	\$0	\$153,027	\$0	\$153,027
School Breakfast Program	05-PU	10.553	201,195	0	201,195	0
School Lunch Program	04-PU	10.555	973,571	0	973,571	0
Summer Food Service Program	n/a	10.559	27,408	0	27,408	0
Total U.S. Department of Agriculture - Nutrition Cluster			1,202,174	153,027	1,202,174	153,027
<u>U.S. DEPARTMENT OF EDUCATION</u>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Title VI - B Grant	6B-SF	84.027	949,883	0	1,031,843	0
Preschool Grant	PG-S1	84.173	17,733	0	17,733	0
Total U.S. Special Education Cluster			967,616	0	1,049,576	0
Adult Basic Education Grant	AB-S1	84.002	217,010	0	487,016	0
Eisenhower Grant	MS-S1	84.281	33,421	0	42,763	0
Title I Grant	C1-S0	84.010	2,042,934	0	2,137,114	0
Title VI	C2-S1	84.298	59,223	0	54,877	0
Drug Free Schools Grant	DR-S1	84.186	137,033	0	134,491	0
Comprehensive School Reform	CR-S1	84.332	116,469	0	207,325	0
Entry Year Grant	G2-S4	84.276	39,224	0	85,902	0
Title VI-R	n/a	84.340	401,475	0	553,226	0
School Renovation	n/a	84.352	0	0	100	0
Safe and Drug Free	n/a	18.184	5,971	0	5,652	0
Technology Literacy	n/a	84.318	27,618	0	22,356	0
Total Department of Education			4,047,994	0	4,780,398	0
<u>U.S. DEPARTMENT OF HEALTH and HUMAN SERVICES</u>						
Passed through Ohio Department of Mental Retardation and Developmental Disabilities:						
Medical Assistance Program	n/a	93.778	329,035	0	329,035	0
Total U.S. Department of Health Care			329,035	0	329,035	0
Total Federal Assistance			\$5,579,203	\$153,027	\$6,311,607	\$153,027

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants, and it is assumed that federal monies are expended first.

n/a -- Information not available

MIDDLETOWN CITY SCHOOL DISTRICT
June 30, 2003

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under Section .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Nutrition Cluster, Title VI-R and Medical Assistance Program
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None Noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted

MIDDLETOWN CITY SCHOOL DISTRICT
JUNE 30, 2003

SCHEDULE OF PRIOR AUDIT AND QUESTIONED COSTS
OMB CIRCULAR A-133

Middletown City School District had no prior audit findings or questioned costs.

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**MIDDLETOWN CITY SCHOOL DISTRICT
MIDDLETOWN, OHIO**

**MIDDLETOWN
CITY
SCHOOLS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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**MIDDLETOWN CITY SCHOOL DISTRICT
MIDDLETOWN, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**PREPARED BY THE OFFICE OF THE TREASURER
EDMUND R. POKORA, TREASURER
ROBIN B. LONG, ASSISTANT TREASURER**

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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	vii
List of Principal Officials	xvi
Organizational Chart	xvii
GFOA Certificate of Achievement for Excellence in Financial Reporting	xviii
ASBO Certificate of Excellence in Financial Reporting	xix
FINANCIAL SECTION	
Report of Independent Accountants	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Assets - Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Fiduciary Net Assets - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	22
Notes to the Basic Financial Statements	23
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	46
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Emergency Levy Fund	47
Notes to the Required Supplementary Information	48
Combining Statements and Individual Fund Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	53
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	60

TABLE OF CONTENTS

	<u>Page</u>
Nonmajor Capital Projects Funds:	
Combining Balance Sheet	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	66
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets	67
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	68
Combining Statement of Cash Flows	69
Agency Funds:	
Statement of Changes in Assets and Liabilities	70
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual (Non-GAAP Budgetary Basis):	
Public School Support	71
Local Grants	72
Venture Capital	73
Athletic	74
Auxiliary Services	75
Management Information System	76
Disadvantaged Pupil Impact Aid	77
OneNet Network Connectivity	78
SchoolNet Professional Development	79
Ohio Reads	80
Alternative Schools	81
Extended Learning Opportunity	82
Miscellaneous State Grants	83
Adult Basic Education	84
D. Eisenhower Math and Science	85
Title VI-B	86
Title I	87
Title VI	88
Drug Free Schools	89
Preschool	90
Goals 2000	91
Class Size Reduction	92
Miscellaneous Federal	93
Debt Service	94
Permanent Improvement	95
SchoolNet Plus	96
SchoolNet Power Up	97
Interactive Video Distance Learning	98

TABLE OF CONTENTS

	<u>Table</u>	<u>Page</u>
STATISTICAL SECTION		
General Fund Revenues by Source	1	99
General Fund Expenditures by Function	2	100
Property Tax Levies and Collections - Real and Public Utility Property	3	101
Assessed and Estimated Actual Value of Taxable Property	4	102
Property Tax Rates - Direct and Overlapping Governments	5	103
Ratio of Net General Bonded Debt to Assessed Value And Net Bonded Debt per Capita	6	104
Computation of Legal Debt Margin	7	105
Computation of Direct and Overlapping Debt	8	106
Ratio of Annual Debt Service Expenditures - For General Bonded Debt to Total General Fund Expenditures	9	107
Demographic Statistics	10	108
Construction, Bank Deposits and Property Values	11	109
Real and Tangible Property - Top Ten Principal Taxpayers	12	110
Miscellaneous Statistical Data	13	111

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**INTRODUCTORY
SECTION**

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Middletown City School District

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

December 10, 2003

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

The Comprehensive Annual Financial Report [CAFR] of the Middletown City School District [District] for the fiscal year ended June 30, 2003, is hereby submitted. This report, prepared by the Treasurer's office, includes an opinion from our auditor, Plattenburg and Associates, Inc. and conforms to generally accepted accounting principles 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 which 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.

The Comprehensive Annual Financial Report is divided into three sections:

The **Introductory Section** includes a table of contents, this transmittal letter, a list of principal officials, the District's organization chart and the GFOA and ASBO certificates the District received for the June 30, 2002 CAFR. Also included are the District's major current and future initiatives.

The **Financial Section** includes the independent accountants' report on the financial statements, management's discussion and analysis, basic financial statements, notes to the basic financial statements, and the combining statements for nonmajor funds and other schedules that provide detailed information relative to the basic financial statements.

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

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

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

ECONOMIC CONDITION AND OUTLOOK

The District is located in southwestern Ohio, midway between the cities of Cincinnati and Dayton, in the northeast corner of Butler County. The eastern boundary of the District is along Interstate 75, which runs from Canada to Florida, making it a desirable location for many businesses who require easy access to the nation's interstate system. Approximately 42% of the District's tax base is agricultural and residential properties; the remainder is composed of a wide range of manufacturing, commercial and other business properties. The overall economic outlook for the area remains very positive with low unemployment rates, growth in the local tax base, and low inflationary pressures.

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

DESCRIPTION OF THE DISTRICT

The District serves an area of 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. The population of the District is over 62,000 according to information from the U.S. Census Bureau, with the City of Middletown accounting for over 58,000 residents. The tax base of the District is comprised of a unique blend of residential, commercial, and industrial property, with over 60% of the tax revenue of the District paid by business and industry. The largest employer in the District is AK Steel, which employs over 3,500 at the Middletown Works and contributes over 13% to the total tax base of the District.

During the 2002-03 school year, the District had 7,462 students enrolled in 11 elementary schools, two middle schools serving grades 5-8, one comprehensive high school for grades 9-12, and one alternative high school. The District also operates a variety of other facilities, including a central administration building, bus garage, central supply warehouse, and several sports fields.

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

ORGANIZATION OF THE SCHOOL DISTRICT

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

The Board members represent a cross section of professions in the community. The board members on June 30, 2003, were as follows:

Board Member	Began Service	Term Expires	Profession
Dr. Mark Frazer	January, 1990	December, 2005	Physician
Rev. Greg Tyus	January, 2000	December, 2003	Minister
Mrs. Katie McNeil	January, 1996	December, 2003	Administrative
Mr. John Venturella	January, 2000	December, 2003	CPA
Mr. Steve Lane	March, 2000	December, 2005	Attorney

The Superintendent is the Chief Executive Officer of the District, responsible directly to the Board for all educational and support operations. Dr. Steve Price was appointed Superintendent in 2002 and his initial contract runs until July 31, 2005. Prior to his appointment, Dr. Price was superintendent of Perry Local Schools in Massillon, Ohio. Dr. Price holds a Doctorate in Education from Miami University and has 18 years experience in education.

The Treasurer is the Chief Financial Officer of the District and is directly responsible to the Board for all financial operations, investments, and serves as Secretary to the Board. Mr. Ed Pokora has served as Treasurer since October 1989 and has a total of 20 years experience as a school treasurer in Ohio. Mr. Pokora holds a B.B.A. Degree in accounting from the University of Cincinnati. At its organizational meeting in January 2000 the Board approved a four-year contract with Mr. Pokora that expires in January 2004.

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

EMPLOYEE RELATIONS

The District employed 920 full and part-time staff members during the 2002-03 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. In February 2002, the MTA and the District entered into a new collective bargaining agreement on language, salary and fringe benefits issues that expires on June 30, 2004.

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, lunchroom services, clerical support, and building maintenance and custodial needs. In June 2002, the District and the association concluded negotiations on a new collective bargaining agreement that expires on June 30, 2005.

SERVICES PROVIDED

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

Transportation is provided for over 3,530 students each day. The District fleet of 45 buses travels over 2,555 miles each day transporting students to 20 different educational sites.

The food service department served over 750,000 plate lunches through the District's 15 kitchens. This is accomplished through the full operation of a central kitchen and 14 satellite sites. The District currently offers a breakfast program at 12 District schools.

In addition to transportation and school lunch support services, students in the District also receive 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

Improving Student Achievement

The District has made major changes in our educational delivery system over the past several years. During the 2002-03 school year, professional learning communities (PLC) were implemented in each school to address learning and achievement issues and promote collaborative environments among the professional teaching staff. PLC models are also instrumental toward improving instruction strategies that focus on student learning issues. Aligning the curriculum vertically and horizontally with the state content standards is also a focus of the PLC teams.

Improving School Facilities

In cooperation with the architectural firm of Steed-Hammond-Paul, and the Ohio School Facilities Commission (OSFC), the District completed a Master Facilities Master Plan in February, 2003. The plan was developed after months of community and staff involvement through focus groups, surveys, and educational research. The Master Plan as approved will rebuild or renovate all school buildings over a six to eight year period and allow the District to qualify for OSFC funding to assist in the total project cost. As a result, the District placed a \$75.8 million bond issue on the November 2003 ballot that would implement the elementary phase of the project. This phase will build six new elementary schools and renovate two other school buildings over a four year period and reduce the total number of elementary schools in operation from 12 to 10. District voters ultimately approved the bond issue at the November general election.

Financial Accountability Plan

The District has experienced a steady decline in student enrollment over the past few years. This has resulted in escalating costs and financial pressures that are depleting the General Fund carryover balance. Changing enrollment patterns have also resulted in school facilities that are operating below estimated capacities. In the spring of 2002 the District closed Oneida Elementary School and assigned students to nearby Amanda Elementary School. In the spring of 2003 the District took additional measures to address enrollment concerns, financial pressures and building maintenance needs. In February 2003 the Board of Education voted to close Jefferson Elementary School and assigned students to the two elementary schools that were located closest to the attendance area.

While these measures have helped to control rising costs and improve financial efficiencies, the District anticipates additional measures will be necessary for the 2003-04 school year and beyond.

Administrative Reorganization

The District completed a reorganization of the central office administrative staff toward the end of the 2002-03 school year to streamline operations, improve program efficiencies and reduce overall costs. Keeping a focus on student achievement, the Division of Curriculum and Instruction was realigned and became the Department of Learning, lead by a new position, Assistant Superintendent of Learning. In addition, the Division of Pupil Services received additional duties and responsibilities and is now the Department of Student Services. While the reorganization reduced the total number of administrative positions at the central office level, it also reduced annual operating costs by over \$125,000.

Partnership With Youth Program

In cooperation with The Chamber of Commerce and other area organizations, the Partnership With Youth Program was created in 1989 and continues to expand each year. The program establishes formal partnership arrangements between District businesses and individual schools that have become a vital link between the community and the school system. There are currently over 100 businesses and organizations, that partner with one or more of the District's school buildings.

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].

For a more in-depth analysis of the District's current economic condition, please see the Management Discussion and Analysis (MD&A) portion of the report in the Financial section.

INTERNAL ACCOUNTING AND BUDGETARY CONTROL

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

The District utilizes a fully automated accounting system as well as an automated system of control for fixed assets and payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensures 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, all employees involved with receiving and depositing funds are covered by a blanket bond and certain individuals in policy-making roles are covered by a separate, higher bond.

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.

CASH MANAGEMENT

The Board has an aggressive cash management program which consists of expediting the receipt of revenues and prudently investing available cash in obligations collateralized by the United States Government, or the State of Ohio issued instruments or insured by the Federal Deposit Insurance Corporation [FDIC]. The total amount of earnings on investments was \$513,161 for the year ended June 30, 2003.

The cash management program is designed to minimize cash on hand and maximize investment holdings. All investments are spread among available investment options to insure maximum interest rates.

The District's investment policy is to minimize market risk while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by FDIC or collateralized. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

RISK MANAGEMENT

The District continues to protect its assets through a comprehensive insurance program. A schedule of insurance in force at June 30, 2003 is included in the Notes to the Basic Financial Statements.

INDEPENDENT AUDIT

The State of Ohio requires an annual audit by either the Ohio Auditor of State or by an independent public accounting firm. The State Auditor and the District selected Plattenburg and Associates, Inc. to perform the audit for the fiscal year ended June 30, 2003. The auditor's unqualified opinion rendered on the District's basic financial statements, and their report on the combining and individual fund statements and schedules, is included in the financial section of this report. Pursuant to statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all units of local education agencies in Ohio. The District adopted and has been in conformance with that system effective with its annual financial report since the 1979 calendar year.

AWARDS

GFOA Certificate of Achievement

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, 2002. 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

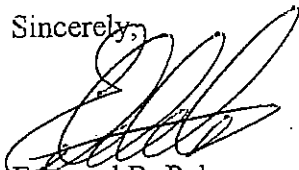
The Association of School Business Officials International [ASBO] awards a Certificate of Excellence in Financial Reporting to school districts that publish Comprehensive Annual Financial Reports which substantially conform to the principles and standards of financial reporting as recommended and adopted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

The District received the Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2002. The District believes that the Comprehensive Annual Financial Report for fiscal year June 30, 2003, which will be submitted to ASBO for review, will conform to ASBO's principles and standards.

