



Dave Yost · Auditor of State

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements- June 30, 2013:	
Government-Wide Financial Statements:	
Statement of Net Position– June 30, 2013.....	13
Statement of Activities– For the Fiscal Year Ended June 30, 2013	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds – June 30, 2013	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – June 30, 2013.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2013.....	17
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, 2013	18
Statement of Fund Net Position – Internal Service Fund – June 30, 2013	19
Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Fund – For the Fiscal Year Ended June 30, 2013.....	20
Statement of Cash Flows – Internal Service Fund- For the Fiscal Year Ended June 30, 2013.....	21
Statement of Fiduciary Net Position – Fiduciary Funds- June 30, 2013	22
Statement of Changes in Fiduciary Net Position – Fiduciary Funds – For Fiscal Year Ended June 30, 2013.....	23
Notes to the Basic Financial Statements	25
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual (Non-GAAP Basis) General Fund – For the Fiscal Year Ended June 30, 2013.....	47
Notes to the Required Supplementary Information.....	48
Schedule of Federal Awards Receipts and Expenditures.....	51
Notes to the Schedule of Federal Awards Receipts and Expenditures	52
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	53

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**TABLE OF CONTENTS
(Continued)**

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular 133	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings.....	58
Independent Accountants' Report on Applying Agreed-Upon Procedure	59



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Troy City School District
Miami County
500 North Market Street
Troy, Ohio 45373

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Troy City School District, Miami County, Ohio (the School District), as of and for the year ended June 30, 2013, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Troy City School District, Miami County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, during the fiscal year ended June 30, 2013, the School District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Troy City School District
Miami County
Independent Auditor's Report
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2014, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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.



Dave Yost
Auditor of State

Columbus, Ohio

February 18, 2014

This page intentionally left blank.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The discussion and analysis of the Troy City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

Overall:

- Total net position decreased by \$1,028,941, which represents a 5.97% decrease from fiscal year 2012.
- Total assets of governmental activities decreased by \$2,350,740, attributed primarily to a decrease in cash and investments and a decrease in taxes receivable.
- General revenues accounted for \$41.9 million or 84.71% of total revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$7.5 million or 15.29% of total revenues of \$49.4 million.
- Of the School District's \$50.5 million in expenses, only \$7.5 million were offset by program specific charges for services, grants or contributions. General revenues (primarily grants and entitlements, income taxes and property taxes) and carryover net position were used to cover the net expense of \$42.9 million.
- The General Fund had \$40.6 million in revenues and \$41.6 million in expenditures representing 82.09% and 82.05% of the total governmental funds revenues and expenditures, respectively.
- The School District's only major fund is the General Fund. The General Fund's balance decreased \$1.3 million from the prior year.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Troy City School 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 School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. 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 School District's most significant funds with all other non-major funds presented in total in one column. In the case of Troy City School District, the General Fund is by far the most significant fund.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and use the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School 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 School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds, and therefore only the General Fund is presented separate from the other governmental funds.

Governmental Funds

The School 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, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School 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 financial statements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

The School District as a Whole

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

Table 1 provides a summary of the School District's net position for 2013 and 2012:

**Table 1
Net Position June 30,**

	Restated	
	2013	2012
Assets:		
Current and Other Assets	\$34,239,700	\$35,454,064
Capital Assets	26,381,107	27,517,483
Total Assets	<u>60,620,807</u>	<u>62,971,547</u>
Deferred Outflows of Resources	1,501,128	
Liabilities:		
Current Liabilities	4,973,869	5,116,962
Non-current Liabilities	24,896,699	24,121,018
Total Liabilities	<u>29,870,568</u>	<u>29,237,980</u>
Deferred Inflows of Resources	16,040,650	16,493,909
Net Position:		
Net Investment in Capital Assets	7,913,853	8,417,929
Restricted	2,426,760	2,222,304
Unrestricted	5,870,104	6,599,425
Total Net Position	<u>\$16,210,717</u>	<u>\$17,239,658</u>

The amount by which the School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2013, the School District's net position were \$16.2 million. Of that amount, approximately \$7.9 million was invested in capital assets, net of debt related to those assets. Another \$2.4 million was subject to external restrictions upon its use. The remaining \$5.9 million was unrestricted and available for future use as directed by the Board of Education and the School District's Administration.

Table 2 shows the changes in net position for fiscal year 2013, as compared to fiscal year 2012:

**Table 2
Change in Net Position June 30,**

	2013	2012
Revenues:		
Program Revenues:		
Charges for Services	\$ 3,190,776	\$ 2,983,458
Operating Grants and Contributions	4,339,015	3,875,182
Capital Grants and Contributions	30,370	21,060
General Revenues:		
Property Taxes	16,546,025	16,577,276
Income Taxes	9,674,986	9,501,186
Grants and Entitlements	15,359,250	15,767,975
Investment Earnings	13,225	79,563
Other	279,627	441,848
Total Revenues	<u>49,433,274</u>	<u>49,247,548</u>

(Continued)

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

**Table 2
Change in Net Position June 30,
(Continued)**

	2013	2012
Program Expenses:		
Instruction	31,869,768	33,175,571
Support Services:		
Pupils and Instructional Staff	3,414,407	3,391,200
Board of Education, Administration		
Fiscal and Business	5,251,414	5,358,714
Operation and Maintenance of Plant	3,603,137	3,568,807
Pupil Transportation	2,107,383	1,948,816
Central	84,291	203,979
Operation of Non-Instructional Services	2,287,537	2,626,127
Extracurricular Activities	476,514	509,864
Interest and Fiscal Charges	762,729	785,432
Depreciation Expense	605,035	605,889
Total Expenses	50,462,215	52,174,399
Change in net Position	<u>(\$ 1,028,941)</u>	<u>(\$ 2,926,851)</u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property taxes made up 33.47% of revenues for governmental activities for the Troy City School District for fiscal year 2013. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 39.91% of the School District's total revenue was received from intergovernmental sources during fiscal year 2013.

Despite not having sought new operating funds through a property tax levy in the past seven years, the School District has been able to regain stable financial footing after struggling through financial difficulties in the late 1990's. Careful management of expenses has allowed the School District to maintain a stable fund balance.

Instruction comprises 63.16% of the School District's expenses for fiscal year 2013. Support services expenses make up 28.66% of the expenses.

