



Dave Yost • Auditor of State

MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY

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**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2012	10.555		\$100,540		\$100,540
Cash Assistance:						
National School Breakfast Program	2012	10.553	\$952,106		\$952,106	
National School Lunch Program	2012	10.555	1,815,605		1,815,605	
Total Child Nutrition Cluster			<u>2,767,711</u>	<u>100,540</u>	<u>2,767,711</u>	<u>100,540</u>
Total U.S. Department of Agriculture			<u>2,767,711</u>	<u>100,540</u>	<u>2,767,711</u>	<u>100,540</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY						
<i>Passed Through Ohio Environmental Protection Agency:</i>						
State Clean Diesel Grant	2012	66.040	34,122		-	
Total U.S. Environmental Protection Agency			<u>34,122</u>		<u>-</u>	
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
<i>Passed Through Ohio Department of Education:</i>						
Learn & Serve America-School & Community Based Programs	2011	94.004	(879)		-	
Total Corporation for National and Community Service			<u>(879)</u>		<u>-</u>	
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2012	84.027	1,719,269		1,667,265	
	2011	84.027	380,556		268,891	
ARRA - Special Education - Grants to States	2011	84.391	219,711		276,419	
Total Special Education Grants to States			<u>2,319,536</u>		<u>2,212,575</u>	
Special Education - Preschool Grants	2012	84.173	27,131		27,131	
ARRA - Special Education - Preschool Grant	2011	84.392	31,245		33,506	
Total Special Education - Preschool Grants			<u>58,376</u>		<u>60,637</u>	
Total Special Education Cluster			<u>2,377,912</u>		<u>2,273,212</u>	
Title I Grants to Local Educational Agencies	2012	84.010	3,368,693		3,669,816	
	2011	84.010	(51,771)		214,732	
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	160,463		215,564	
Total Title I Grants to Local Educational Agencies			<u>3,477,385</u>		<u>4,100,112</u>	
Safe and Drug-Free Schools and Communities	2011	84.186	(1,361)		-	
Education Technology State Grants	2012	84.318	876		1,275	
	2011	84.318	895		-	
			<u>1,771</u>		<u>1,275</u>	
Reading First State Grants	2011	84.357	-		75,614	
English Language Acquisition Grants (Title III)	2012	84.365	53,317		48,226	
	2011	84.365	7,027		10,965	
Total English Language Acquisition Grants			<u>60,344</u>		<u>59,191</u>	
Improving Teacher Quality State Grants	2012	84.367	342,478		400,128	
	2011	84.367	(12,644)		52,276	
Total Improving Teacher Quality State Grants			<u>329,834</u>		<u>452,404</u>	

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**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
ARRA - State Fiscal Stabilization Fund (SFSF) - Education	2011	84.394	-		107,387	
ARRA - Race to the Top	2012	84.395	187,622		158,063	
	2011	84.395	11,312		1,100	
			198,934		159,163	
Education Jobs	2012	84.410	1,138,174		1,050,716	
<i>Passed Through Ohio Board of Regents:</i>						
Adult and Basic Education	2012	84.002	301,949		325,973	
	2011	84.002	27,943		63,985	
	2010	84.002	3,127		1,585	
Total Adult and Basic Education			333,019		391,543	
<i>Passed Through Princeton City School District:</i>						
Teaching American History	2012	84.215	61,124		85,498	
Total U.S. Department of Education			7,977,136		8,756,115	
TOTAL FEDERAL ASSISTANCE			<u>\$10,778,090</u>	<u>\$100,540</u>	<u>\$11,523,826</u>	<u>\$100,540</u>

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

**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Middletown City School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting some negative receipts. The District transferred the following program amounts:

Fund	Grant/Year	CFDA #	Transfer In	Transfer Out
501-9111	Adult Basic Education/2011	84.002		(8,571)
501-9112	Adult Basic Education/2012	84.002	8,571	
501-9911	Adult Basic Education (EL/Civics)/2011	84.002		(618)
501-9912	Adult Basic Education (EL/Civics)/2012	84.002	618	
506-9111	Race to the Top/2011	84.395		(36,775)
506-9112	Race to the Top/2012	84.395	36,775	
516-9111	Special Education/2011	84.027		(97,486)
516-9112	Special Education/2012	84.027	97,486	
533-9911	Education Technology/2011	84.318		(500)
533-9912	Education Technology/2012	84.318	500	
536-9111	Title I-School Improvement/2011	84.010		(21,299)
536-9112	Title I-School Improvement/2012	84.010	21,299	
551-9111	Title III-Limited English Proficiency/2011	84.365		(1,1513)
551-9112	Title III-Limited English Proficiency/2012	84.365	1,513	
572-9111	Title I/2011	84.010		(319,682)
572-9112	Title I/2012	84.010	319,682	
590-9111	Improving Teacher Quality/2011	84.367		(12,644)
590-9112	Improving Teacher Quality/2012	84.367	12,644	

NOTE E – NEGATIVE RECEIPTS

Each project completed approved activities within the time frames allotted by the Ohio Department of Education (ODE). At the conclusion of the grant period, ODE required the District to return any unused grant monies. The District returned the following unused grant monies to ODE [these monies are shown as negative receipts on the Schedule]: \$1,361 Safe & Drug Free Schools (CFDA #84.186) and \$879 Learn & Serve America (CFDA #94.004).

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Middletown City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2012, wherein we noted the District incurred an operating loss and negative assets balance that raise substantial doubt about its ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider a significant deficiency in internal control over financial reporting. We consider finding 2012-06 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2012-01 through 2012-05.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 19, 2012.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, Board of Education, and federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

December 19, 2012



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

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

To the Board of Education:

Compliance

We have audited the compliance of Middletown City School District, Butler County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Middletown City School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Middletown City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2012-07 through 2012-09.

Internal Control Over Compliance

The District's management 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies, described in the accompanying schedule of findings and questioned costs as items 2012-08 and 2012-09. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Federal Awards Receipts and Expenditures Schedule

We have also audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Middletown City School District (the District) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 2012. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The accompanying federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The District's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

Middletown City School District
Independent Accountants' Report on Compliance with Requirements Applicable
To Each Major Federal Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133
Page 3

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 19, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

December 19, 2012

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**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #84.410: Education Jobs CFDA #84.367: Improving Teacher Quality CFDA #84.394: ARRA – State Fiscal Stabilization Fund-Education Special Education Cluster: CFDA #84.027: Special Education-Grants to States CFDA #84.391: ARRA – Special Education-Grants to States CFDA #84.173: Special Education-Preschool Grants CFDA #84.392: ARRA – Special Education-Preschool Grants CFDA #84.010: Title I CFDA #84.389: ARRA – Title I

(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 348,731 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2012-01

Finding for Recovery

Ohio Rev. Code, Sections 2921.41(A)(1) and (2) and (B), state “No public official shall commit any theft offense, as defined in division (K) of section 2913.01 of the Revised Code, when either of the following applies: (1) The offender uses the offender’s office in aid of committing the offense or permits or assents to its use in aid of committing the offense; (2) The property or service involved is owned by the state, any other state, the United States, a county, a municipal corporation, a township, or any political subdivision, department, or agency of any of them, is owned by a political party, or is part of a political campaign fund. Whoever violates this section is guilty of theft in office.”

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The District issued a \$500 Kroger gift card to Joshua Belcher to be used for special education federal grant program purchases. Mr. Belcher purchased items in the amount of \$209 with the gift card; he provided supporting receipts. The gift card had a remaining balance of \$291. Mr. Belcher claims he mailed the card back to the District on August 31, 2012. The District never received the gift card. The District obtained evidence from Kroger that two large purchases were made with the card in early September 2012.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public property which has been converted or misappropriated is hereby issued against Joshua Belcher in the amount of \$291, and in favor of the Middletown City School District’s Special Education ARRA Fund (516-9320), in the amount of \$291. (The purchase of this gift card by the District is included as a federal questioned cost in Finding Number 2012-09).

Officials’ Response:

Mr. Belcher is no longer employed by MCSD. He has filed a police report claiming the theft of the card in question. The district has implemented a checklist of issued items to ensure the return of all items prior to employee separation from the district.

FINDING NUMBER 2012-02

Noncompliance

Ohio Rev. Code, Section 5705.10(H), provides that money paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Uniform School Supplies Fund (Fund 009) had a negative fund balance throughout the audit period [highest negative fund balance of \$332,460 at December 7, 2011].

The General Fund had a negative fund balance from February 3, 2012 through February 24, 2012 [highest negative balance of \$1,626,971 at February 24, 2012].

The District Managed Activity Fund (Fund 300) had a negative fund balance throughout the audit period [the highest negative fund balance of \$523,917 at June 29, 2012.]

We recommend the District monitor fund balances and take corrective action such as advancing funds, if possible. The District should follow the procedures in Auditor of State Bulletin 97-003 for the advancing of funds.

Officials' Response:

The district has maintained the practice for several years of running certain funds in the negative in order to demonstrate publicly the effect of non-payment of fees and other support. The school supply fund and activity fund are examples of this practice. Noncompliance will be corrected in FY13. The transfer of necessary funds has been appropriated in the current operating budget.

FINDING NUMBER 2012-03

Noncompliance

Ohio Rev. Code, Section 5705.41(B), states no taxing authority shall make any expenditures of money unless it has been appropriated.

Expenditures exceeded appropriations at June 30, 2012 as follows:

Fund	Appropriations	Expenditures	Variance
General (001)	\$65,344,082	\$70,335,318	\$(4,991,236)

Failure to properly amend appropriations and limit expenditures by appropriations may result in negative fund balances. We recommend the District take steps to ensure appropriations are being properly approved, monitored, and recorded in the ledgers. No expenditure should be made unless funds have been sufficiently appropriated.

The Board did not approve the final appropriations until subsequent to fiscal year end. Therefore, the figures above derive from the last appropriations approved by the Board prior to year end [April 30, 2012].

Officials' Response:

The Middletown City School District recognizes that the Auditor of State's Office adheres to very strict guidelines. Recent audits and auditors have not been as thorough or as rigorous in testing compliance issues. We appreciate the opportunity to strengthen our own compliance standards. The District will close the books prior to June 30 in order to comply with the compliance date. This will ensure timely notification of year-end data to the county auditor as of June 30.

FINDING NUMBER 2012-04

Noncompliance

Ohio Rev. Code, Section 5705.36(A)(4), requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Actual receipts were less than estimated receipts and the deficiency reduced available resources below the current level of appropriations as follows:

Fund	Appropriations	Available Resources [beginning unencumbered fund balance plus actual receipts]	Variance
Fund 002 - Bond Retirement	\$5,904,335	\$5,439,162	\$(465,173)

Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriation can result in overspending and negative fund balances. We recommend the District monitor estimated and actual receipts and obtain amendments when required.

The Board did not approve the final appropriations and certificate of estimated resources until subsequent to fiscal year end. Therefore, the figures above derive from the last appropriations and certificate of estimated resources approved by the Board prior to year end [April 30, 2012 and March 27, 2012, respectively].

Officials' Response:

The Middletown City School District recognizes that the Auditor of State's Office adheres to very strict guidelines. Recent audits and auditors have not been as thorough or as rigorous in testing compliance issues. We appreciate the opportunity to strengthen our own compliance standards. The District will close the books prior to June 30 in order to comply with the compliance date. This will ensure timely notification of year-end data to the county auditor as of June 30.

FINDING NUMBER 2012-05

Noncompliance

Ohio Rev. Code, Sections 102.03(D) and (E), provide that:

- (D) No public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public employee with respect to that person's duties.
- (E) No public official or employee shall solicit or accept anything of value that is of such a character as to manifest a substantial and improper influence upon the public employee with respect to that person's duties.

The term "anything of value" is defined to include money and every other thing of value. Discounts on future purchases and other things of value offered as reward program incentives are things of value.

**FINDING NUMBER 2012-05
(Continued)**

The Special Education Coordinator used her personal Kroger Plus card to purchase gift cards from Kroger in August 2011. The Special Education Coordinator earned personal gas points on this purchase. The gift cards were purchased with District funds.

Reward program benefits are of such a character as to manifest a substantial and improper influence upon the employee with respect to his duties. It is foreseeable that a public employee could select a particular vendor from which to make purchases in order to accumulate rewards benefits on his personal rewards card and, by doing so, create a higher expense for his public agency.

We recommend the District implement a policy for the use of personal reward cards while making District purchases.

Officials' Response:

Guidance has been provided to teachers to ensure monies are used only on allowable items. The Treasurer's office will closely monitor the use of funds and gift cards will not be used in the future.

FINDING NUMBER 2012-06

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The District did not accurately report budgeted estimated receipts and expenditures in the financial statements at June 30, 2012 as noted below.

The Board did not approve the final appropriations until subsequent to fiscal year end. Therefore, the final approved budget expenditure figures below derive from the last appropriations approved by the Board prior to year end [April 30, 2012].

- The Board approved original budget estimated receipts of \$2,571 for the Spotlight and Neediest Kids Fund. However, the District reported original budget estimated receipts of \$2,134 (difference of \$437).
- The Board approved original budget estimated receipts of \$373,389 for the Adult Basic Education Fund. However, the District reported original budget estimated receipts of \$421,114 (difference of \$47,725).
- The Board approved final budget estimated receipts of \$30,270 for the EHA Preschool Grant. However, the District reported final budget estimated receipts of \$3,027 (difference of \$27,243).

**FINDING NUMBER 2012-06
 (Continued)**

Fund	Approved Original Budget Expenditures	Reported Original Budget Expenditures	Variance
Uniform School Supplies	\$101,434	\$134,870	\$(33,436)
Emergency Levy	0	84,999	(84,999)
Public School Support	85,000	0	85,000
District Managed Activities	975,000	230,773	744,227
Auxiliary Services	595,399	598,339	(2,940)

Fund	Approved Final Budget Expenditures [from April 30, 2012]	Reported Final Budget Expenditures	Variance
General Fund	\$64,585,053	\$69,576,289	\$(4,991,236)
Uniform School Supplies	101,434	887,353	(785,919)
Special Rotary	2,681	(513)	3,194
Adult Education	52,685	40,470	12,215
Public School Support	162,131	89,703	72,428
Debt Service	5,904,355	4,276,797	1,627,558
Food Service	3,577,384	3,593,734	(16,350)
Other Grant	120,662	123,273	(2,611)
District Managed Activities	1,092,778	998,285	94,493
Auxiliary Services	649,408	590,153	59,255
Public School Preschool	120,000	132,043	(12,043)
Early Entry Grant	320	0	320
Alternative Education Grant	139,377	134,322	5,055
Miscellaneous State Grants	60,969	25,176	35,793
Adult Basic Education	403,013	443,914	(40,901)
Race to the Top	609,540	321,541	287,999
Title VI-B Grant	2,388,214	2,874,681	(486,467)
Title IID Grant	26,313	25,493	820
School Improvement Stimulus A	281,269	281,516	(247)
Title III Grant	76,656	67,107	9,549
Title I Grant	4,371,185	4,863,505	(492,320)
Title V Grant	1,732	0	1,732
Drug Free School Grant	1,106	0	1,106
EHA Preschool Grant	30,270	115,075	(84,805)

**FINDING NUMBER 2012-06
 (Continued)**

Fund	Approved Final Budget Expenditures [from April 30, 2012]	Reported Final Budget Expenditures	Variance
Improving Teacher Quality Grant	826,257	610,717	215,540
Miscellaneous Federal Grants	94,840	112,140	(17,300)
Permanent Improvement	51,081	107,969	(56,888)
Building Fund	1,560,977	583,453	977,524

Failure to properly report budgeted estimated resources and expenditures could result in inaccurate financial statements. The Board should approve final appropriations [budget expenditures] prior to year end. The District should implement procedures to verify that the correct amount of estimated receipts and appropriations have been reported in the financial statements.

Officials' Response:

The district plans to close the books prior to June 30 in the future in order to comply with the June 30 compliance date. This will ensure timely notification of end-of-year data to the county auditor prior to June 30.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2012-07

Noncompliance - Allowable Costs/Cost Principles

Finding Number	2012-07
CFDA Title and Number	84.367 Improving Teacher Quality
Federal Award Year	2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

2 CFR § 225 (OMB Circular A-87), Appendix B 8.h(3) states that where employees are expected to work solely on a single Federal Award or cost objective, charges for their salaries and wages are to be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semi-annually and will be signed by the employee and supervisor or just the supervisor, if they have firsthand knowledge of the information contained in the certification.

The District did not complete time and effort certifications for the employees [academic support specialist position] charged to the Improving Teacher Quality federal grant program during the first half of fiscal year 2012. However, the District maintained other documentation to support the work performed on the program.

The District also did not complete time and effort certifications for the employees [curriculum coordinator position] charged to the Title I federal grant program during the first half of fiscal year 2012. The District did not maintain other documentation to support the work performed on the program [see Finding 2012-08 for federal questioned costs].

**FINDING NUMBER 2012-07
 (Continued)**

Failure to complete required time and effort certifications could result in disallowed costs for the District's federal programs. We recommend the District complete required time and effort certifications for federal grant programs.

Officials' Response:

Noncompliance has been corrected.

FINDING NUMBER 2012-08

Noncompliance/Questioned Costs/Significant Deficiency - Allowable Costs/Cost Principles

Finding Number	2012-08
CFDA Title and Number	84.010 Title I
Federal Award Year	2012
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section C(1)(j) provides that for a cost to be allowable, the expenditure must be adequately documented.

The District did not complete time and effort certifications for the employees [curriculum coordinator position] charged to the Title I federal grant program during the first half of fiscal year 2012. The District did not maintain other documentation to support the work performed on this program. This resulted in questioned costs totaling \$158,665.

We recommend that the District use federal grant funds for expenditures allowable under Circular A-87. The District should complete required time and effort certifications for federal grant programs.

Officials' Response:

Noncompliance has been corrected.

FINDING NUMBER 2012-09

Noncompliance/Questioned Costs/Significant Deficiency – Activities Allowed/Unallowed

Finding Number	2012-09
CFDA Title and Number	84.391 ARRA – Special Education – Grants to States 84.010 Title I
Federal Award Year	2011 ARRA – Special Education – Grants to States 2012 Title I
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section C provides that for a cost to be allowable, it must be for a purpose the specific award permits and fall within A-87's (codified in 2 CFR Part 225) allowable cost guidelines.

**FINDING NUMBER 2012-09
(Continued)**

The District used ARRA federal grant funds to purchase Kroger gift cards for the Special Education federal grant program. These gift cards were used to purchase items that were not within the allowable cost guidelines for the program [e.g. food for student incentives]. The purchase of these gift cards resulted in questioned costs totaling \$27,560.

The District also used federal grant funds to purchase items that were not within the allowable cost guidelines for the Title I program [e.g. food for student incentives, polo shirts, t-shirts, jackets, signs, travel coffee mugs, etc.]. These purchases resulted in questioned costs totaling \$16,292.

We recommend that the District use federal grant funds for expenditures allowable under Circular A-87.

Officials' Response:

Guidance has been provided to teachers to ensure monies are used only on allowable items. The Treasurer's office will closely monitor the use of funds and gift cards will not be used in the future.

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**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY**

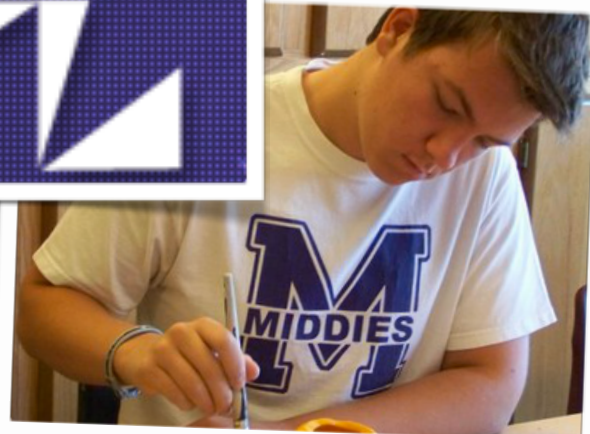
**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (C)
FISCAL YEAR END JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-07	Noncompliance has been corrected.	12/17/12	Kelley Thorpe
2012-08	Noncompliance has been corrected.	12/17/12	Kelley Thorpe
2012-09	Approval for these purchases was initiated prior to the hiring of the new treasurer in August, 2011. The district will return the funds used for non-allowable items to the state. Guidance has provided to teachers in the future to ensure monies are used only on allowable items. The Treasurer's office will closely monitor the use of funds and gift cards will not be used in the future.	12/17/12	Kelley Thorpe

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MIDDLETOWN CITY SCHOOL DISTRICT

Comprehensive Annual Financial Report



For Fiscal Year Ending June 30, 2012

1515 Girard Avenue
Middletown, Ohio 45044
Kelley Thorpe, Treasurer

www.middletowncityschools.com

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Middletown City School District
Middletown, Ohio

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

Prepared By:
Middletown City School District's
Treasurer's Office

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Introductory Section



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Middletown City School District
Butler County, Ohio
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2012

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OFFICE OF THE TREASURER

1515 GIRARD AVE.
MIDDLETOWN, OH 45044
(513) 423-0781 • (513) 420-4579 FAX

December 19, 2012

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

The Comprehensive Annual Financial Report [CAFR] of the Middletown City School District (the “District”) for the fiscal year ended June 30, 2012, is hereby submitted. This report, prepared by the Treasurer's office, includes an opinion from our auditor, State of Ohio Auditor’s Office, and conforms to generally accepted accounting principles [GAAP] as applicable to governmental entities. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. This report will provide the residents of the Middletown City School District with comprehensive financial data in a format that will enable them to gain an understanding of the District's financial affairs. Copies will be available upon request to taxpayers, financial rating services, banking institutions and other interested parties.

