



Dave Yost • Auditor of State

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

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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, 2016, 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, 2016, 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, required budgetary comparison schedule and schedules of net pension liabilities and pension contributions 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 Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is 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 March 16, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2017

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(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, 2016. 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 2016 are as follows:

Overall:

- Total net position increased by \$3.1 million, which represents an 8.37% increase from fiscal year 2015.
- Total assets of governmental activities increased by \$3.1 million, attributed primarily to an increase in cash and investments.
- General revenues accounted for \$46.6 million or 87.17% of total revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$6.9 million or 12.83% of total revenues of \$53.5 million.
- Of the School District's \$50.3 million in expenses, only \$6.9 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 \$43.4 million.
- The General Fund had \$45.5 million in revenues and \$43.2 million in expenditures representing 85.00% and 84.42% 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 nearly \$2.3 million from the prior year.

Using the Basic Financial Statements

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Troy City School District, the General Fund is by far the most significant fund and the only major governmental fund.

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MIAMI COUNTY, OHIO
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For the Fiscal Year Ended June 30, 2016
(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 2016?" 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, 2016
(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 2016 and 2015:

TABLE 1
NET POSITION JUNE 30

	2016	2015
Assets:		
Current and Other Assets	\$ 40,402,078	36,790,974
Capital Assets	24,803,280	25,288,074
Total Assets	65,205,358	62,079,048
Deferred Outflows of Resources:		
Deferred Charge on Refunding	1,234,185	1,323,166
Pension	5,938,910	3,940,191
Total Deferred Outflows of Resources	7,173,095	5,263,357
Liabilities:		
Current Liabilities	4,314,714	4,613,447
Long-Term Liabilities:		
Due Within One Year	1,465,819	1,538,184
Due in More Than One Year:		
Net Pension Liability	60,268,549	53,360,305
Other Long-Term Liabilities	19,405,638	20,081,524
Total Liabilities	85,454,720	79,593,460
Deferred Inflows of Resources:		
Property Taxes	17,455,176	16,113,541
Pension	4,281,547	9,629,695
Total Deferred Inflows of Resources	21,736,723	25,743,236
NET POSITION:		
Net Investment in Capital Assets	8,963,059	8,443,717
Restricted	2,459,813	2,519,883
Unrestricted	(46,235,862)	(48,957,891)
Total Net Position	\$ (34,812,990)	(37,994,291)

In the prior year, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Management's Discussion and Analysis
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(Unaudited)

annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
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For the Fiscal Year Ended June 30, 2016
(Unaudited)

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, 2016, the School District's net position was \$(34.8) million. Of that amount, approximately \$9.0 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 deficit of \$46.2 million resulted from the School District's reporting its proportion share of net pension liability.

Table 2 shows the changes in net position for fiscal year 2016, as compared to fiscal year 2015:

TABLE 2
CHANGE IN NET POSITION, JUNE 30

	2016	2015
REVENUES:		
Program Revenues:		
Charges for Services	\$ 2,702,606	2,680,425
Operating Grants and Contributions	4,156,882	4,239,895
Capital Grants and Contributions	7,000	12,596
General Revenues:		
Property Taxes	17,019,472	16,770,238
Income Taxes	10,783,871	10,302,194
Grants and Entitlements	18,437,313	18,115,114
Investment Earnings	55,358	(70,734)
Other	336,586	446,109
Total Revenues	53,499,088	52,495,837
PROGRAM EXPENSES:		
Instruction	33,341,503	31,298,009
Support Services:		
Pupils and Instructional Staff	3,269,223	3,003,731
Board of Education, Administration		
Fiscal and Business	5,903,589	5,398,499
Operation and Maintenance of Plant	2,373,601	3,455,830
Pupil Transportation	1,871,116	2,099,753
Central	180,720	181,148
Operation of Non-Instructional Services	2,145,452	1,907,926
Extracurricular Activities	5,439	478,374
Interest and Fiscal Charges	706,223	669,064
Depreciation Expense	520,921	410,740
Total Expenses	50,317,787	48,903,074
<i>Change in Net Position</i>	3,181,301	3,592,763
<i>Beginning Net Position</i>	(37,994,291)	(41,587,054)
<i>Ending Net Position</i>	\$ (34,812,990)	(37,994,291)

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(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 31.81% of revenues for governmental activities for the Troy City School District for fiscal year 2016. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 34.46% of the School District's total revenue was received from unrestricted intergovernmental sources during fiscal year 2016.

Despite not having sought new operating funds through a property tax levy in nearly ten years, the School District has been able to remain financially stable following encountering financial difficulties in the recent past. Careful management of expenses has allowed the School District to increase cash balance maintained on hand. Revenues for fiscal year 2016 increased by \$1.0 million and expenses increased by \$1.4 million over those reported for the prior year.

