

# **MIDDLETOWN CITY SCHOOL DISTRICT**

Single Audit Reports

Year Ended June 30, 2018



**CLARK SCHAEFER HACKETT**  
CPAS & ADVISORS





# Dave Yost • Auditor of State

Board of Education  
Middletown City School District  
1 Donham Plaza, 4th Floor  
Middletown, OH 45042-1932

We have reviewed the *Independent Auditors' Report* of the Middletown City School District, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2017 to June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 20, 2018

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**TABLE OF CONTENTS**

Schedule of Expenditures of Federal Awards..... 1

Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*..... 2 – 3

Report on Compliance for Each Major Federal Program; Report on Internal  
Control over Compliance; and Report on Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance..... 4 – 6

Schedule of Findings and Questioned Costs..... 7

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**MIDDLETOWN CITY SCHOOL DISTRICT**  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2018

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Agriculture:</u></b>				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
<i>Non-Cash Assistance (Food Distribution)</i>				
National School Lunch Program	2018	10.555	\$ 85,227	85,227
<i>Cash Assistance</i>				
School Breakfast Program	2018	10.553	1,161,727	1,161,727
National School Lunch Program	2018	10.555	<u>2,928,872</u>	<u>2,928,872</u>
<i>Cash Assistance Subtotal</i>			<u>4,090,599</u>	<u>4,090,599</u>
Nutrition Cluster Total			<u>4,175,826</u>	<u>4,175,826</u>
Team Nutrition Grants - School Equipment Grant	16162OH811N7103	10.574	<u>10,000</u>	<u>10,000</u>
Total U.S. Department of Agriculture			<u>4,185,826</u>	<u>4,185,826</u>
<b><u>U.S. Department of Education:</u></b>				
<i>(Passed through Ohio Department of Education)</i>				
Title I:				
Title I Grants to Local Educational Agencies	S010A160035	84.010	798,315	648,705
Title I Grants to Local Educational Agencies	S010A180035	84.010	2,992,368	3,222,666
Title I School Improvement Sub A	2017	84.010	12,652	12,397
Title I School Improvement Sub A	2018	84.010	-	10,972
Title I School Improvement 1003	2018	84.010	<u>98,508</u>	<u>112,718</u>
Title I Total			<u>3,901,843</u>	<u>4,007,458</u>
Special Education Cluster:				
Special Education - Grants to States	H027A160111	84.027	256,724	140,732
Special Education - Grants to States	H027A180111	84.027	1,520,262	1,659,746
Special Education - Preschool Grants	H173A180119	84.173	<u>36,745</u>	<u>36,745</u>
Special Education Cluster Total			<u>1,813,731</u>	<u>1,837,223</u>
English Language Acquisition Grants	S365A160035	84.365	22,045	23,367
English Language Acquisition Grants	S365A170035	84.365	52,517	54,223
English Language Acquisition Grants (Immigrant)	S365A160035	84.365	<u>101</u>	<u>-</u>
			<u>74,663</u>	<u>77,590</u>
Supporting Effective Instruction State Grants	S367A160034	84.367	43,861	11,388
Supporting Effective Instruction State Grants	S367A180034	84.367	<u>494,297</u>	<u>567,607</u>
			<u>538,158</u>	<u>578,995</u>
Student Support and Academic Enrichment Program	S424A180036	84.424	<u>22,464</u>	<u>39,097</u>
Total U.S. Department of Education			<u>6,350,859</u>	<u>6,540,363</u>
Total Federal Awards			<u>\$ 10,536,685</u>	<u>10,726,189</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Middletown City School District (the "School District") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE C - FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed.

**NOTE D - NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS****INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Middletown City School District:

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Middletown City School District (the "School District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 11, 2018, wherein we noted the School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 11, 2018

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE****INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Middletown City School District:

**Report on Compliance for Each Major Federal Program**

We have audited Middletown City School District's ("School District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## **Report on Internal Control Over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements. We issued our report thereon dated December 11, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 11, 2018

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**MIDDLETOWN CITY SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to the financial statements noted?	none

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors’ report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	none

Identification of major programs:

- Nutrition Cluster:*  
*CFDA 10.553 – School Breakfast Program*  
*CFDA 10.555 – National School Lunch Program*
- Special Education Cluster:*  
*CFDA 84.027 – Special Education Grants to States*  
*CFDA 84.173 – Special Education – Preschool Grants*

Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	no

**Section II – Financial Statement Findings**

*None*

**Section III – Federal Award Findings and Questioned Costs**

*None*

**Section IV – Schedule of Prior Audit Findings**

*None*

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# MIDDLETOWN CITY SCHOOL DISTRICT BUTLER COUNTY, OHIO



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE  
FISCAL YEAR ENDED JUNE 30, 2018



COMPREHENSIVE  
ANNUAL FINANCIAL REPORT

OF THE

MIDDLETOWN CITY  
SCHOOL DISTRICT

BUTLER COUNTY, OHIO

FOR THE

FISCAL YEAR ENDED JUNE 30, 2018

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

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# INTRODUCTORY SECTION

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**TABLE OF CONTENTS**

**I. INTRODUCTORY SECTION**

Table of Contents .....	i-iii
Letter of Transmittal .....	v-x
List of Principal Officials.....	xi
Organizational Chart.....	xii
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	xiii
ASBO Certificate of Excellence in Financial Reporting.....	xiv

**II. FINANCIAL SECTION**

INDEPENDENT AUDITORS' REPORT.....	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	5-17
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-Wide Financial Statements:	
Statement of Net Position .....	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	22-23
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	26-27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	28
Statement of Fiduciary Net Position - Fiduciary Funds.....	29
Statement of Changes in Fiduciary Net Position - Fiduciary Fund.....	30
Notes to the Basic Financial Statements .....	31-71
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	74
Schedule of the District's Proportionate Share of The Net Pension Liability - School Employees Retirement System (SERS) of Ohio .....	75
State Teachers Retirement System (STRS) of Ohio.....	76

**II. FINANCIAL SECTION - (Continued)**

Schedule of District Pension Contributions -	
School Employees Retirement System (SERS) of Ohio .....	78-79
State Teachers Retirement System (STRS) of Ohio .....	80-81
Schedule of the District's Proportionate Share of The Net OPEB Liability -	
School Employees Retirement System (SERS) of Ohio .....	82
State Teachers Retirement System (STRS) of Ohio .....	83
Schedule of District OPEB Contributions -	
School Employees Retirement System (SERS) of Ohio .....	84-85
State Teachers Retirement System (STRS) of Ohio .....	86-87
Notes to the Required Supplementary Information.....	88-92

**COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULES:**

Fund Descriptions - Major Funds.....	94
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) -	
Spotlight and Neediest Kids & Medicaid Reserve Fund .....	95
Special Rotary Fund .....	96
Public School Support Fund .....	97
Bond Retirement Fund.....	98
Building Fund.....	99
Construction Fund .....	100
Combining Balance Sheet - Nonmajor Governmental Funds .....	101
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	102
Fund Descriptions - Nonmajor Governmental Funds.....	103-104
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	106-108
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds .....	110-113
Individual Fund Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Nonmajor Special Revenue Funds:	
Food Service Fund.....	114
Other Grants Fund .....	115
Classroom Facilities Maintenance Fund.....	116
District Managed Activities Fund.....	117
Auxiliary Services Fund .....	118
Public School Preschool Fund .....	119
Data Communication Grant Fund.....	120
Alternative Schools Fund .....	121
Miscellaneous State Grants Fund .....	122
Title VI-B Fund .....	123
School Improvement Stimulus A Fund .....	124
Title III Fund .....	125
Title I Fund .....	126
EHA Preschool Fund .....	127
Improving Teacher Quality Grant Fund .....	128
Miscellaneous Federal Grants Fund .....	129



**II. FINANCIAL SECTION - (Continued)**

Individual Fund Schedules of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) -  
Nonmajor Capital Projects Funds:

Permanent Improvement Fund .....	130
Fiduciary Funds - Fund Descriptions .....	131
Statement of Changes in Assets and Liabilities – Agency Fund:	
Student Activity Fund.....	132

**III. STATISTICAL SECTION**

Table of Contents.....	133
Net Position by Component - Last Ten Fiscal Years (Accrual Basis of Accounting) - Schedule 1 .....	134-135
Changes in Net Position - Last Ten Fiscal Years (Accrual Basis of Accounting) - Schedule 2 .....	136-139
Fund Balances, Governmental Funds - Last Ten Fiscal Years (Modified Accrual Basis of Accounting) - Schedule 3 .....	140-141
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years (Modified Accrual Basis of Accounting) - Schedule 4.....	142-143
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Calendar Years - Schedule 5.....	144
Direct and Overlapping Property Tax Rates – Last Ten Calendar Years - Schedule 6 ..	146-147
Property Tax Levies and Collections - Last Ten Calendar Years - Schedule 7 .....	148
Principal Property Tax Payers – Current Calendar Year and Nine Years Ago - Schedule 8	149
Outstanding Debt by Type - Last Ten Fiscal Years - Schedule 9 .....	150-151
Direct and Overlapping Governmental Activities Debt - As of June 30, 2018 - Schedule 10 .....	152
Legal Debt Margin Information - Last Ten Fiscal Years - Schedule 11 .....	154-155
Demographic and Economic Statistics - Last Ten Calendar Years - Schedule 12.....	156
Major Employers – Current Calendar Year and Nine Years Ago - Schedule 13.....	157
Full Time Equivalent District Employees by Type -Last Ten Fiscal Years - Schedule 14.....	158
Operating Statistics - Last Ten Fiscal Years - Schedule 15 .....	160-161
School Building Information - Last Ten Fiscal Years - Schedule 16 .....	162-169

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*Middletown  
City Schools*

*Office of the Treasurer*

ONE DONHAM PLAZA  
4<sup>th</sup> FLOOR  
MIDDLETOWN, OHIO 45042

[www.middletowncityschools.com](http://www.middletowncityschools.com)

December 11, 2018

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

The Comprehensive Annual Financial Report [CAFR] of the Middletown City School District (the “District”) for the fiscal year ended June 30, 2018, is hereby submitted. This report, prepared by the Treasurer's office, includes an opinion from our auditor, Clark, Schaefer, Hackett & Co., and conforms to generally accepted accounting principles [GAAP] as applicable to governmental entities. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the District. This report will provide the residents of the Middletown City School District with comprehensive financial data in a format that will enable them to gain an understanding of the District's financial affairs. Copies will be available upon request to taxpayers, financial rating services, banking institutions and other interested parties.

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

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

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

## **ECONOMIC CONDITION AND OUTLOOK**

The District is located in southwestern Ohio, midway between the cities of Cincinnati and Dayton, in the northeast corner of Butler County. The eastern boundary of the District is along Interstate 75, which runs from Canada to Florida, making it a desirable location for many businesses that require easy access to the nation's interstate system. Approximately 64 percent of the District’s tax base is agricultural and residential properties; the remainder is composed of a wide range of manufacturing, commercial and other business properties. The overall economic outlook for the area remains guarded with unemployment rates at 3.7 percent for Butler County.

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

## DESCRIPTION OF THE DISTRICT

The District serves an area of 25 square miles, encompassing the City of Middletown and a portion of Lemon Township in the northeastern corner of Butler County, midway between Cincinnati and Dayton. It also encompasses a small portion of Franklin Township in Warren County. According to information from the U.S. Census Bureau, the population of the City of Middletown is approximately 48,813 residents. The tax base of the District is comprised of a unique blend of residential, commercial, and industrial property, with 36% of the tax revenue of the District paid by business and industry.

During the 2017-18 school year, the District had 6,537 students enrolled in 7 elementary schools, one sixth grade center, one middle schools serving grades 7-8 and one comprehensive high school for grades 9-12 including an alternative program. The District also operates a variety of other facilities, including a central administration building, bus garage, and several sports fields. The District has eleven active buildings with the average built year of 1984 but six buildings were in 2006 or after with two additional building remodeled in 2008. The high school has nearly completed a total renovation and is on schedule for year ending 2018, and the Middle School, which was completed in August 2018. The projected funded enrollment for fiscal year 2019 is 6,400.

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

## ORGANIZATION OF THE SCHOOL DISTRICT

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

The Board members represent a cross section of professions in the community. The Board members on June 30, 2018, were as follows:

<b>Board Member</b>	<b>Began Service</b>	<b>Term Expires</b>	<b>Profession</b>
Mrs. Cathie Mulligan	January, 2018	December, 2021	Retired Administrator/Educator
Dr. Chris Urso	January, 2016	December, 2019	College Professor
Ms. Michelle Novak	January, 2016	December, 2019	Nonprofit Development Consultant
Mrs. Anita Scheibert	January, 2016	December, 2019	Educator
Mr. Todd Moore	January, 2016	December, 2021	Senior Director

The Superintendent is the Chief Executive Officer of the District, responsible directly to the Board for all educational and support operations. Mr. Marlon Styles Jr. was appointed Superintendent in July, 2017. Prior to his appointment, Mr. Styles served as Director of Instructional Leadership in Lakota Local Schools, Butler County and was a high school principal in Wyoming City Schools and Mount Healthy City Schools prior to that. Mr. Styles holds a Masters Degree in Educational Administration from the University of Cincinnati and has 18 years of experience in education to which 14 years is in administration.

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

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

## **EMPLOYEE RELATIONS**

The District employed 648 full and part-time staff members during the 2017-18 school year. This included classified employees who are responsible for the operation of the District's support services and the teaching and administrative staff of the District. Two organizations represent the teaching and classified employees. The District's administrative employees are not currently represented.

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

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

## **SERVICES PROVIDED**

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

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

## **MAJOR CURRENT AND FUTURE INITIATIVES**

Middletown City School District has developed a three-year strategic plan beginning in the 2018-2019 school year that has four main pillars: Instructional Excellence, Valuing Diversity, Student and Family Wellness, Communication and Community Engagement. Major action work is unfolding under each of these pillars in year one of the strategic plan.

Under the first pillar Instructional Excellence, the Curriculum and Innovation department is focused on Universal Design for Learning to meet the variable needs of all students. We have set aggressive growth measures for every student in order to close the achievement gap. The department also has a Literacy and Math initiative to build the capacity of our teaching staff around best practice in these two content areas. Response to learning is another focus area so the district teachers respond in real time to support student learning using formative instructional practices.

The second pillar, Valuing Diversity is being led through the Human Resources Department with innovative practices around preparing teachers as Urban Educators. This is a unique district and preparing educators that are supported and equipped to meet the needs of diverse high poverty student population is essential. During a whole district in-service the entire staff participated in a poverty simulation to advance awareness of the challenges our student meet each day.

Student and Family Wellness is our third pillar and focuses on the health of the whole child and their family. Action steps for this pillar is the establishment of a Family wellness center in partnership with Premier Health. This center is being established at our high school and will open this school year. We are also focusing on family wellness due to the level of poverty in our district we are working to support families with healthy foods and lifestyle.

Finally, our fourth pillar is expanding our communication with the school and business community and reaching out to engage our community in two-way partnerships.

The strategic plan is both simple and complex and expands and layers on additional initiatives each of the three years to reach our goal of "Exceptional Learning Experiences for All Students Every day!"

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

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

The second phase of the project consists of the construction of a new middle school and renovation of the current high school. The November 2013 ballot issue was defeated. In May 2014, the District successfully passed the \$55,000,000 bond issue for completing the District -wide construction program, to which only \$45,000,000 was used to complete the phase II projects. The District is currently working with Ohio Facilities Construction Commission, its architects, bond counsel, and bond underwriting and municipal advisors to complete this project by December 2018. This final phase includes the construction of a new middle school and arena next to the high school, renovating the high school and razing of other vacant school buildings. The ground breaking for these projects was in April 2016 and the ribbon cutting to open the new middle school, the renovated high school and the arena was September 1, 2018.

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

Currently, the remaining \$10,000,000 unused bond passage of 2014 will be used to add classroom space to Central Academy to relieve space issues from the other 6 elementary buildings. This new facility will be planned to educate up to 400 students in approximately 35,000 square feet with creative and innovative instruction design. Efficiency cost will be realized using Central Academy to expand because we currently transport students to this facility from the entire district. Other cost controls will be considered and used throughout the planning processes of both the curriculum and construction at this new facility.

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

## **RELEVANT FINANCIAL POLICIES**

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

## **FINANCIAL INFORMATION**

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

## **INTERNAL ACCOUNTING AND BUDGETARY CONTROL**

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

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

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

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

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

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

## **INDEPENDENT AUDIT**

The State of Ohio requires an annual audit by either the Ohio Auditor of State or by an independent public accounting firm. The Clark, Schaefer, Hackett & Co. performed the audit for the fiscal year ended June 30, 2018. The auditor's unmodified opinion rendered on the District's basic financial statements, and their report on the combining and individual fund statements and schedules, is included in the financial section of this report. Pursuant to statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all units of local education agencies in Ohio. The District adopted and has been in conformance with that system effective with its annual financial report since the 1979 calendar year.

## **AWARDS**

### GFOA Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

ASBO Certificate of Excellence in Financial Reporting

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

The District received the Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2017. The District believes that the Comprehensive Annual Financial Report for fiscal year June 30, 2018, which will be submitted to ASBO for review, will conform to ASBO's principles and standards.

Ohio Auditor of State Award with Distinction

The Ohio Auditor awards is presented for excellence in financial reporting related to the district's publish Comprehensive Annual Financial Reports and compliance with applicable laws for the fiscal year ending 2017. This exemplary reporting serves as the standard for clean, accountable government, representing the highest level of service to Ohioans.

**ACKNOWLEDGEMENTS**

The preparation of the 2018 Comprehensive Annual Financial Report of the Middletown City School District was made possible by the combined efforts of the District's Finance Department and Julian & Grube, Inc. The publication of this Comprehensive Annual Financial Report for the District is a major step in the reinforcing of the accountability of the District to the taxpayers of the community. Finally, sincere appreciation is extended to the Board of Education for its interest and support of this project.

Respectfully submitted,

A handwritten signature in cursive script that reads "Randall R. Bertram".

Randall R. Bertram, Treasurer/CFO



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

**LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2018**

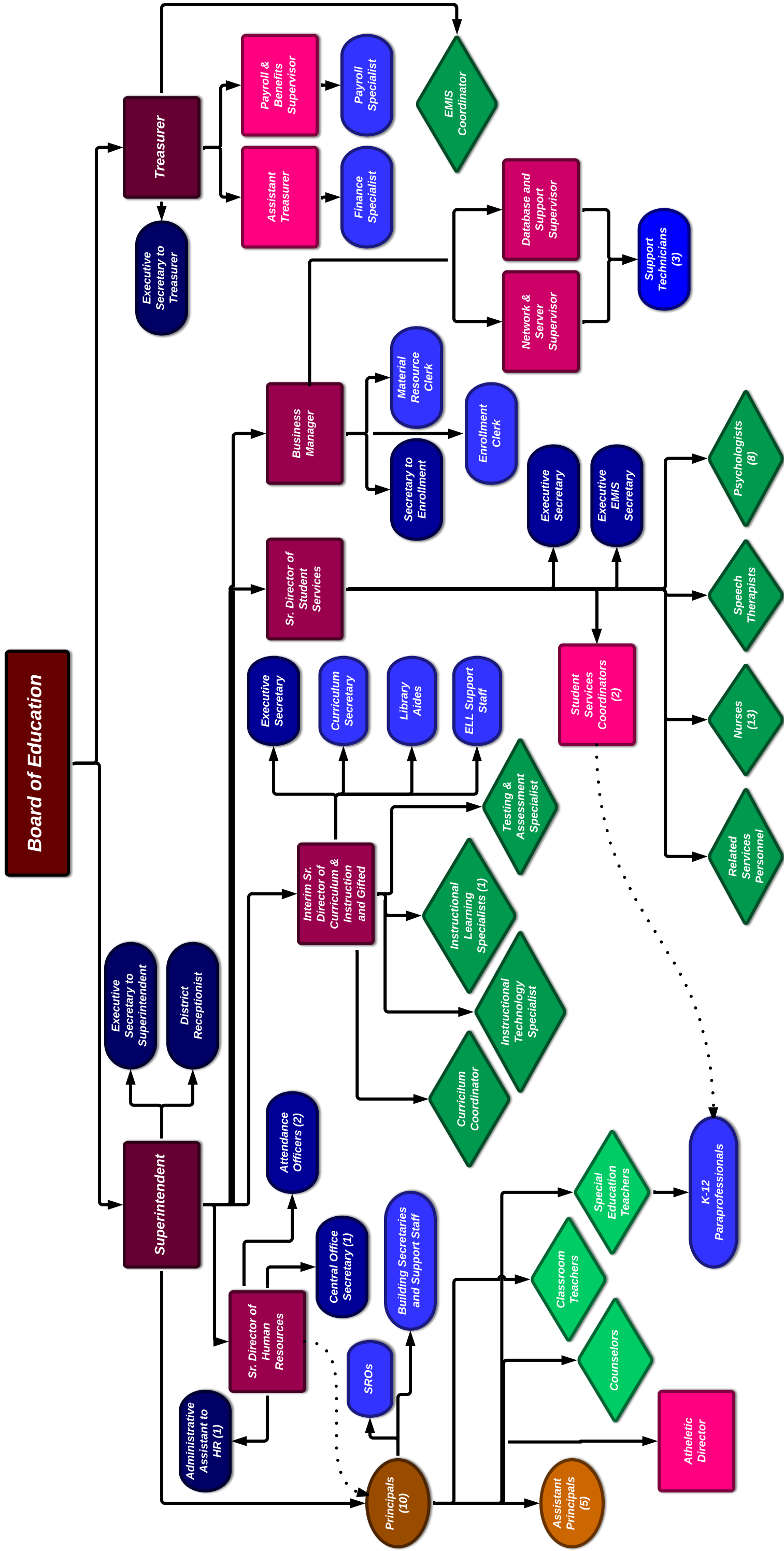
**BOARD OF EDUCATION**

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

**ADMINISTRATIVE OFFICIALS**

Superintendent	Mr. Marlon Styles
Treasurer	Mr. Randall Bertram
Director of Human Resources & Instructional Leadership	Ms. Deborah Houser
Interim Director of Curriculum & Instruction	Temporarily Vacant
Director of Special Education	Mrs. Deborah Sander
Curriculum Coordinator - Special Ed.	Mrs. Dana Miller
Curriculum Coordinator - Special Ed.	Mr. Kevin Casey
Curriculum Coordinator	Ms. Beth Olthoff
Director of Athletics	Mr. Aaron Zupka
Legal Counsel	Don Crain, Esq. - Frost, Brown & Todd, Attorneys at Law

# 2017-2018 Middletown City School District Organizational Chart





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Middletown City School District**  
**Ohio**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

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

**Middletown City School District**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2017.**

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



A handwritten signature in black ink that reads 'Charles E. Peterson, Jr.' The signature is written in a cursive style and is positioned above a horizontal line.