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

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

**Table 3
Total and Cost of Program Services
For the Fiscal Year Ended June 30,**

	2013		2012	
	Total Cost Of Service	Net Cost Of Service	Total Cost Of Service	Net Cost Of Service
Instruction	\$31,869,768	\$27,888,824	\$33,175,571	\$29,270,323
Support Services:				
Pupils and Instructional Staff	3,414,407	3,398,207	3,391,200	3,191,492
Board of Education, Administration, Fiscal and Business	5,251,414	5,110,882	5,358,714	5,190,615
Operation and Maintenance of Plant	3,603,137	3,422,871	3,568,807	3,521,505
Pupil Transportation	2,107,383	2,107,383	1,948,816	1,948,816
Central	84,291	84,291	203,979	203,979
Operation of Non-Instructional Services	2,287,537	316,839	2,626,127	462,121
Extracurricular Activities	476,514	(795,007)	509,864	114,527
Interest and Fiscal Charges	762,729	762,729	785,432	785,432
Depreciation Expense	605,035	605,035	605,889	605,889
Total Expenses	\$50,462,215	\$42,902,054	\$52,174,399	\$45,294,699

The School District's Funds

On the modified accrual basis of accounting, the School District's major governmental fund, the General Fund, had an ending fund balance totaling \$10.3 million, or 81.0% of the total fund balance for all governmental funds.

The School District's primary operating fund, the General Fund, ended the year with expenditures exceeding revenues by \$1.3 million. The unassigned ending fund balance of the General Fund (\$7.2 million) represents approximately 17.2% of the total expenditures reported in the General Fund.

General Fund Budgeting Highlights

The School 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 revenue was \$39.4 million compared with the final budgeted revenue of \$39.7 million, less than a one percent increase in budgeted amounts during the year. Actual revenue for the year totaled \$40.1 million which was \$466,252 more than the final budgeted figure. The most significant differences were noted in intergovernmental revenue and tax revenue with differences from the final budget of \$356,360 and \$239,486 as state foundation receipts and income tax receipts came in higher than expected.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$41.6 million, \$1.5 million higher than budget basis actual revenue, and \$10 more than final budget estimates as budgetary expenditures were adjusted near year end.

As the budget for the General Fund is amended throughout the fiscal year for unanticipated revenues and expenditures, the final amended budget amounts approximate the actual budgetary results realized by the School District.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Capital Assets

At the end of fiscal year 2013, the School District had \$26.4 million invested in land, buildings, improvements, furniture, textbooks and equipment, and vehicles in governmental activities net of accumulated depreciation.

Overall, net capital assets decreased approximately \$1.1 million from fiscal year 2012. The decrease in capital assets results from depreciation expense reported for the year being a larger amount than the amount of capital outlay.

Costs associated with repair and maintenance of the School District's facilities and other assets that do not extend the useful life of the capitalized item is included within the operation and maintenance of plant function.

Table 4 shows fiscal year 2013 balances compared to 2012:

**Table 4
Capital Assets, June 30**

	2013	2012
Land	\$ 530,131	\$ 530,131
Buildings	17,441,120	17,829,222
Improvements	6,503,321	6,776,937
Furniture and Equipment	506,508	632,623
Textbooks	240,230	371,146
Vehicles	1,159,797	1,377,424
Total Net Capital Assets	<u>\$26,381,107</u>	<u>\$27,517,483</u>

During fiscal year 2013, primary capital additions included various improvements to buildings totaling \$396,285, construction of two athletic related buildings costing \$216,933 and purchase of miscellaneous equipment totaling \$55,350. Current year depreciation expense totaled \$1.80 million.

For more detailed disclosures regarding the School District's capital assets readers should refer to Note 9 to the basic financial statements.

Long-Term Obligations

At June 30, 2013, the School District had four separate debt issues with an outstanding amount due of \$18.2 million, of which \$940,964 is scheduled to mature in the next fiscal year. During the year, \$855,964 of principal payments were made and \$33,668 of interest was accreted to the principal of the capital appreciation bonds.

During the current fiscal year, the School District undertook two separate advanced refunding issues which defeased \$15.85 million of the 2005 School Improvement Bonds. These two refunding issues were initiated to save the School District \$2.2 million in total debt service savings over the next 21 years. The issuance of the two refunding bonds during the fiscal year resulted in the recording of \$1.9 million of bond premiums; of which \$1.8 million was reported as unamortized bond premium at June 30, 2013.

At June 30, 2013, the School District's overall legal debt margin was \$43.5 million and the un-voted debt margin was \$666,196.

In addition to outstanding bonds and related premium, the School District reports long-term obligations for compensated absences payable to employees and an early retirement incentive payable totaling \$3.5 million and \$1.4 million, respectively.

For more detailed disclosures regarding the School District's long-term obligations readers should refer to Note 14 to the basic financial statements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer's Office at Troy City School District, 500 North Market Street, Troy, Ohio 45373 or call (937) 332-6700.

This page intentionally left blank.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities
Assets:	
Pooled Cash and Investments	\$11,657,315
Receivables:	
Income Taxes	2,949,807
Accounts	38,259
Intergovernmental	146,310
Property and Other Local Taxes	19,259,435
Materials and Supplies Inventory	143,505
Prepaid Items	45,069
Capital Assets:	
Non-depreciable	530,131
Depreciable, Net of Accumulated Depreciation	25,850,976
Total Assets	60,620,807
Deferred Outflows of Resources:	
Deferred Charge on Refunding	1,501,128
Total Deferred Outflows of Resources	1,501,128
Liabilities:	
Accounts Payable	401,991
Accrued Wages and Benefits	2,544,332
Intergovernmental Payable	875,693
Claims Payable	1,104,256
Accrued Interest Payable	47,597
Non-current Liabilities:	
Due Within One Year	2,163,538
Due In More Than One Year	22,733,161
Total Liabilities	29,870,568
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year Operations	16,040,650
Total Deferred Inflows of Resources	16,040,650
Net Position:	
Net Investment in Capital Assets	7,913,853
Restricted for:	
Hayner Cultural Center	561,059
Student Activities	175,129
Auxiliary Services	18,024
Educational Grants	2,113
Capital Projects	844,707
Debt Service	825,728
Unrestricted	5,870,104
Total Net Position	\$16,210,717