ACKNOWLEDGEMENTS

The preparation of the 2003 Comprehensive Annual Financial Report of the Middletown City School District was made possible by the combined efforts of the District's Finance Department and Plattenburg and Associates, Incorporated. The publication of this Comprehensive Annual Financial Report for the District is a major step in reinforcing the accountability of the District to the taxpayers of the community.

Sincerely,

A handwritten signature in black ink, appearing to read 'E. Pokora', written over the word 'Sincerely,'.

Edmund R. Pokora
Treasurer

**MIDDLETOWN CITY SCHOOL DISTRICT
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2003**

BOARD OF EDUCATION

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

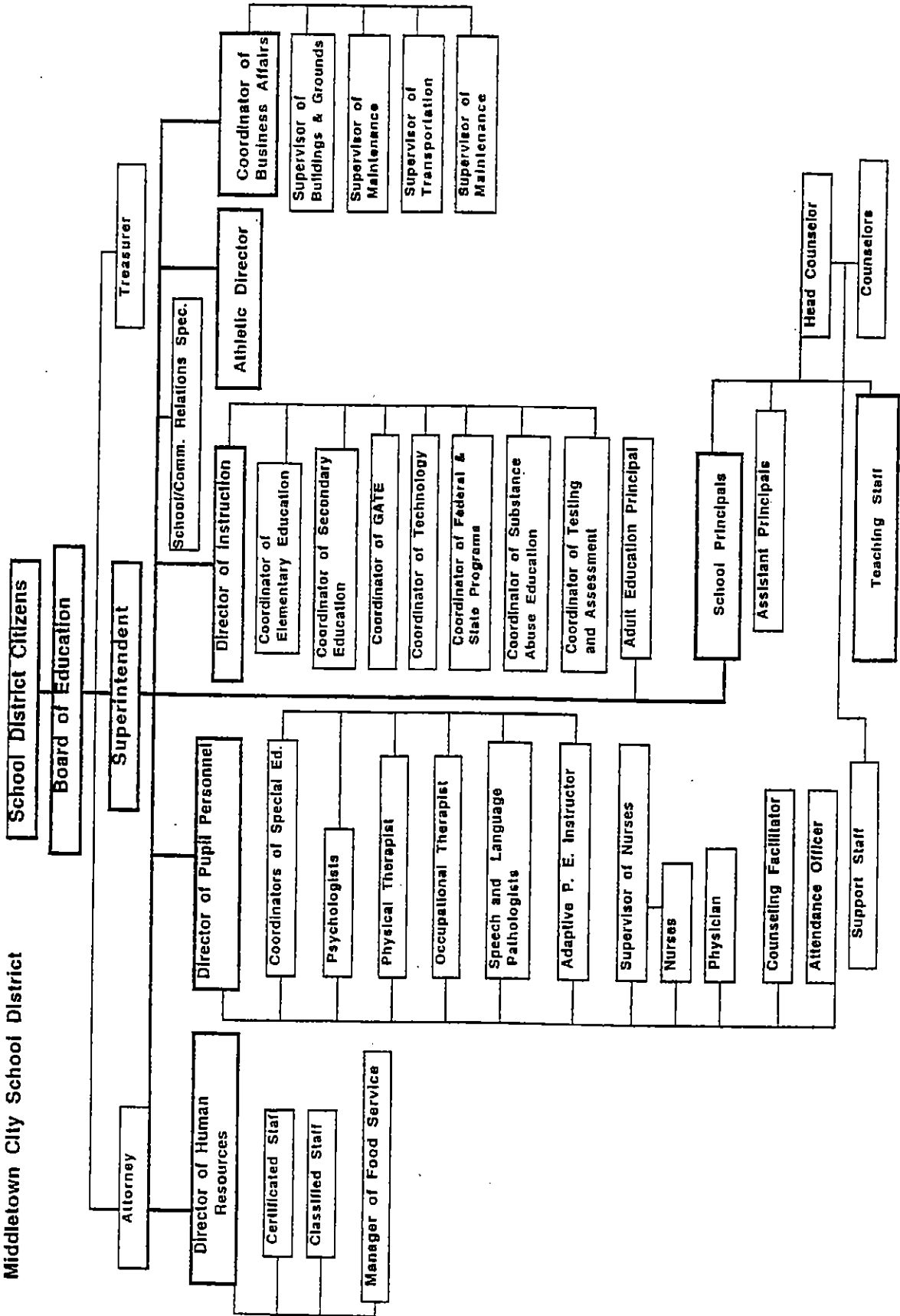
**Dr. Mark Frazer
Rev. Greg Tyus
Mrs. Katie McNeil
Mr. John Venturella
Mr. Steve Lane**

ADMINISTRATIVE OFFICIALS

**Superintendent
Treasurer
Director of Human Resources
Director of Instruction/Pupil Personnel
Director of Athletics
Legal Counsel**

**Stephen C. Price, Ed.D.
Ed Pokora
Brenda Long
Susan Combs
Eric Tudor
Don Crain, Esq. -
Frost, Brown & Todd
Attorneys at Law**

Middletown City School District



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, 2002

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



President

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

MIDDLETOWN CITY SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2002

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


President


Executive Director

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**FINANCIAL
SECTION**

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December 10, 2003

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Middletown City School District, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Middletown City School District, as of June 30, 2003 and, the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*; Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*; and Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Required Supplementary Information

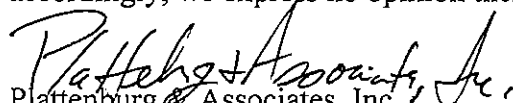
The Management's Discussion and Analysis and the budgetary information, listed in the table of contents as required supplementary information, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Combining Financial Statements and Individual Fund Schedules

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying information identified in the table of contents as combining and individual nonmajor fund financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Introductory and Statistical Sections

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has not be subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.


Plattenburg & Associates, Inc.
Certified Public Accountants

MIDDLETOWN CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003
(Unaudited)

The discussion and analysis of Middletown City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets decreased \$4.56 million. Net assets of governmental activities decreased \$4.34 million which represents a 20.8% decrease from 2002. Net assets of business-type activities decreased \$0.22 million or 82.8% from 2002.
- General revenues accounted for \$54.30 million in revenue or 82.0% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$11.95 million or 18.0% of total revenues of \$66.24 million.
- Total assets of governmental activities decreased by \$2.71 million as taxes receivable increased by \$2.19 million while cash and other receivables decreased by \$4.92 million.
- The District had \$67.52 million in expenses related to governmental activities; \$8.89 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$54.30 million were also used to provide for these programs.
- As a major fund, the General Fund had \$44.93 million in revenues and \$52.93 million in expenditures. The General Fund balance decreased from \$9.69 to \$2.10 million. The Emergency Levy Fund had \$11.16 million in revenues and \$6.36 million in expenditures. The Emergency Levy Fund's fund balance increased from \$0.60 to \$5.41 million.

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

Reporting the School District as a Whole

Statement of Net Assets 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 questions, "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Assets* and the *Statement of Activities*, the District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service, uniform school supply, special rotary and adult education are reported as business activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds 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 statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

The District as a Whole

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

Table 1 provides a summary of the District's net assets for 2002 compared to 2003:

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>
Assets						
Current and Other Assets	\$51,931,226	\$49,208,222	\$424,878	\$442,449	\$52,356,104	\$49,650,671
Capital Assets	<u>10,347,792</u>	<u>10,361,530</u>	<u>25,633</u>	<u>22,302</u>	<u>10,373,425</u>	<u>10,383,832</u>
Total Assets	<u>62,279,018</u>	<u>59,569,752</u>	<u>450,511</u>	<u>464,751</u>	<u>62,729,529</u>	<u>60,034,503</u>
Liabilities						
Long-Term Liabilities	2,967,792	3,125,636	44,680	52,606	3,012,472	3,178,242
Other Liabilities	<u>38,399,814</u>	<u>39,875,910</u>	<u>666,269</u>	<u>888,393</u>	<u>39,066,083</u>	<u>40,764,303</u>
Total Liabilities	<u>41,367,606</u>	<u>43,001,546</u>	<u>710,949</u>	<u>940,999</u>	<u>42,078,555</u>	<u>43,942,545</u>
Net Assets						
Invested in Capital						
Assets Net of Debt	12,642,935	10,017,056	25,633	22,302	12,668,568	10,039,358
Restricted	10,649,824	8,437,904	0	0	10,649,824	8,437,904
Unrestricted	<u>(2,381,347)</u>	<u>(1,886,754)</u>	<u>(286,071)</u>	<u>(498,550)</u>	<u>(2,667,418)</u>	<u>(2,385,304)</u>
Total Net Assets	<u>\$20,911,412</u>	<u>\$16,568,206</u>	<u>(\$260,438)</u>	<u>(\$476,248)</u>	<u>\$20,650,974</u>	<u>\$16,091,958</u>

Total assets decreased \$2.70 million. Equity in pooled cash and cash equivalents decreased \$4.24 million. Taxes receivable increased \$2.19 million. Total liabilities increased \$1.86 million, resulting in a net asset decrease of \$4.56 million.

The net assets of the District business-type activities decreased by \$0.22 million. Since the decrease was slight, management has reviewed and, where feasible, increased fees. This action should ensure that business-type activities remain self-supporting.

Table 2 shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2
Changes in Net Assets

	Governmental Activities <u>2003</u>	Business-Type Activities <u>2003</u>	Total <u>2003</u>
Revenues			
Program Revenues:			
Charges for Services	\$757,818	\$1,524,102	\$2,281,920
Operating Grants	7,935,288	1,533,555	9,468,843
Capital Grants	195,055	0	195,055
General Revenue:			
Property Taxes	30,360,512	0	30,360,512
Grants and Entitlements	22,943,643	0	22,943,643
Other	<u>988,649</u>	<u>2,480</u>	<u>991,129</u>
Total Revenues	<u>63,180,965</u>	<u>3,060,137</u>	<u>66,241,102</u>
Program Expenses:			
Instruction	40,067,476	0	40,067,476
Support Services:			
Pupil and Instructional Staff	7,814,089	0	7,814,089
General and School Administration, Fiscal and Business	7,340,861	0	7,340,861
Operations and Maintenance	6,719,128	0	6,719,128
Pupil Transportation	2,271,967	0	2,271,967
Central	1,638,800	0	1,638,800
Community Services	918,003	0	918,003
Extracurricular Activities	735,315	0	735,315
Interest and Fiscal Charges	18,532	0	18,532
Food Service	0	3,060,904	3,060,904
Uniform School Supply	0	141,478	141,478
Special Rotary	0	7,271	7,271
Adult Education	<u>0</u>	<u>66,294</u>	<u>66,294</u>
Total Expenses	<u>67,524,171</u>	<u>3,275,947</u>	<u>70,800,118</u>
Change in Net Assets	<u>(\$4,343,206)</u>	<u>(\$215,810)</u>	<u>(\$4,559,016)</u>

Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes, special revenues and grants and entitlements comprised 84% of the District’s revenues for governmental activities.

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 48% of revenue for governmental activities for the District in fiscal year 2003.

Instruction comprises 59% of governmental program expenses. Support services expenses were 38% of governmental program expenses. All other expenses including interest expense were 3%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made since they are not available.

**Table 3
Governmental Activities**

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Instruction	\$40,067,476	\$36,969,231
Support Services:		
Pupil and Instructional Staff	7,814,089	3,111,908
General and School Administration, Fiscal and Business	7,340,861	7,299,794
Operations and Maintenance	6,719,128	6,629,145
Pupil Transportation	2,271,967	2,052,208
Central	1,638,800	1,391,802
Community Services	918,003	629,359
Extracurricular Activities	735,315	534,031
Interest and Fiscal Charges	<u>18,532</u>	<u>18,532</u>
 Total Expenses	 <u>\$67,524,171</u>	 <u>\$58,636,010</u>

Business-Type Activities

Business-type activities, include the food service operation, the sale of uniform school supplies, special rotary and adult education. These programs had revenues of \$3.06 million and expenses of \$3.28 million for fiscal year 2003. As discussed earlier, management has reviewed these programs and food service fees were increased. Business activities receive no support from tax revenues.

The District's Funds

Information about the District's major funds is presented in the Fund Financial Statements (see Table of Contents). These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$64,188,500 and expenditures and other financing uses of \$67,927,019. The net change in fund balance for the year was (\$3,738,519), or 30.7%.

General Fund Budgeting Highlights

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

During the course of fiscal 2003, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$44.80 million, above original budget estimates of \$43.31 million. Of this \$1.49 million difference, most was due to a conservative estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance for the General Fund was \$1.46 million above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$10.38 million invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2003 balances compared to fiscal 2002:

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

	Governmental Activities		Business-Type Activities		Total	
	2002	2003	2002	2003	2002	2003
Land	\$20,525	\$20,525	\$0	\$0	\$20,525	\$20,525
Buildings and Improvements	6,062,331	5,999,860	0	0	6,062,331	5,999,860
Equipment	4,264,936	4,341,145	25,633	22,302	4,290,569	4,363,447
Total Net Assets	<u>\$10,347,792</u>	<u>\$10,361,530</u>	<u>\$25,633</u>	<u>\$22,302</u>	<u>\$10,373,425</u>	<u>\$10,383,832</u>

The slight increase in capital assets is due to \$0.01 million in furniture and equipment acquisitions. This District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At June 30, 2003, the District had \$323,949 in Capital Leases Payable. Table 5 summarizes outstanding debt at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2003</u>	Governmental Activities <u>2002</u>
Capital Lease Payable:		
MHS Fitness Center	\$201,418	\$0
Vail Fitness Center	<u>122,531</u>	<u>0</u>
Total Outstanding Debt at Year End	<u>\$323,949</u>	<u>\$0</u>

For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither “adequate” nor “equitable.” Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not “equitable” nor “adequate”. The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court’s concerns.