Charles E. Peterson, Jr., SFO, RSBA, MBA  
President

A handwritten signature in black ink that reads 'John D. Musso'. The signature is written in a cursive style and is positioned above a horizontal line.

John D. Musso, CAE  
Executive Director

## FINANCIAL SECTION

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Middletown City School District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Middletown City School District (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Middletown City School District as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

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



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
December 11, 2018

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The management discussion and analysis of the Middletown City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position of governmental activities increased \$35,261,165 which represents a 120.34% increase from June 30, 2017's restated net position.
- General revenues accounted for \$74,730,204 in revenue of 78.68% all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$20,245,221 or 21.32%.
- The District had \$59,714,260 in expenses related to governmental activities; \$20,245,221 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$74,730,204 were adequate to provide for these programs.
- The District has four major funds which include the general fund, the bond retirement fund, the building fund and the construction fund. The general fund had \$77,408,435 in revenues and other financing sources and \$75,297,421 in expenditures and other financing uses. The general fund's fund balance increased \$2,111,014 from \$14,957,487 to \$16,768,501.
- The bond retirement fund had \$7,250,182 in revenues and \$6,603,949 in expenditures. The bond retirement fund's fund balance increased \$646,233 from \$4,344,381 to \$4,990,614.
- The building fund had \$70,731 in revenues and \$5,668,621 in expenditures. The building fund's fund balance decreased \$5,597,890 from \$7,876,500 to \$2,278,610.
- The construction fund had \$9,090,339 in revenues and \$25,350,078 in expenditures. The construction fund's fund balance decreased \$16,259,739 from \$24,846,858 to \$8,587,119.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include *all assets, all deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net position and statement of activities can be found on pages 19-20 of this report.

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the bond retirement fund, the building fund and the construction fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 22-28 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 29 and 30. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-71 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's general fund budgetary information, net pension liability, net OPEB liability and contributions. The required supplementary information can be found on pages 74-92 of this report.

**The District as a Whole**

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The table below provides a summary of the District's net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

	<b>Net Position</b>		
	Governmental	Restated Governmental	Percent Change
	Activities <u>2018</u>	Activities <u>2017</u>	
<b><u>Assets</u></b>			
Current and other assets	\$ 92,886,038	\$ 118,669,683	(21.73) %
Capital assets, net	<u>141,298,225</u>	<u>112,029,328</u>	26.13 %
Total assets	<u>234,184,263</u>	<u>230,699,011</u>	1.51 %
<b><u>Deferred Outflows of Resources</u></b>			
Unamortized deferred loss on debt refunding	21,059	22,619	(6.90) %
Pension	21,331,304	18,232,718	16.99 %
OPEB	<u>710,328</u>	<u>129,996</u>	446.42 %
Total deferred outflows of resources	<u>22,062,691</u>	<u>18,385,333</u>	20.00 %
<b><u>Liabilities</u></b>			
Current liabilities	12,896,016	12,221,160	5.52 %
Long-term liabilities:			
Due within one year	2,293,292	2,554,241	(10.22) %
Due in more than one year:			
Net pension liability	70,965,883	99,231,687	(28.48) %
Net OPEB liability	15,802,093	20,182,125	(21.70) %
Other amounts	<u>100,600,343</u>	<u>102,420,651</u>	(1.78) %
Total liabilities	<u>202,557,627</u>	<u>236,609,864</u>	(14.39) %
<b><u>Deferred Inflows of Resources</u></b>			
Property taxes and PILOTs levied for next year	35,446,462	32,267,013	9.85 %
Unamortized deferred gain on debt refunding	465,304	520,588	(10.62) %
Pension	9,615,430	8,987,658	6.98 %
OPEB	<u>2,201,745</u>	<u>-</u>	100.00 %
Total deferred inflows of resources	<u>47,728,941</u>	<u>41,775,259</u>	14.25 %
<b><u>Net Position</u></b>			
Net investment in capital assets	50,497,647	33,418,675	51.11 %
Restricted	13,787,431	29,002,067	(52.46) %
Unrestricted (deficit)	<u>(58,324,692)</u>	<u>(91,721,521)</u>	(36.41) %
Total net position	<u>\$ 5,960,386</u>	<u>\$ (29,300,779)</u>	120.34 %

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from (\$9,248,650) to (\$29,300,779).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$5,960,386. Net position increased \$35,261,165 from June 30, 2017's net position.

Assets of the District increased \$3,485,252 or 1.51%. Current assets decreased \$25,783,645 or 21.73%. The most significant decreases were in the areas of intergovernmental receivables and restricted cash and investments with trustee. The intergovernmental receivables decreased to the collection of the Ohio School Facilities Commission (OFCC) grant from the State. Restricted cash and investments decreased due to the spending down of cash for construction purposes. At year-end, capital assets represented 60.34% of total assets. Capital assets include land, buildings and improvements, equipment and construction in progress. Net investment in capital assets at June 30, 2018 and June 30, 2017, were \$50,497,647 and \$33,418,675, respectively. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

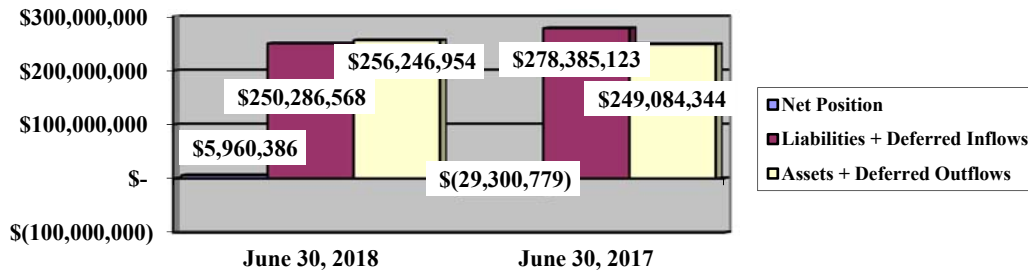
The capital assets increased due to current year additions of \$31,538,729 exceeding current year depreciation of \$2,170,325 and disposals of \$99,507, net of accumulated depreciation. The District major capital asset addition was construction in progress related to the District's building project.

Liabilities of the District decreased \$34,052,237 or 14.39%. Current liabilities increased \$674,856 or 5.52% due to an increase in accounts payable and an increase in accrued wages and benefits payable. Long-term liabilities decreased \$34,727,093. This decrease is mainly due to the decrease in the net pension liability, net OPEB liability and \$2.5 million in principal payments on debt. The net pension liability and net OPEB liability decreases were a result of overall decrease in net pension liability and net OPEB liability for both the State Teachers Retirement System (STRS) and School Employees Retirement System (SERS).

A portion of the District's net position, \$13,787,431, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$8,568,775 is restricted for capital projects. This amount is related to the District's State share of its Ohio Facilities Construction Commission (OFCC) project that has been unspent thus far. The remaining balance of unrestricted net position is (\$58,324,692).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

**Governmental Activities**





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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The table below shows the change in net position for fiscal years 2018 and 2017.

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>			
Program revenues:			
Charges for services and sales	\$ 1,626,894	\$ 1,558,968	4.36 %
Operating grants and contributions	18,618,327	18,491,315	0.69 %
General revenues:			
Taxes	31,622,971	28,820,905	9.72 %
Payment in lieu of taxes	679,322	677,978	0.20 %
Grants and entitlements not restricted	41,150,784	41,547,296	(0.95) %
Investment earnings	601,370	449,200	33.88 %
Other	<u>675,757</u>	<u>379,368</u>	78.13 %
Total revenues	<u>94,975,425</u>	<u>91,925,030</u>	3.32 %
<b><u>Expenses</u></b>			
Program expenses:			
Instruction:			
Regular	7,241,362	22,090,312	(67.22) %
Special	3,913,313	9,519,030	(58.89) %
Vocational	38,781	91,922	(57.81) %
Adult/continuing	-	2,114	(100.00) %
Other	16,812,983	14,785,832	13.71 %
Support services:			
Pupil	3,271,201	4,193,175	(21.99) %
Instructional staff	1,521,814	2,759,968	(44.86) %
Board of education	39,207	69,441	(43.54) %
Administration	1,399,741	4,197,588	(66.65) %
Fiscal	881,107	1,541,679	(42.85) %
Business	195,559	279,945	(30.14) %
Operations and maintenance	9,354,087	8,833,372	5.89 %
Pupil transportation	5,148,422	4,244,506	21.30 %
Central	974,516	1,218,435	(20.02) %
Operations of non-instructional services	4,152,167	4,650,576	(10.72) %
Extracurricular activities	339,087	981,923	(65.47) %
Interest and fiscal charges	<u>4,430,913</u>	<u>4,312,147</u>	2.75 %
Total expenses	<u>59,714,260</u>	<u>83,771,965</u>	(28.72) %
Change in net position	35,261,165	8,153,065	332.49 %
Net position, beginning of year (restated)	<u>(29,300,779)</u>	N/A	-
Net position, end of year	<u>\$ 5,960,386</u>	<u>\$ (29,300,779)</u>	120.34 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$129,996 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$2,585,963. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	\$ 59,714,260
Negative OPEB expense under GASB 75	2,585,963
2018 contractually required contributions	<u>172,656</u>
Adjusted 2018 program expenses	62,472,879
Total 2017 program expenses under GASB 45	<u>83,771,965</u>
Decrease in program expenses not related to OPEB	<u>\$ (21,299,086)</u>

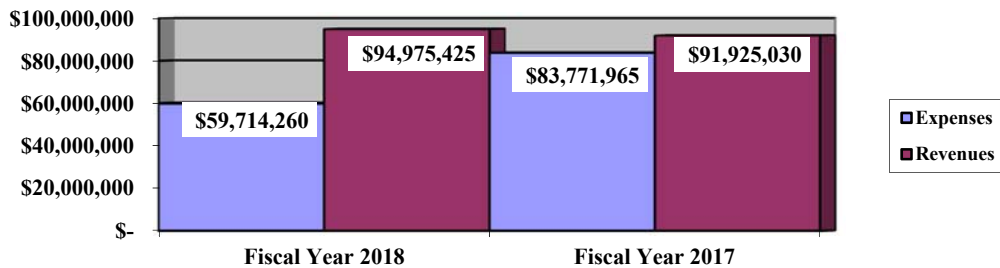
Net position of the District's governmental activities increased \$35,261,165 in fiscal year 2018 and increased \$8,153,065 in fiscal year 2017. Total governmental expenses of \$59,714,260 were offset by program revenues of \$20,245,221 and general revenues of \$74,730,204 during fiscal year 2018. Program revenues supported 33.90% of the total governmental expenses during fiscal year 2018.

Revenues of the District increased \$3,050,395 or 3.32%. The most significant increase was in the area of property taxes. Property taxes increased \$2,802,066 or 9.72% due to better overall collections of property taxes during the fiscal year and fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Butler County Auditor. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2018, 2017 and 2016 was \$1,278,776, \$1,230,297 and \$4,623,724, respectively. The amount of tax advance available at year-end can vary depending upon when the county auditor distributes tax bills.

Expenses of the governmental activities decreased \$24,057,705 or 28.72%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$25,457,862) in pension expense and (\$2,585,963) in OPEB expense mainly due to these benefit changes.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2018 and 2017.

**Governmental Activities - Revenues and Expenses**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

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

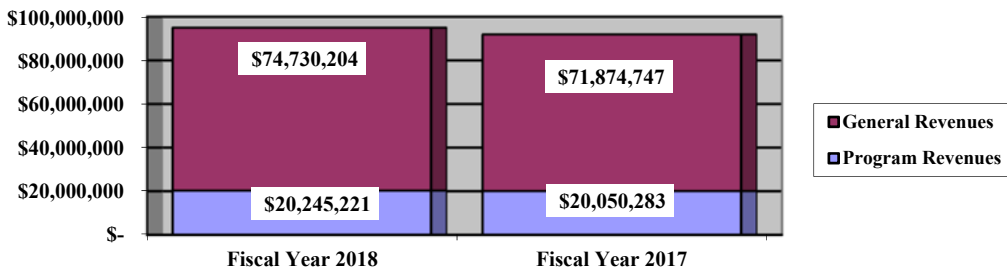
**Governmental Activities**

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 7,241,362	\$ 5,925,742	\$ 22,090,312	\$ 20,817,238
Special	3,913,313	(6,110,778)	9,519,030	377,304
Vocational	38,781	(353,021)	91,922	(179,043)
Adult/continuing	-	-	2,114	2,114
Other	16,812,983	16,812,983	14,785,832	14,785,832
Support services:				
Pupil	3,271,201	2,968,646	4,193,175	3,994,403
Instructional staff	1,521,814	(506,704)	2,759,968	405,960
Board of education	39,207	39,207	69,441	69,441
Administration	1,399,741	1,014,337	4,197,588	3,707,760
Fiscal	881,107	731,188	1,541,679	1,117,199
Business	195,559	195,559	279,945	279,945
Operations and maintenance	9,354,087	9,301,427	8,833,372	8,802,882
Pupil transportation	5,148,422	4,956,423	4,244,506	3,737,666
Central	974,516	970,204	1,218,435	1,191,726
Operations of non-instructional services	4,152,167	(1,029,119)	4,650,576	(658,703)
Extracurricular activities	339,087	122,032	981,923	957,811
Interest and fiscal charges	4,430,913	4,430,913	4,312,147	4,312,147
<b>Total</b>	<u>\$ 59,714,260</u>	<u>\$ 39,469,039</u>	<u>\$ 83,771,965</u>	<u>\$ 63,721,682</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 58.11% of instruction activities were supported through taxes and other general revenues during fiscal year 2018. For all governmental activities, general revenue support was 66.10% in fiscal year 2018. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District students.

The graph below presents the District's governmental activities revenues for fiscal years 2018 and 2017.

**Governmental Activities - General and Program Revenues**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on pages 26-27) reported a combined fund balance of \$36,338,313, which is lower than last year's total of \$54,519,817. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

	Fund Balance <u>June 30, 2018</u>	Fund Balance <u>June 30, 2017</u>	<u>Change</u>	Percentage <u>Change</u>
General	\$ 16,768,501	\$ 14,657,487	\$ 2,111,014	14.40 %
Bond retirement	4,990,614	4,344,381	646,233	14.88 %
Building	2,278,610	7,876,500	(5,597,890)	(71.07) %
Construction	8,587,119	24,846,858	(16,259,739)	(65.44) %
Other Governmental	<u>3,713,469</u>	<u>2,794,591</u>	<u>918,878</u>	32.88 %
Total	<u>\$ 36,338,313</u>	<u>\$ 54,519,817</u>	<u>\$ (18,181,504)</u>	(33.35) %

**General Fund**

The general fund increased \$2,111,014 during fiscal year 2018.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2018 <u>Amount</u>	2017 <u>Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 27,483,827	\$ 23,944,187	\$ 3,539,640	14.78 %
Payment in lieu of taxes	683,589	666,839	16,750	2.51 %
Earnings on investments	263,325	109,363	153,962	140.78 %
Intergovernmental	46,955,810	46,613,104	342,706	0.74 %
Other revenues	<u>1,981,040</u>	<u>1,614,663</u>	<u>366,377</u>	22.69 %
Total	<u>\$ 77,367,591</u>	<u>\$ 72,948,156</u>	<u>\$ 4,419,435</u>	6.06 %
<b><u>Expenditures</u></b>				
Instruction	\$ 49,140,784	\$ 43,993,337	\$ 5,147,447	11.70 %
Support services	24,253,283	21,730,766	2,522,517	11.61 %
Operation of				
non-instructional services	38,759	39,374	(615)	(1.56) %
Extracurricular activities	84,516	113,162	(28,646)	(25.31) %
Facilities acquisition and const.	266,240	31,879	234,361	735.16 %
Debt service	<u>267,548</u>	<u>403,971</u>	<u>(136,423)</u>	(33.77) %
Total	<u>\$ 74,051,130</u>	<u>\$ 66,312,489</u>	<u>\$ 7,738,641</u>	11.67 %

Revenues of the general fund increased \$4,419,435 or 6.06%. The most significant increase was in the area of taxes which increased \$3,539,640 or 14.78%. This increase is the result of overall better collections during the fiscal year and due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Butler County Auditor. The amount of tax advance available at year-end can vary depending upon when the county auditor distributes tax bills. Intergovernmental revenue increased 0.74% due to increases in State foundation funding related to a new State budget that provided more funding for the District.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

Expenditures of the general fund increased \$7,738,641 or 11.67%. The most significant increases were in the area of instruction and support services. Instruction and support services increased \$5,147,447 and \$2,522,517, respectively, due to increases in spending on regular teachers for salaries and benefits. Debt service decreased due to the District no longer paying for a House Bill (HB) 264 project.

***Bond Retirement Fund***

The bond retirement fund had \$7,250,182 in revenues and \$6,603,949 in expenditures. The bond retirement fund's fund balance increased \$646,233 from \$4,344,381 to \$4,990,614. This increase is primarily the result of property tax collections exceeding principal and interest payments on bonds.

***Building Fund***

The building fund had \$70,731 in revenues and \$5,668,621 in expenditures. The building fund's fund balance decreased \$5,597,890 from \$7,876,500 to \$2,278,610. The decrease is mainly due to the District incurring costs associated with the Locally Fund Initiative (LFI) portion of the District's OFCC project.

***Construction Fund***

The construction fund had \$9,090,339 in revenues and \$25,350,078 in expenditures. The construction fund's fund balance decreased \$16,259,739 from \$24,846,858 to \$8,587,119. This decrease was the result of the District spending down of bond proceeds and intergovernmental revenues for the District's ongoing project.

***General Fund Budgeting Highlights***

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

For the general fund, original budgeted revenues and other financing sources of \$77,733,581 were increased to \$77,818,485 in the final budget. The District increased its many various revenue categories but decreased expected advances in. Actual revenues and other financing sources increased \$210,102 to \$78,028,587. This increase from the final budget resulted from increased actual other local revenue and State foundation revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$73,012,071 and were increased to \$78,152,762 in the final budget. The District primarily reallocated appropriations between various functions and increased the budget related to other instruction. These reclassifications were necessary to better associate the appropriation's activity with its function. Actual expenditures and other uses of \$77,157,356 were \$995,406 lower than final appropriations due to the District's conservative budget practices in all of the various functional expenditures.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2018, the District had \$141,298,225 invested in land, construction in progress, buildings and improvements and equipment. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

The following table shows June 30, 2018 balances compared to June 30, 2017.

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>
Land	\$ 1,527,633	\$ 1,527,633
Construction in progress	83,325,852	52,320,226
Buildings and improvements	55,404,377	57,160,324
Equipment	<u>1,040,363</u>	<u>1,021,145</u>
Total	<u>\$ 141,298,225</u>	<u>\$ 112,029,328</u>

The capital assets increased \$29,268,897. The capital assets increased due to current year additions of \$31,538,729 exceeding current year depreciation of \$2,170,325 and current year disposals of \$99,507, net of accumulated depreciation.

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

***Debt Administration***

At June 30, 2018, the District had \$101,777,762 in general obligation bonds, House Bill (HB) 264 debt and capital lease obligations outstanding. Of this total, \$2,269,885 is due within one year and \$99,507,877 is due in greater than one year.

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

<b>Outstanding Debt, at Year End</b>		
	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
General obligation bonds and HB 264 debt	\$ 95,247,639	\$ 97,140,249
Premiums	6,503,579	6,864,592
Capital lease obligations	<u>26,544</u>	<u>78,446</u>
Total	<u>\$ 101,777,762</u>	<u>\$ 104,083,287</u>

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(UNAUDITED)

**For the Future**

The District experienced a steady decline in student enrollment over the past several years as a result of students leaving Middletown schools to attend charter/community schools, other public schools (open enrollment), and participate in the state voucher program for parochial schools. Over 800 students attended charter/community schools other than Middletown in fiscal year 2018 while residing within the district boundaries. Another 311 were open enrolled to surrounding public schools while 142 EdChoice scholarships were awarded to students to attend area parochial schools. This has resulted in rising tuition costs and financial pressures that has a negative effect on the general fund carryover balance. Fiscal year 2019 indicated that enrollment has declined with a decrease of about 300 students for Average Daily Membership (ADM) funding purposes.

The District is taking measures to help control rising costs and improve financial efficiencies. The Board also recognized the need for stabilized local operating revenues. After several failed operating levies and one successful levy, the District combined and substituted two tax levies in May, 2010. The levies collected \$24.1 million in fiscal year 2017 with an expected growth of 2% annually. All operating levies are continuous. The Board also implemented a cash carryover policy in 2015 to require a minimum of 10% cash carryover of operating expenditures to which the District obtained June 30, 2016 with a cash balance of \$8,064,274. The District more than doubled their cash carryover to \$17,244,650 June 30, 2017 and again increased it to \$20,492,140 June 30, 2018 to end with 27.4% above fiscal year 2018 expenditures.

The District's efforts at cost savings and increased revenues have started to show as the ending cash balance as reported on the District's five year forecast in fiscal year 2016, 2017 and 2018 was \$8,064,274, \$17,244,650 and \$20,492,140 respectfully, and the forecast for fiscal year 2019 is showing an increased ending balance of \$22,647,652 that will slightly increase the following year, with deficit spending beginning in 2021 resulting in a forecasted ending balance of \$13,598,082 fiscal year 2023, which still maintains carryover in excess of board policy requirements. The District's revenue is forecasted to increase steadily due to increased state aide for the next five fiscal years and through increase tax collections.