Instruction comprises 66.26% of the School District's expenses for fiscal year 2016. Support services expenses make up 27.02% 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 NET COST OF PROGRAM SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30,

	2016		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 33,341,503	29,569,249	31,298,009	26,998,438
Support Services:				
Pupils and Instructional Staff	3,269,223	3,126,843	3,003,731	2,987,531
Board of Education, Administration, Fiscal and Business	5,903,589	5,284,448	5,398,499	5,238,207
Operation and Maintenance of Plant	2,373,601	2,206,435	3,455,830	3,305,956
Pupil Transportation	1,871,116	1,871,116	2,099,753	2,099,753
Central	180,720	180,720	181,148	181,148
Operation of Non-Instructional Services	2,145,452	609,776	1,907,926	228,735
Extracurricular Activities	5,439	(624,432)	478,374	(149,414)
Interest and Fiscal Charges	706,223	706,223	669,064	669,064
Depreciation Expense	520,921	520,921	410,740	410,740
Total Expenses	\$ 50,317,787	43,451,299	48,903,074	41,970,158

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(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 \$15.6 million, or 85.89% 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 \$2.3 million. The unassigned ending fund balance of the General Fund (\$14.6 million) represents approximately 33.94% 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 \$43.6 million compared with the final budgeted revenue of \$45.6 million, with a 4.58% increase in budgeted amounts during the year. Actual revenue for the year totaled \$45.6 million which equaled the final budgeted figure.

Total actual expenditures on the budget basis (cash expenditures plus encumbrances) were \$43.3 million, which equaled the final budget and was \$1.85 million 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 2016, the School District had \$24.8 million invested in land, buildings, improvements, furniture, textbooks and equipment, and vehicles in governmental activities net of accumulated depreciation.

Overall, net capital assets decreased \$484,794 from fiscal year 2015. 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 2016, primary capital additions included various improvements to buildings and grounds totaling \$851,243, purchase of furniture and equipment totaling \$99,233, and \$204,720 in vehicles, including new busses. Current year depreciation expense totaled \$1.63 million. Capital assets disposed of during the fiscal year had a historical cost of \$408,172 with related accumulated depreciation of \$396,777 resulting in a net loss equal to \$11,395.

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.

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MIAMI COUNTY, OHIO
Management's Discussion and Analysis
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(Unaudited)

Table 4 shows fiscal year 2016 balances compared to 2015:

TABLE 4
CAPITAL ASSETS, JUNE 30

	2016	2015
Land	\$ 530,131	530,131
Buildings	16,083,404	16,604,325
Improvements	6,354,366	6,159,259
Furniture and Equipment	621,864	752,379
Textbooks	10,718	27,577
Vehicles	1,202,797	1,214,402
Total Net Capital Assets	\$ 24,803,280	25,288,073

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

Long-Term Obligations

At June 30, 2016, the School District had three separate bond issues with an outstanding amount due of \$17.6 million, of which \$1,010,000 is scheduled to mature in the next fiscal year. During the year, \$985,000 of principal payments were made and \$233,890 of interest was accreted to the principal of the capital appreciation bonds. At June 30, 2016, the School District's overall legal debt margin was \$44.0 million and the unvoted debt margin was \$646,781.

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.

TROY CITY SCHOOL DISTRICT

MIAMI COUNTY, OHIO

Statement of Net Position

June 30, 2016

	Governmental Activities
ASSETS:	
Pooled Cash and Investments	\$ 17,209,034
Receivables:	
Income Taxes	3,135,548
Accounts	68,642
Intergovernmental	131,775
Property and Other Local Taxes	19,325,703
Materials and Supplies Inventory	46,130
Prepaid Items	23,533
Restricted Asset:	
Cash and Cash Equivalents with Escrow Agent	461,713
Capital Assets:	
Nondepreciable	530,131
Depreciable, Net of Accumulated Depreciation	24,273,149
Total Assets	<u>65,205,358</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Charge on Refunding	1,234,185
Pension	5,938,910
Total Deferred Outflows of Resources	<u>7,173,095</u>
LIABILITIES:	
Accounts Payable	321,088
Accrued Wages and Benefits	2,534,585
Intergovernmental Payable	774,310
Claims Payable	644,459
Accrued Interest Payable	40,272
Noncurrent Liabilities:	
Due Within One Year	1,465,819
Due In More Than One Year	
Net Pension Liability	60,268,549
Other Amounts Due In More Than One Year	19,405,638
Total Liabilities	<u>85,454,720</u>
DEFERRED INFLOWS OF RESOURCES:	
Property Taxes not Levied to Finance Current Year Operations	17,455,176
Pension	4,281,547
Total Deferred Inflows of Resources	<u>21,736,723</u>
NET POSITION:	
Net Investment in Capital Assets	8,963,059
Restricted for:	
Hayner Cultural Center	492,431
Student Activities	425,861
Auxiliary Services	70,679
Educational Grants	18,383
Capital Projects	609,054
Debt Service	843,405
Unrestricted	(46,235,862)
Total Net Position	<u>\$ (34,812,990)</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, 2016