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

With no increase in state funding projected, the District must increase revenues by submitting an operating levy to the community in the near future. At this time, the Board has not set the date and amount for the levy. Even though the District is projecting a slight decrease in enrollment, the need for increased revenues is projected for fiscal year 2004. This increased funding will be needed to provide all students a quality education. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

In addition, the District’s system of budgeting and internal controls is well regarded. All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, the District’s management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

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

Middletown City School District
Statement of Net Assets
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$12,205,941	\$165,027	\$12,370,968
Restricted Cash and Investments	691,902	0	691,902
Receivables:			
Taxes	34,900,496	0	34,900,496
Accounts	76,092	170,850	246,942
Intergovernmental	1,333,791	0	1,333,791
Inventory	0	106,572	106,572
Nondepreciable Capital Assets	20,525	0	20,525
Depreciable Capital Assets, Net	10,341,005	22,302	10,363,307
Total Assets	59,569,752	464,751	60,034,503
Liabilities:			
Accounts Payable	83,632	432	84,064
Accrued Wages and Benefits	6,755,984	88,407	6,844,391
Accrued Interest Payable	2,327	0	2,327
Deferred Revenue	33,558,967	24,554	33,583,521
Bond Anticipation Notes Payable	250,000	0	250,000
Internal Balances	(775,000)	775,000	0
Long-Term Liabilities:			
Due Within One Year	503,757	457	504,214
Due In More Than One Year	2,621,879	52,149	2,674,028
Total Liabilities	43,001,546	940,999	43,942,545
Net Assets:			
Invested in Capital Assets, Net of Related Debt	10,017,056	22,302	10,039,358
Restricted for:			
Debt Service	118,200	0	118,200
Capital Projects	245,751	0	245,751
Special Revenue	8,073,953	0	8,073,953
Unrestricted	(1,886,754)	(498,550)	(2,385,304)
Total Net Assets	\$16,568,206	(\$476,248)	\$16,091,958

See accompanying notes.

Middletown City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$29,123,021	\$317,294	\$1,494,725	\$0
Special	6,917,686	0	402,839	0
Vocational	30,623	0	0	0
Other	3,996,146	5,308	744,707	133,372
Support Services:				
Pupil	4,046,144	125,618	3,805,865	0
Instructional Staff	3,767,945	747	769,951	0
General Administration	80,157	0	0	0
School Administration	5,865,161	255	40,812	0
Fiscal	1,190,464	0	0	0
Business	205,079	0	0	0
Operations and Maintenance	6,719,128	38,474	51,509	0
Pupil Transportation	2,271,967	68,807	89,269	61,683
Central	1,638,800	31	246,967	0
Community Services	918,003	0	288,644	0
Extracurricular Activities	735,315	201,284	0	0
Interest and Fiscal Charges	18,532	0	0	0
Total Governmental Activities	67,524,171	757,818	7,935,288	195,055
Business-Type Activities:				
Food Service	3,060,904	1,397,487	1,514,082	0
Uniform School Supply	141,478	91,945	0	0
Special Rotary	7,271	0	5,214	0
Adult Education	66,294	34,670	14,259	0
Total Business-Type Activities	3,275,947	1,524,102	1,533,555	0
Totals	\$70,800,118	\$2,281,920	\$9,468,843	\$195,055

General Revenues:
Property Taxes Levied for:
 General Purposes
 Special Revenue Purposes
 Debt Service
Grants and Entitlements not Restricted to Specific Programs
Payment in Lieu of Taxes
Unrestricted Contributions
Investment Earnings
Other Revenues

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$27,311,002)	\$0	(\$27,311,002)
(6,514,847)	0	(6,514,847)
(30,623)	0	(30,623)
(3,112,759)	0	(3,112,759)
(114,661)	0	(114,661)
(2,997,247)	0	(2,997,247)
(80,157)	0	(80,157)
(5,824,094)	0	(5,824,094)
(1,190,464)	0	(1,190,464)
(205,079)	0	(205,079)
(6,629,145)	0	(6,629,145)
(2,052,208)	0	(2,052,208)
(1,391,802)	0	(1,391,802)
(629,359)	0	(629,359)
(534,031)	0	(534,031)
(18,532)	0	(18,532)
(58,636,010)	0	(58,636,010)
0	(149,335)	(149,335)
0	(49,533)	(49,533)
0	(2,057)	(2,057)
0	(17,365)	(17,365)
0	(218,290)	(218,290)
(\$58,636,010)	(\$218,290)	(\$58,854,300)
19,959,809	0	19,959,809
10,173,736	0	10,173,736
226,967	0	226,967
22,943,643	0	22,943,643
117,986	0	117,986
62,468	0	62,468
514,161	0	514,161
294,034	2,480	296,514
54,292,804	2,480	54,295,284
(4,343,206)	(215,810)	(4,559,016)
20,911,412	(260,438)	20,650,974
\$16,568,206	(\$476,248)	\$16,091,958

Middletown City School District
Balance Sheet
Governmental Funds
June 30, 2003

	General	Emergency Levy	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$4,943,063	\$5,136,116	\$2,126,762	\$12,205,941
Restricted Cash and Investments	691,902	0	0	691,902
Receivables:				
Taxes	22,879,420	11,764,543	256,533	34,900,496
Accounts	61,576	0	14,516	76,092
Intergovernmental	0	0	1,333,791	1,333,791
Interfund	1,542,017	0	0	1,542,017
Total Assets	30,117,978	16,900,659	3,731,602	50,750,239
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	11,747	6,399	65,486	83,632
Accrued Wages and Benefits	5,680,147	133,675	582,480	6,396,302
Compensated Absences	325,230	39,263	15,119	379,612
Interfund Payable	0	0	767,017	767,017
Deferred Revenue	21,999,377	11,312,448	1,130,512	34,442,337
Bond Anticipation Notes Payable	0	0	250,000	250,000
Total Liabilities	28,016,501	11,491,785	2,810,614	42,318,900
Fund Balances:				
Reserved for Encumbrances	818,153	282,114	736,642	1,836,909
Reserved for Property Tax Advances	880,043	452,095	9,391	1,341,529
Reserved for Set-Aside	691,902	0	0	691,902
Unreserved, Designated for General Fund	1,250,000	0	0	1,250,000
Unreserved, Undesignated, Reported in:				
General Fund	(1,538,621)	0	0	(1,538,621)
Special Revenue Funds	0	4,674,665	(179,476)	4,495,189
Debt Service Funds	0	0	108,809	108,809
Capital Projects Funds	0	0	245,622	245,622
Total Fund Balances	2,101,477	5,408,874	920,988	8,431,339
Total Liabilities and Fund Balances	\$30,117,978	\$16,900,659	\$3,731,602	\$50,750,239

See accompanying notes.

Middletown City School District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2003

Total Governmental Fund Balance	\$8,431,339
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,361,530
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	883,370
In the statement of net assets, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.	(2,327)
Some liabilities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.	(2,781,757)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.	<u>(323,949)</u>
Net Assets of Governmental Activities	<u>\$16,568,206</u>

See accompanying notes.

Middletown City School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Emergency Levy	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$19,959,809	\$10,173,736	\$226,967	\$30,360,512
Revenue in lieu of taxes	0	55,096	0	55,096
Tuition and Fees	389,861	0	0	389,861
Investment Earnings	512,881	0	1,280	514,161
Intergovernmental	23,769,278	933,524	6,569,228	31,272,030
Extracurricular Activities	35,733	0	237,803	273,536
Other Revenues	265,216	0	119,315	384,531
Total Revenues	44,932,778	11,162,356	7,154,593	63,249,727
Expenditures:				
Current:				
Instruction:				
Regular	26,478,511	90,178	1,860,324	28,429,013
Special	4,934,020	33,833	1,913,841	6,881,694
Vocational	0	25,686	0	25,686
Other	3,697,228	0	297,813	3,995,041
Support Services:				
Pupil	3,159,672	2,062	871,905	4,033,639
Instructional Staff	1,230,238	1,298,581	1,227,779	3,756,598
General Administration	42,403	0	37,754	80,157
School Administration	5,334,834	29,457	458,040	5,822,331
Fiscal	1,070,442	121,003	2,716	1,194,161
Business	220,962	0	0	220,962
Operations and Maintenance	4,870,631	1,957,728	246,353	7,074,712
Pupil Transportation	226,099	2,278,402	0	2,504,501
Central	1,024,925	511,232	129,165	1,665,322
Community Services	68,678	0	840,741	909,419
Extracurricular Activities	513,942	8,240	219,784	741,966
Debt Service:				
Principal Retirement	50,739	0	0	50,739
Interest and Fiscal Charges	4,874	0	13,102	17,976
Total Expenditures	52,928,198	6,356,402	8,119,317	67,403,917
Excess of Revenues Over (Under) Expenditures	(7,995,420)	4,805,954	(964,724)	(4,154,190)
Other Financing Sources (Uses):				
Proceeds of Capital Leases	374,688	0	0	374,688
Proceeds from Sale of Fixed Assets	40,933	0	50	40,983
Transfers In	0	0	523,102	523,102
Transfers (Out)	(10,000)	0	(513,102)	(523,102)
Total Other Financing Sources (Uses)	405,621	0	10,050	415,671
Net Change in Fund Balance	(7,589,799)	4,805,954	(954,674)	(3,738,519)
Fund Balance Beginning of Year	9,691,276	602,920	1,875,662	12,169,858
Fund Balance End of Year	\$2,101,477	\$5,408,874	\$920,988	\$8,431,339

See accompanying notes.

Middletown City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balance - Total Governmental Funds	(\$3,738,519)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	13,738
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(109,745)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	50,739
In the statement of activities, interest is accrued, whereas in governmental funds, an interest expenditure is reported when due.	(556)
Some expenses reported in the statement of activities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(184,175)
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.	(374,688)
Change in Net Assets of Governmental Activities	<u>(\$4,343,206)</u>
See accompanying notes.	

Middletown City School District
Statement of Net Assets
Proprietary Funds
June 30, 2003

	<u>Business-Type Activity Enterprise Funds</u>
Assets:	
Equity in Pooled Cash and Investments	\$165,027
Receivables:	
Accounts	170,850
Inventory	<u>106,572</u>
Total Current Assets	<u>442,449</u>
Depreciable Capital Assets, Net	<u>22,302</u>
Total Assets	<u>464,751</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	432
Accrued Wages and Benefits	88,407
Compensated Absences	457
Interfund Payable	775,000
Deferred Revenue	<u>24,554</u>
Total Current Liabilities	<u>888,850</u>
Long-Term Liabilities:	
Compensated Absences	<u>52,149</u>
Total Liabilities	<u>940,999</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	22,302
Unrestricted	<u>(498,550)</u>
Total Net Assets	<u><u>(\$476,248)</u></u>

See accompanying notes.

Middletown City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity Enterprise Funds
Operating Revenues:	
Sales	\$1,432,157
Tuition and Fees	1,413
Charges for Services	90,532
Other Revenues	2,480
Total Operating Revenues	<u>1,526,582</u>
Operating Expenses:	
Personal Services	1,232,595
Contactual Services	408,462
Materials and Supplies	1,625,182
Depreciation	3,331
Other Expenses	6,377
Total Operating Expenses	<u>3,275,947</u>
Operating Income (Loss)	<u>(1,749,365)</u>
Non-Operating Revenues (Expenses):	
Donated Commodities	242,425
Operating Grants	1,291,130
Total Non-Operating Revenues (Expenses)	<u>1,533,555</u>
Change in Net Assets	(215,810)
Net Assets Beginning of Year	<u>(260,438)</u>
Net Assets End of Year	<u>(\$476,248)</u>

See accompanying notes.

Middletown City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity Enterprise Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	\$1,358,680
Cash Payments to Employees	(1,180,330)
Cash Payments to Suppliers	(1,796,626)
Other Cash Payments	(6,377)
Net Cash Provided (Used) by Operating Activities	<u>(1,624,653)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	1,291,503
Payments from Other Funds	775,000
Payments to Other Funds	(525,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,541,503</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(83,150)
Cash and Cash Equivalents Beginning of Year	<u>248,177</u>
Cash and Cash Equivalents End of Year	<u><u>165,027</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(1,749,365)
Adjustments:	
Depreciation	3,331
Donated Commodities	242,425
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	(167,902)
(Increase) Decrease in Inventory	66,808
Increase (Decrease) in Payables	(2,573)
Increase (Decrease) in Accrued Liabilities	8,097
Increase (Decrease) in Deferred Revenue	(25,474)
Net Cash Provided (Used) by Operating Activities	<u><u>(\$1,624,653)</u></u>
Schedule of Noncash Capital Activities:	
During the fiscal year, the Food Service Fund received contributed food commodities valued at	\$242,425

See accompanying notes.

Middletown City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$1,105	\$70,734
Accounts Receivable	0	1,276
Total Assets	<u>1,105</u>	<u>\$72,010</u>
Liabilities:		
Other Liabilities	0	63,537
Accrued Wages & Benefits	0	8,473
Total Liabilities	<u>0</u>	<u>\$72,010</u>
Net Assets:		
Held in Trust for Scholarships	<u>1,105</u>	
Total Net Assets	<u>\$1,105</u>	

See accompanying notes.

Middletown City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2003

	<u>Private Purpose Trust</u>
Additions:	
Other	<u>\$18,315</u>
Total Additions	<u>18,315</u>
Deductions:	
Scholarships	<u>18,465</u>
Total Deductions	<u>18,465</u>
Change in Net Assets	(150)
Net Assets Beginning of Year	<u>1,255</u>
Net Assets End of Year	<u><u>\$1,105</u></u>

See accompanying notes.

**MIDDLETOWN CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003**

1. DESCRIPTION OF THE DISTRICT

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

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board controls the District's instructional and support facilities staffed by 275 classified personnel and 625 certified teaching and administrative personnel to provide services to students and other community members.

In terms of enrollment the District is the 29th largest in the State of Ohio (among 613 districts) and the fourth largest in Butler County. It currently operates 11 elementary schools, 2 middle schools (grades 5 - 8), one comprehensive high school (grades 9-12), one alternative high school and Project Connect. The District encompasses a total of 25 square miles that includes the city of Middletown and portions of Lemon Township.

REPORTING ENTITY

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

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

The following activities are included within the reporting entity:

Parochial Schools - The following parochial schools are located within the District: John XXIII Elementary School, Fenwick High 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. For business-type activities and proprietary funds, the District has elected not to follow subsequent private-sector guidance. The most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and 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 business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary Funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

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

Governmental Funds

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

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

Emergency Levy – The emergency levy is used to account for the proceeds of an emergency operating levy originally passed in 1989 and has been renewed through 2005. Although expenditures in this fund are not restricted to specific purposes, the State of Ohio requires this fund to be classified as a special revenue fund.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the District has no internal service funds.

Enterprise Funds – The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services. The District's enterprise funds are:

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

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School 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 custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only trust fund is a private purpose trust which accounts for scholarship programs for students.

3. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

CASH AND CASH EQUIVALENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "cash and cash equivalents with fiscal agent". The account on the combined balance sheet "Cash with fiscal and escrow agents" represents deposits used to pay arbitrage liability.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2003 amounted to \$514,161.

For purposes of the statement of cash flows, the Enterprise Funds' portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the enterprise funds without prior notice or penalty.

INVENTORY

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements inventories of enterprise funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings	20 years	N/A
Building Improvements	45 years	N/A
Furniture and Equipment	20 years	N/A
Vehicles	5 - 20 years	5 - 20 years

COMPENSATED ABSENCES

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

Sick leave benefits are accrued as a liability using the vested payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The entire amount of compensated absences is reported as a fund liability in Proprietary Funds.

NET ASSETS

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

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

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service and adult education. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

FUND EQUITY

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

CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The government-wide financial statements split the District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the Enterprise Funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003.

RESTATEMENT OF FUND BALANCE

The implementation of these statements had the following effects on fund balance of the major and non-major funds of the District as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	<u>General</u>	Emergency <u>Levy</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$9,689,518	\$602,920	\$1,875,662	\$12,168,100
Fund Reclassification	<u>1,758</u>	<u>0</u>	<u>0</u>	<u>1,758</u>
Adjusted Fund Balances, June 30, 2002	<u>\$9,691,276</u>	<u>\$602,920</u>	<u>\$1,875,662</u>	\$12,169,858
GASB 34 Adjustments:				
Capital Assets				\$10,347,792
Accrued Interest Payable				(1,771)
Compensated Absences Payable				(2,246,840)
Deferred Revenue				993,115
Accrued Pension Liability				<u>(350,742)</u>
Governmental Activities Net Assets, June 30, 2002				<u>\$20,911,412</u>

At June 30 2002, fixed assets were restated in the Enterprise Funds due to a change in the capitalization threshold from one thousand (\$1,000) to two thousand five hundred (\$2,500) dollars. Interfund receivable was also restated. This restatement had the following effect on fund equity as it was previously reported:

	<u>Enterprise Funds</u>
Fund Equity June 30, 2002	(\$241,858)
Fixed Assets	(18,380)
Interfund Receivable	<u>(200)</u>
Adjusted Net Assets, June 30, 2002	<u>(\$260,438)</u>

4. CASH AND CASH EQUIVALENTS

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

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

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

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

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

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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.

Deposits – At the year end, the carrying amount of the District's deposits was (\$153,768). The bank balance of deposits was \$456,035 of which \$184,478 was covered by federal depository insurance. The remaining balance of \$269,921 was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

- Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year-end are classified as follows:

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Repurchase Agreement	\$0	\$2,220,593	\$0	\$2,220,593
Federal Agency Security	0	9,485,553	0	9,485,553
Money Market Fund*	0	0	0	44,363
State Treasury Pool*	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,537,968</u>
Total Investments	<u>\$0</u>	<u>\$11,706,146</u>	<u>\$0</u>	<u>\$13,288,477</u>

*The District's Investment in the Ohio State Treasury Pool and the Money Market Fund are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

5. PROPERTY TAXES

Real property taxes collected in 2003 were levied in April on the assessed values as of January 1, 2002, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2003, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2003, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2003. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$880,043 for General Fund, \$9,391 for Debt Service and \$452,095 for Emergency Levy fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2003 operations.

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

The assessed values upon which the fiscal year 2003 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$685,392,310
Public Utility Personal	38,401,320
Tangible Personal Property	<u>236,048,065</u>
Total	<u>\$959,841,695</u>

6. RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts, intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Government Activities				
Land	\$20,525	\$0	\$0	\$20,525
Buildings and Improvements	25,945,426	426,439	0	26,371,865
Equipment	<u>12,395,183</u>	<u>779,330</u>	<u>442,353</u>	<u>12,732,160</u>
Totals at Historical Cost	<u>\$38,361,134</u>	<u>\$1,205,769</u>	<u>\$442,353</u>	<u>\$39,124,550</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$19,883,095	\$488,910	\$0	\$20,372,005
Equipment	<u>8,130,247</u>	<u>703,121</u>	<u>442,353</u>	<u>8,391,015</u>
Total Accumulated Depreciation	<u>\$28,013,342</u>	<u>\$1,192,031</u>	<u>\$442,353</u>	<u>\$28,763,020</u>
Governmental Activities Capital Assets, Net	<u>\$10,347,792</u>	<u>\$13,738</u>	<u>\$ 0</u>	<u>\$10,361,530</u>
Business-Type Activities				
Equipment	<u>\$390,297</u>	<u>\$ 0</u>	<u>\$6,430</u>	<u>\$383,867</u>
Total at Historical Cost	<u>\$390,297</u>	<u>\$ 0</u>	<u>\$6,430</u>	<u>\$383,867</u>
Less Accumulated Depreciation:				
Equipment	<u>\$364,664</u>	<u>\$3,331</u>	<u>\$6,430</u>	<u>\$361,565</u>
Total Accumulated Depreciation	<u>\$364,664</u>	<u>\$3,331</u>	<u>\$6,430</u>	<u>\$361,565</u>
Business-Type Activities Capital Assets, Net	<u>\$25,633</u>	<u>(\$3,331)</u>	<u>\$ 0</u>	<u>\$22,302</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$703,780
Special	22,638
Vocational	4,937
Other Instruction	480
Support Services:	
Pupil	440
Instructional Staff	6,165
School Administration	28,575
Fiscal	742
Business	7,450
Operations and Maintenance	192,664
Pupil Transportation	150,976
Central	67,205
Community Services	4,357
Extracurricular Activities	<u>1,622</u>
Total Depreciation Expense	<u>\$1,192,031</u>

8. LONG-TERM LIABILITIES

	Beginning Principal Outstanding	Additions	Deductions	Ending Principal Outstanding	Due In One Year
<u>Governmental Activities:</u>					
Compensated Absences	\$2,246,840	\$554,847	\$0	\$2,801,687	\$381,121
Capital Leases	<u>0</u>	<u>374,688</u>	<u>50,739</u>	<u>323,949</u>	<u>122,636</u>
Total Governmental Activities Long-Term Liabilities	<u>\$2,246,840</u>	<u>\$929,535</u>	<u>\$50,739</u>	<u>\$3,125,636</u>	<u>\$503,757</u>
<u>Business-Type Activities</u>					
Compensated Absences	<u>\$44,680</u>	<u>\$7,926</u>	<u>\$0</u>	<u>\$52,606</u>	<u>\$457</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid. Capital lease obligations will be paid from the general fund.

9. LEASES

CAPITAL LEASES

The District has entered into two new capital leases for June 30, 2003 for fitness centers.

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Long-Term</u> <u>Debt</u>
2004	\$131,168
2005	131,168
2006	<u>75,556</u>
Total Minimum Lease Payments	337,892
Less: Amount Representing Interest	<u>(13,943)</u>
Present Value of Minimum Lease Payments	<u>\$323,949</u>

10. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17% of annual covered salary was the portion being used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,229,856, \$1,145,448, and \$1,150,584 respectively; 49.4% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001.

STATE TEACHERS RETIREMENT SYSTEM

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

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

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$4,542,444, \$4,342,236, and \$4,392,984 respectively; 83.9% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001.

11. POST EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$1,460,071 during the 2003 fiscal year. As of July 1, 2003, eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For 2002 fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$750,212 during the 2003 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777.

12. CONTINGENT LIABILITIES

GRANTS

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2003.

LITIGATION

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

13. RISK MANAGEMENT

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

During the fiscal year, the District contracted with the Ohio School Plan for general liability insurance coverage with a \$1,000,000 single occurrence limit and a \$3,000,000 aggregate limit covering all employees and volunteers of the District. The policy holds a \$5,000 occurrence deductible.

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

Vehicle insurance coverage for the District's school buses and other vehicles is provided by the Ohio School Plan under a combined liability limit of \$3,000,000 per occurrence for bodily injury and property damage.

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

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

14. JOINTLY GOVERNED ORGANIZATIONS

The Southwestern Ohio Computer Association (SWOCA) is a jointly governed organization among a three 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. Financial information can be obtained from Mr. Michael Crumley, who serves as Director, at 3603 Hamilton-Middletown Rd., Hamilton, OH 45011.

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

Butler County Joint Vocational School District was formed to provide vocational education opportunities to the students of Butler County, including students of the District. Financial information can be obtained from Mr. Wayne Bethel, who serves as Treasurer, at 3604 Hamilton-Middletown Rd., Hamilton, OH 45011.

15. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

16. COMPLIANCE AND ACCOUNTABILITY

The following individual funds had a deficit in fund balance/total net assets at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Fund:	
Auxiliary Services	\$9,179
Disadvantaged Pupil Impact Aid	95,163
Adult Basic Education	28,679
Title VI B	33,717
Class Size Reduction	76,343
Enterprise Fund:	
Food Service	643,998

17. FUND BALANCE RESERVES FOR SET-ASIDES

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

For fiscal year ended June 30, 2003, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set-aside Reserve Balance as of June 30, 2002	(\$417,289)	\$ 0	\$ 627,007	\$ 209,718
Current Year Set-aside Requirement	1,021,669	1,021,669	0	2,043,338
Qualified Disbursements	(539,485)	(1,021,669)	0	(1,561,154)
Current Year Offsets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2003	<u>\$64,895</u>	<u>\$ 0</u>	<u>\$ 627,007</u>	<u>\$ 691,902</u>
Restricted Cash as of June 30, 2003	<u>\$691,902</u>			

18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2003, consisted of the following individual fund receivables and payables:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$1,542,017	
Special Revenue Fund:		
Local Grants		\$868
Alternative Schools		15,000
Miscellaneous State Grants		5,750
Adult Basic Education		84,999
Title VI-B		240,800
Title I		279,600
Class Size Reduction		140,000
Enterprises		
Food Service		<u>775,000</u>
	<u>\$1,542,017</u>	<u>\$1,542,017</u>

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

Middletown City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2003

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$19,197,133	\$19,820,000	\$19,881,864	\$61,864
Tuition and Fees	377,825	364,037	391,301	27,264
Interest	495,217	520,000	512,881	(7,119)
Intergovernmental	22,981,004	23,848,535	23,800,700	(47,835)
Extracurricular Activities	33,701	40,000	34,903	(5,097)
Other Revenues	220,917	209,880	228,797	18,917
Total Revenues	43,305,797	44,802,452	44,850,446	47,994
Expenditures:				
Current:				
Instruction:				
Regular	26,292,423	25,903,942	25,729,270	174,672
Special	4,913,996	4,832,211	4,808,744	23,467
Vocational	113,649	135,935	111,215	24,720
Other	3,681,546	3,640,185	3,602,692	37,493
Support Services:				
Pupil	3,216,642	3,192,642	3,147,745	44,897
Instructional Staff	1,257,941	1,324,155	1,230,997	93,158
General Administration	53,039	59,925	51,903	8,022
School Administration	5,356,160	5,342,255	5,241,437	100,818
Fiscal	1,094,494	1,088,570	1,071,051	17,519
Business	228,803	232,648	223,902	8,746
Operations and Maintenance	5,111,679	5,297,688	5,002,193	295,495
Pupil Transportation	343,423	408,153	336,067	72,086
Central	1,126,525	1,542,189	1,102,396	439,793
Community Services	65,492	76,035	64,089	11,946
Extracurricular Activities	580,443	572,832	568,011	4,821
Capital Outlay	631,236	617,716	617,716	0
Debt Service:				
Principal Retirement	50,739	50,739	50,739	0
Interest and Fiscal Charges	4,874	4,874	4,874	0
Total Expenditures	54,123,104	54,322,694	52,965,041	1,357,653
Excess of Revenues Over (Under) Expenditures	(10,817,307)	(9,520,242)	(8,114,595)	1,405,647
Other financing sources (uses):				
Proceeds from Sale of Fixed Assets	39,651	50,000	41,065	(8,935)
Advances In	621,208	643,365	643,365	0
Advances (Out)	(1,574,882)	(1,600,000)	(1,541,150)	58,850
Transfers (Out)	(10,219)	(10,000)	(10,000)	0
Total Other Financing Sources (Uses)	(924,242)	(916,635)	(866,720)	49,915
Net Change in Fund Balance	(11,741,549)	(10,436,877)	(8,981,315)	1,455,562
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	13,810,049	13,810,049	13,810,049	0
Fund Balance End of Year	\$2,068,500	\$3,373,172	\$4,828,734	\$1,455,562

See accompanying notes to required supplementary information.

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Emergency Levy Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$10,001,136	\$10,170,500	\$10,172,596	\$2,096
Intergovernmental	974,364	990,000	991,069	1,069
Total Revenues	<u>10,975,500</u>	<u>11,160,500</u>	<u>11,163,665</u>	<u>3,165</u>
Expenditures:				
Current:				
Instruction:				
Regular	113,235	156,747	108,998	47,749
Special	86,171	96,945	82,947	13,998
Vocational	26,684	29,952	25,686	4,266
Support Services:				
Pupil	6,450	7,627	6,209	1,418
Instructional Staff	1,392,679	1,471,496	1,340,569	130,927
School Administration	43,878	45,600	42,236	3,364
Fiscal	125,707	122,000	121,003	997
Business	18,778	20,000	18,075	1,925
Operations and Maintenance	2,189,258	2,198,879	2,107,342	91,537
Pupil Transportation	2,359,589	2,318,943	2,271,300	47,643
Central	588,386	597,541	566,370	31,171
Extracurricular Activities	8,560	10,000	8,240	1,760
Total Expenditures	<u>6,959,375</u>	<u>7,075,730</u>	<u>6,698,975</u>	<u>376,755</u>
Net Change in Fund Balance	4,016,125	4,084,770	4,464,690	379,920
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>382,912</u>	<u>382,912</u>	<u>382,912</u>	<u>0</u>
Fund Balance End of Year	<u>\$4,399,037</u>	<u>\$4,467,682</u>	<u>\$4,847,602</u>	<u>\$379,920</u>

See accompanying notes to required supplementary information.

MIDDLETOWN CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2003

1. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2003.