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Functions/Programs: Governmental Activities:	Program Revenues				Net (Expense)/ Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
			Governmental Activities	Governmental Activities	
Instruction:					
Regular	\$23,468,153	\$982,983	\$2,000,879		(\$20,484,291)
Special	5,961,880		997,082		(4,964,798)
Vocational	19,858				(19,858)
Student Intervention Services	222,839				(222,839)
Other	2,197,038				(2,197,038)
Support Services:					
Pupils	2,032,513				(2,032,513)
Instructional Staff	1,381,894		16,200		(1,365,694)
Board of Education	597,316				(597,316)
Administration	3,614,306	35,298	105,234		(3,473,774)
Fiscal	562,822				(562,822)
Business	476,970				(476,970)
Operation and Maintenance of Plant	3,603,137	76,255	87,941	\$16,070	(3,422,871)
Pupil Transportation	2,107,383				(2,107,383)
Central	84,291				(84,291)
Operation of Non-Instructional Services	2,287,537	868,818	1,101,880		(316,839)
Extracurricular Activities	476,514	1,227,422	29,799	14,300	795,007
Interest and Fiscal Charges	762,729				(762,729)
Unallocated Depreciation *	605,035				(605,035)
Total	<u>\$50,462,215</u>	<u>\$3,190,776</u>	<u>\$4,339,015</u>	<u>\$30,370</u>	<u>(42,902,054)</u>
Property Taxes Levied for:					
General Purposes					14,084,774
Hayner Cultural Center					522,744
Debt Service					1,342,657
Capital Outlay					595,850
Income Taxes Levied for General Purposes					9,674,986
Grants, Entitlements and Contributions not Restricted to					
Specific Programs					15,359,250
Investment Earnings					13,225
Other Revenue					279,627
Total General Revenues					<u>41,873,113</u>
Change in Net Position					(1,028,941)
					<u>17,239,658</u>
					<u>\$16,210,717</u>

* - This amount excludes the depreciation that is included in the direct expense of the various functions.

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Assets:			
Pooled Cash and Investments	\$8,663,056	\$2,414,044	\$11,077,100
Receivables:			
Property and Local Taxes	16,304,100	2,955,335	19,259,435
Income Taxes	2,949,807		2,949,807
Accounts	38,259		38,259
Intergovernmental		146,310	146,310
Due from Other Funds	13,896		13,896
Materials and Supplies Inventory	114,780	28,725	143,505
Prepaid Items	44,451	618	45,069
Total Assets	<u>28,128,349</u>	<u>5,545,032</u>	<u>33,673,381</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:			
Liabilities:			
Accounts Payable	189,487	212,504	401,991
Accrued Wages and Benefits	2,348,761	195,571	2,544,332
Intergovernmental Payable	749,179	126,514	875,693
Compensated Absences Payable	478,312	45,236	523,548
Due to Other Funds		13,896	13,896
Total Liabilities	<u>3,765,739</u>	<u>593,721</u>	<u>4,359,460</u>
Deferred Inflows of Resources:			
Property Taxes not Levied to Finance			
Current Year Operations	13,587,000	2,453,650	16,040,650
Unavailable Revenue	497,100	79,473	576,573
Total Deferred Inflows of Resources	<u>14,084,100</u>	<u>2,533,123</u>	<u>16,617,223</u>
Fund Balances:			
Non-spendable	159,231	29,344	188,575
Restricted		2,466,077	2,466,077
Assigned	2,950,571		2,950,571
Unassigned	7,168,708	(77,233)	7,091,475
Total Fund Balances	<u>10,278,510</u>	<u>2,418,188</u>	<u>12,696,698</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>28,128,349</u>	<u>5,545,032</u>	<u>33,673,381</u>

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013**

Total Governmental Fund Balances	\$12,696,698
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	26,381,107
Some revenues will not be available to pay for current period expenditures and therefore are deferred in the funds.	576,573
The Internal Service fund is used by management to charge the cost of providing medical insurance to the individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	(524,041)
Certain long-term liabilities, which are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(17,308,658)
Energy Conservation Bonds	(873,590)
Unamortized Bond Premiums	(1,819,802)
Deferred Amount on Refunding	1,501,128
Accrued Interest Payable	(47,597)
Compensated Absences Payable	(2,973,049)
Early Retirement Incentive Payable	<u>(1,398,052)</u>
Net Position of Governmental Activities	<u>\$16,210,717</u>

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:			
Property and Other Local Taxes	\$14,042,349	\$2,453,214	\$16,495,563
Income Taxes	9,674,986		9,674,986
Intergovernmental	15,128,507	4,535,194	19,663,701
Investment Earnings	12,948	277	13,225
Tuition and Fees	982,983	11,968	994,951
Charges for Services		943,818	943,818
Extracurricular Activities	357,984	817,768	1,175,752
Miscellaneous	358,341	86,767	445,108
Total Revenues	<u>40,558,098</u>	<u>8,849,006</u>	<u>49,407,104</u>
Expenditures:			
Current:			
Instruction:			
Regular	20,799,608	2,201,701	23,001,309
Special	5,035,348	966,485	6,001,833
Vocational	19,858		19,858
Student Intervention Services	222,839		222,839
Other	2,186,496		2,186,496
Support Services:			
Pupils	2,092,200		2,092,200
Instructional Staff	1,086,699	276,327	1,363,026
Board of Education	597,316		597,316
Administration	3,332,144	299,263	3,631,407
Fiscal	520,851	38,827	559,678
Business	451,607	6,024	457,631
Operation and Maintenance of Plant	3,257,567	156,935	3,414,502
Pupil Transportation	1,822,328	92,136	1,914,464
Central	113,703	2,126	115,829
Operation of Non-Instructional Services	3,680	2,260,635	2,264,315
Extracurricular Activities	9,815	457,152	466,967
Capital Outlay		808,349	808,349
Debt Service:			
Principal	75,964	780,000	855,964
Interest		525,189	525,189
Issuance Costs		234,943	234,943
Total Expenditures	<u>41,628,023</u>	<u>9,106,092</u>	<u>50,734,115</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(1,069,925)</u>	<u>(257,086)</u>	<u>(1,327,011)</u>
Other Financing Sources (Uses):			
Refunding on Bonds Issued		15,754,990	15,754,990
Premium on Refunding Bonds Issued		1,882,317	1,882,317
Proceeds from Sale of Capital Assets	7,205	286	7,491
Insurance Recoveries		1,560	1,560
Payment to Refunded Bond Escrow Agent		(17,402,365)	(17,402,365)
Transfers In		250,000	250,000
Transfers Out	(250,000)		(250,000)
Total Other Financing Sources (Uses)	<u>(242,795)</u>	<u>486,788</u>	<u>243,993</u>
Net Change in Fund Balances	(1,312,720)	229,702	(1,083,018)
Fund Balance, Beginning of Year	<u>11,591,230</u>	<u>2,188,486</u>	<u>13,779,716</u>
Fund Balance, End of Year	<u>\$10,278,510</u>	<u>\$2,418,188</u>	<u>\$12,696,698</u>

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMET OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Total Net Change in Fund Balances - Total Governmental Funds	(\$1,083,018)
--	---------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Capital Asset Additions	668,568
Current Year Depreciation	(1,801,836)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.

Loss on the disposal of capital assets	(3,108)
--	---------

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

	20,227
--	--------

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

General obligation bonds	855,964
G.O. bonds defeased through payment to escrow agent	17,402,365

Issuance of debt is an other financing source in the governmental funds, but the issuance of debt obligations increase long-term liabilities in the statement of net position.

