



Dave Yost • Auditor of State

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

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**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

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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 Troy City School District, Miami County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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 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 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, 2014, 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.

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 District's basic financial statements taken as a whole.

The Schedule of Federal Awards 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 this 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, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 4, 2015

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TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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, 2014. 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 2014 are as follows:

Overall:

- Total net position increased by \$2,222,380, which represents a 13.71% increase from fiscal year 2013.
- Total assets of governmental activities increased by \$1,049,851, attributed primarily to an increase in cash and investments as well as taxes receivable reported at the end of fiscal year 2014.
- General revenues accounted for \$43.7 million or 85.58% of total revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$7.4 million or 14.42% of total revenues of \$51.1 million.
- Of the School District's \$48.9 million in expenses, only \$7.4 million were offset by program specific charges for services, grants or contributions. General revenues (primarily grants and entitlements, income taxes and property taxes) were used to cover the net expense of \$41.5 million.
- The General Fund had \$42.7 million in revenues and \$42.0 million in expenditures representing 83.29% and 83.17% 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 increased \$499,188 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 and the only major governmental fund.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 2014?" 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, OHIO
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 2014 and 2013:

TABLE 1
NET POSITION JUNE 30

| | 2014 | 2013 |
|---------------------------------------|----------------------|-------------------|
| ASSETS: | | |
| Current and Other Assets | \$ 35,846,883 | 34,239,700 |
| Capital Assets | <u>25,823,775</u> | <u>26,381,107</u> |
| Total Assets | <u>61,670,658</u> | <u>60,620,807</u> |
| <i>Deferred Outflows of Resources</i> | <u>1,412,147</u> | <u>1,501,128</u> |
| LIABILITIES | | |
| Current Liabilities | 5,111,722 | 4,973,869 |
| Noncurrent Liabilities | <u>23,061,362</u> | <u>24,896,699</u> |
| Total Liabilities | <u>28,173,084</u> | <u>29,870,568</u> |
| <i>Deferred Inflows of Resources</i> | <u>16,476,624</u> | <u>16,040,650</u> |
| NET POSITION: | | |
| Net Investment in Capital Assets | 8,316,621 | 7,913,853 |
| Restricted | 2,459,486 | 2,426,760 |
| Unrestricted | <u>7,656,990</u> | <u>5,870,104</u> |
| Total Net Position | <u>\$ 18,433,097</u> | <u>16,210,717</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, 2014, the School District's net position was \$18.4 million. Of that amount, approximately \$8.3 million was invested in capital assets, net of debt related to those assets. Another \$2.5 million was subject to external restrictions upon its use. The remaining \$7.6 million was unrestricted and available for future use as directed by the Board of Education and the School District's Administration.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for fiscal year 2014, as compared to fiscal year 2013:

TABLE 2
CHANGE IN NET POSITION, JUNE 30

| | 2014 | 2013 |
|---|------------------|-----------------|
| REVENUES: | | |
| Program Revenues: | | |
| Charges for Services | \$ 2,892,824 | 3,190,776 |
| Operating Grants and Contributions | 4,440,363 | 4,339,015 |
| Capital Grants and Contributions | 37,599 | 30,370 |
| General Revenues: | | |
| Property Taxes | 16,800,907 | 16,546,025 |
| Income Taxes | 10,065,460 | 9,674,986 |
| Grants and Entitlements | 16,437,358 | 15,359,250 |
| Investment Earnings | 102,161 | 13,225 |
| Other | 334,122 | 279,627 |
| Total Revenues | 51,110,794 | 49,433,274 |
| PROGRAM EXPENSES: | | |
| Instruction | 31,391,091 | 31,869,768 |
| Support Services: | | |
| Pupils and Instructional Staff | 2,967,141 | 3,414,407 |
| Board of Education, Administration | | |
| Fiscal and Business | 5,251,225 | 5,251,414 |
| Operation and Maintenance of Plant | 3,216,316 | 3,603,137 |
| Pupil Transportation | 2,190,100 | 2,107,383 |
| Central | 229,741 | 84,291 |
| Operation of Non-Instructional Services | 2,067,308 | 2,287,537 |
| Extracurricular Activities | 491,791 | 476,514 |
| Interest and Fiscal Charges | 657,646 | 762,729 |
| Depreciation Expense | 426,055 | 605,035 |
| Total Expenses | 48,888,414 | 50,462,215 |
| Change in Net Position | \$ 2,222,380 | (1,028,941) |

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 32.87% of revenues for governmental activities for the Troy City School District for fiscal year 2014. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 40.92% of the School District's total revenue was received from intergovernmental sources during fiscal year 2014.

Despite not having sought new operating funds through a property tax levy in the past eight 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 64.21% of the School District's expenses for fiscal year 2014. Support services expenses make up 28.34% 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.

TABLE 3
TOTAL AND COST OF PROGRAM SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30,

| | 2014 | | 2013 | |
|--|--------------------------|------------------------|--------------------------|------------------------|
| | Total Cost of Service | Net Cost of Service | Total Cost of Service | Net Cost of Service |
| Instruction | \$ 31,391,091 | 26,937,452 | 31,869,768 | 27,888,824 |
| Support Services: | | | | |
| Pupils and Instructional Staff | 2,967,141 | 2,950,941 | 3,414,407 | 3,398,207 |
| Board of Education, Administration, Fiscal and Business | 5,251,225 | 4,812,393 | 5,251,414 | 5,110,882 |
| Operation and Maintenance of Plant | 3,216,316 | 3,125,459 | 3,603,137 | 3,422,871 |
| Pupil Transportation | 2,190,100 | 2,190,100 | 2,107,383 | 2,107,383 |
| Central | 229,741 | 229,741 | 84,291 | 84,291 |
| Operation of Non-Instructional Services | 2,067,308 | 317,499 | 2,287,537 | 316,839 |
| Extracurricular Activities | 491,791 | (129,658) | 476,514 | (795,007) |
| Interest and Fiscal Charges | 657,646 | 657,646 | 762,729 | 762,729 |
| Depreciation Expense | 426,055 | 426,055 | 605,035 | 605,035 |
| Total Expenses | \$ 48,888,414 | 41,517,628 | 50,462,215 | 42,902,054 |

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 \$10.8 million, or 79.73% of the total fund balance for all governmental funds.