Functions/Programs:	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)/ Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$ 23,811,919	651,632	1,944,334	-	(21,215,953)
Special	6,712,121	174,189	1,002,099	-	(5,535,833)
Vocational	12,665	-	-	-	(12,665)
Student Intervention Services	221,291	-	-	-	(221,291)
Other	2,583,507	-	-	-	(2,583,507)
Support Services:					
Pupils	2,140,610	80,573	61,807	-	(1,998,230)
Instructional Staff	1,128,613	-	-	-	(1,128,613)
Board of Education	1,139,161	-	-	-	(1,139,161)
Administration	3,909,370	99,820	9,131	-	(3,800,419)
Fiscal	485,514	-	265,411	-	(220,103)
Business	369,544	211,821	32,958	-	(124,765)
Operation and Maintenance of Plant	2,373,601	136,601	30,565	-	(2,206,435)
Pupil Transportation	1,871,116	-	-	-	(1,871,116)
Central	180,720	-	-	-	(180,720)
Operation of Non-Instructional Services	2,145,452	725,099	810,577	-	(609,776)
Extracurricular Activities	5,439	622,871	-	7,000	624,432
Interest and Fiscal Charges	706,223	-	-	-	(706,223)
Unallocated Depreciation *	520,921	-	-	-	(520,921)
Total	<u>\$ 50,317,787</u>	<u>2,702,606</u>	<u>4,156,882</u>	<u>7,000</u>	<u>(43,451,299)</u>
General Revenues:					
Property Taxes Levied for:					
General Purposes					14,581,414
Hayner Cultural Center					481,653
Debt Service					1,347,872
Capital Outlay					608,533
Income Taxes Levied for General Purposes					10,783,871
Grants, Entitlements and Contributions not Restricted to					
Specific Programs					18,437,313
Investment Earnings					55,358
Other Revenue					336,586
					<u>46,632,600</u>
					Change in Net Position
					3,181,301
					Net Position, Beginning of Year
					(37,994,291)
					Net Position, End of Year
					\$ <u>(34,812,990)</u>

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

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:			
Pooled Cash and Investments	\$ 13,851,516	2,549,381	16,400,897
Receivables:			
Property and Local Taxes	16,511,714	2,813,989	19,325,703
Income Taxes	3,135,548	-	3,135,548
Accounts	68,642	-	68,642
Intergovernmental	-	131,775	131,775
Materials and Supplies Inventory	19,000	27,130	46,130
Prepaid Items	16,625	6,907	23,532
Restricted Asset:			
Cash and Cash Equivalents with Escrow Agent	461,713	-	461,713
Total Assets	<u>\$ 34,064,758</u>	<u>5,529,182</u>	<u>39,593,940</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 164,718	156,370	321,088
Accrued Wages and Benefits	2,387,162	147,423	2,534,585
Intergovernmental Payable	708,230	66,080	774,310
Compensated Absences Payable	88,137	-	88,137
Total Liabilities	<u>3,348,247</u>	<u>369,873</u>	<u>3,718,120</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes not Levied to Finance			
Current Year Operations	14,928,937	2,526,239	17,455,176
Unavailable Revenue	209,980	73,842	283,822
Total Deferred Inflows of Resources	<u>15,138,917</u>	<u>2,600,081</u>	<u>17,738,998</u>
FUND BALANCES:			
Nonspendable	35,625	34,037	69,662
Restricted	461,713	2,607,363	3,069,076
Assigned	430,605	-	430,605
Unassigned	14,649,651	(82,172)	14,567,479
Total Fund Balances	<u>15,577,594</u>	<u>2,559,228</u>	<u>18,136,822</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 34,064,758</u>	<u>5,529,182</u>	<u>39,593,940</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, 2016

Total Governmental Fund Balances	\$ 18,136,822
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.	24,803,280
Some revenues will not be available to pay for current period expenditures and therefore are reported as unavailable in the funds.	283,822
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.	163,678
Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
General Obligation Bonds	(15,037,194)
Energy Conservation Bonds	(1,103,964)
Unamortized Bond Premiums	(1,495,451)
Deferred Amount on Refunding	1,234,186
Accrued Interest Payable	(40,272)
Compensated Absences Payable	(3,146,711)
The net pension liability is not due and payable in the current period; therefore the liability and related deferred inflows and outflows are not reported in the governmental funds.	
Deferred Outflows - Pension	5,938,910
Deferred Inflows - Pension	(4,281,547)
Net Pension Liability	<u>(60,268,549)</u>
Net Position of Governmental Activities	\$ <u>(34,812,990)</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, 2016

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Property and Other Local Taxes	\$ 14,569,376	2,439,271	17,008,647
Income Taxes	10,783,871	-	10,783,871
Intergovernmental	18,528,132	4,011,184	22,539,316
Investment Earnings	55,088	270	55,358
Tuition and Fees	1,016,842	12,634	1,029,476
Charges for Services	-	800,099	800,099
Extracurricular Activities	203,066	632,351	835,417
Miscellaneous	301,425	122,293	423,718
Total Revenues	<u>45,457,800</u>	<u>8,018,102</u>	<u>53,475,902</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	20,563,844	1,806,759	22,370,603
Special	5,704,845	913,481	6,618,326
Vocational	12,665	-	12,665
Student Intervention Services	221,291	-	221,291
Other	2,564,582	-	2,564,582
Support Services:			
Pupils	2,128,132	-	2,128,132
Instructional Staff	1,031,813	112,362	1,144,175
Board of Education	1,139,161	-	1,139,161
Administration	3,287,319	382,563	3,669,882
Fiscal	519,916	94,715	614,631
Business	451,894	6,228	458,122
Operation and Maintenance of Plant	3,315,244	167,211	3,482,455
Pupil Transportation	1,960,077	-	1,960,077
Central	254,781	-	254,781
Operation of Non-Instructional Services	-	1,818,478	1,818,478
Extracurricular Activities	3,733	549,345	553,078
Capital Outlay	-	638,981	638,981
Debt Service:			
Principal	-	985,000	985,000
Interest	-	493,110	493,110
Total Expenditures	<u>43,159,297</u>	<u>7,968,233</u>	<u>51,127,530</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>2,298,503</u>	<u>49,869</u>	<u>2,348,372</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Capital Assets	154	44	198
Transfers In	-	8,394	8,394
Transfers Out	(8,394)	-	(8,394)
Total Other Financing Sources (Uses)	<u>(8,240)</u>	<u>8,438</u>	<u>198</u>
Net Change in Fund Balances	2,290,263	58,307	2,348,570
Fund Balance, Beginning of Year	<u>13,287,331</u>	<u>2,500,921</u>	<u>15,788,252</u>
Fund Balance, End of Year	<u>\$ 15,577,594</u>	<u>2,559,228</u>	<u>18,136,822</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, 2016

