



**Auditor of State  
Betty Montgomery**



MIDDLETOWN CITY SCHOOL DISTRICT  
BUTLER COUNTY

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**MIDDLETOWN CITY SCHOOL DISTRICT  
BUTLER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	None	10.550	0	\$204,199	0	\$111,245
School Breakfast Program	05-PU 03/04	10.553	228,621		228,621	
National School Lunch Program	LL-P4 03/04	10.555	1,038,283		1,038,283	
Summer Food Service Program for Children	24-PU 03	10.559	12,976		12,976	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>1,279,880</u>	<u>204,199</u>	<u>1,279,880</u>	<u>111,245</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Adult Basic Education Grant	AB-S2-03	84.002	(11,416)		0	
	AB-S2-03 C		11,416		0	
	AB-S1-03		84,182		43,410	
	AB-S1-03-C		54,404		54,404	
	AB-S1-04		207,424		266,359	
	AB-S2-04		35,431		31,267	
			0		11,903	
Total Adult Basic Education Grant			<u>381,441</u>		<u>407,343</u>	
Title I	C1-S1-03	84.010	(35,594)		0	
	C1-S1-04		1,863,943		1,688,136	
			1,828,349		1,688,136	
Special Education Cluster:						
Special Education Grants to States	6B-SD-03-P	84.027	15,563		16,601	
	6B-SF-04-P		9,798		7,227	
	6B-SF-03P		234,852		215,062	
	6B-SF-04		1,047,181		1,094,030	
Total Special Education Grants to the States			<u>1,307,394</u>		<u>1,332,920</u>	
Special Education - Preschool Grant	PG-S1-04	84.173	17,987		17,987	
Total Special Education Cluster			<u>1,325,381</u>		<u>1,350,907</u>	
Drug Free Schools Grant - National	T4-S1-03	84.184C	13,931		12,200	
	T4-S1-04-P		40,375		36,022	
	T4-S1-04		16,456		16,576	
Total Drug Free School Grants - National			<u>70,762</u>		<u>64,798</u>	
Drug Free Schools Grant - State	DR-S1-03	84.186	(5,511)		0	
	DR-S1-04		57,097		61,896	
Total Drug Free Schools Grants - State			<u>51,586</u>		<u>61,896</u>	

(Continued)

**MIDDLETOWN CITY SCHOOL DISTRICT  
BUTLER COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Eisenhower Grant	MS-S1-00	84.281	(473)		0	
Title VI, Part A - Innovative Education Programs	C2-S1-03 C2-S1-04	84.298	(15,956) 25,520		0 31,802	
Total Title VI, Part A - Innovative Education			9,564		31,802	
Technology Literacy Fund Grants	TJ-S1-03 TJ-S1-04 TJ-SL-04	84.318	(2,048) 24,132 158,000		0 17,922 138,757	
Total Technology Literacy Fund Grants			180,084		156,679	
Title I - Comprehensive School Reform	RF-CC-03 RF-CC-04 RF-S2-02 RF-S3-03	84.332	19,439 11,450 (4,867) 50,000		14,933 0 0 39,070	
Total Title I - Comprehensive School Reform			76,022		54,003	
Assistive Technology Infusion Project	AT-S4-02	84.352A	2,608		2,608	
Title III - Limited English Proficiency	T3-S1-04	84.365	3,190		2,396	
Improving Teacher Quality State Grant (Title II)	TR-S1-03 TR-S1-04	84.367	142,454 541,834		63,005 494,928	
Total Improving Teacher Quality State Grant (Title II)			684,288		557,933	
Total Department of Education			4,612,802		4,378,501	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	None	93.778	277,009		277,009	
Total Department of Health and Human Services			277,009		277,009	
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$6,169,691</b>	<b>\$204,199</b>	<b>\$5,935,390</b>	<b>\$111,245</b>

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

**MIDDLETOWN CITY SCHOOL DISTRICT  
BUTLER COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
YEAR ENDED JUNE 30, 2004**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -- FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 2004, the District had food commodities in inventory.

**NOTE C -- MATCHING REQUIREMENTS**

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

**NOTE D -- TRANSFER OF ADULT BASIC EDUCATION FUNDS, CFDA# 84.002**

During the audit period the District had \$11,416 of Adult Basic Education funds, of fiscal year 2003 (AB-S2-03) transferred to fiscal year 2003 C (AB-S2-03 C). The accompanying schedule of federal awards expenditures has been modified to reflect this transfer.

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

During the audit period the District had \$35,594 of Title I, Part A CSEA of fiscal year 2003 (C1-S1-03) monies transferred to fiscal year 2004 (C1-S1-04). The accompanying schedule of federal awards expenditures has been modified to reflect this transfer. Fiscal year 2003 expenditures of \$241,647 are included with fiscal year 2004 expenditures on the schedule of federal awards expenditures which were assumed to be spent first.

**NOTE F -- TRANSFER OF DRUG FREE SCHOOL FUNDS, CFDA# 84.186**

During the audit period the District transferred \$5,511 of DR-S1-03 funds to DR-S1-04 funds. The accompanying schedule of federal awards expenditures has been modified to reflect this transfer. Fiscal year 2003 expenditures of \$4,621 are included with fiscal year 2004 expenditures on the schedule of federal awards expenditures which were assumed to be spent first.

**NOTE G—REFUND OF EISENHOWER PROFESSIONAL DEVELOPMENT GRANT, CFDA# 84.281**

During the audit period the District refunded \$473 of MS-S1-00 to the Ohio Department of Education, (ODE) due to the expiration of the period of availability. The accompanying schedule of federal awards expenditures has been modified to reflect the refund as a reduction of cash receipts.

**NOTE H--TRANSFER OF INNOVATIVE EDUCATION STRATEGIES FUNDS, CFDA# 84.298**

During the audit period the District transferred \$15,956 of C2-S1-03 funds to C2-S1-04. The accompanying schedule of federal awards expenditures has been modified to reflect the transfer. Fiscal year 2003 expenditures of \$4,679 are included with fiscal year 2004 expenditures on the schedule of federal awards expenditures which were assumed to be spent first.

**NOTE I--TRANSFER OF Title II-D EDUCATIONAL TECHNOLOGY LITERACY FUNDS, CFDA# 84.318**

During the audit period the District transferred \$2,048 of TJ-S1-03 funds to TJ-S1-04. The accompanying schedule of federal awards expenditures has been modified to reflect the transfer as a reduction of cash receipts for the fiscal year 2003 project and as a cash receipt for the fiscal year 2004 project.

**NOTE J--REFUND OF TITLE I COMPREHENSIVE SCHOOL REFORM GRANT FUNDS, CFDA# 84.332**

During the audit period the District refunded \$4,867 of RF-S2-02 to ODE due to the expiration of the period of availability. The accompanying schedule of federal awards expenditures has been modified to reflect the refund as a reduction of cash receipts.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2005, in which we noted that the District reclassified activity formerly reported in the enterprise funds and as a business type activity to special revenue funds and governmental activity. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-008. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated February 28, 2005.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001, and 2004-003 through 2004-008.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider items 2004-005 through 2004-008 listed above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that, we have reported to the District's management in a separate letter dated February 28, 2005.

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

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

**Betty Montgomery**  
Auditor of State

February 28, 2005



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

#### **Compliance**

We have audited the compliance of the District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

#### **Internal Control Over Compliance**

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

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

### **Schedule of Federal Awards Expenditures**

We have audited the General Fund, Emergency Levy Fund, Debt Service Fund, Building Fund, and Other Governmental Funds of the District as of and for the year ended June 30, 2004, and have issued our report thereon dated February 28, 2005, wherein we noted that the District reclassified activity formerly reported in the enterprise funds and as a business type activity to special revenue funds and governmental activity. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



**Betty Montgomery**  
Auditor of State

February 28, 2005

**MIDDLETOWN CITY SCHOOL DISTRICT  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER 2004-001**

**Material Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$3,000, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

The District did not properly certify the availability of funds for 38% of expenditures tested; 3% were due to a lack of a date on the invoice and a missing invoice. The expenditure missing an invoice was determined to be an appropriate expenditure through additional auditing procedures. Neither of the two exceptions listed above were used.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. The Treasurer cannot legally certify payments creating fund cash deficits, such as the deficits reported in finding 2004-007. Effort should be made by the District to properly utilize the encumbrance method of accounting by certifying the availability funds on properly approved purchase orders. We recommend the District obtain approved purchase orders, which contain the fiscal agent's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**FINDING NUMBER 2004-002**

**Material Noncompliance**

Ohio Rev. Code, Section 9.38, states public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. Only the legislative authority may adopt this policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

**FINDING NUMBER 2004-002  
(Continued)**

Seventy-two percent of athletic ticket sales tested were not deposited on the next business day, with the time of deposits ranging from three days to four weeks. Not depositing funds timely could allow for the misappropriation of District funds and also could result in the loss of interest revenue. We recommend the District deposit all funds received by the next business day.

**FINDING NUMBER 2004-003**

**Material Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 149.351, requires that all records that are the property of the public office concerned shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Board Policy EHA states "All records are the property of the District and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or part, except as provided by law or under the rules adopted by a School Records Commission. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully."

During our testing of Student Activities 26 receipt transactions were selected from 12 different advisors. Seven of the advisors did not provide any documentation for receipts collected for fund raisers. It was indicated by certain advisors that they did not keep documentation. Other advisors indicated they could not produce documentation, but referred us to the High School Finance Secretary. Additionally, the District disposed of all Meijer credit card statements at year-end rather than as stated in the District Policy and one out of five (20%) of the American Express credit card statements tested was also disposed of rather than as stated in the District Policy.

We recommend that all student activity sponsors (and all District Employees) maintain their records in compliance with aforementioned Ohio Revised Code and District Policy which states that "financial records must be kept for not less than 10 years and may only be destroyed in accordance with the provisions of Ohio Law and concurrence of the District records commission, the Auditor of State and the Ohio Historical Society."

**FINDING NUMBER 2004-004**

**Material Noncompliance/Reportable Condition**

Ohio Rev. Code, Section 5705.36, states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The District did not certify the total amount from all sources for the audit period. Therefore, the certificate of estimated resources was not updated to include actual June 30, 2003 unencumbered fund balances. This causes the District to base appropriation limits on inaccurate information. The District should certify to the county auditor the total amount from all sources.

**FINDING NUMBER 2004-005**

**Material Noncompliance/Material Weakness**

Ohio Rev. Code, Section 5705.36, allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. The District did not obtain amended certificates of estimated resources from the County Auditor when needed. As a result, there were negative variances between estimated and actual revenue in the following funds as listed below. Failure to obtain amended certificates could result in overspending funds and negative fund cash balances. The District should request increased or reduced amended certificates as estimated revenue is greater or less than the amount in the official certificate of estimated resources.

FUNDS	ESTIMATED	Less			Est.	7/1/03		
	RESOURCES	Unencum- bered	Estimated	Actual	vs. Act.	Fund Balances	Plus Act.	Actual
	Original Certificate	7/1/03 Bal.	Receipts	Receipts	Receipts Variance	Receipts	Disb.	Variance
<u>Special Revenue Funds:</u>								
573 – Title V	69,166	9,943	59,223	9,564	(49,659)	31,717	31,802	(85)
<u>Enterprise Funds:</u>								
006 - Food Service	3,302,994	4,919	3,298,075	2,554,275	(743,800)	2,559,194	2,739,481	(180,287)
009 - Uniform School Supply	95,803	7,803	88,000	85,193	(2,807)	182,471	201,335	(18,864)

**FINDING NUMBER 2004-006**

**Material Noncompliance/Material Weakness**

Ohio Rev. Code, Section 5705.39, states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The County Auditor did not certify that appropriations do not exceed the estimated resources because the District did not submit original appropriations to the County Auditor. As a result of this and the fact that the District did not obtain amended certificates of estimated resources as needed, appropriations exceeded estimated resources in the following funds as listed below (next page). The District should not appropriate in excess of estimated resources.

**FINDING NUMBER 2004-006  
 (Continued)**

FUNDS	ESTIMATED	APPROPRIATIONS	Appropriations
	RESOURCES	Appropriation	vs.
	Original	Resolution	Estimated
	Certificate	Final	Resources
			Variance
General Fund	50,301,352	54,959,318	(4,657,966)
<u>Special Revenue Funds:</u>			
401 - Auxiliary Services	698,775	712,901	(14,126)
440 - Entry Year Programs	-	14,698	(14,698)
460 - Student Intervention	-	151,706	(151,706)
463 - Alternative Schools	325,962	333,970	(8,008)
501 - Adult Basic Education (ABLE)	424,630	479,656	(55,026)
516 - Title VI-B (IDEA- Special Ed.)	950,037	1,648,501	(698,464)
551 - Title III (Limited English Proficiency)	-	2,396	(2,396)
587 - IDEA Preschool Grant for Hndcp.	17,733	17,987	(254)
590 - Title II-A (Improving Teacher Quality)	402,075	694,916	(292,841)
599 - Miscellaneous Federal Grants	44,875	316,947	(272,072)
<u>Debt Service Fund:</u>			
002 - Bond Retirement	353,010	77,496,910	(77,143,900)
<u>Capital Projects Fund:</u>			
004 - Building Fund	-	1,443,067	(1,443,067)
<u>Enterprise Funds:</u>			
009 - Uniform School Supply	95,803	235,304	(139,501)

**FINDING NUMBER 2004-007**

**Material Noncompliance/Material Weakness**

Ohio Rev. Code, Section 5705.10, states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. Significant negative fund cash balances existed throughout the year in various funds. The District should monitor fund balances to ensure negative fund cash balances do not exist.

001 General Fund	May 2004– (\$176,997)
006 Food Service Fund	October 2003 through May 2004 – ranged from (\$170,652) to (\$83,986)
009 Uniform School Supplies Fund	October 2003 through May 2004 – ranged from (\$39,985) to (\$19,219)
022 Keep Program Tuition	October 2003 through May 2004 – ranged from (\$36,682) to (\$5,730)
401 Auxiliary Services	August 2003 – (\$17,530)
447 DPIA Restricted	July 2003 – (\$3,568)
458 IVDL Continuation Grant	January 2004 – (\$182)
463 Alternative Schools	August 2003 through February 2004 – ranged from (\$54,853) to (\$3,379)
516 Title 6B	February 2004 and May 2004 – ranged from (\$52,240) to (\$39,201)
572 Title I	February 2004 through May 2004 – ranged from (\$307,328) to (\$80,173)
587 EHA Preschool Grants/Handicapped	February 2004 and March 2004 – ranged from (\$14,749) to (\$1,799)
590 Title II-A FY 04	February 2004 and May 2004 – ranged from (\$111,661) to (\$12,108)
599 Miscellaneous Federal Grants	November 2003 through February 2004 – ranged from (\$33,079) to (\$7,846)

**FINDING NUMBER 2004-008**

**Material Noncompliance/Material Weakness**

Ohio Rev. Code, Section 5705.41 (B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. The District's legal level of budgetary control is the fund level. During interim testing of the legal level of budgetary control, we noted that disbursements plus encumbrances exceed appropriations in the following funds at some time during the three months selected for testing. Failure to monitor disbursements and appropriations could result in overspending funds and negative fund cash balances. The Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Board of Education to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FUNDS	Appropriation Resolution Original	Actual Disburse- ments as of November	Variance	Actual Disburse- ments as of February	Variance	Actual Disburse- ments as of May	Variance
<u>Special Revenue Funds:</u>							
300 - District Managed Student Act.	215,693	124,404	91,289	184,655	31,038	219,332	(3,639)
432 – EMIS	-	167	(167)	3,582	(3,582)	7,511	(7,511)
440 - Entry Year Programs	-	-	-	-	-	9,728	(9,728)
458 - Inter. Video Distance Learning	4,631	1,293	3,338	4,760	(129)	4,760	(129)
459 - Ohio Reads Grant	592	5,354	(4,762)	29,797	(29,205)	55,051	(54,459)
460 - Student Intervention	-	-	-	39,236	(39,236)	55,950	(55,950)
463 - Alternative Schools	321,931	218,967	102,964	268,853	53,078	329,934	(8,003)
499 - Miscellaneous State Grants	32,573	21,398	11,175	67,198	(34,625)	94,094	(61,521)
501 - Adult Basic Education (ABLE)	369,582	178,049	191,533	278,114	91,468	385,567	(15,985)
514 - Eisenhower Prof. Development	-	473	(473)	473	(473)	473	(473)
599 - Miscellaneous Federal Grants	89,149	103,358	(14,209)	214,045	(124,896)	239,887	(150,738)
<u>Debt Service Fund:</u>							
002 - Bond Retirement	257,250	1,200	256,050	255,439	1,811	284,466	(27,216)
<u>Enterprise Funds:</u>							
006 - Food Service	1,500,000	1,073,157	426,843	1,787,095	(287,095)	2,601,243	(1,101,243)
009 - Uniform School Supply	100,000	179,659	(79,659)	187,206	(87,206)	202,236	(102,236)
012 - Adult Education	58,250	54,340	3,910	63,929	(5,679)	72,556	(14,306)
<u>Expendable Trust &amp; Agency Funds:</u>							
022 - District Agency	74,500	33,989	40,511	57,054	17,446	86,527	(12,027)

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**MIDDLETOWN CITY SCHOOL DISTRICT  
MIDDLETOWN, OHIO**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**PREPARED BY THE OFFICE OF THE TREASURER  
ERIC SOTZING, TREASURER  
ROBIN LONG, ASSISTANT TREASURER**

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Middletown City School District  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2004

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# **INTRODUCTORY SECTION**



# Middletown City School District

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

February 25, 2005

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

The Comprehensive Annual Financial Report [CAFR] of the Middletown City School District [District] for the fiscal year ended June 30, 2004, is hereby submitted. This report, prepared by the Treasurer's office, includes an opinion from our auditor, the Ohio Auditor of State, and conforms to generally accepted accounting principles [GAAP] as applicable to governmental entities. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. This report will provide the residents of the Middletown City School District with comprehensive financial data in a format that will enable them to gain an understanding of the District's financial affairs. Copies will be available upon request to taxpayers, financial rating services, banking institutions and other interested parties.