The School District's primary operating fund, the General Fund, ended the year with revenues exceeding expenditures by \$499,188. The unassigned ending fund balance of the General Fund (\$10.3 million) represents approximately 24.54% 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 \$39.8 million compared with the final budgeted revenue of \$42.1 million, with a 5.62% increase in budgeted amounts during the year. Actual revenue for the year totaled \$42.1 million which equaled the final budgeted figure.

Total actual expenditures on the budget basis (cash expenditures plus encumbrances) were \$41.7 million, which equaled the final budget and was \$740,892 lower than the original budget.

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.

Capital Assets

At the end of fiscal year 2014, the School District had \$25.8 million invested in land, buildings, improvements, furniture, textbooks and equipment, and vehicles in governmental activities net of accumulated depreciation.

Overall, net capital assets decreased \$557,332 from fiscal year 2013. The decrease in capital assets results from depreciation expense reported for the year being a larger amount than the amount of capital outlay.

During fiscal year 2014, primary capital additions included various improvements to buildings totaling \$118,198, purchase of furniture and equipment totaling \$661,307, \$8,492 in textbooks and \$292,153 in vehicles. Current year depreciation expense totaled \$1.57 million. Capital assets disposed of during the fiscal year had a historical cost of \$551,288 with related accumulated depreciation of \$488,664 resulting in a net loss equal to \$62,624.

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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 4 shows fiscal year 2014 balances compared to 2013:

TABLE 4
CAPITAL ASSETS, JUNE 30

| | 2014 | 2013 |
|--------------------------|---------------|------------|
| Land | \$ 530,131 | 530,131 |
| Buildings | 17,015,065 | 17,441,120 |
| Improvements | 5,972,417 | 6,503,321 |
| Furniture and Equipment | 945,699 | 506,508 |
| Textbooks | 128,404 | 240,230 |
| Vehicles | 1,232,059 | 1,159,797 |
| Total Net Capital Assets | \$ 25,823,775 | 26,381,107 |

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, 2014, the School District had four separate debt issues with an outstanding amount due of \$17.4 million, of which \$1.0 million is scheduled to mature in the next fiscal year. During the year, \$940,964 of principal payments were made and \$124,206 of interest was accreted to the principal of the capital appreciation bonds. At June 30, 2014, the School District's overall legal debt margin was \$41.1 million and the unvoted debt margin was \$632,487.

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 \$3.3 million and \$699,026, respectively.

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

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.

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TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Net Position
June 30, 2014

| | Governmental Activities |
|--|----------------------------|
| ASSETS: | |
| Pooled Cash and Investments | \$ 13,095,247 |
| Receivables: | |
| Income Taxes | 2,987,046 |
| Accounts | 45,713 |
| Intergovernmental | 133,852 |
| Property and Other Local Taxes | 19,426,989 |
| Materials and Supplies Inventory | 143,718 |
| Prepaid Items | 14,318 |
| Capital Assets: | |
| Nondepreciable | 530,131 |
| Depreciable, Net of Accumulated Depreciation | <u>25,293,644</u> |
| Total Assets | <u>61,670,658</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | |
| Deferred Charge on Refunding | <u>1,412,147</u> |
| Total Deferred Outflows of Resources | <u>1,412,147</u> |
| LIABILITIES: | |
| Accounts Payable | 700,023 |
| Accrued Wages and Benefits | 2,487,615 |
| Intergovernmental Payable | 910,208 |
| Claims Payable | 968,763 |
| Accrued Interest Payable | 45,113 |
| Noncurrent Liabilities: | |
| Due Within One Year | 2,243,010 |
| Due In More Than One Year | <u>20,818,352</u> |
| Total Liabilities | <u>28,173,084</u> |
| DEFERRED INFLOWS OF RESOURCES: | |
| Property Taxes not Levied to Finance Current Year Operations | <u>16,476,624</u> |
| Total Deferred Inflows of Resources | <u>16,476,624</u> |
| NET POSITION: | |
| Net Investment in Capital Assets | 8,316,621 |
| Restricted for: | |
| Hayner Cultural Center | 614,210 |
| Student Activities | 213,375 |
| Auxiliary Services | 60,733 |
| Educational Grants | 467 |
| Capital Projects | 732,232 |
| Debt Service | 808,220 |
| Restricted for Other Purposes | 30,249 |
| Unrestricted | <u>7,656,990</u> |
| Total Net Position | <u>\$ 18,433,097</u> |

