



Mary Taylor, CPA  
Auditor of State



**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Troy City School District, Miami County, (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Troy City School District, Miami County, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis and Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Basis) - General Fund are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on them.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Federal Awards Receipts and Expenditure Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Federal Awards Revenue and Expenditure Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 8, 2010

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
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, 2009. 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 2009 are as follows:

**Overall:**

- Total net assets increased by \$585,302, which represents a 3.23% increase from fiscal year 2008.
- Total assets of governmental activities decreased by \$2,186,690, attributed primarily to a decrease in taxes receivable as a result of the phase out of tangible personal property tax.
- General revenues accounted for \$43.7 million or 86.71% of total revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$6.7 million or 13.29% of total revenues of \$50.4 million.
- Of the School District's \$49.8 million in expenses, only \$6.7 million were offset by program specific charges for services, grants or contributions. General revenues (primarily grants and entitlements, income taxes and property taxes) were used to cover the net expense of \$43.1 million.
- The General Fund had \$41.8 million in revenues and \$41.2 million in expenditures representing 83.11% and 82.35% of the total governmental funds revenues and expenditures, respectively.
- The School District's only major fund is the General Fund. The General Fund's balance increased \$0.5 million from the prior year.

**Using the Basic Financial Statements**

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

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

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

**Reporting the School District as a Whole**

**Statement of Net Assets 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 2009?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using 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 assets and changes in those assets. This change in net assets 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 Assets 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2009 and 2008:

**Table 1  
Net Assets, June 30**

	<b>2009</b>	<b>2008</b>
<b>Assets:</b>		
Current and other Assets	\$32,086,483	\$34,133,388
Capital Assets	29,357,825	29,497,610
Total Assets	<u>61,444,308</u>	<u>63,630,998</u>
<b>Liabilities:</b>		
Current Liabilities	19,327,959	21,576,867
Non-current Liabilities	23,413,605	23,936,689
Total Liabilities	<u>42,741,564</u>	<u>45,513,556</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Debt	9,593,036	9,075,089
Restricted	1,186,550	1,356,653
Unrestricted	7,923,158	7,685,700
Total Net Assets	<u>\$18,702,744</u>	<u>\$18,117,442</u>

The amount by which the School District's assets exceeded its liabilities is called net assets. As of June 30, 2009, the School District's net assets were \$18.7 million. Of that amount, approximately \$9.6 million was invested in capital assets, net of debt related to those assets. Another \$1.2 million was subject to external restrictions upon its use. The remaining \$7.9 million was unrestricted and available for future use as directed by the Board of Education and the School District's Administration.

Table 2 shows the changes in net assets for fiscal year 2009, as compared to fiscal year 2008:

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

	<b>2009</b>	<b>2008</b>
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	\$3,133,901	\$2,886,858
Operating Grants and Contributions	3,480,866	3,527,202
Capital Grants and Contributions	77,212	43,023
<b>General Revenues:</b>		
Property Taxes	17,563,513	19,022,751
Income Taxes	8,558,120	9,952,902
Grants and Entitlements	16,868,580	15,346,962
Investment Earnings	416,284	763,542
Other	252,030	292,463
Total Revenues	<u>50,350,506</u>	<u>51,835,703</u>

(Continued)

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

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

	2009	2008
<b>Program Expenses:</b>		
Instruction	31,581,336	30,154,806
<b>Support Services:</b>		
Pupils and Instructional Staff	3,228,099	3,151,662
Board of Education, Administration		
Fiscal and Business	5,244,124	5,404,333
Operation and Maintenance of Plant	3,580,514	3,769,450
Pupil Transportation	1,858,940	1,765,263
Central	64,928	68,068
Operation of Ono-Instructional Services	2,492,950	2,674,580
Extracurricular Activities	181,541	304,918
Interest and Fiscal Charges	926,883	939,141
Depreciation Expense	605,889	608,013
Total Expenses	49,765,204	48,840,234
Change in Net Assets	\$ 585,302	\$2,995,469

**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 34.88% of revenues for governmental activities for the Troy City School District for fiscal year 2009. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 40.57% of the School District's total revenue was received from intergovernmental sources during fiscal year 2009.