	(15,754,990)
--	--------------

In the statement of activities, premiums received associated with long-term debt issued during the year are accrued and amortized over the life of the debt obligation. In governmental funds these proceeds are reported as other financing sources.

	(1,882,317)
--	-------------

In the statement of activities, interest is accrued and expensed on outstanding bond obligations, whereas in governmental funds, an interest expenditure is reported when payments are due.

	19,793
--	--------

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

Compensated absences	129,838
Accreted interest on capital appreciation bonds	(33,668)
Amortization of bond premium	62,515
Amortization of deferred amount on refunding	(51,237)
Early retirement incentive payable	520,525

The Internal Service fund is used by management to charge the cost of providing medical insurance to the individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenue is eliminated. The net loss of the internal service fund is allocated among the governmental activities.

	(98,562)
--	----------

Change in Net Position of Governmental Activities

	<u><u>(\$1,028,941)</u></u>
--	-----------------------------

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY

STATEMENT OF FUND NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2013

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Assets:	
Pooled Cash and Investments	<u>\$580,215</u>
Liabilities:	
Claims Payable	<u>1,104,256</u>
Net Position:	
Unrestricted	<u>(\$524,041)</u>

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES:	
Charges for Services	\$6,406,415
Total Operating Revenues	<u>6,406,415</u>
OPERATING EXPENSES:	
Purchased Services	688,407
Claims	<u>5,816,570</u>
Total Operating Expenses	<u>6,504,977</u>
Operating Loss	(98,562)
Net Position, Beginning of Year	<u>(425,479)</u>
Net Position, End of Year	<u>(\$524,041)</u>

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Increase in Pooled Cash and Investments	
Cash Flows from Operating Activities:	
Cash Received from Quasi-External Transactions with Other Funds	\$6,406,415
Cash Payments for Contractual Services	(688,407)
Cash Payments for Claims	<u>(5,500,981)</u>
Net Cash Provided by Operating Activities	<u>217,027</u>
Net Increase in Pooled Cash and Investments	217,027
Pooled Cash and Investments, Beginning of Year	<u>363,188</u>
Pooled Cash and Investments, End of Year	<u>580,215</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	(98,562)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in assets and liabilities:	
Increase in Claims Payable	<u>315,589</u>
Total Adjustments	<u>315,589</u>
Net Cash Provided by Operating Activities	<u>\$217,027</u>

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	Scholarship Private- Purpose Trust Funds	Agency Fund
Assets:		
Pooled Cash and Investments	\$287,157	\$90,252
Total Assets	<u>287,157</u>	<u>90,252</u>
LIABILITIES:		
Accounts Payable	47,250	3,664
Due to Students	<u>47,250</u>	<u>86,588</u>
Total Liabilities	<u>47,250</u>	<u>90,252</u>
Net Position:		
Held in Trust for Scholarships	<u><u>\$239,907</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Scholarship Private- Purpose Trust Funds
Additions:	
Other Revenue	\$47,133
Investment Earnings	777
Total Additions	<u>47,910</u>
Deductions:	
Educational Outreach	95,995
Total Deductions	<u>95,995</u>
Change in Net Position	(48,085)
Net Position, Beginning of Year	<u>287,992</u>
Net Position, End of Year	<u>\$239,907</u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Troy City School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution of the State of Ohio. The School District operates under a locally elected, five-member Board of Education (Board) to provide educational and other services as required and permitted by the laws and regulations of the State of Ohio and United States of America. The School District is not a part of, or under the control of, the City of Troy, Ohio.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Troy City School District, this includes general operations, food service, student guidance, extracurricular activities, educational media, care and upkeep of grounds and buildings, preschool and student related activities of the School District. The following activities are included within the reporting entity:

Hayner Cultural Center: About fifty years ago, title to the real and personal property which presently comprises the bulk of Hayner Cultural Center passed from the estate of Mary Jane Hayner to the School District under Mrs. Hayner's will. This facility is now being operated as a fine arts center to provide fine arts exhibits, educational opportunities, and meeting facilities for the citizens of Troy and its surrounding communities. The School District has provided for a Governing Board whose responsibility in part is to preserve, maintain, and operate the Center. The School District has the authority to reject the recommendations of the Governing Board. Likewise, there is a financial benefit and financial burden relationship between the School District and the Center. Accordingly, the Hayner Cultural Center's financial statements are included within the special revenue funds.

Parochial Schools: Within the School District boundaries are four parochial schools, which are operated as private schools. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. The activity of these State monies is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has assumed responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the levying of taxes or the issuance of debt for the organization. The School District has no component units. The School District is associated with two jointly governed organizations. These organizations are presented in Note 17 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Southwestern Ohio Educational Purchasing Council
Metropolitan Dayton Educational Cooperative Association

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund was eliminated to avoid the "doubling up" of revenues and expenses.

The statement of net position presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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 grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School 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 School District.

2. Fund Financial Statements

During the year, the School District segregated transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School 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 School 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 School District are grouped into the categories governmental, proprietary, and fiduciary.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

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

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

The other governmental funds of the School District account for grants and other resources and capital projects of the School District whose uses are restricted to a particular purpose.

2. Proprietary Fund

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

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other department or agencies of the School District on a cost reimbursement basis. The School District has one internal service fund, which accounts for the self-insurance program which provides medical benefits to employees.

3. 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has various funds established to provide scholarships to its students that are classified as private-purpose trust funds. Funds used to account for the activity of the numerous student-managed activities within the School District are classified as agency funds.

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

Governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fiduciary funds, with the exception of agency funds, are reported using the economic resources measurement focus. Agency funds have no measurement focus.

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. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and inflows of resources, and in the presentation of expenses versus expenditures.

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. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within ninety days of fiscal year end for all revenues except property tax. For property tax revenue, available means expected to be received within sixty days of fiscal year end.

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

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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, grants, investment earnings, tuition, and student fees.

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position may report separate categories for deferred outflows and/or inflows of resources. Deferred outflows of resources represent 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 School District, deferred outflows of resources include a deferral of loss on refunding of debt, which is the difference in the carrying value of the debt being refunded and the price the School District must pay for reacquisition. This amount is deferred and amortized over the shorter of the life of the refunded debt or the debt issued for the refunding.

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 (revenue) until then. For the School District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes not intended to finance current year operations represent amounts for which there is a legally enforceable claim as of June 30, 2013, but which were levied to finance subsequent year operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund balance sheet. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

F. Budget Data

All funds, other than agency funds and the Auxiliary Services special revenue fund, are legally required to be budgeted and appropriated. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board has established the legal level of control at the function level within the individual funds, with the exception of the grant funds, which are at the special cost center level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary schedule reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary schedule reflect the amounts in the final amended certificate issued during fiscal year 2013.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

G. Pooled Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary and fiduciary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "pooled cash and investments" on the financial statements.