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Statement of Activities
For the Fiscal Year Ended June 30, 2014

| Functions/Programs: | Expenses | Program Revenues | | | Net (Expense)/ Revenue and Change in Net Position |
|---|---------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 22,944,382 | 1,392,620 | 2,036,392 | - | (19,515,370) |
| Special | 5,826,521 | - | 1,024,627 | - | (4,801,894) |
| Vocational | 14,720 | - | - | - | (14,720) |
| Student Intervention Services | 198,224 | - | - | - | (198,224) |
| Other | 2,407,244 | - | - | - | (2,407,244) |
| Support Services: | | | | | |
| Pupils | 1,902,976 | - | - | - | (1,902,976) |
| Instructional Staff | 1,064,165 | - | 16,200 | - | (1,047,965) |
| Board of Education | 636,690 | - | - | - | (636,690) |
| Administration | 3,622,174 | 28,060 | 94,355 | - | (3,499,759) |
| Fiscal | 551,971 | - | 316,417 | - | (235,554) |
| Business | 440,390 | - | - | - | (440,390) |
| Operation and Maintenance of Plant | 3,216,316 | 26,420 | 40,438 | 23,999 | (3,125,459) |
| Pupil Transportation | 2,190,100 | - | - | - | (2,190,100) |
| Central | 229,741 | - | - | - | (229,741) |
| Operation of Non-Instructional Services | 2,067,308 | 837,875 | 911,934 | - | (317,499) |
| Extracurricular Activities | 491,791 | 607,849 | - | 13,600 | 129,658 |
| Interest and Fiscal Charges | 657,646 | - | - | - | (657,646) |
| Unallocated Depreciation * | 426,055 | - | - | - | (426,055) |
| Total | \$ 48,888,414 | 2,892,824 | 4,440,363 | 37,599 | (41,517,628) |
| General Revenues: | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | | 14,363,201 |
| Hayner Cultural Center | | | | | 454,344 |
| Debt Service | | | | | 1,375,014 |
| Capital Outlay | | | | | 608,348 |
| Income Taxes Levied for General Purposes | | | | | 10,065,460 |
| Grants, Entitlements and Contributions not Restricted to Specific Programs | | | | | 16,437,358 |
| Investment Earnings | | | | | 102,161 |
| Other Revenue | | | | | 334,122 |
| | | | Total General Revenues | | 43,740,008 |
| | | | Change in Net Position | | 2,222,380 |
| | | | Net Position, Beginning of Year | | 16,210,717 |
| | | | Net Position, End of Year | \$ | 18,433,097 |

* - 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, OHIO

Balance Sheet
Governmental Funds
June 30, 2014

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------------|--------------------------------|
| ASSETS: | | | |
| Pooled Cash and Investments | \$ 9,353,833 | 2,933,278 | 12,287,111 |
| Receivables: | | | |
| Property and Local Taxes | 16,546,559 | 2,880,430 | 19,426,989 |
| Income Taxes | 2,987,046 | - | 2,987,046 |
| Accounts | 45,713 | - | 45,713 |
| Intergovernmental | - | 133,852 | 133,852 |
| Due from Other Funds | 284 | - | 284 |
| Materials and Supplies Inventory | 112,702 | 31,016 | 143,718 |
| Prepaid Items | 14,318 | - | 14,318 |
| Total Assets | <u>\$ 29,060,455</u> | <u>5,978,576</u> | <u>35,039,031</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES: | | | |
| LIABILITIES: | | | |
| Accounts Payable | \$ 265,082 | 434,941 | 700,023 |
| Accrued Wages and Benefits | 2,294,726 | 192,889 | 2,487,615 |
| Intergovernmental Payable | 803,073 | 107,135 | 910,208 |
| Compensated Absences Payable | 506,473 | 11,547 | 518,020 |
| Due to Other Funds | - | 284 | 284 |
| Total Liabilities | <u>3,869,354</u> | <u>746,796</u> | <u>4,616,150</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Property Taxes not Levied to Finance | | | |
| Current Year Operations | 14,048,197 | 2,428,427 | 16,476,624 |
| Unavailable Revenue | 365,206 | 62,474 | 427,680 |
| Total Deferred Inflows of Resources | <u>14,413,403</u> | <u>2,490,901</u> | <u>16,904,304</u> |
| FUND BALANCES: | | | |
| Nonspendable | 127,020 | 31,016 | 158,036 |
| Restricted | - | 2,728,466 | 2,728,466 |
| Assigned | 355,210 | - | 355,210 |
| Unassigned | 10,295,468 | (18,603) | 10,276,865 |
| Total Fund Balances | <u>10,777,698</u> | <u>2,740,879</u> | <u>13,518,577</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 29,060,455</u> | <u>5,978,576</u> | <u>35,039,031</u> |

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2014

| | |
|--|----------------------|
| Total Governmental Fund Balances | \$ 13,518,577 |
| 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. | 25,823,775 |
| Some revenues will not be available to pay for current period expenditures and therefore are reported as unavailable in the funds. | 427,680 |
| 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. | (160,627) |
| 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 | (16,567,864) |
| Energy Conservation Bonds | (797,626) |
| Unamortized Bond Premiums | (1,711,685) |
| Deferred Amount on Refunding | 1,412,147 |
| Accrued Interest Payable | (45,113) |
| Compensated Absences Payable | (2,767,141) |
| Early Retirement Incentive Payable | <u>(699,026)</u> |
| Net Position of Governmental Activities | \$ <u>18,433,097</u> |