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

The Comprehensive Annual Financial Report is divided into three sections:

The **Introductory Section** includes a table of contents, this transmittal letter, a list of principal officials, the District's organization chart and the GFOA and ASBO certificates the District received for the June 30, 2003 CAFR. Also included are the District's major current and future initiatives.

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

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

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

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

## **ECONOMIC CONDITION AND OUTLOOK**

The District is located in southwestern Ohio, midway between the cities of Cincinnati and Dayton, in the northeast corner of Butler County. The eastern boundary of the District is along Interstate 75, which runs from Canada to Florida, making it a desirable location for many businesses that require easy access to the nation's interstate system. Approximately 50 percent of the District's tax base is agricultural and residential properties; the remainder is composed of a wide range of manufacturing, commercial and other business properties. The overall economic outlook for the area remains very positive with low unemployment rates, slow but steady growth in the local tax base, and low inflationary pressures.

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

## **DESCRIPTION OF THE DISTRICT**

The District serves an area of 23 square miles, encompassing the City of Middletown and a portion of Lemon Township in the northeastern corner of Butler County, midway between Cincinnati and Dayton. It also encompasses a small portion of Franklin Township in Warren County. According to information from the U.S. Census Bureau, the population of the City of Middletown is approximately 51,000 residents. The tax base of the District is comprised of a unique blend of residential, commercial, and industrial property, with over 50% of the tax revenue of the District paid by business and industry. The largest employer in the District is AK Steel, which employs over 3,200 at the Middletown Works and contributes over 14.6% to the total tax base of the District.

During the 2003-04 school year, the District had 7,066 students enrolled in 10 elementary schools, two middle schools serving grades 5-8, one comprehensive high school for grades 9-12, and one alternative high school. The District also operates a variety of other facilities, including a central administration building, bus garage, central supply warehouse, and several sports fields.

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

## **ORGANIZATION OF THE SCHOOL DISTRICT**

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

The Board members represent a cross section of professions in the community. The board members on June 30, 2004, were as follows:

<b>Board Member</b>	<b>Began Service</b>	<b>Term Expires</b>	<b>Profession</b>
Dr. Mark Frazer	January, 1990	December, 2005	Physician
Dr. Mark McClure	January, 2004	December, 2007	Chiropractor
Mrs. Katie McNeil	January, 1996	December, 2007	Administrative
Mr. John Venturella	January, 2000	December, 2007	CPA
Mr. Steve Lane	March, 2000	December, 2005	Attorney

The Superintendent is the Chief Executive Officer of the District, responsible directly to the Board for all educational and support operations. Dr. Steve Price was appointed Superintendent in 2002 and his initial contract runs until July 31, 2005. Prior to his appointment, Dr. Price was superintendent of Perry Local Schools in Massillon, Ohio. Dr. Price holds a Doctorate in Education from Miami University and has 19 years experience in education.

The Treasurer is the Chief Financial Officer of the District and is directly responsible to the Board for all financial operations, investments, and serves as Secretary to the Board. Mr. Paul E. Sotzing has served as Treasurer since October 2004 and has a total of 13 years of educational experience with one year as a school treasurer in Ohio. Mr. Sotzing holds a B.S. Degree in Agriculture from The Ohio State University and a M.B.A. in Business from the Northern Kentucky University. In September 2004, the Board approved a two-year contract with Mr. Sotzing commencing on October 1, 2004 and ending on December 31, 2006.

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 900 full and part-time staff members during the 2003-04 school year. This included classified employees who are responsible for the operation of the District's support services and the teaching and administrative staff of the District. Two organizations represent the teaching and classified employees. The District's administrative employees are not currently represented.

The Middletown Teachers Association (MTA), an affiliate of the Ohio Education Association (OEA), represents all certificated employees of the District. In September 2004, the MTA and the District entered into a new collective bargaining agreement on language, salary and fringe benefits issues that expire on June 30, 2007.

The Middletown Classified Employees Association (MCEA), also an affiliate of the Ohio Education Association (OEA), represents a majority of the support staff of the District. Classified employees are responsible for providing the necessary support services of the District, including: transportation services, lunchroom services, clerical support, and building maintenance and custodial needs. In June 2002, the District and the association concluded negotiations on a new collective bargaining agreement that expires on June 30, 2005.

## **SERVICES PROVIDED**

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

Transportation is provided for over 3,941 students each day. The District fleet of 59 buses travels over 3,655 miles each day transporting students to 24 different educational sites.

The food service department served over 730,000 plate lunches through the District's 14 kitchens. This is accomplished through the full operation of a central kitchen and 13 satellite sites. The department currently offers a breakfast program at 11 schools.

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

## **MAJOR CURRENT AND FUTURE INITIATIVES**

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

In cooperation with the architectural firm of Steed-Hammond-Paul, and the Ohio School Facilities Commission (OSFC), the District completed a Master Facilities Master Plan in February 2003. The plan was developed after months of community and staff involvement through focus groups, surveys, and educational research. The Master Plan as approved will rebuild or renovate all school buildings over a six to eight year period and allow the District to qualify for OSFC funding to assist in the total project cost. As a result, the District placed a \$75.8 million bond issue on the November 2003 ballot that would implement the elementary phase of the project. This phase will build six new elementary schools and renovate two other school buildings over a four-year period and reduce the total number of elementary schools in operation from 10 to 8. District voters approved the bond issue at the November general election.

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

While these measures have helped to control rising costs and improve financial efficiencies, the District anticipates additional measures will be necessary for the 2004-05 school year and beyond.

The District completed a reorganization of the central office administrative staff toward the end of the 2002-03 school year to streamline operations, improve program efficiencies and reduce overall costs. Keeping a focus on student achievement, the Division of Curriculum and Instruction was realigned and became the Department of Learning, lead by a new position, Assistant Superintendent of Learning. In addition, the Division of Pupil Services received additional duties and responsibilities and is now the Department of Student Services. While the reorganization reduced the total number of administrative positions at the central office level, it also reduced annual operating costs by over \$125,000. The trend for operational efficiency continued into the 2003-04 school year by implementing a variety of cost saving measures. During the 2003-04 school year, thirty-four teaching and support positions were eliminated as a direct result of declining enrollment.

### **Partnership With Youth Program**

In cooperation with The Chamber of Commerce and other area organizations, the Partnership With Youth Program was created in 1989 and continues to expand each year. The program establishes formal partnership arrangements between District businesses and individual schools that have become a vital link between the community and the school system. There are currently over 115 businesses and organizations, that partner with one or more of the District's school buildings.

### **FINANCIAL INFORMATION**

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

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

### **INTERNAL ACCOUNTING AND BUDGETARY CONTROL**

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

The District utilizes a fully automated accounting system as well as an automated system of control for fixed assets and payroll. These systems, coupled with the manual auditing of each voucher prior to payment, 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.

## **CASH MANAGEMENT**

The Board has an aggressive cash management program, which consists of expediting the receipt of revenues and prudently investing available cash in obligations collateralized by the United States Government, or the State of Ohio issued instruments or insured by the Federal Deposit Insurance Corporation [FDIC]. The total amount of earnings on investments was \$715,854 for the year ended June 30, 2004.

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

The District's investment policy is to minimize market risk while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by FDIC or collateralized.

## **RISK MANAGEMENT**

The District continues to protect its assets through a comprehensive insurance program. A schedule of insurance in force at June 30, 2004 is included in the notes to the basic financial statements.

## **INDEPENDENT AUDIT**

The State of Ohio requires an annual audit by either the Ohio Auditor of State or by an independent public accounting firm. The State Auditor was requested by the Treasurer to perform the audit for the fiscal year ended June 30, 2004. The auditor's unqualified opinion rendered on the District's basic financial statements, and their report on the combining and individual fund statements and schedules, is included in the financial section of this report. Pursuant to statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all units of local education agencies in Ohio. The District adopted and has been in conformance with that system effective with its annual financial report since the 1979 calendar year.

## **AWARDS**

### GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada [GFOA] awarded a Certificate of Achievement to the District for its comprehensive annual financial report for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

### ASBO Certificate of Excellence in Financial Reporting

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

The District received the Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2003. The District believes that the Comprehensive Annual Financial Report for fiscal year June 30, 2004, which will be submitted to ASBO for review, will conform to ASBO's principles and standards.

#### **ACKNOWLEDGEMENTS**

The preparation of the 2004 Comprehensive Annual Financial Report of the Middletown City School District was made possible by the combined efforts of the District's Finance Department and Plattenburg and Associates, Incorporated. The publication of this Comprehensive Annual Financial Report for the District is a major step in reinforcing the accountability of the District to the taxpayers of the community.

Respectfully submitted,

Paul E. Sotzing  
Treasurer

**MIDDLETOWN CITY SCHOOL DISTRICT  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2004**

**BOARD OF EDUCATION**

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

**Dr. Mark Frazer  
Mr. Steve Lane  
Dr. Mark McClure  
Mrs. Katie McNeil  
Mr. John Venturella**

**ADMINISTRATIVE OFFICIALS**

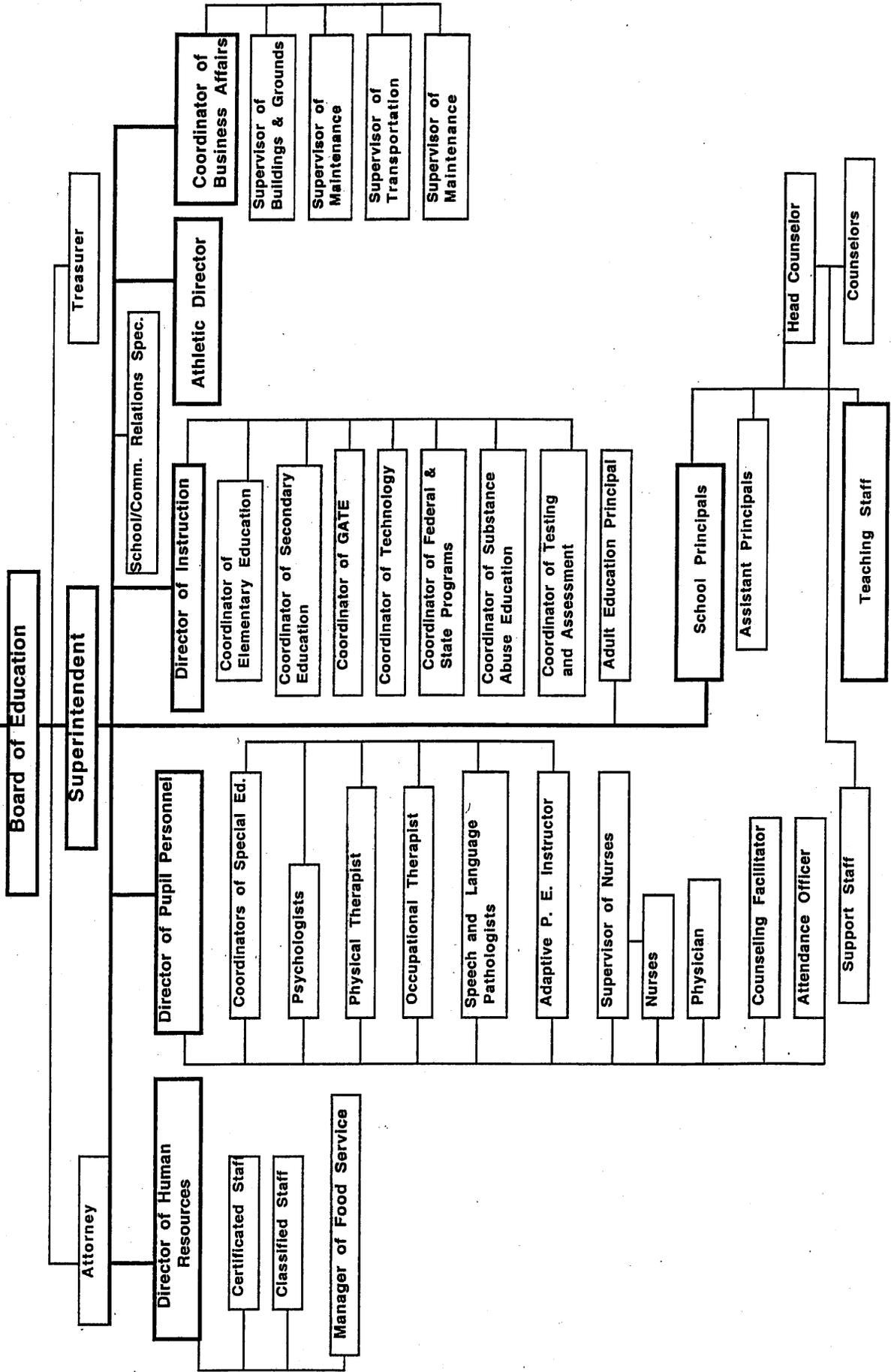
**Superintendent  
Assistant Superintendent  
Interim Treasurer  
Director of Human Resources  
Director of Student Services  
Interim Director of Athletics  
Legal Counsel**

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

**\* Eric Sotzing became Treasurer in October 2004**

Middletown City School District

School District Citizens



# 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, 2003

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.



*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

**MIDDLETOWN CITY SCHOOL DISTRICT**

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2003

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

*William R. Fall*  
President

*Emmie W. Keller*  
Executive Director

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**FINANCIAL  
SECTION**

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# Auditor of State Betty Montgomery

## 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, 2004, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2004, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 20, for the fiscal year ended June 30, 2004, the District reclassified activity formerly reported in the enterprise funds and as a business type activity to special revenue funds and governmental activity.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information for the General and the Emergency Levy funds are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

**Betty Montgomery**  
Auditor of State

February 25, 2005

**MIDDLETOWN CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2004**  
(Unaudited)

The discussion and analysis of Middletown City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government issued June, 1999.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- Net assets of governmental activities decreased \$818,837 which represents a 5.1% decrease from 2003.
- General revenues accounted for \$59,065,819 in revenue or 82.7% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,333,820 or 17.3% of total revenues of \$71,399,639.
- Total assets of governmental activities increased by \$78,466,561 as taxes receivable increased by \$2,624,687 while cash and other receivables increased by \$75,841,874.
- The District had \$72,218,476 in expenses related to governmental activities; \$12,333,820 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$59,065,819 were also used to provide for these programs.
- As a major fund, the General Fund had \$49,523,704 in revenues and \$54,144,577 in expenditures. The General Fund balance decreased from \$2,101,477 to (\$2,524,922). The Emergency Levy Fund had \$6,608,854 in revenues and \$6,640,147 in expenditures. The Emergency Levy Fund's fund balance decreased from \$5,408,847 to \$5,377,581. The Debt Service Fund had \$2,308,529 in revenues and \$1,446,909 in expenditures. The Debt Service Fund's fund balance decreased from \$118,200 to (\$1,085,250). The Building Fund had \$403,192 in revenues and \$376,983 in expenditures. The Building Fund's fund balance increased from \$0 to \$75,826,209.