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

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

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

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

	Net Change in Fund Balance	
	<u>General</u>	<u>Emergency Levy</u>
GAAP Basis	(\$7,589,799)	\$4,805,954
Net Adjustment for Revenue Accruals	186,477	1,309
Net Adjustment for Expenditure Accruals	(748,236)	(54,060)
Encumbrances	<u>(829,757)</u>	<u>(288,513)</u>
Budget Basis	<u>(\$8,981,315)</u>	<u>\$4,464,690</u>

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**COMBINING STATEMENTS
AND INDIVIDUAL
FUND SCHEDULES**

Middletown City School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$1,522,202	\$108,809	\$495,751	\$2,126,762
Receivables:				
Taxes	0	256,533	0	256,533
Accounts	14,516	0	0	14,516
Intergovernmental	1,333,791	0	0	1,333,791
Total Assets	2,870,509	365,342	495,751	3,731,602
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	65,486	0	0	65,486
Accrued Wages and Benefits	582,480	0	0	582,480
Compensated Absences	15,119	0	0	15,119
Interfund Payable	767,017	0	0	767,017
Deferred Revenue	883,370	247,142	0	1,130,512
Bond Anticipation Notes Payable	0	0	250,000	250,000
Total Liabilities	2,313,472	247,142	250,000	2,810,614
Fund Balances:				
Reserved for Encumbrances	736,513	0	129	736,642
Reserved for Property Tax Advances	0	9,391	0	9,391
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	(179,476)	0	0	(179,476)
Debt Service Funds	0	108,809	0	108,809
Capital Projects Funds	0	0	245,622	245,622
Total Fund Balances	557,037	118,200	245,751	920,988
Total Liabilities and Fund Balances	\$2,870,509	\$365,342	\$495,751	\$3,731,602

Middletown City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2003

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$0	\$226,967	\$0	\$226,967
Investment Earnings	1,280	0	0	1,280
Intergovernmental	6,413,785	22,071	133,372	6,569,228
Extracurricular Activities	237,803	0	0	237,803
Other Revenues	119,315	0	0	119,315
Total Revenues	6,772,183	249,038	133,372	7,154,593
Expenditures:				
Current:				
Instruction:				
Regular	1,292,960	0	567,364	1,860,324
Special	1,897,131	0	16,710	1,913,841
Other	297,813	0	0	297,813
Support Services:				
Pupil	871,905	0	0	871,905
Instructional Staff	1,223,305	0	4,474	1,227,779
General Administration	37,754	0	0	37,754
School Administration	430,191	0	27,849	458,040
Fiscal	0	2,716	0	2,716
Operations and Maintenance	220,708	0	25,645	246,353
Central	107,225	0	21,940	129,165
Community Services	840,741	0	0	840,741
Extracurricular Activities	219,784	0	0	219,784
Debt Service:				
Interest and Fiscal Charges	0	0	13,102	13,102
Total Expenditures	7,439,517	2,716	677,084	8,119,317
Excess of Revenues Over (Under) Expenditures	(667,334)	246,322	(543,712)	(964,724)
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	50	0	0	50
Transfers In	10,000	0	513,102	523,102
Transfers (Out)	0	(513,102)	0	(513,102)
Total Other Financing Sources (Uses)	10,050	(513,102)	513,102	10,050
Net Change in Fund Balance	(657,284)	(266,780)	(30,610)	(954,674)
Fund Balance Beginning of Year	1,214,321	384,980	276,361	1,875,662
Fund Balance End of Year	\$557,037	\$118,200	\$245,751	\$920,988

Middletown City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	Public School Support	Local Grants	Venture Capital	Athletic
Assets:				
Equity in Pooled Cash and Investments	\$78,091	\$453,354	\$684	\$36,682
Receivables:				
Accounts	1,775	9,438	0	2,991
Intergovernmental	0	0	0	0
Total Assets	79,866	462,792	684	39,673
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	0	0	0	0
Accrued Wages and Benefits	0	0	0	0
Compensated Absences	0	0	0	0
Interfund Payable	0	868	0	0
Deferred Revenue	0	0	0	0
Total Liabilities	0	868	0	0
Fund Balances:				
Reserved for Encumbrances	19,811	8,488	0	10,537
Unreserved, Undesignated, Reported in: Special Revenue Funds	60,055	453,436	684	29,136
Total Fund Balances	79,866	461,924	684	39,673
Total Liabilities and Fund Balances	\$79,866	\$462,792	\$684	\$39,673

Auxiliary Services	Management Information System	Disadvantaged Pupil Impact Aid	Onenet Network Connectivity	SchoolNet Professional Development	Ohio Reads
\$67,529	\$0	\$0	\$0	\$6,125	\$9,432
0	0	0	0	0	0
0	0	0	0	0	0
67,529	0	0	0	6,125	9,432
7,078	0	0	0	0	1,738
63,993	0	95,163	0	0	0
5,637	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
76,708	0	95,163	0	0	1,738
60,450	0	0	0	0	609
(69,629)	0	(95,163)	0	6,125	7,085
(9,179)	0	(95,163)	0	6,125	7,694
\$67,529	\$0	\$0	\$0	\$6,125	\$9,432

(continued)

Middletown City School District
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2003

	Alternative Schools	Extended Learning Opportunity	Miscellaneous State Grants	Adult Basic Education
Assets:				
Equity in Pooled Cash and Investments	\$39,458	\$257	\$55,525	\$56,130
Receivables:				
Accounts	0	0	0	0
Intergovernmental	13,931	0	7,535	138,586
Total Assets	<u>53,389</u>	<u>257</u>	<u>63,060</u>	<u>194,716</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	6,012	0	0	1,083
Accrued Wages and Benefits	30,436	0	0	27,799
Compensated Absences	0	0	0	0
Interfund Payable	15,000	0	5,750	84,999
Deferred Revenue	0	0	5,538	109,514
Total Liabilities	<u>51,448</u>	<u>0</u>	<u>11,288</u>	<u>223,395</u>
Fund Balances:				
Reserved for Encumbrances	28,189	0	13,789	40,291
Unreserved, Undesignated, Reported in: Special Revenue Funds	<u>(26,248)</u>	<u>257</u>	<u>37,983</u>	<u>(68,970)</u>
Total Fund Balances	<u>1,941</u>	<u>257</u>	<u>51,772</u>	<u>(28,679)</u>
Total Liabilities and Fund Balances	<u>\$53,389</u>	<u>\$257</u>	<u>\$63,060</u>	<u>\$194,716</u>

D. Eisenhower Math and Science	Title VI-B	Title I	Title VI	Drug Free Schools	Preschool
\$8,597	\$222,049	\$364,721	\$22,157	\$21,628	\$0
0	312	0	0	0	0
0	259,558	598,065	64,934	0	0
8,597	481,919	962,786	87,091	21,628	0
0	44,191	3,636	1,748	0	0
0	90,564	210,232	0	5,572	0
0	0	9,482	0	0	0
0	240,800	279,600	0	0	0
0	140,081	373,946	64,934	0	0
0	515,636	876,896	66,682	5,572	0
0	177,704	301,687	10,462	4,544	0
8,597	(211,421)	(215,797)	9,947	11,512	0
8,597	(33,717)	85,890	20,409	16,056	0
\$8,597	\$481,919	\$962,786	\$87,091	\$21,628	\$0

(continued)

Middletown City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2003

	Goals 2000	Class Size Reduction	Miscellaneous Federal	Total Nonmajor Special Revenue Funds
Assets:				
Equity in Pooled Cash and Investments	\$1,972	\$60,553	\$17,258	\$1,522,202
Receivables:				
Accounts	0	0	0	14,516
Intergovernmental	0	239,290	11,892	1,333,791
Total Assets	<u>1,972</u>	<u>299,843</u>	<u>29,150</u>	<u>2,870,509</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	0	0	0	65,486
Accrued Wages and Benefits	0	58,721	0	582,480
Compensated Absences	0	0	0	15,119
Interfund Payable	0	140,000	0	767,017
Deferred Revenue	0	177,465	11,892	883,370
Total Liabilities	<u>0</u>	<u>376,186</u>	<u>11,892</u>	<u>2,313,472</u>
Fund Balances:				
Reserved for Encumbrances	0	59,952	0	736,513
Unreserved, Undesignated, Reported in: Special Revenue Funds	1,972	(136,295)	17,258	(179,476)
Total Fund Balances	<u>1,972</u>	<u>(76,343)</u>	<u>17,258</u>	<u>557,037</u>
Total Liabilities and Fund Balances	<u>\$1,972</u>	<u>\$299,843</u>	<u>\$29,150</u>	<u>\$2,870,509</u>

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Middletown City School District
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 Nonmajor Special Revenue Funds
 For the Fiscal Year Ended June 30, 2003

	Public School Support	Local Grants	Venture Capital	Athletic
Revenues:				
Investment Earnings	\$0	\$0	\$0	\$0
Intergovernmental	0	158,432	0	0
Extracurricular Activities	27,672	0	0	210,131
Other Revenues	76,267	15,518	0	17,338
Total Revenues	103,939	173,950	0	227,469
Expenditures:				
Current:				
Instruction:				
Regular	0	28,290	0	0
Special	0	100	0	0
Other	0	25,145	0	0
Support Services:				
Pupil	96,351	1,174	0	0
Instructional Staff	0	61,585	0	0
General Administration	0	0	0	0
School Administration	0	580	0	0
Operations and Maintenance	0	2,813	0	0
Central	0	4,415	0	0
Community Services	0	247	0	0
Extracurricular Activities	0	0	0	219,784
Total Expenditures	96,351	124,349	0	219,784
Excess of Revenues Over (Under) Expenditures	7,588	49,601	0	7,685
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	50	0	0	0
Transfers In	0	10,000	0	0
Total Other Financing Sources (Uses)	50	10,000	0	0
Net Change in Fund Balance	7,638	59,601	0	7,685
Fund Balance Beginning of Year	72,228	402,323	684	31,988
Fund Balance End of Year	\$79,866	\$461,924	\$684	\$39,673

Auxiliary Services	Management Information System	Disadvantaged Pupil Impact Aid	Onenet Network Connectivity	SchoolNet Professional Development	Ohio Reads
\$1,280	\$0	\$0	\$0	\$0	\$0
697,496	27,298	812,884	52,500	7,500	52,000
0	0	0	0	0	0
0	0	0	0	0	0
698,776	27,298	812,884	52,500	7,500	52,000
0	0	594,107	0	0	31,361
0	0	0	0	0	0
0	0	0	0	0	0
0	0	4,310	0	0	0
0	0	0	0	8,181	21,000
0	0	0	0	0	0
0	0	0	0	0	0
0	0	202,608	0	0	0
0	50,310	0	52,500	0	0
806,898	0	0	0	0	0
0	0	0	0	0	0
806,898	50,310	801,025	52,500	8,181	52,361
(108,122)	(23,012)	11,859	0	(681)	(361)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(108,122)	(23,012)	11,859	0	(681)	(361)
98,943	23,012	(107,022)	0	6,806	8,055
(\$9,179)	\$0	(\$95,163)	\$0	\$6,125	\$7,694

(continued)

Middletown City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2003

	Alternative Schools	Extended Learning Opportunity	Miscellaneous State Grants	Adult Basic Education
Revenues:				
Investment Earnings	\$0	\$0	\$0	\$0
Intergovernmental	330,450	0	132,516	338,993
Extracurricular Activities	0	0	0	0
Other Revenues	4,188	0	5,657	0
Total Revenues	334,638	0	138,173	338,993
Expenditures:				
Current:				
Instruction:				
Regular	124,653	0	14,560	0
Special	0	0	2,500	0
Other	0	0	0	272,668
Support Services:				
Pupil	0	0	0	0
Instructional Staff	112,922	111,309	109,751	92,790
General Administration	0	0	37,754	0
School Administration	26,963	0	0	45,391
Operations and Maintenance	0	0	6,196	0
Central	0	0	0	0
Community Services	0	0	0	0
Extracurricular Activities	0	0	0	0
Total Expenditures	264,538	111,309	170,761	410,849
Excess of Revenues Over (Under) Expenditures	70,100	(111,309)	(32,588)	(71,856)
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	0	0	0	0
Transfers In	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	70,100	(111,309)	(32,588)	(71,856)
Fund Balance Beginning of Year	(68,159)	111,566	84,360	43,177
Fund Balance End of Year	\$1,941	\$257	\$51,772	(\$28,679)

D. Eisenhower Math and Science	Title VI-B	Title I	Title VI	Drug Free Schools	Preschool
\$0	\$0	\$0	\$0	\$0	\$0
33,421	983,267	2,167,978	32,106	76,226	17,733
0	0	0	0	0	0
0	312	35	0	0	0
33,421	983,579	2,168,013	32,106	76,226	17,733
0	0	29,979	1,748	0	0
0	462,461	1,330,897	0	49,448	0
0	0	0	0	0	0
0	322,603	429,734	0	0	17,733
42,763	108,951	345,992	37,004	31,578	0
0	0	0	0	0	0
0	167,787	189,470	0	0	0
0	0	9,091	0	0	0
0	0	0	0	0	0
0	20,241	9,482	892	2,981	0
0	0	0	0	0	0
42,763	1,082,043	2,344,645	39,644	84,007	17,733
(9,342)	(98,464)	(176,632)	(7,538)	(7,781)	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(9,342)	(98,464)	(176,632)	(7,538)	(7,781)	0
17,939	64,747	262,522	27,947	23,837	0
\$8,597	(\$33,717)	\$85,890	\$20,409	\$16,056	\$0

(continued)

Middletown City School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2003

	Goals 2000	Class Size Reduction	Miscellaneous Federal	Total Nonmajor Special Revenue Funds
Revenues:				
Investment Earnings	\$0	\$0	\$0	\$1,280
Intergovernmental	39,224	426,143	27,618	6,413,785
Extracurricular Activities	0	0	0	237,803
Other Revenues	0	0	0	119,315
Total Revenues	39,224	426,143	27,618	6,772,183
Expenditures:				
Current:				
Instruction:				
Regular	41,724	426,538	0	1,292,960
Special	0	51,725	0	1,897,131
Other	0	0	0	297,813
Support Services:				
Pupil	0	0	0	871,905
Instructional Staff	43,587	73,220	22,672	1,223,305
General Administration	0	0	0	37,754
School Administration	0	0	0	430,191
Operations and Maintenance	0	0	0	220,708
Central	0	0	0	107,225
Community Services	0	0	0	840,741
Extracurricular Activities	0	0	0	219,784
Total Expenditures	85,311	551,483	22,672	7,439,517
Excess of Revenues Over (Under) Expenditures	(46,087)	(125,340)	4,946	(667,334)
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	0	0	0	50
Transfers In	0	0	0	10,000
Total Other Financing Sources (Uses)	0	0	0	10,050
Net Change in Fund Balance	(46,087)	(125,340)	4,946	(657,284)
Fund Balance Beginning of Year	48,059	48,997	12,312	1,214,321
Fund Balance End of Year	\$1,972	(\$76,343)	\$17,258	\$557,037