Despite not having sought new operating funds through a property tax levy in the past six years, the School District has been able regain stable financial footing after struggling through financial difficulties in the late 1990's. In January 2007 the voters of the School District approved a 1.5 percent income tax levy. Fiscal year 2009 represents the first full year of income tax revenue collection. This additional revenue as well as careful management of expenses has allowed the School District to maintain a stable fund balance.

Instruction comprises 63.46% of the School District's expenses for fiscal year 2009. Support services expenses make up 28.09% of the expenses.

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

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

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

	<b>2009</b>		<b>2008</b>	
	<b>Total Cost Of Service</b>	<b>Net Cost Of Service</b>	<b>Total Cost Of Service</b>	<b>Net Cost Of Service</b>
Instruction	\$31,581,336	\$27,714,619	\$30,154,806	\$26,250,338
<b>Support Services:</b>				
Pupils and Instructional Staff	3,228,099	3,076,026	3,151,662	2,969,332
Board of Education, Administration, Fiscal and Business	5,244,124	5,058,352	5,404,333	5,268,332
Operation and Maintenance of Plant	3,580,514	3,471,246	3,769,450	3,717,046
Pupil Transportation	1,858,940	1,858,940	1,765,263	1,765,263
Central	64,928	64,928	68,068	68,068
Operation of Non-Instructional Services	2,492,950	413,775	2,674,580	799,251
Extracurricular Activities	181,541	(117,433)	304,918	(1,533)
Interest and Fiscal Charges	926,883	926,883	939,141	939,141
Depreciation Expense	605,889	605,889	608,013	608,013
<b>Total Expenses</b>	<b>\$49,765,204</b>	<b>\$43,073,225</b>	<b>\$48,840,234</b>	<b>\$42,383,251</b>

**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 \$11.0 million, or 85.92% of the total fund balance for all governmental funds.

The School District's primary operating fund, the General Fund, ended the year with revenues exceeding expenditures by \$0.5 million. The unreserved, undesignated ending fund balance of the General Fund (\$9.3 million) represents approximately 22.6% of the total expenditures reported in the General Fund. The ending fund balance of the general fund increased \$0.5 million over the total balance reported at June 30, 2008 and the unreserved, undesignated fund balance increased by \$0.2 million due to a lower amount of fund balance being reserved for encumbrances and the District's management of expenses.

**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, budget basis revenue was \$41.3 million as compared to the original budget estimates of \$41.8 million. This difference included tax revenues initially budgeted at \$23.5 million with budget basis revenues coming in at \$23.3 million. Also included are intergovernmental revenues budgeted at \$16.8 million with revenues coming in at \$16.6 million.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$41.8 million, \$0.5 million below budget basis actual revenue, and \$1.0 million below final budget estimates.

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

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

**Capital Assets**

At the end of fiscal year 2009, the School District had \$29.4 million invested in land, buildings, furniture and equipment, and vehicles in governmental activities.

Table 4 shows fiscal year 2009 balances compared to 2008:

**Table 4  
Capital Assets, June 30**

	<b>2009</b>	<b>2008</b>
Land	\$ 530,131	\$ 530,131
Buildings	30,198,833	30,198,833
Improvements	11,164,758	10,131,603
Furniture and Equipment	4,311,198	4,389,320
Textbooks	1,518,013	1,396,344
Vehicles	2,647,033	2,564,934
Less: Accumulated Depreciation	(21,012,141)	(19,713,555)
	<u>\$29,357,825</u>	<u>\$29,497,610</u>

Overall, net capital assets decreased approximately \$139,785 from fiscal year 2008. The decrease in capital assets results from the amount of depreciation during the year being a larger amount than the amount of capital outlay.