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

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2018

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 30,665,564
Cash in segregated accounts . . . . .	1,083,903
Receivables:	
Property taxes . . . . .	38,780,235
Payment in lieu of taxes . . . . .	665,610
Accounts . . . . .	18,843
Accrued interest . . . . .	24,775
Intergovernmental . . . . .	7,450,074
Prepayments . . . . .	82,814
Inventory held for resale . . . . .	13,348
Restricted cash and investments with trustee . . . . .	14,100,872
Capital assets:	
Nondepreciable capital assets . . . . .	84,853,485
Depreciable capital assets, net . . . . .	56,444,740
Capital assets, net . . . . .	<u>141,298,225</u>
Total assets . . . . .	<u>234,184,263</u>
<b>Deferred outflows of resources:</b>	
Unamortized deferred loss on debt refunding . . . . .	21,059
Pension . . . . .	21,331,304
OPEB . . . . .	710,328
Total deferred outflows of resources . . . . .	<u>22,062,691</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	1,445,555
Contracts payable . . . . .	3,235,143
Retainage payable . . . . .	1,083,903
Accrued wages and benefits payable . . . . .	5,693,951
Intergovernmental payable . . . . .	120,924
Pension and postemployment benefits payable . . . . .	967,435
Accrued interest payable . . . . .	349,105
Long-term liabilities:	
Due within one year . . . . .	2,293,292
Due in more than one year:	
Net pension liability . . . . .	70,965,883
Net OPEB liability . . . . .	15,802,093
Other amounts due in more than one year . . . . .	100,600,343
Total liabilities . . . . .	<u>202,557,627</u>
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	34,787,724
Payment in lieu of taxes levied for the next fiscal year . . . . .	658,738
Unamortized deferred gain on refunding . . . . .	465,304
Pension . . . . .	9,615,430
OPEB . . . . .	2,201,745
Total deferred inflows of resources . . . . .	<u>47,728,941</u>
<b>Net position:</b>	
Net investment in capital assets . . . . .	50,497,647
Restricted for:	
Capital projects . . . . .	8,568,775
Classroom facilities maintenance . . . . .	987,370
Locally funded programs . . . . .	73,344
State funded programs . . . . .	89,280
Federally funded programs . . . . .	1,902,053
Other purposes . . . . .	2,166,609
Unrestricted (deficit) . . . . .	(58,324,692)
Total net position . . . . .	<u>\$ 5,960,386</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 7,241,362	\$ 1,053,528	\$ 262,092	\$ (5,925,742)
Special . . . . .	3,913,313	157,275	9,866,816	6,110,778
Vocational . . . . .	38,781	-	391,802	353,021
Other . . . . .	16,812,983	-	-	(16,812,983)
Support services:				
Pupil . . . . .	3,271,201	37,206	265,349	(2,968,646)
Instructional staff . . . . .	1,521,814	-	2,028,518	506,704
Board of education . . . . .	39,207	-	-	(39,207)
Administration . . . . .	1,399,741	-	385,404	(1,014,337)
Fiscal . . . . .	881,107	3,527	146,392	(731,188)
Business . . . . .	195,559	-	-	(195,559)
Operations and maintenance . . . . .	9,354,087	50,248	2,412	(9,301,427)
Pupil transportation . . . . .	5,148,422	600	191,399	(4,956,423)
Central . . . . .	974,516	-	4,312	(970,204)
Operation of non-instructional services:				
Other non-instructional services . . . . .	562,671	314	872,162	309,805
Food service operations . . . . .	3,589,496	143,022	4,165,788	719,314
Extracurricular activities . . . . .	339,087	181,174	35,881	(122,032)
Interest and fiscal charges . . . . .	4,430,913	-	-	(4,430,913)
<b>Total governmental activities . . . . .</b>	<b>\$ 59,714,260</b>	<b>\$ 1,626,894</b>	<b>\$ 18,618,327</b>	<b>(39,469,039)</b>
<b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				25,569,322
Debt service . . . . .				5,749,167
Classroom facilities maintenance . . . . .				304,482
Payments in lieu of taxes . . . . .				679,322
Grants and entitlements not restricted to specific programs . . . . .				41,150,784
Investment earnings . . . . .				601,370
Miscellaneous . . . . .				675,757
<b>Total general revenues . . . . .</b>				<b>74,730,204</b>
<b>Change in net position . . . . .</b>				<b>35,261,165</b>
<b>Net position at beginning of year (restated)</b>				<b>(29,300,779)</b>
<b>Net position at end of year . . . . .</b>				<b>\$ 5,960,386</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<b>General</b>	<b>Bond Retirement</b>	<b>Building</b>	<b>Construction</b>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 21,443,468	\$ 4,765,283	\$ -	\$ -
Cash in segregated accounts . . . . .	-	-	-	1,083,903
Receivables:				
Property taxes . . . . .	32,689,860	5,780,128	-	-
Payment in lieu of taxes . . . . .	665,610	-	-	-
Accounts . . . . .	18,415	-	-	-
Accrued interest . . . . .	18,485	-	1,374	4,916
Interfund loans . . . . .	994,420	-	-	-
Intergovernmental . . . . .	884,737	-	-	3,418,122
Prepayments . . . . .	72,529	-	-	-
Inventory held for resale . . . . .	-	-	-	-
Restricted assets:				
Equity in pooled cash and investments . . . . .	-	-	3,079,359	11,021,513
<b>Total assets . . . . .</b>	<b>\$ 56,787,524</b>	<b>\$ 10,545,411</b>	<b>\$ 3,080,733</b>	<b>\$ 15,528,454</b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 1,249,181	\$ -	\$ -	\$ -
Contracts payable . . . . .	-	-	800,749	2,434,394
Retainage payable . . . . .	-	-	-	1,083,903
Accrued wages and benefits payable . . . . .	4,984,146	-	-	-
Compensated absences payable . . . . .	10,617	-	-	-
Intergovernmental payable . . . . .	112,447	-	-	-
Pension and postemployment benefits payable . . . . .	819,912	-	-	-
Interfund loans payable . . . . .	-	-	-	-
<b>Total liabilities . . . . .</b>	<b>7,176,303</b>	<b>-</b>	<b>800,749</b>	<b>3,518,297</b>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	29,401,893	5,098,669	-	-
Payment in lieu of taxes levied for the next fiscal year . . . . .	658,738	-	-	-
Delinquent property tax revenue not available . . . . .	2,244,860	456,128	-	-
Intergovernmental revenue not available . . . . .	529,826	-	-	3,418,122
Accrued interest not available . . . . .	531	-	1,374	4,916
Delinquent PILOTs not available . . . . .	6,872	-	-	-
<b>Total deferred inflows of resources . . . . .</b>	<b>32,842,720</b>	<b>5,554,797</b>	<b>1,374</b>	<b>3,423,038</b>
<b>Fund balances:</b>				
Nonspendable:				
Prepayments . . . . .	72,529	-	-	-
Restricted:				
Debt service . . . . .	-	4,990,614	-	-
Capital improvements . . . . .	-	-	2,278,610	8,587,119
Classroom facilities maintenance . . . . .	-	-	-	-
Food service operations . . . . .	-	-	-	-
Non-public schools . . . . .	-	-	-	-
Targeted academic assistance . . . . .	-	-	-	-
Other purposes . . . . .	-	-	-	-
Committed:				
Capital improvements . . . . .	-	-	-	-
Assigned:				
Student instruction . . . . .	71,765	-	-	-
Student and staff support . . . . .	654,024	-	-	-
Operation of non-instructional . . . . .	5,705	-	-	-
Facilities acquisition and construction . . . . .	1,646,425	-	-	-
Other purposes . . . . .	2,618	-	-	-
Unassigned (deficit) . . . . .	14,315,435	-	-	-
<b>Total fund balances . . . . .</b>	<b>16,768,501</b>	<b>4,990,614</b>	<b>2,278,610</b>	<b>8,587,119</b>
<b>Total liabilities, deferred inflows and fund balances . . . . .</b>	<b>\$ 56,787,524</b>	<b>\$ 10,545,411</b>	<b>\$ 3,080,733</b>	<b>\$ 15,528,454</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,456,813	\$ 30,665,564
-	1,083,903
310,247	38,780,235
-	665,610
428	18,843
-	24,775
-	994,420
3,147,215	7,450,074
10,285	82,814
13,348	13,348
-	14,100,872
<u>\$ 7,938,336</u>	<u>\$ 93,880,458</u>
\$ 196,374	\$ 1,445,555
-	3,235,143
-	1,083,903
709,805	5,693,951
-	10,617
8,477	120,924
147,523	967,435
994,420	994,420
<u>2,056,599</u>	<u>13,551,948</u>
287,162	34,787,724
-	658,738
12,747	2,713,735
1,868,359	5,816,307
-	6,821
-	6,872
<u>2,168,268</u>	<u>43,990,197</u>
10,285	82,814
-	4,990,614
-	10,865,729
974,623	974,623
2,166,609	2,166,609
63,418	63,418
113,727	113,727
113,750	113,750
504,601	504,601
-	71,765
-	654,024
-	5,705
-	1,646,425
-	2,618
(233,544)	14,081,891
<u>3,713,469</u>	<u>36,338,313</u>
<u>\$ 7,938,336</u>	<u>\$ 93,880,458</u>

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2018

<b>Total governmental fund balances</b>		\$	36,338,313
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			141,298,225
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.			
Property taxes receivable	\$	2,713,735	
Payment in lieu of taxes receivable		6,872	
Accrued interest receivable		6,821	
Intergovernmental receivable		5,816,307	
Total		<u>8,543,735</u>	8,543,735
Unamortized premiums on bonds issued are not recognized in the funds.			(6,503,579)
Unamortized amounts on refundings are not recognized in the funds.			
Unamortized deferred loss on refunding		21,059	
Unamortized deferred gain on refunding		(465,304)	
Total		<u>(444,245)</u>	(444,245)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(349,105)
The net pension liability is not due and payable in the current period; therefore, the liability and the related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - pension		21,331,304	
Deferred inflows of resources - pension		(9,615,430)	
Net pension liability		(70,965,883)	
Total		<u>(59,250,009)</u>	(59,250,009)
The net OPEB liability is not due and payable in the current period; therefore, the liability and the related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources - OPEB		710,328	
Deferred inflows of resources - OPEB		(2,201,745)	
Net OPEB liability		(15,802,093)	
Total		<u>(17,293,510)</u>	(17,293,510)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds payable		(94,335,023)	
Capital lease obligations		(26,544)	
Compensated absences		(1,105,256)	
Energy conservation notes payable		(912,616)	
Total		<u>(96,379,439)</u>	(96,379,439)
<b>Net position of governmental activities</b>		<u>\$</u>	<u>5,960,386</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>General</b>	<b>Bond Retirement</b>	<b>Building</b>	<b>Construction</b>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 27,483,827	\$ 5,751,614	\$ -	\$ -
Payment in lieu of taxes . . . . .	683,589	-	-	-
Tuition . . . . .	1,087,728	-	-	-
Transportation fees . . . . .	600	-	-	-
Earnings on investments . . . . .	263,325	4,675	70,731	274,063
Charges for services . . . . .	-	-	-	-
Extracurricular . . . . .	45,396	-	-	-
Classroom materials and fees . . . . .	42,048	-	-	-
Rental income . . . . .	48,484	-	-	-
Contributions and donations . . . . .	322,876	-	-	-
Contract services . . . . .	78,522	-	-	-
Other local revenues . . . . .	355,386	-	-	-
Intergovernmental - state . . . . .	45,955,806	1,493,893	-	8,816,276
Intergovernmental - federal . . . . .	1,000,004	-	-	-
Total revenues . . . . .	<u>77,367,591</u>	<u>7,250,182</u>	<u>70,731</u>	<u>9,090,339</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	24,324,491	-	-	-
Special . . . . .	7,897,040	-	-	-
Vocational . . . . .	106,270	-	-	-
Other . . . . .	16,812,983	-	-	-
Support services:				
Pupil . . . . .	4,633,308	-	-	-
Instructional staff . . . . .	747,726	-	-	-
Board of education . . . . .	53,264	-	-	-
Administration . . . . .	4,135,288	-	-	-
Fiscal . . . . .	1,065,437	73,458	1,793	11,280
Business . . . . .	282,184	-	-	-
Operations and maintenance . . . . .	7,247,875	-	-	-
Pupil transportation . . . . .	4,921,021	-	-	-
Central . . . . .	1,167,180	-	-	-
Operation of non-instructional services:				
Other non-instructional services . . . . .	38,759	-	-	-
Food service operations . . . . .	-	-	-	-
Extracurricular activities . . . . .	84,516	-	-	-
Facilities acquisition and construction . . . . .	266,240	-	5,666,828	25,338,798
Debt service:				
Principal retirement . . . . .	219,515	2,315,000	-	-
Interest and fiscal charges . . . . .	48,033	4,215,491	-	-
Total expenditures . . . . .	<u>74,051,130</u>	<u>6,603,949</u>	<u>5,668,621</u>	<u>25,350,078</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>3,316,461</u>	<u>646,233</u>	<u>(5,597,890)</u>	<u>(16,259,739)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	40,844	-	-	-
Transfers in . . . . .	-	-	-	-
Transfers (out) . . . . .	(1,246,291)	-	-	-
Total other financing sources (uses) . . . . .	<u>(1,205,447)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances . . . . .	2,111,014	646,233	(5,597,890)	(16,259,739)
<b>Fund balances at beginning of year . . . . .</b>	<u>14,657,487</u>	<u>4,344,381</u>	<u>7,876,500</u>	<u>24,846,858</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 16,768,501</u>	<u>\$ 4,990,614</u>	<u>\$ 2,278,610</u>	<u>\$ 8,587,119</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 314,956	\$ 33,550,397
-	683,589
-	1,087,728
-	600
16,646	629,440
146,632	146,632
174,979	220,375
-	42,048
-	48,484
82,499	405,375
-	78,522
14,149	369,535
1,038,129	57,304,104
<u>10,883,532</u>	<u>11,883,536</u>
<u>12,671,522</u>	<u>106,450,365</u>
354,627	24,679,118
3,218,346	11,115,386
-	106,270
-	16,812,983
266,222	4,899,530
2,474,908	3,222,634
-	53,264
387,705	4,522,993
136,869	1,288,837
-	282,184
2,087	7,249,962
192,537	5,113,558
3,007	1,170,187
898,766	937,525
3,604,098	3,604,098
973,845	1,058,361
488,069	31,759,935
-	2,534,515
-	4,263,524
<u>13,001,086</u>	<u>124,674,864</u>
<u>(329,564)</u>	<u>(18,224,499)</u>
2,151	42,995
1,246,291	1,246,291
-	(1,246,291)
<u>1,248,442</u>	<u>42,995</u>
918,878	(18,181,504)
<u>2,794,591</u>	<u>54,519,817</u>
<u>\$ 3,713,469</u>	<u>\$ 36,338,313</u>

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**Net change in fund balances - total governmental funds** \$ (18,181,504)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$	31,538,729	
Current year depreciation		<u>(2,170,325)</u>	
Total			29,368,404

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. (99,507)

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

Property taxes		(1,927,426)	
Payment in lieu of taxes		(4,267)	
Earnings on investments		(17,587)	
Intergovernmental		<u>(9,525,660)</u>	
Total			(11,474,940)

Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:

General obligation bonds		2,315,000	
Energy conservation bonds and notes payable		167,613	
Capital leases		<u>51,902</u>	
Total			2,534,515

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

Change in accrued interest payable		7,877	
Accreted interest on capital appreciation bonds		(590,003)	
Amortization of bond premiums		361,013	
Amortization of deferred losses		(1,560)	
Amortization of deferred gains		<u>55,284</u>	
Total			(167,389)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension			5,278,756
OPEB			172,656

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/net OPEB liability are reported as pension expense/OPEB expense statement of activities.

Pension			25,457,862
OPEB			2,585,963

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

(213,651)

**Change in net position of governmental activities** \$ 35,261,165

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 24,774	\$ 84,355
Total assets. . . . .	<u>24,774</u>	<u>\$ 84,355</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 6,903
Undistributed monies . . . . .	-	<u>77,452</u>
Total liabilities . . . . .	<u>-</u>	<u>\$ 84,355</u>
<b>Net position:</b>		
Held in trust for scholarships . . . . .	<u>24,774</u>	
Total net position. . . . .	<u>\$ 24,774</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 19,468
Total additions. . . . .	19,468
 <b>Deductions:</b>	
Scholarships awarded . . . . .	12,137
Change in net position . . . . .	7,331
<b>Net position at beginning of year. . . . .</b>	<b>17,443</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 24,774</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1 - DESCRIPTION OF THE DISTRICT**

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

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter or further mandated by State and/or Federal agencies. The Board controls the District's instructional and support facilities staffed by 118 classified personnel and 485 certified teaching and administrative personnel to provide services to students and other community members.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The District's significant accounting policies are described below.

**A. Reporting Entity**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

The Southwestern Ohio Computer Association (SWOCA)

The Southwestern Ohio Computer Association (SWOCA) is a jointly governed organization among a four county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. The Governing Board of SWOCA consists of six members elected by majority vote of all charter member schools plus one representative from the fiscal agent. The District paid SWOCA \$295,849 for services provided during the year. Financial information can be obtained from Mr. Michael Crumley, who serves as Director, at 3607 Hamilton-Middletown Rd., Hamilton, Ohio 45011.

The Butler Technology and Career Development Center

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

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

Butler Health Plan (BHP)

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

**B. Measurement Focus**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

**C. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

*FIDUCIARY FUNDS*

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

**D. Basis of Accounting**

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

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

*Deferred Outflows of Resources and Deferred Inflows of Resources* - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Notes 12 and 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Notes 12 and 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred inflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

**E. Cash and Investments**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

During fiscal year 2018, the District invested in U.S. government money market mutual funds, Federal Farm Credit bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, negotiable certificates of deposit, the State Treasury Asset Reserve of Ohio (STAR Ohio) and commercial paper.

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2018, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$263,325, which includes \$74,919 assigned from other funds. The food service, classroom facilities maintenance and auxiliary services special revenue funds, bond retirement fund and permanent improvement fund also received interest of \$9,389, \$4,731, \$1,094, \$4,675 and \$1,432, respectively. The building fund and construction fund received interest of \$70,731 and \$274,063, respectively, which is assigned specifically to those funds due to the District's Ohio Facilities Construction Commission project.

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

**F. Inventory**

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

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

**G. Prepayments**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**H. Capital Assets**

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

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

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

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2018 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments. The entire compensated absence liability is reported on the government-wide financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Pensions/Other Postemployment Benefits (OPEB)**

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

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

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

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

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

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

**N. Fund Balance**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

The classifications are as follows:

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

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

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

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

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

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

**O. Net Position**

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

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

**P. Estimates**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**Q. Restricted Assets**

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

**R. Interfund Activity**

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

**S. Fair Value**

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

**T. Minimum Fund Balance Policy**

The District Board requires in the general fund a minimum of 10% cash carryover of operating expenditures to which the District obtained as of June 30, 2018. This amount is included as part of the unassigned balance in the District's general fund.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles/Restatement of Net Position**

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 13 to the basic financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

	Governmental Activities
Net position as previously reported	\$ (9,248,650)
Deferred outflows - payments subsequent to measurement date	129,996
Net OPEB liability	(20,182,125)
Restated net position at July 1, 2017	\$ (29,300,779)

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

**B. Deficit Fund Balances**

Fund balances at June 30, 2018 included the following individual fund deficits:

Nonmajor funds	Deficit
District Managed Activities	\$ 4,180
Title VI-B Grant	35,028
School Improvement Stimulus A Grant	2,508
Title III Grant	598
Improving Teacher Quality Grant	187,706

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**A. Cash on Hand**

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

**B. Deposits with Financial Institutions**

At June 30, 2018, the carrying amount of all District deposits was \$8,148,331 and the bank balance of all District deposits was \$8,366,200. Of the bank balance, \$644,287 was covered by the FDIC and \$7,721,913 was covered by the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

**C. Investments**

As of June 30, 2018, the District had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	Investment Maturities			
		6 months or <u>less</u>	7 to 12 <u>months</u>	19 to 24 <u>months</u>	Greater than <u>24 months</u>
<i>Fair Value:</i>					
FFCB	\$ 1,884,276	\$ -	\$ 890,136	\$ 994,140	\$ -
FHLMC	490,520	-	-	490,520	-
FHLB	2,558,998	-	-	-	2,558,998
Negotiable CDs	1,486,782	1,486,782	-	-	-
Commercial paper	15,502,290	15,502,290	-	-	-
U.S. Government money market	198,289	198,289	-	-	-
<i>Amortized Cost:</i>					
STAR Ohio	<u>15,688,532</u>	<u>15,688,532</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 37,809,687</u>	<u>\$ 32,875,893</u>	<u>\$ 890,136</u>	<u>\$ 1,484,660</u>	<u>\$ 2,558,998</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The weighted average of maturity of investments is 0.30 years.

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

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

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

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
FFCB	\$ 1,884,276	4.98
FHLMC	490,520	1.30
FHLB	2,558,998	6.77
Negotiable CDs	1,486,782	3.93
Commercial paper	15,502,290	41.00
U.S. Government money market	198,289	0.52
<i>Amortized Cost:</i>		
STAR Ohio	<u>15,688,532</u>	<u>41.50</u>
Total	<u>\$ 37,809,687</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,148,331
Investments	37,809,687
Cash on hand	1,450
Total	\$ 45,959,468
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 45,850,339
Private purpose trust funds	24,774
Agency funds	84,355
Total	\$ 45,959,468

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 1,246,791

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

**B.** Interfund loans receivable/payable consisted of the following at June 30, 2018, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 994,420

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The District receives property taxes from Butler and Warren Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available for advance at June 30, 2018, \$1,043,107 in the general fund, \$225,331 in the bond retirement fund and \$10,338 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount available for advance at June 30, 2017, \$1,014,727 in the general fund, \$204,179 in the bond retirement fund and \$11,391 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 604,441,470	91.12	\$ 641,556,630	91.19
Public utility personal	<u>58,917,790</u>	<u>8.88</u>	<u>61,948,170</u>	<u>8.81</u>
Total	<u>\$ 663,359,260</u>	<u>100.00</u>	<u>\$ 703,504,800</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$45.65		\$44.65	
Debt service	8.25		9.00	
Permanent improvement	0.50		0.50	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2018 consisted of property taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year. The intergovernmental receivable at June 30 consisted of federal grants and other receivables.

**Governmental activities:**

Property taxes	\$ 38,780,235
Payment in lieu of taxes	665,610
Accounts	18,843
Accrued interest	24,775
Intergovernmental:	
State foundation adjustments	33,673
Miscellaneous intergovernmental amounts	324,589
Medicaid School Program reimbursements	529,826
Ohio Facilities Construction Commission (OFCC)	3,418,122
Miscellaneous state grants	4,286
Title VI-B	1,007,050
School Improvement Stimulus A	82,476
Title III	40,787
Title I	1,517,842
Improving Teacher Quality	450,521
Title IV-A	<u>40,902</u>
Total	<u>\$ 46,939,537</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018 was as follows.