During fiscal year 2013, investments included federal government agency bonds, money market funds, STAROhio, negotiable certificates of deposit and non-negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value that is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The School District has invested funds in the State Treasury Assets Reserve of Ohio (STAROhio) during fiscal year 2013. STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2013.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$12,948, which includes the general fund allocation as well as the allocations of all funds not specified in the Board's resolution.

For purposes of the statement of cash flows and for presentation of the balance sheet, investments of the cash management pool are reported as pooled cash and investments.

H. Materials and Supplies Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, and purchased food. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

K. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide statement of net position but are not reported in the fund statements.

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

All reported capital assets except for 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.

Description	Estimated Lives
Buildings	40 years
Improvements	10 – 40 years
Furniture and Equipment	5 – 20 years
Textbooks	7 years
Vehicles	7 – 12 years

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures or 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 and uses in governmental funds. Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statement.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees eligible to receive termination payments as of the balance sheet date and on leave balances accumulated by other employees expected to become eligible in the future to receive payments.

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

N. 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, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they have matured and are due for payment during the current year. Long-term notes, general obligation bonds, and capital leases are recognized as a liability on the governmental fund financial statements when due for payment.

O. Net Position

Net position represents the difference between assets and deferred outflows of resources compared with liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School District did not have any net position restricted by enabling legislation.

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

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance

The School District reports classifications of fund equity based on the purpose for which resources were received and the level of constraint placed on the resources. Non-spendable fund balance indicates resources that are not expected to be converted to cash because they are not in a spendable form. Resources that have purpose constraints placed upon them by laws, regulations, creditors, grantors, or other external parties are considered available only for the purpose for which they were received and are reported as a restricted fund balance. The School District may limit the use of unreserved resources and they may be reported as committed or assigned fund balance depending on at what level of governance the constraints were placed. With an affirmative vote of its members, the Board of Education may create funds for which resources are committed to the established purpose of that fund. Through the School District's purchasing policy the Board has given the Treasurer the authority to constrain monies for intended purposes, which are reported as assigned fund balances. All other funds in spendable form not restricted, committed or assigned are reported as an unassigned fund balance.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Q. Compounded Interest on Capital Appreciation Bonds

Capital appreciation bonds are accreted each year for the compounded interest accrued during the year. The compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable.

3. FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	Non-Major Governmental Funds			Total
	General			
Non-spendable for:				
Inventory of Supplies	\$ 114,780	\$ 28,726	\$ 143,506	
Prepays	44,451	618	45,069	
Total Non-spendable	<u>159,231</u>	<u>29,344</u>	<u>188,575</u>	

(Continued)

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

3. FUND BALANCES (Continued)

Fund Balances	General	Non-Major Governmental Funds	Total
Restricted for:			
Debt Service		887,360	887,360
Capital Improvements		829,003	829,003
Food Service Operations			
Hayner Cultural Center		555,608	555,608
District managed Activities		174,679	174,679
State Educational Grants		17,856	17,856
Federal Education Grants		1,571	1,571
Total Restricted	<hr/>	<hr/>	<hr/>
	2,466,077	2,466,077	2,466,077
Assigned for:			
Student and Staff Support	244,277		244,277
Subsequent Expenditures	167,429		167,429
Subsequent Appropriations	<hr/>	<hr/>	<hr/>
Total Assigned	<hr/>	<hr/>	<hr/>
	2,538,865	2,538,865	2,538,865
	2,950,571	2,950,571	2,950,571
Unassigned (Deficit)	<hr/>	<hr/>	<hr/>
	7,168,708	(77,233)	7,091,475
Total Fund Balances	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>
	\$10,278,510	\$2,418,188	\$12,696,698

4. ACCOUNTABILITY

The following fund had fund equity deficits as of June 30, 2013:

	Deficit Fund Equity
Special Revenue Funds:	
Food Service Fund	\$63,762
Race to the Top Grant Fund	8,274
Title I Grant Fund	5,197

The deficit in the special revenue fund were created by the application of generally accepted accounting principles. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

5. DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the School District into three categories.

Active Monies – Those monies required to be kept in “cash” or “near-cash” statuses for the immediate use of the district. Such monies must be maintained either as cash in the treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – Those monies not required for use within the current five-year period of designation of depositories. Inactive monies may be deposited or invested as certificate of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested in legal securities (see Note 2G).

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of the School District's deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. The District has no deposit policy for custodial credit risk beyond the requirements of State statute.

At year end, the carrying amount of the School District's cash and deposits was \$3,326,993 and the bank balance was \$3,842,664. Of the bank balance, \$665,696 was covered by federal depository insurance and \$3,176,968 was uninsured. The uninsured bank balance was collateralized with securities held by the pledging institution's trust department but not in the School District's name.

B. Investments

Investments are reported at fair value. As of June 30, 2013, the School District had the following investments:

	Fair Value	Maturity (in years)	% of Portfolio	Credit Rating*
		Less than 1	1-2	
FHLB	\$1,428,475	\$1,428,475		16.41% AA+
FHLM	1,308,253	1,192,204	\$116,049	15.02% AA+
FNMA	1,590,633	1,590,633		18.27% AA+
Federal Farm Credit	150,287	150,287		1.72% AA+
Money Market	1,274,232	1,274,232		14.63% AA+
STAROhio	1,147,507	1,147,507		13.18% AAAm
Negotiable CD's	1,808,344	1,808,344		20.77% AAAm
Total Investments	<u>\$8,707,731</u>	<u>\$8,591,682</u>	<u>\$116,049</u>	

*as rated by Standard & Poor's rating services

The School District's investment policy permits the purchase of any security specifically authorized by the Ohio Revised Code and includes the following:

Interest Rate Risk – An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Ohio Revised Code §135.14(B)(7)(a) limits commercial paper to those assigned the highest credit rating by two nationally recognized rating services.

Credit Risk – The District has no investment policy that would further limit its investment risk other than what has been approved by State statute.

Concentration of Credit Risk – The School District should normally seek to diversify its holdings of other investments by avoiding concentrations of specific issuers.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2013 for real and public utility property taxes represents collections of calendar 2012 taxes. Real property tax revenue received in calendar year 2013 are levied after April 1, 2012, on the assessed value as of January 1, 2012, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a public lien December 31, 2011, are levied after April 1, 2012, and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is assessed at varying percentages of value.