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

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

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

ECONOMIC CONDITION AND OUTLOOK

The District is located in southwestern Ohio, midway between the cities of Cincinnati and Dayton, in the northeast corner of Butler County. The eastern boundary of the District is along Interstate 75, which runs from Canada to Florida, making it a desirable location for many businesses that require easy access to the nation's interstate system. Approximately 64 percent of the District's tax base is agricultural and residential properties; the remainder is composed of a wide range of manufacturing, commercial and other business properties. The overall economic outlook for the area remains guarded with unemployment rates at 7.5 percent.

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

DESCRIPTION OF THE DISTRICT

The District serves an area of 23 square miles, encompassing the City of Middletown and a portion of Lemon Township in the northeastern corner of Butler County, midway between Cincinnati and Dayton. It also encompasses a small portion of Franklin Township in Warren County. According to information from the U.S. Census Bureau, the population of the City of Middletown is approximately 48,694 residents. The tax base of the District is comprised of a unique blend of residential, commercial, and industrial property, with 36% of the tax revenue of the District paid by business and industry.

During the 2011-12 school year, the District had 6,491 students enrolled in 8 elementary schools, two middle schools serving grades 6-8 and one comprehensive high school for grades 9-12 including an alternative program. The District also operates a variety of other facilities, including a central administration building, bus garage, 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; 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, 2012, were as follows:

Board Member	Began Service	Term Expires	Profession
Mrs. Marcia Andrew	January, 2010	December, 2013	Attorney
Rev. Gregory Tyus	January, 2010	December, 2013	Pastor
Mr. Chris Fiora	January, 2008	December, 2015	Business
Mrs. Katie McNeil	January, 1996	December, 2015	Business
Mrs. DeAnna Shores	January, 2012	December, 2015	College Professor

The Superintendent is the Chief Executive Officer of the District, responsible directly to the Board for all educational and support operations. Mr. Greg Rasmussen was appointed Superintendent in April 2010. Prior to his appointment, Mr. Rasmussen served as assistant superintendent of Wichita City Schools in Wichita, Kansas. Mr. Rasmussen holds a Masters Degree in Public School Administration from Kansas State University and has 30 years of experience in education.

The Treasurer is the Chief Financial Officer of the District and is directly responsible to the Board for all financial operations, investments, and serves as Secretary to the Board. Mrs. Kelley Thorpe became Treasurer August 1, 2011. Mrs. Thorpe holds an Master's of Business Administration in Public Administration from the University of Phoenix.

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 651 full and part-time staff members during the 2011-12 school year. This included classified employees who are responsible for the operation of the District's support services and the teaching and administrative staff of the District. Two organizations represent the teaching and classified employees. The District's administrative employees are not currently represented.

The Middletown Teachers Association (MTA), an affiliate of the Ohio Education Association (OEA), represents all certificated employees of the District. The MTA and District have negotiated a collective bargaining agreement on language, salary and fringe benefits that began July 1, 2011 and expires June 30, 2014. This contract includes significant concessions in wages and benefits on the part of the union members, which the board applied unilaterally to all District employees.

The Middletown Classified Employees Association (MCEA), also an affiliate of the Ohio Education Association (OEA), represents a majority of the support staff of the District. Classified employees are responsible for providing the necessary support services of the District, including: transportation services, clerical support, building maintenance and custodial needs. The current MCEA collective bargaining is effective July 1, 2011 through June 30, 2014 that includes significant concessions in wages and benefits on the part of the union members, which the board applied unilaterally to all District employees.

SERVICES PROVIDED

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

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

MAJOR CURRENT AND FUTURE INITIATIVES

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

In addition, the District has implemented a new program Everybody UP 1, to improve reading and mathematic skills. Also, new procedures have been put in place for evaluations of individuals and teaching strategies, in order to evaluate staff and program effectiveness.

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

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

The second phase of the project consists of the construction of a new middle school and renovation of the current high school with the bond issue expected to be on the ballot in May, 2013.

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

While the District continually strives to control rising costs and improve financial efficiencies, the District will need to return to the ballot for future continuance of the District. The timing of an additional operating levy has not been determined.

RELEVANT FINANCIAL POLICIES

In June of 2006, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2007 and was eliminated in 2009. The tax on telephone and telecommunication property began being phased out in 2009 and was eliminated in 2011. The tax is being phased out by reducing the assessment rate on the property each year. The District will be reimbursed fully for the lost revenue through May 2013; in the following six years, the reimbursements will be phased out.

FINANCIAL INFORMATION

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

INTERNAL ACCOUNTING AND BUDGETARY CONTROL

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

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

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

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

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

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

INDEPENDENT AUDIT

The State of Ohio requires an annual audit by either the Ohio Auditor of State or by an independent public accounting firm. The Ohio Auditor of State performed the audit for the fiscal year ended June 30, 2012. The auditor's unqualified opinion rendered on the District's basic financial statements, and their report on the combining and individual fund statements and schedules, is included in the financial section of this report. Pursuant to statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all units of local education agencies in Ohio. The District adopted and has been in conformance with that system effective with its annual financial report since the 1979 calendar year.

AWARDS

GFOA Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

ASBO Certificate of Excellence in Financial Reporting

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

The District received the Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2011. The District believes that the Comprehensive Annual Financial Report for fiscal year June 30, 2012, which will be submitted to ASBO for review, will conform to ASBO's principles and standards.

Acknowledgements

The preparation of the 2012 Comprehensive Annual Financial Report of the Middletown City School District was made possible by the combined efforts of the District's Finance Department and Fraunfelter Accounting Services. The publication of this Comprehensive Annual Financial Report for the District is a major step in the reinforcing of the accountability of the District to the taxpayers of the community. Finally, sincere appreciation is extended to the Board of Education for its interest and support of this project.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kelley Thorpe".

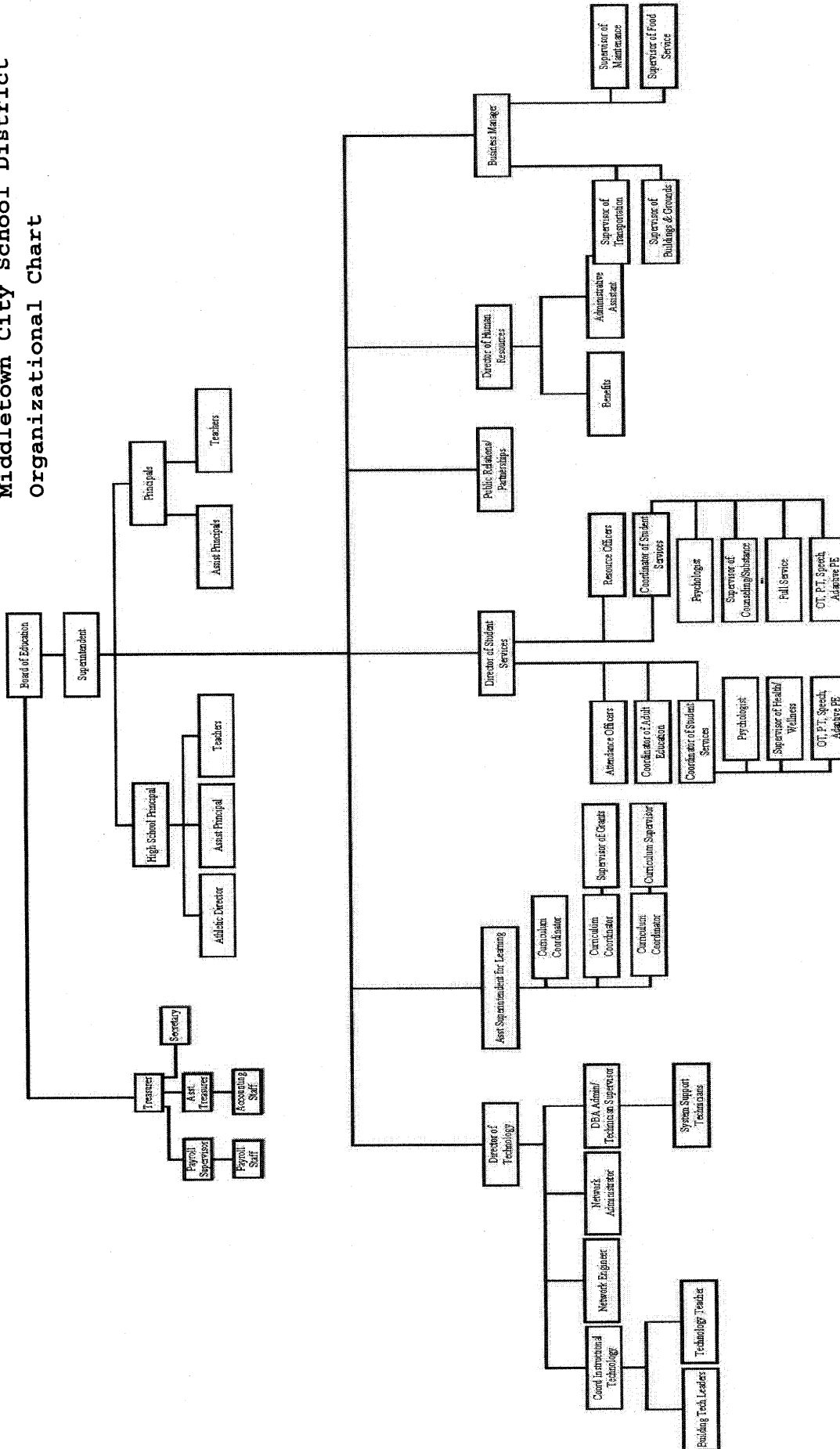
Kelley Thorpe
Treasurer

**MIDDLETOWN CITY SCHOOL DISTRICT
 BUTLER COUNTY, OHIO
 LIST OF PRINCIPAL OFFICIALS
 JUNE 30, 2012**

BOARD OF EDUCATION	
President	Mrs. Marcia Andrew
Vice President	Mr. Chris Fiora
Board Member	Mrs. Katie McNeil
Board Member	Mrs. DeAnna Shores
Board Member	Rev. Gregory Tyus

ADMINISTRATIVE OFFICIALS	
Superintendent	Mr. Greg Rasmussen
Treasurer	Mrs. Kelley Thorpe
Director of Instructional Leadership	Dr. Samuel Ison
Director of Learning	Betsy L. Carter, Ph.D.
Director of Human Resources	Stephen Bartalo
Director of Athletics	Gary Lebo
Legal Counsel	Don Crain, Esq. - Frost, Brown & Todd, Attorneys at Law

Middletown City School District Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to
Middletown City School District
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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.



Linda C. Davison

President

Jeffrey R. Emery

Executive Director

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Middletown City School District

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2011*

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



A handwritten signature in black ink, reading "Brian L. Mee".

Brian L. Mee, SFO, RSBA
President

A handwritten signature in black ink, reading "John D. Musso".

John D. Musso, CAE, RSBA
Executive Director

Financial Section



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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Middletown City School District, Butler County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Middletown City School District, Butler County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. The District had an operating loss of (\$1,340,445) for the year ended June 30, 2012, and unassigned net asset deficit of (\$4,483,802) at June 30, 2012, that raise substantial doubt about its ability to continue as a going concern. Note 20 to the financial statements describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The introductory section, the financial section's combining statements, individual fund statements and schedules, and the statistical section information provide additional analysis and are not a required part of the basic financial statements. The financial section's combining statements, individual fund statements and schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These statements and schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.



Dave Yost
Auditor of State

December 19, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The management discussion and analysis of the Middletown City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities decreased \$2,753,627 which represents a 23.02% decrease from June 30, 2011.
- General revenues accounted for \$68,778,464 in revenue or 83.30% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$13,790,134 or 16.70% for total revenues of \$82,568,598.
- The District had \$85,322,225 in expenses related to governmental activities; \$13,790,134 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$68,778,464 were not adequate to provide for these programs.
- The District has two major funds which include the general fund and the bond retirement fund. The general fund had \$65,566,583 in revenues and other financing sources and \$66,907,028 in expenditures and other financing uses. The general fund's fund balance decreased \$1,340,445 from a balance of deficit of \$2,812,400 (restated) to a deficit of \$4,152,845.
- The bond retirement fund had \$3,837,464 in revenues and \$3,254,827 in expenditures. The bond retirement fund's fund balance increased \$582,637 from \$725,411 to a fund balance of \$1,307,781.

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

MIDDLETOWN CITY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

presented in total in one column. The District has two major funds: the general fund and the bond retirement fund.

Reporting the 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 question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net 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, whether the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These

MIDDLETOWN CITY SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-22 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private- purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-53 of this report.

Required Supplementary Information

The schedule of revenues, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) for the general fund and notes are provided on pages 55-58 of this report.

The District as a Whole

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The table below provides a summary of the District's net assets at June 30, 2012 and 2011.

Net Assets			
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>	Percentage <u>Change</u>
<u>Assets</u>			
Current and other assets	\$ 47,048,648	\$ 47,312,480	(0.56) %
Capital assets, net	<u>69,716,168</u>	<u>71,584,642</u>	(2.61) %
Total assets	<u>116,764,816</u>	<u>118,897,122</u>	(1.79) %
<u>Liabilities</u>			
Current liabilities	41,176,389	39,027,817	5.51 %
Long-term liabilities	<u>66,382,460</u>	<u>67,909,711</u>	(2.25) %
Total liabilities	<u>107,558,849</u>	<u>106,937,528</u>	0.58 %
<u>Net Assets</u>			
Invested in capital assets, net of related debt	8,239,520	8,243,758	(0.05) %
Restricted	3,507,622	5,998,474	(41.52) %
Unrestricted (deficit)	<u>(2,541,175)</u>	<u>(2,282,638)</u>	11.33 %
Total net assets	<u>\$ 9,205,967</u>	<u>\$ 11,959,594</u>	(23.02) %

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012 and June 30, 2011, the District's assets exceeded liabilities by \$9,205,967 and \$11,959,594, respectively. Net assets decreased \$2,753,627 from June 30, 2011.

Assets of the District decreased \$2,132,306 or 1.79%. The most significant decrease was in current and other assets, primarily equity in pooled cash and cash equivalents. This \$5,375,478 decrease was mainly the result of increased expenses. The District saw taxes receivable increase by \$5,235,409 nearly offsetting the cash reduction. The taxes receivable increased as the County Auditor certified additional funds for the School District. At year-end, capital assets represented 59.71% of total assets. The decrease in capital assets of \$1,868,474 or 2.61% is the result of depreciation expense of \$3,292,187 and disposals of \$19,056 (net of accumulated depreciation) exceeding additions of \$1,442,769.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Despite reducing the long term liabilities, the District saw total liabilities increase \$621,321 or 0.58%. This is the result of the unearned revenue associated with the increase in taxes receivable being reported. Nearly every other liability line item was reduced by the District.

A portion of the District's net assets, \$3,507,622, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$1,010,512 is restricted for capital projects, \$1,484,273 is restricted for debt service and \$404,263 is restricted for federally funded programs. The remaining balance of unrestricted net assets is a deficit of \$2,541,175.

The table below shows the change in net assets for fiscal years 2012 and 2011.

Change in Net Assets			
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 1,678,062	\$ 1,698,284	(1.19) %
Operating grants and contributions	12,112,072	19,941,094	(39.26) %
General revenues:			
Taxes	31,876,459	31,938,262	(0.19) %
Grants and entitlements not restricted	35,874,604	32,733,997	9.59 %
Payment in lieu of taxes	552,566	280,612	96.91 %
Investment earnings	9,601	28,936	(66.82) %
Other	<u>465,234</u>	<u>37,225</u>	1,149.79 %
 Total revenues	 <u>82,568,598</u>	 <u>86,658,410</u>	 (4.72) %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

	Governmental Activities 2012	Governmental Activities 2011	Percentage Change
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 27,750,077	\$ 31,052,013	(10.63) %
Special	7,981,336	8,623,369	(7.45) %
Vocational	292	45,985	(99.37) %
Adult/continuing	404,140	512,900	(21.20) %
Other	10,793,269	9,954,592	8.43 %
Support services:			
Pupil	4,655,026	5,585,042	(16.65) %
Instructional staff	4,939,816	5,229,348	(5.54) %
Board of education	56,405	52,578	7.28 %
Administration	4,530,426	5,343,818	(15.22) %
Fiscal	723,250	670,419	7.88 %
Business	441,139	469,884	(6.12) %
Operations and maintenance	7,792,863	7,399,143	5.32 %
Pupil transportation	3,758,699	3,682,543	2.07 %
Central	3,397,181	5,344,434	(36.44) %
Operations of non-instructional services			
Food service operations	3,527,672	3,181,066	10.90 %
Other non-instructional services	841,769	705,370	19.34 %
Extracurricular activities	1,025,636	1,028,730	(0.30) %
Interest and fiscal charges	<u>2,703,229</u>	<u>2,840,830</u>	(4.84) %
Total expenses	<u>85,322,225</u>	<u>91,722,064</u>	(6.98) %
Change in net assets	(2,753,627)	(5,063,654)	(45.62) %
Net assets, beginning of year	<u>11,959,594</u>	<u>17,023,248</u>	(29.75) %
Net assets, end of year	<u>\$ 9,205,967</u>	<u>\$ 11,959,594</u>	(23.02) %

MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Governmental Activities

Net assets of the District's governmental activities decreased \$2,753,627 in fiscal year 2012 and decreased \$5,063,654 in fiscal year 2011. Program revenues supported 16.16% of the total governmental expenses during fiscal year 2012.

Total revenues of the District decreased by \$4,098,812 during fiscal year 2012. Operating grants and contributions were the main reason as during 2011 new grant money was received by the District, primarily the Education Jobs grant and the Race to the Top grant. Expenses also decreased by \$6,399,839. This decrease was primarily due to the new programs provided by the District as well as other cost increases throughout the District that occurred in 2011 but were not offered in 2012. The most significant reduction was in 2011 charges incurred related to the retirement incentive offered by the District that not nearly as many employees took advantage of for 2012.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Governmental Activities

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Restated Net Cost of Services 2011
	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
Program expenses				
Instruction:				
Regular	\$ 27,750,077	\$ 25,292,822	\$ 31,052,013	\$ 28,234,397
Special	7,981,336	5,578,981	8,623,369	2,417,311
Vocational	292	292	45,985	(73,225)
Adult/continuing	404,140	74,194	512,900	(2,693)
Other	10,793,269	10,793,269	9,954,592	9,214,736
Support services:				
Pupil	4,655,026	4,201,429	5,585,042	4,616,039
Instructional staff	4,939,816	2,112,402	5,229,348	2,204,041
Board of education	56,405	56,405	52,578	52,578
Administration	4,530,426	4,155,953	5,343,818	4,747,750
Fiscal	723,250	723,250	670,419	670,419
Business	441,139	441,139	469,884	469,884
Operations and maintenance	7,792,863	7,782,405	7,399,143	7,065,270
Pupil transportation	3,758,699	3,574,017	3,682,543	3,385,998
Central	3,397,181	3,374,260	5,344,434	3,533,080
Operations of non-instructional services:				
Food service operations	3,527,672	16,267	3,181,066	(47,156)
Other non-instructional services	841,769	(56,021)	705,370	5,148
Extracurricular activities	1,025,636	707,798	1,028,730	748,279
Interest and fiscal charges	<u>2,703,229</u>	<u>2,703,229</u>	<u>2,840,830</u>	<u>2,840,830</u>
 Total	 <u>\$ 85,322,225</u>	 <u>\$ 71,532,091</u>	 <u>\$ 91,722,064</u>	 <u>\$ 70,082,686</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 88.94% of instruction activities were supported through taxes and other general revenues during fiscal year 2012 and 79.28% in fiscal year 2011. For all governmental activities, general revenue support was 80.60% in fiscal year 2012 and 76.41% in fiscal year 2011. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of (\$886,667), which is lower than last year's total of \$1,911,915. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011. Certain fund balances have been restated as described in Note 19.

	Fund	Restated Fund		
	Balance / (Deficit)	Balance / (Deficit)	Increase/ (Decrease)	Percentage Change
	<u>June 30, 2012</u>	<u>June 30, 2011</u>		
General	\$ (4,152,845)	\$ (2,812,400)	\$ (1,340,445)	(47.66) %
Debt Service	1,307,781	725,144	582,637	80.35 %
Other Governmental	<u>1,958,397</u>	<u>3,999,170</u>	<u>(2,040,773)</u>	(51.03) %
 Total	 <u>\$ (886,667)</u>	 <u>\$ 1,911,914</u>	 <u>\$ (2,798,581)</u>	 (146.38) %

General Fund

The general fund decreased \$1,340,445 during fiscal year 2012. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 27,875,138	\$ 27,457,256	\$ 417,882	1.52 %
Tuition and fees	724,610	525,839	198,771	37.80 %
Earnings on investments	7,141	20,229	(13,088)	(64.70) %
Intergovernmental	36,150,237	34,485,445	1,664,792	4.83 %
Other revenues	<u>798,647</u>	<u>734,793</u>	<u>63,854</u>	8.69 %
 Total	 <u>\$ 65,555,773</u>	 <u>\$ 63,223,562</u>	 <u>\$ 2,332,211</u>	 3.69 %
 <u>Expenditures</u>				
Instruction	\$ 42,247,978	\$ 43,942,276	\$ (1,694,298)	(3.86) %
Support services	23,266,090	24,680,532	(1,414,442)	(5.73) %
Operation of non-instructional services	239	232	7	3.02 %
Extracurricular activities	124,530	74,847	49,683	66.38 %
Facilities acquisition and construction	-	167,094	(167,094)	(100.00) %
Capital outlay	36,326	871,059	(834,733)	(95.83) %
Debt service	<u>613,713</u>	<u>398,925</u>	<u>214,788</u>	53.84 %
 Total	 <u>\$ 66,288,876</u>	 <u>\$ 70,134,965</u>	 <u>\$ (3,846,089)</u>	 (5.48) %

Revenues of the general fund increased \$2,332,211 or 3.69%. The most significant increases were in the areas of taxes and intergovernmental. This increase for taxes is the result of higher certification by the County Auditor. Intergovernmental revenues increased \$1,664,792 or 4.83%. The increase for intergovernmental revenue is partially from increased foundation revenue of \$454,599 and additional homestead/rollback reimbursements.

