



Dave Yost • Auditor of State

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY
JUNE 30, 2017**

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MIAMI COUNTY
JUNE 30, 2017**

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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 the Troy City School District, Miami County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no such 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 the Troy City School District, Miami County, Ohio, as of June 30, 2017, 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 School 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 the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 14, 2018

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(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, 2017. 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 2017 are as follows:

Overall:

- Total net position decreased by \$3.1 million, which represents a 9.02% decrease from fiscal year 2016.
- Total assets of governmental activities increased by \$480,820, attributed primarily to an increase in cash and investments.
- General revenues accounted for \$47.4 million or 85.87% of total revenue. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for nearly \$7.8 million or 14.13% of total revenues of nearly \$55.2 million.
- Of the School District's \$58.3 million in expenses, only \$7.8 million were offset by program specific charges for services, grants or contributions. General revenues (primarily grants and entitlements, income taxes and property taxes) and carryover resources were used to cover the net expense of nearly \$50.5 million.
- The General Fund had \$46.7 million in revenues and \$46.8 million in expenditures representing 84.62% and 84.95% of the total governmental funds revenues and expenditures, respectively.
- The School District's only major fund is the General Fund. The General Fund's balance decreased by \$347,192 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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(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 2017?" 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, 2017
(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 2017 and 2016:

TABLE 1
NET POSITION JUNE 30

	2017	2016
Assets:		
Current and Other Assets	\$ 41,794,595	40,402,078
Capital Assets	23,891,583	24,803,280
Total Assets	65,686,178	65,205,358
Deferred Outflows of Resources:		
Deferred Charge on Refunding	1,145,204	1,234,185
Pension	14,998,659	5,938,910
Total Deferred Outflows of Resources	16,143,863	7,173,095
Liabilities:		
Current Liabilities	5,833,483	4,314,714
Long-Term Liabilities:		
Due Within One Year	1,658,820	1,465,819
Due in More Than One Year:		
Net Pension Liability	75,552,812	60,268,549
Other Long-Term Liabilities	18,404,785	19,405,638
Total Liabilities	101,449,900	85,454,720
Deferred Inflows of Resources:		
Property Taxes	18,040,030	17,455,176
Pension	292,757	4,281,547
Total Deferred Inflows of Resources	18,332,787	21,736,723
NET POSITION:		
Net Investment in Capital Assets	8,375,489	8,963,059
Restricted	3,595,817	2,459,813
Unrestricted	(49,923,952)	(46,235,862)
Total Net Position	\$ (37,952,646)	(34,812,990)

In fiscal year 2015, 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.

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

GASB Statement No. 68 (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.

Standards established by GASB 68 dictate 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 as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The 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.

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, 2017, the School District's total net position was a deficit of nearly \$(38.0) million. Of that amount, approximately \$8.4 million was the net investment in capital assets; \$3.6 million was subject to external restrictions upon its use; and the remaining deficit of nearly \$49.9 million, which resulted from the School District's reporting its proportion share of net pension liability. If the three reported amounts related to the net pension liability calculation are excluded, the unrestricted net position reported by the School District would be a positive \$10.9 million instead of the \$49.9

TROY CITY SCHOOL DISTRICT
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million deficit currently report. As the operation of the state-wide pension system is outside the control of the School District and varies significantly from year to year based on performance of investments, it is important to know how significant the recognition of the net pension liability has on the School District's reported net position.

Table 2 shows the changes in net position for fiscal year 2017, as compared to fiscal year 2016:

TABLE 2
CHANGE IN NET POSITION, JUNE 30

	2017	2016
REVENUES:		
Program Revenues:		
Charges for Services	\$ 3,119,896	2,702,606
Operating Grants and Contributions	4,676,661	4,156,882
Capital Grants and Contributions	-	7,000
General Revenues:		
Property Taxes	17,662,314	17,019,472
Income Taxes	11,023,898	10,783,871
Grants and Entitlements	18,360,729	18,437,313
Investment Earnings	51,901	55,358
Other	265,663	336,586
Total Revenues	55,161,062	53,499,088
PROGRAM EXPENSES:		
Instruction	37,916,643	33,341,503
Support Services:		
Pupils and Instructional Staff	4,063,908	3,269,223
Board of Education, Administration		
Fiscal and Business	5,965,096	5,903,589
Operation and Maintenance of Plant	3,525,947	2,373,601
Pupil Transportation	2,660,186	1,871,116
Central	267,733	180,720
Operation of Non-Instructional Services	2,267,780	2,145,452
Extracurricular Activities	500,624	5,439
Interest and Fiscal Charges	611,880	706,223
Depreciation Expense	520,921	520,921
Total Expenses	58,300,718	50,317,787
<i>Change in Net Position</i>	(3,139,656)	3,181,301
<i>Beginning Net Position</i>	(34,812,990)	(37,994,291)
<i>Ending Net Position</i>	\$ (37,952,646)	(34,812,990)

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property taxes made up 32.02% of revenues for governmental activities for the Troy City School District for fiscal year 2017. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 33.29% of the School District's total revenue was received from unrestricted intergovernmental sources during fiscal year 2017.

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 2017 increased by \$1.7 million and expenses increased by nearly \$8.0 million over those reported for the prior year.