During fiscal year 2009, primary capital additions included various improvements to buildings totaling \$1.0 million, purchase of three school buses totaling \$238,000 and various other textbooks and equipment. Current year depreciation expense totaled \$1.82 million.

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.

For more detailed disclosures regarding the School District's capital assets readers should refer to Note 7 to the basic financial statements.

**Capital Lease/Debt Administration**

At June 30, 2009, the School District had two separate debt issues. They had two separate capital leases with an outstanding balance of \$169,798, of which \$127,438 is due within one year. This lease consists of equipment that has capitalized as capital assets within the governmental activities. Principal payments for fiscal year 2009 totaled \$122,733.

The other debt issue of the School District that was outstanding was the School Improvement Bonds in the amount of \$19,805,337. These bonds were issued during 2005 and were used to finance the cost of improvements, renovations, additions, and site improvements to Concord Elementary School, Forest Elementary School, Van Cleve Elementary School, and Troy High School. Principal payments made in for the fiscal year ending June 30, 2009 were \$535,000 and \$565,000 of principal is due within one year.

At June 30, 2009, the School District's overall legal debt margin was \$39.6 million and the unvoted debt margin was \$653,871.

For more detailed disclosures regarding the School District's long-term debt obligations readers should refer to Note 13 to the basic financial statements.

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

**For the Future**

The Ohio School Facilities Commission has approved the District for a HB 264 Capital Improvement Energy Management project. This project will upgrade select HVAC and lighting in the District that will in turn reduce the cost of energy consumption while providing more comfortable buildings for the staff and students. When this project was begun, the permanent financing arrangements were not yet completed so \$1,000,000 was advanced to the Permanent Improvement Fund from the General Fund. The District applied for and was approved to sell Qualified School Construction Bonds that are made available through the federal government's America Recovery and Reinvestment Act stimulus program. These bonds have been sold at no interest cost to the district. The principal is to be repaid over fifteen years. These payments are to be provided through the savings to be realized from the reduced use of energy and the cost savings that follows. With the bond sale completed, the \$1,000,000 has been returned to the General Fund from the Permanent Improvement Fund, in August 2009.

Operating revenues for fiscal year 2009-2010 are projected to grow by only .3% (\$41,336,740 actual fiscal year 2008-2009 vs. \$41,438,885 plan fiscal year 2009-2010). This is a significant downturn from what was projected in last year's plan where revenues were being predicted to grow in fiscal year 2009-2010 by 4.2%. The major changes are in funding from the State Foundation and the School District Income Tax. The reduction in income tax collection is a result of the country's economic slowdown and the reduction in State Foundation payments is a result of the legislature's adoption of House Bill 1, the current biennium budget bill.

Operating expenses for fiscal year 2009-2010 at \$42,385,315 are projected to increase by \$1,481,449 or 3.6% over the prior year actual expenses. The costs for employee's salaries and health care plan and the costs to serve the district's special needs students are contributing to this expense growth.

Total revenues projected for fiscal year 2009-2010 at \$41,438,885 are less than projected expenses at \$42,385,315, but with the repayment of the advance of \$1,000,000 from the Permanent Improvement Fund 003, cash on hand is expected to remain at approximately the same dollar amount as the previous fiscal year end.

For this fiscal year and next, the federal government has made funding available to the district under the American Recovery and Reinvestment Act (ARRA). This funding is being provided through the federal grant IDEA-B and the Title 1 programs. The use of these stimulus dollars must follow the same guidelines as used for these federal grant programs.

Typically with these grants, the funds must not be used to pay for expenses already being incurred. This is called supplanting. Instead, the funds must be used for new expenditures that would not be possible without the availability of these federal funds. However there is one exception. That exception is that the district is being permitted to use up to 50% of the increase in IDEA-B funds and IDEA-B ARRA funds to legally supplant local funds previously used for special education programs. The district plans to take full advantage of this provision by supplanting \$584,287.09 of expenses over the next two fiscal years with \$292,143.55 supplanted in fiscal year 2009-2010 and \$292,143.54 supplanted in fiscal year 2010-2011. The district's financial position has been influenced by events that are unprecedented in recent times. The three major events that have influenced the district's financial projections are the "roll out" of the new Evidence-Based Funding Model being used to generate the funding for the State Foundation Program, the projected receipt of stimulus dollars from the American Recovery and Reinvestment Act federal program, and the economic recession that is currently gripping our country. The manner in which these events play out over the next two years will determine the financial outcome of this public school district.