Middletown City School District
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2003

	Permanent Improvement	SchoolNet Plus	SchoolNet Power Up	Interactive Video Distance Learning	Total Nonmajor Capital Projects Funds
Assets:					
Equity in Pooled Cash and Investments	\$439,024	\$51,966	\$0	\$4,761	\$495,751
Total Assets	<u>439,024</u>	<u>51,966</u>	<u>0</u>	<u>4,761</u>	<u>495,751</u>
Liabilities and Fund Balances:					
Liabilities:					
Bond Anticipation Notes Payable	250,000	0	0	0	250,000
Total Liabilities	<u>250,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>250,000</u>
Fund Balances:					
Reserved for Encumbrances	0	0	0	129	129
Unreserved, Undesignated, Reported in: Capital Projects Funds	189,024	51,966	0	4,632	245,622
Total Fund Balances	<u>189,024</u>	<u>51,966</u>	<u>0</u>	<u>4,761</u>	<u>245,751</u>
Total Liabilities and Fund Balances	<u>\$439,024</u>	<u>\$51,966</u>	<u>\$0</u>	<u>\$4,761</u>	<u>\$495,751</u>

Middletown City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2003

	Permanent Improvement	SchoolNet Plus	SchoolNet Power Up	Interactive Video Distance Learning	Total Nonmajor Capital Projects Funds
Revenues:					
Intergovernmental	\$0	\$133,372	\$0	\$0	\$133,372
Total Revenues	0	133,372	0	0	133,372
Expenditures:					
Current:					
Instruction:					
Regular	479,014	81,406	0	6,944	567,364
Special	16,710	0	0	0	16,710
Support Services:					
Instructional Staff	0	0	0	4,474	4,474
School Administration	27,849	0	0	0	27,849
Operations and Maintenance	22,280	0	0	3,365	25,645
Central	11,140	0	10,800	0	21,940
Debt Service:					
Interest and Fiscal Charges	13,102	0	0	0	13,102
Total Expenditures	570,095	81,406	10,800	14,783	677,084
Excess of Revenues Over (Under) Expenditures	(570,095)	51,966	(10,800)	(14,783)	(543,712)
Other Financing Sources (Uses):					
Transfers In	513,102	0	0	0	513,102
Total Other Financing Sources (Uses)	513,102	0	0	0	513,102
Net Change in Fund Balance	(56,993)	51,966	(10,800)	(14,783)	(30,610)
Fund Balance Beginning of Year	246,017	0	10,800	19,544	276,361
Fund Balance End of Year	\$189,024	\$51,966	\$0	\$4,761	\$245,751

Middletown City School District
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2003

	Food Service	Uniform School Supply	Special Rotary	Adult Education	Total
Assets:					
Equity in Pooled Cash and Investments	\$4,917	\$97,277	\$3,830	\$59,003	\$165,027
Receivables:					
Accounts	163,936	1,413	0	5,501	170,850
Inventory	106,572	0	0	0	106,572
Total Current Assets	275,425	98,690	3,830	64,504	442,449
Depreciable Capital Assets, Net	21,144	0	0	1,158	22,302
Total Assets	296,569	98,690	3,830	65,662	464,751
Liabilities:					
Current Liabilities:					
Accounts Payable	0	0	0	432	432
Accrued Wages and Benefits	88,407	0	0	0	88,407
Compensated Absences	457	0	0	0	457
Interfund Payable	775,000	0	0	0	775,000
Deferred Revenue	24,554	0	0	0	24,554
Total Current Liabilities	888,418	0	0	432	888,850
Long-Term Liabilities:					
Compensated Absences	52,149	0	0	0	52,149
Total Liabilities	940,567	0	0	432	940,999
Net Assets:					
Invested in Capital Assets, Net of Related Debt	21,144	0	0	1,158	22,302
Unrestricted	(665,142)	98,690	3,830	64,072	(498,550)
Total Net Assets	(\$643,998)	\$98,690	\$3,830	\$65,230	(\$476,248)

Middletown City School District
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2003

	Food Service	Uniform School Supply	Special Rotary	Adult Education	Total
Operating Revenues:					
Sales	\$1,397,487	\$0	\$0	\$34,670	\$1,432,157
Tuition and Fees	0	1,413	0	0	1,413
Charges for Services	0	90,532	0	0	90,532
Other Revenues	782	0	465	1,233	2,480
Total Operating Revenues	1,398,269	91,945	465	35,903	1,526,582
Operating Expenses:					
Personal Services	1,180,066	0	0	52,529	1,232,595
Contactual Services	404,293	0	0	4,169	408,462
Materials and Supplies	1,470,638	141,478	6,898	6,168	1,625,182
Depreciation	3,194	0	0	137	3,331
Other Expenses	2,713	0	373	3,291	6,377
Total Operating Expenses	3,060,904	141,478	7,271	66,294	3,275,947
Operating Income (Loss)	(1,662,635)	(49,533)	(6,806)	(30,391)	(1,749,365)
Non-Operating Revenues (Expenses):					
Donated Commodities	242,425	0	0	0	242,425
Operating Grants	1,271,657	0	5,214	14,259	1,291,130
Total Non-Operating Revenues (Expenses)	1,514,082	0	5,214	14,259	1,533,555
Change in Net Assets	(148,553)	(49,533)	(1,592)	(16,132)	(215,810)
Net Assets Beginning of Year	(495,445)	148,223	5,422	81,362	(260,438)
Net Assets End of Year	(\$643,998)	\$98,690	\$3,830	\$65,230	(\$476,248)

Middletown City School District
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2003

	Food Service	Uniform School Supply	Special Rotary	Adult Education	Total
Cash Flows from Operating Activities:					
Cash Received from Customers	\$1,235,613	\$92,200	\$465	\$30,402	\$1,358,680
Cash Payments to Employees	(1,127,801)	0	0	(52,529)	(1,180,330)
Cash Payments to Suppliers	(1,635,340)	(144,468)	(6,898)	(9,920)	(1,796,626)
Other Cash Payments	(2,713)	0	(373)	(3,291)	(6,377)
Net Cash Provided (Used) by Operating Activities	(1,530,241)	(52,268)	(6,806)	(35,338)	(1,624,653)
Cash Flows from Noncapital Financing Activities:					
Operating Grants Received	1,272,030	0	5,214	14,259	1,291,503
Payments from Other Funds	775,000	0	0	0	775,000
Payments to Other Funds	(525,000)	0	0	0	(525,000)
Net Cash Provided (Used) by Noncapital Financing Activities	1,522,030	0	5,214	14,259	1,541,503
Net Increase (Decrease) in Cash and Cash Equivalents	(8,211)	(52,268)	(1,592)	(21,079)	(83,150)
Cash and Cash Equivalents Beginning of Year	13,128	149,545	5,422	80,082	248,177
Cash and Cash Equivalents End of Year	4,917	97,277	3,830	59,003	165,027
Reconciliation of Operating Income (Loss) to					
Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	(1,662,635)	(49,533)	(6,806)	(30,391)	(1,749,365)
Adjustments:					
Depreciation	3,194	0	0	137	3,331
Donated Commodities	242,425	0	0	0	242,425
Changes in Assets & Liabilities:					
(Increase) Decrease in Receivables	(162,656)	255	0	(5,501)	(167,902)
(Increase) Decrease in Inventory	66,808	0	0	0	66,808
Increase (Decrease) in Payables	0	(2,990)	0	417	(2,573)
Increase (Decrease) in Accrued Liabilities	8,097	0	0	0	8,097
Increase (Decrease) in Deferred Revenue	(25,474)	0	0	0	(25,474)
Net Cash Provided (Used) by Operating Activities	(\$1,530,241)	(\$52,268)	(\$6,806)	(\$35,338)	(\$1,624,653)
Schedule of Noncash Capital Activities:					
During the fiscal year, the Food Service Fund received contributed food commodities valued at	\$242,425				

Middletown City School District
Statement of Changes In Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2003

	District			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Restricted Cash and Investments	\$44,712	\$15,498	\$51,737	\$8,473
Receivables:				
Intergovernmental	223	0	223	0
Total Assets	\$44,935	\$15,498	\$51,960	\$8,473
Liabilities:				
Accounts Payable	\$27	\$0	\$27	\$0
Accrued Wages and Benefits	6,754	8,595	6,876	8,473
Other Liabilities	38,154	6,903	45,057	0
Total Liabilities	\$44,935	\$15,498	\$51,960	\$8,473

	Student Activity			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$62,652	\$0	\$391	\$62,261
Receivables:				
Accounts	500	1,276	500	1,276
Total Assets	\$63,152	\$1,276	\$891	\$63,537
Liabilities:				
Other Liabilities	\$63,152	\$1,276	\$891	\$63,537
Total Liabilities	\$63,152	\$1,276	\$891	\$63,537

	Total All Agency Funds			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$62,652	\$0	\$391	\$62,261
Restricted Cash and Investments	44,712	15,498	51,737	8,473
Receivables:				
Accounts	500	1,276	500	1,276
Intergovernmental	223	0	223	0
Total Assets	\$108,087	\$16,774	\$52,851	\$72,010
Liabilities:				
Accounts Payable	\$27	\$0	\$27	\$0
Accrued Wages and Benefits	6,754	8,595	6,876	8,473
Deferred Revenue	101,306	8,179	45,948	63,537
Total Liabilities	\$108,087	\$16,774	\$52,851	\$72,010

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Public School Support Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Extracurricular Activities	\$21,756	\$27,279	\$27,279	\$0
Other Revenues	61,105	76,618	76,618	0
Total Revenues	82,861	103,897	103,897	0
Expenditures:				
Current:				
Support Services:				
Pupil	116,261	116,164	116,164	0
Total Expenditures	116,261	116,164	116,164	0
Excess of Revenues Over (Under) Expenditures	(33,400)	(12,267)	(12,267)	0
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	40	50	50	0
Total Other Financing Sources (Uses)	40	50	50	0
Net Change in Fund Balance	(33,360)	(12,217)	(12,217)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	70,494	70,494	70,494	0
Fund Balance End of Year	\$37,134	\$58,277	\$58,277	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Local Grants Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$46,392	\$170,636	\$170,636	\$0
Other Revenues	4,219	15,518	15,518	0
Total Revenues	50,611	186,154	186,154	0
Expenditures:				
Current:				
Instruction:				
Regular	28,301	29,485	29,485	0
Special	96	100	100	0
Vocational	31,133	32,436	32,436	0
Support Services:				
Pupil	1,127	1,174	1,174	0
Instructional Staff	59,110	61,584	61,584	0
School Administration	557	580	580	0
Operations and Maintenance	2,700	2,813	2,813	0
Central	4,238	4,415	4,415	0
Community Services	237	247	247	0
Total Expenditures	127,499	132,834	132,834	0
Excess of Revenues Over (Under) Expenditures	(76,888)	53,320	53,320	0
Other financing sources (uses):				
Advances (Out)	(16,496)	(17,186)	(17,186)	0
Transfers In	2,719	10,000	10,000	0
Total Other Financing Sources (Uses)	(13,777)	(7,186)	(7,186)	0
Net Change in Fund Balance	(90,665)	46,134	46,134	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	398,737	398,737	398,737	0
Fund Balance End of Year	\$308,072	\$444,871	\$444,871	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

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

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Athletic Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Extracurricular Activities	\$211,026	\$207,921	\$207,921	\$0
Other Revenues	17,769	17,508	17,508	0
Total Revenues	228,795	225,429	225,429	0
Expenditures:				
Current:				
Extracurricular Activities	226,472	231,320	230,320	1,000
Total Expenditures	226,472	231,320	230,320	1,000
Net Change in Fund Balance	2,323	(5,891)	(4,891)	1,000
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	31,033	31,033	31,033	0
Fund Balance End of Year	\$33,356	\$25,142	\$26,142	\$1,000

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Auxiliary Services Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Interest	\$1,396	\$1,280	\$1,280	\$0
Intergovernmental	760,517	697,495	697,495	0
Total Revenues	761,913	698,775	698,775	0
Expenditures:				
Current:				
Community Services	929,430	866,292	866,292	0
Total Expenditures	929,430	866,292	866,292	0
Net Change in Fund Balance	(167,517)	(167,517)	(167,517)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	167,517	167,517	167,517	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Management Information System Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$27,298	\$27,298	\$27,298	\$0
Total Revenues	27,298	27,298	27,298	0
Expenditures:				
Current:				
Support Services:				
Central	50,310	50,310	50,310	0
Total Expenditures	50,310	50,310	50,310	0
Net Change in Fund Balance	(23,012)	(23,012)	(23,012)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	23,012	23,012	23,012	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Disadvantaged Pupil Impact Aid Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$812,882	\$812,882	\$812,882	\$0
Total Revenues	812,882	812,882	812,882	0
Expenditures:				
Current:				
Instruction:				
Regular	691,883	697,069	697,069	0
Support Services:				
Pupil	4,278	4,310	4,310	0
Operations and Maintenance	201,101	202,608	202,608	0
Total Expenditures	897,262	903,987	903,987	0
Net Change in Fund Balance	(84,380)	(91,105)	(91,105)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	91,105	91,105	91,105	0
Fund Balance End of Year	\$6,725	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Onenet Network Connectivity Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$52,500	\$52,500	\$52,500	\$0
Total Revenues	52,500	52,500	52,500	0
Expenditures:				
Current:				
Support Services:				
Central	52,500	52,500	52,500	0
Total Expenditures	52,500	52,500	52,500	0
Net Change in Fund Balance	0	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	SchoolNet Professional Development Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$7,500	\$7,500	\$7,500	\$0
Total Revenues	7,500	7,500	7,500	0
Expenditures:				
Current:				
Support Services:				
Instructional Staff	8,181	8,181	8,181	0
Total Expenditures	8,181	8,181	8,181	0
Net Change in Fund Balance	(681)	(681)	(681)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	6,806	6,806	6,806	0
Fund Balance End of Year	\$6,125	\$6,125	\$6,125	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Ohio Reads Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$52,000	\$52,000	\$52,000	\$0
Total Revenues	52,000	52,000	52,000	0
Expenditures:				
Current:				
Instruction:				
Regular	31,805	31,970	31,970	0
Support Services:				
Instructional Staff	20,891	21,000	21,000	0
Total Expenditures	52,696	52,970	52,970	0
Net Change in Fund Balance	(696)	(970)	(970)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	8,054	8,054	8,054	0
Fund Balance End of Year	\$7,358	\$7,084	\$7,084	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Alternative Schools Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$312,744	\$316,519	\$316,519	\$0
Other Revenues	4,138	4,188	4,188	0
Total Revenues	316,882	320,707	320,707	0
Expenditures:				
Current:				
Instruction:				
Regular	174,455	174,458	174,458	0
Support Services:				
Instructional Staff	119,231	119,233	119,233	0
School Administration	31,759	31,759	31,759	0
Pupil Transportation	5,000	5,000	5,000	0
Total Expenditures	330,445	330,450	330,450	0
Excess of Revenues Over (Under) Expenditures	(13,563)	(9,743)	(9,743)	0
Other financing sources (uses):				
Advances In	15,000	15,000	15,000	0
Total Other Financing Sources (Uses)	15,000	15,000	15,000	0
Net Change in Fund Balance	1,437	5,257	5,257	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$1,437	\$5,257	\$5,257	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Extended Learning Opportunity Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
Expenditures:				
Current:				
Support Services:				
Instructional Staff	111,655	111,656	111,656	0
Total Expenditures	111,655	111,656	111,656	0
Net Change in Fund Balance	(111,655)	(111,656)	(111,656)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	111,913	111,913	111,913	0
Fund Balance End of Year	\$258	\$257	\$257	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Miscellaneous State Grants Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$120,029	\$130,519	\$130,519	\$0
Other Revenues	5,202	5,657	5,657	0
Total Revenues	125,231	136,176	136,176	0
Expenditures:				
Current:				
Instruction:				
Regular	19,719	19,724	19,724	0
Special	2,499	2,500	2,500	0
Support Services:				
Instructional Staff	119,807	119,835	119,835	0
School Administration	37,745	37,754	37,754	0
Operations and Maintenance	6,195	6,196	6,196	0
Total Expenditures	185,965	186,009	186,009	0
Excess of Revenues Over (Under) Expenditures	(60,734)	(49,833)	(49,833)	0
Other financing sources (uses):				
Advances In	5,288	2,000	5,750	3,750
Total Other Financing Sources (Uses)	5,288	2,000	5,750	3,750
Net Change in Fund Balance	(55,446)	(47,833)	(44,083)	3,750
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	85,823	85,823	85,823	0
Fund Balance End of Year	\$30,377	\$37,990	\$41,740	\$3,750