**Using this Comprehensive Annual Financial Report (CAFR)**

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

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

## **Reporting the School District as a Whole**

### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2004?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the overall financial position of the District is presented in the following manner:

- Governmental Activities – All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

## **Reporting the District's Most Significant Funds**

### *Fund Financial Statements*

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

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

## The District as a Whole

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

Table 1 provides a summary of the District's net assets for 2003 compared to 2004:

Table 1  
Net Assets

	<u>Governmental Activities</u>	
	<u>2003 Restated</u>	<u>2004</u>
Assets		
Current and Other Assets	\$49,650,671	\$128,388,600
Capital Assets	<u>10,383,832</u>	<u>10,112,464</u>
Total Assets	<u>60,034,503</u>	<u>138,501,064</u>
Liabilities		
Long-Term Liabilities	3,178,242	73,423,578
Other Liabilities	<u>40,764,303</u>	<u>49,804,365</u>
Total Liabilities	<u>43,942,545</u>	<u>123,227,943</u>
Net Assets		
Invested in Capital		
Assets Net of Debt	10,039,358	1,764,137
Restricted	8,437,904	12,430,660
Unrestricted	<u>(2,385,304)</u>	<u>1,078,324</u>
Total Net Assets	<u>\$16,091,958</u>	<u>\$15,273,121</u>

Total assets increased \$78,466,561. Equity in pooled cash and cash equivalents increased \$75,699,730. Taxes receivable increased \$2,624,687. Total liabilities increased \$79,285,398, resulting in a net asset decrease of \$818,837. The increase in long-term liabilities and current assets is due to the bond issuance for construction.

Table 2 shows the change in net assets for fiscal year 2004, with comparisons to fiscal year 2003.

Table 2  
Changes in Net Assets

	Governmental Activities	
	<u>2003 Restated</u>	<u>2004</u>
Revenues		
Program Revenues:		
Charges for Services	\$2,281,920	\$2,155,375
Operating Grants	9,468,843	10,042,965
Capital Grants	195,055	135,480
General Revenue:		
Property Taxes	30,360,512	34,148,033
Grants and Entitlements	22,943,643	24,016,973
Other	<u>991,129</u>	<u>900,813</u>
Total Revenues	<u>66,241,102</u>	<u>71,399,639</u>
Program Expenses:		
Instruction	40,067,476	39,780,688
Support Services:		
Pupil and Instructional Staff	7,814,089	7,647,631
General and School Administration, Fiscal and Business	7,340,861	7,313,721
Operations and Maintenance	6,719,128	6,912,662
Pupil Transportation	2,271,967	2,655,273
Central	1,638,800	1,672,277
Operation of Non-instructional Services	4,193,950	4,028,191
Extracurricular Activities	735,315	804,618
Interest and Fiscal Charges	<u>18,532</u>	<u>1,403,415</u>
Total Expenses	<u>70,800,118</u>	<u>72,218,476</u>
Increase (decrease) in Net Assets	(4,559,016)	(818,837)
Beginning Net Assets	<u>20,650,974</u>	<u>16,091,958</u>
Ending Net Assets	<u>\$16,091,958</u>	<u>\$15,273,121</u>

The District had a large increase in revenues from 2003 to 2004. The District had an increase in property taxes for 2004 of \$3,787,521 and an increase grants and entitlements of \$1,073,330. The property tax revenue increase was due to the increased amount of property taxes levied and the increase in grants and entitlements was due to an increase in grant monies the District received.

### Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general purposes, special revenues and grants and entitlements comprised 82% of the District's revenues for governmental activities.

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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 48% of revenue for governmental activities for the District in fiscal year 2004.

Instruction comprises 55% of governmental program expenses. Support services expenses were 36% of governmental program expenses. All other expenses including interest expense were 9%. Interest expense was attributable to the outstanding bond and borrowing for capital projects. The increase in support services expenditures is a result of increasing fuel prices and vehicle maintenance.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2003 Restated</u>	<u>2004</u>	<u>2003 Restated</u>	<u>2004</u>
Instruction	\$40,067,476	\$39,780,688	(\$36,969,231)	(\$35,690,527)
Support Services:				
Pupil and Instructional Staff	7,814,089	7,647,631	(3,111,908)	(5,119,859)
General and School Administration,				
Fiscal and Business	7,340,861	7,313,721	(7,299,794)	(6,766,438)
Operations and Maintenance	6,719,128	6,912,662	(6,629,145)	(6,327,468)
Pupil Transportation	2,271,967	2,655,273	(2,052,208)	(2,026,799)
Central	1,638,800	1,672,277	(1,391,802)	(1,502,334)
Operation of Non-Instructional Services	4,193,950	4,028,191	(847,649)	(451,427)
Extracurricular Activities	735,315	804,618	(534,031)	(596,389)
Interest and Fiscal Charges	<u>18,532</u>	<u>1,403,415</u>	<u>(18,532)</u>	<u>(1,403,415)</u>
Total Expenses	<u>\$70,800,118</u>	<u>\$72,218,476</u>	<u>(\$58,854,300)</u>	<u>(\$59,884,656)</u>

### The District's Funds

Information about the District's major funds is presented in the Fund Financial Statements (see Table of Contents). These funds are accounted for using the modified accrual basis of accounting. The general fund balance decreased from \$2,101,477 to (\$2,524,922). Key factors for this decrease are: a decrease in investment earnings and an increase in instructional expenses. The debt service fund balance decreased from \$118,200 to (\$1,085,250). The building fund balance increased from \$0 to \$75,826,209. The District received bond proceeds and paid off short term debt which caused this change. The emergency levy fund balance decreased from \$5,408,874 to \$5,377,581.

## 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 2004, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$45,497,619, which was the same as the original budget estimates.

The District's ending unobligated cash balance for the General Fund was \$4,210,187 above the final budgeted amount.

## Capital Assets and Debt Administration

### *Capital Assets*

At the end of fiscal 2004, the District had \$10,112,464 invested in land, construction in progress, buildings, equipment and vehicles. Table 4 shows fiscal 2004 balances compared to fiscal 2003:

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

	<u>Governmental Activities</u>	
	<u>2003 Restated</u>	<u>2004</u>
Land and Improvements	\$20,525	\$20,525
Construction in Progress	0	459,631
Buildings and Improvements	6,068,765	5,807,913
Equipment	<u>4,294,542</u>	<u>3,824,395</u>
Total Net Assets	<u>\$10,383,832</u>	<u>\$10,112,464</u>

The slight decrease in capital assets is due to depreciation and deletions in the capital asset account. This District continues its ongoing commitment to maintaining and improving its capital assets.

## Debt

At June 30, 2004, the District had \$71,001,313 in long-term debt. Table 5 summarizes outstanding debt at year end.

Table 5  
Outstanding Debt, at Year End

	Governmental Activities 2003	Governmental Activities 2004
Bonds:		
Construction Bond	\$0	\$70,800,000
Capital Lease Payable:		
MHS Fitness Center	201,418	130,089
Vail Fitness Center	<u>122,531</u>	<u>71,224</u>
Total Outstanding Debt at Year End	<u>\$323,949</u>	<u>\$71,001,313</u>

Detailed information relating to capital assets and debt is presented in the notes to the basic financial statements.

## For the Future

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

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

With no increase in state funding projected, the District must increase revenues by submitting an operating levy to the community in the near future. At this time, the Board has not set the date and amount for the levy. Even though the District is projecting a slight decrease in enrollment, the need for increased revenues is projected for fiscal year 2005. This increased funding will be needed to provide all students a quality education. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

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

## **Contacting the District's Financial Management**

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

Middletown City School District  
Statement of Net Assets  
June 30, 2004

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$88,135,593
Restricted Cash and Investments	627,007
Receivables:	
Taxes	37,525,183
Accounts	75,695
Intergovernmental	1,909,353
Inventory	115,769
Nondepreciable Capital Assets	480,156
Depreciable Capital Assets, Net	<u>9,632,308</u>
 Total Assets	 <u>138,501,064</u>
Liabilities:	
Accounts Payable	73,415
Accrued Wages and Benefits	7,384,043
Accrued Interest Payable	18,820
Deferred Revenue	34,181,073
Premium on Bonds Payable	3,147,014
Bond Anticipation Notes Payable	5,000,000
Long-Term Liabilities:	
Due Within One Year	4,334,404
Due In More Than One Year	<u>69,089,174</u>
 Total Liabilities	 <u>123,227,943</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	1,764,137
Restricted for:	
Special Revenue	7,442,490
Capital Projects	4,361,163
Set-Aside	627,007
Unrestricted	<u>1,078,324</u>
 Total Net Assets	 <u>\$15,273,121</u>

See accompanying notes to the basic financial statements.

Middletown City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$27,821,585	\$559,442	\$1,268,649	\$0	(\$25,993,494)
Special	7,097,237	187	2,000,595	0	(5,096,455)
Vocational	38,725	0	3,984	0	(34,741)
Other	4,823,141	7,801	249,503	0	(4,565,837)
<b>Support Services:</b>					
Pupil	4,220,322	79,212	957,051	0	(3,184,059)
Instructional Staff	3,427,309	9,994	1,481,515	0	(1,935,800)
General Administration	38,334	950	30,945	0	(6,439)
School Administration	5,686,716	417	496,201	0	(5,190,098)
Fiscal	1,316,828	0	18,770	0	(1,298,058)
Business	271,843	0	0	0	(271,843)
Operations and Maintenance	6,912,662	36,175	549,019	0	(6,327,468)
Pupil Transportation	2,655,273	94,210	398,784	135,480	(2,026,799)
Central	1,672,277	418	169,525	0	(1,502,334)
Operation of Non-Instructional Services	4,028,191	1,159,617	2,417,147	0	(451,427)
Extracurricular Activities	804,618	206,952	1,277	0	(596,389)
Interest and Fiscal Charges	1,403,415	0	0	0	(1,403,415)
<b>Totals</b>	<b>\$72,218,476</b>	<b>\$2,155,375</b>	<b>\$10,042,965</b>	<b>\$135,480</b>	<b>(\$59,884,656)</b>

<b>General Revenues:</b>	
<b>Property Taxes Levied for:</b>	
General Purposes	25,655,529
Special Revenue Purposes	6,387,321
Debt Service Purposes	2,105,183
Grants and Entitlements not Restricted to Specific Programs	24,016,973
Payment in Lieu of Taxes	108,066
Unrestricted Contributions	76,893
Investment Earnings	715,854
<b>Total General Revenues</b>	<b>59,065,819</b>
<b>Change in Net Assets</b>	<b>(818,837)</b>
<b>Net Assets Beginning of Year, Restated</b>	<b>16,091,958</b>
<b>Net Assets End of Year</b>	<b>\$15,273,121</b>

See accompanying notes to the basic financial statements.

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Middletown City School District  
 Balance Sheet  
 Governmental Funds  
 June 30, 2004

	General	Emergency Levy	Debt Service	Building
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$787,185	\$5,154,195	\$3,763,801	\$75,826,209
Restricted Cash and Investments	627,007	0	0	0
<b>Receivables:</b>				
Taxes	24,994,569	10,625,614	1,905,000	0
Accounts	74,087	0	0	0
Intergovernmental	923	0	0	0
Interfund	1,750,713	0	0	0
Inventory	0	0	0	0
<b>Total Assets</b>	<b>28,234,484</b>	<b>15,779,809</b>	<b>5,668,801</b>	<b>75,826,209</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	250	0	0	0
Accrued Wages and Benefits	6,177,421	116,194	0	0
Compensated Absences	269,672	893	0	0
Interfund Payable	0	0	0	0
Deferred Revenue	24,312,063	10,285,141	1,754,051	0
Bond Anticipation Notes Payable	0	0	5,000,000	0
<b>Total Liabilities</b>	<b>30,759,406</b>	<b>10,402,228</b>	<b>6,754,051</b>	<b>0</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	580,015	437,197	0	1,066,084
Reserved for Inventory	0	0	0	0
Reserved for Property Tax Advances	682,506	340,473	150,949	0
Reserved for Set-Aside	627,007	0	0	0
Unreserved, Designated for General Fund	1,250,000	0	0	0
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	(5,664,450)	0	0	0
Special Revenue Funds	0	4,599,911	0	0
Debt Service Funds	0	0	(1,236,199)	0
Capital Projects Funds	0	0	0	74,760,125
<b>Total Fund Balances</b>	<b>(2,524,922)</b>	<b>5,377,581</b>	<b>(1,085,250)</b>	<b>75,826,209</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$28,234,484</b>	<b>\$15,779,809</b>	<b>\$5,668,801</b>	<b>\$75,826,209</b>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$2,604,203	\$88,135,593
0	627,007
0	37,525,183
1,608	75,695
1,908,430	1,909,353
2,047	1,752,760
115,769	115,769
<u>4,632,057</u>	<u>130,141,360</u>
73,165	73,415
656,546	6,950,161
3,705	274,270
1,752,760	1,752,760
1,458,792	37,810,047
0	5,000,000
<u>3,944,968</u>	<u>51,860,653</u>
1,150,218	3,233,514
115,769	115,769
0	1,173,928
0	627,007
0	1,250,000
0	(5,664,450)
(1,017,922)	3,581,989
0	(1,236,199)
439,024	75,199,149
<u>687,089</u>	<u>78,280,707</u>
<u>\$4,632,057</u>	<u>\$130,141,360</u>

Middletown City School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2004

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Total Governmental Fund Balance		\$78,280,707
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		10,112,464
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	2,170,182	
Intergovernmental	<u>1,458,792</u>	
		3,628,974
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(18,820)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Pension Obligation	(433,882)	
Compensated Absences	<u>(2,147,995)</u>	
		(2,581,877)
Premium on bonds payable associated with long-term liabilities are not reported in the funds.		(3,147,014)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(71,001,313)</u>
Net Assets of Governmental Activities		<u>\$15,273,121</u>

See accompanying notes to the basic financial statements.

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Middletown City School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004

	General	Emergency Levy	Debt Service	Building
<b>Revenues:</b>				
Taxes	\$24,207,640	\$5,665,028	\$2,105,183	\$0
Tuition and Fees	653,559	0	0	0
Investment Earnings	311,895	0	0	403,192
Intergovernmental	24,144,729	943,826	203,346	0
Extracurricular Activities	34,007	0	0	0
Charges for Services	0	0	0	0
Other Revenues	171,874	0	0	0
<b>Total Revenues</b>	<b>49,523,704</b>	<b>6,608,854</b>	<b>2,308,529</b>	<b>403,192</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	26,316,791	329,134	0	0
Special	5,275,011	14,338	0	0
Vocational	0	30,422	0	0
Other	4,522,095	0	0	0
<b>Support Services:</b>				
Pupil	3,291,101	148,302	0	0
Instructional Staff	1,399,278	1,118,152	0	0
General Administration	38,334	0	0	0
School Administration	5,344,597	0	0	0
Fiscal	1,154,218	134,279	30,603	947
Business	257,521	0	0	0
Operations and Maintenance	4,495,242	2,090,700	0	0
Pupil Transportation	171,890	2,256,161	0	0
Central	991,622	518,659	0	0
Operation of Non-Instructional Services	89,463	0	0	0
Extracurricular Activities	582,652	0	0	0
Capital Outlay	83,594	0	0	376,036
<b>Debt Service:</b>				
Principal Retirement	122,636	0	0	0
Interest and Fiscal Charges	8,532	0	1,416,306	0
<b>Total Expenditures</b>	<b>54,144,577</b>	<b>6,640,147</b>	<b>1,446,909</b>	<b>376,983</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(4,620,873)</b>	<b>(31,293)</b>	<b>861,620</b>	<b>26,209</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	4,820	0	0	0
Proceeds of Long-Term Capital-Related Debt	0	0	70,800,000	0
Premium on Bonds Payable	0	0	3,184,930	0
Transfers In	0	0	0	75,800,000
Transfers (Out)	(10,346)	0	(76,050,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(5,526)</b>	<b>0</b>	<b>(2,065,070)</b>	<b>75,800,000</b>
<b>Net Change in Fund Balance</b>	<b>(4,626,399)</b>	<b>(31,293)</b>	<b>(1,203,450)</b>	<b>75,826,209</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>2,101,477</b>	<b>5,408,874</b>	<b>118,200</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>(\$2,524,922)</b>	<b>\$5,377,581</b>	<b>(\$1,085,250)</b>	<b>\$75,826,209</b>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$0	\$31,977,851
0	653,559
767	715,854
8,436,161	33,728,062
205,866	239,873
1,225,238	1,225,238
106,977	278,851
<u>9,975,009</u>	<u>68,819,288</u>
1,218,983	27,864,908
1,829,561	7,118,910
0	30,422
297,100	4,819,195
810,495	4,249,898
905,886	3,423,316
0	38,334
322,497	5,667,094
0	1,320,047
0	257,521
273,124	6,859,066
57,884	2,485,935
73,894	1,584,175
3,845,767	3,935,230
219,613	802,265
0	459,630
0	122,636
0	1,424,838
<u>9,854,804</u>	<u>72,463,420</u>
<u>120,205</u>	<u>(3,644,132)</u>
2,300	7,120
0	70,800,000
0	3,184,930
260,346	76,060,346
0	(76,060,346)
<u>262,646</u>	<u>73,992,050</u>
382,851	70,347,918
<u>304,238</u>	<u>7,932,789</u>
<u>\$687,089</u>	<u>\$78,280,707</u>

Middletown City School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2004

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Net Change in Fund Balance - Total Governmental Funds \$70,347,918

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

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

Capital assets used in governmental activities	1,179,640	
Depreciation Expense	<u>(1,278,635)</u>	(98,995)

Governmental funds only report the disposal of assets to the  
 extent proceeds are received from the sale. In the statement  
 of activities, a gain or loss is reported for each disposal. The  
 amount of the proceeds must be removed and the gain or loss  
 on the disposal of capital assets must be recognized. This is the  
 amount of the difference between the proceeds and the gain or loss. (172,373)

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

Delinquent Property Taxes	2,170,182	
Intergovernmental	<u>575,422</u>	2,745,604

Repayment of bond principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term  
 liabilities in the statement of net assets. 122,636

In the statement of activities interest expense is accrued when incurred,  
 whereas in governmental funds an interest expenditure is reported  
 when due. (16,493)

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

Pension Obligation	(74,200)	
Compensated Absences	274,080	
Amortization of Bond Premium	<u>37,916</u>	237,796

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

Proceeds from debt issues	(70,800,000)	
Premium on debt issues	<u>(3,184,930)</u>	(73,984,930)

Change in Net Assets of Governmental Activities (\$818,837)

See accompanying notes to the basic financial statements.