Instruction comprises 65.04% of the School District's expenses for fiscal year 2017. Support services expenses make up 28.27% 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,

	2017		2016	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 37,916,643	33,046,540	33,341,503	29,569,249
Support Services:				
Pupils and Instructional Staff	4,063,908	4,063,908	3,269,223	3,126,843
Board of Education, Administration, Fiscal and Business	5,965,096	5,442,297	5,903,589	5,284,448
Operation and Maintenance of Plant	3,525,947	3,525,947	2,373,601	2,206,435
Pupil Transportation	2,660,186	2,660,186	1,871,116	1,871,116
Central	267,733	267,733	180,720	180,720
Operation of Non-Instructional Services	2,267,780	531,715	2,145,452	609,776
Extracurricular Activities	500,624	(166,966)	5,439	(624,432)
Interest and Fiscal Charges	611,880	611,880	706,223	706,223
Depreciation Expense	520,921	520,921	520,921	520,921
Total Expenses	\$ 58,300,718	50,504,161	50,317,787	43,451,299

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(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 \$15.23 million, or 83.81% of the total fund balance for all governmental funds.

The School District's primary operating fund, the General Fund, ended the year with expenditures exceeding revenues by \$347,192. The unassigned ending fund balance of the General Fund (\$12.9 million) represents approximately 27.50% 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 \$45.6 million compared with the final budgeted revenue of nearly \$46.0 million, with a .88% increase in budgeted amounts during the year. Actual revenue for the year totaled nearly \$46.0 million which equaled the final budgeted figure.

Total actual expenditures on the budget basis (cash expenditures plus encumbrances) were \$46.7 million, which equaled the final budget and \$1.77 million higher 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 2017, the School District had nearly \$23.9 million invested in land, buildings, improvements, furniture, textbooks and equipment, and vehicles in governmental activities net of accumulated depreciation.

Overall, net capital assets decreased \$911,697 from fiscal year 2016. 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 2017, primary capital additions included various improvements to buildings and grounds totaling \$310,719, purchase of furniture and equipment totaling \$94,098, and \$285,304 in vehicles, including new busses. Current year depreciation expense totaled \$1.60 million. Capital assets disposed of during the fiscal year had a historical cost of \$189,155 with related accumulated depreciation of \$184,120 resulting in a net loss equal to \$5,035.

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 2017 balances compared to 2016:

TABLE 4
CAPITAL ASSETS, JUNE 30

	2017	2016
Land	\$ 530,131	530,131
Buildings	15,562,483	16,083,404
Improvements	6,010,685	6,354,366
Furniture and Equipment	509,564	621,864
Textbooks	3,842	10,718
Vehicles	1,274,878	1,202,797
Total Net Capital Assets	\$ 23,891,583	24,803,280

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, 2017, the School District had three separate bond issues with an outstanding amount due of nearly \$16.7 million, of which \$1,025,000 is scheduled to mature in the next fiscal year. During the year, \$1,015,000 of principal payments were made and \$147,806 of interest was accreted to the principal of the capital appreciation bonds. At June 30, 2017, the School District's overall legal debt margin was \$48.8 million and the unvoted debt margin was \$689,919.

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, 2017

	Governmental Activities
ASSETS:	
Pooled Cash and Investments	\$ 17,555,157
Receivables:	
Income Taxes	3,204,167
Accounts	97,221
Intergovernmental	139,848
Property and Other Local Taxes	20,082,272
Materials and Supplies Inventory	29,325
Prepaid Items	147,686
Restricted Asset:	
Cash and Cash Equivalents with Escrow Agent	538,919
Capital Assets:	
Nondepreciable	530,131
Depreciable, Net of Accumulated Depreciation	<u>23,361,452</u>
Total Assets	<u>65,686,178</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Charge on Refunding	1,145,204
Pension	<u>14,998,659</u>
Total Deferred Outflows of Resources	<u>16,143,863</u>
LIABILITIES:	
Accounts Payable	181,674
Accrued Wages and Benefits	2,719,022
Intergovernmental Payable	846,281
Claims Payable	2,046,234
Accrued Interest Payable	40,272
Noncurrent Liabilities:	
Due Within One Year	1,658,820
Due In More Than One Year	
Net Pension Liability	75,552,812
Other Amounts Due In More Than One Year	<u>18,404,785</u>
Total Liabilities	<u>101,449,900</u>
DEFERRED INFLOWS OF RESOURCES:	
Property Taxes not Levied to Finance Current Year Operations	18,040,030
Pension	<u>292,757</u>
Total Deferred Inflows of Resources	<u>18,332,787</u>
NET POSITION:	
Net Investment in Capital Assets	8,375,489
Restricted for:	
Hayner Cultural Center	512,158
Student Activities	599,780
Auxiliary Services	78,817
Educational Grants	34
Capital Projects	827,415
Debt Service	1,577,613
Unrestricted	<u>(49,923,952)</u>
Total Net Position	<u>\$ (37,952,646)</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, 2017