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

| | General Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|-----------------------------------|--------------------------------|
| REVENUES: | | | |
| Property and Other Local Taxes | \$ 14,495,095 | 2,458,127 | 16,953,222 |
| Income Taxes | 10,065,460 | - | 10,065,460 |
| Intergovernmental | 16,266,201 | 4,549,605 | 20,815,806 |
| Investment Earnings | 101,954 | 207 | 102,161 |
| Tuition and Fees | 932,846 | 14,149 | 946,995 |
| Charges for Services | - | 912,875 | 912,875 |
| Extracurricular Activities | 459,774 | 532,849 | 992,623 |
| Miscellaneous | 373,984 | 96,561 | 470,545 |
| Total Revenues | <u>42,695,314</u> | <u>8,564,373</u> | <u>51,259,687</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 21,117,162 | 1,901,544 | 23,018,706 |
| Special | 4,874,545 | 978,571 | 5,853,116 |
| Vocational | 14,720 | - | 14,720 |
| Student Intervention Services | 198,224 | - | 198,224 |
| Other | 2,407,469 | - | 2,407,469 |
| Support Services: | | | |
| Pupils | 1,902,830 | 22,922 | 1,925,752 |
| Instructional Staff | 985,584 | 109,211 | 1,094,795 |
| Board of Education | 636,690 | - | 636,690 |
| Administration | 3,318,064 | 358,668 | 3,676,732 |
| Fiscal | 525,281 | 35,983 | 561,264 |
| Business | 443,746 | 6,085 | 449,831 |
| Operation and Maintenance of Plant | 3,194,629 | 149,852 | 3,344,481 |
| Pupil Transportation | 1,997,628 | - | 1,997,628 |
| Central | 254,880 | 2,126 | 257,006 |
| Operation of Non-Instructional Services | - | 2,093,569 | 2,093,569 |
| Extracurricular Activities | 13,099 | 471,634 | 484,733 |
| Capital Outlay | - | 941,457 | 941,457 |
| Debt Service: | | | |
| Principal | 75,964 | 865,000 | 940,964 |
| Interest | - | 555,060 | 555,060 |
| Total Expenditures | <u>41,960,515</u> | <u>8,491,682</u> | <u>50,452,197</u> |
| Excess (Deficiency) of Revenues Over/ (Under) Expenditures | <u>734,799</u> | <u>72,691</u> | <u>807,490</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| Proceeds from Sale of Capital Assets | 14,389 | - | 14,389 |
| Transfers In | - | 250,000 | 250,000 |
| Transfers Out | <u>(250,000)</u> | <u>-</u> | <u>(250,000)</u> |
| Total Other Financing Sources (Uses) | <u>(235,611)</u> | <u>250,000</u> | <u>14,389</u> |
| Net Change in Fund Balances | 499,188 | 322,691 | 821,879 |
| Fund Balance, Beginning of Year | <u>10,278,510</u> | <u>2,418,188</u> | <u>12,696,698</u> |
| Fund Balance, End of Year | <u>\$ 10,777,698</u> | <u>2,740,879</u> | <u>13,518,577</u> |

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

| | | |
|---|----|-------------------------|
| Total Net Change in Fund Balances - Total Governmental Funds | \$ | 821,879 |
| 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 | | 1,080,150 |
| Current Year Depreciation | | (1,574,858) |
| 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 carrying amount of capital assets disposed of during the year which was offset against any proceeds received. | | |
| | | (62,624) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| | | (148,892) |
| 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 | | 940,964 |
| 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. | | |
| | | 2,484 |
| 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 | | 205,908 |
| Accreted interest on capital appreciation bonds | | (124,207) |
| Amortization of bond premium | | 108,117 |
| Amortization of deferred amount on refunding | | (88,981) |
| Early retirement incentive payable | | 699,026 |
| 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. | | |
| | | <u>363,414</u> |
| Change in Net Position of Governmental Activities | \$ | <u><u>2,222,380</u></u> |

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Fund Net Position
Internal Service Fund
June 30, 2014

| | <u>Governmental Activities</u> |
|-----------------------------|------------------------------------|
| | <u>Internal Service Fund</u> |
| ASSETS: | |
| Pooled Cash and Investments | \$ <u>808,136</u> |
| LIABILITIES: | |
| Claims Payable | <u>968,763</u> |
| NET POSITION: | |
| Unrestricted | \$ <u><u>(160,627)</u></u> |

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

| | Governmental Activities |
|--------------------------------------|----------------------------|
| | Internal Service Fund |
| OPERATING REVENUES: | |
| Insurance Premium Contributions: | |
| Employer Contributions from District | \$ 5,390,498 |
| Employee Contributions | 227,921 |
| Stop Loss Premiums | <u>(507,703)</u> |
| Net Premium Contributions | 5,110,716 |
| Miscellaneous | <u>19,946</u> |
| Total Operating Revenues | <u>5,130,662</u> |
| OPERATING EXPENSES: | |
| Insurance Claims Expense: | |
| Total Claims Incurred | 5,122,771 |
| Claims Ceded to Stop Loss Coverage | <u>(619,222)</u> |
| Net Claims Incurred | 4,503,549 |
| Contractual Services | <u>263,699</u> |
| Total Operating Expenses | <u>4,767,248</u> |
| Operating Income | 363,414 |
| Net Position, Beginning of Year | <u>(524,041)</u> |
| Net Position, End of Year | \$ <u>(160,627)</u> |

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2014

| | Governmental Activities |
|---|----------------------------|
| | Internal Service Fund |
| <u>Increase in Pooled Cash and Investments</u> | |
| Cash Flows from Operating Activities: | |
| Cash Received from Quasi-External Transactions with Other Funds | \$ 5,390,498 |
| Cash Received for Employee Premiums | 227,921 |
| Cash Payments for Premiums for Stop Loss Insurance | (507,703) |
| Cash Received for Other Purposes | 19,946 |
| Cash Payments for Insurance Claims | (5,258,264) |
| Cash Received from Stop Loss Insurance | 619,222 |
| Cash Payments for Contractual Services | (263,699) |
| Net Cash Provided by Operating Activities | 227,921 |
| Net Increase in Pooled Cash and Investments | 227,921 |
| Pooled Cash and Investments, Beginning of Year | 580,215 |
| Pooled Cash and Investments, End of Year | \$ 808,136 |
| <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u> | |
| Operating Income | \$ 363,414 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Changes in assets and liabilities: | |
| Decrease in Claims Payable | (135,493) |
| Net Cash Provided by Operating Activities | \$ 227,921 |