Middletown City School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2004

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	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$1,855	\$64,357
Receivables:		
Accounts	0	639
Total Assets	<u>1,855</u>	<u>\$64,996</u>
Liabilities:		
Accrued Wages and Benefits	0	9,563
Other Liabilities	0	55,433
Total Liabilities	<u>0</u>	<u>\$64,996</u>
Net Assets:		
Held in Trust	<u>1,855</u>	
Total Net Assets	<u>\$1,855</u>	

See accompanying notes to the basic financial statements.

Middletown City School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2004

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	Private Purpose Trust
Additions:	
Donations	<u>\$17,905</u>
Total Additions	<u>17,905</u>
Deductions:	
Regular	<u>17,155</u>
Total Deductions	<u>17,155</u>
Change in Net Assets	750
Net Assets Beginning of Year	<u>1,105</u>
Net Assets End of Year	<u>\$1,855</u>

See accompanying notes to the basic financial statements.

**MIDDLETOWN CITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2004**

**1. DESCRIPTION OF THE DISTRICT**

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

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

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

**REPORTING ENTITY**

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

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

The following activities are included within the reporting entity:

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **MEASUREMENT FOCUS**

#### **Government-wide Financial Statements**

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

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

## **Fund Financial Statements**

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

Fiduciary Funds are reported using the economic resources measurement focus.

## **FUND ACCOUNTING**

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

### **Governmental Funds**

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

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

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

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

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

## **Fiduciary Funds**

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

## **3. BASIS OF ACCOUNTING**

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

### Revenues – Exchange and Non-exchange Transactions

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

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

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

### Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

### Expenses/Expenditures

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

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

## **CASH AND CASH EQUIVALENTS**

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2004 amounted to \$715,854.

## INVENTORY

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

## CAPITAL ASSETS

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

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

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

## COMPENSATED ABSENCES

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

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

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

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

## **NET ASSETS**

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

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

## **INTERFUND ACTIVITY**

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

## **FUND EQUITY**

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

## **4. CASH AND CASH EQUIVALENTS**

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

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

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

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

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

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

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

Deposits – At the year end, the carrying amount of the District's deposits was \$23,245,404. The bank balance of deposits was \$23,251,997 of which \$300,000 was covered by federal depository insurance. The remaining balance of \$22,951,997 was covered by 105% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

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

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

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

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Federal Agency Security	\$0	\$7,780,472	\$0	\$7,780,472
Money Market Fund*	0	0	0	218,334
State Treasury Pool*	<u>0</u>	<u>0</u>	<u>0</u>	<u>57,584,602</u>
Total Investments	<u>\$0</u>	<u>\$7,780,472</u>	<u>\$0</u>	<u>\$65,583,408</u>

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

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

## 5. PROPERTY TAXES

Real property taxes collected in 2004 were levied in April on the assessed values as of January 1, 2003, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2004, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2004, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2004. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2004, was \$682,506 for General Fund, \$150,949 for Debt Service and \$340,473 for Emergency Levy fund, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2004 operations.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$769,265,780
Public Utility Personal	44,182,110
Tangible Personal Property	<u>261,226,106</u>
Total	<u>\$1,074,673,996</u>

## 6. RECEIVABLES

Receivables at June 30, 2004, consisted of taxes, accounts, intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

## 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Government Activities</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$20,525	\$0	\$0	\$20,525
Construction in Progress	0	459,631	0	459,631
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	26,440,770	264,630	0	26,705,400
Equipment	<u>13,047,122</u>	<u>455,379</u>	<u>228,511</u>	<u>13,273,990</u>
Totals at Historical Cost	<u>\$39,508,417</u>	<u>\$1,179,640</u>	<u>\$228,511</u>	<u>\$40,459,546</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	\$20,372,005	\$525,482	\$0	\$20,897,487
Equipment	<u>8,752,580</u>	<u>753,153</u>	<u>56,138</u>	<u>9,449,595</u>
Total Accumulated Depreciation	<u>\$29,124,585</u>	<u>\$1,278,635</u>	<u>\$56,138</u>	<u>\$30,347,082</u>
Governmental Activities Capital Assets, Net	<u>\$10,383,832</u>	<u>(\$98,995)</u>	<u>\$172,373</u>	<u>\$10,112,464</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$609,292
Special		29,921
Vocational		8,303
Other Instruction		814
Support Services:		
Pupil		746
Instructional Staff		12,673
School Administration		33,273
Fiscal		2,374
Business		23,683
Operations and Maintenance		183,725
Pupil Transportation		258,619
Central		102,532
Operation of Non-instructional services		10,184
Extracurricular Activities		<u>2,496</u>
Total Depreciation Expense		<u>\$1,278,635</u>

## 8. NOTES PAYABLE

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30</u>
Bond Anticipation	1.70%	02/07/03	02/06/04	\$250,000	\$0	\$250,000	\$0
Bond Anticipation	1.75%	01/15/04	06/10/04	0	14,800,000	14,800,000	0
Bond Anticipation	1.75%	12/18/04	06/10/04	0	61,000,000	61,000,000	0
Bond Anticipation	1.75%	06/09/04	06/09/05	<u>0</u>	<u>5,000,000</u>	<u>0</u>	<u>5,000,000</u>
				<u>\$250,000</u>	<u>\$80,800,000</u>	<u>\$76,050,000</u>	<u>\$5,000,000</u>

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

## 9. LONG-TERM LIABILITIES

	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
<u>Governmental Activities:</u>					
Construction Bond	\$0	\$70,800,000	\$0	\$70,800,000	\$3,830,000
Compensated Absences	2,827,293	113,651	518,679	2,422,265	377,778
Capital Leases	<u>323,949</u>	<u>0</u>	<u>122,636</u>	<u>201,313</u>	<u>126,626</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$3,151,242</u>	<u>\$70,913,651</u>	<u>\$641,315</u>	<u>\$73,423,578</u>	<u>\$4,334,404</u>

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

In March 2004, the District issued \$70,800,000 in bonds that will be used on various construction projects throughout the District, mainly the construction of new buildings. The interest rates range from 2.00% through 5.00%, with the maturity date of December 1, 2031. The first payment on the bonds is due December 1, 2004.

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

### General Obligation Bonds

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$3,830,000	\$3,152,822	\$6,982,822
2006	1,320,000	3,101,322	4,421,322
2007	1,520,000	3,050,123	4,570,123
2008	1,600,000	2,996,122	4,596,122
2009	1,645,000	2,959,560	4,604,560
2010-2014	2,230,000	14,547,181	16,777,181
2015-2019	5,885,000	13,759,707	19,644,707
2020-2024	13,100,000	11,453,431	24,553,431
2025-2029	21,545,000	7,323,563	28,868,563
2030-2032	<u>18,125,000</u>	<u>1,416,125</u>	<u>19,541,125</u>
	<u>\$70,800,000</u>	<u>\$63,759,956</u>	<u>\$134,559,956</u>

## 10. LEASES

### CAPITAL LEASES

The District, in prior years, has entered into two capital leases for fitness centers.

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Long-Term</u> <u>Debt</u>
2005	\$131,168
2006	<u>75,556</u>
Total Minimum Lease Payments	206,724
Less: Amount Representing Interest	<u>(5,411)</u>
Present Value of Minimum Lease Payments	<u>\$201,313</u>

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

Equipment	\$388,631
-----------	-----------

## 11. PENSION PLANS

### SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,272,312, \$1,229,856, and \$1,145,448 respectively; 48.8% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002.

## STATE TEACHERS RETIREMENT SYSTEM

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

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 9.3%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$4,501,572, \$4,542,444, and \$4,342,236 respectively; 82.9% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002.

## **12. POST EMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund for which payments for health care benefits are paid. For the District, this amount equaled \$321,541 during the 2004 fiscal year. As of June 30, 2004, eligible benefit recipients totaled 111,853. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based upon years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For 2004 fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year, the minimum pay has been established at \$25,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$446,218 during the 2004 fiscal year. The number of participants currently receiving health care benefits is approximately 62,000. For the fiscal year ended June 30, 2004, net health care costs paid by SERS were \$223,443,805.

## **13. CONTINGENT LIABILITIES**

### **GRANTS**

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2004.

## **LITIGATION**

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

## **14. RISK MANAGEMENT**

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

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

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

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

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

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

## 15. JOINTLY GOVERNED ORGANIZATIONS

The Southwestern Ohio Computer Association (SWOCA) is a jointly governed organization among a three county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. The Governing Board of SWOCA consists of six members elected by majority vote of all charter member schools plus one representative from the fiscal agent. The District paid SWOCA \$127,173 for services provided during the year. Financial information can be obtained from Mr. Michael Crumley, who serves as Director, at 3603 Hamilton-Middletown Rd., Hamilton, OH 45011.

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

Butler County Joint Vocational School District was formed to provide vocational education opportunities to the students of Butler County, including students of the District. The District paid \$509 for services provided during the year. Financial information can be obtained from Mr. Ed Pokora, who serves as Treasurer, at 3604 Hamilton-Middletown Rd., Hamilton, OH 45011.

## 16. STATE SCHOOL FUNDING DECISION

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

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

## 17. COMPLIANCE AND ACCOUNTABILITY

### Deficits in Fund Balance

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

<u>Fund</u>	<u>Deficit</u>
General Fund	\$2,524,922
Special Revenue Fund:	
Disadvantaged Pupil Impact Aid	30,755
Class Size Reduction	19,215
Food Service	736,803
Uniform School Supply	17,680
Debt Service Fund	1,085,250

## Non-Compliance

1. Ohio Revised Code Section 5705.39 states the total appropriation from each fund should not exceed the total estimated revenue.

At June 30, 2004, the following District funds had a deficit fund balance (original budget basis) in the following amounts: Special Revenue Disadvantaged Pupil Impact Aid Fund (\$110,524), Special Revenue Title III Fund (\$11,394), General Fund (\$3,046,165), Special Revenue Preschool Fund (\$254), Special Revenue Class Size Reduction Fund (\$93,040). The following District funds had a deficit fund balance (final budget basis) in the following amounts: General Fund (\$3,376,081), Special Revenue Auxiliary Service Fund (\$12,800), Special Revenue Entry Year Fund (\$14,698), Special Revenue Summer Intervention Fund (\$84,320), Special Revenue Adult Basic Education Fund (\$55,027), Special Revenue Title VI-B Fund (\$348,024), Special Revenue Title III Fund (\$2,396), Special Revenue Preschool Fund (\$254), Special Revenue Class Size Reduction Fund (\$282,813) and Special Revenue Miscellaneous Federal Fund (\$111,652).

2. Ohio Revised Code Section 5705.41(D) states that any contract or any order involving an expenditure shall have a certificate stating that it has been lawfully appropriated of the fiscal officer attached.
3. Ohio Revised Code Section 9.38 states public money must be deposited with the treasurer or the public office or to a designated depository on the business day following the day of receipt.
4. Ohio Revised Code Section 149.351 states that all records that are the property of the public office concerned shall not be removed or destroyed.
5. Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. Also 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.
6. Ohio Revised Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.
7. Ohio Revised Code Section 5705.41 (B), states that no subdivision or taxing unit is to expend money unless it has been appropriated.

## 18. FUND BALANCE RESERVES FOR SET-ASIDES

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

For fiscal year ended June 30, 2004, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2003	\$64,895	\$0	\$627,007
Current Year Set-aside Requirement	1,021,607	1,021,607	0
Qualified Disbursements	(1,343,067)	(976,593)	0
Current Year Offsets	<u>0</u>	<u>(45,014)</u>	<u>0</u>
Set-Aside Reserve Balance as of June 30, 2004	<u>(\$256,565)</u>	<u>\$0</u>	<u>\$ 627,007</u>
Restricted Cash as of June 30, 2004			<u>\$627,007</u>

Qualifying disbursements and carryover from prior years for textbooks resulted in \$256,565 for carryover to offset textbook requirements in future years.

## 19. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2004, consisted of the following individual fund receivables/payables and transfers:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$1,750,713	\$0	\$0	\$10,346
Nonmajor Funds:				
Public School Support	0	34	0	0
Local Grants	2,047	0	0	0
Athletic	0	25	0	0
Auxiliary Services	0	1,324	0	0
Summer Intervention	0	67,387	0	0
Alternative Schools	0	0	10,346	0
Miscellaneous State Grants	0	2,629	0	0
Title VI-B	0	350,439	0	0
Title I	0	100,435	0	0
Title VI	0	19,270	0	0
Drug Free Schools	0	6,460	0	0
Class Size Reduction	0	10,028	0	0
Miscellaneous Federal	0	77,421	0	0
Food Service	0	975,000	0	0
Uniform School Supply	0	142,308	0	0
Total nonmajor funds	<u>2,047</u>	<u>1,752,760</u>	<u>10,346</u>	<u>0</u>
Total all funds	<u>\$1,752,760</u>	<u>\$1,752,760</u>	<u>\$10,346</u>	<u>\$10,346</u>

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

## 20. PRIOR PERIOD ADJUSTMENT

The beginning net asset/fund balances of special revenue, enterprise and governmental activities have been adjusted for the reclassification of enterprise funds as follows:

	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Governmental Activities</u>
June 30, 2003 Fund Balance			
Net Assets, as previously stated	\$5,965,911	(\$476,248)	\$16,568,206
Fund Reclassification	<u>(498,550)</u>	<u>476,248</u>	<u>(476,248)</u>
June 30, 2003 Fund balance/ Net Assets, as restated	<u>\$5,467,361</u>	<u>\$0</u>	<u>\$16,091,958</u>

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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

Middletown City School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$22,325,140	\$22,325,140	\$24,405,176	\$2,080,036
Tuition and Fees	580,059	580,059	634,103	54,044
Investment Earnings	285,312	285,312	311,895	26,583
Intergovernmental	22,112,421	22,112,421	24,143,806	2,031,385
Extracurricular Activities	30,098	30,098	32,902	2,804
Other Revenues	164,589	164,589	179,924	15,335
<b>Total Revenues</b>	<b>45,497,619</b>	<b>45,497,619</b>	<b>49,707,806</b>	<b>4,210,187</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	26,565,395	25,961,489	25,961,489	0
Special	5,164,914	5,168,912	5,168,912	0
Other	4,003,063	4,734,293	4,734,293	0
<b>Support Services:</b>				
Pupil	4,080,501	3,351,047	3,351,047	0
Instructional Staff	1,257,867	1,371,196	1,371,196	0
General Administration	43,240	42,084	42,084	0
School Administration	5,533,197	5,379,844	5,379,844	0
Fiscal	1,154,210	1,157,710	1,157,710	0
Business	227,940	258,914	258,914	0
Operations and Maintenance	4,782,229	4,691,391	4,691,391	0
Pupil Transportation	120,000	229,968	229,968	0
Central	1,168,000	998,196	998,196	0
<b>Operation of Non-Instructional Services</b>	<b>25,000</b>	<b>99,761</b>	<b>99,761</b>	<b>0</b>
Extracurricular Activities	630,000	593,265	593,265	0
Capital Outlay	150,000	83,595	83,595	0
<b>Debt Service:</b>				
Principal Retirement	0	122,636	122,636	0
Interest and Fiscal Charges	0	8,532	8,532	0
<b>Total Expenditures</b>	<b>54,905,556</b>	<b>54,252,833</b>	<b>54,252,833</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(9,407,937)</b>	<b>(8,755,214)</b>	<b>(4,545,027)</b>	<b>4,210,187</b>
<b>Other financing sources (uses):</b>				
Proceeds from Sale of Capital Assets	0	4,820	4,820	0
Advances In	1,276,788	1,276,788	1,276,788	0
Advances (Out)	(550,000)	(1,485,484)	(1,485,484)	0
Transfers (Out)	0	(51,975)	(51,975)	0
<b>Total Other Financing Sources (Uses)</b>	<b>726,788</b>	<b>(255,851)</b>	<b>(255,851)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(8,681,149)</b>	<b>(9,011,065)</b>	<b>(4,800,878)</b>	<b>4,210,187</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>5,634,984</b>	<b>5,634,984</b>	<b>5,634,984</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>(\$3,046,165)</b>	<b>(\$3,376,081)</b>	<b>\$834,106</b>	<b>\$4,210,187</b>

See accompanying notes to the required supplementary information.