<b><u>Governmental activities:</u></b>	<u>Balance</u>		<u>Balance</u>
	<u>06/30/17</u>	<u>Additions</u>	<u>06/30/18</u>
		<u>Deductions</u>	
<i>Capital assets, not being depreciated:</i>			
Land	\$ 1,527,633	\$ -	\$ 1,527,633
Construction in progress	<u>52,320,226</u>	<u>31,005,626</u>	<u>83,325,852</u>
<i>Total capital assets, not being depreciated</i>	<u>53,847,859</u>	<u>31,005,626</u>	<u>84,853,485</u>
<i>Capital assets, being depreciated:</i>			
Buildings and improvements	89,670,003	128,628	(2,058,788)
Equipment	<u>15,776,361</u>	<u>404,475</u>	<u>(833,909)</u>
<i>Total capital assets, being depreciated</i>	<u>105,446,364</u>	<u>533,103</u>	<u>(2,892,697)</u>
<i>Less: accumulated depreciation:</i>			
Buildings and improvements	(32,509,679)	(1,823,857)	1,998,070
Equipment	<u>(14,755,216)</u>	<u>(346,468)</u>	<u>795,120</u>
<i>Total accumulated depreciation</i>	<u>(47,264,895)</u>	<u>(2,170,325)</u>	<u>2,793,190</u>
<b>Total capital assets, net</b>	<u><b>\$ 112,029,328</b></u>	<u><b>\$ 29,368,404</b></u>	<u><b>\$ (99,507)</b></u>

Depreciation expense was charged to governmental functions as follows:

<b><u>Instruction:</u></b>	
Regular	\$ 179,624
Special	5,190
<b><u>Support services:</u></b>	
Pupil	117
Instructional staff	44,490
Administration	5,397
Business	1,912
Operations and maintenance	1,777,895
Pupil transportation	51,199
Central	53,888
<b><u>Operation of non-instructional services:</u></b>	
Other non-instructional services	21,417
Food service operations	13,815
Extracurricular activities	<u>15,381</u>
<b>Total depreciation expense</b>	<u><b>\$ 2,170,325</b></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. During fiscal year 2018, the following changes in governmental activities long-term obligations. The long-term obligations at June 30, 2017 have been restated as described in Note 3.A.

	Restated			Amount Due	
	Balance			Balance	Within
	6/30/17	Additions	Deductions	6/30/18	One Year
<b><u>Governmental Activities:</u></b>					
General obligation bonds:					
2007 refunding bonds:					
2007 current interest and term bonds	\$ 26,670,000	\$ -	\$ (1,140,000)	\$ 25,530,000	\$ -
Premium on 2007 refunding bonds	1,558,403	-	(107,472)	1,450,931	-
2015 general obligation bonds	43,765,000	-	(670,000)	43,095,000	120,000
Premium on 2015 general obligation bonds	4,167,955	-	(132,667)	4,035,288	-
2016 refunding bonds:					
Current interest and term	24,265,000	-	(505,000)	23,760,000	-
Capital appreciation bonds	955,000	-	-	955,000	955,000
Accreted interest on CABs	405,020	590,003	-	995,023	995,023
Premium on 2016 refunding bonds	1,138,234	-	(120,874)	1,017,360	-
Total general obligation bonds	<u>102,924,612</u>	<u>590,003</u>	<u>(2,676,013)</u>	<u>100,838,602</u>	<u>2,070,023</u>
House Bill (HB) 264 notes					
HB 264 energy conservation note	370,229	-	(117,613)	252,616	123,318
2014 HB 264 energy conservation note	710,000	-	(50,000)	660,000	50,000
Total HB 264 notes	<u>1,080,229</u>	<u>-</u>	<u>(167,613)</u>	<u>912,616</u>	<u>173,318</u>
Other long-term obligations:					
Capital leases	78,446	-	(51,902)	26,544	26,544
Net pension liability	99,231,687	-	(28,265,804)	70,965,883	-
Net OPEB liability	20,182,125	-	(4,380,032)	15,802,093	-
Compensated absences	891,605	370,039	(145,771)	1,115,873	23,407
Total other long-term obligations	<u>120,383,863</u>	<u>370,039</u>	<u>(32,843,509)</u>	<u>87,910,393</u>	<u>49,951</u>
Total Long-Term Obligations	<u>\$ 224,388,704</u>	<u>\$ 960,042</u>	<u>\$ (35,687,135)</u>	<u>\$ 189,661,611</u>	<u>\$ 2,293,292</u>

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

As a result, \$56,975,000 of the construction bonds are considered to be defeased and the related liability for those bonds has been removed from the statement of net position. At June 30, 2018, \$56,975,000 of bonds outstanding are considered to be defeased. The bonds issued had a premium of \$5,156,250 and have a final maturity date of December 1, 2031.

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

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

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

In fiscal year 2015, the District issued \$45,000,000 in general obligations bonds as the local share of the school facilities project. The bonds were issued as serial bonds maturing in December 2034 of \$6,695,000 and three term bonds maturing in December 2031 for \$40,000, maturing in December 2040 for \$11,625,000 and maturing in December 2048 for \$26,640,000. The combined series has an interest rate of 5.23%. At June 30, 2018, there were \$5,721,366 in unspent bond proceeds.

During fiscal year 2016, the District issued \$25,485,000 in general obligation bonds to advance refund \$25,485,000 of the 2007 refunding bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2018 was \$25,485,000.

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

Fiscal Year Ending June 30	General Obligation Bonds		Capital Appreciation Bonds		HB 264 Bonds & Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 120,000	\$ 4,181,706	\$ 955,000	\$ 1,380,000	\$ 173,318	\$ 30,552
2020	2,600,000	4,157,096	-	-	179,298	23,071
2021	2,630,000	4,106,241	-	-	55,000	15,150
2022	2,890,000	4,046,080	-	-	55,000	13,500
2023	2,950,000	3,977,280	-	-	55,000	18,763
2024 - 2028	17,835,000	18,482,225	-	-	320,000	49,402
2029 - 2033	22,315,000	13,386,933	-	-	75,000	-
2034 - 2038	7,875,000	9,808,180	-	-	-	-
2039 - 2043	11,805,000	7,258,519	-	-	-	-
2044 - 2048	17,095,000	3,493,744	-	-	-	-
2049	4,270,000	112,088	-	-	-	-
Total	<u>\$ 92,385,000</u>	<u>\$ 73,010,092</u>	<u>\$ 955,000</u>	<u>\$ 1,380,000</u>	<u>\$ 912,616</u>	<u>\$ 150,438</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$18,061,046 and an unvoted debt margin of \$703,505. During a prior fiscal year, the District issued \$45 million of voted general obligation bonds. Since the bonds are a voted bond issue, the \$43,095,000 balance at June 30, 2018 has been excluded from the legal debt margin calculation.

**NOTE 10 - CAPITAL LEASES**

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

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

The equipment lease for fiscal year 2014 does qualify for capitalization resulting in \$248,273 being reported on the statement of net position. This amount represents the present value of the future minimum lease payments at the time of acquisition. Depreciation expense of \$49,655 was recognized during fiscal year 2018. Accumulated depreciation as of June 30, 2018 was \$223,446 leaving a current book value of \$24,827.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 10 - CAPITAL LEASES - (Continued)**

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 26,778
Total minimum lease payments	26,778
Less: amount representing interest	<u>(234)</u>
Total	<u>\$ 26,544</u>

**NOTE 11 - RISK MANAGEMENT**

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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

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

***Plan Description - School Employees Retirement System (SERS)***

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$1,114,760 for fiscal year 2018. Of this amount, \$150,372 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$4,163,996 for fiscal year 2018. Of this amount, \$669,706 is reported as pension and postemployment benefits payable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Net Pension Liability***

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.25307420%	0.24111659%	
Proportion of the net pension liability current measurement date	<u>0.23860680%</u>	<u>0.23872508%</u>	
Change in proportionate share	<u>-0.01446740%</u>	<u>-0.00239151%</u>	
Proportionate share of the net pension liability	\$ 14,256,229	\$ 56,709,654	\$ 70,965,883
Pension expense	\$ (850,390)	\$ (24,607,472)	\$ (25,457,862)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 613,537	\$ 2,189,864	\$ 2,803,401
Changes of assumptions	737,200	12,403,025	13,140,225
Difference between District contributions and proportionate share of contributions/ change in proportionate share	85,909	23,013	108,922
District contributions subsequent to the measurement date	<u>1,114,760</u>	<u>4,163,996</u>	<u>5,278,756</u>
Total deferred outflows of resources	<u>\$ 2,551,406</u>	<u>\$ 18,779,898</u>	<u>\$ 21,331,304</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 457,058	\$ 457,058
Net difference between projected and actual earnings on pension plan investments	67,672	1,871,486	1,939,158
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>809,382</u>	<u>6,409,832</u>	<u>7,219,214</u>
Total deferred inflows of resources	<u>\$ 877,054</u>	<u>\$ 8,738,376</u>	<u>\$ 9,615,430</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

\$5,278,756 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	\$ 235,467	\$ (158,433)	\$ 77,034
2020	627,635	2,364,417	2,992,052
2021	28,834	2,763,870	2,792,704
2022	(332,344)	907,672	575,328
Total	<u>\$ 559,592</u>	<u>\$ 5,877,526</u>	<u>\$ 6,437,118</u>

***Actuarial Assumptions - SERS***

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 19,783,941	\$ 14,256,229	\$ 9,625,643

**Actuarial Assumptions - STRS Ohio**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
 Total	 <u><u>100.00 %</u></u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net pension liability	\$ 81,291,360	\$ 56,709,654	\$ 36,003,252

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$131,369.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$172,656 for fiscal year 2018. Of this amount, \$136,938 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

***Net OPEB Liability***

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.25565619%	0.24111659%	
Proportion of the net OPEB liability current measurement date	<u>0.24174950%</u>	<u>0.23872508%</u>	
Change in proportionate share	<u>-0.01390669%</u>	<u>-0.00239151%</u>	
Proportionate share of the net OPEB liability	\$ 6,487,921	\$ 9,314,172	\$ 15,802,093
OPEB expense	\$ 274,489	\$ (2,860,452)	\$ (2,585,963)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 537,672	\$ 537,672
District contributions subsequent to the measurement date	<u>172,656</u>	<u>-</u>	<u>172,656</u>
Total deferred outflows of resources	<u>\$ 172,656</u>	<u>\$ 537,672</u>	<u>\$ 710,328</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on OPEB plan investments	\$ 17,133	\$ 398,110	\$ 415,243
Changes of assumptions	615,670	750,288	1,365,958
Difference between District contributions and proportionate share of contributions/ change in proportionate share	<u>310,916</u>	<u>109,628</u>	<u>420,544</u>
Total deferred inflows of resources	<u>\$ 943,719</u>	<u>\$ 1,258,026</u>	<u>\$ 2,201,745</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

\$172,656 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2019	\$ (340,003)	\$ (153,234)	\$ (493,237)
2020	(340,003)	(153,234)	(493,237)
2021	(259,429)	(153,234)	(412,663)
2022	(4,284)	(153,234)	(157,518)
2023	-	(53,709)	(53,709)
Thereafter	-	(53,709)	(53,709)
Total	\$ (943,719)	\$ (720,354)	\$ (1,664,073)

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 7,834,991	\$ 6,487,921	\$ 5,420,698
	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 5,264,462	\$ 6,487,921	\$ 8,107,191



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

*Actuarial Assumptions - STRS*

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)**

	<u>1% Decrease (3.13%)</u>	<u>Current Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
District's proportionate share of the net OPEB liability	\$ 12,504,126	\$ 9,314,172	\$ 6,793,065
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 6,471,087	\$ 9,314,172	\$ 13,056,004

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2018, if applicable, cannot be determined at this time.

**B. Litigation**

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

**C. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2017-2018 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**NOTE 15 - SET-ASIDES**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 15 - SET-ASIDES - (Continued)**

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

	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2017	\$ -
Current year set-aside requirement	1,115,082
Current year offsets	(841,328)
Prior year offset from bond proceeds	<u>(273,754)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside reserve balance June 30, 2018	<u>\$ -</u>

Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years. The District has \$119,005,986 remaining from debt proceeds that will be available in future fiscal years as a capital improvements offset.

**NOTE 16 - OTHER COMMITMENTS**

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 2,049,795
Building	829,554
Construction	4,801,422
Nonmajor governmental	<u>690,355</u>
Total	<u>\$ 8,371,126</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 17 - CONTRACTUAL COMMITMENTS**

As of June 30, 2018, the District had the following contractual commitments outstanding:

<u>Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2018</u>
Fanning Howey Assoc.	\$ 4,139,017	\$ (2,986,140)	\$ 1,152,877
Conger Construction	50,116,306	(43,359,061)	6,757,245
Stan and Associates Inc.	<u>251,080</u>	<u>(159,024)</u>	<u>92,056</u>
Total	<u>\$ 54,506,403</u>	<u>\$ (46,504,225)</u>	<u>\$ 8,002,178</u>

**NOTE 18 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

The City of Middletown provides tax abatements through two programs - Enterprise Zone Agreements and Community Reinvestment Area (CRA) Agreements. Under the agreements, various businesses receive the abatement of property taxes to bring jobs and economic development to the City. The agreement affects the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by \$249,134 during fiscal year 2018.

**NOTE 19 - SUBSEQUENT EVENT**

On November 20, 2018, the District issued \$9,860,000 in School Improvement General Obligation Bonds, Series 2018 for the purpose of new construction improvements, renovations and additions to school facilities. The bonds carry interest rates ranging from 2.00-4.00% and have a final maturity of December 1, 2035.

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 26,792,782	\$ 27,450,000	\$ 27,455,447	\$ 5,447
Payment in lieu of taxes. . . . .	639,588	639,588	639,588	-
Tuition. . . . .	912,955	1,193,000	1,197,326	4,326
Transportation fees. . . . .	-	1,000	600	(400)
Earnings on investments . . . . .	95,556	240,000	240,923	923
Extracurricular. . . . .	10	5,560	5,765	205
Classroom materials and fees . . . . .	44,192	41,448	40,693	(755)
Rental income . . . . .	24,221	47,000	48,484	1,484
Contributions and donations . . . . .	271,000	304,500	304,000	(500)
Contract services. . . . .	71,521	82,000	82,580	580
Other local revenues . . . . .	40,297	153,405	271,487	118,082
Intergovernmental - intermediate . . . . .	41,952	45,412	44,001	(1,411)
Intergovernmental - state . . . . .	45,347,922	45,972,000	46,048,990	76,990
Intergovernmental - federal . . . . .	-	155,072	157,757	2,685
<b>Total revenues . . . . .</b>	<b>74,281,996</b>	<b>76,329,985</b>	<b>76,537,641</b>	<b>207,656</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	34,458,039	24,017,039	24,149,325	(132,286)
Special. . . . .	10,469,883	7,869,165	7,725,442	143,723
Vocational. . . . .	140,907	119,120	107,881	11,239
Other. . . . .	-	17,125,571	16,846,074	279,497
Support services:				
Pupil. . . . .	5,178,868	4,647,749	4,574,003	73,746
Instructional staff . . . . .	1,034,244	1,003,799	891,009	112,790
Board of education . . . . .	107,291	59,312	52,547	6,765
Administration. . . . .	5,804,682	4,282,897	4,163,216	119,681
Fiscal . . . . .	1,410,071	1,105,294	1,072,375	32,919
Business . . . . .	347,951	293,734	282,804	10,930
Operations and maintenance. . . . .	7,784,078	7,513,782	7,200,677	313,105
Pupil transportation . . . . .	4,528,724	4,443,354	4,379,818	63,536
Central. . . . .	1,560,455	1,411,055	1,257,782	153,273
Other operation of non-instructional services . . . . .	30,303	44,158	43,580	578
Extracurricular activities. . . . .	125,768	117,419	82,758	34,661
Facilities acquisition and construction . . . . .	30,807	1,744,967	1,722,578	22,389
Debt service:				
Principal . . . . .	-	169,736	167,613	2,123
Interest and fiscal charges. . . . .	-	46,969	46,381	588
<b>Total expenditures . . . . .</b>	<b>73,012,071</b>	<b>76,015,120</b>	<b>74,765,863</b>	<b>1,249,257</b>
Excess revenues over expenditures . . . . .	1,269,925	314,865	1,771,778	1,456,913
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	1,099,734	785,000	784,644	(356)
Refund of prior year's receipts. . . . .	-	(152,642)	(152,642)	-
Transfers (out). . . . .	-	(1,235,000)	(1,244,431)	(9,431)
Advances in. . . . .	2,310,377	665,000	665,126	126
Advances (out) . . . . .	-	(750,000)	(994,420)	(244,420)
Sale of capital assets . . . . .	41,474	38,500	41,176	2,676
<b>Total other financing sources (uses) . . . . .</b>	<b>3,451,585</b>	<b>(649,142)</b>	<b>(900,547)</b>	<b>(251,405)</b>
Net change in fund balance . . . . .	4,721,510	(334,277)	871,231	1,205,508
<b>Fund balance at beginning of year . . . . .</b>	<b>16,469,378</b>	<b>16,469,378</b>	<b>16,469,378</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>775,249</b>	<b>775,249</b>	<b>775,249</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 21,966,137</b>	<b>\$ 16,910,350</b>	<b>\$ 18,115,858</b>	<b>\$ 1,205,508</b>

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.23860680%	0.25307420%	0.25062120%	0.25872000%	0.25872000%
District's proportionate share of the net pension liability	\$ 14,256,229	\$ 18,522,696	\$ 14,300,689	\$ 13,093,672	\$ 15,385,248
District's covered payroll	\$ 7,748,207	\$ 8,169,900	\$ 6,936,912	\$ 6,725,440	\$ 6,851,857
District's proportionate share of the net pension liability as a percentage of its covered payroll	183.99%	226.72%	206.15%	194.69%	224.54%
Plan fiduciary net position as a percentage of the total pension liability	69.50%	62.98%	69.16%	71.70%	65.52%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.23872508%	0.24111659%	0.25476835%	0.28770674%	0.28770674%
District's proportionate share of the net pension liability	\$ 56,709,654	\$ 80,708,991	\$ 70,410,520	\$ 69,980,236	\$ 83,359,998
District's covered payroll	\$ 28,499,043	\$ 25,306,564	\$ 26,896,300	\$ 30,217,564	\$ 30,267,971
District's proportionate share of the net pension liability as a percentage of its covered payroll	198.99%	318.93%	261.79%	231.59%	275.41%
Plan fiduciary net position as a percentage of the total pension liability	75.30%	66.80%	72.10%	74.70%	69.30%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,114,760	\$ 1,084,749	\$ 1,143,786	\$ 914,285
Contributions in relation to the contractually required contribution	<u>(1,114,760)</u>	<u>(1,084,749)</u>	<u>(1,143,786)</u>	<u>(914,285)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,257,481	\$ 7,748,207	\$ 8,169,900	\$ 6,936,912
Contributions as a percentage of covered payroll	13.50%	14.00%	14.00%	13.18%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 932,146	\$ 948,297	\$ 711,941	\$ 1,043,279	\$ 1,090,340	\$ 698,131
<u>(932,146)</u>	<u>(948,297)</u>	<u>(711,941)</u>	<u>(1,043,279)</u>	<u>(1,090,340)</u>	<u>(698,131)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,725,440	\$ 6,851,857	\$ 5,293,242	\$ 8,299,753	\$ 8,052,733	\$ 7,094,827
13.86%	13.84%	13.45%	12.57%	13.54%	9.84%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 4,163,996	\$ 3,989,866	\$ 3,542,919	\$ 3,765,482
Contributions in relation to the contractually required contribution	<u>(4,163,996)</u>	<u>(3,989,866)</u>	<u>(3,542,919)</u>	<u>(3,765,482)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 29,742,829	\$ 28,499,043	\$ 25,306,564	\$ 26,896,300
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 4,230,459	\$ 4,237,516	\$ 4,277,136	\$ 4,668,933	\$ 4,798,681	\$ 4,296,776
<u>(4,230,459)</u>	<u>(4,237,516)</u>	<u>(4,277,136)</u>	<u>(4,668,933)</u>	<u>(4,798,681)</u>	<u>(4,296,776)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 32,541,992	\$ 32,596,277	\$ 32,901,046	\$ 35,914,869	\$ 36,912,931	\$ 33,052,123
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.24174950%	0.25565619%
District's proportionate share of the net OPEB liability	\$ 6,487,921	\$ 7,287,147
District's covered payroll	\$ 7,748,207	\$ 8,169,900
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	83.73%	89.20%
Plan fiduciary net position as a percentage of the total OPEB liability	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

	<b>2018</b>	<b>2017</b>
District's proportion of the net OPEB liability	0.23872508%	0.24111659%
District's proportionate share of the net OPEB liability	\$ 9,314,172	\$ 12,894,978
District's covered payroll	\$ 28,499,043	\$ 25,306,564
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	32.68%	50.96%
Plan fiduciary net position as a percentage of the total OPEB liability	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 172,656	\$ 129,996	\$ 125,902	\$ 176,824
Contributions in relation to the contractually required contribution	<u>(172,656)</u>	<u>(129,996)</u>	<u>(125,902)</u>	<u>(176,824)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,257,481	\$ 7,748,207	\$ 8,169,900	\$ 6,936,912
Contributions as a percentage of covered payroll	2.09%	1.68%	1.54%	2.55%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 131,084	\$ 133,496	\$ 162,455	\$ 256,125	\$ 165,066	\$ 443,547
<u>(131,084)</u>	<u>(133,496)</u>	<u>(162,455)</u>	<u>(256,125)</u>	<u>(165,066)</u>	<u>(443,547)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,725,440	\$ 6,851,857	\$ 5,293,242	\$ 8,299,753	\$ 8,052,733	\$ 7,094,827
1.95%	1.95%	3.07%	3.09%	2.05%	6.25%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 29,742,829	\$ 28,499,043	\$ 25,306,564	\$ 26,896,300
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 290,027	\$ 317,004	\$ 324,043	\$ 360,004	\$ 372,900	\$ 352,956
<u>(290,027)</u>	<u>(317,004)</u>	<u>(324,043)</u>	<u>(360,004)</u>	<u>(372,900)</u>	<u>(352,956)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 32,541,992	\$ 32,596,277	\$ 32,901,046	\$ 35,914,869	\$ 36,912,931	\$ 33,052,123
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1 - BUDGETARY PROCESS**

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

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

*Tax Budget:*

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

*Estimated Resources:*

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

*Appropriations:*

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1 - BUDGETARY PROCESS – (Continued)**

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

*Encumbrances:*

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

*Lapsing of Appropriations:*

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

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

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

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 1 - BUDGETARY PROCESS - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 871,231
Net adjustment for revenue accruals	701,197
Net adjustment for expenditure accruals	(1,546,437)
Net adjustment for other sources/uses	(302,879)
Funds budgeted elsewhere	11,642
Adjustment for encumbrances	2,376,260
GAAP basis	<u>\$ 2,111,014</u>

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

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

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changed in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.



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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 2 - REQUIRED SUPPLEMENTARY INFORMATION FOR THE DISTRICT'S NET PENSION LIABILITY - (Continued)**

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.

**NOTE 3 - REQUIRED SUPPLEMENTARY INFORMATION FOR THE DISTRICT'S NET OPEB LIABILITY**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate was increased from 2.98% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation was increased from 2.98% to 3.63%.