Tangible personal property tax revenue received during calendar year 2013 (other than public utility property) represents the collection of calendar year 2013 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied or collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2013 were levied after October 1, 2012, on the value as of December 31, 2012. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

The assessed values upon which fiscal year 2013 taxes were collected are:

	2013 First Half Collections		2012 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$644,870,320	96.80%	\$639,265,810	97.32%
Public Utility	21,326,110	3.20%	17,589,970	2.68%
Total Assessed Value	<u>\$666,196,430</u>	100.00%	<u>\$656,855,780</u>	100.00%
Tax rate per \$1,000 of assessed valuation		<u>\$52.66</u>		<u>\$52.61</u>

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

6. PROPERTY TAXES (Continued)

The School District receives property taxes from Miami County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent. Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2013. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations.

The amount available as an advance was recognized as revenue. On the Statement of Activities, the delinquent taxes that were levied in previous years are recognized as revenue.

The amount available as an advance at June 30, 2013, was \$2,220,000, \$85,057, \$236,161 and \$101,536 in the General, Hayner, Debt Service, and Permanent Improvement funds, respectively.

7. INCOME TAX

On January 1, 2007 the School District levied a voted 1.5 percent income tax on the earned income of individuals residing in the School District for the purpose of current expenses. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. For fiscal year 2013, this income tax generated \$9,674,986 of revenue in the General Fund.

8. RECEIVABLES

Receivables at June 30, 2013, consisted of current and delinquent property taxes, accounts (rent and student fees), intergovernmental grants, interest and interfund transactions. 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 fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Special Education Grant	\$ 3,600
Race to the Top Grant	14,400
Title II A grant	10,958
Title I Grant	117,103
Title III Grant	249
Total Intergovernmental Receivables	<u>\$146,310</u>

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

9. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance 6/30/2012	Additions	Deductions	Balance 6/30/2013
Capital Assets not being depreciated:				
Land	\$ 530,131			\$530,131
Capital Assets being depreciated:				
Buildings	30,213,886	\$216,933		30,430,819
Improvements	13,841,627	396,285	(\$22,179)	14,215,733
Furniture and Equipment	4,319,212	52,209	(25,098)	4,346,323
Textbooks	1,025,939	3,141	(99,959)	929,121
Vehicles	2,894,358			2,894,358
	<u>52,295,022</u>	<u>668,568</u>	<u>(147,236)</u>	<u>52,816,354</u>
Less: Accumulated Depreciation:				
Buildings	(12,384,664)	(605,035)		(12,989,699)
Improvements	(7,064,690)	(669,901)	22,179	(7,712,412)
Furniture and Equipment	(3,686,589)	(175,216)	21,990	(3,839,815)
Textbooks	(654,793)	(134,057)	99,959	(688,891)
Vehicles	(1,516,934)	(217,627)		(1,734,561)
	<u>(25,307,670)</u>	<u>(1,801,836)</u>	<u>144,128</u>	<u>(26,965,378)</u>
Capital Assets, being depreciated, net	26,987,352	(1,133,268)	(3,108)	25,850,976
Capital Assets, net	<u>\$27,517,483</u>	<u>(\$1,133,268)</u>	<u>(\$ 3,108)</u>	<u>\$26,381,107</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$825,350
Support Services:	
Instructional Staff	18,317
Administration	84,381
Operation and Maintenance of Plant	33,910
Pupil Transportation	202,345
Operation of Non-Instructional Services	22,951
Extracurricular Activities	9,547
	<u>1,196,801</u>
Unallocated Depreciation	605,035
Total Depreciation Expense	<u>\$1,801,836</u>

Unallocated depreciation is depreciation of the individual school buildings throughout the District that essentially serve all functions/programs, and therefore is not included as a direct expense of any function or program but disclosed as a separate expense.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

10. RISK MANAGEMENT

A. Property and Liability

The School District covers the remainder of its risk (property, liability, etc.) through commercial insurance. There were no significant changes in coverage's, retentions or limits during the fiscal year. Settled claims have not exceeded the commercial coverage's in any of the previous three years.

B. Health Insurance

The School District provides health care coverage for its employees and is self-insured up to a stop loss limit of \$100,000 per employee for the cost of providing this coverage. This activity is accounted for in the General, Special Revenue, and Proprietary Funds. Paid claims are recorded as an expenditure/expense in the respective funds based on a per employee charge. For reporting purposes, this activity has been reclassified to the Employee Health Insurance Fund within the Internal Service Fund. Expenses for claims are recorded as other expenditures/expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on past experience and large outstanding balances. The liability at June 30, 2013, is not discounted. An actuary was used in determining its liability. A summary of changes in self-insured claims for the year ended June 30, 2013, follows:

Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2012	\$739,886	\$5,232,440	(\$5,183,659)	\$ 788,667
2013	788,667	5,816,570	(5,500,981)	1,104,256

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2013, 13.10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$826,977, \$956,503 and \$876,954, respectively; 82% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

11. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011, were \$2,348,234, \$2,488,088 and \$2,562,651, respectively; 84% has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2013, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

12. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2013, the minimum compensation level was \$20,525. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$111,348, \$122,186 and \$203,099, respectively; 82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2013, this actuarially required allocation was .74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012 and 2011 were \$46,715, \$56,486 and \$56,434, respectively; 82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

The School District contributes to the cost-sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for Health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$180,633, \$191,391 and \$197,127, respectively; 84 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

Administrators and classified staff who work twelve-month contracts are granted vacation leave. The leave amount is based on length of service and position. Accrued vacation leave may, in some cases, be carried over from one contract year to another, for up to three years. The School District accrues vacation leave benefits as earned.

District employees earn sick leave at fifteen days per year. Upon retirement or termination an employee is paid 25% of the accrued sick leave days, not to exceed a total of 50 days' severance pay. Sick leave benefits are accrued as a liability using the vesting method.

14. LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Amount Outstanding 6/30/2012	Additions	Deductions	Amount Outstanding 6/30/2013	Amount Due Within One Year
Long-Term Obligations:					
General Obligation Bonds:					
2005 School Improvement Bonds:					
Serial – 3.00% - 5.00%	\$ 8,170,000		(\$ 6,575,000)	\$ 1,595,000	\$745,000
Term – 4.50% - 5.00%	9,980,000		(9,980,000)		
2012 Refunding Bonds:					
Serial – 2.00% - 4.00%	\$ 8,095,000		(75,000)	8,020,000	
2013 Refunding Bonds:					
Serial – 3.00% - 5.00%	6,040,000			6,040,000	120,000
Term – 2.05% - 2.50%	1,320,000			1,320,000	
Capital Appreciation Bonds	333,658			333,658	
Deferred Amounts:					
Add: Bond Premium		1,882,317	(62,515)	1,819,802	
Energy Conservation Bonds 0.0%	949,554		(75,964)	873,590	75,964
Early Retirement Incentive	1,918,577		(520,525)	1,398,052	699,026
Compensated Absences	3,102,887	689,964	(296,254)	3,496,597	523,548
Total Governmental Activities	<u>\$24,121,018</u>	<u>\$18,360,939</u>	<u>(\$17,585,258)</u>	<u>\$24,896,699</u>	<u>\$2,163,538</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid. Early retirement incentive payments will be made from the general fund and food service fund.