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Emergency Levy Fund			Variance from Final Budget
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Taxes	\$10,216,674	\$10,216,674	\$5,776,651	(\$4,440,023)
Intergovernmental	943,826	943,826	943,826	0
<b>Total Revenues</b>	<b>11,160,500</b>	<b>11,160,500</b>	<b>6,720,477</b>	<b>(4,440,023)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	790,000	657,763	657,763	0
Special	57,000	20,398	20,398	0
Vocational	30,000	30,422	30,422	0
<b>Support Services:</b>				
Pupil	100,000	148,804	148,804	0
Instructional Staff	1,422,869	1,141,961	1,141,961	0
School Administration	155,000	1	1	0
Fiscal	142,053	134,279	134,279	0
Operations and Maintenance	1,954,335	2,153,414	2,153,414	0
Pupil Transportation	2,134,783	2,322,678	2,322,678	0
Central	295,000	529,872	529,872	0
<b>Total Expenditures</b>	<b>7,081,040</b>	<b>7,139,592</b>	<b>7,139,592</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>4,079,460</b>	<b>4,020,908</b>	<b>(419,115)</b>	<b>(4,440,023)</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>5,136,115</b>	<b>5,136,115</b>	<b>5,136,115</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$9,215,575</b>	<b>\$9,157,023</b>	<b>\$4,717,000</b>	<b>(\$4,440,023)</b>

See accompanying notes to the required supplementary information.

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**MIDDLETOWN CITY SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2004**

**1. BUDGETARY PROCESS**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2004.

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

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

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

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

Net Change in Fund Balance

	<u>General</u>	<u>Emergency Levy</u>
GAAP Basis	(\$4,626,399)	(\$31,293)
Net Adjustment for Revenue Accruals	1,460,890	111,623
Net Adjustment for Expenditure Accruals	(1,055,104)	(62,248)
Encumbrances	<u>(580,265)</u>	<u>(437,197)</u>
Budget Basis	<u>(\$4,800,878)</u>	<u>(\$419,115)</u>

**COMBINING STATEMENTS  
AND INDIVIDUAL  
FUND SCHEDULES**

## ***NONMAJOR GOVERNMENTAL FUNDS***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interactive Video Distance Learning: To account for state funds received for the installation and implementation of a distance learning program with surrounding school districts.

Middletown City School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$2,165,179	\$439,024	\$2,604,203
<b>Receivables:</b>			
Accounts	1,608	0	1,608
Intergovernmental	1,908,430	0	1,908,430
Interfund	2,047	0	2,047
Inventory	115,769	0	115,769
<b>Total Assets</b>	<b>4,193,033</b>	<b>439,024</b>	<b>4,632,057</b>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable	73,165	0	73,165
Accrued Wages and Benefits	656,546	0	656,546
Compensated Absences	3,705	0	3,705
Interfund Payable	1,752,760	0	1,752,760
Deferred Revenue	1,458,792	0	1,458,792
<b>Total Liabilities</b>	<b>3,944,968</b>	<b>0</b>	<b>3,944,968</b>
<b>Fund Balances:</b>			
Reserved for Encumbrances	1,150,218	0	1,150,218
Reserved for Inventory	115,769	0	115,769
<b>Unreserved, Undesignated, Reported in:</b>			
Special Revenue Funds	(1,017,922)	0	(1,017,922)
Capital Projects Funds	0	439,024	439,024
<b>Total Fund Balances</b>	<b>248,065</b>	<b>439,024</b>	<b>687,089</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$4,193,033</b>	<b>\$439,024</b>	<b>\$4,632,057</b>

Middletown City School District  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues:</b>			
Investment Earnings	\$767	\$0	\$767
Intergovernmental	8,436,161	0	8,436,161
Extracurricular Activities	205,866	0	205,866
Charges for Services	1,225,238	0	1,225,238
Other Revenues	106,977	0	106,977
<b>Total Revenues</b>	<b>9,975,009</b>	<b>0</b>	<b>9,975,009</b>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	1,163,711	55,272	1,218,983
Special	1,829,561	0	1,829,561
Other	297,100	0	297,100
<b>Support Services:</b>			
Pupil	810,495	0	810,495
Instructional Staff	904,431	1,455	905,886
School Administration	322,497	0	322,497
Operations and Maintenance	273,124	0	273,124
Pupil Transportation	57,884	0	57,884
Central	73,894	0	73,894
Operation of Non-Instructional Services	3,845,767	0	3,845,767
Extracurricular Activities	219,613	0	219,613
<b>Total Expenditures</b>	<b>9,798,077</b>	<b>56,727</b>	<b>9,854,804</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>176,932</b>	<b>(56,727)</b>	<b>120,205</b>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Capital Assets	2,300	0	2,300
Transfers In	10,346	250,000	260,346
<b>Total Other Financing Sources (Uses)</b>	<b>12,646</b>	<b>250,000</b>	<b>262,646</b>
<b>Net Change in Fund Balance</b>	<b>189,578</b>	<b>193,273</b>	<b>382,851</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>58,487</b>	<b>245,751</b>	<b>304,238</b>
<b>Fund Balance End of Year</b>	<b>\$248,065</b>	<b>\$439,024</b>	<b>\$687,089</b>

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Middletown City School District  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2004

	Public School Support	Local Grants	Venture Capital	Athletic
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$62,402	\$447,625	\$684	\$26,082
<b>Receivables:</b>				
Accounts	296	0	0	0
Intergovernmental	0	0	0	0
Interfund	0	2,047	0	0
Inventory	0	0	0	0
<b>Total Assets</b>	<b>62,698</b>	<b>449,672</b>	<b>684</b>	<b>26,082</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	0	447	0	0
Accrued Wages and Benefits	0	0	0	0
Compensated Absences	0	0	0	0
Interfund Payable	34	0	0	25
Deferred Revenue	0	0	0	0
<b>Total Liabilities</b>	<b>34</b>	<b>447</b>	<b>0</b>	<b>25</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	16,296	5,826	0	2,730
Reserved for Inventory	0	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	46,368	443,399	684	23,327
<b>Total Fund Balances</b>	<b>62,664</b>	<b>449,225</b>	<b>684</b>	<b>26,057</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$62,698</b>	<b>\$449,672</b>	<b>\$684</b>	<b>\$26,082</b>

Auxiliary Services	Management Information System	Entry Year	Disadvantaged Pupil Impact Aid	OneNet Network Connectivity	SchoolNet Professional Development	Ohio Reads	Summer Intervention
\$205,900	\$170	\$702	\$72,042	\$0	\$4,140	\$22,799	\$115,370
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	67,014
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
205,900	170	702	72,042	0	4,140	22,799	182,384
13,130	0	0	0	0	0	1,038	698
51,393	0	0	102,797	0	0	0	0
0	0	0	0	0	0	0	0
1,324	0	0	0	0	0	0	67,387
0	0	0	0	0	0	0	67,014
65,847	0	0	102,797	0	0	1,038	135,099
121,440	170	0	0	0	0	10,750	114,672
0	0	0	0	0	0	0	0
18,613	0	702	(30,755)	0	4,140	11,011	(67,387)
140,053	170	702	(30,755)	0	4,140	21,761	47,285
\$205,900	\$170	\$702	\$72,042	\$0	\$4,140	\$22,799	\$182,384

Continued

Middletown City School District  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2004

	Alternative Schools	Miscellaneous State Grants	Adult Basic Education	Title VI-B
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$32,108	\$56,133	\$71,956	\$303,902
<b>Receivables:</b>				
Accounts	0	0	0	0
Intergovernmental	171	14,272	0	337,263
Interfund	0	0	0	0
Inventory	0	0	0	0
<b>Total Assets</b>	<b>32,279</b>	<b>70,405</b>	<b>71,956</b>	<b>641,165</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	0	190	545	22,443
Accrued Wages and Benefits	22,054	4,909	30,307	110,157
Compensated Absences	0	0	0	75
Interfund Payable	0	2,629	0	350,439
Deferred Revenue	0	10,452	0	72,072
<b>Total Liabilities</b>	<b>22,054</b>	<b>18,180</b>	<b>30,852</b>	<b>555,186</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	22,187	13,072	28,142	281,459
Reserved for Inventory	0	0	0	0
Unreserved, Undesignated, Reported in: Special Revenue Funds	(11,962)	39,153	12,962	(195,480)
<b>Total Fund Balances</b>	<b>10,225</b>	<b>52,225</b>	<b>41,104</b>	<b>85,979</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$32,279</b>	<b>\$70,405</b>	<b>\$71,956</b>	<b>\$641,165</b>

Title III	Title I	Title VI	Drug-Free Schools	Preschool	Class Size Reduction	Miscellaneous Federal	Food Service
\$794	\$338,582	\$19,189	\$24,778	\$0	\$56,935	\$132,673	\$19,711
0	0	0	0	0	0	0	127
10,175	1,010,652	97,496	22,942	0	115,982	79,714	148,879
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	115,769
<u>10,969</u>	<u>1,349,234</u>	<u>116,685</u>	<u>47,720</u>	<u>0</u>	<u>172,917</u>	<u>212,387</u>	<u>284,486</u>
0	15,290	0	751	0	0	18,541	0
0	221,795	0	0	0	66,122	4,028	42,984
0	325	0	0	0	0	0	3,305
0	100,435	19,270	6,460	0	10,028	77,421	975,000
8,870	1,010,652	91,355	22,942	0	115,982	59,453	0
<u>8,870</u>	<u>1,348,497</u>	<u>110,625</u>	<u>30,153</u>	<u>0</u>	<u>192,132</u>	<u>159,443</u>	<u>1,021,289</u>
0	256,739	1,710	7,021	0	56,934	86,521	0
0	0	0	0	0	0	0	115,769
2,099	(256,002)	4,350	10,546	0	(76,149)	(33,577)	(852,572)
2,099	737	6,060	17,567	0	(19,215)	52,944	(736,803)
<u>\$10,969</u>	<u>\$1,349,234</u>	<u>\$116,685</u>	<u>\$47,720</u>	<u>\$0</u>	<u>\$172,917</u>	<u>\$212,387</u>	<u>\$284,486</u>

Continued

Middletown City School District  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2004

	Uniform School Supply	Special Rotary	Adult Education	Total Nonmajor Special Revenue Funds
Assets:				
Equity in Pooled Cash and Investments	\$123,443	\$3,830	\$23,229	\$2,165,179
Receivables:				
Accounts	1,185	0	0	1,608
Intergovernmental	0	0	3,870	1,908,430
Interfund	0	0	0	2,047
Inventory	0	0	0	115,769
<b>Total Assets</b>	<b>124,628</b>	<b>3,830</b>	<b>27,099</b>	<b>4,193,033</b>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	0	0	92	73,165
Accrued Wages and Benefits	0	0	0	656,546
Compensated Absences	0	0	0	3,705
Interfund Payable	142,308	0	0	1,752,760
Deferred Revenue	0	0	0	1,458,792
<b>Total Liabilities</b>	<b>142,308</b>	<b>0</b>	<b>92</b>	<b>3,944,968</b>
Fund Balances:				
Reserved for Encumbrances	123,444	0	1,105	1,150,218
Reserved for Inventory	0	0	0	115,769
Unreserved, Undesignated, Reported in: Special Revenue Funds	(141,124)	3,830	25,902	(1,017,922)
<b>Total Fund Balances</b>	<b>(17,680)</b>	<b>3,830</b>	<b>27,007</b>	<b>248,065</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$124,628</b>	<b>\$3,830</b>	<b>\$27,099</b>	<b>\$4,193,033</b>

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Middletown City School District  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2004

	Public School Support	Local Grants	Venture Capital	Athletic
<b>Revenues:</b>				
Investment Earnings	\$0	\$0	\$0	\$0
Intergovernmental	0	74,156	0	0
Extracurricular Activities	24,490	0	0	181,376
Charges for Services	0	0	0	0
Other Revenues	54,334	26,074	0	25,361
<b>Total Revenues</b>	<b>78,824</b>	<b>100,230</b>	<b>0</b>	<b>206,737</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	0	18,256	0	0
Special	0	84	0	0
Other	0	6,536	0	0
<b>Support Services:</b>				
Pupil	96,026	18,109	0	740
Instructional Staff	0	6,215	0	0
School Administration	0	4,266	0	0
Operations and Maintenance	0	52,840	0	0
Pupil Transportation	0	0	0	0
Central	0	6,623	0	0
Operation of Non-Instructional Services	0	0	0	0
Extracurricular Activities	0	0	0	219,613
<b>Total Expenditures</b>	<b>96,026</b>	<b>112,929</b>	<b>0</b>	<b>220,353</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(17,202)</b>	<b>(12,699)</b>	<b>0</b>	<b>(13,616)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	0	0	0	0
Transfers In	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(17,202)</b>	<b>(12,699)</b>	<b>0</b>	<b>(13,616)</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>79,866</b>	<b>461,924</b>	<b>684</b>	<b>39,673</b>
<b>Fund Balance End of Year</b>	<b>\$62,664</b>	<b>\$449,225</b>	<b>\$684</b>	<b>\$26,057</b>

Auxiliary Services	Management Information System	Entry Year	Disadvantaged Pupil Impact Aid	OneNet Network Connectivity	SchoolNet Professional Development	Ohio Reads	Summer Intervention
\$767	\$0	\$0	\$0	\$0	\$0	\$0	\$0
782,138	25,441	15,400	812,882	42,000	4,140	49,000	84,319
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	592	0
782,905	25,441	15,400	812,882	42,000	4,140	49,592	84,319
0	0	0	548,151	0	0	13,902	25,987
0	0	0	0	0	0	1,253	0
0	0	0	0	0	0	0	0
0	0	0	3,740	0	0	0	0
0	0	14,698	0	0	6,125	20,370	1,547
0	0	0	0	0	0	0	0
0	0	0	196,583	0	0	0	0
0	0	0	0	0	0	0	9,500
0	25,271	0	0	42,000	0	0	0
633,673	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
633,673	25,271	14,698	748,474	42,000	6,125	35,525	37,034
149,232	170	702	64,408	0	(1,985)	14,067	47,285
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
149,232	170	702	64,408	0	(1,985)	14,067	47,285
(9,179)	0	0	(95,163)	0	6,125	7,694	0
\$140,053	\$170	\$702	(\$30,755)	\$0	\$4,140	\$21,761	\$47,285

Continued

Middletown City School District  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2004