Expenditures of the general fund decreased \$3,846,089 or 5.48%. This decrease is primarily the result of reduce personnel costs as the District has had a significant number of employees take the early retirement incentive over the past two years. The District also reduced capital expenditures from the general fund during 2012.

MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)

Bond Retirement Fund

The bond retirement fund saw the fund balance increase as the revenue, all from property taxes and intergovernmental revenues, exceeded mainly debt service expenditures during the year. Fiscal year 2013 will see total debt service expenditures increase nearly \$400,000 pushing the fund to breakeven status.

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 year 2012, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$62,822,020 were \$10,445,940 higher than the original budgeted revenues and other financing sources estimate of \$52,376,080. The main differences were in property taxes and intergovernmental revenue where the District took a conservative approach with the budget given the state of the local economy. The actual revenues were almost \$4 million above final budget as intergovernmental revenue ended up over \$4.8 million higher resulting from additional state funding.

General fund original appropriations were \$65,344,083. Final appropriations (budgeted expenditures plus other financing uses) of \$70,335,320 were \$4,991,237 higher than original budgeted expenditures. Approximately half the differences are the advances the District made at the end of the year that were not anticipated in the original budget. Most of the expenditures saw slight increases with regular instruction realizing the largest (\$1,158,221). The District's original budget was completed before it was known what employees would take the early retirement incentive; therefore, the final budget had to be increased to compensate for those costs. Actual expenditures and other financing uses were virtually the same as the final budget as the District passed the final budget at the end of June when all the expenditures were known.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$69,716,168 invested in land, buildings and improvements and equipment. This entire amount is reported in governmental activities.

**MIDDLETOWN CITY SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following table shows June 30, 2012 balances compared to June 30, 2011.

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2012	2011
Land	\$ 1,353,199	\$ 1,353,199
Buildings and improvements	65,276,774	65,665,542
Equipment	3,086,195	4,565,901
Total	\$ 69,716,168	\$ 71,584,642

The capital assets decreased \$1,868,474. This is due to depreciation expense of \$1,849,418 and disposals (net of accumulated depreciation) of \$19,056 exceeding additions of \$1,442,769. See Note 8 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2012 the District had \$62,734,737 in general obligation bonds, notes and capital lease obligations outstanding. Of this total, \$1,033,416 is due within one year and \$61,701,321 is due in greater than one year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following table summarizes the bonds, notes and capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2012	Governmental Activities 2011
	<u>2012</u>	<u>2011</u>
Construction bonds	\$ 2,930,000	\$ 3,285,000
2007 refunding bonds		
Current Interest and term	53,295,000	53,340,000
Deferred amount on refunding	(58,377)	(61,370)
Premium	4,021,875	4,228,125
HB 264 conservation notes	881,552	970,073
2008 HB 264 conservation notes	406,597	474,363
Capital lease obligations	<u>1,258,090</u>	<u>1,629,178</u>
 Total	 <u>\$ 62,734,737</u>	 <u>\$ 63,865,369</u>

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

For the Future

The District has experienced a steady decline in student enrollment over the past several years. This has resulted in escalating costs and financial pressures that are depleting the general fund carryover balance. In response, a number of buildings have closed and certificated and classified staffing has been reduced over the last few years. Enrollment appears to have stabilized in the current academic year.

While these measures have helped to control rising costs and improve financial efficiencies, the Board recognized the need for stabilized operating revenues. After several failed operating levies and one successful levy, the District combined and substituted two tax levies in May, 2010. The levies will collect \$18.3 million annually and are continuous.

Despite the district's efforts, however, a deficit was identified in the Five-Year Forecast for 2013. In May of 2011, approximately \$5 million in cuts were identified for the 2011-2012 school year to address this deficit. In addition, both the MTA and MCEA unions agreed to concessions in contract negotiations saving the District approximately \$7 million over the three years of the contracts. In May, 2012, an additional \$3 million

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

in cuts was recommended for the 2012-2013 year. This cut was recommended to help improve the district's ending cash balance to alleviate cash flow concerns during the fiscal year.

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, 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 Ms. Kelley Thorpe, Treasurer, Middletown City School District, 1515 Girard Avenue, Middletown, Ohio 45044.

Middletown City School District
Butler County, Ohio
Statement of Net Assets
June 30, 2012

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,937,505
Materials and Supplies Inventory	29,397
Accounts Receivable	34,691
Intergovernmental Receivable	1,830,661
Property Taxes Receivable	39,182,709
Revenue in Lieu of Taxes Receivable	411,877
Restricted Equity in Pooled Cash and Cash Equivalents	24,610
Deferred Charges	597,198
Capital Assets:	
Non-depreciable Capital Assets	1,353,199
Depreciable Capital Assets, Net	68,362,969
	116,764,816
<i>Total Assets</i>	
<u>Liabilities:</u>	
Accounts Payable	541,950
Accrued Wages and Benefits Payable	5,386,043
Intergovernmental Payable	1,789,687
Unearned Revenue	33,194,244
Accrued Interest Payable	264,465
Long-Term Liabilities:	
Due Within One Year	2,178,091
Due in More Than One Year	64,204,369
	107,558,849
<i>Total Liabilities</i>	
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	8,239,520
Restricted for Debt Service	1,484,273
Restricted for Capital Projects	1,010,512
Restricted for Food Service	367,502
Restricted for Grants	404,263
Restricted for Athletics	76,072
Restricted for Auxiliary Services	147,482
Restricted for Other Purposes	17,518
Unrestricted	(2,541,175)
	\$9,205,967
<i>Total Net Assets</i>	

See Accompanying Notes to the Basic Financial Statements

Middletown City School District
Butler County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$27,750,077	\$703,631	\$1,753,624	(\$25,292,822)
Special	7,981,336	50,964	2,351,391	(5,578,981)
Vocational	292	0	0	(292)
Adult/Continuing	404,140	6,260	323,686	(74,194)
Other	10,793,269	0	0	(10,793,269)
Support Services:				
Pupils	4,655,026	54,628	398,969	(4,201,429)
Instructional Staff	4,939,816	0	2,827,414	(2,112,402)
Board of Education	56,405	0	0	(56,405)
Administration	4,530,426	0	374,473	(4,155,953)
Fiscal	723,250	0	0	(723,250)
Business	441,139	0	0	(441,139)
Operation and Maintenance of Plant	7,792,863	10,458	0	(7,782,405)
Pupil Transportation	3,758,699	35,985	148,697	(3,574,017)
Central	3,397,181	0	22,921	(3,374,260)
Operation of Non-Instructional Services				
Food Service Operations	3,527,672	505,427	3,005,978	(16,267)
Auxiliary Services	570,170	0	638,864	68,694
Other	271,599	0	258,926	(12,673)
Extracurricular Activities	1,025,636	310,709	7,129	(707,798)
Interest on Long-Term Debt	2,703,229	0	0	(2,703,229)
Total Governmental Activities	\$85,322,225	\$1,678,062	\$12,112,072	(71,532,091)

General Revenues:

Property Taxes Levied for:	
General Purposes	27,947,132
Debt Service	3,816,214
Capital Projects	113,113
Revenue In Lieu of Taxes	552,566
Grants and Entitlements not Restricted to Specific Programs	35,874,604
Interest	9,601
Miscellaneous	465,234
Total General Revenues	68,778,464
Change in Net Assets	(2,753,627)
Net Assets at Beginning of Year -	11,959,594
Net Assets at End of Year	\$9,205,967

See Accompanying Notes to the Basic Financial Statements

Middletown City School District
Butler County, Ohio
Balance Sheet
Governmental Funds
June 30, 2012

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,666,648	\$1,162,364	\$2,108,493	\$4,937,505
Receivables:				
Property Taxes	34,980,700	3,653,571	548,438	39,182,709
Revenue in Lieu of Taxes	411,877	0	0	411,877
Intergovernmental	395,546	0	1,435,115	1,830,661
Accounts	34,491	0	200	34,691
Interfund	398,860	0	0	398,860
Materials and Supplies Inventory	0	0	29,397	29,397
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	24,610	0	0	24,610
Total Assets	\$37,912,732	\$4,815,935	\$4,121,643	\$46,850,310
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	295,970	\$0	\$245,980	\$541,950
Accrued Wages and Benefits Payable	4,828,212	0	557,831	5,386,043
Intergovernmental Payable	1,412,883	0	376,804	1,789,687
Interfund Payable	-	0	398,860	398,860
Matured Compensated Absences Payable	40,427	0	0	40,427
Early Retirement Incentive Payable	1,043,255	0	0	1,043,255
Deferred Revenue	34,444,830	3,508,154	583,771	38,536,755
Total Liabilities	42,065,577	3,508,154	2,163,246	47,736,977
<u>Fund Balances:</u>				
Nonspendable	0	0	29,397	29,397
Restricted	24,610	1,307,781	1,946,044	3,278,435
Committed	0	0	8,111	8,111
Assigned	306,347	0	0	306,347
Unassigned (Deficit)	(4,483,802)	0	(25,155)	(4,508,957)
Total Fund Balances	(4,152,845)	1,307,781	1,958,397	(886,667)
Total Liabilities and Fund Balances	\$37,912,732	\$4,815,935	\$4,121,643	\$46,850,310

See Accompanying Notes to the Basic Financial Statements

Middletown City School District
Butler County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2012

Total Governmental Fund Balances (\$886,667)

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. These assets consist of:

Capital assets	106,245,975	
Accumulated depreciation	(36,529,807)	
Total capital assets	69,716,168	69,716,168

Some of the District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	4,501,085	
Revenue in lieu of taxes	411,877	
Intergovernmental	429,549	
	5,342,511	5,342,511

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 597,198

Unamortized premiums on long term bonds payable are not recognized in governmental fund but allocated as an expense over the life of the debt on a full accrual basis. (4,021,875)

Unamortized deferred amount on refundings are not recognized in governmental fund but allocated as an expense over the life of the debt on a full accrual basis. 58,376

In the Statement of Net Assets, interest is accrued on outstanding general obligation bonds, whereas in governmental funds, an interest expenditure is reported when due. (264,465)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	(56,225,000)	
Energy Conservation Bond Payables	(1,288,149)	
Capital leases	(1,258,090)	
Retirement Incentive Payable	(1,134,469)	
Compensated absences	(1,429,571)	
Total liabilities	(61,335,279)	(61,335,279)

Net Assets of Governmental Activities \$9,205,967

See Accompanying Notes to the Basic Financial Statements

Middletown City School District
Butler County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$27,875,138	\$3,375,257	\$90,834	\$31,341,229
Revenue in Lieu of Taxes	148,212	0	0	148,212
Intergovernmental	36,150,237	462,207	11,941,494	48,553,938
Interest	7,141	0	2,460	9,601
Tuition and Fees	724,610	0	0	724,610
Extracurricular Activities	69,593	0	271,735	341,328
Rent	10,458	0	0	10,458
Charges for Services	83,077	0	505,427	588,504
Gifts and Donations	17,891	0	92,732	110,623
Miscellaneous	469,416	0	7,860	477,276
Total Revenues	65,555,773	3,837,464	12,912,542	82,305,779
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	25,886,160	0	2,004,713	27,890,873
Special	5,470,603	0	2,616,764	8,087,367
Vocational	105	0	0	105
Adult/Continuing	97,841	0	323,304	421,145
Other	10,793,269	0	0	10,793,269
Support Services:				
Pupils	4,267,863	0	427,291	4,695,154
Instructional Staff	1,977,419	0	2,986,715	4,964,134
Board of Education	56,405	0	0	56,405
Administration	4,071,167	0	446,114	4,517,281
Fiscal	714,449	2,855	143	717,447
Business	427,308	0	426	427,734
Operation and Maintenance of Plant	4,832,101	0	622,142	5,454,243
Pupil Transportation	3,456,172	0	173,336	3,629,508
Central	3,463,206	56,601	333,952	3,853,759
Operation of Non-Instructional Services	239	0	4,382,462	4,382,701
Extracurricular Activities	124,530	0	893,404	1,017,934
Capital Outlay	36,326	0	360,701	397,027
Debt Service:				
Principal Retirement	527,375	400,000	0	927,375
Interest and Fiscal Charges	86,338	2,795,371	0	2,881,709
Total Expenditures	66,288,876	3,254,827	15,571,467	85,115,170
Excess of Revenues Over (Under) Expenditures	(733,103)	582,637	(2,658,925)	(2,809,391)
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	10,810	0	0	10,810
Transfers In	0	0	620,080	620,080
Transfers Out	(618,152)	0	(1,928)	(620,080)
Total Other Financing Sources (Uses)	(607,342)	0	618,152	10,810
Net Change in Fund Balances	(1,340,445)	582,637	(2,040,773)	(2,798,581)
Fund Balances (Deficit) at Beginning of Year - Restated	(2,812,400)	725,144	3,999,170	1,911,914
Fund Balances (Deficit) at End of Year	(\$4,152,845)	\$1,307,781	\$1,958,397	(\$886,667)

See Accompanying Notes to the Basic Financial Statements

Middletown City School District
Butler County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds (\$2,798,581)

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital assets additions	1,442,769	
Depreciation expense	(3,292,187)	
Excess of depreciation expense under capital outlay		(1,849,418)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

Loss on disposal of capital assets		(19,056)
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Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	535,230	
Revenue in lieu of taxes	404,354	
Intergovernmental	(676,765)	
		262,819

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in lower interest being reported in the statement of activities:

Amortization of bond issuance costs (deferred charges)	(30,626)	
Amortization of debt premium	206,250	
Decrease in accrued interest payable	5,850	
Amortization of deferred refunding charges	(2,994)	
		178,480

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

General Obligation Bond payments	400,000	
Energy Conservation Note payments	156,287	
Capital lease payments	371,088	
		927,375

Some expenses reported in the Statement of Activities, such as compensated absences and retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

		544,754
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Change in Net Assets of Governmental Activities (\$2,753,627)

See Accompanying Notes to the Basic Financial Statements

Middletown City School District
Butler County, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$18,817	\$93,900
<u>Liabilities:</u>		
Accounts Payable	300	896
Undistributed Monies	0	93,004
<i>Total Liabilities</i>	300	\$93,900
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$18,517	

See Accompanying Notes to the Basic Financial Statements

Middletown City School District
Butler County, Ohio
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Fund
 For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
<u>Additions:</u>	
Contributions and Donations	\$ 36,264
Miscellaneous Revenue	500
Total Additions	36,764
<u>Deductions:</u>	
Scholarships	300
Payments in Accordance with Trust Agreements	23,817
Total Deductions	24,117
<i>Change in Net Assets</i>	12,647
<i>Net Assets at Beginning of Year</i>	5,870
<i>Net Assets at End of Year</i>	\$18,517

See Accompanying Notes to the Basic Financial Statements

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by State and/or federal agencies. The Board controls the District's instructional and support facilities staffed by 189 classified personnel and 462 certified teaching and administrative personnel to provide services to students and other community members.

In terms of enrollment, the District is the 40th largest in the State of Ohio (among 918 districts and community schools) and the 4th largest in Butler County. It currently operates 8 elementary schools, 2 middle schools (grades 6 - 8), one comprehensive high school (grades 9-12) and one alternative high school. The District encompasses a total of 25 square miles that includes the City of Middletown and portions of Lemon Township.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

The Southwestern Ohio Computer Association (SWOCA)

The Southwestern Ohio Computer Association (SWOCA) is a jointly governed organization among a four county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. The Governing Board of SWOCA consists of six members elected by majority vote of all charter member schools plus one representative from the fiscal agent. The District paid SWOCA \$123,107 for services provided during the year. Financial information can be obtained from Mr. Michael Crumley, who serves as Director, at 3607 Hamilton-Middletown Rd., Hamilton, OH 45011.

The Butler County Technology and Career Center

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

B. Measurement Focus

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

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

FIDUCIARY FUNDS

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

D. Basis of Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

E. Cash and Investments

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

During fiscal year 2012, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). 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 shares price which is the price the investment could be sold for on June 30, 2012.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$7,141, which includes \$2,460 assigned from other funds. The auxiliary services special revenue fund and building capital projects fund also received interest of \$161 and \$2,299, respectively.

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

F. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

G. Capital Assets

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

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

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Buildings and improvements	20 - 45 years
Equipment	5 - 20 years

H. Interfund Balances

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

I. Compensated Absences

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

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

MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments. The entire compensated absence liability is reported on the government-wide financial statements.

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Unamortized Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

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

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

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

MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

L. Fund Balance

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

-Nonspendable fund balance relates to the value of consumable inventories.

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

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

-Assigned fund balances are balances the District administration have specified the future use. The District uses the policy of encumbering certain obligations within the general fund that are reported as an assigned fund balance. The District also reports the fund balance of the principal support fund and neediest kids of all fund as assigned balances within the general fund.

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The restriction for other purposes consists of monies restricted by State statute for school bus purchases (See Note 16).

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$3,507,622 in restricted net assets, none were restricted by enabling legislation.

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

N. Estimates

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

O. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute for school bus purchases. See Note 16 for additional information regarding restricted assets.

P. Interfund Activity

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General fund	\$ 4,152,845
<u>Nonmajor fund</u>	
Adult Basic Education	11,697
Race to the Top Grant	11,316
Stimulus Title II-D Grant	758
Title III Grant	473
EHA Preschool Grant	909

The General Fund deficit fund balance was due to adjustments for accrued liabilities. The District is monitoring the General Fund deficit and will take appropriate action if deemed necessary. The deficits in the other funds were due to timing of grant reimbursement at year end. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Compliance

The District had material noncompliance noted in the audit report as follows:

Ohio Revised Code Section 5705.10(H) provides that money paid into a fund must be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Ohio Revised Code Section 5705.41(B) states no taxing authority shall make any expenditures of money unless it has been appropriated. The General Fund had expenditures exceeding appropriations by \$4,991,236 at June 30, 2012.

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The Bond Retirement fund had available resources below appropriations by \$465,173.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the District had \$1,000 in undeposited cash on hand, which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$4,586,124. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$4,496,346 of the District's bank balance of \$5,054,083 was exposed to custodial risk as discussed below, while \$557,737 was covered by the FDIC.

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

C. Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	<u>Concentration of Credit Risk</u>
		6 months or less	
STAR Ohio	<u>\$ 487,752</u>	<u>\$ 487,752</u>	100%

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

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer.