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>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 27,112,700	1,300,482	2,204,998	(23,607,220)
Special	7,605,709	234,329	1,130,294	(6,241,086)
Vocational	15,409	-	-	(15,409)
Student Intervention Services	310,470	-	-	(310,470)
Other	2,872,355	-	-	(2,872,355)
Support Services:				
Pupils	2,592,909	-	-	(2,592,909)
Instructional Staff	1,470,999	-	-	(1,470,999)
Board of Education	548,490	-	-	(548,490)
Administration	4,297,229	135,910	137,330	(4,023,989)
Fiscal	628,423	-	249,559	(378,864)
Business	490,954	-	-	(490,954)
Operation and Maintenance of Plant	3,525,947	-	-	(3,525,947)
Pupil Transportation	2,660,186	-	-	(2,660,186)
Central	267,733	-	-	(267,733)
Operation of Non-Instructional Services	2,267,780	796,124	939,941	(531,715)
Extracurricular Activities	500,624	653,051	14,539	166,966
Interest and Fiscal Charges	611,880	-	-	(611,880)
Unallocated Depreciation *	520,921	-	-	(520,921)
Total	\$ 58,300,718	3,119,896	4,676,661	(50,504,161)
General Revenues:				
Property Taxes Levied for:				
				15,144,105
				492,691
				1,401,225
				624,293
				11,023,898
				18,360,729
				51,901
				265,663
			Total General Revenues	47,364,505
			Change in Net Position	(3,139,656)
			Net Position, Beginning of Year	(34,812,990)
			Net Position, End of Year	\$ (37,952,646)

* - 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, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:			
Pooled Cash and Investments	\$ 13,265,560	2,929,435	16,194,995
Receivables:			
Property and Local Taxes	17,176,895	2,905,377	20,082,272
Income Taxes	3,204,167	-	3,204,167
Accounts	97,221	-	97,221
Intergovernmental	45,093	94,755	139,848
Materials and Supplies Inventory	17,050	12,275	29,325
Prepaid Items	105,954	41,732	147,686
Restricted Asset:			
Cash and Cash Equivalents with Escrow Agent	538,919	-	538,919
Total Assets	<u>\$ 34,450,859</u>	<u>5,983,574</u>	<u>40,434,433</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 87,643	94,031	181,674
Accrued Wages and Benefits	2,533,808	185,214	2,719,022
Intergovernmental Payable	780,371	65,910	846,281
Compensated Absences Payable	77,444	47,369	124,813
Total Liabilities	<u>3,479,266</u>	<u>392,524</u>	<u>3,871,790</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes not Levied to Finance			
Current Year Operations	15,429,862	2,610,168	18,040,030
Unavailable Revenue	311,329	38,036	349,365
Total Deferred Inflows of Resources	<u>15,741,191</u>	<u>2,648,204</u>	<u>18,389,395</u>
FUND BALANCES:			
Nonspendable	123,004	54,007	177,011
Restricted	538,919	3,026,583	3,565,502
Assigned	1,684,439	-	1,684,439
Unassigned	12,884,040	(137,744)	12,746,296
Total Fund Balances	<u>15,230,402</u>	<u>2,942,846</u>	<u>18,173,248</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 34,450,859</u>	<u>5,983,574</u>	<u>40,434,433</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, 2017

Total Governmental Fund Balances	\$	18,173,248
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.		23,891,583
Some revenues will not be available to pay for current period expenditures and therefore are reported as unavailable in the funds.		349,365
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.		(686,072)
Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
General Obligation Bonds		(14,170,000)
Energy Conservation Bonds		(1,103,964)
Unamortized Bond Premiums		(1,387,334)
Deferred Amount on Refunding		1,145,204
Accrued Interest Payable		(40,272)
Compensated Absences Payable (less matured)		(3,277,494)
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		14,998,659
Deferred Inflows - Pension		(292,757)
Net Pension Liability		<u>(75,552,812)</u>
Net Position of Governmental Activities	\$	<u>(37,952,646)</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, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Property and Other Local Taxes	\$ 15,042,756	2,511,611	17,554,367
Income Taxes	11,023,898	-	11,023,898
Intergovernmental	18,752,406	4,338,261	23,090,667
Investment Earnings	51,498	403	51,901
Tuition and Fees	1,064,682	15,935	1,080,617
Charges for Services	-	871,124	871,124
Extracurricular Activities	450,183	681,731	1,131,914
Miscellaneous	309,094	71,037	380,131
Total Revenues	<u>46,694,517</u>	<u>8,490,102</u>	<u>55,184,619</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	22,663,976	1,865,288	24,529,264
Special	6,386,113	959,136	7,345,249
Vocational	15,409	-	15,409
Student Intervention Services	310,470	-	310,470
Other	2,847,188	60	2,847,248
Support Services:			
Pupils	2,397,029	-	2,397,029
Instructional Staff	1,263,947	98,587	1,362,534
Board of Education	548,233	-	548,233
Administration	3,381,642	360,692	3,742,334
Fiscal	571,512	32,833	604,345
Business	529,080	6,093	535,173
Operation and Maintenance of Plant	3,311,498	181,784	3,493,282
Pupil Transportation	2,346,703	4,015	2,350,718
Central	265,389	-	265,389
Operation of Non-Instructional Services	-	2,265,390	2,265,390
Extracurricular Activities	11,322	476,215	487,537
Capital Outlay	-	551,698	551,698
Debt Service:			
Principal	-	1,015,000	1,015,000
Interest	-	483,210	483,210
Total Expenditures	<u>46,849,511</u>	<u>8,300,001</u>	<u>55,149,512</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>(154,994)</u>	<u>190,101</u>	<u>35,107</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from Sale of Capital Assets	689	630	1,319
Transfers In	-	192,887	192,887
Transfers Out	(192,887)	-	(192,887)
Total Other Financing Sources (Uses)	<u>(192,198)</u>	<u>193,517</u>	<u>1,319</u>
Net Change in Fund Balances	(347,192)	383,618	36,426
Fund Balance, Beginning of Year	<u>15,577,594</u>	<u>2,559,228</u>	<u>18,136,822</u>
Fund Balance, End of Year	<u>\$ 15,230,402</u>	<u>2,942,846</u>	<u>18,173,248</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, 2017