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Adult Basic Education Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$423,912	\$409,871	\$409,871	\$0
Total Revenues	423,912	409,871	409,871	0
Expenditures:				
Current:				
Instruction:				
Other	271,965	275,355	275,355	0
Support Services:				
Instructional Staff	127,027	128,611	128,611	0
School Administration	44,832	45,391	45,391	0
Total Expenditures	443,824	449,357	449,357	0
Excess of Revenues Over (Under) Expenditures	(19,912)	(39,486)	(39,486)	0
Other financing sources (uses):				
Advances In	87,912	85,000	85,000	0
Advances (Out)	(79,033)	(79,033)	(79,033)	0
Total Other Financing Sources (Uses)	8,879	5,967	5,967	0
Net Change in Fund Balance	(11,033)	(33,519)	(33,519)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	48,276	48,276	48,276	0
Fund Balance End of Year	\$37,243	\$14,757	\$14,757	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	D. Eisenhower Math and Science Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$35,717	\$33,421	\$33,421	\$0
Total Revenues	<u>35,717</u>	<u>33,421</u>	<u>33,421</u>	<u>0</u>
Expenditures:				
Current:				
Support Services:				
Instructional Staff	42,760	42,763	42,763	0
Total Expenditures	<u>42,760</u>	<u>42,763</u>	<u>42,763</u>	<u>0</u>
Net Change in Fund Balance	(7,043)	(9,342)	(9,342)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>17,941</u>	<u>17,941</u>	<u>17,941</u>	<u>0</u>
Fund Balance End of Year	<u>\$10,898</u>	<u>\$8,599</u>	<u>\$8,599</u>	<u>\$0</u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Title VI-B Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$947,743	\$949,883	\$949,883	\$0
Total Revenues	947,743	949,883	949,883	0
Expenditures:				
Current:				
Instruction:				
Special	545,075	545,949	545,949	0
Support Services:				
Pupil	362,614	363,195	363,195	0
Instructional Staff	128,899	129,106	129,106	0
School Administration	190,893	191,199	191,199	0
Community Services	24,251	24,290	24,290	0
Total Expenditures	1,251,732	1,253,739	1,253,739	0
Excess of Revenues Over (Under) Expenditures	(303,989)	(303,856)	(303,856)	0
Other financing sources (uses):				
Advances In	242,823	240,800	240,800	0
Total Other Financing Sources (Uses)	242,823	240,800	240,800	0
Net Change in Fund Balance	(61,166)	(63,056)	(63,056)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	63,209	63,209	63,209	0
Fund Balance End of Year	\$2,043	\$153	\$153	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Title I Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$2,417,897	\$2,159,402	\$2,159,402	\$0
Other Revenues	39	35	35	0
Total Revenues	2,417,936	2,159,437	2,159,437	0
Expenditures:				
Current:				
Instruction:				
Regular	30,179	28,595	28,595	0
Special	1,553,759	1,472,217	1,472,217	0
Support Services:				
Pupil	569,867	539,960	539,960	0
Instructional Staff	391,615	371,063	371,063	0
School Administration	225,999	214,138	214,138	0
Operations and Maintenance	19,654	18,623	18,623	0
Total Expenditures	2,791,073	2,644,596	2,644,596	0
Excess of Revenues Over (Under) Expenditures	(373,137)	(485,159)	(485,159)	0
Other financing sources (uses):				
Advances In	313,070	279,600	279,600	0
Advances (Out)	(5,452)	(5,166)	(5,166)	0
Total Other Financing Sources (Uses)	307,618	274,434	274,434	0
Net Change in Fund Balance	(65,519)	(210,725)	(210,725)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	270,124	270,124	270,124	0
Fund Balance End of Year	\$204,605	\$59,399	\$59,399	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Title VI Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$99,782	\$59,223	\$59,223	\$0
Total Revenues	99,782	59,223	59,223	0
Expenditures:				
Current:				
Instruction:				
Support Services:				
Instructional Staff	49,213	49,215	49,215	0
Community Services	892	892	892	0
Total Expenditures	50,105	50,107	50,107	0
Excess of Revenues Over (Under) Expenditures	49,677	9,116	9,116	0
Other financing sources (uses):				
Advances (Out)	(16,978)	(16,979)	(16,979)	0
Total Other Financing Sources (Uses)	(16,978)	(16,979)	(16,979)	0
Net Change in Fund Balance	32,699	(7,863)	(7,863)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	17,806	17,806	17,806	0
Fund Balance End of Year	\$50,505	\$9,943	\$9,943	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Drug Free Schools Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$87,389	\$76,227	\$76,227	\$0
Total Revenues	<u>87,389</u>	<u>76,227</u>	<u>76,227</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Special	49,445	49,448	49,448	0
Support Services:				
Instructional Staff	38,654	38,656	38,656	0
Community Services	2,981	2,981	2,981	0
Total Expenditures	<u>91,080</u>	<u>91,085</u>	<u>91,085</u>	<u>0</u>
Net Change in Fund Balance	(3,691)	(14,858)	(14,858)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>31,942</u>	<u>31,942</u>	<u>31,942</u>	<u>0</u>
Fund Balance End of Year	<u>\$28,251</u>	<u>\$17,084</u>	<u>\$17,084</u>	<u>\$0</u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Preschool Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$17,733	\$17,733	\$17,733	\$0
Total Revenues	17,733	17,733	17,733	0
Expenditures:				
Current:				
Support Services:				
Pupil	17,733	17,733	17,733	0
Total Expenditures	17,733	17,733	17,733	0
Net Change in Fund Balance	0	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Goals 2000 Fund			Variance from Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental	\$39,224	\$39,224	\$39,224	\$0
Total Revenues	39,224	39,224	39,224	0
Expenditures:				
Current:				
Instruction:				
Regular	41,269	41,269	41,269	0
Support Services:				
Instructional Staff	44,632	44,633	44,633	0
Total Expenditures	85,901	85,902	85,902	0
Net Change in Fund Balance	(46,677)	(46,678)	(46,678)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	48,650	48,650	48,650	0
Fund Balance End of Year	\$1,973	\$1,972	\$1,972	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Class Size Reduction Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$454,924	\$401,475	\$401,475	\$0
Total Revenues	454,924	401,475	401,475	0
Expenditures:				
Current:				
Instruction:				
Regular	422,798	422,859	422,859	0
Special	112,172	112,188	112,188	0
Support Services:				
Instructional Staff	78,119	78,130	78,130	0
Total Expenditures	613,089	613,177	613,177	0
Excess of Revenues Over (Under) Expenditures	(158,165)	(211,702)	(211,702)	0
Other financing sources (uses):				
Advances In	140,000	140,000	140,000	0
Total Other Financing Sources (Uses)	140,000	140,000	140,000	0
Net Change in Fund Balance	(18,165)	(71,702)	(71,702)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	72,303	72,303	72,303	0
Fund Balance End of Year	\$54,138	\$601	\$601	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Miscellaneous Federal Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$27,618	\$27,618	\$27,618	\$0
Total Revenues	27,618	27,618	27,618	0
Expenditures:				
Current:				
Support Services:				
Instructional Staff	22,356	22,456	22,456	0
Total Expenditures	22,356	22,456	22,456	0
Net Change in Fund Balance	5,262	5,162	5,162	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	12,096	12,096	12,096	0
Fund Balance End of Year	\$17,358	\$17,258	\$17,258	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Debt Service Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$227,857	\$227,112	\$227,112	\$0
Intergovernmental	22,143	22,071	22,071	0
Total Revenues	250,000	249,183	249,183	0
Expenditures:				
Current:				
Support Services:				
Fiscal	2,716	2,716	2,716	0
Debt Service:				
Principal Retirement	500,000	500,000	500,000	0
Interest and Fiscal Charges	13,102	13,102	13,102	0
Total Expenditures	515,818	515,818	515,818	0
Net Change in Fund Balance	(265,818)	(266,635)	(266,635)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	375,445	375,445	375,445	0
Fund Balance End of Year	\$109,627	\$108,810	\$108,810	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Permanent Improvement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
Expenditures:				
Current:				
Capital Outlay	688,451	688,451	688,451	0
Total Expenditures	688,451	688,451	688,451	0
Excess of Revenues Over (Under) Expenditures	(688,451)	(688,451)	(688,451)	0
Other financing sources (uses):				
Proceeds of Bonds and Notes	250,000	250,000	250,000	0
Total Other Financing Sources (Uses)	250,000	250,000	250,000	0
Net Change in Fund Balance	(438,451)	(438,451)	(438,451)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	877,475	877,475	877,475	0
Fund Balance End of Year	<u>\$439,024</u>	<u>\$439,024</u>	<u>\$439,024</u>	<u>\$0</u>

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	SchoolNet Plus Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$133,372	\$133,372	\$133,372	\$0
Total Revenues	133,372	133,372	133,372	0
Expenditures:				
Current:				
Instruction:				
Regular	81,406	81,406	81,406	0
Total Expenditures	81,406	81,406	81,406	0
Net Change in Fund Balance	51,966	51,966	51,966	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$51,966	\$51,966	\$51,966	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	SchoolNet Power Up Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
Expenditures:				
Current:				
Central	10,800	10,800	10,800	0
Total Expenditures	10,800	10,800	10,800	0
Net Change in Fund Balance	(10,800)	(10,800)	(10,800)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	10,800	10,800	10,800	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

Middletown City School District
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 For the Fiscal Year Ended June 30, 2003

	Interactive Video Distance Learning Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$1,200	\$0	\$0	\$0
Total Revenues	<u>1,200</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,944	6,944	6,944	0
Support Services:				
Instructional Staff	4,603	4,603	4,603	0
Operations and Maintenance	3,365	3,365	3,365	0
Total Expenditures	<u>14,912</u>	<u>14,912</u>	<u>14,912</u>	<u>0</u>
Net Change in Fund Balance	(13,712)	(14,912)	(14,912)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>19,543</u>	<u>19,543</u>	<u>19,543</u>	<u>0</u>
Fund Balance End of Year	<u>\$5,831</u>	<u>\$4,631</u>	<u>\$4,631</u>	<u>\$0</u>

**STATISTICAL
SECTION**

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Middletown City School District
 General Fund Revenues by Source (1)
 Last Ten Fiscal Years (2)

Fiscal Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Taxes	\$23,927,373	\$22,072,246	\$27,508,285	\$28,610,368	\$28,798,460	\$33,787,832	\$30,298,230	\$30,130,640	\$24,773,475	\$30,133,545
Revenue in lieu of taxes	0	0	0	0	0	0	0	0	0	55,096
Intergovernmental	16,785,103	17,307,965	17,614,495	18,287,882	19,011,644	20,443,914	21,694,215	23,591,461	25,590,348	24,702,802
Interest	192,364	308,697	605,059	700,852	802,942	816,274	1,161,758	1,221,400	735,436	512,881
Tuition and Fees	70,625	52,532	51,691	62,431	72,309	42,790	13,366	180,804	176,579	389,861
Extracurricular	0	0	0	0	0	0	0	0	0	35,733
Other Revenues	204,532	251,891	283,965	306,117	808,255	302,395	344,792	330,742	129,427	265,216
Total Revenues	\$41,179,997	\$39,993,331	\$46,063,495	\$47,967,650	\$49,493,610	\$55,393,205	\$53,512,361	\$55,455,047	\$51,405,265	\$56,095,134

Source: Middletown City School district records.

(1) Includes the revenues of the General and Emergency Levy Funds only.