	Alternative Schools	Miscellaneous State Grants	Adult Basic Education	Title VI-B
<b>Revenues:</b>				
Investment Earnings	\$0	\$0	\$0	\$0
Intergovernmental	314,527	96,354	479,096	1,443,310
Extracurricular Activities	0	0	0	0
Charges for Services	0	0	0	0
Other Revenues	0	0	0	0
<b>Total Revenues</b>	<b>314,527</b>	<b>96,354</b>	<b>479,096</b>	<b>1,443,310</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	162,478	2,876	0	0
Special	0	5,561	0	653,281
Other	0	0	290,564	0
<b>Support Services:</b>				
Pupil	0	35,841	0	347,127
Instructional Staff	37,235	44,664	97,257	121,844
School Administration	2,879	0	21,492	184,822
Operations and Maintenance	0	6,959	0	0
Pupil Transportation	0	0	0	0
Central	0	0	0	0
Operation of Non-Instructional Services	113,997	0	0	16,540
Extracurricular Activities	0	0	0	0
<b>Total Expenditures</b>	<b>316,589</b>	<b>95,901</b>	<b>409,313</b>	<b>1,323,614</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,062)</b>	<b>453</b>	<b>69,783</b>	<b>119,696</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	0	0	0	0
Transfers In	10,346	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>10,346</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>8,284</b>	<b>453</b>	<b>69,783</b>	<b>119,696</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>1,941</b>	<b>51,772</b>	<b>(28,679)</b>	<b>(33,717)</b>
<b>Fund Balance End of Year</b>	<b>\$10,225</b>	<b>\$52,225</b>	<b>\$41,104</b>	<b>\$85,979</b>

Title III	Title I	Title VI	Drug-Free Schools	Preschool	Class Size Reduction	Miscellaneous Federal	Food Service
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4,495	1,685,119	15,705	51,586	17,987	622,462	259,787	1,539,578
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	1,119,648
0	29	0	0	0	0	0	0
4,495	1,685,148	15,705	51,586	17,987	622,462	259,787	2,659,226
830	119	2,931	0	0	385,573	2,608	0
0	1,157,482	0	11,900	0	0	0	0
0	0	0	0	0	0	0	0
0	290,925	0	0	17,987	0	0	0
1,566	117,736	27,123	37,722	0	179,761	190,568	0
0	109,038	0	0	0	0	0	0
0	16,742	0	0	0	0	0	0
0	48,384	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	29,875	0	453	0	0	41,751	2,733,187
0	0	0	0	0	0	0	0
2,396	1,770,301	30,054	50,075	17,987	565,334	234,927	2,733,187
2,099	(85,153)	(14,349)	1,511	0	57,128	24,860	(73,961)
0	0	0	0	0	0	0	2,300
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	2,300
2,099	(85,153)	(14,349)	1,511	0	57,128	24,860	(71,661)
0	85,890	20,409	16,056	0	(76,343)	28,084	(665,142)
\$2,099	\$737	\$6,060	\$17,567	\$0	(\$19,215)	\$52,944	(\$736,803)

Continued

Middletown City School District  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2004

	Uniform School Supply	Special Rotary	Adult Education	Total Nonmajor Special Revenue Funds
Revenues:				
Investment Earnings	\$0	\$0	\$0	\$767
Intergovernmental	0	0	16,679	8,436,161
Extracurricular Activities	0	0	0	205,866
Charges for Services	84,965	0	20,625	1,225,238
Other Revenues	0	0	587	106,977
<b>Total Revenues</b>	<b>84,965</b>	<b>0</b>	<b>37,891</b>	<b>9,975,009</b>
Expenditures:				
Current:				
Instruction:				
Regular	0	0	0	1,163,711
Special	0	0	0	1,829,561
Other	0	0	0	297,100
Support Services:				
Pupil	0	0	0	810,495
Instructional Staff	0	0	0	904,431
School Administration	0	0	0	322,497
Operations and Maintenance	0	0	0	273,124
Pupil Transportation	0	0	0	57,884
Central	0	0	0	73,894
Operation of Non-Instructional Services	201,335	0	74,956	3,845,767
Extracurricular Activities	0	0	0	219,613
<b>Total Expenditures</b>	<b>201,335</b>	<b>0</b>	<b>74,956</b>	<b>9,798,077</b>
Excess of Revenues Over (Under) Expenditures	(116,370)	0	(37,065)	176,932
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	0	0	0	2,300
Transfers In	0	0	0	10,346
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,646</b>
Net Change in Fund Balance	(116,370)	0	(37,065)	189,578
Fund Balance Beginning of Year, Restated	98,690	3,830	64,072	58,487
<b>Fund Balance End of Year</b>	<b>(\$17,680)</b>	<b>\$3,830</b>	<b>\$27,007</b>	<b>\$248,065</b>

Middletown City School District  
 Combining Balance Sheet  
 Nonmajor Capital Projects Funds  
 June 30, 2004

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

Middletown City School District  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 Nonmajor Capital Projects Funds  
 For the Fiscal Year Ended June 30, 2004

	Permanent Improvement	SchoolNet Plus	Interactive Video Distance Learning	Total Nonmajor Capital Projects Funds
Revenues:				
Taxes	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
Expenditures:				
Current:				
Instruction:				
Regular	0	51,966	3,306	55,272
Support Services:				
Instructional Staff	0	0	1,455	1,455
Total Expenditures	0	51,966	4,761	56,727
Excess of Revenues Over (Under) Expenditures	0	(51,966)	(4,761)	(56,727)
Other Financing Sources (Uses):				
Transfers In	250,000	0	0	250,000
Total Other Financing Sources (Uses)	250,000	0	0	250,000
Net Change in Fund Balance	250,000	(51,966)	(4,761)	193,273
Fund Balance Beginning of Year, Restated	189,024	51,966	4,761	245,751
Fund Balance End of Year	\$439,024	\$0	\$0	\$439,024

Middletown City School District  
Statement of Changes In Assets and Liabilities  
Agency Funds  
For the Fiscal Year Ended June 30, 2004

	District			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$8,473	\$18,036	\$26,509	\$0
Receivables:				
Accounts	0	297	0	297
<b>Total Assets</b>	<b>8,473</b>	<b>18,333</b>	<b>26,509</b>	<b>297</b>
Liabilities:				
Accrued Wages and Benefits	8,473	9,563	8,473	9,563
Other Liabilities	0	8,770	18,036	(9,266)
<b>Total Liabilities</b>	<b>8,473</b>	<b>18,333</b>	<b>26,509</b>	<b>297</b>

	Student Activity			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$62,261	\$2,096	\$0	\$64,357
Receivables:				
Accounts	1,276	342	1,276	342
<b>Total Assets</b>	<b>63,537</b>	<b>2,438</b>	<b>1,276</b>	<b>64,699</b>
Liabilities:				
Other Liabilities	63,537	2,438	1,276	64,699
<b>Total Liabilities</b>	<b>\$63,537</b>	<b>\$2,438</b>	<b>\$1,276</b>	<b>\$64,699</b>

	Total All Agency Funds			Ending Balance
	Beginning Balance	Additions	Deductions	
Assets:				
Equity in Pooled Cash and Investments	\$70,734	\$20,132	\$26,509	\$64,357
Receivables:				
Accounts	1,276	639	1,276	639
<b>Total Assets</b>	<b>72,010</b>	<b>20,771</b>	<b>27,785</b>	<b>64,996</b>
Liabilities:				
Accrued Wages and Benefits	8,473	9,563	8,473	9,563
Other Liabilities	63,537	11,208	19,312	55,433
<b>Total Liabilities</b>	<b>\$72,010</b>	<b>\$20,771</b>	<b>\$27,785</b>	<b>\$64,996</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

Public  
 School Support  
 Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Extracurricular Activities	\$24,642	\$24,642	\$24,642	\$0
Other Revenues	59,458	59,458	55,662	(3,796)
<b>Total Revenues</b>	<b>84,100</b>	<b>84,100</b>	<b>80,304</b>	<b>(3,796)</b>
Expenditures:				
Current:				
Support Services:				
Pupil	100,325	112,321	112,321	0
<b>Total Expenditures</b>	<b>100,325</b>	<b>112,321</b>	<b>112,321</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(16,225)</b>	<b>(28,221)</b>	<b>(32,017)</b>	<b>(3,796)</b>
Other financing sources (uses):				
Advances In	36	34	34	0
<b>Total Other Financing Sources (Uses)</b>	<b>36</b>	<b>34</b>	<b>34</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(16,189)</b>	<b>(28,187)</b>	<b>(31,983)</b>	<b>(3,796)</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>78,089</b>	<b>78,089</b>	<b>78,089</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$61,900</b>	<b>\$49,902</b>	<b>\$46,106</b>	<b>(\$3,796)</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Local Grants Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$170,080	\$170,080	\$83,594	(\$86,486)
Other Revenues	26,074	26,074	26,074	0
<b>Total Revenues</b>	<b>196,154</b>	<b>196,154</b>	<b>109,668</b>	<b>(86,486)</b>
Expenditures:				
Current:				
Instruction:				
Regular	79,569	20,659	20,659	0
Special	0	84	84	0
Other	10,940	7,741	7,741	0
Support Services:				
Pupil	0	20,326	20,326	0
Instructional Staff	27,870	6,216	6,216	0
School Administration	67,737	4,266	4,266	0
Operations and Maintenance	295,168	52,840	52,840	0
Central	2,695	6,623	6,623	0
Operation of Non-Instructional Services	3,000	0	0	0
<b>Total Expenditures</b>	<b>486,979</b>	<b>118,755</b>	<b>118,755</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(290,825)	77,399	(9,087)	(86,486)
Other financing sources (uses):				
Advances (Out)	(2,995)	(2,915)	(2,915)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(2,995)</b>	<b>(2,915)</b>	<b>(2,915)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(293,820)</b>	<b>74,484</b>	<b>(12,002)</b>	<b>(86,486)</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	453,359	453,359	453,359	0
<b>Fund Balance End of Year</b>	<b>\$159,539</b>	<b>\$527,843</b>	<b>\$441,357</b>	<b>(\$86,486)</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

Venture  
 Capital  
 Fund

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

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

Athletic  
 Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Extracurricular Activities	\$181,230	\$181,230	\$184,367	\$3,137
Other Revenues	25,364	25,361	25,361	0
<b>Total Revenues</b>	<b>206,594</b>	<b>206,591</b>	<b>209,728</b>	<b>3,137</b>
Expenditures:				
Current:				
Support Services:				
Pupil	100	740	740	0
Extracurricular Activities	215,593	222,342	222,342	0
<b>Total Expenditures</b>	<b>215,693</b>	<b>223,082</b>	<b>223,082</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(9,099)	(16,491)	(13,354)	3,137
Other financing sources (uses):				
Advances In	25	25	25	0
<b>Total Other Financing Sources (Uses)</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(9,074)</b>	<b>(16,466)</b>	<b>(13,329)</b>	<b>3,137</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	36,679	36,679	36,679	0
<b>Fund Balance End of Year</b>	<b>\$27,605</b>	<b>\$20,213</b>	<b>\$23,350</b>	<b>\$3,137</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Auxiliary Services Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$767	\$767	\$767	\$0
Intergovernmental	698,009	698,009	782,138	84,129
<b>Total Revenues</b>	<b>698,776</b>	<b>698,776</b>	<b>782,905</b>	<b>84,129</b>
Expenditures:				
Current:				
Support Services:				
Operation of Non-Instructional Services	729,453	780,429	780,429	0
<b>Total Expenditures</b>	<b>729,453</b>	<b>780,429</b>	<b>780,429</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(30,677)	(81,653)	2,476	84,129
Other financing sources (uses):				
Advances In	1,330	1,324	1,324	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,330</b>	<b>1,324</b>	<b>1,324</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(29,347)</b>	<b>(80,329)</b>	<b>3,800</b>	<b>84,129</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	67,529	67,529	67,529	0
<b>Fund Balance End of Year</b>	<b>\$38,182</b>	<b>(\$12,800)</b>	<b>\$71,329</b>	<b>\$84,129</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

Management  
 Information  
 System  
 Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$27,298	\$27,298	\$25,441	(\$1,857)
<b>Total Revenues</b>	<b>27,298</b>	<b>27,298</b>	<b>25,441</b>	<b>(1,857)</b>
Expenditures:				
Current:				
Support Services:				
Central	0	25,441	25,441	0
<b>Total Expenditures</b>	<b>0</b>	<b>25,441</b>	<b>25,441</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>27,298</b>	<b>1,857</b>	<b>0</b>	<b>(1,857)</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$27,298</b>	<b>\$1,857</b>	<b>\$0</b>	<b>(\$1,857)</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Entry Year Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$0	\$15,400	\$15,400
Total Revenues	0	0	15,400	15,400
Expenditures:				
Current:				
Support Services:				
Instructional Staff	0	14,698	14,698	0
Total Expenditures	0	14,698	14,698	0
Net Change in Fund Balance	0	(14,698)	702	15,400
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	(\$14,698)	\$702	\$15,400

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

Disadvantaged  
 Pupil  
 Impact Aid  
 Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$812,882	\$812,882	\$812,882	\$0
<b>Total Revenues</b>	<b>812,882</b>	<b>812,882</b>	<b>812,882</b>	<b>0</b>
Expenditures:				
Current:				
Instruction:				
Regular	669,250	540,517	540,517	0
Support Services:				
Pupil	4,156	3,740	3,740	0
Operations and Maintenance	250,000	196,583	196,583	0
<b>Total Expenditures</b>	<b>923,406</b>	<b>740,840</b>	<b>740,840</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(110,524)</b>	<b>72,042</b>	<b>72,042</b>	<b>0</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
<b>Fund Balance End of Year</b>	<b>(\$110,524)</b>	<b>\$72,042</b>	<b>\$72,042</b>	<b>\$0</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

OneNet Network  
 Connectivity  
 Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$52,500	\$52,500	\$42,000	(\$10,500)
Total Revenues	52,500	52,500	42,000	(10,500)
Expenditures:				
Current:				
Support Services:				
Central	0	42,000	42,000	0
Total Expenditures	0	42,000	42,000	0
Net Change in Fund Balance	52,500	10,500	0	(10,500)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$52,500	\$10,500	\$0	(\$10,500)

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	SchoolNet Professional Development Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$7,500	\$7,500	\$4,140	(\$3,360)
<b>Total Revenues</b>	<b>7,500</b>	<b>7,500</b>	<b>4,140</b>	<b>(3,360)</b>
Expenditures:				
Current:				
Support Services:				
Instructional Staff	6,125	6,125	6,125	0
<b>Total Expenditures</b>	<b>6,125</b>	<b>6,125</b>	<b>6,125</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>1,375</b>	<b>1,375</b>	<b>(1,985)</b>	<b>(3,360)</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>6,125</b>	<b>6,125</b>	<b>6,125</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$7,500</b>	<b>\$7,500</b>	<b>\$4,140</b>	<b>(\$3,360)</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

Ohio Reads  
 Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$51,408	\$51,408	\$49,000	(\$2,408)
Other Revenues	592	592	592	0
<b>Total Revenues</b>	<b>52,000</b>	<b>52,000</b>	<b>49,592</b>	<b>(2,408)</b>
Expenditures:				
Current:				
Instruction:				
Regular	592	18,930	18,930	0
Special	0	8,686	8,686	0
Support Services:				
Instructional Staff	0	20,397	20,397	0
<b>Total Expenditures</b>	<b>592</b>	<b>48,013</b>	<b>48,013</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>51,408</b>	<b>3,987</b>	<b>1,579</b>	<b>(2,408)</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	9,431	9,431	9,431	0
<b>Fund Balance End of Year</b>	<b>\$60,839</b>	<b>\$13,418</b>	<b>\$11,010</b>	<b>(\$2,408)</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Summer Intervention Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$0	\$84,320	\$84,320
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>84,320</b>	<b>84,320</b>
Expenditures:				
Current:				
Instruction:				
Regular	0	135,461	135,461	0
Support Services:				
Instructional Staff	0	1,547	1,547	0
School Administration	0	5,199	5,199	0
Pupil Transportation	0	9,500	9,500	0
<b>Total Expenditures</b>	<b>0</b>	<b>151,707</b>	<b>151,707</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	0	(151,707)	(67,387)	84,320
Other financing sources (uses):				
Advances In	0	67,387	67,387	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>67,387</b>	<b>67,387</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>(84,320)</b>	<b>0</b>	<b>84,320</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
<b>Fund Balance End of Year</b>	<b>\$0</b>	<b>(\$84,320)</b>	<b>\$0</b>	<b>\$84,320</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Alternative Schools Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$320,706	\$320,706	\$328,288	\$7,582
Total Revenues	320,706	320,706	328,288	7,582
Expenditures:				
Current:				
Instruction:				
Regular	147,494	182,240	182,240	0
Support Services:				
Instructional Staff	25,000	47,640	47,640	0
School Administration	23,340	9,294	9,294	0
Operation of Non-Instructional Services	126,097	113,997	113,997	0
Total Expenditures	321,931	353,171	353,171	0
Excess of Revenues Over (Under) Expenditures	(1,225)	(32,465)	(24,883)	7,582
Other financing sources (uses):				
Advances (Out)	0	(15,000)	(15,000)	0
Transfers In	10,825	10,346	10,346	0
Total Other Financing Sources (Uses)	10,825	(4,654)	(4,654)	0
Net Change in Fund Balance	9,600	(37,119)	(29,537)	7,582
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	39,456	39,456	39,456	0
Fund Balance End of Year	\$49,056	\$2,337	\$9,919	\$7,582