Total Net Change in Fund Balances - Total Governmental Funds	\$	36,426
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		690,121
Current Year Depreciation		(1,596,783)
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.		
		(5,035)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		65,543
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		1,015,000
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		(130,784)
Accreted interest on capital appreciation bonds		(147,807)
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 loss of the internal service fund is allocated among the governmental activities.		
		(849,750)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		3,783,258
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>(6,018,982)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(3,139,656)</u></u>

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT

MIAMI COUNTY, OHIO

Statement of Fund Net Position

Internal Service Fund

June 30, 2017

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
ASSETS:	
Pooled Cash and Investments	\$ <u>1,360,162</u>
LIABILITIES:	
Claims Payable	<u>2,046,234</u>
NET POSITION:	
Unrestricted	\$ <u><u>(686,072)</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, 2017

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
OPERATING REVENUES:	
Insurance Premium Contributions:	
Employer Contributions from District	\$ 8,393,382
Employee Contributions	365,377
Stop Loss Premiums	<u>(638,215)</u>
Net Premium Contributions	8,120,544
Total Operating Revenues	<u>8,120,544</u>
OPERATING EXPENSES:	
Insurance Claims Expense:	
Total Claims Incurred	10,496,467
Claims Ceded to Stop Loss Coverage	<u>(1,796,058)</u>
Net Claims Incurred	8,700,409
Contractual Services	<u>269,885</u>
Total Operating Expenses	<u>8,970,294</u>
Operating Loss	(849,750)
Net Position, Beginning of Year	<u>163,678</u>
Net Position, End of Year	\$ <u><u>(686,072)</u></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, 2017

	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	\$ 8,393,382
Cash Received for Employee Premiums	365,377
Cash Payments for Premiums for Stop Loss Insurance	(638,215)
Cash Payments for Insurance Claims	(9,094,692)
Cash Received from Stop Loss Insurance	1,796,058
Cash Payments for Contractual Services	(269,885)
Net Cash Provided by Operating Activities	552,025
Net Increase in Pooled Cash and Investments	552,025
Pooled Cash and Investments, Beginning of Year	808,137
Pooled Cash and Investments, End of Year	\$ 1,360,162
<u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</u>	
Operating Loss	\$ (849,750)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in assets and liabilities:	
Increase in Claims Payable	1,401,775
Total Adjustments	1,401,775
Net Cash Provided by Operating Activities	\$ 552,025

See accompanying notes to the basic financial statements.

TROY CITY SCHOOL DISTRICT

MIAMI COUNTY, OHIO

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Scholarship Private- Purpose Trust Funds	Agency Fund
ASSETS:		
Pooled Cash and Investments	\$ 282,967	115,924
Prepaid Items	<u>-</u>	<u>205</u>
Total Assets	<u>282,967</u>	<u>116,129</u>
LIABILITIES:		
Accounts Payable	35,900	11,614
Due to Students	<u>-</u>	<u>104,515</u>
Total Liabilities	<u>35,900</u>	<u>116,129</u>
NET POSITION:		
Held in Trust for Scholarships	\$ <u>247,067</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, 2017

	<u>Scholarship Private- Purpose Trust Funds</u>
ADDITIONS:	
Gifts and Contributions	\$ 35,032
Investment Earnings	6,761
Miscellaneous	<u>1,669</u>
Total Additions	<u>43,462</u>
DEDUCTIONS:	
Educational Outreach	<u>39,345</u>
Total Deductions	<u>39,345</u>
Change in Net Position	4,117
Net Position, Beginning of Year	<u>242,950</u>
Net Position, End of Year	<u>\$ 247,067</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, 2017

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, 2017

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, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities 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, 2017

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, 2017

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, 2017, but which were levied to finance fiscal year 2018 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, 2017

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 fund level for all funds.

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 2017.

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 2017, investments included U.S. Treasury Notes, money market funds, 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's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the School District. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortization cost basis that provides a NAV per share that approximates fair value.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the fiscal year 2017, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$51,498; \$403 was assigned from other School District funds.

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, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

J. Estimates

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

K. Capital Assets and Depreciation

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

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

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

L. 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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

With an affirmative vote of its members, the Board of Education may create funds for which resources are committed to the established purpose of that fund. Through the School District’s purchasing policy the Board has given the Treasurer the authority to constrain monies for intended purposes, which are reported as assigned fund balances. All other funds in spendable form not restricted, committed or assigned are reported as an unassigned fund balance.

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

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	\$ 17,050	12,275	29,325
Prepays	105,954	41,732	147,686
Total Nonspendable	<u>123,004</u>	<u>54,007</u>	<u>177,011</u>
Restricted for:			
Debt Service	538,919	1,017,959	1,556,878
Capital Improvements	-	817,852	817,852
Hayner Cultural Center	-	543,247	543,247
District Managed Activities	-	599,335	599,335
State Educational Grants	-	43,370	43,370
Federal Education Grants	-	4,820	4,820
Total Restricted	<u>538,919</u>	<u>3,026,583</u>	<u>3,565,502</u>
Assigned for:			
Student and Staff Support	240,447	-	240,447
Subsequent Expenditures	227,162	-	227,162
Subsequent Appropriations	1,216,830	-	1,216,830
Total Assigned	<u>1,684,439</u>	<u>-</u>	<u>1,684,439</u>
Unassigned (Deficit)	<u>12,884,040</u>	<u>(137,744)</u>	<u>12,746,296</u>
Total Fund Balances	<u>\$ 15,230,402</u>	<u>2,942,846</u>	<u>18,173,248</u>