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2012, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 398,860

The primary purpose of the interfund balances is to cover the costs in specific funds where revenues were not received by June 30. The interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund statements:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 618,152
Nonmajor governmental funds	Nonmajor governmental funds	1,928
		<u>\$ 620,080</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and (2) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**MIDDLETOWN CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

Interfund transfers between governmental funds are eliminated on the governmental-wide financial statements.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes primarily from Butler and Warren Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$1,487,380 in the general, debt service and permanent improvement funds. The amount available for advance at June 30, 2011 was \$900,000 in the general fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 739,511,220	93.61	\$ 673,961,050	92.89
Public Utility personal	<u>50,482,380</u>	<u>6.39</u>	<u>51,549,940</u>	<u>7.11</u>
Total	<u><u>\$ 789,993,600</u></u>	<u><u>100.00</u></u>	<u><u>\$ 725,510,990</u></u>	<u><u>100.00</u></u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$23.19		\$23.19	
Emergency	18.81		18.81	
Debt service	4.99		4.99	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of property taxes, revenue in lieu of taxes, accounts (billings for user charged services and student fees), interfund loans and intergovernmental grants and entitlements. 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. A summary of the principal items of receivables reported in the statement of net assets follows:

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 – RECEIVABLES - (Continued)

Governmental activities:	
Property taxes	\$ 39,182,709
Payment in lieu of taxes	411,877
Accounts	34,691
Intergovernmental:	
SERS Refund	386,876
Adult Education	8,670
Alternative schools	32,501
Adult basic education	54,106
Education Jobs	118,425
Race to the top	21,974
Title VI-B	168,417
Stimulus Title II-D	22,168
Title III	5,246
Title I	858,195
Improving Teacher Quality	<u>154,083</u>
Total	<u><u>\$ 41,459,938</u></u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance <u>6/30/11</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/12</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,353,199	\$ -	\$ -	\$ 1,353,199
Total capital assets, not being depreciated	<u>1,353,199</u>	<u>-</u>	<u>-</u>	<u>1,353,199</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	87,575,284	402,263	(17,500)	87,960,047
Equipment	15,991,493	1,040,506	(99,270)	16,932,729
Total capital assets, being depreciated	<u>103,566,777</u>	<u>1,442,769</u>	<u>(116,770)</u>	<u>104,892,776</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(20,510,178)	(2,176,012)	2,917	(22,683,273)
Equipment	<u>(12,825,156)</u>	<u>(1,116,175)</u>	<u>94,797</u>	<u>(13,846,534)</u>
Total accumulated depreciation	<u>(33,335,334)</u>	<u>(3,292,187)</u>	<u>97,714</u>	<u>(36,529,807)</u>
Governmental activities capital assets, net	<u><u>\$ 71,584,642</u></u>	<u><u>\$ (1,849,418)</u></u>	<u><u>\$ (19,056)</u></u>	<u><u>\$ 69,716,168</u></u>

**MIDDLETOWN CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 426,115
Special	50,232
Vocational	187
Adult/continuing	1,363
<u>Support services:</u>	
Pupil	512
Instructional staff	4,367
Administration	538
Fiscal	2,197
Business	13,538
Operations and maintenance	2,378,187
Pupil transportation	140,813
Central	241,566
<u>Operation of non-instructional services:</u>	
Food service operations	16,147
Extracurricular activities	<u>16,425</u>
Total depreciation expense	<u>\$ 3,292,187</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2012, the following changes occurred in governmental activities long term obligations:

	Balance Outstanding <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/12</u>	Amounts Due in <u>One Year</u>
Construction bonds	\$ 3,285,000	\$ -	\$ (355,000)	\$ 2,930,000	\$ 605,000
2007 refunding bonds:					
2007 current interest and term bonds	53,340,000	-	(45,000)	53,295,000	15,000
Deferred amount on 2007 refunding bonds	(61,370)	-	2,993	(58,377)	-
Premium on 2007 refunding bonds	4,228,125	-	(206,250)	4,021,875	-
HB 264 energy conservation note	970,073	-	(88,521)	881,552	92,814
2008 HB 264 energy conservation note	474,363	-	(67,766)	406,597	67,766
Total bonds and notes	<u>62,236,191</u>	-	(759,544)	<u>61,476,647</u>	<u>780,580</u>
Capital leases	1,629,178	-	(371,088)	1,258,090	252,836
Total long term debt	63,865,369	-	(1,130,632)	62,734,737	1,033,416
Retirement incentive	2,542,400	415,482	(780,158)	2,177,724	1,043,255
Compensated absences	1,501,942	328,410	(360,353)	1,469,999	101,420
Total governmental activities	<u>\$ 67,909,711</u>	<u>\$ 743,892</u>	<u>\$ (2,271,143)</u>	<u>\$ 66,382,460</u>	<u>\$ 2,178,091</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)

General obligation bonds will be paid from the debt service fund and the HB264 energy conservation note will be paid from the general fund. Compensated absences will be paid from the fund from which the person is paid, typically the general fund and special revenue funds. Capital lease obligations will be paid from the general fund and the fiscal stabilization fund (a nonmajor governmental fund).

In March 2004, the District issued \$70,800,000 in bonds that was used on various construction projects throughout the District, mainly the construction of new buildings. The interest rates for the bonds are fixed rates (which the rate for each year is disclosed in the bond documents) that change from year-to-year. After the refunding, as described below, the outstanding bonds have a final maturity date of December 1, 2015.

On February 27, 2007, the District issued \$60,621,250 in general obligation bonds with an average interest rate of 5.02% of which \$55,465,000 was used to partially advance refund \$56,975,000 of outstanding construction bonds issued in March 2004. The net proceeds of \$59,855,611 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payment on the construction bonds. As a result, \$56,975,000 of the construction bonds are considered to be defeased and the related liability for those bonds has been removed from the statement of net assets. At June 30, 2012, \$53,075,000 of bonds outstanding are considered defeased. The bonds issued had a premium of \$5,156,250 and have a final maturity date of December 1, 2031.

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

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

In fiscal year 2008, the District issued \$677,662 in notes that was used for energy conservation within the District. The interest rate is 4.20% with the note maturing in fiscal year 2018. The first payment on the note was made in fiscal year 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)

Retirement incentive - During fiscal year 2012, the District offered employees a retirement incentive known as The Employee Severance Plan (the “ESP”). This was a one time offer to full time teachers, administrators and classified staff that will have ten or more years of service with the District and were eligible for full or reduced State retirement benefits as of June 30, 2012. The ESP was not available to those who have retired and were subsequently re-hired by the District or for contracted services employees. Teachers and administrators who elected the ESP will receive \$45,000, plus an amount equivalent to the employee’s applicable contractual sick leave pay. Classified staff who elected to the ESP will receive 100% of his or her fiscal year 2012 base salary, not to exceed \$20,000, plus an amount equivalent to the employee’s applicable contractual sick leave pay. A total of 6 employees elected the ESP for a total liability of \$2,177,724. Of this amount, \$1,043,255 is due within one year and \$1,134,469 is due in more than one year. The amount due in one year is recorded as “early retirement incentive payable” on the fund financial statements. The total liability is recorded on the governmental activities statement of net assets as a component of “long-term liabilities”.

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

Fiscal Year Ending June 30,	General Obligation Bonds and Notes		
	Principal	Interest	Total
2013	\$ 780,580	\$ 2,826,733	\$ 3,607,313
2014	835,082	2,794,346	3,629,428
2015	894,802	2,756,515	3,651,317
2016	1,169,751	2,716,850	3,886,601
2017	1,239,939	2,648,744	3,888,683
2018 - 2022	10,482,995	12,025,077	22,508,072
2023 - 2027	16,580,000	8,812,445	25,392,445
2028 - 2032	25,530,000	3,566,062	29,096,062
Total	<u>\$ 57,513,149</u>	<u>\$ 38,146,772</u>	<u>\$ 95,659,921</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$7,832,531 and an unvoted debt margin of \$725,511.

NOTE 10 - CAPITAL LEASES

The District, in prior years, has entered into capital leases for computers, a phone system and a capital lease for roof repairs.

The leases meet the criteria of capital leases as defined by statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments for the roof repair and the phone system will be made from the general fund, while lease payments for the computers were made from the education stabilization fund (a nonmajor governmental fund).

Equipment in the amount of \$2,249,676 has not been capitalized since the assets do not individually meet the District's capitalization threshold. The remaining capital lease obligation of \$1,258,090 has not been included in the calculation of "invested in capital assets, net of related debt". 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 Ending June 30,</u>	<u>Governmental Activities</u>
2013	\$ 360,000
2014	360,000
2015	359,910
2016	<u>359,910</u>
Total minimum lease payments	1,439,820
Less: amount representing interest	<u>(181,730)</u>
Total	<u>\$ 1,258,090</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - CAPITAL LEASES – (Continued)

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

Buildings and improvements	\$ 596,229
Less: accumulated depreciation	<u>(359,081)</u>
Total	<u>\$ 237,148</u>

NOTE 11 - SHORT-TERM NOTES PAYABLE

A summary of the governmental activities short-term notes payable transactions for fiscal year 2012 follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance June 30, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2012</u>
Bond Anticipation Notes:							
Note Series 2011	5/31/11	5/31/12	2.35	<u>1,020,000</u>	-	<u>(1,020,000)</u>	-
Total				<u>\$ 1,020,000</u>	<u>\$ -</u>	<u>\$ (1,020,000)</u>	<u>\$ -</u>

On May 31, 2011, the District issued \$1,020,000 in notes in anticipation of the issuance of bonds for the purpose of various construction projects throughout the District. The notes bear an interest rate of 2.35% and matured on May 31, 2012.

NOTE 12 - RISK MANAGEMENT

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - RISK MANAGEMENT - (Continued)

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 through Prudential Life Insurance to all employees and access to accidental death and dismemberment insurance through UNUM.

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Media/Financial Reports".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$756,899, \$993,773, and \$1,031,011, respectively; 44.82 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. The remaining pension liability is presented as a component of "intergovernmental payable" on the basic financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 a 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 13 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$4,580,597, \$4,680,048, and \$4,847,694, respectively; 84.30 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. The remaining pension liability is presented as a component of "intergovernmental payable" on the basic financial statements. Contributions to the DC and Combined Plans for fiscal year 2012 were \$159,709 made by the District and \$114,078 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Media/Financial Reports".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$162,455, \$256,125, and \$165,066, respectively; 44.82 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. The remaining health care liability is presented as a component of "intergovernmental payable" on the basic financial statements.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$40,548, \$63,952, and \$61,312, respectively; 44.82 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. The remaining Medicare Part B liability is presented as a component of "intergovernmental payable" on the basic financial statements.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$325,043, \$360,004, and \$372,900, respectively; 84.30 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. The remaining health care liability is presented as a component of "intergovernmental payable" on the basic financial statements.

NOTE 15 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The District is not party to legal proceedings.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	1,075,189
Current year qualifying expenditures	(830,292)
Current year offset for bond proceeds carryover	(244,897)
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

The District did not have qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This positive balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years. The District has \$75,296,112 remaining from debt proceeds that will be available in future fiscal years as a capital improvements offset.

A schedule of the governmental fund restricted assets at June 30, 2012 follows:

Amount restricted for school bus purchases	\$ 24,610
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**MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 451,545
Nonmajor governmental funds	<u>1,673,149</u>
 Total	 <u>\$ 2,124,694</u>

NOTE 18 - FUND BALANCE ALLOCATION

The District has chosen to present to the consolidated summary of fund balance classification on the financial statements. The detail of those fund balance classifications are outlined below:

Fund Balances:	General	Bond Retirement	Non-Major Funds
Nonspendable:			
Inventory	\$0	\$0	\$29,397
Restricted for:			
State Mandates	24,610	0	0
Debt Service	0	1,307,781	0
Capital Improvements	0	0	980,122
Food Service	0	0	338,105
District Activities	0	0	76,072
Auxiliary Services	0	0	147,482
Grants	0	0	404,263
Committed for:			
Capital Improvements	0	0	8,111
Assigned to:			
Neediest Kids of All	630	0	0
Public School Support	13,265	0	0
Encumbrances	292,452	0	0
Unassigned	(4,483,801)	0	(25,155)
Total Fund Balances	<u>(\$4,152,845)</u>	<u>\$1,307,781</u>	<u>\$1,958,397</u>

The committed fund balance for capital improvements comes from the Board of Education's resolution to transfer funds in prior years into the permanent improvement fund for a specific purpose. The assigned fund balance has separate fund derived from revenue allocated to the adult education fund by the administration. The Treasurer also encumbers certain funds for future payment.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 19 – PRIOR PERIOD ADJUSTMENT

The District had presented a separate fund for the nonmajor governmental special revenue fund, DPIA, during fiscal year 2011 and allocated certain liabilities to that fund for payment during fiscal year 2012. The District did not have the DPIA fund in fiscal year 2012; therefore, all associated liabilities were moved to the General Fund. The beginning fund balance for the General Fund and Nonmajor Governmental Funds were adjusted as follows:

	General	Nonmajor Governmental Funds
Fund Balance at 6/30/11	(\$2,791,618)	\$3,978,389
Elimination of fund	(20,782)	20,782
Restated Fund Balance at 6/30/11	(\$2,812,400)	\$3,999,170

NOTE 20 – GOING CONCERN

For the year ended June 30, 2012, the District had an operating loss of (\$1,340,445) and an unrestricted net asset deficit of (\$4,483,802). Management has enacted budget cuts for fiscal years 2013 and 2014 that will help improve cash flow. Specifically, for 2013, every employee received a 1% pay reduction, nurses, maintenance and custodial services were outsourced at a savings, and a reduction of \$15 per day was implemented for substitute teachers (which were also outsourced). For 2014, all salaries will remain frozen and district employees will pay an additional 5% of their health insurance premiums.

**REQUIRED
SUPPLEMENTARY INFORMATION**

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
General Fund
For the Fiscal Year Ended June 30, 2012

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Property and Other Local Taxes	\$22,194,100	\$28,596,022	\$27,440,515	(\$1,155,507)
Intergovernmental	28,940,509	31,294,742	36,112,897	4,818,155
Interest	19,622	5,463	7,141	1,678
Tuition and Fees	640,547	546,538	714,354	167,816
Rent	2,420	7,664	10,017	2,353
Extracurricular Activities	31,761	23,867	31,195	7,328
Gifts and Donations	553	398	520	122
Customers Sales and Services	65,275	73,629	96,237	22,608
Revenue in Lieu of Taxes	271,010	113,394	148,212	34,818
Miscellaneous	78,744	321,030	419,603	98,573
Total Revenues	52,244,541	60,982,747	64,980,691	3,997,946
Expenditures:				
Current:				
Instruction:				
Regular	25,071,417	26,229,638	26,229,637	1
Special	5,250,033	5,496,692	5,496,692	0
Vocational	100	105	105	0
Adult	58,769	61,599	61,599	0
Other	10,597,816	10,798,815	10,798,814	1
Support Services:				
Pupils	4,071,652	4,232,228	4,232,229	(1)
Instructional Staff	2,100,027	2,181,614	2,181,614	0
Board of Education	62,250	61,053	61,053	0
Administration	4,196,715	4,386,358	4,386,358	0
Fiscal	711,143	744,582	744,582	0
Business	437,865	457,889	457,889	0
Operation and Maintenance of Plant	5,390,734	5,412,087	5,412,087	0
Pupil Transportation	3,453,034	3,571,777	3,571,778	(1)
Central	3,473,078	3,621,009	3,621,008	1
Extracurricular Activities	90,225	94,456	94,456	0
Capital Outlay	166,624	122,513	122,513	0
Debt Service:				
Principal Retirement	149,107	156,287	156,287	0
Interest and Fiscal Charges	63,495	66,553	66,553	0
Total Expenditures	65,344,083	67,695,255	67,695,254	1
Excess of Revenues over (Under) Expenditures	(13,099,542)	(6,712,508)	(2,714,563)	3,997,945
Other Financing Sources (Uses):				
Transfers In	0	62,402	81,563	19,161
Advances In	0	1,776,871	2,322,466	545,595
Proceeds from Sale of Capital Assets	954	0	11,939	11,939
Refund of Prior Year Expenditures	130,585	0	274,422	274,422
Advances Out	0	(2,007,078)	(2,007,078)	0
Transfers Out	0	(632,987)	(632,987)	0
Total Other Financing Sources (Uses)	131,539	(800,791)	50,325	851,116
Net Change in Fund Balance	(12,968,003)	(7,513,299)	(2,664,238)	4,849,061
Fund Balances at Beginning of Year	3,066,067	3,066,067	3,066,067	0
Prior Year Encumbrances Appropriated	759,031	759,031	759,031	0
Fund Balances (Deficit) at End of Year	(\$9,142,905)	(\$3,688,201)	\$1,160,860	\$4,849,061

See accompanying notes to the required supplementary information

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 – BUDGETARY PROCESS

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

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

Tax Budget:

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

Estimated Resources:

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

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 – BUDGETARY PROCESS – (Continued)

Appropriations:

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

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

Encumbrances:

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

Lapsing of Appropriations:

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

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

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 – BUDGETARY PROCESS – (Continued)

The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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. Outstanding year-end encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
5. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets budget basis.

	General Fund
GAAP Basis	(\$1,340,445)
Adjustments:	
Revenue Accruals	(695,535)
Expenditure Accruals	(690,228)
Fund budgeted elsewhere	121,582
Transfers	66,728
Advances	315,388
Encumbrances	(441,728)
Budget Basis	(\$2,664,238)

**COMBINING STATEMENTS AND
INDIVIDUAL FUND SCHEDULES**

MIDDLETOWN CITY SCHOOL DISTRICT
BUTLER COUNTY, OHIO
MAJOR FUNDS

General
Fund

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

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

Spotlight and Neediest Kids

To account for all revenues and expenditures related to the Spotlight and Neediest Kids program.

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

Adult Education

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

Emergency Levy

The emergency levy fund is used to account for the proceeds of two emergency levies once originally passed in 1989 and the other in 1995. Both of these levy were combined into a substitute levies beginning January 1, 2011.

Public School Support

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

OTHER MAJOR FUND

Debt Service

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

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Spotlight and Neediest Kids Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Gifts and Donations	\$582	\$600	\$600	\$0
Miscellaneous	1,552	1,829	1,350	(479)
Total Revenues	2,134	2,429	1,950	(479)
<u>Expenditures:</u>				
Current:				
Support Services:				
Pupils	1,320	1,320	1,320	0
Total Expenditures	1,320	1,320	1,320	0
Excess of Revenues Over Expenditures	814	1,109	630	(479)
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	293	293	0
Transfers Out	0	(293)	(293)	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	814	1,109	630	(479)
Fund Balances at Beginning of Year	2,164	2,164	2,164	0
Fund Balances at End of Year	\$2,978	\$3,273	\$2,794	(\$479)

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Uniform School Supply Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Tuition and Fees	\$145,106	\$19,999	\$19,999	\$0
Total Revenues	145,106	19,999	19,999	0
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	134,870	147,576	147,576	0
Total Expenditures	134,870	147,576	147,576	0
Excess of Revenues Over (Under) Expenditures	10,236	(127,577)	(127,577)	0
<u>Other Financing Sources (Uses):</u>				
Advances In	0	85,219	833,893	748,674
Advances Out	0	(739,777)	(739,777)	0
Total Other Financing Sources (Uses)	0	(654,558)	94,116	748,674
Net Change in Fund Balance	10,236	(782,135)	(33,461)	748,674
Fund Balances at Beginning of Year	33,434	33,434	33,434	0
Fund Balances (Deficit) at End of Year	<u>\$43,670</u>	<u>(\$748,701)</u>	<u>(\$27)</u>	<u>\$748,674</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Special Rotary Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Miscellaneous	\$3,000	\$0	\$0	\$0
Total Revenues	3,000	0	0	0
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,707	0	0	0
Total Expenditures	3,707	0	0	0
Net Change in Fund Balance	(707)	0	0	0
Fund Balances at Beginning of Year	2,681	2,681	2,681	0
Prior Year Encumbrances Appropriated	513	513	513	0
Fund Balances at End of Year	<u>\$2,487</u>	<u>\$3,194</u>	<u>\$3,194</u>	<u>\$0</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Adult Education Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$28,221	\$28,670	\$28,670	\$0
Tuition and Fees	2,118	958	958	0
Gifts and Donations	485	3,040	3,040	0
Miscellaneous	4,614	6,147	5,302	(845)
Total Revenues	35,438	38,815	37,970	(845)
<u>Expenditures:</u>				
Current:				
Instruction:				
Adult	37,433	41,260	41,260	0
Operation of Non- Instructional Services	396	239	239	0
Total Expenditures	37,829	41,499	41,499	0
Net Change in Fund Balance	(2,391)	(2,684)	(3,529)	(845)
Fund Balances at Beginning of Year	13,871	13,871	13,871	0
Prior Year Encumbrances Appropriated	1,029	1,029	1,029	0
Fund Balances at End of Year	\$12,509	\$12,216	\$11,371	(\$845)

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Emergency Levy Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Total Revenues	\$0	\$0	\$0	\$0
<u>Expenditures:</u>				
Current:				
Support Services:				
Instructional Staff	128	0	0	0
Operation and Maintenance of Plant	65,064	9,517	9,517	0
Pupil Transportation	23,612	10,632	10,632	0
Total Expenditures	88,804	20,149	20,149	0
Excess of Revenues Over (Under) Expenditures	(88,804)	(20,149)	(20,149)	0
<u>Other Financing Uses:</u>				
Transfers Out	(85,000)	(68,656)	(68,656)	0
Total Other Financing Uses	(85,000)	(68,656)	(68,656)	0
Net Change in Fund Balance	(173,804)	(88,805)	(88,805)	0
Fund Balances at Beginning of Year	1	1	1	0
Prior Year Encumbrances Appropriated	88,804	88,804	88,804	0
Fund Balances (Deficit) at End of Year	(\$84,999)	\$0	\$0	\$0

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Public School Support Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Tuition and Fees	\$11,670	\$16,230	\$16,230	\$0
Extracurricular Activities	30,151	38,398	38,398	0
Gifts and Donations	3,982	13,731	13,731	0
Miscellaneous	19,955	37,523	26,638	(10,885)
Total Revenues	65,758	105,882	94,997	(10,885)
<u>Expenditures:</u>				
Current:				
Support Services:				
Pupils	4,319	91,414	91,414	0
Total Expenditures	4,319	91,414	91,414	0
Excess of Revenues Over (Under) Expenditures	61,439	14,468	3,583	(10,885)
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	2,609	2,609	0
Transfers Out	0	(2,609)	(2,609)	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	61,439	14,468	3,583	(10,885)
Fund Balances at Beginning of Year	53,639	53,639	53,639	0
Prior Year Encumbrances Appropriated	4,320	4,320	4,320	0
Fund Balances at End of Year	\$119,398	\$72,427	\$61,542	(\$10,885)

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Major Bond Retirement Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$4,317,508	\$4,483,702	\$3,229,840	(\$1,253,862)
Intergovernmental	1,409,716	430,589	462,207	31,618
Total Revenues	5,727,224	4,914,291	3,692,047	(1,222,244)
<u>Expenditures:</u>				
Current:				
Support Services:				
Fiscal	3,941	2,855	2,855	0
Central	78,141	56,601	56,601	0
Debt Service:				
Principal Retirement	1,960,389	1,420,000	1,420,000	0
Interest and Fiscal Charges	3,861,884	2,797,341	2,797,341	0
Total Expenditures	5,904,355	4,276,797	4,276,797	0
Net Change in Fund Balance	(177,131)	637,494	(584,750)	(1,222,244)
Fund Balances at Beginning of Year	1,747,114	1,747,114	1,747,114	0
Fund Balances at End of Year	<u>\$1,569,983</u>	<u>\$2,384,608</u>	<u>\$1,162,364</u>	<u>(\$1,222,244)</u>

*Middletown City School District
Butler County, Ohio*

Fund Descriptions

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. The following are descriptions of the School District's nonmajor special revenue funds:

Nonmajor Special Revenue Funds

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

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

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

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

Public Preschool Grant – This fund accounts the costs of preschool programs for three to four year olds.