A. Legal Debt Margins

As of June 30, 2013, the overall legal debt margin was \$43,508,417 with an un-voted debt margin of \$666,196.

B. General Obligation Bonds

The general obligation bond issues will be paid through the debt service fund from property taxes collected by the County Auditor. The District issued general obligation debt for the following purposes

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

14. LONG-TERM OBLIGATIONS (Continued)

- \$21,204,991, issued in fiscal year 2005 and maturing in fiscal year 2033, for the renovation of school building facilities. The original issue included current interest serial and current interest term bonds, as well as capital appreciation bonds which were retired in the previous fiscal year. During fiscal year 2013, the School District advanced refunded \$15,850,000 of this issue and made principal payments of \$705,000.
- \$8,095,000, issued in fiscal year 2013 and maturing in fiscal year 2029, for the partial advance refunding of \$8,190,000 of the 2005 school improvement bonds. These bonds are current interest serial bonds.
- \$7,659,990, issued in fiscal year 2013 and maturing in fiscal year 2033, for the partial advance refunding of \$7,660,000 of the 2005 school improvement bonds. These bonds include current interest serial, term and capital appreciation bonds. The capital appreciation bonds will mature in fiscal year 2017 and has a maturity value of \$1,010,000. For fiscal year 2013, \$33,668 was accreted for a total bond value of \$333,658.

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year	Principal	Interest	Total
2014	\$ 940,964	\$ 555,060	\$ 1,496,024
2015	1,025,964	520,960	1,546,924
2016	1,060,964	493,110	1,554,074
2017	414,622	1,159,552	1,574,174
2018	1,140,964	462,250	1,603,214
2019-23	4,279,820	1,799,099	6,078,919
2024-28	4,253,950	1,137,825	5,391,775
2029-33	5,065,000	389,547	5,454,547
Total	\$18,182,248	\$6,517,403	\$24,699,651

C. Advanced Refunding

During fiscal year 2013, the School District issued \$15,754,990 of general obligation bonds, in two separate issues, to provide resources to purchase U.S. Government securities that were placed, along with the premiums received associated with the sale of the bonds, in an irrevocable trust for the purpose of generating resources for the future debt service payments on \$15,850,000 of the 2005 school improvement general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability associated with these bonds has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,552,365. This amount is being reported as deferred charge on refunding within the deferred outflows section on the statement of net position and is being amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issue. This advanced refunding was undertaken to reduce total debt service payments over the next 21 years by \$2.0 million and resulted in an economic gain of \$1.8 million.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

15. TERMINATION BENEFITS

During fiscal year 2012, the District entered into an Employee Service Plan (ESP) which offered full time certified and classified staff who had a minimum of ten years of service with the District an early retirement incentive. Eligible certified staff would receive \$45,000 plus an amount equivalent to applicable contractual severance pay. Eligible classified staff would receive 100% of his/her fiscal year 2012 base salary, not to exceed \$20,000 plus an amount equivalent to applicable contractual severance pay. During fiscal year 2013, the School District paid \$520,525 of the contractually required amount leaving a remaining balance of \$1,398,052 at June 30, 2013 which will be paid the plan sponsor in the next two fiscal years.

No additional early retirement incentive plans were offered to employees during fiscal year 2013.

16. INTERFUND ACTIVITY

Interfund transfers for the year ended June 30, 2013, consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		\$250,000
Food Service Fund	\$250,000	
	<u>\$250,000</u>	<u>\$250,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

The School District had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

As of June 30, 2013, principal components of interfund balances were as follows:

<u>Fund Due To</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	Race to the Top Grant Fund	\$ 8,592
	Title VI-B Grand Fund	3,600
	Title III Grant Fund	204
	Title I Grant Fund	1,500
		<u>\$13,896</u>

The due to represents cash advances to grant funds for cash flow purposes by the General fund and will be repaid to the General fund once grant funding is received in the subsequent fiscal year.

17. JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Educational Purchasing Council – The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**
(Continued)

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2013, the School District contributed \$520,526 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Drive, Suite 208, Vandalia, Ohio 45377.

Metropolitan Dayton Educational Cooperative Association – The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a data acquisition site used by the School District. MDECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. MDECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. During fiscal year 2013, the District contributed \$34,639 to MDECA. The Board of MDECA consists of one representative from each of the participating members. Financial information can be obtained from Dean Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

18. CONTINGENCIES

A. Grants

The School 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

B. Litigation

The School District is not party to legal proceedings.

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the 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.

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

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

	Capital Acquisition
Set-aside Cash Balance, As of June 30, 2012	\$ 773,485
Current Year Set-aside Requirement	(868,684)
Qualifying Disbursements	(777,230)
Current year Off-Sets	<u><u>(872,429)</u></u>
Total	<u><u>\$ 0</u></u>
Balance Carried Forward to FY 2014	<u><u>\$ 0</u></u>

The School District had qualifying offsets and disbursements during the year that reduced the set-aside below zero for capital acquisition, the extra amounts may not be used to reduce the set-aside requirements of future years.