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 4 - ACCOUNTABILITY

The following funds had fund equity deficits as of June 30, 2017:

	<u>Deficit</u> <u>Fund Equity</u>
Special Revenue Funds:	
Lunchroom Fund	\$ 121,799
Title II-A Grant Fund	565

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” status 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 \$10,943,428 (including \$14,790 of cash on hand) and the bank balance was \$11,555,997. Of the bank balance, \$2,703,432 was covered by federal depository insurance (FDIC) and \$8,852,565 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, 2017

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Investments

Investments are reported at fair value. As of June 30, 2017, the School District had the following investments:

	Fair Value	Maturity (in years)		% of Portfolio	Credit Rating*
		Less than 1	1-3		
Money Market	\$ 281,595	281,595	-	3.73%	N/A
U.S. Treasury Notes	749,145	749,145	-	9.92%	N/A
Negotiable CD's	6,518,728	3,436,827	3,081,901	86.35%	N/A
STAR Ohio	<u>71</u>	<u>71</u>	<u>-</u>	0.00%	AAAm
Total Investments	<u>\$ 7,549,539</u>	<u>4,467,638</u>	<u>3,081,901</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, 2017

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, 2017:

<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>
U.S. Treasury Notes	\$ 749,145	\$ -	\$ 749,145	\$ -
Negotiable CDs	<u>6,518,728</u>	<u>-</u>	<u>6,518,728</u>	<u>-</u>
Total	<u>\$ 7,267,873</u>	<u>\$ -</u>	<u>\$ 7,267,873</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 2017 represents collections of calendar year 2016 taxes. Real property taxes received during calendar year 2017 were levied after April 1, 2016 on the assessed value listed as of January 1, 2016, 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 2017 represents collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, 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, 2017 are available to finance fiscal year 2017 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, 2017

NOTE 6 – PROPERTY TAXES (Continued)

Property taxes receivable represents real property and public utility property taxes that are measurable as of June 30, 2017 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, 2017, was \$1,408,597, \$141,603, \$61,864 and \$49,003 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 2017 taxes were collected are as follows:

	2017 First Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 666,082,370	96.54%	624,714,570	96.59%
Public Utility	23,836,820	3.46%	22,066,770	3.41%
Total Assessed Value	\$ 689,919,190	100.00%	646,781,340	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$52.62		 \$52.67	

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 2017, this income tax generated \$11,023,898 of revenue in the General Fund.

NOTE 8 – RECEIVABLES

Receivables at June 30, 2017, 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, 2017

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	\$ 58,776
Title I-D Grant Fund	17,924
Title II-A Grant Fund	10,791
Title III Grant Fund	7,264
Foundation Adjustment	<u>45,093</u>
Total Intergovernmental Receivables	<u>\$ 139,848</u>

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2017</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	16,026,676	310,719	-	16,337,395
Furniture and Equipment	4,871,298	94,098	(20,166)	4,945,230
Textbooks	70,146	-	(58,513)	11,633
Vehicles	3,221,917	285,304	(110,476)	3,396,745
	<u>54,620,856</u>	<u>690,121</u>	<u>(189,155)</u>	<u>55,121,822</u>
<u>Less: Accumulated Depreciation:</u>				
Buildings	(14,347,415)	(520,921)	-	(14,868,336)
Improvements	(9,672,310)	(654,400)	-	(10,326,710)
Furniture and Equipment	(4,249,434)	(206,398)	20,166	(4,435,666)
Textbooks	(59,428)	(1,841)	53,478	(7,791)
Vehicles	(2,019,120)	(213,223)	110,476	(2,121,867)
	<u>(30,347,707)</u>	<u>(1,596,783) *</u>	<u>184,120</u>	<u>(31,760,370)</u>
Capital Assets, being depreciated, net	<u>24,273,149</u>	<u>(906,662)</u>	<u>(5,035)</u>	<u>23,361,452</u>
Capital Assets, net	<u>\$ 24,803,280</u>	<u>(906,662)</u>	<u>(5,035)</u>	<u>23,891,583</u>

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 9 – CAPITAL ASSETS (Continued)

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

Instruction:	
Regular	\$ 669,871
Support Services:	
Instructional Staff	1,809
Administration	151,263
Operation and Maintenance of Plant	21,483
Pupil Transportation	208,254
Operation of Non-Instructional Services	17,675
Extracurricular Activities	5,507
	1,075,862
Unallocated Depreciation	520,921
Total Depreciation Expense	\$ 1,596,783

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, 2017, 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, 2017, follows:

Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2016	\$ 874,179	5,316,817	(5,546,537)	644,459
2017	\$ 644,459	10,496,467	(9,094,692)	2,046,234

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

The 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, 2017

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, 2017, the allocation to pension, death benefits, and Medicare B was 14.0 percent; no allocation was made during the year to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$930,454 for fiscal year 2017; \$195,088 of contributions is reported within intergovernmental payable at June 30, 2017.

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, 2017

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, 2016, to reach statutory maximum amount of 14 percent. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 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 2017 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, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

The School District’s contractually required contribution to STRS was \$2,852,804 for fiscal year 2017; \$554,252 of contributions is reported within intergovernmental payable at June 30, 2017.