Total Net Change in Fund Balances - Total Governmental Funds	\$	2,348,570
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		1,155,195
Current Year Depreciation		(1,628,594)
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.		
		(11,395)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		22,987
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		985,000
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.		
		1,641
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		(145,693)
Accreted interest on capital appreciation bonds		(233,890)
Amortization of bond premium		108,117
Amortization of deferred amount on refunding		(88,980)
The Internal Service fund 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 income of the internal service fund is allocated among the governmental activities.		
		229,720
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		3,558,061
Except for amounts reported as deferred outflows and inflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		<u>(3,119,438)</u>
Change in Net Position of Governmental Activities	\$	<u>3,181,301</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, 2016

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
ASSETS:	
Pooled Cash and Investments	\$ <u>808,137</u>
LIABILITIES:	
Claims Payable	<u>644,459</u>
NET POSITION:	
Unrestricted	\$ <u><u>163,678</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, 2016

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
OPERATING REVENUES:	
Insurance Premium Contributions:	
Employer Contributions from District	\$ 5,461,144
Employee Contributions	238,125
Stop Loss Premiums	<u>(647,588)</u>
Net Premium Contributions	5,051,681
Miscellaneous	<u>237,885</u>
Total Operating Revenues	<u>5,289,566</u>
OPERATING EXPENSES:	
Insurance Claims Expense:	
Total Claims Incurred	5,316,817
Claims Ceded to Stop Loss Coverage	<u>(504,577)</u>
Net Claims Incurred	4,812,240
Contractual Services	<u>247,606</u>
Total Operating Expenses	<u>5,059,846</u>
Operating Income	229,720
Net Position, Beginning of Year	<u>(66,042)</u>
Net Position, End of Year	\$ <u>163,678</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, 2016

	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	\$ 5,461,144
Cash Received for Employee Premiums	238,125
Cash Payments for Premiums for Stop Loss Insurance	(647,588)
Cash Received for Other Purposes	237,885
Cash Payments for Insurance Claims	(5,546,537)
Cash Received from Stop Loss Insurance	504,577
Cash Payments for Contractual Services	(247,606)
Net Cash Provided by Operating Activities	-
Net Increase in Pooled Cash and Investments	-
Pooled Cash and Investments, Beginning of Year	808,137
Pooled Cash and Investments, End of Year	\$ 808,137
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$ 229,720
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in assets and liabilities:	
Decrease in Claims Payable	(229,720)
Net Cash Provided by Operating Activities	\$ -

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT

MIAMI COUNTY, OHIO

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	Scholarship Private- Purpose Trust Funds	Agency Fund
ASSETS:		
Pooled Cash and Investments	\$ 281,700	111,497
Prepaid Items	<u>-</u>	<u>334</u>
Total Assets	<u>281,700</u>	<u>111,831</u>
LIABILITIES:		
Accounts Payable	38,750	12,146
Due to Students	<u>-</u>	<u>99,685</u>
Total Liabilities	<u>38,750</u>	<u>111,831</u>
NET POSITION:		
Held in Trust for Scholarships	\$ <u>242,950</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, 2016

		<u>Scholarship Private- Purpose Trust Funds</u>
ADDITIONS:		
Gifts and Contributions	\$	32,136
Investment Earnings		5,117
Miscellaneous		<u>2,863</u>
Total Additions		<u>40,116</u>
DEDUCTIONS:		
Educational Outreach		<u>40,431</u>
Total Deductions		<u>40,431</u>
Change in Net Position		(315)
Net Position, Beginning of Year		<u>243,265</u>
Net Position, End of Year	\$	<u><u>242,950</u></u>

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Southwestern Ohio Educational Purchasing Council
Metropolitan Educational Technology Association

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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, 2016

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 deferred outflows and liabilities and deferred inflows 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, 2016

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, 2016

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 statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained further in Note 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are further explained in Note 11.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016.

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

G. Pooled Cash and Investments

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

During fiscal year 2016, investments included federal government agency bonds, money market funds, U.S. Treasury Notes, STAROhio, and negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value. 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 2016. 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, 2016, which approximates fair value.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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 2016 amounted to \$55,088, 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 cost 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, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

J. Estimates

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

K. Capital Assets and Depreciation

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

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

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Restricted Assets

The restricted asset reported within the general fund represents the required sinking fund established in accordance with the covenants of the 2009 energy conservation bond issue. The School District agreed to set aside deposit quarterly to the sinking fund account held by the paying agent to be applied to the payment of the principal amount of the bonds at maturity.