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

| | Scholarship Private- Purpose Trust Funds | Agency Fund |
|--------------------------------|---|-------------------|
| ASSETS: | <u> </u> | <u> </u> |
| Pooled Cash and Investments | \$ <u>287,468</u> | <u>90,627</u> |
| Total Assets | <u>287,468</u> | <u>90,627</u> |
| LIABILITIES: | | |
| Accounts Payable | 35,387 | 3,526 |
| Undistributed Monies | | 10,046 |
| Due to Students | <u>-</u> | <u>77,055</u> |
| Total Liabilities | <u>35,387</u> | <u>90,627</u> |
| NET POSITION: | | |
| Held in Trust for Scholarships | \$ <u><u>252,081</u></u> | <u><u>-</u></u> |

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

| | | Scholarship Private- Purpose Trust Funds |
|---------------------------------|----|---|
| ADDITIONS: | | |
| Other Revenue | \$ | 44,193 |
| Investment Earnings | | 3,683 |
| Total Additions | | 47,876 |
| DEDUCTIONS: | | |
| Educational Outreach | | 35,702 |
| Total Deductions | | 35,702 |
| Change in Net Position | | 12,174 |
| Net Position, Beginning of Year | | 239,907 |
| Net Position, End of Year | \$ | 252,081 |

See accompanying notes to the basic financial statements.

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TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 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, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 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.

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.

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. Nonmajor 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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

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.

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 net position. The statement of 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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonexchange 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 nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, 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 financial 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, 2014, 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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2014.

The appropriation resolution is subject to amendment by the Board throughout the school year with the restriction that appropriations may not exceed estimated revenues. 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 2014, investments included federal government agency bonds, money market funds, STAROhio, and 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 2014. 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, 2014.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2014 amounted to \$101,954, 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 nonspendable fund balance in the appropriate fund, which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2014, 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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital 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.

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 come due for payment as the result of retirement or termination of employment. These amounts are recorded in the account "matured 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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are 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.

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. Nonspendable 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 may 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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3 – FUND BALANCES

Fund balance is classified as nonspendable, 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 | General | Nonmajor Governmental Funds | Total |
|-----------------------------|----------------------|-----------------------------------|-------------------|
| Nonspendable for: | | | |
| Inventory of Supplies | \$ 112,702 | 31,016 | 143,718 |
| Prepays | 14,318 | - | 14,318 |
| Total Nonspendable | <u>127,020</u> | <u>31,016</u> | <u>158,036</u> |
| Restricted for: | | | |
| Debt Service | - | 978,946 | 978,946 |
| Capital Improvements | - | 717,616 | 717,616 |
| Food Service Operations | - | 115,490 | 115,490 |
| Hayner Cultural Center | - | 631,892 | 631,892 |
| District Managed Activities | - | 213,375 | 213,375 |
| State Educational Grants | - | 60,733 | 60,733 |
| Federal Education Grants | - | 10,414 | 10,414 |
| Total Restricted | <u>-</u> | <u>2,728,466</u> | <u>2,728,466</u> |
| Assigned for: | | | |
| Student and Staff Support | 165,072 | - | 165,072 |
| Subsequent Expenditures | 190,138 | - | 190,138 |
| Total Assigned | <u>355,210</u> | <u>-</u> | <u>355,210</u> |
| Unassigned (Deficit) | <u>10,295,468</u> | <u>(18,603)</u> | <u>10,276,865</u> |
| Total Fund Balances | <u>\$ 10,777,698</u> | <u>2,740,879</u> | <u>13,518,577</u> |

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 4 - ACCOUNTABILITY

The following fund had a fund equity deficits as of June 30, 2014:

| | <u>Deficit Fund Equity</u> |
|----------------------------|--------------------------------|
| Special Revenue Funds: | |
| Race to the Top Grant Fund | \$ 1,052 |
| Title III Grant Fund | 445 |
| Title II-A Grant Fund | 17,106 |

The deficit in the special revenue fund was 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.

NOTE 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.

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).

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 \$5,956,511 (including \$14,790 of cash on hand) and the bank balance was \$6,100,721. Of the bank balance, \$1,571,242 was covered by federal depository insurance and \$4,529,479 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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Investments

Investments are reported at fair value. As of June 30, 2014, the School District had the following investments:

| | Fair Value | Maturity (in years) | | | % of Portfolio | Credit Rating* |
|---------------------|--------------|---------------------|-----------|-------------|----------------|----------------|
| | | Less than 1 | 1-3 | More than 3 | | |
| FHLM | \$ 115,162 | 115,162 | - | - | 1.53% | AA+ |
| FNMA | 1,233,360 | - | 1,233,360 | - | 16.41% | AA+ |
| Money Market | 243,809 | 243,809 | - | - | 3.25% | AA+ |
| U.S. Treasury Notes | 2,001,837 | - | 1,259,104 | 742,733 | 26.63% | N/A |
| STAROhio | 70 | 70 | - | - | 0.00% | AAAm |
| Negotiable CD's | 3,922,593 | 489,035 | 3,433,558 | - | 52.18% | AAAm |
| Total Investments | \$ 7,516,831 | 848,076 | 5,926,022 | 742,733 | | |

* - 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.

NOTE 6 – PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received during calendar year 2014 were levied after April 1, 2013 on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 6 – PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar year 2014 represents collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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, 2014 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Property taxes receivable represents real property and public utility property taxes that are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the portion of real property taxes available as an advance at June 30 was levied to finance current year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. The amount available as an advance at June 30, 2014, was \$2,107,687, \$215,701, \$96,607 and \$76,713 in the General, Debt Service, Capital Project and Hayner funds, respectively.