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, 2016, 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	\$ 15,143,049	\$ 60,409,763	\$ 75,552,812
Proportion of the net pension liability	0.206898%	0.18047303%	
Change in proportionate share	0.004197%	0.00598547%	
Pension expense	\$ 1,302,263	\$ 4,716,719	\$ 6,018,982

At June 30, 2017, 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	\$ 204,244	\$ 2,440,845	\$ 2,645,089
Net difference between projected and actual earnings on pension plan investments	1,249,082	5,015,635	6,264,717
Change in assumptions	1,010,882	-	1,010,882
Change in District's proportionate share and difference in employer contributions	6,193	1,288,521	1,294,714
School District contributions subsequent to the measurement date	930,454	2,852,803	3,783,257
Total	\$ 3,400,855	\$ 11,597,804	\$ 14,998,659

Deferred Inflows of Resources:

Net difference between projected and actual earnings on pension plan investments	\$ (172,115)	\$ (120,642)	\$ (292,757)
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\$3,783,257 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, 2018. 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, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	\$ 556,264	\$ 1,462,503	\$ 2,018,767
2019	555,364	1,462,503	2,017,867
2020	827,598	3,387,140	4,214,738
2021	359,060	2,312,214	2,671,274
	\$ 2,298,286	\$ 8,624,360	\$ 10,922,646

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, 2016, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	3.00%
Investment rate of return	7.50% of net investments expense, including inflation
Actuarial cost method	Entry Age Normal

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

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Retirement Board on April 21, 2016.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US stocks	22.50%	4.75%
Non-US stocks	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	<u>10.00%</u>	3.00%
Total	<u>100.00%</u>	

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

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 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 20,048,453	\$ 15,143,049	\$ 11,037,022

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Change in Assumptions The following changes in the actuarial assumptions were made during the June 30, 2016 actuarial valuation period:

- Discount rate was reduced from 7.75% to 7.50%
- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll growth assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience
- Mortality among active members was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females
- Mortality among service retired members and beneficiaries was updated to the following:
 - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates
- Mortality among disabled members was updated to the following:
 - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, 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, 2016, 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:

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. 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, 2016.

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	\$ 80,279,667	\$ 60,409,763	\$ 43,648,328

Changes Between Measurement Date and Report Date In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75% to 7.45%. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall change in the School District’s net pension liability is expected to be significant.

NOTE 12 – POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Health Care Plan – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS’ Retirement Board reserves the right to change or discontinue any health plan or program. 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 coverage. SERS employs two third-party administrators and a

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 12 – POSTEMPLOYMENT BENEFITS (Continued)

pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

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 pensions and benefits, the Retirement Board may allocate the remainder for the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute, no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2017, the minimum compensation amount was \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For fiscal year 2017, the School District's surcharge obligation was \$109,810.

None of the 14% in employer contributions was allocated to the Health Care Fund for the fiscal years June 30, 2017 and 2016. The School District's contributions to the Health Care Fund for the fiscal year June 30, 2015 was \$149,986.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care plan are included in its Comprehensive Annual Financial Report. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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. STRS did not allocate a portion of employer contributions to post-employment health care in fiscal years 2017, 2016 and 2015.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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.

NOTE 14 – LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2017 were as follows:

	Amount Outstanding 6/30/16	Increase	Decrease	Amount Outstanding 6/30/17	Amount Due Within One Year
General Obligation Bonds:					
2012 Refunding Bonds					
Serial - 2.00% - 4.00%	\$ 8,020,000	-	(5,000)	8,015,000	1,025,000
2013 Refunding Bonds					
Serial - 3.00% - 5.00%	4,835,000	-	-	4,835,000	-
Term - 2.05% - 2.50%	1,320,000	-	-	1,320,000	-
Capital Appreciation Bonds	862,194	147,806	(1,010,000)	-	-
Add: Bond Premium	1,495,451	-	(108,117)	1,387,334	-
Total General Obligation Bonds	<u>16,532,645</u>	<u>147,806</u>	<u>(1,123,117)</u>	<u>15,557,334</u>	<u>1,025,000</u>
Net Pension Liability:					
STRS	48,223,258	12,186,505	-	60,409,763	-
SERS	12,045,291	3,097,758	-	15,143,049	-
Total Net Pension Liability	<u>60,268,549</u>	<u>15,284,263</u>	<u>-</u>	<u>75,552,812</u>	<u>-</u>
Energy Conservation Bonds 0.0%	1,103,964	-	-	1,103,964	-
Compensated Absences	3,234,848	623,278	(455,819)	3,402,307	633,820
Total Governmental Activities	<u>\$ 81,140,006</u>	<u>16,055,347</u>	<u>(1,578,936)</u>	<u>95,616,417</u>	<u>1,658,820</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, 2017, the overall legal debt margin was \$48,796,280 with an unvoted debt margin of \$689,919.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

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, term and capital appreciation bonds. The capital appreciation bonds matured in fiscal year 2017 and have a maturity value of \$1,010,000. The District is required to deposit a portion of the principal and interest payments into a sinking fund, starting on December 1, 2017 related to the term bond. The schedule for the sinking fund is as follows:

<u>Year</u>	<u>Required Deposit</u>
2018	\$ 40,000
2019	40,000
2020	40,000
2021	40,000
2022	40,000
2023-27	100,000
2028-32	<u>1,020,000</u>
Total	\$ <u>1,320,000</u>

The general obligation bond requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,025,000	462,250	1,487,250
2019	1,070,000	419,530	1,489,530
2020	615,000	385,010	1,000,010
2021	645,000	358,990	1,003,990
2022	670,000	331,870	1,001,870
2023-27	3,915,000	1,268,499	5,183,499
2028-32	5,145,000	546,300	5,691,300
2033	<u>1,085,000</u>	<u>16,272</u>	<u>1,101,272</u>
Total	\$ <u>14,170,000</u>	<u>3,788,721</u>	<u>17,958,721</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

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

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, 2017 the fair value of the sinking account (separate account maintained by paying agent) was \$538,919 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>
2018	\$ 75,964
2019	75,964
2020	75,964
2021	75,964
2022	75,964
2023-25	<u>187,520</u>
Total	<u>\$ 567,340</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.