Early Entry Grant – This fund helps to implement the entry-year programs.

Data Communications Grant - This fund provides to account for money appropriated for Ohio Educational Computer Network Connections.

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

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

*Middletown City School District
Butler County, Ohio*

**Fund Descriptions
Nonmajor Special Revenue Funds (continued)**

Adult Basic Education – This fund accounts for instructional programs for persons sixteen year of age or older who are not enrolled in secondary school and who have less than a twelfth-grade education or its equivalent.

Education Jobs Grant – This fund provides compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary or secondary educational and related services. The School District did not budget this fund.

Race to the Top Grant – This fund provides for either a new program or expansion of an existing program to support initiatives in the following areas: Standards and Assessments; Using Data to improve Instruction; Great Teachers and Leaders; and Turning Around the Lowest- Achieving Schools.

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

Fiscal Stabilization Grant – This fund accounts for federal stimulus funds that are provided through the Ohio Department of Education in an effort to help offset general fund costs.

Title II-D Grant – This fund accounts for federal grants specific to the special education program D of the Title II grant.

School Improvement Grant – This fund helps the School improve the teaching and learning of children failing, or most at risk of failing to meet the challenging State academic achievement standards.

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

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

Title V Grant – This fund assists the School in the reform of elementary and secondary education.

*Middletown City School District
Butler County, Ohio*

Fund Descriptions
Nonmajor Special Revenue Funds (continued)

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

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

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

Capital Projects Funds

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

Nonmajor Capital Projects Fund

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

Building Fund – This fund accounts for receipts and expenditures related to all special bond funds in the School.

Middletown City School District
Butler County, Ohio
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2012

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,127,600	\$ 980,893	\$ 2,108,493
Receivables:			
Property and Other Taxes	-	548,438	548,438
Accounts	200	-	200
Intergovernmental	1,435,115	-	1,435,115
Materials and Supplies Inventory	29,397	-	29,397
 Total Assets	 <u>2,592,312</u>	 <u>1,529,331</u>	 <u>4,121,643</u>
 <u>Liabilities and Fund Balances</u>			
<u>Liabilities:</u>			
Payables:			
Accounts	245,980	-	245,980
Intergovernmental	376,804	-	376,804
Salaries and Employee Benefits	557,831	-	557,831
Interfund	398,860	-	398,860
Deferred Revenue	42,673	541,098	583,771
 Total Liabilities	 <u>1,622,148</u>	 <u>541,098</u>	 <u>2,163,246</u>
 <u>Fund Balances:</u>			
Nonspendable	29,397	-	29,397
Restricted	965,922	980,122	1,946,044
Committed	-	8,111	8,111
Unassigned (Deficit)	(25,155)	-	(25,155)
 Total Fund Balances	 <u>970,164</u>	 <u>988,233</u>	 <u>1,958,397</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,592,312</u>	 <u>\$ 1,529,331</u>	 <u>\$ 4,121,643</u>

Middletown City School District
Butler County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
Property and Other Taxes	\$ -	\$ 90,834	\$ 90,834
Intergovernmental	11,931,226	10,268	11,941,494
Charges for Services	505,427	-	505,427
Interest	161	2,299	2,460
Gifts and Donations	92,732	-	92,732
Extracurricular Activities	271,735	-	271,735
Miscellaneous	7,860	-	7,860
Total Revenues	12,809,141	103,401	12,912,542
Expenditures:			
Current:			
Instruction:			
Regular	2,000,348	4,365	2,004,713
Special	2,582,874	33,890	2,616,764
Adult/Continuing	323,304	-	323,304
Support Services:			
Pupils	427,291	-	427,291
Instructional Staff	2,976,380	10,335	2,986,715
Administration	416,522	29,592	446,114
Fiscal	-	143	143
Business	426	-	426
Operation and Maintenance of Plant	476,378	145,764	622,142
Pupil Transportation	166,506	6,830	173,336
Central	94,728	239,224	333,952
Operation of Non-Instructional Services	4,382,462	-	4,382,462
Extracurricular Activities	893,404	-	893,404
Capital Outlay	552	360,149	360,701
Total Expenditures	14,741,175	830,292	15,571,467
Excess of Revenues Over Expenditures	(1,932,034)	(726,891)	(2,658,925)
Other Financing Sources (Uses)			
Transfers - In	620,080	-	620,080
Transfers - Out	(1,928)	-	(1,928)
Total Other Financing Sources (Uses)	618,152	-	618,152
Net Change in Fund Balances	(1,313,882)	(726,891)	(2,040,773)
Fund Balances - beginning (Restated)	2,284,046	1,715,124	3,999,170
Fund Balances - ending	<u>\$ 970,164</u>	<u>\$ 988,233</u>	<u>\$ 1,958,397</u>

Middletown City School District
Butler County, Ohio
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2012

	Food Service	Other Grant	District Managed Activities	Auxiliary Services	Entry Year Grant	Alternative Schools
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 430,876	\$ 90,634	\$ 96,154	\$ 204,103	\$ 320	\$ 4,118
Receivables:						
Accounts	200	-	-	-	-	-
Intergovernmental	-	-	-	-	-	32,501
Materials and Supplies Inventory	29,397	-	-	-	-	-
Total Assets	<u>460,473</u>	<u>90,634</u>	<u>96,154</u>	<u>204,103</u>	<u>320</u>	<u>36,619</u>
Liabilities and Fund Balances						
Liabilities:						
Payables:						
Accounts	56,302	1,466	3,226	684	-	-
Intergovernmental	36,669	-	16,008	9,257	-	3,799
Salaries and Employee Benefits	-	-	848	46,680	-	15,153
Interfund	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	5,935
Total Liabilities	<u>92,971</u>	<u>1,466</u>	<u>20,082</u>	<u>56,621</u>	<u>-</u>	<u>24,887</u>
Fund Balances:						
Nonspendable	29,397	-	-	-	-	-
Restricted	338,105	89,168	76,072	147,482	320	11,732
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficit)	<u>367,502</u>	<u>89,168</u>	<u>76,072</u>	<u>147,482</u>	<u>320</u>	<u>11,732</u>
Total Liabilities and Fund Balances	<u>\$ 460,473</u>	<u>\$ 90,634</u>	<u>\$ 96,154</u>	<u>\$ 204,103</u>	<u>\$ 320</u>	<u>\$ 36,619</u>

Middletown City School District
Butler County, Ohio
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2012

Miscellaneous State Grants	Adult Basic Education	Education Jobs Grant	Race to the Top Grant	Title VI-B Grant	Title II-D Grant	School Improvement Grant	Title III Grant
\$ 35,986	\$ -	\$ 87,456	\$ 29,557	\$ 71,260	\$ -	\$ 9,819	\$ 5,090
-	-	-	-	-	-	-	-
-	54,106	118,425	21,974	168,417	22,168	-	5,246
-	-	-	-	-	-	-	-
<u>35,986</u>	<u>54,106</u>	<u>205,881</u>	<u>51,531</u>	<u>239,677</u>	<u>22,168</u>	<u>9,819</u>	<u>10,336</u>
-	6,028	-	34,595	16,403	21,769	-	-
168	8,298	27,104	7,507	39,389	-	8,809	2,730
-	19,217	178,779	7,163	152,842	-	-	6,925
-	24,025	-	-	-	399	-	-
-	8,235	-	13,582	-	758	-	1,154
<u>168</u>	<u>65,803</u>	<u>205,883</u>	<u>62,847</u>	<u>208,634</u>	<u>22,926</u>	<u>8,809</u>	<u>10,809</u>
-	-	-	-	-	-	-	-
35,818	-	-	-	31,043	-	1,010	-
-	(11,697)	(2)	(11,316)	-	(758)	-	(473)
<u>35,818</u>	<u>(11,697)</u>	<u>(2)</u>	<u>(11,316)</u>	<u>31,043</u>	<u>(758)</u>	<u>1,010</u>	<u>(473)</u>
<u>\$ 35,986</u>	<u>\$ 54,106</u>	<u>\$ 205,881</u>	<u>\$ 51,531</u>	<u>\$ 239,677</u>	<u>\$ 22,168</u>	<u>\$ 9,819</u>	<u>\$ 10,336</u>

(continued)

Middletown City School District
Butler County, Ohio
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2012
(Continued)

	Title I Grant	Title V Grant	EHA Preschool Grant	Improving Teacher Quality	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 2,025	\$ 1,732	\$ -	\$ -	\$ 58,470	\$ 1,127,600
Receivables:						
Accounts	-	-	-	-	-	200
Intergovernmental	858,195	-	-	154,083	-	1,435,115
Materials and Supplies Inventory	-	-	-	-	-	29,397
Total Assets	860,220	1,732	-	154,083	58,470	2,592,312
Liabilities and Fund Balances						
Liabilities:						
Payables:						
Accounts	69,718	-	713	954	34,122	245,980
Intergovernmental	215,837	-	196	1,033	-	376,804
Salaries and Employee Benefits	121,898	-	-	8,326	-	557,831
Interfund	316,786	-	-	57,650	-	398,860
Deferred Revenue	10,875	-	-	2,134	-	42,673
Total Liabilities	735,114	-	909	70,097	34,122	1,622,148
Fund Balances:						
Nonspendable	-	-	-	-	-	29,397
Restricted	125,106	1,732	-	83,986	24,348	965,922
Unassigned	-	-	(909)	-	-	(25,155)
Total Fund Balances (Deficit)	125,106	1,732	(909)	83,986	24,348	970,164
Total Liabilities and Fund Balances	\$ 860,220	\$ 1,732	\$ -	\$ 154,083	\$ 58,470	\$ 2,592,312

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Middletown City School District
Butler County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

	Food Service	Other Grant	District Managed Activities	Auxiliary Services	Public Preschool Grant
Revenues:					
Intergovernmental	\$ 3,005,978	\$ 34,169	\$ -	\$ 638,864	\$ 120,000
Charges for Services	505,427	-	-	-	-
Interest	-	-	-	161	-
Gifts and Donations	-	85,603	7,129	-	-
Extracurricular Activities	-	81	271,654	-	-
Miscellaneous	-	-	7,860	-	-
Total Revenues	3,511,405	119,853	286,643	639,025	120,000
Expenditures:					
Current:					
Instruction:					
Regular	-	68,856	-	-	-
Special	-	-	-	-	123,320
Adult/Continuing	-	-	-	-	-
Support Services:					
Pupils	-	-	-	-	-
Instructional Staff	-	4,097	-	-	-
Administration	-	-	-	-	-
Business	426	-	-	-	-
Operation and Maintenance of Plant	476,378	-	-	-	-
Pupil Transportation	-	1,706	-	-	-
Central	7,360	3,199	-	-	-
Operation of Non-Instructional Services	3,527,672	-	-	570,170	-
Extracurricular Activities	-	50	893,354	-	-
Capital Outlay	552	-	-	-	-
Total Expenditures	4,012,388	77,908	893,354	570,170	123,320
Excess (deficiency) of Revenues Over (Under) Expenditures	(500,983)	41,945	(606,711)	68,855	(3,320)
Other Financing Sources (Uses)					
Transfers - In	-	-	620,080	-	-
Transfers - Out	-	(434)	(1,494)	-	-
Total Other Financing Sources (Uses)	-	(434)	618,586	-	-
Net Change in Fund Balances	(500,983)	41,511	11,875	68,855	(3,320)
Fund Balances - beginning	868,485	47,657	64,197	78,627	3,320
Fund Balances (Deficit) - ending	<u>\$ 367,502</u>	<u>\$ 89,168</u>	<u>\$ 76,072</u>	<u>\$ 147,482</u>	<u>\$ -</u>

**Middletown City School District
Butler County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012**

Entry Year Grant	Data Communications Grant	Alternative Schools	Miscellaneous State Grants	Adult Basic Education	Education Jobs Grant	Race to the Top Grant
\$ -	\$ 18,000	\$ 129,547	\$ 25,000	\$ 338,631	\$ 1,014,732	\$ 159,240
-	-	-	-	-	-	-
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Middletown City School District
Butler County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012
(continued)

	Title VI-B Grant	Fiscal Stabilization Grant	Title II-D Grant	School Improvement Grant	Title III Grant
Revenues:					
Intergovernmental	\$ 1,889,480	\$ -	\$ 21,786	\$ 231,855	\$ 55,896
Charges for Services	-	-	-	-	-
Interest	-	-	-	-	-
Gifts and Donations	-	-	-	-	-
Extracurricular Activities	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	1,889,480	-	21,786	231,855	55,896
Expenditures:					
Current:					
Instruction:					
Regular	-	-	22,196	-	1,112
Special	1,145,233	-	-	-	2,621
Vocational	-	-	-	-	-
Support Services:					
Pupils	295,935	-	-	-	45,579
Instructional Staff	267,415	-	-	248,956	8,246
Administration	304,489	-	438	-	-
Business	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-
Pupil Transportation	-	-	-	-	-
Central	-	66,169	-	-	-
Operation of Non-Instructional Services	104,011	-	410	-	-
Extracurricular Activities	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	2,117,083	66,169	23,044	248,956	57,558
Excess (deficiency) of Revenues Over (Under) Expenditures	(227,603)	(66,169)	(1,258)	(17,101)	(1,662)
Other Financing Sources (Uses)					
Transfers - In	-	-	-	-	-
Transfers - Out	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
Net Change in Fund Balances	(227,603)	(66,169)	(1,258)	(17,101)	(1,662)
Fund Balances (Deficit) - beginning (Restated)	258,646	66,169	500	18,111	1,189
Fund Balances (Deficit) - ending	<u>\$ 31,043</u>	<u>\$ -</u>	<u>\$ (758)</u>	<u>\$ 1,010</u>	<u>\$ (473)</u>

Middletown City School District
Butler County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

Title I Grant	Title V Grant	Drug-Free Grant	EHA Preschool Grant	Improving Teacher Quality	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ 3,624,849	\$ -	\$ -	\$ 47,050	\$ 481,783	\$ 94,366	\$ 11,931,226
-	-	-	-	-	-	505,427
-	-	-	-	-	-	161
-	-	-	-	-	-	92,732
-	-	-	-	-	-	271,735
-	-	-	-	-	-	7,860
<u>3,624,849</u>	<u>-</u>	<u>-</u>	<u>47,050</u>	<u>481,783</u>	<u>94,366</u>	<u>12,809,141</u>
402,518	-	-	-	-	74,291	2,000,348
1,285,063	-	-	9,118	-	17,519	2,582,874
-	-	-	-	-	-	323,304
202	-	-	38,441	-	-	427,291
1,837,482	-	1,361	2,612	423,626	-	2,976,380
110,279	-	-	-	-	-	416,522
-	-	-	-	-	-	426
-	-	-	-	-	-	476,378
130,678	-	-	-	-	34,122	166,506
-	-	-	-	-	-	94,728
176,499	-	-	-	-	-	4,382,462
-	-	-	-	-	-	893,404
-	-	-	-	-	-	552
<u>3,942,721</u>	<u>-</u>	<u>1,361</u>	<u>50,171</u>	<u>423,626</u>	<u>125,932</u>	<u>14,741,175</u>
(317,872)	-	(1,361)	(3,121)	58,157	(31,566)	(1,932,034)
-	-	-	-	-	-	620,080
-	-	-	-	-	-	(1,928)
-	-	-	-	-	-	618,152
(317,872)	-	(1,361)	(3,121)	58,157	(31,566)	(1,313,882)
442,978	1,732	1,361	2,212	25,829	55,914	2,284,046
<u>\$ 125,106</u>	<u>\$ 1,732</u>	<u>\$ -</u>	<u>\$ (909)</u>	<u>\$ 83,986</u>	<u>\$ 24,348</u>	<u>\$ 970,164</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Food Service Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$2,713,747	\$2,460,398	\$2,828,809	\$368,411
Charges for Services	545,066	439,602	505,427	65,825
Total Revenues	3,258,813	2,900,000	3,334,236	434,236
<u>Expenditures:</u>				
Current:				
Support Services:				
Business	328	426	426	0
Operation and Maintenance of Plant	370,011	480,319	480,319	0
Central	5,670	7,360	7,360	0
Operation of Non-Instructional Services	2,694,379	3,275,890	3,275,890	0
Capital Outlay	425	552	552	0
Total Expenditures	3,070,813	3,764,547	3,764,547	0
Net Change in Fund Balance	188,000	(864,547)	(430,311)	434,236
Fund Balances at Beginning of Year	657,384	657,384	657,384	0
Prior Year Encumbrances Appropriated	170,813	170,813	170,813	0
Fund Balances (Deficit) at End of Year	\$1,016,197	(\$36,350)	\$397,886	\$434,236

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Other Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$9,000	\$34,169	\$34,169	\$0
Extracurricular Activities	0	81	81	0
Gifts and Donations	1,000	40,345	85,603	45,258
Total Revenues	10,000	74,595	119,853	45,258
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	56,912	116,235	116,235	0
Support Services:				
Instructional Staff	0	4,061	4,061	0
Administration	500			0
Pupil Transportation	0	1,706	1,706	0
Central	0	3,039	3,039	0
Extracurricular Activities	0	50	50	0
Total Expenditures	57,412	125,091	125,091	0
Excess of Revenues Over (Under) Expenditures	(47,412)	(50,496)	(5,238)	45,258
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	337	337	0
Advances Out	0	(160)	(160)	0
Transfers Out	0	(434)	(434)	0
Total Other Financing Sources (Uses)	0	(257)	(257)	0
Net Change in Fund Balance	(47,412)	(50,753)	(5,495)	45,258
Fund Balances at Beginning of Year	45,730	45,730	45,730	0
Prior Year Encumbrances Appropriated	2,410	2,410	2,410	0
Fund Balances (Deficit) at End of Year	\$728	(\$2,613)	\$42,645	\$45,258

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	District Managed Activities			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Extracurricular Activities	\$221,268	\$281,933	\$271,654	(\$10,279)
Gifts and Donations	5,335	7,129	7,129	0
Miscellaneous	3,766	7,860	7,860	0
Total Revenues	230,369	296,922	286,643	(10,279)
<u>Expenditures:</u>				
Current:				
Extracurricular Activities	255,245	912,953	912,953	0
Total Expenditures	255,245	912,953	912,953	0
Excess of Revenues (Under) Expenditures	(24,876)	(616,031)	(626,310)	(10,279)
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	404	119	119	0
Advances In	0	105,637	105,637	0
Advances Out	0	(105,637)	(105,637)	0
Transfers In	0	622,753	622,753	0
Transfers Out	0	(4,167)	(4,167)	0
Total Other Financing Sources (Uses)	404	618,705	618,705	0
Net Change in Fund Balance	(24,472)	2,674	(7,605)	(10,279)
Fund Balances at Beginning of Year	67,347	67,347	67,347	0
Prior Year Encumbrances Appropriated	24,470	24,470	24,470	0
Fund Balances at End of Year	\$67,345	\$94,491	\$84,212	(\$10,279)

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Auxiliary Services			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$400,000	\$648,631	\$648,631	\$0
Interest	0	161	161	0
Total Revenues	<u>400,000</u>	<u>648,792</u>	<u>648,792</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Operation of Non-Instructional Services	741,202	722,789	722,789	0
Total Expenditures	<u>741,202</u>	<u>722,789</u>	<u>722,789</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(341,202)	(73,997)	(73,997)	0
<u>Other Financing Sources:</u>				
Refund of Prior Year Expenditures	0	310	310	0
Refund of Prior Year Receipts		(9,767)	(9,767)	0
Advances Out	0	(460)	(460)	0
Total Other Financing Sources	<u>0</u>	<u>(9,917)</u>	<u>(9,917)</u>	<u>0</u>
Net Change in Fund Balance	(341,202)	(83,914)	(83,914)	0
Fund Balances at Beginning of Year	395	395	395	0
Prior Year Encumbrances Appropriated	<u>142,863</u>	<u>142,863</u>	<u>142,863</u>	<u>0</u>
Fund Balances (Deficit) at End of Year	<u>(\$197,944)</u>	<u>\$59,344</u>	<u>\$59,344</u>	<u>\$0</u>

*Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012*

	Public School Preschool			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$120,000	\$120,000	\$132,043	\$12,043
Total Revenues	120,000	120,000	132,043	12,043
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	137,187	141,708	141,708	0
Support Services:				
Instructional Staff	0	83	83	0
Total Expenditures	137,187	141,791	141,791	0
Excess of Revenues (Under Expenditures)	(17,187)	(21,791)	(9,748)	12,043
<u>Other Financing Uses:</u>				
Advances Out	0	(7,439)	(7,439)	0
Total Other Financing Uses	0	(7,439)	(7,439)	0
Net Change in Fund Balance	(17,187)	(29,230)	(17,187)	12,043
Fund Balances at Beginning of Year	1	1	1	0
Prior Year Encumbrances Appropriated	17,186	17,186	17,186	0
Fund Balances (Deficit) at End of Year	\$0	(\$12,043)	\$0	\$12,043