Middletown City School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2004

Miscellaneous  
State Grants  
Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$136,177	\$136,177	\$94,532	(\$41,645)
<b>Total Revenues</b>	<b>136,177</b>	<b>136,177</b>	<b>94,532</b>	<b>(41,645)</b>
Expenditures:				
Current:				
Instruction:				
Regular	2,056	2,875	2,875	0
Special	0	7,248	7,248	0
Support Services:				
Pupil	0	35,103	35,103	0
Instructional Staff	30,517	51,676	51,676	0
Operations and Maintenance	0	6,959	6,959	0
Miscellaneous Expenditures	0	202	202	0
<b>Total Expenditures</b>	<b>32,573</b>	<b>104,063</b>	<b>104,063</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	103,604	32,114	(9,531)	(41,645)
Other financing sources (uses):				
Advances In	1,202	2,629	2,629	0
Advances (Out)	0	(5,750)	(5,750)	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,202</b>	<b>(3,121)</b>	<b>(3,121)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>104,806</b>	<b>28,993</b>	<b>(12,652)</b>	<b>(41,645)</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	55,528	55,528	55,528	0
<b>Fund Balance End of Year</b>	<b>\$160,334</b>	<b>\$84,521</b>	<b>\$42,876</b>	<b>(\$41,645)</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

Adult Basic  
 Education  
 Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$409,872	\$409,872	\$508,168	\$98,296
Total Revenues	409,872	409,872	508,168	98,296
Expenditures:				
Current:				
Instruction:				
Other	227,735	313,112	313,112	0
Support Services:				
Instructional Staff	119,427	101,427	101,427	0
School Administration	22,420	21,492	21,492	0
Total Expenditures	369,582	436,031	436,031	0
Excess of Revenues Over (Under) Expenditures	40,290	(26,159)	72,137	98,296
Other financing sources (uses):				
Advances (Out)	0	(85,000)	(85,000)	0
Total Other Financing Sources (Uses)	0	(85,000)	(85,000)	0
Net Change in Fund Balance	40,290	(111,159)	(12,863)	98,296
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	56,132	56,132	56,132	0
Fund Balance End of Year	\$96,422	(\$55,027)	\$43,269	\$98,296

Middletown City School District  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2004

Title VI-B  
Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$949,571	\$949,571	\$1,297,595	\$348,024
Other Revenues	312	312	312	0
<b>Total Revenues</b>	<b>949,883</b>	<b>949,883</b>	<b>1,297,907</b>	<b>348,024</b>
Expenditures:				
Current:				
Instruction:				
Special	626,073	813,348	813,348	0
Support Services:				
Pupil	537,991	443,781	443,781	0
Instructional Staff	0	139,646	139,646	0
School Administration	204,086	216,279	216,279	0
Operation of Non-Instructional Services	12,587	16,541	16,541	0
<b>Total Expenditures</b>	<b>1,380,737</b>	<b>1,629,595</b>	<b>1,629,595</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(430,854)	(679,712)	(331,688)	348,024
Other financing sources (uses):				
Advances In	439,059	350,439	350,439	0
Advances (Out)	0	(240,800)	(240,800)	0
<b>Total Other Financing Sources (Uses)</b>	<b>439,059</b>	<b>109,639</b>	<b>109,639</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>8,205</b>	<b>(570,073)</b>	<b>(222,049)</b>	<b>348,024</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	222,049	222,049	222,049	0
<b>Fund Balance End of Year</b>	<b>\$230,254</b>	<b>(\$348,024)</b>	<b>\$0</b>	<b>\$348,024</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

Title III  
 Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$0	\$3,190	\$3,190
Total Revenues	0	0	3,190	3,190
Expenditures:				
Current:				
Instruction:				
Regular	10,789	830	830	0
Support Services:				
Instructional Staff	0	1,566	1,566	0
School Administration	500	0	0	0
Operation of Non-Instructional Services	105	0	0	0
Total Expenditures	11,394	2,396	2,396	0
Net Change in Fund Balance	(11,394)	(2,396)	794	3,190
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	(\$11,394)	(\$2,396)	\$794	\$3,190

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Title I Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Intergovernmental	\$2,159,408	\$2,159,408	\$1,909,238	(\$250,170)
Other Revenues	0	29	29	0
<b>Total Revenues</b>	<b>2,159,408</b>	<b>2,159,437</b>	<b>1,909,267</b>	<b>(250,170)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	23,358	21,863	21,863	0
Special	1,185,723	1,286,135	1,286,135	0
<b>Support Services:</b>				
Pupil	0	353,779	353,779	0
Instructional Staff	699,628	149,265	149,265	0
School Administration	94,874	120,159	120,159	0
Operations and Maintenance	0	16,742	16,742	0
Pupil Transportation	104,724	48,384	48,384	0
Operation of Non-Instructional Services	50,301	31,947	31,947	0
<b>Total Expenditures</b>	<b>2,158,608</b>	<b>2,028,274</b>	<b>2,028,274</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>800</b>	<b>131,163</b>	<b>(119,007)</b>	<b>(250,170)</b>
<b>Other financing sources (uses):</b>				
Advances In	113,240	89,436	89,436	0
Advances (Out)	0	(268,600)	(268,600)	0
<b>Total Other Financing Sources (Uses)</b>	<b>113,240</b>	<b>(179,164)</b>	<b>(179,164)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>114,040</b>	<b>(48,001)</b>	<b>(298,171)</b>	<b>(250,170)</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>364,721</b>	<b>364,721</b>	<b>364,721</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$478,761</b>	<b>\$316,720</b>	<b>\$66,550</b>	<b>(\$250,170)</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

Title VI  
 Fund

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$59,223	\$59,223	\$9,564	(\$49,659)
<b>Total Revenues</b>	<b>59,223</b>	<b>59,223</b>	<b>9,564</b>	<b>(49,659)</b>
Expenditures:				
Current:				
Instruction:				
Regular	0	4,679	4,679	0
Support Services:				
Pupil	0	28,834	28,834	0
Instructional Staff	46,113	0	0	0
Operation of Non-Instructional Services	7,019	0	0	0
<b>Total Expenditures</b>	<b>53,132</b>	<b>33,513</b>	<b>33,513</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	6,091	25,710	(23,949)	(49,659)
Other financing sources (uses):				
Advances In	88,404	19,270	19,270	0
<b>Total Other Financing Sources (Uses)</b>	<b>88,404</b>	<b>19,270</b>	<b>19,270</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>94,495</b>	<b>44,980</b>	<b>(4,679)</b>	<b>(49,659)</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	22,153	22,153	22,153	0
<b>Fund Balance End of Year</b>	<b>\$116,648</b>	<b>\$67,133</b>	<b>\$17,474</b>	<b>(\$49,659)</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Drug-Free Schools Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$76,227	\$76,227	\$51,586	(\$24,641)
Total Revenues	<u>76,227</u>	<u>76,227</u>	<u>51,586</u>	<u>(24,641)</u>
Expenditures:				
Current:				
Instruction:				
Special	34,349	11,899	11,899	0
Support Services:				
Instructional Staff	18,325	50,768	50,768	0
Operation of Non-Instructional Services	5,835	0	0	0
Total Expenditures	<u>58,509</u>	<u>62,667</u>	<u>62,667</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>17,718</u>	<u>13,560</u>	<u>(11,081)</u>	<u>(24,641)</u>
Other financing sources (uses):				
Advances In	7,247	6,460	6,460	0
Total Other Financing Sources (Uses)	<u>7,247</u>	<u>6,460</u>	<u>6,460</u>	<u>0</u>
Net Change in Fund Balance	24,965	20,020	(4,621)	(24,641)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>21,628</u>	<u>21,628</u>	<u>21,628</u>	<u>0</u>
Fund Balance End of Year	<u>\$46,593</u>	<u>\$41,648</u>	<u>\$17,007</u>	<u>(\$24,641)</u>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Preschool Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$17,733	\$17,733	\$17,987	\$254
<b>Total Revenues</b>	<b>17,733</b>	<b>17,733</b>	<b>17,987</b>	<b>254</b>
Expenditures:				
Current:				
Support Services:				
Pupil	0	17,987	17,987	0
Instructional Staff	17,987	0	0	0
<b>Total Expenditures</b>	<b>17,987</b>	<b>17,987</b>	<b>17,987</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(254)</b>	<b>(254)</b>	<b>0</b>	<b>254</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
<b>Fund Balance End of Year</b>	<b>(\$254)</b>	<b>(\$254)</b>	<b>\$0</b>	<b>\$254</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Class Size Reduction Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$401,475	\$401,475	\$684,288	\$282,813
<b>Total Revenues</b>	<b>401,475</b>	<b>401,475</b>	<b>684,288</b>	<b>282,813</b>
Expenditures:				
Current:				
Instruction:				
Regular	362,923	431,230	431,230	0
Support Services:				
Instructional Staff	202,513	183,638	183,638	0
<b>Total Expenditures</b>	<b>565,436</b>	<b>614,868</b>	<b>614,868</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	(163,961)	(213,393)	69,420	282,813
Other financing sources (uses):				
Advances In	10,369	10,028	10,028	0
Advances (Out)	0	(140,000)	(140,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>10,369</b>	<b>(129,972)</b>	<b>(129,972)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(153,592)</b>	<b>(343,365)</b>	<b>(60,552)</b>	<b>282,813</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	60,552	60,552	60,552	0
<b>Fund Balance End of Year</b>	<b>(\$93,040)</b>	<b>(\$282,813)</b>	<b>\$0</b>	<b>\$282,813</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Miscellaneous Federal Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$100,262	\$100,262	\$239,526	\$139,264
Total Revenues	100,262	100,262	239,526	139,264
Expenditures:				
Current:				
Instruction:				
Regular	2,608	3,081	3,081	0
Support Services:				
Instructional Staff	41,667	272,466	272,466	0
Operation of Non-Instructional Services	44,874	41,874	41,874	0
Total Expenditures	89,149	317,421	317,421	0
Excess of Revenues Over (Under) Expenditures	11,113	(217,159)	(77,895)	139,264
Other financing sources (uses):				
Advances In	28,816	77,422	77,422	0
Total Other Financing Sources (Uses)	28,816	77,422	77,422	0
Net Change in Fund Balance	39,929	(139,737)	(473)	139,264
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	28,085	28,085	28,085	0
Fund Balance End of Year	\$68,014	(\$111,652)	\$27,612	\$139,264

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Food Service Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Intergovernmental	\$1,349,904	\$1,349,904	\$1,349,904	\$0
Charges for Services	1,945,871	1,945,871	1,202,071	(743,800)
<b>Total Revenues</b>	<b>3,295,775</b>	<b>3,295,775</b>	<b>2,551,975</b>	<b>(743,800)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Operation of Non-Instructional Services	1,025,000	2,739,480	2,739,480	0
<b>Total Expenditures</b>	<b>1,025,000</b>	<b>2,739,480</b>	<b>2,739,480</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>2,270,775</b>	<b>556,295</b>	<b>(187,505)</b>	<b>(743,800)</b>
<b>Other financing sources (uses):</b>				
Proceeds from Sale of Capital Assets	2,300	2,300	2,300	0
Advances In	490,438	675,000	675,000	0
Advances (Out)	(475,000)	(475,000)	(475,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>17,738</b>	<b>202,300</b>	<b>202,300</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>2,288,513</b>	<b>758,595</b>	<b>14,795</b>	<b>(743,800)</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>4,919</b>	<b>4,919</b>	<b>4,919</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$2,293,432</b>	<b>\$763,514</b>	<b>\$19,714</b>	<b>(\$743,800)</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Uniform School Supply Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Tuition and Fees	\$88,000	\$88,000	\$85,193	(\$2,807)
<b>Total Revenues</b>	<b>88,000</b>	<b>88,000</b>	<b>85,193</b>	<b>(2,807)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Operation of Non-Instructional Services	100,000	324,779	324,779	0
<b>Total Expenditures</b>	<b>100,000</b>	<b>324,779</b>	<b>324,779</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(12,000)</b>	<b>(236,779)</b>	<b>(239,586)</b>	<b>(2,807)</b>
<b>Other financing sources (uses):</b>				
Advances In	147,770	142,308	142,308	0
<b>Total Other Financing Sources (Uses)</b>	<b>147,770</b>	<b>142,308</b>	<b>142,308</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>135,770</b>	<b>(94,471)</b>	<b>(97,278)</b>	<b>(2,807)</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>97,278</b>	<b>97,278</b>	<b>97,278</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$233,048</b>	<b>\$2,807</b>	<b>\$0</b>	<b>(\$2,807)</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Special Rotary Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Other Revenues	\$5,679	\$5,679	\$0	(\$5,679)
Total Revenues	5,679	5,679	0	(5,679)
Expenditures:				
Current:				
Operation of Non-Instructional Services	3,000	0	0	0
Total Expenditures	3,000	0	0	0
Net Change in Fund Balance	2,679	5,679	0	(5,679)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	3,833	3,833	3,833	0
Fund Balance End of Year	<u>\$6,512</u>	<u>\$9,512</u>	<u>\$3,833</u>	<u>(\$5,679)</u>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Adult Education Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Tuition and Fees	\$23,680	\$23,680	\$21,002	(\$2,678)
Intergovernmental	17,933	17,933	17,933	0
Other Revenues	587	587	587	0
<b>Total Revenues</b>	<b>42,200</b>	<b>42,200</b>	<b>39,522</b>	<b>(2,678)</b>
Expenditures:				
Current:				
Operation of Non-Instructional Services	58,250	76,492	76,492	0
<b>Total Expenditures</b>	<b>58,250</b>	<b>76,492</b>	<b>76,492</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(16,050)</b>	<b>(34,292)</b>	<b>(36,970)</b>	<b>(2,678)</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	59,003	59,003	59,003	0
<b>Fund Balance End of Year</b>	<b>\$42,953</b>	<b>\$24,711</b>	<b>\$22,033</b>	<b>(\$2,678)</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Debt Service Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$40,854	\$40,854	\$1,963,625	\$1,922,771
Intergovernmental	203,346	203,346	203,346	0
<b>Total Revenues</b>	<b>244,200</b>	<b>244,200</b>	<b>2,166,971</b>	<b>1,922,771</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Support Services:				
Fiscal	3,000	30,603	30,603	0
Debt Service:				
Principal Retirement	250,000	76,050,000	76,050,000	0
Interest and Fiscal Charges	4,250	1,416,306	1,416,306	0
<b>Total Expenditures</b>	<b>257,250</b>	<b>77,496,909</b>	<b>77,496,909</b>	<b>0</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(13,050)</b>	<b>(77,252,709)</b>	<b>(75,329,938)</b>	<b>1,922,771</b>
<b>Other financing sources (uses):</b>				
Proceeds of Long-Term Capital-Related Debt	70,800,000	70,800,000	70,800,000	0
Proceeds of Short-Term Notes	5,000,000	5,000,000	5,000,000	0
Premium on Bonds Payable	3,184,930	3,184,930	3,184,930	0
<b>Total Other Financing Sources (Uses)</b>	<b>78,984,930</b>	<b>78,984,930</b>	<b>78,984,930</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>78,971,880</b>	<b>1,732,221</b>	<b>3,654,992</b>	<b>1,922,771</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>108,810</b>	<b>108,810</b>	<b>108,810</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$79,080,690</b>	<b>\$1,841,031</b>	<b>\$3,763,802</b>	<b>\$1,922,771</b>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Permanent Improvement Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Other Revenues	\$250,000	\$250,000	\$0	(\$250,000)
Total Revenues	250,000	250,000	0	(250,000)
Expenditures:				
Current:				
Capital Outlay	400,000	0	0	0
Total Expenditures	400,000	0	0	0
Net Change in Fund Balance	(150,000)	250,000	0	(250,000)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	439,024	439,024	439,024	0
Fund Balance End of Year	\$289,024	\$689,024	\$439,024	(\$250,000)

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Building Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Investment Earnings	\$0	\$0	\$403,192	\$403,192
Total Revenues	0	0	403,192	403,192
Expenditures:				
Current:				
Support Services:				
Fiscal	0	947	947	0
Capital Outlay	0	1,442,120	1,442,120	0
Total Expenditures	0	1,443,067	1,443,067	0
Excess of Revenues Over (Under) Expenditures	0	(1,443,067)	(1,039,875)	403,192
Other financing sources (uses):				
Proceeds of Short-Term Notes	75,800,000	75,800,000	75,800,000	0
Total Other Financing Sources (Uses)	75,800,000	75,800,000	75,800,000	0
Net Change in Fund Balance	75,800,000	74,356,933	74,760,125	403,192
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	<u>\$75,800,000</u>	<u>\$74,356,933</u>	<u>\$74,760,125</u>	<u>\$403,192</u>

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

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

Middletown City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	Interactive Video Distance Learning Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$0	\$0	\$0	\$0
Total Revenues	0	0	0	0
Expenditures:				
Current:				
Instruction:				
Regular	973	3,305	3,305	0
Support Services:				
Instructional Staff	3,658	1,455	1,455	0
Total Expenditures	4,631	4,760	4,760	0
Net Change in Fund Balance	(4,631)	(4,760)	(4,760)	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	4,760	4,760	4,760	0
Fund Balance End of Year	<u>\$129</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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**STATISTICAL  
SECTION**

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

Fiscal Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Taxes	\$22,072,246	\$27,508,285	\$28,610,368	\$28,798,460	\$33,787,832	\$30,298,230	\$30,130,640	\$24,773,475	\$30,133,545	\$29,872,668
Revenue in lieu of taxes	0	0	0	0	0	0	0	0	55,096	0
Intergovernmental	17,307,965	17,614,495	18,287,882	19,011,644	20,443,914	21,694,215	23,591,461	25,590,348	24,702,802	25,088,555
Interest	308,697	605,059	700,852	802,942	816,274	1,161,758	1,221,400	735,436	512,881	311,895
Tuition and Fees	52,532	51,691	62,431	72,309	42,790	13,366	180,804	176,579	389,861	653,559
Extracurricular	0	0	0	0	0	0	0	0	55,733	34,007
Other Revenues	251,891	283,965	306,117	808,255	302,395	344,792	330,742	129,427	265,216	171,874
<b>Total Revenues</b>	<b>\$39,993,331</b>	<b>\$46,063,495</b>	<b>\$47,967,650</b>	<b>\$49,493,610</b>	<b>\$55,393,205</b>	<b>\$53,512,361</b>	<b>\$55,455,047</b>	<b>\$51,405,265</b>	<b>\$56,095,134</b>	<b>\$56,132,558</b>

Source: Middletown City School district records.