On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis, it is reported as deferred inflows of resources – unavailable revenue, unless remitted to the School District within the available period.

The assessed values upon which the fiscal year 2014 taxes were collected are as follows:

| | <u>2014 First Half Collections</u> | | <u>2013 Second Half Collections</u> | |
|---|------------------------------------|----------------|-------------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/Residential and Other Real Estate | \$ 612,004,830 | 96.76% | 644,870,320 | 96.80% |
| Public Utility | <u>20,482,000</u> | 3.24% | <u>21,326,110</u> | 3.20% |
| Total Assessed Value | <u>\$ 632,486,830</u> | <u>100.00%</u> | <u>666,196,430</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | <u>\$52.69</u> | | <u>\$52.66</u> | |

NOTE 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 2014, this income tax generated \$10,065,460 of revenue in the General Fund.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 8 – RECEIVABLES

Receivables at June 30, 2014, consisted of current and delinquent property taxes, income 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>Governmental Activities:</u> | <u>Amount</u> |
|---|-----------------------|
| Title II-A Grant Fund | \$ 347 |
| Title III Grant Fund | 3,025 |
| Title I Grant Fund | 119,867 |
| Title I-D Grant Fund | <u>10,613</u> |
| Total Intergovernmental Receivables | \$ <u>133,852</u> |

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

| | <u>Balance</u> <u>6/30/2013</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>6/30/2014</u> |
|--|------------------------------------|----------------------|-------------------|------------------------------------|
| <u>Capital Assets, not being depreciated:</u> | | | | |
| Land | \$ 530,131 | - | - | 530,131 |
| <u>Capital Assets, being depreciated:</u> | | | | |
| Buildings | 30,430,819 | - | - | 30,430,819 |
| Improvements | 14,215,733 | 118,198 | - | 14,333,931 |
| Furniture and Equipment | 4,346,323 | 661,307 | (186,378) | 4,821,252 |
| Textbooks | 929,121 | 8,492 | (206,500) | 731,113 |
| Vehicles | 2,894,358 | 292,153 | (158,410) | 3,028,101 |
| | <u>52,816,354</u> | <u>1,080,150</u> | <u>(551,288)</u> | <u>53,345,216</u> |
| <u>Less: Accumulated Depreciation:</u> | | | | |
| Buildings | (12,989,699) | (426,055) | - | (13,415,754) |
| Improvements | (7,712,412) | (649,102) | - | (8,361,514) |
| Furniture and Equipment | (3,839,815) | (174,242) | 138,504 | (3,875,553) |
| Textbooks | (688,891) | (105,568) | 191,750 | (602,709) |
| Vehicles | (1,734,561) | (219,891) | 158,410 | (1,796,042) |
| | <u>(26,965,378)</u> | <u>(1,574,858) *</u> | <u>488,664</u> | <u>(28,051,572)</u> |
| Capital Assets, being depreciated, net | <u>25,850,976</u> | <u>(494,708)</u> | <u>(62,624)</u> | <u>25,293,644</u> |
| Capital Assets, net | <u>\$ 26,381,107</u> | <u>(494,708)</u> | <u>(62,624)</u> | <u>25,823,775</u> |

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 9 – CAPITAL ASSETS (Continued)

* - Depreciation expense was charged to governmental functions as follows:

| | |
|---|----------------------------|
| Instruction: | |
| Regular | \$ 777,156 |
| Support Services: | |
| Instructional Staff | 18,317 |
| Administration | 87,005 |
| Operation and Maintenance of Plant | 31,215 |
| Pupil Transportation | 204,959 |
| Operation of Non-Instructional Services | 23,093 |
| Extracurricular Activities | 7,058 |
| | <u>1,148,803</u> |
| Unallocated Depreciation | 426,055 |
| Total Depreciation Expense | <u><u>\$ 1,574,858</u></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.

NOTE 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 coverages, retentions or limits during the fiscal year. Settled claims have not exceeded the commercial coverages 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 and an aggregate stop loss limit of \$6,650,790. Premiums are charged to the funds from which the covered employees are paid. Self-insured risk for health care benefits is accounted for with the School District's 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, 2014, 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, 2014, follows:

| Year | Balance at Beginning of Year | Current Year Claims | Claim Payments | Balance at End of Year |
|------|---------------------------------|------------------------|-------------------|---------------------------|
| 2013 | \$ 788,667 | 5,816,570 | (5,500,981) | 1,104,256 |
| 2014 | \$ 1,104,256 | 5,122,771 | (5,258,264) | 968,763 |

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 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 2014, 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, 2014, 2013 and 2012 were \$815,513, \$826,977 and \$956,503, respectively; 81% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012.

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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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.

The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013 until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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 14 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, 2014, 2013, and 2012, were \$2,341,683, \$2,348,234 and \$2,488,088, respectively; 83% has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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, 2014, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The 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 401h. For 2014, .14 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 2014, the minimum compensation level was \$20,250.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)

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 District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$95,208, \$111,348 and \$122,186, respectively; 81 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was .76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$47,312, \$46,715 and \$56,486, respectively; 81 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System