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**NOTE 3 - REQUIRED SUPPLEMENTARY INFORMATION FOR THE DISTRICT'S NET OPEB  
LIABILITY - (Continued)**

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

COMBINING STATEMENTS AND  
INDIVIDUAL FUND SCHEDULES

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

**MAJOR FUNDS**

**General Fund**

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

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

**Spotlight and Neediest Kids & Medicaid Reserve**

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

**Special Rotary**

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

**Public School Support**

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

**OTHER MAJOR FUNDS**

**Bond Retirement**

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

**Building**

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

**Construction**

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

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
SPOTLIGHT & NEEDIEST KIDS & MEDICAID RESERVE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Contributions and donations . . . . .	\$ 1,660	\$ 1,660	\$ 3,915	\$ 2,255
Other local revenues. . . . .	85	85	200	115
Total revenues . . . . .	<u>1,745</u>	<u>1,745</u>	<u>4,115</u>	<u>2,370</u>
<b>Expenditures:</b>				
Current:				
Support services:				
Pupil. . . . .	72,000	530	1,832	(1,302)
Total expenditures . . . . .	<u>72,000</u>	<u>530</u>	<u>1,832</u>	<u>(1,302)</u>
Net change in fund balance . . . . .	(70,255)	1,215	2,283	1,068
<b>Fund balance at beginning of year . . . . .</b>	810,629	810,629	810,629	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 740,374</u>	<u>\$ 811,844</u>	<u>\$ 812,912</u>	<u>\$ 1,068</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
SPECIAL ROTARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Contributions and donations. . . . .	\$ -	\$ -	\$ 1,000	\$ 1,000
Total revenues . . . . .	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special. . . . .	4,583	4,628	3,010	1,618
Total expenditures . . . . .	<u>4,583</u>	<u>4,628</u>	<u>3,010</u>	<u>1,618</u>
Excess of expenditures over revenues. . . . .	<u>(4,583)</u>	<u>(4,628)</u>	<u>(2,010)</u>	<u>2,618</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	-	45	45	-
Total other financing sources . . . . .	<u>-</u>	<u>45</u>	<u>45</u>	<u>-</u>
Net change in fund balance . . . . .	(4,583)	(4,583)	(1,965)	2,618
<b>Fund balance at beginning of year . . . . .</b>	<u>4,583</u>	<u>4,583</u>	<u>4,583</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,618</u>	<u>\$ 2,618</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
PUBLIC SCHOOL SUPPORT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Extracurricular . . . . .	\$ 52,201	\$ 55,162	\$ 39,201	\$ (15,961)
Contributions and donations . . . . .	3,607	3,812	3,961	149
Other local revenues . . . . .	72,218	76,314	79,994	3,680
<b>Total revenues . . . . .</b>	<b>128,026</b>	<b>135,288</b>	<b>123,156</b>	<b>(12,132)</b>
<b>Expenditures:</b>				
Current:				
Support services:				
Pupil . . . . .	186,893	171,814	114,702	57,112
Operations and maintenance . . . . .	7,789	7,094	4,736	2,358
Operation of non-instructional services . . . . .	1,437	1,309	874	435
<b>Total expenditures . . . . .</b>	<b>196,119</b>	<b>180,217</b>	<b>120,312</b>	<b>59,905</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(68,093)	(44,929)	2,844	47,773
<b>Other financing sources (uses):</b>				
Transfers out . . . . .	(3,881)	(3,535)	(2,360)	1,175
Refund of prior year expenditure . . . . .	189	200	-	(200)
Sale of capital assets . . . . .	47	50	339	289
<b>Total other financing sources (uses) . . . . .</b>	<b>(3,645)</b>	<b>(3,285)</b>	<b>(2,021)</b>	<b>1,264</b>
Net change in fund balance . . . . .	(71,738)	(48,214)	823	49,037
<b>Fund balance at beginning of year . . . . .</b>	<b>100,489</b>	<b>100,489</b>	<b>100,489</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>1,752</b>	<b>1,752</b>	<b>1,752</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 30,503</b>	<b>\$ 54,027</b>	<b>\$ 103,064</b>	<b>\$ 49,037</b>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
BOND RETIREMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Property taxes. . . . .	\$ 5,202,000	\$ 5,202,000	\$ 5,730,461	\$ 528,461
Earnings on investments. . . . .	2,000	2,000	4,675	2,675
Intergovernmental - state . . . . .	719,000	719,000	1,493,893	774,893
Total revenues . . . . .	<u>5,923,000</u>	<u>5,923,000</u>	<u>7,229,029</u>	<u>1,306,029</u>
<b>Expenditures:</b>				
Current:				
Support services:				
Fiscal . . . . .	73,699	73,457	73,457	-
Debt service:				
Principal . . . . .	2,322,613	2,315,000	2,315,000	-
Interest and fiscal charges . . . . .	4,229,355	4,215,491	4,215,491	-
Total expenditures . . . . .	<u>6,625,667</u>	<u>6,603,948</u>	<u>6,603,948</u>	<u>-</u>
Net change in fund balance . . . . .	(702,667)	(680,948)	625,081	1,306,029
<b>Fund balance at beginning of year . . . . .</b>	<u>4,140,202</u>	<u>4,140,202</u>	<u>4,140,202</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,437,535</u>	<u>\$ 3,459,254</u>	<u>\$ 4,765,283</u>	<u>\$ 1,306,029</u>



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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
BUILDING FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Earnings on investments. . . . .	\$ 40,000	\$ 103,000	\$ 103,028	\$ 28
Total revenues . . . . .	<u>40,000</u>	<u>103,000</u>	<u>103,028</u>	<u>28</u>
<b>Expenditures:</b>				
Current:				
Support services:				
Fiscal . . . . .	2,630	2,263	1,973	290
Facilities acquisition and construction. . . . .	8,651,370	8,350,095	7,278,576	1,071,519
Total expenditures . . . . .	<u>8,654,000</u>	<u>8,352,358</u>	<u>7,280,549</u>	<u>1,071,809</u>
Net change in fund balance . . . . .	(8,614,000)	(8,249,358)	(7,177,521)	1,071,837
<b>Fund balance at beginning of year . . . . .</b>	7,562,147	7,562,147	7,562,147	-
<b>Prior year encumbrances appropriated . . . . .</b>	1,052,358	1,052,358	1,052,358	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 505</u>	<u>\$ 365,147</u>	<u>\$ 1,436,984</u>	<u>\$ 1,071,837</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
CONSTRUCTION FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Earnings on investments. . . . .	\$ 308,390	\$ 312,860	\$ 333,119	\$ 20,259
Intergovernmental - state . . . . .	15,739,492	15,967,641	17,001,600	1,033,959
<b>Total revenues . . . . .</b>	<b>16,047,882</b>	<b>16,280,501</b>	<b>17,334,719</b>	<b>1,054,218</b>
<b>Expenditures:</b>				
Current:				
Support services:				
Fiscal . . . . .	14,907	12,168	12,164	4
Facilities acquisition and construction. . . . .	35,885,093	33,455,283	33,444,997	10,286
<b>Total expenditures . . . . .</b>	<b>35,900,000</b>	<b>33,467,451</b>	<b>33,457,161</b>	<b>10,290</b>
 Net change in fund balance . . . . .	 (19,852,118)	 (17,186,950)	 (16,122,442)	 1,064,508
 <b>Fund balance at beginning of year. . . . .</b>	 14,762,414	 14,762,414	 14,762,414	 -
<b>Prior year encumbrances appropriated . . . . .</b>	<b>5,102,467</b>	<b>5,102,467</b>	<b>5,102,467</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 12,763</b>	<b>\$ 2,677,931</b>	<b>\$ 3,742,439</b>	<b>\$ 1,064,508</b>

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

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Fund - Permanent Improvement Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 3,952,212	\$ 504,601	\$ 4,456,813
Receivables:			
Property taxes . . . . .	310,247	-	310,247
Accounts . . . . .	428	-	428
Intergovernmental . . . . .	3,147,215	-	3,147,215
Prepayments . . . . .	10,285	-	10,285
Inventory held for resale . . . . .	13,348	-	13,348
<b>Total assets.</b> . . . . .	<b>\$ 7,433,735</b>	<b>\$ 504,601</b>	<b>\$ 7,938,336</b>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 196,374	\$ -	\$ 196,374
Accrued wages and benefits . . . . .	709,805	-	709,805
Intergovernmental payable . . . . .	8,477	-	8,477
Pension and postemployment benefits payable . . . . .	147,523	-	147,523
Interfund loans payable . . . . .	994,420	-	994,420
<b>Total liabilities.</b> . . . . .	<b>2,056,599</b>	<b>-</b>	<b>2,056,599</b>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next year . . . . .	287,162	-	287,162
Delinquent property tax revenue not available . . . . .	12,747	-	12,747
Intergovernmental revenue not available . . . . .	1,868,359	-	1,868,359
<b>Total deferred inflows of resources.</b> . . . . .	<b>2,168,268</b>	<b>-</b>	<b>2,168,268</b>
<b>Fund balances:</b>			
Nonspendable:			
Prepayments . . . . .	10,285	-	10,285
Restricted:			
Classroom facilities maintenance . . . . .	974,623	-	974,623
Food service operations . . . . .	2,166,609	-	2,166,609
Non-public schools . . . . .	63,418	-	63,418
Targeted academic assistance . . . . .	113,727	-	113,727
Other puposes . . . . .	113,750	-	113,750
Committed:			
Capital improvements . . . . .	-	504,601	504,601
Unassigned (deficit) . . . . .	(233,544)	-	(233,544)
<b>Total fund balances</b> . . . . .	<b>3,208,868</b>	<b>504,601</b>	<b>3,713,469</b>
<b>Total liabilities, deferred inflows, and fund balances</b> . . . . .	<b>\$ 7,433,735</b>	<b>\$ 504,601</b>	<b>\$ 7,938,336</b>

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Capital Projects Fund - Permanent Improvement Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 314,956	\$ -	\$ 314,956
Earnings on investments . . . . .	15,214	1,432	16,646
Charges for services . . . . .	146,632	-	146,632
Extracurricular . . . . .	174,979	-	174,979
Contributions and donations . . . . .	82,499	-	82,499
Other local revenues . . . . .	14,149	-	14,149
Intergovernmental - state . . . . .	1,038,129	-	1,038,129
Intergovernmental - federal . . . . .	10,883,532	-	10,883,532
Total revenues . . . . .	<u>12,670,090</u>	<u>1,432</u>	<u>12,671,522</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	354,627	-	354,627
Special . . . . .	3,218,346	-	3,218,346
Support services:			
Pupil . . . . .	266,222	-	266,222
Instructional staff . . . . .	2,474,908	-	2,474,908
Administration . . . . .	387,705	-	387,705
Fiscal . . . . .	136,869	-	136,869
Operations and maintenance . . . . .	2,087	-	2,087
Pupil transportation . . . . .	192,537	-	192,537
Central . . . . .	3,007	-	3,007
Operation of non-instructional services:			
Other non-instructional services . . . . .	898,766	-	898,766
Food service operations . . . . .	3,604,098	-	3,604,098
Extracurricular activities . . . . .	973,845	-	973,845
Facilities acquisition and construction . . . . .	12,880	475,189	488,069
Total expenditures . . . . .	<u>12,525,897</u>	<u>475,189</u>	<u>13,001,086</u>
Excess of expenditures over revenues . . . . .	<u>144,193</u>	<u>(473,757)</u>	<u>(329,564)</u>
<b>Other financing sources:</b>			
Sale of capital assets . . . . .	2,151	-	2,151
Transfers in . . . . .	746,291	500,000	1,246,291
Total other financing sources . . . . .	<u>748,442</u>	<u>500,000</u>	<u>1,248,442</u>
Net change in fund balances . . . . .	892,635	26,243	918,878
<b>Fund balances</b>			
at beginning of year . . . . .	2,316,233	478,358	2,794,591
Fund balances at end of year . . . . .	<u>\$ 3,208,868</u>	<u>\$ 504,601</u>	<u>\$ 3,713,469</u>

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

**Nonmajor Special Revenue Funds**

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

**Food Service**

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

**Other Grants**

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

**Classroom Facilities Maintenance**

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

**District Managed Activities**

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

**Auxiliary Services**

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

**Public School Preschool Grant**

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

**Data Communications Grant**

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

**Alternative Schools**

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

**Miscellaneous State Grants**

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

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

**Nonmajor Special Revenue Funds (Continued)**

**Title VI-B Grant**

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

**School Improvement Stimulus A Grant**

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

**Title III Grant**

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

**Title I Grant**

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

**EHA Preschool Grant**

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

**Improving Teacher Quality Grant**

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

**Miscellaneous Federal Grants**

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

**Capital Projects Funds**

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

**Permanent Improvement**

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

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

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2018

	<u>Food Service</u>	<u>Other Grants</u>	<u>Classroom Facilities Maintenance</u>	<u>District Managed Activities</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 2,153,261	\$ 73,358	\$ 973,557	\$ 16,004
Receivables:				
Property taxes . . . . .	-	-	310,247	-
Accounts . . . . .	-	-	-	428
Intergovernmental . . . . .	-	122	-	2,225
Prepayments . . . . .	-	32	-	1,272
Inventory held for resale . . . . .	13,348	-	-	-
Total assets. . . . .	<u>\$ 2,166,609</u>	<u>\$ 73,512</u>	<u>\$ 1,283,804</u>	<u>\$ 19,929</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ -	\$ -	\$ 9,272	\$ 5,156
Accrued wages and benefits . . . . .	-	130	-	11,417
Due to other governments . . . . .	-	2	-	166
Pension and postemployment benefits payable . . . . .	-	36	-	7,370
Interfund loans payable . . . . .	-	-	-	-
Total liabilities. . . . .	<u>-</u>	<u>168</u>	<u>9,272</u>	<u>24,109</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	-	-	287,162	-
Delinquent property tax revenue not available . . . . .	-	-	12,747	-
Intergovernmental revenue not available. . . . .	-	-	-	-
Total deferred inflows of resources. . . . .	<u>-</u>	<u>-</u>	<u>299,909</u>	<u>-</u>
<b>Fund balances:</b>				
Nonspendable:				
Prepayments . . . . .	-	32	-	1,272
Restricted:				
Classroom facilities maintenance . . . . .	-	-	974,623	-
Food service operations . . . . .	2,166,609	-	-	-
Non-public schools . . . . .	-	-	-	-
Targeted academic assistance . . . . .	-	-	-	-
Other puposes . . . . .	-	73,312	-	-
Unassigned (deficit) . . . . .	-	-	-	(5,452)
Total fund balances (deficit) . . . . .	<u>2,166,609</u>	<u>73,344</u>	<u>974,623</u>	<u>(4,180)</u>
Total liabilities, deferred inflows, and fund balances . . . . .	<u>\$ 2,166,609</u>	<u>\$ 73,512</u>	<u>\$ 1,283,804</u>	<u>\$ 19,929</u>



Auxiliary Services	Data Communications Grant	Miscellaneous State Grants	Title VI-B Grant	School Improvement Stimulus A Grant	Title III Grant	Title I Grant
\$ 166,115	\$ 9,000	\$ 34,343	\$ 189,292	\$ 7,215	\$ 2,939	\$ 193,882
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,004	-	4,286	1,007,050	82,476	40,787	1,517,842
720	-	-	1,840	128	80	6,009
-	-	-	-	-	-	-
<u>\$ 167,839</u>	<u>\$ 9,000</u>	<u>\$ 38,629</u>	<u>\$ 1,198,182</u>	<u>\$ 89,819</u>	<u>\$ 43,806</u>	<u>\$ 1,717,733</u>
\$ 43,589	\$ -	\$ 3,534	\$ 98,443	\$ -	\$ 392	\$ 1,629
53,193	-	-	167,758	13,673	6,172	193,127
649	-	-	1,801	173	87	2,023
6,270	-	-	59,706	1,758	2,795	48,018
-	-	3,689	320,579	32,398	3,071	418,600
<u>103,701</u>	<u>-</u>	<u>7,223</u>	<u>648,287</u>	<u>48,002</u>	<u>12,517</u>	<u>663,397</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	696	584,923	44,325	31,887	934,600
-	-	696	584,923	44,325	31,887	934,600
720	-	-	1,840	128	80	6,009
-	-	-	-	-	-	-
-	-	-	-	-	-	-
63,418	-	-	-	-	-	-
-	-	-	-	-	-	113,727
-	9,000	30,710	-	-	-	-
-	-	-	(36,868)	(2,636)	(678)	-
<u>64,138</u>	<u>9,000</u>	<u>30,710</u>	<u>(35,028)</u>	<u>(2,508)</u>	<u>(598)</u>	<u>119,736</u>
<u>\$ 167,839</u>	<u>\$ 9,000</u>	<u>\$ 38,629</u>	<u>\$ 1,198,182</u>	<u>\$ 89,819</u>	<u>\$ 43,806</u>	<u>\$ 1,717,733</u>

(Continued)

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

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
JUNE 30, 2018

	<b>Improving Teacher Quality Grant</b>	<b>Miscellaneous Federal Grants</b>	<b>Total Nonmajor Special Revenue Funds</b>
<b>Assets:</b>			
Equity in pooled cash and investments . . . . .	\$ 114,508	\$ 18,738	\$ 3,952,212
Receivables:			
Property taxes . . . . .	-	-	310,247
Accounts . . . . .	-	-	428
Intergovernmental . . . . .	450,521	40,902	3,147,215
Prepayments . . . . .	204	-	10,285
Inventory held for resale . . . . .	-	-	13,348
Total assets. . . . .	<u>\$ 565,233</u>	<u>\$ 59,640</u>	<u>\$ 7,433,735</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	\$ 32,472	\$ 1,887	\$ 196,374
Accrued wages and benefits . . . . .	257,518	6,817	709,805
Due to other governments . . . . .	3,492	84	8,477
Pension and postemployment benefits payable . . . . .	19,986	1,584	147,523
Interfund loans payable . . . . .	183,390	32,693	994,420
Total liabilities. . . . .	<u>496,858</u>	<u>43,065</u>	<u>2,056,599</u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	-	-	287,162
Delinquent property tax revenue not available . . . . .	-	-	12,747
Intergovernmental revenue not available. . . . .	256,081	15,847	1,868,359
Total deferred inflows of resources. . . . .	<u>256,081</u>	<u>15,847</u>	<u>2,168,268</u>
<b>Fund balances:</b>			
Nonspendable:			
Prepayments . . . . .	204	-	10,285
Restricted:			
Classroom facilities maintenance . . . . .	-	-	974,623
Food service operations . . . . .	-	-	2,166,609
Non-public schools . . . . .	-	-	63,418
Targeted academic assistance . . . . .	-	-	113,727
Other puposes . . . . .	-	728	113,750
Unassigned (deficit) . . . . .	(187,910)	-	(233,544)
Total fund balances (deficit) . . . . .	<u>(187,706)</u>	<u>728</u>	<u>3,208,868</u>
Total liabilities, deferred inflows, and fund balances . . . . .	<u>\$ 565,233</u>	<u>\$ 59,640</u>	<u>\$ 7,433,735</u>

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Food Service</u>	<u>Other Grants</u>	<u>Classroom Facilities Maintenance</u>	<u>District Managed Activities</u>
<b>Revenues:</b>				
From local sources:				
Property taxes	\$ -	\$ -	\$ 314,956	\$ -
Earnings on investments . . . . .	9,389	-	4,731	-
Charges for services . . . . .	146,632	-	-	-
Extracurricular . . . . .	-	-	-	174,979
Contributions and donations . . . . .	-	63,779	-	18,720
Other local revenues . . . . .	-	-	-	14,149
Intergovernmental - state . . . . .	-	-	25,319	-
Intergovernmental - federal . . . . .	4,261,533	-	-	-
Total revenues. . . . .	<u>4,417,554</u>	<u>63,779</u>	<u>345,006</u>	<u>207,848</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	-	33,764	-	-
Special . . . . .	-	4,241	-	-
Support services:				
Pupil . . . . .	-	1,345	-	-
Instructional staff. . . . .	-	15	-	-
Administration . . . . .	-	-	-	-
Fiscal. . . . .	88,871	-	3,998	-
Operations and maintenance . . . . .	2,087	-	-	-
Pupil transportation . . . . .	-	-	-	-
Central . . . . .	-	3,007	-	-
Operation of non-instructional services:				
Other non-instructional services . . . . .	-	-	-	-
Food service operations . . . . .	3,604,098	-	-	-
Extracurricular activities . . . . .	-	2,100	-	971,745
Facilities acquisition and construction. . . . .	-	-	12,880	-
Total expenditures . . . . .	<u>3,695,056</u>	<u>44,472</u>	<u>16,878</u>	<u>971,745</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>722,498</u>	<u>19,307</u>	<u>328,128</u>	<u>(763,897)</u>
<b>Other financing sources:</b>				
Sale of capital assets . . . . .	2,151	-	-	-
Transfers in. . . . .	-	-	-	746,291
Total other financing sources. . . . .	<u>2,151</u>	<u>-</u>	<u>-</u>	<u>746,291</u>
Change in fund balance . . . . .	724,649	19,307	328,128	(17,606)
<b>Fund balances (deficit)</b>				
at beginning of year . . . . .	1,441,960	54,037	646,495	13,426
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ 2,166,609</u>	<u>\$ 73,344</u>	<u>\$ 974,623</u>	<u>\$ (4,180)</u>

<u>Auxiliary Services</u>	<u>Public Preschool Grant</u>	<u>Data Communications Grant</u>	<u>Alternative Schools</u>	<u>Miscellaneous State Grants</u>	<u>Title VI-B Grant</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,094	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
675,312	280,000	18,000	908	28,590	-
-	-	-	-	-	1,974,663
<u>676,406</u>	<u>280,000</u>	<u>18,000</u>	<u>908</u>	<u>28,590</u>	<u>1,974,663</u>
-	-	-	366	-	109,117
-	280,000	-	-	3,534	1,019,867
-	-	-	-	-	264,371
-	-	27,000	-	25,000	22,435
-	-	-	-	-	298,304
-	-	-	-	-	-
-	-	-	-	-	150,300
-	-	-	-	-	-
699,871	-	-	-	-	70,216
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>699,871</u>	<u>280,000</u>	<u>27,000</u>	<u>366</u>	<u>28,534</u>	<u>1,934,610</u>
<u>(23,465)</u>	<u>-</u>	<u>(9,000)</u>	<u>542</u>	<u>56</u>	<u>40,053</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(23,465)	-	(9,000)	542	56	40,053
87,603	-	18,000	(542)	30,654	(75,081)
<u>\$ 64,138</u>	<u>\$ -</u>	<u>\$ 9,000</u>	<u>\$ -</u>	<u>\$ 30,710</u>	<u>\$ (35,028)</u>