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. Each new member pays an initiation fee in addition to the annual membership fee and other appropriate assessments; however the annual membership fees for 2017 were waived. 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 2017, the District contributed \$57,313 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.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

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, 2016	\$	-
Current Year Set-aside Requirement		772,451
Qualifying Disbursements		(73,630)
Current Year Off-Sets		<u>(698,821)</u>
Total		<u>-</u>
Balance Carried Forward to FY2018	\$	<u>-</u>

Although the School District had many qualifying expenditures during the year, only \$73,630 are shown above since the permitted off-sets nearly exceeded the set-aside requirement for the fiscal year, presenting those expenditures is not necessary to demonstrate compliance. The excess of the current year off-sets over the current year set-aside requirement may not be used to reduce the set-aside requirements of future fiscal years.

NOTE 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, 2017.

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, 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, there were two adjustments in fiscal year 2018 pertaining to 2017 school year, one of which was posted as an intergovernmental receivable totaling \$45,093, as shown in Note 8.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 17 - CONTINGENCIES (Continued)

C. Litigation

The School District is not currently party to legal proceedings

NOTE 18 – TRANSFERS

The District transferred \$192,887 from the General Fund to the Food Service fund in order to provide additional resources.

NOTE 19 – TAX ABATEMENTS

During fiscal year 2017, the District's property tax revenues were reduced by \$45,028 and \$2,869,201 under Community Reinvestment Area (CRA) and Enterprise Zone (EZ) agreements, respectively. The CRA agreements and EZ agreements were entered into by the City of Troy.

The Ohio Community Reinvestment Area program is an economic development tool administered by the County that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Under Ohio Revised Code section 3765 to 3735.70, city, village or county can petition the Ohio Department of Development to confirm that investment in a particular geographical area. Once the Department has confirmed the investment in the area, the community may offer real estate tax exemptions to taxpayers who are willing to invest in the area. Up to 12 years may be exempt for commercial and industrial remodeling and up to 15 years may be exempt for new construction. State law requires reimbursement agreements with school districts for tax revenue losses for CRA in place after 1994. Payments in lieu of taxes paid by the property owner directly to the school districts as required by the agreement are not reduced from the total amount of taxes abated.

The Ohio Enterprise Zone areas are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investments. EZAs are not part of the traditional zoning program, which limits the use of land; instead they allow local officials to negotiate with businesses to encourage new business investment in the zone. The EZA serves as an additional economic development tool for communities attempting to retain and expand their economic base. The EZA is a contract between the City and the company. The zone's geographic area is identified by local communities involved in the creation of the zone. Once a zone is defined, the local legislative authority participating in the creation must petition the director of the Development Services Agency. The director must then certify the area for it to become an active Enterprise Zone. Tax incentives are negotiated at the local level, and an enterprise zone agreement must be in place before the project begins. Businesses interested in pursuing these incentives should contact the local Enterprise Zone Manager.

During fiscal year 2017, the District received \$170,536 related to property tax revenues lost under these abatement agreements directly from the companies.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2017, the School District implemented the Governmental Accounting Standards Board (GASB) Statements No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78, *Pension Plans provided through Certain Multi-Employer Defined Benefit Plans*, No. 80, *Blending Requirements for Certain Component Units* and No. 82, *Pension Issues – an amendment of GASB Statements No.67, No. 68 and No. 73*.

GASB Statement No. 74 enhances the note disclosures and required supplementary information schedules required by OPEB plans that are administered through trusts that meet the specified criteria. The implementation of this Standard had no effect on the School District's financial statements.

GASB Statement No. 77 requires disclosures that provide users with information concerning the government's tax abatement programs, including nature and magnitude, which will provide information on ability to raise resources and the impact abatement programs have on the financial position of the government. See details pertaining to the District's tax abatements in Note 19.

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude certain pensions provided to employees of governmental employers through cost-sharing multiple-employer defined benefit plans that meet certain specified criteria. The implementation of this Standard had no effect on the School District's financial statements.

GASB Statement No. 80 amends the blending requirements of GASB Statement No. 14 to include blending of a component unit, incorporated as a not-for-profit corporation, in which the reporting government is the sole corporate member. The implementation of this Standard had no effect on the School District's financial statements.

GASB Statement No. 82 improves financial reporting by enhancing consistency in the application of financial reporting requirements related to certain pension issues, including presentation of payroll-related measures in RSI, selection of assumptions, and classification of employer-paid member contributions. The implementation of this Standard had no effect on the School District's beginning net position.