The 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 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for Health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$180,129, \$180,633 and \$191,391, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14 – LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2014 were as follows:

| | Amount Outstanding 6/30/13 | Increase | Decrease | Amount Outstanding 6/30/14 | Amount Due Within One Year |
|--------------------------------|----------------------------------|----------|-------------|----------------------------------|----------------------------------|
| General Obligation Bonds: | | | | | |
| 2005 School Improvement Bonds: | | | | | |
| Serial - 3.00% - 5.00% | \$ 1,595,000 | - | (745,000) | 850,000 | 850,000 |
| 2012 Refunding Bonds | | | | | |
| Serial - 2.00% - 4.00% | 8,020,000 | | - | 8,020,000 | - |
| 2013 Refunding Bonds | | | | | |
| Serial - 3.00% - 5.00% | 6,040,000 | | (120,000) | 5,920,000 | 100,000 |
| Term - 2.05% - 2.50% | 1,320,000 | | - | 1,320,000 | - |
| Capital Appreciation Bonds | 333,658 | 124,206 | - | 457,864 | - |
| Deferred Amounts: | | | | | |
| Add: Bond Premium | 1,819,802 | | (108,117) | 1,711,685 | - |
| Energy Conservation Bonds 0.0% | 873,590 | | (75,964) | 797,626 | 75,964 |
| Early Retirement Incentive | 1,398,052 | | (699,026) | 699,026 | 699,026 |
| Compensated Absences | 3,496,597 | 312,112 | (523,548) | 3,285,161 | 518,020 |
| Total Governmental Activities | \$ 24,896,699 | 436,318 | (2,271,655) | 23,061,362 | 2,243,010 |

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.

Legal Debt Margins

As of June 30, 2014, the overall legal debt margin was \$41,116,721 with an unvoted debt margin of \$632,487.

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

- \$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.
- \$8,095,000, issued in fiscal year 2012 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 2032, for the partial advance refunding of \$7,660,000 of the 2005 school improvement bonds. These bonds include both current interest serial and capital appreciation bonds. The capital appreciation bonds will mature in fiscal year 2017 and have a maturity value of \$1,010,000.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

- The District issued Energy Conservation Bonds totaling \$1,103,964, in fiscal year 2010, for the purpose of making energy conservation improvements to the School District’s various buildings. The Bonds mature on September 1, 2024.

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

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|----------------------|------------------|-------------------|
| 2015 | \$ 1,025,964 | 520,960 | 1,546,924 |
| 2016 | 1,060,964 | 493,110 | 1,554,074 |
| 2017 | 538,828 | 1,035,346 | 1,574,174 |
| 2018 | 1,140,964 | 462,250 | 1,603,214 |
| 2019 | 1,185,964 | 419,530 | 1,605,494 |
| 2020-24 | 3,952,481 | 1,653,946 | 5,606,427 |
| 2025-29 | 4,295,325 | 1,001,323 | 5,296,648 |
| 2030-33 | <u>4,165,000</u> | <u>251,672</u> | <u>4,416,672</u> |
| Total | <u>\$ 17,365,490</u> | <u>5,838,137</u> | <u>23,203,627</u> |

Defeased Obligations Outstanding

In the prior fiscal year, the School District advanced refunded \$15,850,000 of 2005 school improvement general obligation bonds. As of June 30, 2014, the entire \$15,850,000 of the refunded obligations were still outstanding pending the December 1, 2014 call date.

NOTE 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 and 2014, the School District paid \$520,525 and \$699,026, respectively, of the contractually required amount leaving a remaining balance of \$699,026 at June 30, 2014 which will be paid to the plan sponsor in the next fiscal year. No additional early retirement incentive plans were offered to employees during fiscal year 2014.

NOTE 16 - INTERFUND ACTIVITY

Interfund transfers for the year ended June 30, 2014, 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

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 16 - INTERFUND ACTIVITY (Continued)

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.

In addition, at June 30, 2014, the Title II-A Grant Fund, a non-major special revenue fund, owed the General Fund \$284 which is recorded as due to other funds and due from other funds, respectively, within the fund financial statements. This interfund borrowing occurred to cover a cash deficit which existed in the Title II-A Grant Fund at fiscal-year end.

NOTE 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.

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 2014, the School District contributed \$2,179 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 2014, the District contributed \$89,631 to MDECA. The Board of MDECA consists of one representative from each of the participating members. Complete financial information can be obtained from MDECA located in Dayton, Ohio.

NOTE 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, 2014.

B. Litigation

The School District is not currently party to legal proceedings.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 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.

| | Capital Acquisition |
|---------------------------------------|------------------------|
| Set-aside Cash Balance, June 30, 2013 | \$ - |
| Current Year Set-aside Requirement | 765,073 |
| Qualifying Disbursements | - |
| Current Year Off-Sets | (773,169) |
| Total | (8,096) |
| Balance Carried Forward to FY2015 | \$ - |

While the School District did have qualifying expenditures during the year, since the permitted off-sets exceeded the set-aside requirement for the fiscal year, presenting those expenditures is not necessary to demonstrate compliance. The excess of the current year off-sets over the current year set-aside requirement may not be used to reduce the set-aside requirements of future fiscal years.

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2014, the School District implemented Governmental Accounting Standard Board (GASB) Statements No. 66, *Technical Corrections – 2012* and No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 66 changes the requirement to account for risk financing (self-insurance) within the general or internal service fund, changes the determination of the carrying value of purchased loans or group of loans, and modified the manner in which service fees should be reported on mortgage loans sold. GASB Statement No. 70 establishes reporting standards for nonexchange financial guarantee and to recognize a liability when qualitative factors and historical data indicate the government will more than likely be required to make a payment on the guarantee. The implementation of these Statements did not impact the School District’s beginning net cash position for fiscal year 2014.