(Continued)

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>School Improvement Stimulus A Grant</b>	<b>Title III Grant</b>	<b>Title I Grant</b>	<b>EHA Preschool Grant</b>
<b>Revenues:</b>				
From local sources:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Earnings on investments . . . . .	-	-	-	-
Charges for services . . . . .	-	-	-	-
Extracurricular . . . . .	-	-	-	-
Contributions and donations . . . . .	-	-	-	-
Other local revenues . . . . .	-	-	-	-
Intergovernmental - state . . . . .	-	-	-	-
Intergovernmental - federal . . . . .	137,451	67,315	3,669,074	36,745
<b>Total revenues.</b> . . . .	<u>137,451</u>	<u>67,315</u>	<u>3,669,074</u>	<u>36,745</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular. . . . .	-	10,235	-	-
Special . . . . .	69,392	13,782	1,790,785	36,745
Support services:				
Pupil . . . . .	-	506	-	-
Instructional staff. . . . .	69,836	4,985	1,601,559	-
Administration . . . . .	-	-	89,401	-
Fiscal. . . . .	-	-	44,000	-
Operations and maintenance . . . . .	-	-	-	-
Pupil transportation . . . . .	-	-	42,237	-
Central . . . . .	-	-	-	-
Operation of non-instructional services:				
Other non-instructional services . . . . .	-	38,717	73,699	-
Food service operations . . . . .	-	-	-	-
Extracurricular activities . . . . .	-	-	-	-
Facilities acquisition and construction. . . . .	-	-	-	-
<b>Total expenditures</b> . . . . .	<u>139,228</u>	<u>68,225</u>	<u>3,641,681</u>	<u>36,745</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,777)</u>	<u>(910)</u>	<u>27,393</u>	<u>-</u>
<b>Other financing sources:</b>				
Sale of assets . . . . .	-	-	-	-
Transfers in. . . . .	-	-	-	-
<b>Total other financing sources.</b> . . . .	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance . . . . .	(1,777)	(910)	27,393	-
<b>Fund balances (deficit)</b> <b>at beginning of year</b> . . . . .	<u>(731)</u>	<u>312</u>	<u>92,343</u>	<u>-</u>
<b>Fund balances (deficit) at end of year</b> . . . .	<u>\$ (2,508)</u>	<u>\$ (598)</u>	<u>\$ 119,736</u>	<u>\$ -</u>

<b>Improving Teacher Quality Grant</b>	<b>Miscellaneous Federal Grants</b>	<b>Total Nonmajor Special Revenue Funds</b>
\$ -	\$ -	\$ 314,956
-	-	15,214
-	-	146,632
-	-	174,979
-	-	82,499
-	-	14,149
-	10,000	1,038,129
689,231	47,520	10,883,532
<u>689,231</u>	<u>57,520</u>	<u>12,670,090</u>
171,457	29,688	354,627
-	-	3,218,346
-	-	266,222
704,297	19,781	2,474,908
-	-	387,705
-	-	136,869
-	-	2,087
-	-	192,537
-	-	3,007
6,263	10,000	898,766
-	-	3,604,098
-	-	973,845
-	-	12,880
<u>882,017</u>	<u>59,469</u>	<u>12,525,897</u>
<u>(192,786)</u>	<u>(1,949)</u>	<u>144,193</u>
-	-	2,151
-	-	746,291
-	-	748,442
(192,786)	(1,949)	892,635
5,080	2,677	2,316,233
<u>\$ (187,706)</u>	<u>\$ 728</u>	<u>\$ 3,208,868</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOOD SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
From local sources:				
Earnings on investments. . . . .	\$ 8,910	\$ 8,500	\$ 8,645	\$ 145
Charges for services. . . . .	153,041	146,000	146,632	632
Intergovernmental - Federal . . . . .	4,378,453	4,177,000	4,176,306	(694)
<b>Total revenues . . . . .</b>	<b>4,540,404</b>	<b>4,331,500</b>	<b>4,331,583</b>	<b>83</b>
<b>Expenditures:</b>				
Current:				
Support services:				
Fiscal . . . . .	236,636	222,538	188,871	33,667
Operations and maintenance. . . . .	2,708	2,546	2,161	385
Operation of non-instructional services:				
Food service operations . . . . .	4,160,656	4,510,177	3,827,853	682,324
<b>Total expenditures . . . . .</b>	<b>4,400,000</b>	<b>4,735,261</b>	<b>4,018,885</b>	<b>716,376</b>
Excess (deficiency) of revenues over (under) expenditures. . . . .	140,404	(403,761)	312,698	716,459
<b>Other financing sources:</b>				
Sale of capital assets . . . . .	2,096	2,000	2,151	151
<b>Total other financing sources . . . . .</b>	<b>2,096</b>	<b>2,000</b>	<b>2,151</b>	<b>151</b>
Net change in fund balance . . . . .	142,500	(401,761)	314,849	716,610
<b>Fund balance at beginning of year . . . . .</b>	<b>1,101,471</b>	<b>1,101,471</b>	<b>1,101,471</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>635,261</b>	<b>635,261</b>	<b>635,261</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 1,879,232</b>	<b>\$ 1,334,971</b>	<b>\$ 2,051,581</b>	<b>\$ 716,610</b>



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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
OTHER GRANTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
From local sources:				
Contributions and donations . . . . .	\$ 95,681	\$ 69,874	\$ 63,779	\$ (6,095)
Total revenues . . . . .	<u>95,681</u>	<u>69,874</u>	<u>63,779</u>	<u>(6,095)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	64,008	83,116	40,777	42,339
Special. . . . .	7,370	8,644	4,241	4,403
Pupil. . . . .	2,669	3,131	1,536	1,595
Central. . . . .	7,511	8,810	4,322	4,488
Extracurricular activities. . . . .	3,650	4,280	2,100	2,180
Total expenditures . . . . .	<u>85,208</u>	<u>107,981</u>	<u>52,976</u>	<u>55,005</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>10,473</u>	<u>(38,107)</u>	<u>10,803</u>	<u>48,910</u>
<b>Other financing sources (uses):</b>				
Advances out . . . . .	(14,792)	(17,350)	(8,512)	8,838
Refund of prior year expenditure . . . . .	11,103	8,108	8,109	1
Total other financing sources (uses) . . . . .	<u>(3,689)</u>	<u>(9,242)</u>	<u>(403)</u>	<u>8,839</u>
Net change in fund balance . . . . .	6,784	(47,349)	10,400	57,749
<b>Fund balance at beginning of year . . . . .</b>	48,675	48,675	48,675	-
<b>Prior year encumbrances appropriated . . . . .</b>	6,858	6,858	6,858	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 62,317</u>	<u>\$ 8,184</u>	<u>\$ 65,933</u>	<u>\$ 57,749</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
CLASSROOM FACILITIES MAINTENANCE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 294,259	\$ 294,259	\$ 316,009	\$ 21,750
Earnings on investments. . . . .	4,165	4,165	4,473	308
Intergovernmental - state . . . . .	23,576	23,576	25,319	1,743
<b>Total revenues . . . . .</b>	<b>322,000</b>	<b>322,000</b>	<b>345,801</b>	<b>23,801</b>
<b>Expenditures:</b>				
Current:				
Support Services:				
Fiscal . . . . .	29,395	6,784	3,998	2,786
Operations and maintenance. . . . .	73,526	16,968	10,000	6,968
Facilities acquisition and construction. . . . .	797,079	186,248	109,767	76,481
<b>Total expenditures . . . . .</b>	<b>900,000</b>	<b>210,000</b>	<b>123,765</b>	<b>86,235</b>
Net change in fund balance . . . . .	(578,000)	112,000	222,036	110,036
<b>Fund balance at beginning of year . . . . .</b>	<b>624,924</b>	<b>624,924</b>	<b>624,924</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 56,924</b>	<b>\$ 746,924</b>	<b>\$ 856,960</b>	<b>\$ 110,036</b>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
DISTRICT MANAGED ACTIVITIES FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Extracurricular. . . . .	\$ 165,743	\$ 173,625	\$ 174,551	\$ 926
Contributions and donations . . . . .	17,776	18,621	18,720	99
Other local revenues. . . . .	13,435	14,074	14,149	75
Total revenues . . . . .	<u>196,954</u>	<u>206,320</u>	<u>207,420</u>	<u>1,100</u>
<b>Expenditures:</b>				
Current:				
Extracurricular activities. . . . .	920,788	979,113	972,793	6,320
Total expenditures . . . . .	<u>920,788</u>	<u>979,113</u>	<u>972,793</u>	<u>6,320</u>
Excess of expenditures over revenues. . . . .	<u>(723,834)</u>	<u>(772,793)</u>	<u>(765,373)</u>	<u>7,420</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	708,634	742,332	746,291	3,959
Transfers out . . . . .	(43)	(45)	(45)	-
Advances out . . . . .	(4,169)	(4,428)	(4,399)	29
Refund of prior year expenditure . . . . .	3,054	3,199	3,216	17
Total other financing sources (uses) . . . . .	<u>707,476</u>	<u>741,058</u>	<u>745,063</u>	<u>4,005</u>
Net change in fund balance . . . . .	(16,358)	(31,735)	(20,310)	11,425
<b>Fund balance at beginning of year . . . . .</b>	30,632	30,632	30,632	-
<b>Prior year encumbrances appropriated . . . . .</b>	1,103	1,103	1,103	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 15,377</u>	<u>\$ -</u>	<u>\$ 11,425</u>	<u>\$ 11,425</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
AUXILIARY SERVICES FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Earnings on investments. . . . .	\$ 1,055	\$ 1,046	\$ 1,046	\$ -
Intergovernmental - state . . . . .	680,984	675,312	675,312	-
<b>Total revenues . . . . .</b>	<b>682,039</b>	<b>676,358</b>	<b>676,358</b>	<b>-</b>
<b>Expenditures:</b>				
Current:				
Operation of non-instructional services . . . . .	663,958	804,955	704,210	100,745
<b>Total expenditures . . . . .</b>	<b>663,958</b>	<b>804,955</b>	<b>704,210</b>	<b>100,745</b>
Excess of expenditures over revenues . . . . .	18,081	(128,597)	(27,852)	100,745
<b>Other financing sources (uses):</b>				
Refund of prior year receipts . . . . .	(20,186)	(21,786)	(19,059)	2,727
Refund of prior year expenditure . . . . .	2,105	2,087	2,087	-
<b>Total other financing sources (uses) . . . . .</b>	<b>(18,081)</b>	<b>(19,699)</b>	<b>(16,972)</b>	<b>2,727</b>
Net change in fund balance . . . . .	-	(148,296)	(44,824)	103,472
<b>Fund balance at beginning of year . . . . .</b>	<b>68,632</b>	<b>68,632</b>	<b>68,632</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>81,892</b>	<b>81,892</b>	<b>81,892</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 150,524</b>	<b>\$ 2,228</b>	<b>\$ 105,700</b>	<b>\$ 103,472</b>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
PUBLIC SCHOOL PRESCHOOL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
DATA COMMUNICATION GRANT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental - state . . . . .	\$ -	\$ 18,000	\$ 18,000	\$ -
Total revenues . . . . .	-	18,000	18,000	-
<b>Expenditures:</b>				
Current:				
Support services:				
Instructional staff . . . . .	18,000	36,000	27,000	9,000
Total expenditures . . . . .	18,000	36,000	27,000	9,000
Net change in fund balance . . . . .	(18,000)	(18,000)	(9,000)	9,000
<b>Fund balance at beginning of year . . . . .</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,000</b>	<b>\$ 9,000</b>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALTERNATIVE SCHOOLS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental - state . . . . .	\$ -	\$ 11,058	\$ 11,058	\$ -
Total revenues . . . . .	-	11,058	11,058	-
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,110	14,168	14,168	-
Total expenditures . . . . .	3,110	14,168	14,168	-
Net change in fund balance . . . . .	(3,110)	(3,110)	(3,110)	-
<b>Fund balance at beginning of year . . . . .</b>	<b>3,110</b>	<b>3,110</b>	<b>3,110</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
MISCELLANEOUS STATE GRANTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental - state . . . . .	\$ 25,000	\$ 29,286	\$ 25,000	\$ (4,286)
Total revenues . . . . .	<u>25,000</u>	<u>29,286</u>	<u>25,000</u>	<u>(4,286)</u>
<b>Expenditures:</b>				
Current:				
Support services:				
Instructional staff . . . . .	55,654	30,000	28,689	1,311
Total expenditures . . . . .	<u>55,654</u>	<u>30,000</u>	<u>28,689</u>	<u>1,311</u>
Excess of expenditures over revenues . . . . .	<u>(30,654)</u>	<u>(714)</u>	<u>(3,689)</u>	<u>(2,975)</u>
<b>Other financing sources:</b>				
Advances in . . . . .	-	-	3,689	3,689
Total other financing sources . . . . .	<u>-</u>	<u>-</u>	<u>3,689</u>	<u>3,689</u>
Net change in fund balance . . . . .	(30,654)	(714)	-	714
<b>Fund balance at beginning of year . . . . .</b>	<u>30,654</u>	<u>30,654</u>	<u>30,654</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ 29,940</u>	<u>\$ 30,654</u>	<u>\$ 714</u>



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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
TITLE VI-B FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental - federal . . . . .	\$ 2,141,210	\$ 2,779,718	\$ 1,776,986	\$ (1,002,732)
Total revenues . . . . .	<u>2,141,210</u>	<u>2,779,718</u>	<u>1,776,986</u>	<u>(1,002,732)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	103,151	126,265	96,804	29,461
Special . . . . .	989,732	1,336,653	1,024,787	311,866
Support services:				
Pupil . . . . .	301,047	368,503	282,524	85,979
Instructional staff . . . . .	84,765	103,759	79,550	24,209
Administration . . . . .	305,710	374,210	286,900	87,310
Pupil transportation . . . . .	162,426	198,821	152,432	46,389
Operation of non-instructional services . . . . .	75,224	92,080	70,596	21,484
Total expenditures . . . . .	<u>2,022,055</u>	<u>2,600,291</u>	<u>1,993,593</u>	<u>606,698</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>119,155</u>	<u>179,427</u>	<u>(216,607)</u>	<u>(396,034)</u>
<b>Other financing sources (uses):</b>				
Advances in . . . . .	-	-	320,579	320,579
Advances out . . . . .	(232,521)	(284,623)	(218,215)	66,408
Refund of prior year expenditure . . . . .	2,944	3,822	3,822	-
Total other financing sources (uses) . . . . .	<u>(229,577)</u>	<u>(280,801)</u>	<u>106,186</u>	<u>386,987</u>
Net change in fund balance . . . . .	(110,422)	(101,374)	(110,421)	(9,047)
<b>Fund balance at beginning of year . . . . .</b>	8,180	8,180	8,180	-
<b>Prior year encumbrances appropriated . . . . .</b>	102,242	102,242	102,242	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ 9,048</u>	<u>\$ 1</u>	<u>\$ (9,047)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
SCHOOL IMPROVEMENT STIMULUS A FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental - federal . . . . .	\$ 11,859	\$ 217,162	\$ 111,159	\$ (106,003)
Total revenues . . . . .	11,859	217,162	111,159	(106,003)
<b>Expenditures:</b>				
Current:				
Instruction:				
Special . . . . .	6,228	114,046	75,627	38,419
Support Services:				
Instructional staff . . . . .	5,609	102,717	65,412	37,305
Total expenditures . . . . .	11,837	216,763	141,039	75,724
Excess (deficiency) of revenues over (under) expenditures. . . . .	22	399	(29,880)	(30,279)
<b>Other financing sources (uses):</b>				
Advances in . . . . .	-	-	32,398	32,398
Advances out . . . . .	(22)	(399)	(254)	145
Total other financing sources (uses) . . . . .	(22)	(399)	32,144	32,543
Net change in fund balance . . . . .	-	-	2,264	2,264
<b>Fund balance at beginning of year . . . . .</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,264</b>	<b>\$ 2,264</b>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
TITLE III FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental - federal . . . . .	\$ 67,752	\$ 153,558	\$ 74,663	\$ (78,895)
Total revenues . . . . .	<u>67,752</u>	<u>153,558</u>	<u>74,663</u>	<u>(78,895)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	11,470	13,425	10,456	2,969
Special. . . . .	14,659	17,156	13,362	3,794
Support services:				
Pupil. . . . .	13,924	16,297	12,693	3,604
Instructional staff . . . . .	5,469	6,400	4,985	1,415
Operation of non-instructional services . . . . .	23,415	48,258	37,587	10,671
Total expenditures . . . . .	<u>68,937</u>	<u>101,536</u>	<u>79,083</u>	<u>22,453</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,185)</u>	<u>52,022</u>	<u>(4,420)</u>	<u>(56,442)</u>
<b>Other financing sources (uses):</b>				
Advances in. . . . .	-	-	3,071	3,071
Advances out . . . . .	(18,209)	(21,310)	(16,598)	4,712
Refund of prior year expenditure . . . . .	-	-	128	128
Total other financing sources (uses) . . . . .	<u>(18,209)</u>	<u>(21,310)</u>	<u>(13,399)</u>	<u>7,911</u>
Net change in fund balance . . . . .	(19,394)	30,712	(17,819)	(48,531)
<b>Fund balance at beginning of year . . . . .</b>	1,575	1,575	1,575	-
<b>Prior year encumbrances appropriated . . . . .</b>	17,819	17,819	17,819	-
<b>Fund balance at end of year. . . . .</b>	<u>\$ -</u>	<u>\$ 50,106</u>	<u>\$ 1,575</u>	<u>\$ (48,531)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
TITLE I FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental - federal . . . . .	\$ 3,855,900	\$ 5,048,766	\$ 3,790,683	\$ (1,258,083)
Total revenues . . . . .	<u>3,855,900</u>	<u>5,048,766</u>	<u>3,790,683</u>	<u>(1,258,083)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special. . . . .	1,882,188	2,412,156	1,969,893	442,263
Support services:				
Instructional staff . . . . .	1,942,922	2,229,185	1,820,469	408,716
Administration. . . . .	95,254	109,289	89,251	20,038
Fiscal . . . . .	46,960	53,878	44,000	9,878
Pupil transportation . . . . .	68,468	78,556	64,153	14,403
Operation of non-instructional services . . . . .	83,635	95,958	78,364	17,594
Total expenditures . . . . .	<u>4,119,427</u>	<u>4,979,022</u>	<u>4,066,130</u>	<u>912,892</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(263,527)</u>	<u>69,744</u>	<u>(275,447)</u>	<u>(345,191)</u>
<b>Other financing sources (uses):</b>				
Advances in. . . . .	425,802	557,528	418,600	(138,928)
Advances out . . . . .	(393,691)	(451,696)	(368,879)	82,817
Refund of prior year expenditure . . . . .	6,567	8,599	6,456	(2,143)
Total other financing sources (uses) . . . . .	<u>38,678</u>	<u>114,431</u>	<u>56,177</u>	<u>(58,254)</u>
Net change in fund balance . . . . .	(224,849)	184,175	(219,270)	(403,445)
<b>Fund balance at beginning of year . . . . .</b>	4,641	4,641	4,641	-
<b>Prior year encumbrances appropriated . . . . .</b>	220,209	220,209	220,209	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1</u>	<u>\$ 409,025</u>	<u>\$ 5,580</u>	<u>\$ (403,445)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
EHA PRESCHOOL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Intergovernmental - federal . . . . .	\$ 36,745	\$ 36,745	\$ 36,745	\$ -
Total revenues . . . . .	<u>36,745</u>	<u>36,745</u>	<u>36,745</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special. . . . .	36,745	36,745	36,745	-
Total expenditures . . . . .	<u>36,745</u>	<u>36,745</u>	<u>36,745</u>	<u>-</u>
Net change in fund balance . . . . .	-	-	-	-
<b>Fund balance at beginning of year . . . . .</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
IMPROVING TEACHER QUALITY GRANT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Intergovernmental - federal . . . . .	\$ 436,384	\$ 1,025,799	\$ 538,158	\$ (487,641)
Total revenues . . . . .	<u>436,384</u>	<u>1,025,799</u>	<u>538,158</u>	<u>(487,641)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,348	9,414	6,755	2,659
Support services:				
Instructional staff . . . . .	415,540	939,362	674,011	265,351
Operation of non-instructional services . . . . .	5,710	12,365	8,872	3,493
Total expenditures . . . . .	<u>425,598</u>	<u>961,141</u>	<u>689,638</u>	<u>271,503</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>10,786</u>	<u>64,658</u>	<u>(151,480)</u>	<u>(216,138)</u>
<b>Other financing sources (uses):</b>				
Advances in . . . . .	-	-	183,390	183,390
Advances out . . . . .	(30,740)	(66,561)	(47,759)	18,802
Refund of prior year expenditure . . . . .	240	563	563	-
Total other financing sources (uses) . . . . .	<u>(30,500)</u>	<u>(65,998)</u>	<u>136,194</u>	<u>202,192</u>
Net change in fund balance . . . . .	(19,714)	(1,340)	(15,286)	(13,946)
<b>Fund balance at beginning of year . . . . .</b>	1,427	1,427	1,427	-
<b>Prior year encumbrances appropriated . . . . .</b>	18,287	18,287	18,287	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ 18,374</u>	<u>\$ 4,428</u>	<u>\$ (13,946)</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
MISCELLANEOUS FEDERAL GRANTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Intergovernmental - state . . . . .	\$ 9,838	\$ 11,260	\$ 10,000	\$ (1,260)
Intergovernmental - federal . . . . .	22,101	25,295	22,465	(2,830)
Total revenues . . . . .	<u>31,939</u>	<u>36,555</u>	<u>32,465</u>	<u>(4,090)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	31,451	34,554	30,688	3,866
Instructional staff . . . . .	25,079	27,553	24,470	3,083
Operation of non-instructional services . . . . .	10,249	11,260	10,000	1,260
Total expenditures . . . . .	<u>66,779</u>	<u>73,367</u>	<u>65,158</u>	<u>8,209</u>
Excess of expenditures over revenues. . . . .	<u>(34,840)</u>	<u>(36,812)</u>	<u>(32,693)</u>	<u>4,119</u>
<b>Other financing sources:</b>				
Advances in. . . . .	32,163	36,812	32,693	(4,119)
Total other financing sources . . . . .	<u>32,163</u>	<u>36,812</u>	<u>32,693</u>	<u>(4,119)</u>
Net change in fund balance . . . . .	(2,677)	-	-	-
<b>Fund balance at beginning of year . . . . .</b>	<u>2,677</u>	<u>2,677</u>	<u>2,677</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ 2,677</u>	<u>\$ 2,677</u>	<u>\$ -</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
PERMANENT IMPROVEMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
From local sources:				
Earnings on investments. . . . .	\$ 1,202	\$ 1,203	\$ 1,205	\$ 2
Total revenues . . . . .	<u>1,202</u>	<u>1,203</u>	<u>1,205</u>	<u>2</u>
<b>Expenditures:</b>				
Current:				
Support services:				
Facilities acquisition and construction. . . . .	500,000	500,300	576,228	(75,928)
Total expenditures . . . . .	<u>500,000</u>	<u>500,300</u>	<u>576,228</u>	<u>(75,928)</u>
Excess of expenditures over revenues. . . . .	<u>(498,798)</u>	<u>(499,097)</u>	<u>(575,023)</u>	<u>(75,926)</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	498,798	499,097	500,000	903
Total other financing sources . . . . .	<u>498,798</u>	<u>499,097</u>	<u>500,000</u>	<u>903</u>
Net change in fund balance . . . . .	-	-	(75,023)	(75,023)
<b>Fund balance at beginning of year . . . . .</b>	<u>500,002</u>	<u>500,002</u>	<u>500,002</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 500,002</u>	<u>\$ 500,002</u>	<u>\$ 424,979</u>	<u>\$ (75,023)</u>