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

Middletown City School District
 General Fund Expenditures by Function (1)
 Last Ten Fiscal Years (2)

Fiscal Year (1)	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Instruction	\$28,091,596	\$29,161,154	\$25,467,634	\$30,147,726	\$28,804,672	\$29,550,633	\$31,214,769	\$30,562,878	\$31,894,009	\$35,259,456
Instructional Staff	1,427,644	1,489,815	1,302,772	1,591,594	1,584,807	1,803,320	2,111,332	2,119,493	2,394,464	2,528,819
Pupil	1,814,957	1,741,693	1,783,145	1,709,399	1,932,718	2,346,520	2,448,690	2,685,576	2,967,933	3,161,734
General Administration	0	0	0	0	0	0	0	32,060	41,326	42,403
School Administration	3,682,829	4,720,501	3,608,050	3,997,057	4,099,319	4,523,022	4,772,468	4,648,871	4,947,762	5,364,291
Business and Fiscal	942,828	919,929	1,055,131	1,115,005	1,117,283	1,148,369	1,295,335	1,216,038	1,272,511	1,412,407
Operations and Maintenance	5,348,244	4,456,585	4,647,711	5,285,374	5,981,656	6,560,478	6,787,502	6,524,459	6,460,793	6,828,359
Pupil Transportation	2,186,006	1,784,321	1,976,916	1,969,305	2,512,870	2,564,669	2,666,474	2,203,544	2,174,030	2,504,501
Central	0	0	0	0	0	0	0	1,608,186	1,713,277	1,536,157
Community Services	194,114	254,770	250,822	522,341	712,003	1,408,105	1,140,744	491	70,883	68,678
Extracurricular Activities	692,461	670,477	423,597	446,808	448,995	504,989	556,343	426,366	533,699	522,182
Capital Outlay	1,710	0	700,282	819,045	652,886	177,788	351,303	31,110	14,475	0
Debt Service	0	0	0	0	0	0	0	0	0	55,613
Total Expenditures	\$44,382,389	\$45,199,245	\$41,216,060	\$47,603,654	\$47,847,209	\$50,587,893	\$53,344,960	\$52,059,072	\$54,485,162	\$59,284,600

Source: Middletown City School District records.

(1) Includes the expenditures of the General and Emergency Levy Funds only.

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

Middletown City School District
 Property Tax Levies and Collections - Real and Public Utility Property
 Last Ten Collection (Calendar) Years (1)

TABLE 3

Collection Year	Tax Levied	Current Tax Collections	Percent Collected	Delinquent Collection	Total Tax Collections	Percent of Total Collections to Levy	Outstanding Delinquent Taxes	Percent of Outstanding Delinquent Taxes to Tax Levied
1994	\$19,051,083	\$18,388,868	96.52%	\$491,842	\$18,880,710	99.11%	\$974,051	5.11%
1995	20,189,292	19,041,666	94.32%	633,911	19,675,577	97.46%	1,002,243	4.96%
1996	24,403,739	23,698,673	97.11%	591,960	24,290,633	99.54%	1,156,572	4.74%
1997	25,501,907	24,824,360	97.34%	651,156	25,475,516	99.90%	1,188,378	4.66%
1998	25,775,921	24,927,425	96.71%	720,380	25,647,805	99.50%	1,390,417	5.39%
1999	25,711,787	25,555,250	99.39%	838,957	26,397,207	102.67%	848,208	3.30%
2000	27,097,451	26,743,803	98.69%	777,700	27,521,503	101.56%	1,205,236	4.45%
2001	27,097,451	26,743,803	98.69%	777,700	27,521,503	101.56%	1,205,236	4.45%
2002	22,470,749	18,955,457	84.36%	893,360	19,848,817	88.33%	1,437,241	6.40%
2003	24,846,651	22,329,032	89.87%	975,874	23,304,906	93.79%	2,978,986	11.99%

Source: Butler County Auditor

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

Middletown City School District
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Collection Years (1)

TABLE 4

Collection Year	Real Property		Tangible Personal Property		Public Utilities Personal		Total	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1994	\$574,093,730	\$1,640,267,800	\$196,654,808	\$786,619,232	\$101,607,930	\$127,009,913	\$872,356,468	\$2,553,896,945
1995	586,939,860	1,676,971,029	179,387,670	717,550,680	103,304,360	129,130,450	869,631,890	2,523,652,159
1996	596,732,960	1,704,951,314	205,791,439	823,165,756	91,847,380	114,809,225	894,371,779	2,642,926,295
1997	661,069,610	1,888,770,314	224,104,236	896,416,944	91,108,250	113,885,313	976,282,096	2,899,072,571
1998	675,189,920	1,929,114,057	246,903,455	987,613,820	88,903,890	111,129,863	1,010,997,265	3,027,857,740
1999	687,607,230	1,964,592,086	236,392,230	945,568,920	90,672,470	113,340,588	1,014,671,930	3,023,501,594
2000	636,518,934	1,818,625,526	217,179,292	868,717,168	62,854,774	78,568,468	916,553,000	2,765,911,162
2001	638,757,370	1,882,163,914	229,281,088	949,636,988	61,598,530	76,998,163	949,636,988	2,908,799,065
2002	665,606,070	1,901,731,629	245,768,523	983,074,092	41,319,270	46,953,716	952,693,863	2,931,759,437
2003	685,392,310	1,958,263,743	236,048,065	944,192,260	38,401,320	43,637,864	959,841,695	2,946,093,867

Source: Butler County Auditor.

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

Middletown City School District
 Property Tax Rates (Per \$1,000 of Assessed Valuation)
 Direct and Overlapping Governments
 Last Ten Collection (Calendar) Years (1)

	2002		2001		2000		1999		1998		1997		1996		1995		1994		1993		1994		1993		
	COLLECTION YEAR		COLLECTION YEAR		COLLECTION YEAR		COLLECTION YEAR		COLLECTION YEAR		COLLECTION YEAR		COLLECTION YEAR		COLLECTION YEAR		COLLECTION YEAR		COLLECTION YEAR		COLLECTION YEAR		COLLECTION YEAR		COLLECTION YEAR
Middletown CSD	\$33.58	\$34.78	\$34.98	\$35.33	\$36.53	\$37.03	\$37.03	\$37.03	\$37.03	\$37.03	\$37.03	\$37.03	\$37.03	\$37.03	\$38.20	\$38.20	\$33.23	\$33.23	\$33.23	\$33.23	\$33.23	\$33.23	\$33.23	\$33.23	\$33.23
Butler County	8.75	8.75	8.45	8.45	8.45	8.45	8.45	8.45	8.45	8.45	8.45	8.45	8.45	7.45	7.45	7.45	7.45	7.45	7.45	7.45	7.45	7.45	7.45	7.45	7.44
City of Monroe	11.17	11.17	11.17	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	7.85	9.17
City of Middletown	5.86	5.86	5.86	6.36	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.31	6.37
Butler County Joint Vocational	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93
Lemon Township	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.92
Lemon TWP - Monroe Corp.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.60

Source: Butler County Auditor.

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

TABLE 6

Middletown City School District
 Ratio of Net General Bonded Debt to Assessed Value
 And Net Bonded Debt Per Capita
 Last Ten Fiscal Years (3)

Year	Population (1)	Total Assessed Value (2)	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value (%)	Estimated Net Bonded Debt Per Capita
1994	62,684	\$872,356,468	\$520,000	\$269,256	\$250,744	0.03%	\$4
1995	62,684	869,631,890	450,000	269,477	180,523	0.02%	3
1996	62,684	894,371,779	375,000	2,131,561	0	0.00%	0
1997	62,684	976,282,096	290,000	1,642,235	0	0.00%	0
1998	62,684	1,010,997,265	200,000	503,152	0	0.00%	0
1999	62,684	1,014,671,930	105,000	618,539	0	0.00%	0
2000	62,889	916,553,000	0	744,181	0	0.00%	0
2001	51,913	949,636,988	0	140,022	0	0.00%	0
2002	51,913	952,693,863	0	384,980	0	0.00%	0
2003	51,913	959,841,695	0	118,200	0	0.00%	0

Source:

(1) U.S. Census Bureau

(2) Butler County Auditor, calendar year basis.

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

Middletown City School District
 Computation of Legal Debt Margin
 June 30, 2003

TABLE 7

Assessed Valuation of District	<u>\$959,841,695</u>
<u>Overall Direct Debt Limitation</u>	
Direct debt limitation	
9% of assessed valuation	
Amount available in Debt Service Fund	\$86,385,753
Gross indebtedness	108,809
Less: Debt exempt from limitation	0
Debt subject to 9% limitation	<u>0</u>
Legal debt margin within 9% limitation	<u>\$86,494,562</u>
<u>Unvoted Direct Debt Limitation</u>	
Unvoted debt limitation	
0.1% of assessed valuation	\$959,842
Amount available in Debt Service Fund related to unvoted debt	384,980
Gross indebtedness authorized by the Board	
Less: Debt exempt from limitation	0
Debt subject to 0.1% limitation	<u>0</u>
Legal debt margin within 0.1% limitation	<u>\$1,344,822</u>
<u>Energy Conservation Bond Limitation</u>	
Ohio Revised Code Section 133.042	
Debt limitation	
0.9% of assessed valuation	\$8,638,575
Energy conservation notes authorized by the board	<u>0</u>
Legal Debt margin within 0.9% limitation	<u>\$8,638,575</u>

Source: Middletown City School District records.

Middletown City School District
 Computation of Direct and Overlapping Debt
 June 30, 2003

TABLE 8

Governmental Unit	Gross General Obligation	Percent Applicable to District (1)	Amount Applicable to District
Direct:			
Middletown City School District	\$250,000	100.00%	\$250,000
Overlapping:			
City of Middletown	\$19,867,000	99.16%	\$19,700,117
Butler County	83,941,600	14.06%	11,802,189
Warren County	4,010,870	1.93%	77,410
Butler County Career Center	7,995,000	17.54%	1,402,323
Total overlapping:	\$115,814,470		\$32,982,039
Total direct and overlapping debt:	\$116,064,470		\$33,232,039

Source: Ohio Municipal Advisory Council.

(1) Calculated by the Ohio Municipal Advisory Council.

TABLE 9

Middletown City School District
 Ratio of Annual Debt Service Expenditures
 For General Bonded Debt to Total General Fund Expenditures
 Last Ten Fiscal Years (2)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures (1)	Ratio of Debt Service to General Fund Expenditures (%)
1994	\$65,000	\$38,675	\$103,675	\$44,382,389	0.23%
1995	70,000	33,950	103,950	45,199,245	0.23%
1996	75,000	28,875	103,875	41,216,060	0.25%
1997	85,000	23,275	108,275	47,603,654	0.23%
1998	90,000	17,150	107,150	47,847,209	0.22%
1999	95,000	10,675	105,675	50,587,893	0.21%
2000	105,000	3,902	108,902	53,344,960	0.20%
2001	0	21,165	21,165	52,059,072	0.04%
2002	0	0	0	54,485,162	0.00%
2003	0	0	0	59,284,600	0.00%

Source: Middletown City School District

(1) Includes General and Emergency Levy Funds only.

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

Middletown City School District
 Demographic Statistics
 Last Ten Fiscal Years (4)

TABLE 10

Fiscal Year	Population (1)	School Enrollment (2)	Unemployment Rate (3)		
			Middletown Service Area	State of Ohio	United States
1994	62,684	9,895	5.50%	5.50%	6.00%
1995	62,684	9,935	4.20%	4.60%	5.80%
1996	62,684	9,780	4.30%	4.90%	5.30%
1997	62,684	9,816	3.50%	4.30%	5.20%
1998	62,684	9,656	3.60%	4.50%	4.70%
1999	62,684	9,466	3.70%	4.50%	4.50%
2000	62,889	9,260	3.30%	4.10%	4.00%
2001	51,913	7,705	3.70%	4.30%	4.50%
2002	51,913	7,700	5.00%	5.70%	5.90%
2003	51,913	7,462	5.00%	5.70%	5.90%

Sources:

- (1) U.S. Census Bureau
- (2) Middletown City School District records
- (3) Ohio Bureau of Employment Services, rates are for Butler County
- (4) At June 30, 2000 the district formerly known as the Middletown/Monroe City School District was separated into two school districts, Middletown City School District and Monroe Local School District.

TABLE 11
 Middletown City School District
 Construction, Bank Deposits and Property Values
 Last Ten Calendar Years (4)

Calendar Year	Construction (1)	Bank Deposits (2)	Property Values (3)
1994	\$20,053,429	\$711,686,000	\$574,093,730
1995	20,473,940	737,683,000	586,939,860
1996	209,121,147	800,556,000	596,732,960
1997	26,948,400	783,398,000	661,069,610
1998	40,738,971	815,435,000	675,189,920
1999	38,753,171	864,105,000	687,607,230
2000	10,836,229	913,169,000	636,518,934
2001	6,972,980	1,146,859,000	658,757,370
2002	7,688,040	1,136,994,000	665,606,070
2003	10,322,580	*	685,392,310

Sources:

(1) Butler County Auditor

(2) Total deposits of all banks headquartered in Butler County, Ohio. (includes national and state chartered banks). Data was not available for the District only. Department of Commerce, Banks Division.

(3) Butler County Auditor, calendar year basis, real property only. Figures are 35% of real property value.

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

* Information unavailable

Middletown City School District
 Real and Tangible Personal Property
 Top Ten Principal Taxpayers
 June 30, 2003

TABLE 12

Name of Taxpayer	Real Property	Personal Property	Total Assessed Valuation	% of Total Assessed Valuation
AK Steel Corp.	\$23,559,270	\$130,206,070	\$153,765,340	16.02%
Cincinnati Gas & Electric Co.	28,581,500	0	28,581,500	2.98%
Bay West Paper Corp.	1,780,300	14,622,420	16,402,720	1.71%
United Care Corp.	10,787,560	0	10,787,560	1.12%
Southwestern Ohio Steel	4,061,850	5,108,520	9,170,370	0.96%
Jefferson Smurfit Corporation	1,630,590	6,799,570	8,430,160	0.88%
Ohio Bell	8,278,950	0	8,278,950	0.86%
Aerona, Inc.	1,189,490	4,757,020	5,946,510	0.62%
Precision Strip Inc.	4,163,700	971,960	5,135,660	0.54%
Messer Griesheim	0	5,015,890	5,015,890	0.52%
Air Products & Chemical, Inc.	414,120	4,170,540	4,584,660	0.47%
	<u>\$84,447,330</u>	<u>\$171,651,990</u>	<u>\$256,099,320</u>	<u>26.68%</u>

Source: Butler County Auditor.

Year of Incorporation: 1837
 Form of Government: Public School District
 Area of District: 23 sq. mi.

	Education of Certified Staff		
	Fiscal Year (1)	Bachelor	Masters and beyond
Elementary	11		
Middle	2		
High	2		
	<u>15</u>		
			Average years Experience
	1994	67.10%	32.90%
	1995	50.30%	49.70%
	1996	52.30%	47.70%
	1997	55.90%	44.10%
	1998	58.00%	42.00%
	1999	57.60%	42.40%
	2000	59.40%	40.60%
	2001	54.55%	45.45%
	2002	49.00%	51.00%
	2003	41.00%	59.00%

Source: Ohio Department of Education records.

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

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MIDDLETOWN CITY SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 30, 2004**