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Early Entry Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Total Revenues	\$0	\$0	\$0	\$0
<u>Expenditures:</u>				
Total Expenditures	0	0	0	0
Net Change in Fund Balance	0	0	0	0
Fund Balances at Beginning of Year	320	320	320	0
Fund Balances at End of Year	<u>\$320</u>	<u>\$320</u>	<u>\$320</u>	<u>\$0</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Data Communications Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$0	\$18,000	\$18,000	\$0
Total Revenues	0	18,000	18,000	0
<u>Expenditures:</u>				
Current:				
Support Services:				
Instructional Staff	0	18,000	18,000	0
Total Expenditures	0	18,000	18,000	0
Net Change in Fund Balance	0	0	0	0
Fund Balances at Beginning of Year	0	0	0	0
Fund Balances at End of Year	\$0	\$0	\$0	\$0

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Alternative Education Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$135,482	\$135,482	\$111,733	(\$23,749)
Total Revenues	135,482	135,482	111,733	(23,749)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	157,870	145,677	145,677	0
Support Services:				
Instructional Staff		228	228	0
Total Expenditures	157,870	145,905	145,905	0
Excess of Revenues Over (Under) Expenditures	(22,388)	(10,423)	(34,172)	(23,749)
<u>Other Financing Sources (Uses):</u>				
Advances In	0	0	507	507
Advances Out	0	(10,805)	(10,805)	0
Total Other Financing Sources (Uses)	0	(10,805)	(10,298)	507
Net Change in Fund Balance	(22,388)	(21,228)	(44,470)	(23,242)
Fund Balances at Beginning of Year	3,894	3,894	3,894	0
Prior Year Encumbrances Appropriated	22,389	22,389	22,389	0
Fund Balances (Deficit) at End of Year	<u>\$3,895</u>	<u>\$5,055</u>	<u>(\$18,187)</u>	<u>(\$23,242)</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Miscellaneous State Grants			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental		\$25,000	\$25,000	\$0
Total Revenues	0	25,000	25,000	0
<u>Expenditures:</u>				
Current:				
Support Services:				
Instructional Staff	35,000	25,000	25,000	0
Administration	348	176	176	0
Total Expenditures	35,348	25,176	25,176	0
Net Change in Fund Balance	(35,348)	(176)	(176)	0
Fund Balances at Beginning of Year	35,969	35,969	35,969	0
Fund Balances at End of Year	\$621	\$35,793	\$35,793	\$0

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Adult Basic Education			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$373,389	\$333,019	\$333,019	\$0
Total Revenues	373,389	333,019	333,019	0
<u>Expenditures:</u>				
Current:				
Adult/Continuing	358,302	351,948	351,948	0
Support Services:				
Instructional Staff	56,632	55,628	55,628	0
Administration	1,118	1,098	1,098	0
Instructional Services	5,772	5,670	5,670	0
Total Expenditures	421,824	414,344	414,344	0
Excess of Revenues Over (Under) Expenditures	(48,435)	(81,325)	(81,325)	0
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	70	70	0
Advances In	47,725	60,735	78,837	18,102
Advances Out	0	(68,818)	(68,818)	0
Transfers In	0	9,189	9,189	0
Transfers Out	0	(9,189)	(9,189)	0
Total Other Financing Sources (Uses)	47,725	(8,013)	10,089	18,102
Net Change in Fund Balance	(710)	(89,338)	(71,236)	18,102
Fund Balances at Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	48,437	48,437	48,437	0
Fund Balances (Deficit) at End of Year	<u>\$47,727</u>	<u>(\$40,901)</u>	<u>(\$22,799)</u>	<u>\$18,102</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Education JOBS Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$0	\$1,256,599	\$1,138,174	(\$118,425)
Total Revenues	0	1,256,599	1,138,174	(118,425)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	1,223,752	1,256,601	1,256,601	0
Total Expenditures	1,223,752	1,256,601	1,256,601	0
Net Change in Fund Balance	(1,223,752)	(2)	(118,427)	(118,425)
Fund Balances at Beginning of Year	0	0	0	0
Fund Balances (Deficit) at End of Year	<u>(\$1,223,752)</u>	<u>(\$2)</u>	<u>(\$118,427)</u>	<u>(\$118,425)</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Race to the Top Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$609,540	\$609,540	\$198,935	(\$410,605)
Total Revenues	609,540	609,540	198,935	(410,605)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	171,462	63,514	63,514	0
Support Services:				
Pupils	135,393	50,153	50,153	0
Instructional Staff	336,766	112,122	112,122	0
Total Expenditures	643,621	225,789	225,789	0
Excess of Revenues Over (Under) Expenditures	(34,081)	383,751	(26,854)	(410,605)
<u>Other Financing Sources (Uses):</u>				
Advances In	0	0	48,765	48,765
Advances Out	0	(93,058)	(93,058)	0
Transfers In	0	0	36,775	36,775
Transfers Out	0	(36,775)	(36,775)	0
Total Other Financing Sources (Uses)	0	(129,833)	(44,293)	85,540
Net Change in Fund Balance	(34,081)	253,918	(71,147)	(325,065)
Fund Balances at Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	34,081	34,081	34,081	0
Fund Balances (Deficit) at End of Year	<u>\$0</u>	<u>\$287,999</u>	<u>(\$37,066)</u>	<u>(\$325,065)</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Title VI-B Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$1,877,853	\$2,211,530	\$2,319,536	\$108,006
Total Revenues	<u>1,877,853</u>	<u>2,211,530</u>	<u>2,319,536</u>	<u>108,006</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	1,212,135	1,310,324	1,310,324	0
Support Services:				
Pupils	352,304	380,843	380,843	0
Instructional Staff	251,292	271,648	271,648	0
Administration	323,241	349,425	349,425	0
Operation of Non- Instructional Services	<u>114,622</u>	<u>123,907</u>	<u>123,907</u>	<u>0</u>
Total Expenditures	<u>2,253,594</u>	<u>2,436,147</u>	<u>2,436,147</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(375,741)	(224,617)	(116,611)	108,006
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	0	19,263	19,263
Refund of Prior Year Receipts	0	(258,405)	(258,405)	0
Advances In	0	0	90,147	90,147
Advances Out	0	(458,386)	(458,386)	0
Transfers In	0	0	97,486	97,486
Transfers Out	<u>0</u>	<u>(97,486)</u>	<u>(97,486)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(814,277)</u>	<u>(607,381)</u>	<u>206,896</u>
Net Change in Fund Balance	(375,741)	(1,038,894)	(723,992)	314,902
Fund Balances at Beginning of Year	195,943	195,943	195,943	0
Prior Year Encumbrances Appropriated	<u>375,742</u>	<u>375,742</u>	<u>375,742</u>	<u>0</u>
Fund Balances (Deficit) at End of Year	<u><u>\$195,944</u></u>	<u><u>(\$467,209)</u></u>	<u><u>(\$152,307)</u></u>	<u><u>\$314,902</u></u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
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Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Fiscal Stabilization Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Total Revenues	0	0	0	0
<u>Expenditures:</u>				
Current:				
Support Services:				
Central	106,995	107,387	107,387	0
Total Expenditures	106,995	107,387	107,387	0
Net Change in Fund Balance	(106,995)	(107,387)	(107,387)	0
Fund Balances at Beginning of Year	392	392	392	0
Prior Year Encumbrances Appropriated	106,995	106,995	106,995	0
Fund Balances at End of Year	<u>\$392</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
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Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Title IID Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$0	\$24,219	\$1,771	(\$22,448)
Total Revenues	0	24,219	1,771	(22,448)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	3,190	22,046	22,046	0
Support Services:				
Administration	0	438	438	0
Operation of Non- Instructional Services	0	419	419	0
Total Expenditures	3,190	22,903	22,903	0
Excess of Revenues Over (Under) Expenditures	(3,190)	1,316	(21,132)	(22,448)
<u>Other Financing Sources (Uses):</u>				
Advances In	0	1,594	1,594	0
Advances Out	0	(2,390)	(2,390)	0
Transfers In	0	500	500	0
Transfers Out	0	(500)	(500)	0
Total Other Financing Sources (Uses)	0	(796)	(796)	0
Net Change in Fund Balance	(3,190)	520	(21,928)	(22,448)
Fund Balances at Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	300	300	300	0
Fund Balances (Deficit) at End of Year	(\$2,890)	\$820	(\$21,628)	(\$22,448)

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	School Improvement Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$220,000	\$246,599	\$240,186	(\$6,413)
Total Revenues	220,000	246,599	240,186	(6,413)
<u>Expenditures:</u>				
Current:				
Support Services:				
Instructional Staff	234,228	268,145	268,145	0
Total Expenditures	234,228	268,145	268,145	0
Excess of Revenues Over (Under) Expenditures	(14,228)	(21,546)	(27,959)	(6,413)
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	3,187	3,187	0
Advances In	0	6,300	6,300	0
Advances Out	0	(6,300)	(6,300)	0
Transfers In	0	21,299	21,299	0
Transfers Out	0	(21,299)	(21,299)	0
Total Other Financing Sources (Uses)	0	3,187	3,187	0
Net Change in Fund Balance	(14,228)	(18,359)	(24,772)	(6,413)
Fund Balances at Beginning of Year	3,883	3,883	3,883	0
Prior Year Encumbrances Appropriated	14,229	14,229	14,229	0
Fund Balances (Deficit) at End of Year	<u>\$3,884</u>	<u>(\$247)</u>	<u>(\$6,660)</u>	<u>(\$6,413)</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
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Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Title III Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$42,110	\$73,397	\$60,344	(\$13,053)
Total Revenues	42,110	73,397	60,344	(13,053)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	2,003	1,871	1,871	0
Special	154	144	144	0
Support Services:				
Pupils	68,902	64,376	64,376	0
Instructional Staff	1,493	1,395	1,395	0
Total Expenditures	72,552	67,786	67,786	0
Excess of Revenues Over (Under) Expenditures	(30,442)	5,611	(7,442)	(13,053)
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	1,513	1,513	0
Transfers Out	0	(1,513)	(1,513)	0
Advances In	0	1,746	1,746	0
Advances Out	0	(7,231)	(7,231)	0
Total Other Financing Sources (Uses)	0	(5,485)	(5,485)	0
Net Change in Fund Balance	(30,442)	126	(12,927)	(13,053)
Fund Balances at Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	9,423	9,423	9,423	0
Fund Balances (Deficit) at End of Year	(\$21,019)	\$9,549	(\$3,504)	(\$13,053)

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
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Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Title I Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$3,736,469	\$3,394,232	\$3,237,199	(\$157,033)
Total Revenues	<u>3,736,469</u>	<u>3,394,232</u>	<u>3,237,199</u>	<u>(157,033)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	489,537	511,345	511,345	0
Special	1,457,720	1,522,667	1,522,666	1
Support Services:				
Pupils	193	202	202	0
Instructional Staff	1,934,743	2,020,944	2,020,942	2
Administration	107,773	112,575	112,575	0
Pupil Transportation	125,124	130,699	130,699	0
Operation of Non-Instructional Services	192,566	201,146	201,146	0
Total Expenditures	<u>4,307,656</u>	<u>4,499,578</u>	<u>4,499,575</u>	<u>3</u>
Excess of Revenues Over (Under) Expenditures	(571,187)	(1,105,346)	(1,262,376)	(157,030)
<u>Other Financing Sources (Uses):</u>				
Advances In	0	655,246	655,246	0
Advances Out	0	(634,492)	(634,492)	0
Transfers In	0	319,682	319,682	0
Transfers Out	0	(319,682)	(319,682)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>20,754</u>	<u>20,754</u>	<u>0</u>
Net Change in Fund Balance	(571,187)	(1,084,592)	(1,241,622)	(157,030)
Fund Balances at Beginning of Year	2,024	2,024	2,024	0
Prior Year Encumbrances Appropriated	590,499	590,499	590,499	0
Fund Balances (Deficit) at End of Year	<u>\$21,336</u>	<u>(\$492,069)</u>	<u>(\$649,099)</u>	<u>(\$157,030)</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
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Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Title V Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Total Revenues	\$0	\$0	\$0	\$0
<u>Expenditures:</u>				
Total Expenditures	0	0	0	0
Net Change in Fund Balance	0	0	0	0
Fund Balances at Beginning of Year	1,732	1,732	1,732	0
Fund Balances at End of Year	<u>\$1,732</u>	<u>\$1,732</u>	<u>\$1,732</u>	<u>\$0</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
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Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Drug Free School Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Total Revenues	\$0	\$0	\$0	\$0
<u>Expenditures:</u>				
Support Services:				
Instructional Staff	255	255	0	255
Total Expenditures	255	255	0	255
Excess of Revenues (Under Expenditures)	(255)	(255)	0	255
<u>Other Financing Uses:</u>				
Refund of Prior Year Receipts	0	0	(1,361)	(1,361)
Total Other Financing Uses	0	0	(1,361)	(1,361)
Net Change in Fund Balance	(255)	(255)	(1,361)	(1,106)
Fund Balances at Beginning of Year	1,106	1,106	1,106	0
Prior Year Encumbrances Appropriated	255	255	255	0
Fund Balances at End of Year	<u>\$1,106</u>	<u>\$1,106</u>	<u>\$0</u>	<u>(\$1,106)</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	EHA Preschool Grant			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$27,131	\$30,270	\$58,377	\$28,107
Total Revenues	27,131	30,270	58,377	28,107
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	4,328	9,118	9,118	0
Support Services:				
Pupils	50,911	48,908	48,908	0
Instructional Staff	0	2,611	2,611	0
Total Expenditures	55,239	60,637	60,637	0
Excess of Revenues Over (Under) Expenditures	(28,108)	(30,367)	(2,260)	28,107
<u>Other Financing Uses:</u>				
Advances In	0	0	56,700	56,700
Advances Out	0	(82,546)	(82,546)	0
Net Change in Fund Balance	(28,108)	(112,913)	(28,106)	84,807
Fund Balances at Beginning of Year	0	0	0	0
Prior Year Encumbrances Appropriated	28,108	28,108	28,108	0
Fund Balances (Deficit) at End of Year	\$0	(\$84,805)	\$2	\$84,807

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Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Improving Teacher Quality			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$516,720	\$689,593	\$329,834	(\$359,759)
Total Revenues	516,720	689,593	329,834	(359,759)
<u>Expenditures:</u>				
Current:				
Support Services:				
Instructional Staff	596,455	596,624	596,624	0
Total Expenditures	596,455	596,624	596,624	0
Excess of Revenues Over Expenditures	(79,735)	92,969	(266,790)	(359,759)
<u>Other Financing Sources (Uses):</u>				
Advances In	0	124,020	124,020	0
Advances Out	0	(81,184)	(81,184)	0
Transfers In	0	12,644	12,644	0
Transfers Out	0	(12,644)	(12,644)	0
Total Other Financing Sources (Uses)	0	42,836	42,836	0
Net Change in Fund Balance	(79,735)	135,805	(223,954)	(359,759)
Fund Balances at Beginning of Year	1	1	1	0
Prior Year Encumbrances Appropriated	79,734	79,734	79,734	0
Fund Balances (Deficit) at End of Year	<u>\$0</u>	<u>\$215,540</u>	<u>(\$144,219)</u>	<u>(\$359,759)</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012

	Miscellaneous Federal Grants			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Intergovernmental	\$0	\$61,605	\$95,245	\$33,640
Total Revenues	0	61,605	95,245	33,640
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	66,205	79,498	79,498	0
Special	15,182	18,230	18,230	0
Support Services:				
Instructional Staff	52,911	63,535	63,535	0
Pupil Transportation	28,417	34,122	34,122	0
Total Expenditures	162,715	195,385	195,385	0
Excess of Revenues Over (Under) Expenditures	(162,715)	(133,780)	(100,140)	33,640
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	0	0	4,170	4,170
Refund of Prior Year Receipts	0	(879)	(879)	0
Advances In	0	0	3,688	3,688
Advances Out	0	(23,783)	(23,783)	0
Total Other Financing Sources (Uses)	0	(24,662)	(16,804)	7,858
Net Change in Fund Balance	(162,715)	(158,442)	(116,944)	41,498
Fund Balances at Beginning of Year	33,235	33,235	33,235	0
Prior Year Encumbrances Appropriated	107,906	107,906	107,906	0
Fund Balances (Deficit) at End of Year	(\$21,574)	(\$17,301)	\$24,197	\$41,498

Middletown City School District
Butler County, Ohio
Combining Balance Sheet - Nonmajor Capital Projects Funds
June 30, 2012

	Permanent Improvement	Building	Total Nonmajor Capital Projects Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$ 771	\$ 980,122	\$ 980,893
Receivables:			
Property and Other Taxes	548,438	-	548,438
Total Assets	<u>549,209</u>	<u>980,122</u>	<u>1,529,331</u>
Liabilities and Fund Balances			
Liabilities:			
Deferred Revenue	541,098	-	541,098
Total Liabilities	<u>541,098</u>	<u>-</u>	<u>541,098</u>
Fund Balances:			
Committed	8,111	-	8,111
Restricted	-	980,122	980,122
Total Fund Balances	<u>8,111</u>	<u>980,122</u>	<u>988,233</u>
Total Liabilities and Fund Balances	<u>\$ 549,209</u>	<u>\$ 980,122</u>	<u>\$ 1,529,331</u>

Middletown City School District
Butler County, Ohio
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2012

	Permanent Improvement	Building Fund	Total Nonmajor Capital Projects Funds
Revenues:			
Property and other taxes	\$ 90,834	\$ -	\$ 90,834
Intergovernmental	10,268	-	10,268
Interest	-	2,299	2,299
Total Revenues	101,102	2,299	103,401
Expenditures:			
Instruction:			
Regular	-	4,365	4,365
Special	-	33,890	33,890
Support Services:			
Instructional Staff	10,335	-	10,335
Administration	4,692	24,900	29,592
Fiscal	143	-	143
Operation and Maintenance of Plant	6,288	139,476	145,764
Pupil Transportation	6,830	-	6,830
Central	112,024	127,200	239,224
Capital Outlay	3,760	356,389	360,149
Total Expenditures	144,072	686,220	830,292
Net Change in Fund Balances	(42,970)	(683,921)	(726,891)
Fund Balances - beginning	51,081	1,664,043	1,715,124
Fund Balances - ending	<u>\$ 8,111</u>	<u>\$ 980,122</u>	<u>\$ 988,233</u>

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2012

	Permanent Improvement			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Property and Other Local Taxes	\$0	\$0	\$83,494	\$83,494
Intergovernmental	0	0	10,268	10,268
Total Revenues	0	0	93,762	93,762
<u>Expenditures:</u>				
Current:				
Support Services:				
Instructional Staff	0	10,335	10,335	0
Administration	0	4,692	4,692	0
Fiscal	0	143	143	0
Operation and Maintenance of Plant	0	6,288	6,288	0
Pupil Transportation	0	6,830	6,830	0
Central	51,081	127,002	127,002	0
Capital Outlay	0	3,760	3,760	0
Total Expenditures	51,081	159,050	159,050	0
Net Change in Fund Balance	(51,081)	(159,050)	(65,288)	93,762
Fund Balances at Beginning of Year	51,081	51,081	51,081	0
Fund Balances (Deficit) at End of Year	\$0	(\$107,969)	(\$14,207)	\$93,762

Middletown City School District
Butler County, Ohio
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual -
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2012

	Building Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<u>Revenues:</u>				
Interest	\$0	\$2,500	\$2,299	(\$201)
Total Revenues	0	2,500	2,299	(201)
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	0	4,365	4,365	0
Special	0	33,890	33,890	0
Support Services:				
Administration	1,500,000	24,900	24,900	0
Operation and Maintenance of Plant	0	142,276	142,276	0
Central	0	127,200	127,200	0
Capital Outlay	193,136	356,389	356,389	0
Total Expenditures	1,693,136	689,020	689,020	0
Net Change in Fund Balance	(1,693,136)	(686,520)	(686,721)	(201)
Fund Balances at Beginning of Year	1,558,476	1,558,476	1,558,476	0
Prior Year Encumbrances Appropriated	105,568	105,568	105,568	0
Fund Balances (Deficit) at End of Year	(\$29,092)	\$977,524	\$977,323	(\$201)

**Middletown City School District
Butler County, Ohio
Combining Statement of Changes
in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2012**

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Student Managed Activities				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 84,901	\$ 103,918	\$ 94,919	\$ 93,900
Total Assets	<u>84,901</u>	<u>103,918</u>	<u>94,919</u>	<u>93,900</u>
<u>Liabilities:</u>				
Accounts Payable	89	896	89	896
Due to Students	<u>84,812</u>	<u>9,088</u>	<u>896</u>	<u>93,004</u>
Total Liabilities	<u>\$ 84,901</u>	<u>\$ 9,984</u>	<u>\$ 985</u>	<u>\$ 93,900</u>

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Statistical Section



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

**STATISTICAL SECTION DESCRIPTIONS
JUNE 30, 2012**

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

<u>Contents</u>	<u>Pages</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the School District's financial performance and situation have changed over time.	111-116
Revenue Capacity	
These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax and income tax.	117-120
Debt Capacity	
These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.	121-125
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within in which the School District's financial activities takes place.	126-127
Operating Information	
These schedules contain operational data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.	128-133

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Middletown City School District
Butler County, Ohio
 Net Assets by Component
 Last Ten Years
(accrual basis of accounting)

	2012	2011	2010	2009 (1)	2008
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 8,239,520	\$ 8,243,758	\$ 6,999,059	\$ 5,483,895	\$ 12,290,959
Restricted	3,507,622	5,998,474	3,734,017	4,704,174	5,485,245
Unrestricted (Deficit)	<u>(2,541,175)</u>	<u>(2,282,638)</u>	<u>6,290,172</u>	<u>8,488,821</u>	<u>7,913,355</u>
<i>Total Governmental Activities Net Assets</i>	<u>\$ 9,205,967</u>	<u>\$ 11,959,594</u>	<u>\$ 17,023,248</u>	<u>\$ 18,676,890</u>	<u>\$ 25,689,559</u>
	2007	2006	2005	2004	2003
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 7,823,154	\$ 3,333,501	\$ 3,139,917	\$ 1,764,137	\$ 10,017,056
Restricted	17,120,766	12,868,892	9,985,928	12,430,660	8,437,904
Unrestricted (Deficit)	<u>(4,558,346)</u>	<u>(3,327,956)</u>	<u>(2,697,142)</u>	<u>1,078,324</u>	<u>(1,886,754)</u>
<i>Total Governmental Activities Net Assets</i>	<u>\$ 20,385,574</u>	<u>\$ 12,874,437</u>	<u>\$ 10,428,703</u>	<u>\$ 15,273,121</u>	<u>\$ 16,568,206</u>

Source: School District financial records

(1) Amounts have been restated as previously reported.