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

***FIDUCIARY FUNDS***

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

***AGENCY FUND***

**Student Managed Activities Fund**

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

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

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<b>Beginning Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2018</b>
<b>Student Activity</b>				
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 88,782	\$ 37,177	\$ 41,604	\$ 84,355
Receivables				
Accounts . . . . .	<u>1,464</u>	<u>-</u>	<u>1,464</u>	<u>-</u>
Total assets . . . . .	<u>\$ 90,246</u>	<u>\$ 37,177</u>	<u>\$ 43,068</u>	<u>\$ 84,355</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 10,101	\$ 6,903	\$ 10,101	\$ 6,903
Loans payable . . . . .	510	-	510	-
Undistributed monies . . . . .	<u>79,635</u>	<u>30,274</u>	<u>32,457</u>	<u>77,452</u>
Total liabilities. . . . .	<u>\$ 90,246</u>	<u>\$ 37,177</u>	<u>\$ 43,068</u>	<u>\$ 84,355</u>

# STATISTICAL SECTION

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

STATISTICAL SECTION

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

**Contents**

**Page**

**Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

**134-143**

**Revenue Capacity**

These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

**144-149**

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

**150-155**

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

**156-157**

**Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

**158-169**

**Sources:** Sources are noted on the individual schedules.

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

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

	<u>2018</u>	<u>2017 (1)</u>	<u>2016</u>	<u>2015</u>
<b>Governmental activities</b>				
Net investment in capital assets	\$ 50,497,647	\$ 33,418,675	\$ 8,826,190	\$ 3,847,066
Restricted	13,787,431	29,002,067	51,446,955	54,147,596
Unrestricted (deficit)	(58,324,692)	(91,721,521)	(77,674,860)	(90,343,892)
Total governmental activities net position	<u>\$ 5,960,386</u>	<u>\$ (29,300,779)</u>	<u>\$ (17,401,715)</u>	<u>\$ (32,349,230)</u>

**Source:** School District financial records.

**(1)** Amounts have been restated as previously reported.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009 (1)</u>
\$ 3,003,649	\$ 6,234,371	\$ 8,239,520	\$ 8,243,758	\$ 6,999,059	\$ 5,483,895
3,938,419	2,337,991	3,507,622	5,998,474	3,734,017	4,704,174
(93,507,156)	(3,394,825)	(3,138,373)	(2,282,638)	6,290,172	8,488,821
<u>\$ (86,565,088)</u>	<u>\$ 5,177,537</u>	<u>\$ 8,608,769</u>	<u>\$ 11,959,594</u>	<u>\$ 17,023,248</u>	<u>\$ 18,676,890</u>

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Expenses</b>				
Governmental activities:				
Instruction	\$ 28,006,439	\$ 46,489,210	\$ 45,802,884	\$ 47,109,627
Support services:				
Pupil	3,271,201	4,193,175	3,895,910	3,746,251
Instructional staff	1,521,814	2,759,968	2,619,650	1,991,860
Board of education	39,207	69,441	70,619	59,556
Administration	1,399,741	4,197,588	3,912,734	4,154,176
Fiscal	881,107	1,541,679	1,470,168	1,671,371
Business	195,559	279,945	229,965	191,359
Operations and maintenance	9,354,087	8,833,372	7,631,480	7,408,158
Pupil transportation	5,148,422	4,244,506	4,125,548	4,007,357
Central	974,516	1,218,435	1,218,035	1,619,365
Operation of non-instructional services	4,152,167	4,650,576	4,652,290	4,781,569
Extracurricular activities	339,087	981,923	815,861	1,083,235
Interest and fiscal charges	4,430,913	4,312,147	4,933,230	3,892,120
Total expenses	<u>59,714,260</u>	<u>83,771,965</u>	<u>81,378,374</u>	<u>81,716,004</u>



	<b>2014</b>	<b>2013 (1)</b>	<b>2012</b>	<b>2011</b>	<b>2010 (2)</b>	<b>2009</b>
\$	49,646,486	\$ 48,384,018	\$ 46,929,114	\$ 50,188,859	\$ 49,044,574	\$ 47,565,415
	4,442,512	4,265,190	4,655,026	5,585,042	4,919,527	4,664,923
	3,389,719	3,868,239	4,939,816	5,229,348	5,980,662	5,950,980
	66,159	43,835	56,405	52,578	103,269	39,990
	4,663,891	4,445,825	4,530,426	5,343,818	5,899,057	5,918,107
	785,642	688,210	723,250	670,419	1,455,723	1,350,653
	209,337	254,239	441,139	469,884	511,414	484,511
	9,294,379	7,914,945	7,792,863	7,399,143	7,712,461	8,501,464
	4,022,409	3,812,314	3,758,699	3,682,543	3,685,251	3,292,293
	2,669,861	1,486,066	3,397,181	5,344,434	1,963,221	2,330,840
	4,795,795	4,543,308	4,369,441	3,886,436	3,651,317	3,843,355
	900,838	890,157	1,025,636	1,028,730	1,002,233	1,022,353
	2,672,184	2,713,127	2,703,229	2,840,830	2,857,619	3,009,066
	<u>87,559,212</u>	<u>83,309,473</u>	<u>85,322,225</u>	<u>91,722,064</u>	<u>88,786,328</u>	<u>87,973,950</u>

(Continued)

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

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

<b>Program Revenues</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Governmental activities:				
Charges for services:				
Instruction	\$ 1,210,803	\$ 1,140,710	\$ 920,340	\$ 1,167,154
Support services	91,581	93,827	102,003	78,459
Operation of non-instructional services	143,336	318,107	166,004	153,619
Extracurricular activities	181,174	6,324	192,430	214,969
Operating grants and contributions	18,618,327	18,491,315	16,825,958	10,763,712
Capital grants and contributions	-	-	-	-
Total governmental program revenues	<u>20,245,221</u>	<u>20,050,283</u>	<u>18,206,735</u>	<u>12,377,913</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	<u>\$ (39,469,039)</u>	<u>\$ (63,721,682)</u>	<u>\$ (63,171,639)</u>	<u>\$ (69,338,091)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Property taxes levied for:				
General purposes	\$ 25,569,322	\$ 23,847,638	\$ 31,620,677	\$ 24,805,279
Debt service	5,749,167	4,702,755	5,567,012	3,979,176
Special revenue	304,482	270,512	341,335	-
Capital projects	-	-	-	249,633
Payment in lieu of taxes	679,322	677,978	886,632	431,267
Grants and entitlements not restricted to specific programs	41,150,784	41,547,296	38,775,910	42,131,982
Grants and entitlements restricted to school facilities program	-	-	-	51,403,241
Investment earnings	601,370	449,200	448,314	202,447
Miscellaneous	675,757	379,368	479,274	350,924
Total governmental activities	<u>74,730,204</u>	<u>71,874,747</u>	<u>78,119,154</u>	<u>123,553,949</u>
<b>Change in Net Position</b>				
Governmental activities	<u>\$ 35,261,165</u>	<u>\$ 8,153,065</u>	<u>\$ 14,947,515</u>	<u>\$ 54,215,858</u>

**Source:** School District financial records.

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010 (2)</u>	<u>2009</u>
\$ 1,328,997	\$ 728,828	\$ 760,855	\$ 747,531	\$ 708,352	\$ 717,696
74,984	60,921	101,071	169,629	206,090	178,057
371,359	690,941	816,136	781,124	864,398	917,389
-	-	-	-	-	-
12,666,818	10,881,913	12,112,072	19,941,094	18,469,879	17,762,109
-	-	-	-	316,140	66,437
<u>14,442,158</u>	<u>12,362,603</u>	<u>13,790,134</u>	<u>21,639,378</u>	<u>20,564,859</u>	<u>19,641,688</u>
<u>\$ (73,117,054)</u>	<u>\$ (70,946,870)</u>	<u>\$ (71,532,091)</u>	<u>\$ (70,082,686)</u>	<u>\$ (68,221,469)</u>	<u>\$ (68,332,262)</u>
\$ 30,753,332	\$ 26,836,512	\$ 27,947,132	\$ 28,460,928	\$ 15,443,139	\$ 16,749,487
3,317,360	2,907,788	3,816,214	3,477,334	3,404,818	3,862,804
-	-	-	-	13,390,494	14,565,287
167,982	132,316	113,113	-	-	-
226,369	303,813	552,566	280,612	517,839	-
40,073,523	37,215,406	35,874,604	32,733,997	33,774,716	33,102,516
-	-	-	-	-	-
1,166	1,923	9,601	28,936	26,337	228,509
417,338	117,880	465,234	37,225	10,484	23,272
<u>74,957,070</u>	<u>67,515,638</u>	<u>68,778,464</u>	<u>65,019,032</u>	<u>66,567,827</u>	<u>68,531,875</u>
<u>\$ 1,840,016</u>	<u>\$ (3,431,232)</u>	<u>\$ (2,753,627)</u>	<u>\$ (5,063,654)</u>	<u>\$ (1,653,642)</u>	<u>\$ 199,613</u>

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Fund:				
Nonspendable	\$ 72,529	\$ 80,022	\$ -	\$ -
Restricted	-	-	-	-
Assigned	2,380,537	807,257	389,829	480,211
Unassigned (deficit)	14,315,435	13,770,208	8,794,259	(1,204,805)
Reserved	-	-	-	-
Unreserved (deficit)	-	-	-	-
Total general fund	<u>\$ 16,768,501</u>	<u>\$ 14,657,487</u>	<u>\$ 9,184,088</u>	<u>\$ (724,594)</u>
All Other Governmental Funds:				
Nonspendable	\$ 10,285	\$ 12,187	\$ -	\$ 93,564
Restricted	19,288,470	39,450,727	58,695,362	53,563,718
Committed	504,601	478,358	293,040	216,852
Unassigned (deficit)	(233,544)	(78,942)	(31,238)	(24,845)
Reserved	-	-	-	-
Unreserved (deficit), reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Total all other governmental funds	<u>\$ 19,569,812</u>	<u>\$ 39,862,330</u>	<u>\$ 58,957,164</u>	<u>\$ 53,849,289</u>
Total governmental funds	<u>\$ 36,338,313</u>	<u>\$ 54,519,817</u>	<u>\$ 68,141,252</u>	<u>\$ 53,124,695</u>

**Source:** School District financial records.

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

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010 (1)</u>	<u>2009</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24,610	24,610	24,610	186,444	-	-
65,935	386,691	306,347	739,638	-	-
(1,114,077)	(3,932,766)	(4,483,802)	(3,717,700)	-	-
-	-	-	-	1,305,189	1,392,826
-	-	-	-	2,589,792	(1,245,433)
<u>\$ (1,023,532)</u>	<u>\$ (3,521,465)</u>	<u>\$ (4,152,845)</u>	<u>\$ (2,791,618)</u>	<u>\$ 3,894,981</u>	<u>\$ 147,393</u>
\$ 97,652	\$ 48,607	\$ 29,397	\$ 41,988	\$ -	\$ -
2,135,729	2,212,418	3,253,825	4,631,246	-	-
29,970	8,463	8,111	51,081	-	-
(112,278)	(245)	(25,155)	(20,782)	-	-
-	-	-	-	1,457,598	2,351,469
-	-	-	-	(469,675)	3,774,571
-	-	-	-	2,186,547	2,352,696
-	-	-	-	(907,311)	(1,265,409)
<u>\$ 2,151,073</u>	<u>\$ 2,269,243</u>	<u>\$ 3,266,178</u>	<u>\$ 4,703,533</u>	<u>\$ 2,267,159</u>	<u>\$ 7,213,327</u>
<u>\$ 1,127,541</u>	<u>\$ (1,252,222)</u>	<u>\$ (886,667)</u>	<u>\$ 1,911,915</u>	<u>\$ 6,162,140</u>	<u>\$ 7,360,720</u>

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>				
From local sources:				
Property taxes	\$ 33,550,397	\$ 28,927,911	\$ 37,002,240	\$ 27,872,515
Payment in lieu of taxes	683,589	666,839	886,632	431,267
Tuition and fees	1,087,728	1,022,553	769,292	1,032,757
Transportation fees	600	7,707	-	-
Earnings on investments	629,440	457,155	463,164	157,998
Charges for services	146,632	160,457	166,004	296,116
Extracurricular	220,375	225,693	243,929	243,266
Classroom materials and fees	42,048	43,426	43,605	-
Rental income	48,484	24,401	56,871	30,478
Contributions and donations	405,375	326,547	391,749	367,448
Contract services	78,522	71,536	97,832	-
Other local revenues	369,535	123,796	147,764	333,563
Intergovernmental	69,187,640	84,822,828	64,399,778	56,808,384
<b>Total revenues</b>	<u>106,450,365</u>	<u>116,880,849</u>	<u>104,668,860</u>	<u>87,573,792</u>
<b>Expenditures</b>				
Current:				
Instruction	52,713,757	47,102,572	47,528,539	47,816,401
Support services:				
Pupil	4,899,530	4,237,609	3,944,123	3,877,467
Instructional staff	3,222,634	2,764,612	2,877,401	2,019,362
Board of education	53,264	70,196	58,127	59,556
Administration	4,522,993	4,340,891	3,949,199	4,278,161
Fiscal	1,288,837	1,558,948	1,460,099	1,662,170
Business	282,184	272,019	245,965	189,919
Operations and maintenance	7,249,962	6,324,072	6,000,716	6,371,641
Pupil transportation	5,113,558	4,301,151	4,049,294	3,926,956
Central	1,170,187	1,166,324	992,204	1,665,992
Operation of non-instructional services	4,541,623	4,765,732	4,627,836	4,754,045
Extracurricular activities	1,058,361	1,001,261	838,178	928,706
Capital outlay	31,759,935	45,880,282	4,716,122	2,216,640
Debt service:				
Principal retirement	2,534,515	2,428,067	3,338,619	3,273,410
Interest and fiscal charges	4,263,524	4,330,759	5,032,301	3,986,977
Bond issuance costs	-	-	243,537	-
<b>Total expenditures</b>	<u>124,674,864</u>	<u>130,544,495</u>	<u>89,902,260</u>	<u>87,027,403</u>
Excess of revenues over (under) expenditures	(18,224,499)	(13,663,646)	14,766,600	546,389
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,246,291	1,204,479	1,079,247	626,572
Transfers (out)	(1,246,291)	(1,204,479)	(1,079,247)	(626,572)
Sale of capital assets	42,995	42,211	6,419	340,087
Capital lease transaction	-	-	-	-
Issuance of long term debt	-	-	-	46,600,000
Payments to refunding bond escrow agent	-	-	(26,510,643)	-
Premium on the sale of refunding bonds	-	-	1,269,181	4,510,678
Insurance proceeds	-	-	-	-
Issuance of bonds	-	-	25,485,000	-
<b>Total other financing sources (uses)</b>	<u>42,995</u>	<u>42,211</u>	<u>249,957</u>	<u>51,450,765</u>
<b>Net change in fund balances</b>	<u>\$ (18,181,504)</u>	<u>\$ (13,621,435)</u>	<u>\$ 15,016,557</u>	<u>\$ 51,997,154</u>
Capital expenditures	\$ 31,538,729	\$ 45,731,277	\$ 6,394,237	\$ 3,316,732
Debt service as a percentage of noncapital expenditures	7.30%	7.97%	10.02%	8.67%

Source: School District financial records.

	2014	2013	2012	2011	2010	2009
\$	34,294,811	\$ 31,261,754	\$ 31,341,229	\$ 30,834,774	\$ 31,981,033	\$ 34,695,348
	497,553	444,506	148,212	279,392	511,536	-
	1,126,473	566,267	724,610	525,839	516,322	493,420
	-	-	-	65,664	144,614	97,048
	1,166	1,923	9,601	29,126	31,260	223,963
	349,214	651,126	588,504	561,722	614,698	667,441
	257,306	233,516	341,328	320,910	308,493	280,515
	-	-	-	138,801	109,042	142,369
	33,633	22,675	10,458	-	-	-
	262,615	46,956	110,623	-	-	-
	-	-	-	-	-	-
	223,265	123,851	477,276	200,672	200,899	204,393
	50,921,081	48,067,339	48,553,938	51,866,741	53,233,060	51,642,603
	<u>87,967,117</u>	<u>81,419,913</u>	<u>82,305,779</u>	<u>84,823,641</u>	<u>87,650,957</u>	<u>88,447,100</u>
	49,279,372	48,133,204	47,192,759	48,974,881	47,816,574	45,381,711
	4,424,408	4,379,076	4,695,154	5,502,709	4,825,255	4,454,170
	3,417,238	3,832,870	4,964,134	5,182,361	5,827,474	5,809,655
	66,159	43,835	56,405	51,456	101,002	39,105
	4,656,085	4,456,818	4,517,281	5,327,370	5,809,833	5,702,554
	784,141	689,018	717,447	654,400	1,417,411	1,329,362
	209,442	253,527	427,734	444,542	485,305	456,107
	7,925,541	5,684,561	5,454,243	6,239,542	6,735,701	8,125,211
	3,905,361	3,689,610	3,629,508	3,527,369	3,472,888	3,379,531
	3,459,367	1,257,761	3,853,759	3,782,437	1,954,306	2,221,285
	4,754,840	4,518,730	4,382,701	3,834,439	3,583,679	3,756,691
	924,948	883,030	1,017,934	1,008,812	977,802	1,014,207
	433,676	8,723	397,027	2,050,587	510,385	1,684,649
	1,177,325	1,033,416	927,375	880,261	2,357,860	2,229,778
	2,865,082	2,921,769	2,881,709	3,007,587	3,036,523	3,167,536
	-	-	-	-	-	-
	<u>88,282,985</u>	<u>81,785,948</u>	<u>85,115,170</u>	<u>90,468,753</u>	<u>88,911,998</u>	<u>88,751,552</u>
	(315,868)	(366,035)	(2,809,391)	(5,645,112)	(1,261,041)	(304,452)
	610,354	604,934	620,080	692,375	699,567	1,932
	(610,354)	(604,934)	(620,080)	(692,375)	(699,567)	(1,932)
	2,358	480	10,810	46,120	62,461	913
	248,273	-	-	1,348,767	-	478,000
	2,445,000	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	438,257
	-	-	-	-	-	-
	<u>2,695,631</u>	<u>480</u>	<u>10,810</u>	<u>1,394,887</u>	<u>62,461</u>	<u>917,170</u>
\$	<u>2,379,763</u>	<u>\$(365,555)</u>	<u>\$(2,798,581)</u>	<u>\$(4,250,225)</u>	<u>\$(1,198,580)</u>	<u>\$ 612,718</u>
\$	1,526,035	\$ 258,984	\$ 1,442,769	\$ 1,787,485	\$ 485,751	\$ 1,731,427
	4.66%	4.85%	4.55%	4.38%	6.10%	6.20%

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

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

<b>Tax Year</b>	<b>Real Property Assessed Value</b>	<b>Public Utilities Personal Assessed Value</b>	<b>Total Assessed Value</b>	<b>Total Estimated Actual Value</b>	<b>Total Direct Rate</b>	<b>Ratio</b>
2017	\$ 641,556,630	\$ 61,948,170	\$ 703,504,800	\$ 2,081,375,148	\$ 54.15	33.80%
2016	604,441,470	58,917,790	663,359,260	1,962,601,361	54.40	33.80%
2015	603,512,220	57,446,810	660,959,030	1,955,500,089	54.54	33.80%
2014	603,212,590	56,477,890	659,690,480	1,884,829,943	54.51	35.00%
2013	657,709,970	54,597,780	712,307,750	2,035,165,000	48.95	35.00%
2012	665,572,990	50,710,520	716,283,510	2,046,524,314	47.16	35.00%
2011	673,961,050	51,549,940	725,510,990	2,072,888,543	47.16	35.00%
2010	739,511,220	50,482,380	789,993,600	2,337,259,172	46.99	33.80%
2009	750,828,210	40,785,100	791,613,310	2,342,051,213	47.00	33.80%
2008	799,643,380	38,837,820	838,481,200	2,480,713,609	45.75	33.80%

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

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



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

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

Calendar Year	District Direct Rates						Overlapping Rates	
	Voted			Permanent Improvement	Unvoted	Total	Butler County	Warren County
	General	Emergency	Bond					
2017	\$39.73	\$ -	\$9.00	\$ 0.50	\$ 4.92	\$54.15	\$ 9.72	\$ 6.28
2016	40.73	-	8.25	0.50	4.92	54.40	9.72	7.78
2015	40.87	-	8.25	0.50	4.92	54.54	9.72	7.78
2014	18.27	22.83	8.25	-	5.16	54.51	9.72	7.78
2013	18.27	20.77	4.75	-	5.16	48.95	9.72	7.78
2012	18.27	18.98	4.75	-	5.16	47.16	9.72	7.78
2011	18.27	18.98	4.75	-	5.16	47.16	9.72	7.78
2010	18.27	18.81	4.99	-	4.92	46.99	9.72	5.78
2009	18.27	18.89	4.92	-	4.92	47.00	9.75	5.78
2008	18.27	17.82	4.74	-	4.92	45.75	9.75	5.21

**Source:** County Auditor

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

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

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

N/A - Information not available.