M. 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.

N. 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, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions

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

P. 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.

Q. 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.

R. 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 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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

S. 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	\$ 19,000	27,130	46,130
Prepays	16,625	6,907	23,532
Total Nonspendable	<u>35,625</u>	<u>34,037</u>	<u>69,662</u>
Restricted for:			
Debt Service	461,713	967,100	1,428,813
Capital Improvements	-	601,209	601,209
Hayner Cultural Center	-	529,588	529,588
District Managed Activities	-	425,468	425,468
State Educational Grants	-	68,344	68,344
Federal Education Grants	-	15,654	15,654
Total Restricted	<u>461,713</u>	<u>2,607,363</u>	<u>3,069,076</u>
Assigned for:			
Student and Staff Support	180,983	-	180,983
Subsequent Expenditures	249,622	-	249,622
Total Assigned	<u>430,605</u>	<u>-</u>	<u>430,605</u>
Unassigned (Deficit)	<u>14,649,651</u>	<u>(82,172)</u>	<u>14,567,479</u>
Total Fund Balances	<u>\$ 15,577,594</u>	<u>2,559,228</u>	<u>18,136,822</u>

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 4 - ACCOUNTABILITY

The following fund had a fund equity deficits as of June 30, 2016:

	<u>Deficit</u> <u>Fund Equity</u>
Special Revenue Funds:	
Lunchroom Fund	\$ 54,363
Title II-A Grant Fund	436

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

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” statues 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 \$10,506,083 (including \$14,790 of cash on hand) and the bank balance was \$11,080,131. Of the bank balance, \$2,585,675 was covered by federal depository insurance (FDIC) and \$8,494,456 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, 2016

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Investments

Investments are reported at fair value. As of June 30, 2016, the School District had the following investments:

	Fair Value	Maturity (in years)		% of Portfolio	Credit Rating*
		Less than 1	1-3		
Mutual Fund	347,936	347,936	-	4.60%	AAAm
FNMA	\$ 870,000	870,000	-	11.51%	AA+
U.S. Treasury Notes	1,012,416	-	1,012,416	13.40%	N/A
Negotiable CD's	5,327,439	3,386,140	1,941,299	70.49%	N/A
STAR Ohio	<u>70</u>	<u>70</u>	<u>-</u>	0.00%	AAAm
Total Investments	\$ <u>7,557,861</u>	<u>4,604,146</u>	<u>2,953,715</u>		

* - as rated by Standard & Poor's rating services

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

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

Credit Risk – The District has no investment policy that would further limit its investment risk other than what has been approved by State statute. The School District's negotiable certificates of deposits (CDs) were covered by FDIC.

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

Fair Value Measurement

The School District's investments measured and reported at fair value are classified according to the following hierarchy:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

The categorization of investments within the hierarchy is based upon the transparency of the instrument and should not be perceived as the particular investment’s risk. The School District had the following reoccurring fair value measurements as of June 30, 2016:

<u>Investment Type</u>	<u>Total</u>	<u>Identical Assets (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
FNMA	\$ 870,000	\$ -	\$ 870,000	\$ -
U.S. Treasuries	1,012,416	-	\$ 1,012,416	-
Negotiable CDs	<u>5,327,439</u>	<u>-</u>	<u>5,327,439</u>	<u>-</u>
Total	<u>\$ 7,209,855</u>	<u>\$ -</u>	<u>\$ 7,209,855</u>	<u>\$ -</u>

Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment managers.

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 2016 represents collections of calendar year 2015 taxes. Real property taxes received during calendar year 2016 were levied after April 1, 2015 on the assessed value listed as of January 1, 2015, 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.

Public utility property tax revenue received in calendar year 2016 represents collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015, 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, 2016 are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 6 – PROPERTY TAXES (Continued)

Property taxes receivable represents real property and public utility property taxes that are measurable as of June 30, 2016 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, 2016, was \$1,350,650, \$139,815, \$62,953 and \$50,064 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 2016 taxes were collected are as follows:

	2016 First Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 624,714,570	96.59%	620,459,840	96.69%
Public Utility	22,066,770	3.41%	21,217,960	3.31%
Total Assessed Value	\$ 646,781,340	100.00%	641,677,800	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$52.67		 \$52.69	

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 2016, this income tax generated \$10,783,871 of revenue in the General Fund.

NOTE 8 – RECEIVABLES

Receivables at June 30, 2016, consisted of current and delinquent property taxes, income taxes, accounts (rent and student fees), and intergovernmental grants. 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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 8 – RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Title I Grant Fund	\$ 72,226
Title I-D Grant Fund	34,200
Title II-A Grant Fund	10,395
Title III Grant Fund	<u>14,954</u>
Total Intergovernmental Receivables	<u>\$ 131,775</u>

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>6/30/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2016</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	15,181,383	851,243	(5,950)	16,026,676
Furniture and Equipment	4,852,063	99,233	(79,998)	4,871,298
Textbooks	315,622	-	(245,476)	70,146
Vehicles	<u>3,093,945</u>	<u>204,720</u>	<u>(76,748)</u>	<u>3,221,917</u>
	<u>53,873,832</u>	<u>1,155,196</u>	<u>(408,172)</u>	<u>54,620,856</u>
<u>Less: Accumulated Depreciation:</u>				
Buildings	(13,826,494)	(520,921)		(14,347,415)
Improvements	(9,022,124)	(656,136)	5,950	(9,672,310)
Furniture and Equipment	(4,099,684)	(227,491)	77,741	(4,249,434)
Textbooks	(288,045)	(11,013)	239,630	(59,428)
Vehicles	<u>(1,879,543)</u>	<u>(213,033)</u>	<u>73,456</u>	<u>(2,019,120)</u>
	<u>(29,115,890)</u>	<u>(1,628,594) *</u>	<u>396,777</u>	<u>(30,347,707)</u>
Capital Assets, being depreciated, net	<u>24,757,942</u>	<u>(473,398)</u>	<u>(11,395)</u>	<u>24,273,149</u>
Capital Assets, net	<u>\$ 25,288,073</u>	<u>(473,398)</u>	<u>(11,395)</u>	<u>24,803,280</u>