20. CHANGE IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2013, the School District implemented several GASB Statements which had an impact on its accounting and financial reporting and are described below. None of these standards required restatement of net position or fund balance at the date of implementation.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which do not conflict with or contradict GASB pronouncements. The implementation of this statement did not result in any change in the School District's financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement also identified net position as the residual of all other elements presented in a balance sheet, amending the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of the balance sheet and by renaming that measure as net position. These changes were incorporated in the School District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, reclassifies as deferred outflows of resources or deferred inflows of resources items that were previously reported as assets and liabilities. Items which were previously reported by the School District affected by this implementation include deferred/unearned revenues. These changes were incorporated in the School District's fiscal year 2013 financial statements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**SCHECULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$23,390,698	\$23,589,338	\$23,828,824	\$239,486
Intergovernmental	14,850,348	14,772,147	15,128,507	356,360
Interest	24,452	50,000	24,910	(25,090)
Tuition and Fees	896,752	959,650	913,549	(46,101)
Miscellaneous	245,989	309,000	250,597	(58,403)
Total Revenues	<u>39,408,239</u>	<u>39,680,135</u>	<u>40,146,387</u>	<u>466,252</u>
Expenditures:				
Current:				
Instruction:				
Regular	19,864,419	20,297,315	20,297,325	(10)
Special	4,995,661	5,135,152	5,135,152	
Vocational	20,290	19,858	19,858	
Other	2,376,217	2,449,072	2,449,072	
Support Services:				
Pupils	2,022,585	2,117,905	2,117,905	
Instructional Staff	1,132,225	1,112,211	1,112,209	2
Board of Education	699,122	651,774	651,774	
Administration	3,211,192	3,282,765	3,282,764	1
Fiscal	525,554	533,212	533,211	1
Business	484,763	473,920	473,918	2
Operation and Maintenance of Plant	3,699,094	3,436,145	3,436,146	(1)
Pupil Transportation	1,825,142	1,893,920	1,893,921	(1)
Central	111,986	117,153	117,157	(4)
Other	15,675	15,340	15,340	
Debt Service:				
Principal	75,964	75,964	75,964	
Total Expenditures	<u>41,059,889</u>	<u>41,611,706</u>	<u>41,611,716</u>	<u>(10)</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,651,650)</u>	<u>(1,931,571)</u>	<u>(1,465,329)</u>	<u>466,242</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	7,073	10,000	7,205	(2,795)
Refund of Prior Year Receipts	(500)	(375)	(375)	
Refund of Prior Year Expenditures	20,164	6,000	20,542	14,542
Advances In		50,000	48,764	(1,236)
Advances Out	(50,000)	(53,895)	(53,895)	
Transfers In		2,500	20,318	17,818
Transfers Out	(250,000)	(267,376)	(267,376)	
Total Other Financing Sources (Uses)	<u>(273,263)</u>	<u>(253,146)</u>	<u>(224,817)</u>	<u>28,329</u>
Net Change in Fund Balance	(1,924,913)	(2,184,717)	(1,690,146)	494,571
Fund Balance, Beginning of Year	9,512,574	9,512,574	9,512,574	
Prior Year Encumbrances Appropriated	364,571	364,571	364,571	
Fund Balance, End of Year	<u>\$7,952,232</u>	<u>\$7,692,428</u>	<u>\$8,186,999</u>	<u>\$494,571</u>

See accompanying notes to the required supplementary information.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Basis of Budgeting

Basis of budgeting refers to when revenues and expenditures or expenses are recognized in the accounts. The Troy City School District's (the School District) budget for all legislated funds are prepared on a cash-encumbrance basis wherein transactions are recorded when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. Fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the School District's year-end financial statements contained in the basic financial statements. Under that basis of accounting, revenues are generally recognized when the obligation to the School District arises; the budget basis; however, recognizes revenue only when cash has been received. In the basic financial statements, expenditures are generally recognized in the period in which they are incurred. Under that budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

General Budget Policies

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 appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All governmental funds are subject to annual expenditure budgets except for the Auxiliary Service Fund (Special Revenue Fund), which are deemed to be appropriated. The School District follows the procedures outlined below in establishing the expenditures budget data reported in the required supplementary information.

Prior to January 20, 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 Miami County Budget Commission for rate determination.

By 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 schedule reflects the amounts in the final amended certificate issued during fiscal year 2013.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

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 function level of expenditures within the individual funds, with the exception of the grant funds which are at the special cost center level. The level at which the Board of Education approves the annual appropriation resolution is the School District 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. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission.

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, must be approved by the Board of Education. 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, none of these amendments were significant.

The budget figures which appear in the budgetary comparison schedule represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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. The encumbered appropriations balance is carried forward to the subsequent fiscal year and need not be re-appropriated.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balances	
	General Fund
GAAP Basis	(\$1,312,720)
Revenue Accruals	90,605
Expenditure Accruals	(48,371)
Encumbrances	(322,862)
Other Financing Sources (Uses)	(808)
Perspective Difference	<u>(95,990)</u>
Budget (Non-GAAP) Basos	<u>(\$1,690,146)</u>

The perspective difference noted in the above reconciliation is a result of reporting the Uniform School Supplies and Public School special revenue funds as a function of the General Fund for GAAP purposes as those funds no longer meet the definition of special revenue funds in accordance with GASB Statement No. 54.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Non Cash Assistance (Food Distribution)						
National School Lunch Program	10.555	N/A		\$171,158		\$171,158
Cash Assistance:						
School Breakfast Program	10.553	N/A	\$219,122		\$219,122	
National School Lunch Program	10.555	N/A	692,766		692,766	
Cash Assistance Subtotal			911,888		911,888	
Total Child Nutrition Cluster			<u>911,888</u>	<u>171,158</u>	<u>911,888</u>	<u>171,158</u>
Total U.S. Department of Agriculture			911,888	171,158	911,888	171,158
U.S. Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	2013 2012	1,081,972 101,964		1,077,051 98,567	
Total Title I Grants to Local Educational Agencies			<u>1,183,936</u>		<u>1,175,618</u>	
Special Education_Grants to States	84.027	2013	993,482		997,082	
English Language Acquisition State Grants	84.365	2013 2012	7,420 981		7,100 1,255	
Total English Language Acquisition State Grants			<u>8,401</u>		<u>8,355</u>	
Improving Teacher Quality State Grants	84.367	2013 2012	134,204 16,900		130,032 17,528	
Total Improving Teacher Quality State Grants			<u>151,104</u>		<u>147,560</u>	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	2013 2012	78,868 1,590		86,633	
Total - ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act			<u>80,458</u>		<u>86,633</u>	
Education Jobs Fund	84.410	2012	15,336		15,336	
Total U.S. Department of Education			<u>2,432,717</u>		<u>2,430,584</u>	
Total Federal Financial Assistance			<u>\$3,344,605</u>	<u>\$171,158</u>	<u>\$3,342,472</u>	<u>\$171,158</u>

The accompanying notes are an integral part of this Schedule

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Troy City School District
Miami County
500 North Market Street
Troy, Ohio 45373

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Troy City School District, Miami County, (the School District) as of and for the year ended June 30, 2013, 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 February 18, 2014, wherein we noted the School District adopted provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Troy City School District
Miami County
Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 18, 2014



Dave Yost • Auditor of State

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

Troy City School District
Miami County
500 North Market Street
Troy, Ohio 45373

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Troy City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Troy City School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the School District's major programs. 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 Troy City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Troy City School District
Miami County
Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required by OMB Circular A-133
Page 56

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily 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 weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 18, 2014

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: CFDA # 10.553 – School Breakfast Program CFDA # 10.555 – National School Lunch Program CFDA# 84.027 – Special Education_Grants to States
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	7 CFR Section 245.6 (c)(1)/(4) – Failure to accurately approve free and reduced meal applications in accordance with income eligibility guidelines.	Yes	



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Troy City School District
Miami County
500 North Market Street
Troy, Ohio 45373

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Troy City School District (the School District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on July 16, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature of Dave Yost in black ink.

Dave Yost
Auditor of State

February 18, 2014

This page intentionally left blank.



Dave Yost • Auditor of State

TROY CITY SCHOOL DISTRICT
MIAMI 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MARCH 18, 2014