**Overlapping Rates**

	<b>Franklin Township (1)</b>	<b>Turtlecreek Township (2)</b>	<b>City of Middletown</b>	<b>Butler County Joint Vocational School</b>	<b>Metroparks</b>	<b>Midpointe Library</b>	<b>Total Overlapping Rates</b>	<b>Total Overlapping and Direct Rates</b>
\$	3.87	\$ 9.12	\$ 6.90	\$ 1.93	\$ 0.70	\$ 0.75	\$ 39.27	\$ 93.42
	3.87	9.12	6.90	1.93	0.50	0.75	40.57	94.97
	3.87	9.12	6.90	1.93	0.50	0.75	40.57	95.11
	3.87	9.12	6.90	1.93	0.50	0.75	40.57	95.08
	3.87	9.12	6.72	1.93	0.50	0.75	40.39	89.34
	3.87	9.12	5.90	1.93	N/A	N/A	38.32	85.48
	3.87	9.12	5.90	1.93	N/A	N/A	38.32	85.48
	3.87	0.61	5.90	1.93	N/A	N/A	27.81	74.80
	4.00	1.61	5.90	1.93	N/A	N/A	28.97	75.97
	7.17	1.61	5.90	1.93	N/A	N/A	31.57	77.32

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

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

Calendar Year	Taxes Levied for the Calendar Year (1)	Collected within the Calendar Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes (3)	Percentage Outstanding Delinquent Taxes to Tax Levied
		Amount (2)	Percentage of Levy		Amount	Percentage of Levy		
2017	\$ 36,787,345	\$ 34,938,752	94.97%	\$ 1,770,703	\$ 36,709,455	99.79%	\$4,003,024	10.88%
2016	36,050,347	30,546,560	84.73%	1,676,407	32,222,967	89.38%	4,683,274	12.99%
2015	35,954,046	30,512,832	84.87%	1,749,741	32,262,573	89.73%	4,291,273	11.94%
2014	35,954,046	29,625,371	82.40%	1,667,238	31,292,609	87.04%	4,125,765	11.48%
2013	31,531,399	29,625,371	93.96%	2,033,122	31,658,493	100.40%	3,898,991	12.37%
2012	30,713,002	28,911,321	94.13%	2,421,728	31,333,049	102.02%	4,619,013	15.04%
2011	32,633,101	31,682,293	97.09%	1,736,442	33,418,735	102.41%	5,357,474	16.42%
2010	32,511,295	31,267,882	96.18%	918,290	32,186,172	99.00%	4,852,706	14.93%
2009	35,638,317	30,469,584	85.50%	2,134,606	32,604,190	91.49%	4,202,583	11.79%
2008	38,249,797	32,358,689	84.60%	2,393,834	34,752,523	90.86%	3,893,720	10.18%

**Source:** Butler County Auditor's Office

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

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

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

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

		<b>2017</b>	
<b>Taxpayer</b>		<b>Assessed Value</b>	<b>Percentage of Total Assessed Value</b>
Duke Energy Ohio Inc.	1	\$ 47,055,090	6.69%
AK Steel Corp.	2	9,976,560	1.42%
AJB Realty	3	4,100,100	0.58%
Rockies Express Pipeline, LLC	4	4,060,930	0.58%
Boymel Family, LLC	5	3,955,660	0.56%
Faith-Village East Apartments	6	3,884,690	0.55%
Texas Eastern Transmission Corp.	7	3,558,880	0.51%
Middletown Coke Company, LLC	8	3,149,200	0.45%
Dynegy Dicks Creek, LLC	9	2,935,080	0.42%
CTR Partnership, LP	10	2,904,620	0.41%
		\$ 85,580,810	12.16%

		<b>2008</b>	
<b>Taxpayer</b>		<b>Assessed Value</b>	<b>Percentage of Total Assessed Value</b>
Cincinnati Gas and Electric	1	\$ 33,348,310	3.98%
AK Steel Corp.	2	15,095,550	1.80%
Ohio Bell Telephone	3	5,836,540	0.70%
Precision Strip Inc.	4	4,166,220	0.50%
Southwestern Ohio Steel	5	4,061,950	0.48%
Boymel Sam	6	3,567,860	0.43%
Bavarian Woods Apts.	7	2,955,990	0.35%
Chake-Chak LLC	8	2,033,000	0.24%
Texas Eastern Transmission	9	1,886,190	0.22%
Bay West Paper Corp	10	1,817,680	0.22%
Total		\$ 74,769,290	8.92%

**Source:** Butler County Auditor's Office

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

OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
SCHEDULE 9

Fiscal Year	Governmental Activities (a)				Total Primary Government	Ratio of Total Debt to Estimated Actual Value (d)
	Construction Bond	Refunding Bonds	Long-Term Capital Notes	Capital Leases		
2018	\$ 47,130,288	\$ 53,708,314	\$ 912,616	\$ 26,544	\$ 101,777,762	4.89%
2017	47,932,955	54,991,657	1,080,229	78,446	104,083,287	5.30%
2016	48,825,622	56,139,983	1,372,934	128,808	106,467,347	5.44%
2015	50,423,289	56,623,125	3,192,685	177,676	110,416,775	5.86%
2014	1,680,000	56,864,375	3,407,487	911,284	62,863,146	3.09%
2013	2,325,000	57,095,625	1,127,569	1,005,254	61,553,448	3.01%
2012	2,930,000	57,258,498	1,288,149	1,258,090	62,734,737	3.03%
2011	3,285,000	53,340,000	1,444,436	1,629,178	59,698,614	2.55%
2010	3,610,000	53,380,000	1,596,629	643,479	59,230,108	2.53%
2009	3,910,000	54,740,000	1,744,916	1,193,052	61,587,968	2.48%

**Source:** School District financial records

- (a) See notes to the financial statements regarding the District's outstanding debt information.
- (b) See schedule " Demographic and Economic Statistic, Last Ten Years" for personal income, per capita, population and enrollment information.
- (d) Assessed values are on a calendar year basis (i.e. fiscal year 2018 is calendar year 2017). See the table on page 145 for details on assessed values.

<b>Percentage of Personal Income (b)</b>	<b>Total Debt Per Capita (b)</b>	<b>Total Bonded Debt</b>	<b>Less: Bond Retirement Fund</b>	<b>Net Bond Debt</b>	<b>Ratio of Net Bonded Debt to Estimated Actual Value (d)</b>	<b>Net General Bonded Debt Per Capita (b)</b>
10.03%	\$ 2,085	\$ 100,838,602	\$ 4,990,614	\$ 95,847,988	4.61%	\$ 1,964
10.53%	2,135	102,924,612	4,344,381	98,580,231	5.02%	2,022
10.80%	2,183	104,965,605	5,141,164	99,824,441	5.10%	2,047
11.24%	2,271	107,046,414	5,446,025	101,600,389	5.39%	2,089
6.40%	1,293	58,544,375	1,617,246	56,927,129	2.80%	1,171
6.36%	1,266	59,420,625	1,332,329	58,088,296	2.84%	1,194
6.54%	1,289	60,188,498	1,307,781	58,880,717	2.84%	1,210
5.97%	1,226	56,625,000	725,144	55,899,856	2.39%	1,148
5.88%	1,209	56,990,000	2,186,547	54,803,453	2.34%	1,118
6.10%	1,198	58,650,000	2,352,696	56,297,304	2.27%	1,095

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2018  
SCHEDULE 10

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable (1)</b>	<b>Estimated Share of Direct and Overlapping Debt</b>
Overlapping Debt:			
Butler County (2)	\$ 40,637,000	8.81%	\$ 3,580,120
Warren County (2)	14,979,000	1.37%	205,212
City of Middletown (2)	21,085	91.88%	19,373
Subtotal, Overlapping Debt	<u>55,637,085</u>		<u>3,804,705</u>
District Direct Debt	<u>101,777,762</u>	100.00%	<u>101,777,762</u>
Total Direct and Overlapping Debt	<u><u>157,414,847</u></u>		<u><u>105,582,467</u></u>

**Sources:**

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

(2) - City of Middletown annual financial report for December 31, 2017.



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

LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
SCHEDULE 11

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assessed Valuation of District	\$ 703,504,800	\$ 663,359,260	\$ 660,959,030	\$ 659,690,480
<u>Overall direct debt limit</u>				
Direct debt limitation 9% of assessed valuation	63,315,432	59,702,333	59,486,313	59,372,143
Amount available in bond retirement fund	4,990,614	4,344,381	5,141,164	5,446,025
Gross indebtedness (2)	<u>50,245,000</u>	<u>50,935,000</u>	<u>53,215,000</u>	<u>57,947,487</u>
Legal margin within 9% limitation	<u>\$ 18,061,046</u>	<u>\$ 13,111,714</u>	<u>\$ 11,412,477</u>	<u>\$ 6,870,681</u>
Total net debt applicable to the limit as a percentage of the limit	73.56%	79.53%	82.34%	89.40%
<u>Unvoted direct debt limitation</u>				
Unvoted debt limitation 0.1% of assessed valuation	<u>\$ 703,505</u>	<u>\$ 663,359</u>	<u>\$ 660,959</u>	<u>\$ 659,690</u>

**Source:** School District financial records

- (1) - Assessed values are on a calendar year basis (i.e. fiscal year 2018 is calendar year 2017)
- (2) - The general obligation bonds issued in fiscal year 2015 were a voted bond issue allowing the total outstanding balance to be excluded from the legal debt margin calculation.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>\$ 712,307,750</u>	<u>\$ 716,283,510</u>	<u>\$ 725,510,990</u>	<u>\$ 789,993,600</u>	<u>\$ 791,613,310</u>	<u>\$ 838,481,200</u>
64,107,698	64,465,516	65,295,989	71,099,424	71,245,198	75,463,308
1,617,246	1,332,329	1,307,781	725,144	-	-
<u>59,253,771</u>	<u>57,737,823</u>	<u>62,734,737</u>	<u>56,625,000</u>	<u>59,290,000</u>	<u>62,285,000</u>
<u>\$ 6,471,173</u>	<u>\$ 8,060,022</u>	<u>\$ 3,869,033</u>	<u>\$ 15,199,568</u>	<u>\$ 11,955,198</u>	<u>\$ 13,178,308</u>
90.15%	87.75%	94.19%	78.84%	83.22%	82.54%
<u>\$ 712,308</u>	<u>\$ 716,284</u>	<u>\$ 725,511</u>	<u>\$ 789,994</u>	<u>\$ 791,613</u>	<u>\$ 838,481</u>

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

DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS  
SCHEDULE 12

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (Thousands of Dollars) (1)</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate (1)</u>
2017	48,813	\$ 1,014,627	\$ 20,786	3.7%
2016	48,760	988,365	20,270	4.0%
2015	48,760	985,476	20,345	4.3%
2014	48,630	982,281	20,199	5.4%
2013	48,630	982,281	20,199	7.8%
2012	48,630	968,285	19,911	8.6%
2011	48,660	959,385	19,716	10.1%
2010	48,694	1,000,321	20,543	10.8%
2009	49,000	1,006,607	20,543	11.2%
2008	51,422	1,009,620	19,634	7.2%

Sources:

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

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

MAJOR EMPLOYERS  
CURRENT CALENDAR YEAR AND NINE YEARS AGO  
SCHEDULE 13

**2017**

<b>Major Employers</b>	<b>Number of Employees</b>	<b>Percentage of Total Employment</b>
AK Steel	2,582	12.97%
Atrium Medical Center	1,817	9.13%
CM Temporary Services, Inc.	1,642	8.25%
Belflex Staffing Network, LLC	833	4.19%
Crown Services 36 LLC	814	4.09%
Middletown City School District	795	3.99%
One Source Employee Management	751	3.77%
Staffmark Investment, LLC	731	3.67%
Kroger Limited Partnership	698	3.51%
Gemma Power Systems, LLC	648	3.26%
	<u>11,311</u>	
Total City Employment	<u>19,900</u>	

**2008**

<b>Employer</b>	<b>Number of Employees</b>	<b>Percentage of Total Employment</b>
AK Steel	2,608	11.05%
CBS Personnel Services, LLC	2,219	9.40%
Atrium Medical Center	1,772	7.51%
Middletown City School District	1,274	5.40%
Graycor Industrial Construction	757	3.21%
Miami University	544	2.31%
McGraw/Kokosing	617	2.61%
CM Temporary Services, Inc.	611	2.59%
Garden Manor Extended Care	583	2.47%
Kroger Limited Partnership	566	2.40%
	<u>11,551</u>	
Total City Employment	<u>23,600</u>	

Source: City of Middletown annual financial report for December 31, 2017.

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

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

<u>Type</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Instruction										
Classroom teachers	311.58	315.65	306.00	351.00	367.00	368.00	324.29	342.49	380.05	401.00
Special education teachers and tutors	103.35	91.01	77.48	38.00	40.00	49.00	78.68	95.41	84.65	86.00
Educational aides	-	-	-	-	1.00	1.00	2.00	37.80	66.00	67.00
Special education aides and attendants	70.00	61.00	64.00	59.00	68.00	62.00	58.00	57.50	12.00	16.00
Total Instruction	<u>484.93</u>	<u>467.66</u>	<u>447.48</u>	<u>448.00</u>	<u>476.00</u>	<u>480.00</u>	<u>462.97</u>	<u>533.20</u>	<u>542.70</u>	<u>570.00</u>
Support Services										
Support personnel										
Librarians, nurses, counselors, visiting teachers	48.00	42.95	46.12	43.00	52.00	52.00	80.23	70.66	67.35	55.00
Principals	17.00	17.00	15.00	17.00	10.00	11.00	15.00	22.00	23.00	23.00
Central office administration	14.00	11.20	13.00	10.00	10.00	11.00	11.00	12.00	16.00	24.00
Secretaries and clerical	39.00	38.00	38.00	39.00	38.00	40.00	44.60	47.00	50.00	45.00
Transportation	-	-	-	-	-	-	-	40.81	43.81	47.00
Custodial	-	-	-	-	-	-	31.00	33.00	33.00	37.00
Maintenance and mechanics	-	-	-	-	-	-	7.00	16.00	16.00	8.00
Total Support Services	<u>118.00</u>	<u>109.15</u>	<u>112.12</u>	<u>109.00</u>	<u>110.00</u>	<u>114.00</u>	<u>188.83</u>	<u>241.47</u>	<u>249.16</u>	<u>239.00</u>
Total	<u>602.93</u>	<u>576.81</u>	<u>559.60</u>	<u>557.00</u>	<u>586.00</u>	<u>594.00</u>	<u>651.80</u>	<u>774.67</u>	<u>791.86</u>	<u>809.00</u>

Source: School District records

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

OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
SCHEDULE 15

<b>Fiscal Year</b>	<b>Enrollment</b>	<b>Operating Expenditures (1)</b>	<b>Cost per pupil (2)</b>	<b>Percent Change</b>	<b>Expenses (3)</b>	<b>Cost per pupil (4)</b>
2018	6,537	\$ 86,116,890	13,174	8.66%	\$ 59,714,260	\$ 9,135
2017	6,426	77,905,387	12,123	4.47%	83,771,965	13,036
2016	6,598	76,571,681	11,605	1.42%	81,378,374	12,334
2015	6,777	77,550,376	11,443	-10.66%	81,716,004	12,058
2014	6,543	83,806,902	12,809	6.25%	87,559,212	13,382
2013	6,534	78,766,846	12,055	-3.29%	83,029,498	12,707
2012	6,491	80,909,059	12,465	-6.87%	85,322,225	13,145
2011	6,540	87,537,905	13,385	2.08%	91,722,064	14,025
2010	6,601	86,554,138	13,112	6.80%	88,786,328	13,450
2009	6,750	82,876,238	12,278	8.19%	87,973,950	13,033

**Source:** School District records

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



<b>Percent Change</b>	<b>Teaching Staff</b>	<b>Pupil/Teacher Ratio</b>	<b>of Free or Reduced Lunches (5)</b>
-29.93%	485	13	100.00%
5.70%	454	14	100.00%
2.29%	432	15	100.00%
-9.90%	448	15	100.00%
5.31%	426	15	100.00%
-3.33%	490	13	72.10%
-6.28%	462	14	72.10%
4.27%	438	15	71.50%
3.20%	465	14	70.00%
7.06%	487	14	63.89%

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

SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
SCHEDULE 16

School	2018	2017	2016	2015	2014	2013
<b>Elementary Schools</b>						
Amanda Elementary (1961)						
Square feet	66,970	66,970	66,970	66,970	66,970	66,970
Capacity (students)	510	553	553	518	518	518
Enrollment	420	410	426	515	476	471
Percent of Capacity (3)	82%	74%	77%	99%	92%	91%
Site Acreage	17	17	17	17	17	17
New Central Academy Elementary (1966)						
Square feet	42,000	42,000	42,000	42,000	42,000	42,000
Capacity (students)	398	400	400	350	350	350
Enrollment	354	325	326	316	360	382
Percent of Capacity (3)	89%	81%	82%	90%	103%	109%
Site Acreage	7	7	7	7	7	7
New Creekview Elementary (2007)						
Square feet	59,970	59,970	59,970	59,970	59,970	59,970
Capacity (students)	567	525	525	503	503	503
Enrollment	482	461	458	575	453	470
Percent of Capacity (3)	85%	88%	87%	114%	90%	93%
Site Acreage	12	12	12	12	12	12
Highview Elementary (2007)						
Square feet	60,923	60,923	60,923	60,923	60,923	60,923
Capacity (students)	575	575	575	503	503	503
Enrollment	476	439	458	478	426	436
Percent of Capacity (3)	83%	76%	80%	95%	85%	87%
Site Acreage	5	5	5	5	5	5
Net Mayfield Elementary (2008)						
Square feet	60,923	60,923	60,923	60,923	60,923	60,923
Capacity (students)	624	575	575	503	503	503
Enrollment	486	531	518	552	505	475
Percent of Capacity (3)	78%	92%	90%	110%	100%	94%
Site Acreage	5	5	5	5	5	5

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
66,970	66,970	66,970	66,970
518	518	518	518
490	396	410	411
94%	76%	79%	79%
17	17	17	17
42,000	42,000	42,000	42,000
350	350	350	350
414	320	327	293
118%	91%	93%	84%
7	7	7	7
59,970	59,970	59,970	59,970
503	503	503	503
423	449	425	455
84%	89%	84%	90%
12	12	12	12
60,923	60,923	60,923	60,923
503	503	503	503
427	377	397	455
84%	75%	79%	90%
5	5	5	5
60,923	60,923	60,923	60,923
503	503	503	503
469	445	452	376
93%	88%	89%	75%
5	5	5	5

(Continued)

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

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

School	2018	2017	2016	2015	2014	2013
<b>Elementary Schools (continued)</b>						
Miller Ridge Elementary (2008)						
Square feet	59,970	59,970	59,970	59,970	59,970	59,970
Capacity (students)	498	525	525	503	503	503
Enrollment	455	472	457	510	467	495
Percent of Capacity (3)	91%	90%	87%	101%	93%	98%
Site Acreage	37	37	37	37	37	37
Rosa Parks Elementary (2007)						
Square feet	60,923	60,923	60,923	60,923	60,923	60,923
Capacity (students)	651	575	575	503	503	503
Enrollment	578	590	555	772	699	595
Percent of Capacity (3)	89%	103%	97%	153%	139%	118%
Site Acreage	8	8	8	8	8	8
New Wildwood Elementary (1959) (4) (2008)						
Square feet	60,923	60,923	60,923	60,923	60,923	60,923
Capacity (students)	630	575	575	503	503	503
Enrollment	556	563	540	612	543	612
Percent of Capacity (3)	88%	98%	94%	122%	108%	122%
Site Acreage	4	4	4	4	4	4

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
59,970	59,970	59,970	59,970
503	502	502	502
515	461	448	434
102%	92%	89%	86%
37	37	37	37
60,923	60,923	60,923	60,923
503	503	503	503
608	423	417	413
120%	84%	83%	82%
8	8	8	8
60,923	60,923	60,923	60,923
503	503	503	503
564	503	475	457
112%	100%	94%	91%
4	4	4	4

(Continued)

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

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

School	2018	2017	2016	2015	2014	2013
<hr/>						
Elementary Schools (continued)						
Middle Schools						
Steven Vail Middle (1923)						
Square feet	221,160	221,160	221,160	221,160	221,160	221,160
Capacity (students)	1,435	1,435	1,435	1,576	1,576	1,576
Enrollment	966	865	895	1,042	841	785
Percent of Capacity (3)	67%	60%	62%	66%	53%	50%
Site Acreage	3	3	3	3	3	3
George M. Verity Middle (1968)						
Square feet	(13)	(13)	(13)	81,589	81,589	81,589
Capacity (students)	(13)	(13)	(13)	653	653	653
Enrollment	(13)	(13)	(13)	-	-	-
Percent of Capacity (3)	(13)	(13)	(13)	0%	0%	0%
Site Acreage	(13)	(13)	(13)	39	39	39

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
221,160	221,160	221,160	221,160
1,576	1,576	1,576	1,576
825	776	807	802
52%	49%	51%	51%
3	3	3	3
81,589	81,589	81,589	81,589
653	653	653	653
-	596	625	625
0%	91%	96%	96%
39	39	39	39

(Continued)

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

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

School	2018	2017	2016	2015	2014	2013
<b>High Schools</b>						
Middletown High (1969)(2018)(14)						
Square feet	224,000	363,627	363,627	363,627	363,627	363,627
Capacity (students)	1,800	2,178	2,178	2,178	2,178	2,178
Enrollment	1,388	1,430	1,447	1,404	1,773	1,813
Percent of Capacity (3)	77%	66%	66%	64%	81%	83%
Site Acreage	8	8	8	8	8	8

**Source:** District records

- (2) - Middletown City School District demolished Oneida Elementary
- (3) - Enrollment divided by Capacity
- (4) - Annexed 1993
- (5) - Rosa Parks Elementary opened in fiscal year 2007
- (6) - In 2008, due to construction, Wildwood students were housed at the Roosevelt building and Mayfield was housed at the old Creekview building. Original Roosevelt students have been dispersed amongst the District because the building is no longer in use after Wildwood students return after the Wildwood construction was completed.
- (7) - Taft Elementary was being used for storage
- (8) - Miller Ridge Elementary opened in fiscal year 2008
- (9) - Rosedale Elementary was under renovation during fiscal year 2008, and was renamed New Central Academy
- (10) - Roosevelt Elementary was unoccupied in 2009 awaiting demolition.
- (11) - Demolished 2008
- (12) - 2009 and forward houses Butler County Head Start
- (13) - Sold building in 2015
- (14) - High School Renovated in 2017-2018, Manchester toe down 2018



<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
363,627	363,627	363,627	363,627
2,178	2,178	2,178	2,178
1,804	1,794	1,829	1,840
82%	82%	84%	84%
8	8	8	8

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# Dave Yost • Auditor of State

**MIDDLETOWN CITY SCHOOL DISTRICT**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 3, 2019**