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 9 – CAPITAL ASSETS (Continued)

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

Instruction:	
Regular	\$ 669,590
Support Services:	
Instructional Staff	9,945
Administration	168,922
Operation and Maintenance of Plant	24,415
Pupil Transportation	206,370
Operation of Non-Instructional Services	22,625
Extracurricular Activities	5,806
	<u>1,107,673</u>
Unallocated Depreciation	520,921
Total Depreciation Expense	<u><u>\$ 1,628,594</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 majority 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, 2016, 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, 2016, follows:

Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2015	\$ 968,763	4,774,332	(4,868,916)	874,179
2016	\$ 874,179	5,316,817	(5,546,537)	644,459

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund. For the fiscal year ended June 30, 2016, the entire employer contribution was allocated to pension, death benefits, and Medicare B.

The School District’s contractually required contribution to SERS was \$899,569 for fiscal year 2016; \$189,178 of contributions is reported within intergovernmental payable at June 30, 2016.

Plan Description - State Teachers Retirement System (STRS)

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

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and was increased one percent again on July 1, 2016, to reach statutory maximum amount of 14 percent. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

The School District’s contractually required contribution to STRS was \$2,658,492 for fiscal year 2016; \$497,504 of contributions is reported within intergovernmental payable at June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 12,045,291	\$ 48,223,258	\$ 60,268,549
Proportion of the net pension liability	0.211095%	0.17448756%	
Pension expense	\$ 1,023,640	\$ 2,095,798	\$ 3,119,438

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 168,655	\$ 2,200,185	\$ 2,368,840
Change in District's proportionate share	12,009	-	12,009
School District contributions subsequent to the measurement date	899,569	2,658,492	3,558,061
Total	\$ 1,080,233	\$ 4,858,677	\$ 5,938,910
<u>Deferred Inflows of Resources:</u>			
Net difference between projected and actual earnings on pension plan investments	\$ (577,442)	\$ (3,503,038)	\$ (4,080,480)
Change in District's proportionate share	-	(201,067)	(201,067)
Total deferred inflows	\$ (577,442)	\$ (3,704,105)	\$ (4,281,547)

\$3,558,061 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$ (200,611)	\$ (843,936)	\$ (1,044,547)
2018	(200,611)	(843,936)	(1,044,547)
2019	(200,192)	(843,938)	(1,044,130)
2020	206,636	1,027,890	1,234,526
	\$ (394,778)	\$ (1,503,920)	\$ (1,898,698)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment rate of return	7.75 percent of net investments expense, including inflation
Actuarial cost method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00%	0.00%
US stocks	22.50%	5.00%
Non-US stocks	22.50%	5.50%
Fixed income	19.00%	1.50%
Private equity	10.00%	10.00%
Real assets	10.00%	5.00%
Multi-asset strategies	<u>15.00%</u>	7.50%
Total	<u>100.00%</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$ 16,702,490	\$ 12,045,291	\$ 8,123,545

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District's net pension liability is expected to be significant.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Future salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	31.00%	8.00%
International equity	26.00%	7.85%
Alternatives	14.00%	8.00%
Fixed income	18.00%	3.75%
Real estate	10.00%	6.75%
Liquidity reserves	<u>1.00%</u>	3.00%
Total	<u>100.00%</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 66,985,743	\$ 48,223,258	\$ 32,356,779

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – In addition to a cost sharing multiple employer defined benefit pension plan, SERS administers a postemployment benefit plan. Sections 3309.375 and 3309.69 of the Ohio Revised Code (ORC) permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS offers several types of health plans from various vendors including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health care coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

Fund Policy – The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pension and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2016, none of the employer contributions were allocated to health care. Contributions to the Health Care Plan were limited to the surcharge assessed for employees earning less than an actuarially determined amount; for 2016, this amount was \$23,000 for the School District.

Active members do not make contributions to the postemployment benefit plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's allocated contributions to the health care fund for the years ended June 30, 2016, 2015 and 2014 were \$0, \$149,986, and \$95,208 respectively; which equaled the required contributions for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves, dependents, or surviving beneficiaries. Premiums vary depending on plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of the health care plan are included in SERS' CAFR which can be obtained at www.ohsers.org under employers/audit resources.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016 and 2015, STRS Ohio did not allocated any portion of the employer contributions to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal year ended June 30, 2014 was \$180,129; which equaled the required contributions for that year.

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, 2016

NOTE 14 – LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2016 were as follows:

	Amount Outstanding 6/30/15	Increase	Decrease	Amount Outstanding 6/30/16	Amount Due Within One Year
General Obligation Bonds:					
2012 Refunding Bonds					
Serial - 2.00% - 4.00%	\$ 8,020,000	-	-	8,020,000	-
2013 Refunding Bonds					
Serial - 3.00% - 5.00%	5,820,000	-	(985,000)	4,835,000	-
Term - 2.05% - 2.50%	1,320,000	-	-	1,320,000	-
Capital Appreciation Bonds	628,304	233,890	-	862,194	1,010,000
Add: Bond Premium	<u>1,603,568</u>	<u>-</u>	<u>(108,117)</u>	<u>1,495,451</u>	<u>-</u>
Total General Obligation Bonds	<u>17,391,872</u>	<u>233,890</u>	<u>(1,093,117)</u>	<u>16,532,645</u>	<u>1,010,000</u>
Net Pension Liability:					
STRS	42,692,748	5,530,510	-	48,223,258	-
SERS	<u>10,667,557</u>	<u>1,377,734</u>	<u>-</u>	<u>12,045,291</u>	<u>-</u>
Total Net Pension Liability	<u>53,360,305</u>	<u>6,908,244</u>	<u>-</u>	<u>60,268,549</u>	<u>-</u>
Energy Conservation Bonds 0.0%	1,103,964	-	-	1,103,964	-
Compensated Absences	<u>3,123,872</u>	<u>664,160</u>	<u>(553,184)</u>	<u>3,234,848</u>	<u>455,819</u>
Total Governmental Activities	<u>\$ 74,980,013</u>	<u>7,806,294</u>	<u>(1,646,301)</u>	<u>81,140,006</u>	<u>1,465,819</u>

The School District pays obligations related to employee compensation (compensated absences and pension contributions) from the fund benefitting from their service.

Legal Debt Margins

As of June 30, 2016, the overall legal debt margin was \$43,998,335 with an unvoted debt margin of \$646,781.

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:

- \$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, 2016

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

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>
2017	\$ 867,194	631,016	1,498,210
2018	1,065,000	462,250	1,527,250
2019	1,110,000	419,530	1,529,530
2020	655,000	385,010	1,040,010
2021	685,000	358,990	1,043,990
2022-26	3,890,000	1,393,494	5,283,494
2027-31	4,625,000	704,800	5,329,800
2032-33	<u>2,140,000</u>	<u>64,647</u>	<u>2,204,647</u>
Total	\$ <u>15,037,194</u>	<u>4,419,737</u>	<u>19,456,931</u>

Energy Conservation Bonds

The School 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 are a single term bond which do not bear interest and mature on September 1, 2024. Although the bonds are not subject to mandatory sinking fund redemption, the School District covenanted to set aside deposits quarterly which are to be held by the paying agent in a separate account, to be applied to the payment of the principal amount of the bonds at maturity.

At June 30, 2016 the fair value of the sinking account (separate account maintained by paying agent) was \$461,713 and is reported as restricted cash and cash equivalents with escrow agent within the general fund.

Annual deposit requirements to the sinking fund are as follows:

<u>Year</u>	<u>Required Deposit</u>
2017	\$ 75,964
2018	75,964
2019	75,964
2020	75,964
2021	75,964
2022-25	<u>263,484</u>
Total	\$ <u>643,304</u>

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

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

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2016, the School District contributed \$2,092 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 Educational Technology Association – The School District is a participant in the Metropolitan Educational Technology Association (META), which is a data acquisition site used by the School District. META is an association of public school districts in a geographic area determined by the Ohio Department of Education. META 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 2016, the District contributed \$131,363 to META. The Board of META consists of one representative from each of the participating members. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio 43302.

NOTE 16 - 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.

	<u>Capital Acquisition</u>
Set-aside Cash Balance, June 30, 2015	\$ -
Current Year Set-aside Requirement	768,894
Qualifying Disbursements	(22,357)
Current Year Off-Sets	<u>(746,537)</u>
Total	<u>-</u>
Balance Carried Forward to FY2017	\$ <u>-</u>

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 17 - 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, 2016.

B. Full-Time Equivalency Review

Full-Time Equivalency Review – School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts were required to comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year. As of the date of this report, ODE has not finalized the impact of the of enrollment adjustments to the Foundation funding for the School District for fiscal year 2016; however based on information currently available, management does not believe the effects of these reviews will have a material effect on the School District's financial statement.

C. Litigation

The School District is not currently party to legal proceedings.

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2016, the School District implemented the Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application* and No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments, as well as requiring certain disclosures related to all fair value measurements be presented with the financial statement. GASB Statement No. 76 elevates GASB Implementation Guides in the GAAP hierarchy as well as emphasizing importance of analogies to authoritative literature when not specified in authoritative GAAP.