In addition, GASB Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27”, has been issued by the GASB but is not required to be implemented by the School District until fiscal year 2015. Management has not yet determined the impact this new standard will have on the School District’s financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Non-GAAP Basis)
General Fund
For the Fiscal Year Ended June 30, 2014

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|---------------------|-------------------|-------------------|-------------------------------|
| Revenues: | | | | |
| Taxes | \$ 23,918,119 | 24,610,160 | 24,610,160 | - |
| Intergovernmental | 14,738,336 | 16,266,201 | 16,266,201 | - |
| Interest | 27,500 | 21,220 | 21,220 | - |
| Tuition and Fees | 905,785 | 880,474 | 880,474 | - |
| Miscellaneous | 251,300 | 301,261 | 301,261 | - |
| Total Revenues | <u>39,841,040</u> | <u>42,079,316</u> | <u>42,079,316</u> | <u>-</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 20,655,745 | 20,496,490 | 20,496,490 | - |
| Special | 5,082,510 | 4,976,316 | 4,976,316 | - |
| Vocational | 20,290 | 14,720 | 14,720 | - |
| Other | 2,650,021 | 2,637,925 | 2,637,925 | - |
| Support Services: | | | | |
| Pupils | 1,949,038 | 1,910,444 | 1,910,444 | - |
| Instructional Staff | 970,125 | 970,285 | 970,285 | - |
| Board of Education | 715,782 | 659,138 | 659,138 | - |
| Administration | 3,402,167 | 3,341,208 | 3,341,208 | - |
| Fiscal | 521,244 | 522,699 | 522,699 | - |
| Business | 454,890 | 448,781 | 448,781 | - |
| Operation and Maintenance of Plant | 3,585,421 | 3,331,984 | 3,331,984 | - |
| Pupil Transportation | 1,995,043 | 2,019,365 | 2,019,365 | - |
| Central | 305,881 | 239,771 | 239,771 | - |
| Other | 15,439 | 13,614 | 13,614 | - |
| Debt Service | | | | |
| Principal | 76,000 | 75,964 | 75,964 | - |
| Total Expenditures | <u>42,399,596</u> | <u>41,658,704</u> | <u>41,658,704</u> | <u>-</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(2,558,556)</u> | <u>420,612</u> | <u>420,612</u> | <u>-</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds from Sale of Fixed Assets | 5,000 | 14,389 | 14,389 | - |
| Refund of Prior Year Receipts | (393) | (18) | (18) | - |
| Refund of Prior Year Expenditures | - | 36,732 | 36,732 | - |
| Advances In | 14,000 | 13,895 | 13,895 | - |
| Advances Out | (53,895) | - | - | - |
| Transfers Out | (267,376) | (250,000) | (250,000) | - |
| Total Other Financing Sources (Uses) | <u>(302,664)</u> | <u>(185,002)</u> | <u>(185,002)</u> | <u>-</u> |
| Net Change in Fund Balance | (2,861,220) | 235,610 | 235,610 | - |
| Fund Balance, Beginning of Year | 8,186,999 | 8,186,999 | 8,186,999 | - |
| Prior Year Encumbrances Appropriated | 322,862 | 322,862 | 322,862 | - |
| Fund Balance, End of Year | <u>\$ 5,648,641</u> | <u>8,745,471</u> | <u>8,745,471</u> | <u>-</u> |

See accompanying notes to the required supplementary information.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2014

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 reflect the amounts in the final amended certificate issued during fiscal year 2014.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2014

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 schedule of budgetary comparisons 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 within the restricted, committed or assigned designations of fund balance 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 reappropriated.

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 (Non-GAAP Basis) and Actual – 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, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2014

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

| | <u>Net Change in Fund Balances</u> |
|-------------------------|------------------------------------|
| | <u>General Fund</u> |
| GAAP Basis | \$ 499,188 |
| Revenue Accruals | (38,600) |
| Expenditure Accruals | 80,414 |
| Encumbrances | (398,492) |
| Advances | 13,895 |
| Perspective Difference | <u>79,205</u> |
| Budget (Non-GAAP) Basis | \$ <u>235,610</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, 2014

| Federal Grantor/ Pass Through Grantor Program Title | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|---|---------------------------|--------------------|----------------------|--------------------|--------------------------|
| U.S. Department of Agriculture | | | | | |
| <i>Passed through Ohio Department of Education</i> | | | | | |
| Child Nutrition Cluster: | | | | | |
| School Breakfast Program | 10.553 | \$190,451 | | \$190,451 | |
| National School Lunch Program | 10.555 | 685,864 | \$176,992 | 685,864 | \$176,992 |
| Total Child Nutrition Cluster | | 876,315 | 176,992 | 876,315 | 176,992 |
| Total U.S. Department of Agriculture | | 876,315 | 176,992 | 876,315 | 176,992 |
| U.S. Department of Education | | | | | |
| <i>Passed through Ohio Department of Education</i> | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 1,055,483 | | 1,056,721 | |
| Special Education - Grants to States | 84.027 | 1,028,226 | | 1,024,161 | |
| English Language Acquisition State Grants | 84.365 | 26,503 | | 26,690 | |
| Improving Teacher Quality State Grants | 84.367 | 158,639 | | 163,091 | |
| ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 | 166,215 | | 158,450 | |
| Total U.S. Department of Education | | 2,435,066 | | 2,429,113 | |
| Total Federal Financial Assistance | | <u>\$3,311,381</u> | <u>\$176,992</u> | <u>\$3,305,428</u> | <u>\$176,992</u> |

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The 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 District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 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 considered material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 4, 2015



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 Troy City School District's (the 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 Troy City School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The 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 District's compliance for each of the 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 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 District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2014.

Report on Internal Control Over Compliance

The 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 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 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 4, 2015

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unmodified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unmodified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Child Nutrition Cluster: School Breakfast Program: CFDA #10.553 National School Lunch Program CFDA #10.555 Title I Grants to Local Educational Agencies: CFDA #84.010 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | 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

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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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 24, 2015**