Middletown City School District
Butler County, Ohio
Changes in Net Assets
Last Ten Years
(accrual basis of accounting)

	2012	2011	2010 (1)	2009
Expenses				
Governmental Activities:				
Instruction	46,929,114	50,188,859	49,044,574	47,565,415
Support Services:				
Pupils	4,655,026	5,585,042	4,919,527	4,664,923
Instructional Staff	4,939,816	5,229,348	5,980,662	5,950,980
Board of Education	56,405	52,578	103,269	39,990
Administration	4,530,426	5,343,818	5,899,057	5,918,107
Fiscal	723,250	670,419	1,455,723	1,350,653
Business	441,139	469,884	511,414	484,511
Operation and Maintenance of Plant	7,792,863	7,399,143	7,712,461	8,501,464
Pupil Transportation	3,758,699	3,682,543	3,685,251	3,292,293
Central	3,397,181	5,344,434	1,963,221	2,330,840
Operation of Non-Instructional Services	4,369,441	3,886,436	3,651,317	3,843,355
Extracurricular Activities	1,025,636	1,028,730	1,002,233	1,022,353
Interest on Long-Term Debt	2,703,229	2,840,830	2,857,619	3,009,066
Total Governmental Activities Expenses	85,322,225	91,722,064	88,786,328	87,973,950
Program Revenues				
Governmental Activities:				
Charges for Services:				
Instruction	760,855	747,531	708,352	717,696
Support Services	101,071	169,629	206,090	178,057
Other	816,136	781,124	864,398	917,389
Operating Grants and Contributions	12,112,072	19,941,094	18,469,879	17,762,109
Capital Grants and Contributions	0	0	316,140	66,437
Total Governmental Activities Program Revenues	13,790,134	21,639,378	20,564,859	19,641,688
Net (Expense)/Revenue	(71,532,091)	(70,082,686)	(68,221,469)	(68,332,262)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Property Taxes:				
General purposes	27,947,132	28,460,928	15,443,139	16,749,487
Special revenue	-	-	13,390,494	14,565,287
Debt service	3,816,214	3,477,334	3,404,818	3,862,804
Capital projects	113,113	-	-	-
Grants and Entitlements not Restricted to Specific Programs	35,874,604	32,733,997	33,774,716	33,102,516
Investment Earnings	9,601	28,936	26,337	228,509
Payments in Lieu of Taxes	552,566	280,612	517,839	0
Unrestricted contributions	0	0	0	0
Miscellaneous	465,234	37,225	10,484	23,272
Total Governmental Activities	68,778,464	65,019,032	66,567,827	68,531,875
Change in Net Assets	\$ (2,753,627)	\$ (5,063,654)	\$ (1,653,642)	\$ 199,613

Source: School District financial records

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

2008 (2)	2007	2006	2005	2004	2003
43,559,450	42,406,738	42,988,158	42,252,745	39,780,688	40,067,476
4,269,073	4,499,071	4,182,323	4,358,304	4,220,322	4,046,144
4,294,621	4,767,755	4,104,223	3,540,476	3,427,309	3,767,945
0	0	0	0	0	0
4,998,030	5,583,789	5,297,966	6,118,189	5,725,050	5,945,318
1,602,802	1,565,314	1,346,439	1,486,704	1,316,828	1,190,464
378,914	498,372	302,611	355,906	271,843	205,079
8,650,520	7,228,123	7,612,955	7,256,478	6,912,662	6,719,128
3,179,889	3,062,815	2,919,435	3,000,568	2,655,273	2,271,967
1,764,603	2,098,304	1,707,030	1,909,674	1,672,277	1,638,800
3,689,463	3,097,638	3,960,309	3,636,886	4,028,191	918,003
787,327	912,856	795,465	680,257	804,618	735,315
2,999,529	2,437,992	3,449,841	3,258,401	1,403,415	18,532
<u>80,174,221</u>	<u>78,158,767</u>	<u>78,666,755</u>	<u>77,854,588</u>	<u>72,218,476</u>	<u>67,524,171</u>
536,644	826,053	698,140	512,974	567,430	322,602
470,327	254,075	306,150	177,214	221,376	233,932
921,098	1,088,329	1,103,420	1,319,498	1,366,569	201,284
17,204,236	18,905,396	14,625,856	10,463,524	10,042,965	7,935,288
14,078	94,861	27,023	99,364	135,480	195,055
<u>19,146,383</u>	<u>21,168,714</u>	<u>16,760,589</u>	<u>12,572,574</u>	<u>12,333,820</u>	<u>8,888,161</u>
<u>(61,027,838)</u>	<u>(56,990,053)</u>	<u>(61,906,166)</u>	<u>(65,282,014)</u>	<u>(59,884,656)</u>	<u>(58,636,010)</u>
19,017,594	19,301,596	21,009,706	20,001,616	25,655,529	19,959,809
15,925,322	15,998,068	13,680,223	9,568,394	6,387,321	10,173,736
4,373,040	4,243,108	4,513,669	4,779,338	2,105,183	226,967
-	-	-	-	-	-
25,460,103	22,572,267	23,692,530	23,197,208	24,016,973	22,943,643
1,391,914	2,131,508	1,667,994	1,933,251	715,854	514,161
0	54,728	75,613	96,121	108,066	117,986
24,728	22,223	4,977	11,547	76,893	62,468
139,122	177,692	244,051	850,121	0	294,034
<u>66,331,823</u>	<u>64,501,190</u>	<u>64,888,763</u>	<u>60,437,596</u>	<u>59,065,819</u>	<u>54,292,804</u>
<u>\$ 5,303,985</u>	<u>\$ 7,511,137</u>	<u>\$ 2,982,597</u>	<u>\$ (4,844,418)</u>	<u>\$ (818,837)</u>	<u>\$ (4,343,206)</u>

Middletown City School District
Butler County, Ohio
Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2012	2011 (1)	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Restricted	\$ 24,610	\$ 186,444	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Assigned	306,347	739,638	0	0	0	0	0	0	0	0
Unassigned	(4,483,802)	(3,717,700)	0	0	0	0	0	0	0	0
Reserved	0	0	1,305,189	1,392,826	1,280,574	21,167	920,335	1,124,195	1,889,528	2,390,098
Unreserved	0	0	2,589,792	(1,245,433)	(3,511,819)	(6,546,685)	(4,806,920)	(4,218,816)	(4,414,450)	(288,621)
Total General Fund	(4,152,845)	(2,791,618)	3,894,981	147,393	(2,231,245)	(6,525,518)	(3,886,585)	(3,094,621)	(2,524,922)	2,101,477
All Other Governmental Funds										
Nonspendable	\$ 29,397	\$ 41,988	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted	3,253,825	4,631,246	0	0	0	0	0	0	0	0
Committed	8,111	51,081	0	0	0	0	0	0	0	0
Unassigned	(25,155)	(20,782)	0	0	0	0	0	0	0	0
Reserved	0	0	1,457,598	2,351,469	7,505,213	16,761,290	36,190,661	20,901,245	3,260,690	1,480,242
Undesignated, Reported in:										
Special Revenue funds	0	0	(489,675)	3,774,571	3,183,607	4,710,288	(1,083,966)	(1,324,002)	3,581,989	4,495,189
Debt Service funds	0	0	2,186,547	2,352,696	1,896	2,040,524	7,444,955	53,297,603	75,199,149	245,622
Capital Projects funds	0	0	(907,311)	(1,265,409)	(1,711,469)	(1,566,396)	(2,922,416)	(3,327,299)	(1,236,199)	108,809
Total All Other Governmental Funds	3,266,178	4,703,533	2,267,159	7,213,327	8,979,247	21,945,706	39,629,234	69,547,547	80,805,629	6,329,862
Total Governmental Funds	(\$886,667)	\$1,911,915	\$6,162,140	\$7,360,720	\$6,748,002	\$15,420,188	\$35,742,649	\$66,452,926	\$78,280,707	\$8,431,339

Source: The School District records.
(1) The School District implemented GASB 54 for 2011 and has chosen to not retroactively implement it.

Middletown City School District
Butler County, Ohio
 Changes in Fund Balances, Governmental Funds
 Last Ten Years
 (modified accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Property Taxes	\$31,341,229	\$30,834,774	\$31,981,033	\$34,695,348	\$39,009,403	\$39,823,228	\$38,451,663	\$35,174,840	\$31,977,851	\$30,360,512
Payment in Lieu of Taxes	148,212	279,392	511,536	0	0	0	0	0	0	55,096
Tuition and Fees	724,610	525,839	516,322	493,420	972,600	1,027,156	939,407	638,515	653,559	389,961
Transportation Fees	0	65,664	144,614	97,048	0	0	0	0	0	0
Interest	9,601	29,126	31,260	223,963	1,391,914	2,131,508	1,687,994	1,933,143	715,854	514,161
Rent	10,458	0	0	0	0	0	0	0	0	0
Charges for Services	588,504	561,722	614,698	667,441	637,736	811,212	823,804	1,113,242	1,225,238	0
Extracurricular Activities	341,328	320,910	308,483	280,515	260,034	254,306	228,349	229,091	239,873	273,536
Classroom materials and fees	0	138,801	109,042	142,369	0	0	0	0	0	0
Gifts and Donations	110,623	0	0	0	0	0	0	0	0	0
Miscellaneous	477,276	200,672	200,899	204,393	221,847	275,698	354,519	899,993	278,851	384,531
Intergovernmental	48,553,938	51,866,741	53,233,060	51,642,603	42,563,950	41,943,602	37,336,145	33,965,516	33,728,062	31,272,030
Total Revenues	82,305,779	84,823,641	87,650,957	88,447,100	85,057,184	86,266,710	79,801,881	73,954,340	68,819,288	63,249,727
Expenditures										
Current:										
Instruction:										
Support Services	47,192,759	48,974,881	47,816,574	46,381,711	42,666,670	41,718,933	42,426,014	41,082,618	39,833,435	39,331,434
Pupils	4,695,154	5,502,709	4,825,255	4,454,170	4,318,458	4,484,000	4,161,383	4,294,936	4,249,898	4,033,639
Instructional Staff	4,964,134	5,182,361	5,827,474	5,809,655	4,338,546	4,747,707	4,024,607	3,517,975	3,423,316	3,756,688
Board of Education	56,405	51,456	101,002	39,105	0	0	0	0	0	0
Administration	4,517,281	5,327,370	5,809,833	5,702,554	5,064,734	5,535,204	5,258,967	6,055,443	5,705,428	5,902,488
Fiscal	717,447	654,400	1,417,411	1,329,362	1,626,470	1,567,948	1,331,287	1,484,731	1,320,047	1,194,161
Business	427,734	444,542	485,305	456,107	426,545	489,650	288,765	329,267	257,521	220,962
Operation and Maintenance of Plant	5,464,243	6,239,542	6,735,701	8,125,211	6,992,725	8,997,255	7,343,598	6,983,690	6,859,066	7,074,712
Pupil Transportation	3,629,508	3,527,369	3,472,888	3,379,531	3,116,607	2,913,572	2,693,862	2,750,990	2,485,935	2,504,501
Central	3,853,759	3,782,437	1,954,306	2,221,285	1,715,473	2,033,815	1,548,663	1,794,486	1,584,175	1,665,322
Operation of Non-Instructional Services	4,382,701	3,634,439	3,583,679	3,756,691	3,685,944	3,072,757	3,999,121	3,634,918	3,935,230	909,419
Extracurricular Activities	1,017,934	1,008,812	977,802	1,014,207	789,531	913,324	792,039	677,981	802,265	741,966
Facilities acquisition and construction	0	701,820	510,385	1,206,649	0	0	0	0	0	0
Capital Outlay	397,027	1,348,767	0	478,000	13,708,012	25,417,655	32,295,128	8,501,833	459,630	0
Debt service:										
Principal Retirement	927,375	860,261	2,357,860	2,229,778	2,813,657	2,049,492	1,872,944	4,269,617	122,636	50,739
Interest and Fiscal Charges	2,881,709	3,007,587	3,036,523	3,167,536	3,178,262	2,651,808	3,408,083	3,270,067	1,424,838	17,976
Total Expenditures	85,115,170	90,468,753	88,911,998	88,751,552	94,440,634	106,593,120	111,444,471	88,648,552	72,463,420	67,404,017
Excess of Revenues Over (Under) Expenditures	(2,809,391)	(5,645,112)	(1,261,041)	(304,452)	(9,383,450)	(20,326,410)	(31,642,590)	(14,694,212)	(3,644,132)	(4,154,290)
Other Financing Sources (Uses)										
Transfers in	620,080	692,375	699,567	1,932	366,669	963,581	0	100	76,060,346	523,102
Transfers Out	(620,080)	(692,375)	(699,567)	(1,932)	(366,669)	(963,581)	0	(100)	(76,060,346)	(523,102)
Sale of capital assets	10,810	46,120	62,461	913	33,602	3,949	10,660	45,485	7,120	40,983
Capital lease transaction	0	1,348,767	0	478,000	677,662	0	921,653	3,254,828	70,800,000	374,688
Issuance of long term debt	0	0	0	0	0	55,465,000	0	0	0	0
Sale of refunding bonds	0	0	0	0	0	(765,639)	0	0	0	0
Refunding bond issuance costs	0	0	0	0	0	(59,855,611)	0	0	0	0
Payments to refunding bond escrow agent	0	0	0	0	0	0	0	0	0	0

Middletown City School District
Butler County, Ohio
 Changes in Fund Balances, Governmental Funds
 Last Ten Years
(modified accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Premium on the sale of refunding bonds	0	0	0	0	0	5,156,250	0	0	0	0
Insurance proceeds	0	0	0	438,257	0	0	0	0	0	0
Issuance of bonds	0	0	0	0	0	0	0	0	3,184,930	0
Total Other Financing Sources (Uses)	10,810	1,394,887	62,461	917,170	711,264	3,949	932,313	3,300,313	73,992,050	415,671
Net Change in Fund Balances	(\$2,798,581)	(\$4,250,225)	(\$1,198,580)	\$612,718	(\$8,672,166)	(\$20,322,461)	(\$30,710,277)	(\$11,393,899)	\$70,347,918	(\$3,738,619)
Debt Service as a Percentage of Noncapital Expenditures	4.55%	4.38%	6.10%	6.20%	7.52%	5.99%	6.67%	9.37%	2.17%	0.10%

Source: School District records

Middletown City School District
Butler County, Ohio
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Collection (Calendar) Years

Tax Year	Real Property		Tangible Personal Property		Public Utilities Personal		Total		Direct Rate	Ratio
	Assessed Value		Assessed Value		Assessed Value		Assessed Value	Estimated Actual Value		
2002	\$ 665,606,070	\$	245,768,523	\$	41,319,270	\$	952,693,863	\$ 2,931,759,437	\$ 34.78	32.50%
2003	685,392,310		236,048,065		38,401,320		959,841,695	2,946,093,867	33.58	32.58%
2004	769,265,780		261,226,106		44,182,110		1,074,673,996	3,293,013,596	38.08	32.63%
2005	696,828,230		247,896,469		44,752,120		989,476,819	3,033,378,357	38.08	32.62%
2006	761,885,206		271,040,472		48,930,248		1,081,855,926	3,309,907,010	45.13	32.69%
2007	717,245,370		133,592,134		36,901,260		887,738,764	2,620,542,282	45.75	33.88%
2008	799,643,380		-		38,837,820		838,481,200	2,480,713,609	45.75	33.80%
2009	750,828,210		-		40,785,100		791,613,310	2,342,051,213	47.00	33.80%
2010	739,511,220		-		50,482,380		789,993,600	2,337,259,172	46.99	33.80%
2011	673,961,050		-		51,549,940		725,510,990	2,072,888,543	47.16	35.00%

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

Note: The assessed value of real property (including public utility real property) is 35 percent of estimated true value.
 The tangible personal property tax of general business and railroad property was eliminated in 2009.
 The tangible personal property tax of telephone and telecommunications property was eliminated in 2011.
 The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates generated the property tax revenue to be received in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by 10 percent, 2 1/2 percent and homestead exemption exemptions before being billed.

**Middletown City School District
Butler County, Ohio**

Property Tax Rates (Per \$1,000 of Assessed Value)
Direct and Overlapping Governments
Last Ten Calendar Years

Calendar Years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Middletown City School District										
General	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27	\$ 18.27
Emergency	11.35	10.15	10.15	10.15	17.20	17.82	17.82	18.89	18.81	18.81
Bond	0.24	0.24	4.74	4.74	4.74	4.74	4.74	4.92	4.99	4.75
Unvoted	4.92	4.92	4.92	4.92	4.92	4.92	4.92	4.92	4.92	5.16
Total	34.78	33.58	38.08	38.08	45.13	45.75	45.75	47.00	46.99	46.99
Overlapping Rates										
Butler County	8.45	8.75	8.75	8.75	10.95	10.95	9.75	9.75	9.72	9.72
Warren County	4.00	4.00	4.96	6.53	6.46	6.71	5.21	5.78	5.78	7.78
Franklin Township (1)	NA	NA	NA	NA	NA	NA	7.17	4.00	3.87	3.87
Turtlecreek Township (2)	NA	NA	NA	NA	NA	NA	1.61	1.61	0.61	9.12
City of Middletown	5.86	5.86	5.86	5.86	5.90	5.90	5.90	5.90	5.90	5.90
Butler Tech	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93
Total	7.79	7.79	7.79	7.79	7.83	7.83	16.61	13.44	12.31	20.82
Total	\$ 42.57	\$ 41.37	\$ 45.87	\$ 45.87	\$ 52.96	\$ 53.58	\$ 62.36	\$ 60.44	\$ 59.30	\$ 67.81

* .24 is unvoted that is for bonds. I have included it as unvoted this year.

Source: County Auditor

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

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

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

NA - Information not available.

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

Calendar Year	Taxes Levied for the Calendar Year (1)		Collected within the Calendar Year of the Levy		Collections from Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes (3)	Percent of Outstanding Delinquent Taxes to Tax Levied
	Amount	Percentage of Levy	Amount (2)	Percentage of Levy		Amount	Percent of Levy		
2002	\$ 22,470,749	84.36%	\$ 18,955,457	84.36%	\$ 893,360	\$ 19,848,817	88.33%	NA	0.00%
2003	24,846,651	89.87%	22,329,032	89.87%	975,874	23,304,906	93.79%	NA	0.00%
2004	28,625,917	85.38%	24,440,699	85.38%	1,173,928	25,614,627	89.48%	NA	0.00%
2005	26,179,182	93.22%	24,403,174	93.22%	1,325,800	25,728,974	98.28%	NA	0.00%
2006	32,065,355	92.69%	29,721,793	92.69%	1,516,132	31,237,925	97.42%	3,045,480	9.50%
2007	40,619,396	82.39%	33,468,165	82.39%	1,726,207	35,194,372	86.64%	4,273,994	10.52%
2008	38,249,797	84.60%	32,358,689	84.60%	2,393,834	34,752,523	90.86%	3,893,720	10.18%
2009	35,638,317	85.50%	30,469,584	85.50%	2,134,606	32,604,190	91.49%	4,202,583	11.79%
2010	32,511,295	96.18%	31,267,882	96.18%	918,290	32,186,172	99.00%	4,852,706	14.93%
2011	32,633,101	97.09%	31,682,293	97.09%	1,736,442	33,418,735	102.41%	5,357,474	16.42%

Source: Butler County Auditor

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

Middletown City School District
Butler County, Ohio
 Top Ten Principal Taxpayers
 Real Property Only

Current Year and Six Years Ago

Name of Taxpayer	Calendar Year 2011			Calendar Year 2005		
	Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Duke Energy Ohio Inc. (formerly Cincinnati Gas/Elec)	\$ 27,110,340	1	3.43%	\$ 31,002,250	1	3.13%
AK Steel Corporation	12,847,010	2	1.63%	15,095,550	2	1.53%
Rockies Express Pipeline	4,543,090	3	0.58%	4,166,220	7	0.42%
Precision Shop, Inc.	4,154,670	4	0.53%	3,424,340	9	0.35%
Fath Village East Apartments	3,903,420	5	0.49%	4,061,950	6	0.41%
Southwestern Ohio Steel Inc.	3,874,760	6	0.49%	3,567,860	8	0.36%
Boymel Sam	3,500,010	7	0.44%	5,373,220	4	0.54%
Meijer Stores Unlimited	3,031,590	8	0.38%			
Liberty Retirement Properties	2,563,510	9	0.32%			
Kroger Limited Partners	2,452,690	10	0.31%	2,272,110	10	0.23%
Bavarian Woods LLC			0.00%	5,836,540	3	0.59%
Ohio Bell Telephone			0.00%	4,284,480	5	0.43%
Towne Mall						
Total	\$ 67,981,090		8.61%	\$ 79,084,520		7.99%
Total Assessed Valuation	\$ 789,993,600			\$ 989,476,819		

Butler and Warren County Auditors

Source:

Note: Information was not available for calendar year 2002; therefore, the District has presented information from six years ago that was available.