It should also be noted that in June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which will require the reporting entity to recognize on the face of the financial statements, its proportionate share of the net OPEB liability related to its participation in the School Employees Retirement System (SERS) and the State Teachers Retirement System (STRS). This Standard also enhances accountability and transparency through revised note disclosures and required supplementary information. The provisions of this Standard are required to be implemented for reporting periods beginning after June 15, 2017. The School District has not early implemented GASB Statement No. 75 and is currently in the process of evaluating the impact this Standard will have on its 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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 24,698,006	25,829,618	25,829,618	-
Intergovernmental	17,716,403	18,528,132	18,528,132	-
Interest	36,371	38,037	38,037	-
Tuition and Fees	923,901	966,232	966,232	-
Miscellaneous	254,909	266,588	266,588	-
Total Revenues	<u>43,629,590</u>	<u>45,628,607</u>	<u>45,628,607</u>	-
Expenditures:				
Current:				
Instruction:				
Regular	21,139,358	20,271,895	20,271,895	-
Special	6,001,433	5,755,161	5,755,161	-
Vocational	13,207	12,665	12,665	-
Other	2,943,025	2,822,257	2,822,257	-
Support Services:				
Pupils	2,206,838	2,116,279	2,116,279	-
Instructional Staff	1,100,766	1,055,596	1,055,596	-
Board of Education	1,236,539	1,185,797	1,185,797	-
Administration	3,417,972	3,277,714	3,277,714	-
Fiscal	547,712	525,236	525,236	-
Business	470,852	451,530	451,530	-
Operation and Maintenance of Plant	3,647,555	3,497,876	3,497,876	-
Pupil Transportation	2,054,995	1,970,667	1,970,667	-
Central	262,844	252,058	252,058	-
Other	4,857	4,658	4,658	-
Debt Service				
Principal	79,215	75,964	75,964	-
Total Expenditures	<u>45,127,168</u>	<u>43,275,353</u>	<u>43,275,353</u>	-
Excess of Revenues Over (Under) Expenditures	<u>(1,497,578)</u>	<u>2,353,254</u>	<u>2,353,254</u>	-
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	147	154	154	-
Refund of Prior Year Receipts	(21)	(20)	(20)	-
Advances In	15,616	16,332	16,332	-
Transfers In	1,816	1,899	1,899	-
Transfers Out	(8,753)	(8,394)	(8,394)	-
Total Other Financing Sources (Uses)	<u>8,805</u>	<u>9,971</u>	<u>9,971</u>	-
Net Change in Fund Balance	(1,488,773)	2,363,225	2,363,225	-
Fund Balance, Beginning of Year	10,704,089	10,704,089	10,704,089	-
Prior Year Encumbrances Appropriated	327,768	327,768	327,768	-
Fund Balance, End of Year	<u>\$ 9,543,084</u>	<u>13,395,082</u>	<u>13,395,082</u>	-

See accompanying notes to the required supplementary information.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Schedule of District's Proportionate Share of
the Net Pension Liability

Last Three Measurement Years (1)

	2015	2014	2013
<u>School Employees Retirement System of Ohio:</u>			
District's Proportion of the Net Pension Liability	0.211095%	0.210782%	0.210782%
District's Proportionate Share of the Net Pension Liability	\$ 12,045,291	\$ 10,667,557	\$ 12,534,529
District's Covered-Employee Payroll	\$ 6,750,448	\$ 6,186,782	\$ 5,975,267
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll.	178.44%	172.42%	209.77%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%
<u>State Teachers Retirement System of Ohio:</u>			
District's Proportion of the Net Pension Liability	0.17448756%	0.17552086%	0.17552086%
District's Proportionate Share of the Net Pension Liability	\$ 48,223,258	\$ 42,692,748	\$ 50,855,322
District's Covered-Employee Payroll	\$ 17,562,000	\$ 19,312,877	\$ 18,063,338
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll.	274.59%	221.06%	281.54%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%

(1) - Information prior to 2013 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Schedule of District's Contributions

Last Six Fiscal Years (1)

	2016	2015	2014	2013	2012	2011
<u>School Employees Retirement System of Ohio:</u>						
Contractually Required Contribution	\$ 899,569	\$ 889,709	\$ 857,488	\$ 826,977	\$ 956,503	\$ 876,954
Contributions in Relation to the Contractually Required Contributions	<u>(899,569)</u>	<u>(889,709)</u>	<u>(857,488)</u>	<u>(826,977)</u>	<u>(956,503)</u>	<u>(876,954)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>					
District Covered-Employee Payroll	\$ 6,425,493	\$ 6,750,448	\$ 6,186,782	\$ 5,975,267	\$ 7,111,546	\$ 6,976,563
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
<u>State Teachers Retirement System of Ohio:</u>						
Contractually Required Contribution	\$ 2,658,492	\$ 2,458,680	\$ 2,510,674	\$ 2,348,234	\$ 2,488,088	\$ 2,562,651
Contributions in Relation to the Contractually Required Contributions	<u>(2,658,492)</u>	<u>(2,458,680)</u>	<u>(2,510,674)</u>	<u>(2,348,234)</u>	<u>(2,488,088)</u>	<u>(2,562,651)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>					
District Covered-Employee Payroll	\$ 18,989,229	\$ 17,562,000	\$ 19,312,877	\$ 18,063,338	\$ 19,139,138	\$ 19,712,700
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

(1) - Information prior to 2011 is not available. The District will continue to present information for years available until a full ten-year trend is presented.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

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 2016.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

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, 2016

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

Net Change in Fund Balances	
	General Fund
GAAP Basis	\$ 2,290,263
Revenue Accruals	450,415
Expenditure Accruals	(35,155)
Encumbrances	(365,776)
Transfers & Advances	18,231
Perspective Difference	5,247
Budget (Non-GAAP) Basis	\$ 2,363,225

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 EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	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	188,699	-
National School Lunch Program	10.555	726,840	90,269
Total Child Nutrition Cluster		<u>915,539</u>	<u>90,269</u>
Total U.S. Department of Agriculture		<u>915,539</u>	<u>90,269</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	1,054,561	-
Special Education_Grants to States	84.027	986,167	-
English Language Acquisition State Grants	84.365	9,351	
Supporting Effective Instruction State Grant	84.367	<u>135,906</u>	<u>-</u>
Total U.S. Department of Education		<u>2,185,985</u>	<u>-</u>
Total Expenditures of Federal Awards		<u>3,101,524</u>	<u>90,269</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Troy City School District (the District) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225) or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2017.

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 consider 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

March 16, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for the 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) *Compliance Supplement* that could directly and materially affect Troy City School District's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2016.

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 the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 16, 2017

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

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 weaknesses in internal control 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 weaknesses in internal control 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 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Education Agencies (CFDA #84.010)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

**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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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
APRIL 4, 2017**