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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 25,708,114	25,935,128	25,935,128	-
Intergovernmental	18,543,565	18,707,313	18,707,313	-
Interest	86,518	87,282	87,282	-
Tuition and Fees	991,711	1,000,468	1,000,468	-
Miscellaneous	245,220	247,385	247,385	-
Total Revenues	<u>45,575,128</u>	<u>45,977,576</u>	<u>45,977,576</u>	-
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	21,264,219	22,100,389	22,100,389	-
Special	6,175,946	6,418,802	6,418,802	-
Vocational	14,826	15,409	15,409	-
Other	3,041,307	3,160,900	3,160,900	-
Support Services:				
Pupils	2,290,908	2,380,993	2,380,993	-
Instructional Staff	1,246,991	1,296,026	1,296,026	-
Board of Education	623,381	647,894	647,894	-
Administration	3,256,544	3,384,601	3,384,601	-
Fiscal	550,046	571,675	571,675	-
Business	515,007	535,259	535,259	-
Operation and Maintenance of Plant	3,345,859	3,477,428	3,477,428	-
Pupil Transportation	2,257,372	2,346,138	2,346,138	-
Central	257,937	268,080	268,080	-
Other	14,357	14,922	14,922	-
Debt Service				
Principal	73,090	75,964	75,964	-
Total Expenditures	<u>44,927,790</u>	<u>46,694,480</u>	<u>46,694,480</u>	-
Excess of Revenues Over (Under) Expenditures	<u>647,338</u>	<u>(716,904)</u>	<u>(716,904)</u>	-
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Fixed Assets	683	689	689	-
Refund of Prior Year Receipts	(4)	(4)	(4)	-
Refund of Prior Year Expenditures	17,512	18,201	18,201	-
Transfers In	2,369	2,390	2,390	-
Transfers Out	(185,589)	(192,887)	(192,887)	-
Total Other Financing Sources (Uses)	<u>(165,029)</u>	<u>(171,611)</u>	<u>(171,611)</u>	-
Net Change in Fund Balance	482,309	(888,515)	(888,515)	-
Fund Balance, Beginning of Year	13,395,082	13,395,082	13,395,082	-
Prior Year Encumbrances Appropriated	365,776	365,776	365,776	-
Fund Balance, End of Year	<u>\$ 14,243,167</u>	<u>12,872,343</u>	<u>12,872,343</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 Four Measurement Years (1)

	2016	2015	2014	2013
<u>School Employees Retirement System of Ohio:</u>				
District's Proportion of the Net Pension Liability	0.206898%	0.211095%	0.210782%	0.210782%
District's Proportionate Share of the Net Pension Liability	\$ 15,143,049	\$ 12,045,291	\$ 10,667,557	\$ 12,534,529
District's Covered-Employee Payroll	\$ 6,425,493	\$ 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.	235.67%	178.44%	172.42%	209.77%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%
<u>State Teachers Retirement System of Ohio:</u>				
District's Proportion of the Net Pension Liability	0.18047303%	0.17448756%	0.17552086%	0.17552086%
District's Proportionate Share of the Net Pension Liability	\$ 60,409,763	\$ 48,223,258	\$ 42,692,748	\$ 50,855,322
District's Covered-Employee Payroll	\$ 18,989,229	\$ 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.	318.13%	274.59%	221.06%	281.54%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	66.80%	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 Seven Fiscal Years (1)

	2017	2016	2015	2014	2013	2012	2011
<u>School Employees Retirement System of Ohio:</u>							
Contractually Required Contribution	\$ 930,454	\$ 899,569	\$ 889,709	\$ 857,488	\$ 826,977	\$ 956,503	\$ 876,954
Contributions in Relation to the Contractually Required Contributions	<u>(930,454)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 6,646,100	\$ 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%	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%
<u>State Teachers Retirement System of Ohio:</u>							
Contractually Required Contribution	\$ 2,852,804	\$ 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>(2,852,804)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District Covered-Employee Payroll	\$ 20,377,171	\$ 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%	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, 2017

NOTE A - BUDGETARY

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 2017.

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY, OHIO

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2017

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. The Board of Education approves the annual appropriation resolution at the fund level, which is the District's 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, 2017

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	\$ (347,192)
Revenue Accruals	(190,066)
Expenditure Accruals	(32,004)
Encumbrances	(279,965)
Transfers & Advances	2,390
Refund of Prior Year Expenditures	18,201
Refund of Prior Year Receipts	(4)
Perspective Difference	(59,875)
Budget (Non-GAAP) Basis	\$ (888,515)

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, 2017**

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	187,157	-
National School Lunch Program	10.555	712,360	113,382
Total Child Nutrition Cluster		<u>899,517</u>	<u>113,382</u>
Total U.S. Department of Agriculture		<u>899,517</u>	<u>113,382</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	1,065,279	-
Special Education Cluster:			
Special Education Grants to States	84.027	1,042,805	-
English Language Acquisition State Grants	84.365	2,010	-
Supporting Effective Instruction State Grants	84.367	<u>130,741</u>	<u>-</u>
Total U.S. Department of Education		<u>2,240,835</u>	<u>-</u>
Total Expenditures of Federal Awards		<u><u>3,140,352</u></u>	<u><u>113,382</u></u>

The accompanying notes 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, 2017**

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 School District) under programs of the federal government for the year ended June 30, 2017. 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in 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 School 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 School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Troy City School District, Miami County, (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

March 14, 2018



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 School 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, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School 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 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School 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, 2017.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with 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 School District's internal control over compliance.

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

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

This report only describes the scope of our internal control 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 14, 2018

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

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):	Child Nutrition Cluster
<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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Dave Yost • Auditor of State

TROY CITY SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2018**