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

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

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

Fiscal Year (1)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Instruction	\$29,161,154	\$25,467,634	\$30,147,726	\$28,804,672	\$29,550,633	\$31,214,769	\$30,562,878	\$31,894,009	\$35,259,456	\$36,487,791
Instructional Staff	1,489,815	1,302,772	1,591,594	1,584,807	1,803,320	2,111,332	2,119,493	2,394,464	2,528,819	2,517,430
Pupil	1,741,693	1,783,145	1,709,399	1,932,718	2,346,520	2,448,690	2,685,576	2,967,933	3,161,734	3,439,403
General Administration	0	0	0	0	0	0	32,060	41,326	42,403	38,334
School Administration	4,720,501	3,608,050	3,997,057	4,099,319	4,523,022	4,772,468	4,648,871	4,947,762	5,364,291	5,344,597
Business and Fiscal	919,929	1,055,131	1,115,005	1,117,283	1,148,369	1,295,335	1,216,038	1,272,511	1,412,407	1,546,018
Operations and Maintenance	4,456,585	4,647,711	5,285,374	5,981,656	6,560,478	6,787,502	6,524,459	6,460,793	6,828,359	6,585,942
Pupil Transportation	1,784,321	1,976,916	1,969,305	2,512,870	2,564,669	2,666,474	2,203,544	2,174,030	2,504,501	2,428,051
Central	0	0	0	0	0	0	1,608,186	1,713,277	1,536,157	1,510,281
Operation of Non-Instructional Services	254,770	250,822	522,341	712,003	1,408,105	1,140,744	491	70,883	68,678	89,463
Extracurricular Activities	670,477	423,597	446,808	448,995	504,989	556,343	426,366	533,699	522,182	582,652
Capital Outlay	0	700,282	819,045	652,886	177,788	351,303	31,110	14,475	0	83,594
Debt Service	0	0	0	0	0	0	0	0	55,613	131,168
<b>Total Expenditures</b>	<b>\$45,199,245</b>	<b>\$41,216,060</b>	<b>\$47,603,654</b>	<b>\$47,847,209</b>	<b>\$50,587,893</b>	<b>\$53,344,960</b>	<b>\$52,059,072</b>	<b>\$54,485,162</b>	<b>\$59,284,600</b>	<b>\$60,784,724</b>

Source: Middletown City School District records.

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

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

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

Collection Year	Tax Levied	Current Tax Collections	Percent Collected	Delinquent Collection	Total Tax Collections	Percent of Total Collections to Levy	Outstanding Delinquent Taxes	Percent of Outstanding Delinquent Taxes to Tax Levied
1995	\$20,189,292	\$19,041,666	94.32%	\$633,911	\$19,675,577	97.46%	\$1,002,243	4.96%
1996	24,403,739	23,698,673	97.11%	591,960	24,290,633	99.54%	1,156,572	4.74%
1997	25,501,907	24,824,360	97.34%	651,156	25,475,516	99.90%	1,188,378	4.66%
1998	25,775,921	24,927,425	96.71%	720,380	25,647,805	99.50%	1,390,417	5.39%
1999	25,711,787	25,555,250	99.39%	838,957	26,394,207	102.65%	848,208	3.30%
2000	27,097,451	26,743,803	98.69%	777,700	27,521,503	101.56%	1,205,236	4.45%
2001	27,097,451	26,743,803	98.69%	777,700	27,521,503	101.56%	1,205,236	4.45%
2002	22,470,749	18,955,457	84.36%	893,360	19,848,817	88.33%	1,437,241	6.40%
2003	24,846,651	22,329,032	89.87%	975,874	23,304,906	93.79%	2,978,986	11.99%
2004	28,625,917	24,440,699	85.38%	1,173,928	25,614,627	89.48%	2,170,182	7.58%

Source: Butler County Auditor

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

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

Collection Year	Real Property		Tangible Personal Property		Public Utilities Personal		Total	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1995	\$586,939,860	\$1,676,971,029	\$179,387,670	\$717,550,680	\$103,304,360	\$129,130,450	\$869,631,890	\$2,523,652,159
1996	596,732,960	1,704,951,314	205,791,439	823,165,756	91,847,380	114,809,225	894,371,779	2,642,926,295
1997	661,069,610	1,888,770,314	224,104,236	896,416,944	91,108,250	113,885,313	976,282,096	2,899,072,571
1998	675,189,920	1,929,114,057	246,903,455	987,613,820	88,903,890	111,129,863	1,010,997,265	3,027,857,740
1999	687,607,230	1,964,592,086	236,392,230	945,568,920	90,672,470	113,340,588	1,014,671,930	3,023,501,594
2000	636,518,934	1,818,625,526	217,179,292	868,717,168	62,854,774	78,568,468	916,553,000	2,765,911,162
2001	658,757,370	1,882,163,914	229,281,088	949,636,988	61,598,530	76,998,163	949,636,988	2,908,799,065
2002	665,606,070	1,901,731,629	245,768,523	983,074,092	41,319,270	46,953,716	952,693,863	2,931,759,437
2003	685,392,310	1,958,263,743	236,048,065	944,192,260	38,401,320	43,637,864	959,841,695	2,946,093,867
2004	769,265,780	2,197,902,229	261,226,106	1,044,904,424	44,182,110	50,206,943	1,074,673,996	3,293,013,596

Source: Butler County Auditor.

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

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

	2003		2002		2001		2000		1999		1998		1997		1996		1995		1994		1995		
	TAX YEAR		TAX YEAR		TAX YEAR		TAX YEAR		TAX YEAR		TAX YEAR		TAX YEAR		TAX YEAR		TAX YEAR		TAX YEAR		TAX YEAR		TAX YEAR
	2003	2004	2002	2003	2001	2002	2000	2001	1999	2000	1998	1999	1997	1998	1996	1997	1995	1996	1994	1995	1994	1995	
Middletown CSD	\$38.08		\$33.58		\$34.78		\$34.98		\$35.33		\$36.53		\$37.03		\$37.03		\$38.20		\$33.23				
Butler County	8.75		8.75		8.75		8.45		8.45		8.45		8.45		7.45		7.45		7.45				
City of Monroe	11.17		11.17		11.17		11.17		7.85		7.85		7.85		7.85		7.85		7.85				
City of Middletown	5.86		5.86		5.86		5.86		6.36		6.31		6.31		6.31		6.31		6.38				
Butler County Joint Vocational	1.93		1.93		1.93		1.93		1.93		1.93		1.93		1.93		1.93		1.93				
Lemon Township	-		-		-		-		-		-		-		-		-		2.92				
Lemon TWP - Monroe Corp.	-		-		-		-		-		-		-		-		-		0.60				

Source: Butler County Auditor.

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

TABLE 6

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

Year	Population (1)	Total Assessed Value (2)	Gross Bonded Debt	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value (%)	Estimated Net Bonded Debt Per Capita
1995	62,684	\$869,631,890	\$450,000	\$269,477	\$180,523	0.02%	\$3
1996	62,684	894,371,779	375,000	2,131,561	0	0.00%	0
1997	62,684	976,282,096	290,000	1,642,235	0	0.00%	0
1998	62,684	1,010,997,265	200,000	503,152	0	0.00%	0
1999	62,684	1,014,671,930	105,000	618,539	0	0.00%	0
2000	62,889	916,553,000	0	744,181	0	0.00%	0
2001	51,913	949,636,988	0	140,022	0	0.00%	0
2002	51,913	952,693,863	0	384,980	0	0.00%	0
2003	51,913	959,841,695	0	118,200	0	0.00%	0
2004	51,913	1,074,673,996	70,800,000	0	70,800,000	6.59%	1364

Source:

(1) U.S. Census Bureau

(2) Butler County Auditor, calendar year basis.

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

Assessed Valuation of District	<u>\$1,074,673,996</u>
<u>Overall Direct Debt Limitation</u>	
Direct debt limitation	
9% of assessed valuation	\$96,720,660
Amount available in Debt Service Fund	0
Gross indebtedness	(70,800,000)
Less: Debt exempt from limitation	0
Debt subject to 9% limitation	<u>(70,800,000)</u>
Legal debt margin within 9% limitation	<u>\$25,920,660</u>
<u>Unvoted Direct Debt Limitation</u>	
Unvoted debt limitation	
0.1% of assessed valuation	\$1,074,674
Amount available in Debt Service Fund	0
related to unvoted debt	0
Gross indebtedness authorized by the Board	0
Less: Debt exempt from limitation	0
Debt subject to 0.1% limitation	<u>0</u>
Legal debt margin within 0.1% limitation	<u>\$1,074,674</u>

Source: Middletown City School District records.

TABLE 8

Middletown City School District  
 Computation of Direct and Overlapping Debt  
 June 30, 2004

Governmental Unit	Gross General Obligation	Percent Applicable to District (1)	Amount Applicable to District
Direct:			
Middletown City School District	\$70,800,000	100.00%	\$70,800,000
Overlapping:			
City of Middletown	\$24,378,000	98.99%	\$24,131,782
Butler County	76,372,200	13.83%	10,562,275
Warren County	3,771,025	1.81%	68,256
Butler County Career Center	4,395,000	17.22%	756,819
Total overlapping:	\$108,916,225		\$35,519,132
Total direct and overlapping debt:	\$179,716,225		\$106,319,132

Source: Ohio Municipal Advisory Council.

(1) Calculated by the Ohio Municipal Advisory Council.

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures (1)	Ratio of Debt Service to General Fund Expenditures (%)
1995	\$70,000	\$33,950	\$103,950	\$45,199,245	0.23%
1996	75,000	28,875	103,875	41,216,060	0.25%
1997	85,000	23,275	108,275	47,603,654	0.23%
1998	90,000	17,150	107,150	47,847,209	0.22%
1999	95,000	10,675	105,675	50,587,893	0.21%
2000	105,000	3,902	108,902	53,344,960	0.20%
2001	0	21,165	21,165	52,059,072	0.04%
2002	0	0	0	54,485,162	0.00%
2003	0	0	0	0	0.00%
2004	0	1,416,306	1,416,306	60,784,724	2.33%

Source: Middletown City School District

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

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

TABLE 10

Fiscal Year	Population (1)	School Enrollment (2)	Unemployment Rate (3)		
			Middletown Service Area	State of Ohio	United States
1995	62,684	9,935	4.20%	4.60%	5.80%
1996	62,684	9,780	4.30%	4.90%	5.30%
1997	62,684	9,816	3.50%	4.30%	5.20%
1998	62,684	9,656	3.60%	4.50%	4.70%
1999	62,684	9,466	3.70%	4.50%	4.50%
2000	62,889	9,260	3.30%	4.10%	4.00%
2001	51,913	7,705	3.70%	4.30%	4.50%
2002	51,913	7,700	5.00%	5.70%	5.90%
2003	51,913	7,462	5.00%	5.70%	5.90%
2004	51,913	7,066	5.00%	5.70%	5.90%

Sources:

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

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

TABLE 11

Calendar Year	Construction (1)	Bank Deposits (2)	Property Values (3)
1995	20,473,940	737,683,000	586,939,860
1996	209,121,147	800,556,000	596,732,960
1997	26,948,400	783,398,000	661,069,610
1998	40,738,971	815,435,000	675,189,920
1999	38,753,171	864,105,000	687,607,230
2000	10,836,229	913,169,000	636,518,934
2001	6,972,980	1,146,859,000	658,757,370
2002	7,688,040	1,136,994,000	665,606,070
2003	10,322,580	1,355,739,000	685,392,310
2004	5,818,820	1,412,807,000	769,265,780

Sources:

- (1) Butler County Auditor
- (2) Total deposits of all banks headquartered in Butler County, Ohio. (includes national and state chartered banks). Data was not available for the District only. Department of Commerce, Banks Division.
- (3) Butler County Auditor, calendar year basis, real property only. Figures are 35% of real property value.
- (4) At June 30, 2000 the district formerly known as the Middletown/Monroe City School District was separated into two school districts, Middletown City School District and Monroe Local School District.

TABLE 12

Middletown City School District  
 Real and Tangible Personal Property  
 Top Ten Principal Taxpayers  
 June 30, 2004

Name of Taxpayer	Real Property	Personal Property	Total Assessed Valuation	% of Total Assessed Valuation
AK Steel Corp.	\$21,974,710	\$135,526,830	\$157,501,540	14.66%
Cincinnati Gas & Electric Co.	29,005,980	0	29,005,980	2.70%
Bay West Paper Corp.	1,780,300	14,035,140	15,815,440	1.47%
United Care Corp.	10,540,520	0	10,540,520	0.98%
Southwestern Ohio Steel	4,061,850	5,753,220	9,815,070	0.91%
Jefferson Smurfit Corporation	1,630,590	6,319,360	7,949,950	0.74%
Ohio Bell	7,476,770	0	7,476,770	0.70%
Precision Strip Inc.	4,163,700	2,193,780	6,357,480	0.59%
Aeronca, Inc.	1,437,960	4,817,950	6,255,910	0.58%
Messer Griesheim	0	4,698,310	4,698,310	0.44%
All Other Taxpayers	687,193,400	132,063,626	819,257,026	76.23%
Total	\$769,265,780	\$305,408,216	\$1,074,673,996	100.00%

Source: Butler County Auditor.

TABLE 13

Middletown City School District  
Miscellaneous Statistical Data  
June 30, 2004

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

Number of Schools	Education of Certified Staff			
	Fiscal Year (1)	Bachelor	Masters and beyond	Average Years Experience
Elementary	10			
Middle	2			
High	2			
	<u>14</u>			
	1995	50.30%	49.70%	15.1
	1996	52.30%	47.70%	14.8
	1997	55.90%	44.10%	13.2
	1998	58.00%	42.00%	13.0
	1999	57.60%	42.40%	13.1
	2000	59.40%	40.60%	13.5
	2001	54.55%	45.45%	13.7
	2002	49.00%	51.00%	14.1
	2003	41.00%	59.00%	11.8
	2004	44.00%	56.00%	10.0

Source: Ohio Department of Education records.

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



**Auditor of State  
Betty Montgomery**

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**MIDDLETOWN CITY SCHOOL DISTRICT  
BUTLER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 5, 2005**