Middletown City School District
Butler County, Ohio

Ratio of Net General Bonded Debt to Estimated Actual Value, Personal Income and per Capita
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities (a)					Total Primary Government (c)	Less Bond Retirement Fund	Net Bond Debt	Ratio of Net Bonded Debt to Estimated Actual Value (d)	Net Bonded Debt to Personal Income (b)	Net Bonded Debt per Capita (b)
	Construction Bonds	Refunding Bonds	Long-Term Capital Notes	Capital Leases							
2003	\$ -	\$ -	\$ -	\$ 323,949	\$ -	\$ 323,949	\$ 245,622	\$ 78,327	0.07%	7.63%	2
2004	70,800,000	-	-	201,313	-	71,001,313	75,199,149	(4,197,836)	-2.73%	-410.23%	(81)
2005	66,970,000	-	1,421,541	1,594,983	-	69,986,524	7,444,955	62,541,569	35.39%	6131.82%	1,212
2006	65,650,000	-	1,354,916	2,030,317	-	69,035,233	7,444,955	61,590,278	34.41%	6128.35%	1,203
2007	7,155,000	55,391,656	1,285,060	1,570,681	-	65,402,397	2,040,524	63,361,873	32.37%	6325.52%	1,242
2008	5,555,000	54,719,650	1,889,478	1,105,268	-	63,269,396	1,896	63,267,500	150.88%	6228.07%	1,223
2009	3,910,000	54,740,000	1,744,916	1,193,052	-	61,587,968	2,352,696	59,235,272	134.22%	5867.09%	1,152
2010	3,610,000	53,380,000	1,596,629	643,479	-	59,230,108	2,186,547	57,043,561	123.08%	5666.91%	1,164
2011	3,285,000	53,340,000	1,444,436	1,629,178	-	59,698,614	725,144	58,973,470	102.80%	5895.45%	1,211
2012	2,930,000	53,295,000	1,288,149	1,258,090	-	58,771,239	1,307,781	57,463,458	98.09%	5886.05%	1,180

Source: School District records

- (a) See notes to the financial statements regarding the District's outstanding debt information and does not include short term notes payable
- (b) See schedule "Demographic and Economic Statistics, Last Ten Years" for personal income, per capita, population and enrollment information.
- (c) Premiums have been removed from this table causing some balances to be restated.
- (d) Assessed values are on a calendar year basis (i.e. fiscal year 2011 is calendar year 2010).

Middletown City School District
Butler County, Ohio
 Computation of Direct and Overlapping Debt
 June 30, 2012

Governmental Unit	Gross General Obligation Bonds	Percent Applicable to District (1)	Amount Applicable to District
Direct:			
Middletown City School District	\$ 62,734,737	100.00%	\$ 62,734,737
Overlapping:			
Butler County (2)	80,562,000	10.50%	8,459,010
Warren County (2)	6,862,000	1.37%	94,009
City of Middletown (2)	40,419,000	91.88%	37,136,977
Total Overlapping	127,843,000		45,689,997
Total Direct and Overlapping Debt	\$ 190,577,737		\$ 108,424,734

Sources:

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

(2) City of Middletown annual financial report for December 31, 2011

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Middletown City School District
 Butler County, Ohio
 Computation of Legal Debt Margin
 Last Ten Years

	2012	2011	2010	2009
Assessed Valuation of District	\$ 725,510,990			
<u>Overall Direct Debt Limit</u>				
Direct Debt Limitation 9% of assessed valuation (1)	\$ 65,295,989			
Amount available in Debt Service Fund	1,307,781			
Gross Indebtedness	58,771,239			
Less Exempt Debt: General Obligation Notes	-			
Net Indebtedness	58,771,239			
Legal Debt Margin within 9% Limitation	\$ 7,832,531	\$ 71,099,424	\$ 71,244,499	\$ 75,419,703
Total Net Debt Applicable to the Limit as a Percentage of the Limit	88.24%			
<u>Unvoted Direct Debt Limitation</u>				
Unvoted Debt Limitation 0.1% of assessed valuation	\$ 725,511	\$ 952,694	\$ 959,842	\$ 1,074,674

Source: School District records

(1) Assessed values are on a calendar year basis (i.e fiscal year 2011 is calendar year 2010)

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>\$ 79,896,489</u>	<u>\$ 97,367,033</u>	<u>\$ 89,052,914</u>	<u>\$ 96,720,660</u>	<u>\$ 86,385,753</u>	<u>\$ 85,742,448</u>
<u>\$ 989,477</u>	<u>\$ 1,081,856</u>	<u>\$ 887,739</u>	<u>\$ 838,481</u>	<u>\$ 791,613</u>	<u>\$ 789,994</u>

**Middletown City School District
Butler County, Ohio**

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

Year	Population (1)	Personal Income 000s (1)	Per-Capita Personal Income	Unemployment Rate (2)
2011	48,694	976,266	20,049	7.50%
2010	48,694	1,000,321	20,543	9.10%
2009	49,000	1,006,607	20,543	10.10%
2008	51,422	1,009,620	19,634	9.20%
2007	51,739	1,015,844	19,634	5.10%
2006	51,018	1,001,687	19,634	5.60%
2005	51,187	1,005,006	19,634	5.20%
2004	51,583	1,019,951	19,773	4.30%
2003	51,752	1,023,292	19,773	4.50%
2002	51,894	1,026,100	19,773	4.50%

Sources:

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

(2) Ohio Bureau of Employment Services, rates are Butler County.

Middletown City School District
Butler County, Ohio
Principal Employers
Current Year and Eight Years Ago

2011		
Employer	Employees	Percentage of Total City Employment
AK Steel	2,540	12.80 %
Atrium Medical Center	2,025	10.20
CBS Temporary Service, LLC	1,582	7.97
CM Temporary Services, Inc.	952	4.80
Crown Service 36 LLC	897	4.52
McGraw/Kokosing	830	4.18
Middletown City School District	775	3.91
Garden Manor Extended Care	718	3.62
Kokosing Construction	640	3.23
Miami University	607	3.06
Total	11,566	58.28 %
Total City Employees	19,844	

2003		
Employer	Employees	Percentage of Total City Employment
AK Steel	4,072	19.00%
Atrium Medical Center (formerly Middletown Regional Hospital)	1,470	6.86%
Robert Lee Brown	1,170	5.46%
Middletown City School District	986	4.60%
City of Middletown	531	2.48%
Jefferson Smutfit Corporation	354	1.65%
McGraw/Kokosing	348	1.62%
Aeronca	255	1.19%
Miami University	250	1.17%
Southwest Ohio Steel, Inc.	190	0.89%
Total	9,626	44.92%
Total City Employees	21,433	

Source: City of Middletown annual financial report for December 31, 2011

Note: Information was not available for calendar year 2001; therefore, the District has presented information from eight years ago that was available.

Middletown City School District
Butler County, Ohio
 Full-Time Equivalent School Employees by Function/Program
 Last Ten Fiscal Years

Function/program	2012 (2)	2011	2010	2009	2008	2007	2006 (1)	2005	2004	2003
Instruction:										
Classroom teachers	324.29	342.49	380.05	401.00	306.50	337.50	354.50	367.00	408.00	435.00
Special Education teachers and tutors	78.68	95.41	84.65	86.00	80.00	78.00	69.00	70.00	75.00	72.00
Educational aides	2.00	37.80	66.00	67.00	58.00	52.00	41.50	43.00	41.00	40.00
Special Education aides and attendants	58.00	57.50	12.00	16.00	9.00	8.00	12.00	12.00	12.00	13.00
Total Instruction	462.97	533.20	542.70	570.00	453.50	475.50	477.00	492.00	536.00	560.00
Support Services:										
Support personnel										
Librarians, nurses, counselors, visiting tea	80.23	70.66	67.35	55.00	91.50	98.00	99.00	92.00	91.00	92.00
Principals	15.00	22.00	23.00	23.00	21.00	23.00	25.00	26.00	28.00	30.00
Central office administration	11	12.00	16.00	24.00	20.00	21.00	19.00	23.00	22.00	23.00
Secretaries and clerical	44.60	47.00	50.00	45.00	46.00	57.00	47.00	48.00	51.00	56.00
Transportation	-	40.81	43.81	47.00	50.00	55.00	51.00	52.00	51.00	51.00
Food service	-	-	-	-	-	-	-	56.00	60.00	57.00
Custodial	31.00	33.00	33.00	37.00	36.00	44.00	45.00	47.00	51.00	54.00
Maintenance and mechanics	7.00	16.00	16.00	8.00	8.00	11.00	12.00	16.00	16.00	15.00
Total Support Services	188.83	241.47	249.16	239.00	272.50	309.00	298.00	360.00	370.00	378.00
Total Governmental Activities	651.80	774.67	791.86	809.00	726.00	784.50	775.00	852.00	906.00	938.00

Source: School District records

- (1) Middletown City School District began outsourcing its food service operation.
- (2) Middletown City School District began outsourcing its transportation operation.

Middletown City School District
Butler County, Ohio
 Operating Statistics
 Last Ten Fiscal Years

Fiscal Year	Enrollment (ADM)	Operating Expenditures (1)	Cost Per Pupil (2)	Percentage Change	Expenses (3)	Cost per pupil (4)	Percentage Change	Teaching Staff	Pupil/Teacher Ratio	Percentage of Free or Reduced Lunches
2012	6,491	80,909,059	12,465	-3.56%	85,322,225	13,145	-6.28%	462	14	72.1%
2011	6,540	84,530,318	12,925	2.16%	91,722,064	14,025	4.27%	438	15	71.5%
2010	6,601	83,517,615	12,652	3.05%	88,786,328	13,450	3.20%	465	14	70.0%
2009	6,750	82,876,238	12,278	8.19%	87,973,950	13,033	7.06%	487	14	63.9%
2008	6,586	74,740,703	11,348	-4.49%	80,174,221	12,173	0.24%	387	17	65.0%
2007	6,436	76,474,165	11,882	11.39%	78,158,767	12,144	6.90%	416	15	66.5%
2006	6,925	73,868,316	10,667	5.75%	78,666,755	11,360	5.03%	424	16	52.3%
2005	7,198	72,607,035	10,087	4.54%	77,854,588	10,816	9.36%	437	16	52.7%
2004	7,302	70,456,316	9,649	9.35%	72,218,476	9,890	11.77%	483	15	48.6%
2003	7,631	67,335,202	8,824	11.01%	67,524,171	8,849	NA	507	15	42.5%

(1) Operating expenditures is total expenditures minus facilities acquisition and construction, capital outlay and debt service from the statement of revenues, expenditures and changes in fund balance.

(2) Operating expenditure by enrollment

(3) Expenses is total expenses from statement of activities

(4) Expenses by enrollment

Source: School District records

Middletown City School District
Butler County, Ohio
 School Building Information
 Last Ten Fiscal Years

	Year Built	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Elementary Schools											
Amanda	1961	68,234	68,234	68,234	68,234	68,234	68,234	68,234	68,234	68,234	68,234
Square Feet		518	518	518	518	518	518	546	546	546	546
Capacity (students)		490	396	410	411	468	400	276	446	385	416
Enrollment		94%	76%	79%	79%	90%	77%	51%	82%	71%	76%
Percentage of capacity (3)		17	17	17	17	17	17	17	17	17	17
Site acreage											
Old Central Academy	1960										
Square Feet		(12)	(12)	(12)	(12)	30,271	30,271	30,271	30,271	30,271	30,271
Capacity (students)		(12)	(12)	(12)	(12)	243	243	243	243	243	243
Enrollment		(12)	(12)	(12)	(12)	245	270	291	292	271	285
Percentage of capacity (3)		(12)	(12)	(12)	(12)	101%	111%	120%	120%	112%	117%
Site acreage		(12)	(12)	(12)	(12)	2	2	2	2	2	2
New Central Academy	1966										
Square Feet		32,795	32,795	32,795	32,795	(9)	(9)	(9)	(9)	(9)	(9)
Capacity (students)		350	350	350	350	(9)	(9)	(9)	(9)	(9)	(9)
Enrollment		414	320	327	293	(9)	(9)	(9)	(9)	(9)	(9)
Percentage of capacity (3)		118%	91%	93%	83%	(9)	(9)	(9)	(9)	(9)	(9)
Site acreage		7	7	7	7	(9)	(9)	(9)	(9)	(9)	(9)
Old Creekview	1961										
Square Feet		(11)	(11)	(11)	(11)	40,869	40,869	40,869	40,869	40,869	40,869
Capacity (students)		(11)	(11)	(11)	(11)	327	327	327	327	327	327
Enrollment		(11)	(11)	(11)	(11)	354	359	417	383	442	342
Percentage of capacity (3)		(11)	(11)	(11)	(11)	108%	110%	128%	117%	135%	105%
Site acreage		(11)	(11)	(11)	(11)	12	12	12	12	12	12
New Creekview	2007										
Square Feet		62,000	62,000	62,000	62,000	62,000	62,000	(5)	(5)	(5)	(5)
Capacity (students)		503	503	503	503	503	503	(5)	(5)	(5)	(5)
Enrollment		423	449	425	455	442	456	(5)	(5)	(5)	(5)
Percentage of capacity (3)		84%	89%	84%	90%	88%	91%	(5)	(5)	(5)	(5)
Site acreage		12	12	12	12	12	12	(5)	(5)	(5)	(5)
Highview	2007										
Square Feet		62,000	62,000	62,000	62,000	62,000	62,000	(5)	(5)	(5)	(5)
Capacity (students)		503	503	503	503	503	503	(5)	(5)	(5)	(5)
Enrollment		427	377	397	455	449	448	(5)	(5)	(5)	(5)
Percentage of capacity (3)		84%	75%	79%	90%	89%	89%	(5)	(5)	(5)	(5)
Site acreage		5	5	5	5	5	5	(5)	(5)	(5)	(5)
Jefferson	1912										
Square Feet		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	41,704

Middletown City School District
Butler County, Ohio
 School Building Information
 Last Ten Fiscal Years

	Year Built	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Capacity (students)		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	334
Enrollment		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	312
Percentage of capacity (3)		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	93%
Site acreage		3	3	3	3	3	3	3	3	3	3
<i>Mayfield</i>	1939	49,828	49,828	49,828	49,828	49,828	49,828	49,828	49,828	49,828	49,828
Square Feet		503	503	503	503	425	425	425	425	425	425
Capacity (students)		469	445	452	376	(6)	(6)	537	576	447	458
Enrollment		93%	88%	89%	74%	(6)	(6)	126%	136%	105%	108%
Percentage of capacity (3)		5	5	5	5	5	5	5	5	5	5
Site acreage		5	5	5	5	5	5	5	5	5	5
<i>McKinley</i>	1930	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Square Feet		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Capacity (students)		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Enrollment		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Percentage of capacity (3)		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Site acreage		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
<i>Miller Ridge</i>	2008	62,000	62,000	62,000	62,000	62,000	(8)	(8)	(8)	(8)	(8)
Square Feet		503	502	502	502	503	(8)	(8)	(8)	(8)	(8)
Capacity (students)		515	461	448	434	421	(8)	(8)	(8)	(8)	(8)
Enrollment		102%	92%	89%	86%	84%	(8)	(8)	(8)	(8)	(8)
Percentage of capacity (3)		37	37	37	37	37	(8)	(8)	(8)	(8)	(8)
Site acreage		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
<i>Oneida</i>	1953	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Square Feet		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Capacity (students)		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Enrollment		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Percentage of capacity (3)		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Site acreage		11	11	11	11	11	11	11	11	11	11
<i>Roosevelt</i>	1930	(10)	(10)	(10)	(10)	114,456	114,456	114,456	114,456	114,456	114,456
Square Feet		(10)	(10)	(10)	(10)	812	812	812	812	812	812
Capacity (students)		(10)	(10)	(10)	(10)	414	601	765	746	731	728
Enrollment		(10)	(10)	(10)	(10)	51%	74%	94%	92%	90%	90%
Percentage of capacity (3)		(10)	(10)	(10)	(10)	7	7	7	7	7	7
Site acreage		(10)	(10)	(10)	(10)	62,000	62,000	62,000	62,000	62,000	62,000
<i>Rosa Park</i>	2007	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000
Square Feet		503	503	503	503	503	503	503	503	503	503
Capacity (students)		608	423	417	413	457	453	457	457	457	457
Enrollment		120%	84%	83%	82%	91%	90%	90%	90%	90%	90%
Percentage of capacity (3)											

Middletown City School District
Butler County, Ohio
 School Building Information
 Last Ten Fiscal Years

	Year Built	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Site acreage		8	8	8	8	8	8	(5)	(5)	(5)	(5)
Rosedale	1966										
Square Feet		(9)	(9)	(9)	(9)	32,795	32,795	32,795	32,795	32,795	32,795
Capacity (students)		(9)	(9)	(9)	(9)	262	262	262	262	262	262
Enrollment		(9)	(9)	(9)	(9)	(9)	(9)	332	325	307	314
Percentage of capacity (3)		(9)	(9)	(9)	(9)	(9)	102%	127%	124%	117%	120%
Site acreage		(9)	(9)	(9)	(9)	7	7	7	7	7	7
Taft	1952										
Square Feet		(11)	(11)	(11)	(11)	64,456	64,456	64,456	64,456	64,456	64,456
Capacity (students)		(11)	(11)	(11)	(11)	537	537	537	537	537	537
Enrollment		(11)	(11)	(11)	(11)	(7)	(7)	271	302	379	313
Percentage of capacity (3)		(11)	(11)	(11)	(11)	(7)	(7)	50%	56%	71%	58%
Site acreage		(11)	(11)	(11)	(11)	6	6	6	6	6	6
Wildwood	1959 (4)										
Square Feet		44,450	44,450	44,450	44,450	44,450	44,450	44,450	44,450	44,450	44,450
Capacity (students)		503	503	503	503	356	356	356	356	356	356
Enrollment		564	503	475	457	(6)	(6)	390	392	433	311
Percentage of capacity (3)		112%	100%	94%	90%	(6)	(6)	110%	110%	122%	87%
Site acreage		4	4	4	4	4	4	4	4	4	4
Wilson	1951										
Square Feet		(2)	(2)	(2)	(2)	(2)	(2)	48,313	48,313	48,313	48,313
Capacity (students)		(2)	(2)	(2)	(2)	(2)	(2)	387	387	387	387
Enrollment		(2)	(2)	(2)	(2)	(2)	(2)	330	337	357	270
Percentage of capacity (3)		(2)	(2)	(2)	(2)	(2)	(2)	85%	87%	92%	70%
Site acreage		(2)	(2)	(2)	(2)	(2)	(2)	5	5	5	5
Middle Schools											
Middletown Middle School (formerly Veil)	1923										
Square Feet		222,409	222,409	222,409	222,409	222,409	222,409	222,409	222,409	222,409	222,409
Capacity (students)		1,576	1,576	1,576	1,576	1,576	1,576	1,576	1,576	1,576	1,576
Enrollment		825	776	807	802	907	907	703	736	797	799
Percentage of capacity (3)		52%	49%	51%	51%	58%	58%	45%	47%	51%	51%
Site acreage		3	3	3	3	3	3	3	3	3	3
George M. Verity - closed	1968										
Square Feet		81,589	81,589	81,589	81,589	81,589	81,589	81,589	81,589	81,589	81,589
Capacity (students)		653	653	653	653	653	653	653	653	653	653
Enrollment		-	596	625	625	489	489	605	605	617	617
Percentage of capacity (3)		0%	91%	96%	96%	75%	75%	93%	93%	94%	94%
Site acreage		39	39	39	39	39	39	39	39	39	39
High Schools											

Middletown City School District
Butler County, Ohio
 School Building Information
 Last Ten Fiscal Years

	Year Built	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	1925										
<i>Garfield Alternative</i>											
Square Feet		(2)	(2)	(2)	(2)	(2)	(2)	56,038	56,038	56,038	56,038
Capacity (students)		(2)	(2)	(2)	(2)	(2)	(2)	312	312	312	312
Enrollment		(2)	(2)	(2)	(2)	(2)	(2)	66	122	158	177
Percentage of capacity (3)		(2)	(2)	(2)	(2)	(2)	(2)	21%	39%	51%	57%
Site acreage		3	3	3	3	3	3	3	3	3	3
<i>Middletown High</i>	1969										
Square Feet		363,627	363,627	363,627	363,627	363,627	363,627	363,627	363,627	363,627	363,627
Capacity (students)		2,178	2,178	2,178	2,178	2,178	2,178	2,178	2,178	2,178	2,178
Enrollment		1,804	1,794	1,829	1,840	1,834	1,797	1,831	1,809	1,754	1,832
Percentage of capacity (3)		82%	82%	84%	84%	84%	83%	84%	83%	81%	84%
Site acreage		8	8	8	8	8	8	8	8	8	8

Source: School District records

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

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Dave Yost • Auditor of State

MIDDLETOWN CITY SCHOOL DISTRICT

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 22, 2013**