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED  
(Continued)**

**Contacting the School District's Financial Management**

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

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2009**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Pooled Cash and Investments	\$13,548,692
<b>Receivables:</b>	
Taxes	18,182,107
Accounts	34,310
Intergovernmental	132,470
Accrued Interest	15,065
Materials and Supplies Inventory	148,642
Prepaid Items	25,197
<b>Capital Assets:</b>	
Capital assets not subject to depreciation:	
Land	530,131
Capital assets, net of accumulated depreciation	28,827,694
Total Assets	<u>61,444,308</u>
 <b>Liabilities:</b>	
Accounts Payable	556,286
Accrued Wages and Benefits	3,816,696
Compensated Absences	405,943
Intergovernmental Payable	28,186
Claims Payable	790,842
Accrued Interest Payable	70,773
Unearned Revenue	13,659,233
<b>Non-current Liabilities:</b>	
Due Within One Year	946,867
Due In More Than One Year	22,466,738
Total Liabilities	<u>42,741,564</u>
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt	9,593,036
<b>Restricted for:</b>	
Capital Projects	657,413
Debt Service	529,137
Unrestricted	7,923,158
Total Net Assets	<u><u>\$18,702,744</u></u>

*See accompanying notes to the basic financial statements.*

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<b>Functions/Programs:</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense)/ Revenue and Changes in Net Assets</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$23,536,723	\$1,625,572	\$1,271,782		(\$20,639,369)
Special	5,881,289		907,222		(4,974,067)
Other	2,163,324		62,141		(2,101,183)
<b>Support Services:</b>					
Pupils	2,004,666		149,103		(1,855,563)
Instructional Staff	1,223,433		2,970		(1,220,463)
Board of Education	650,911				(650,911)
Administration	3,444,149	14,544	131,447		(3,298,158)
Fiscal	496,244				(496,244)
Business	652,820		12,781	\$27,000	(613,039)
Operation and Maintenance of Plant	3,580,514		59,056	50,212	(3,471,246)
Pupil Transportation	1,858,940				(1,858,940)
Central	64,928				(64,928)
Operation of Non-Instructional Services	2,492,950	1,194,811	884,364		(413,775)
Extracurricular Activities	181,541	298,974			117,433
Interest and Fiscal Charges	926,883				(926,883)
Unallocated Depreciation *	605,889				(605,889)
Total	<u>49,765,204</u>	<u>3,133,901</u>	<u>3,480,866</u>	<u>77,212</u>	<u>(43,073,225)</u>
<b>Property Taxes Levied for:</b>					
General Purposes					15,316,471
Hayner Cultural Center					348,076
Debt Service					1,264,267
Capital Outlay					634,699
Income Taxes Levied for General Purposes					8,558,120
Grants, Entitlements and Contributions not Restricted to Specific Programs					16,868,580
Investment Earnings					416,284
Other Revenue					252,030
					<u>43,658,527</u>
					585,302
					<u>18,117,442</u>
					<u>\$18,702,744</u>

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

See accompanying notes to the basic financial statements.



**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Pooled Cash and Investments	\$10,121,283	\$3,077,409	\$13,198,692
<b>Receivables:</b>			
Taxes	16,145,821	2,036,286	18,182,107
Accounts	20,586	2,652	23,238
Intergovernmental	9,861	122,609	132,470
Accrued Interest	14,700	365	15,065
Due from Other Funds	1,047,706		1,047,706
Materials and Supplies Inventory	101,807	46,835	148,642
Prepaid Items	22,738	2,459	25,197
Total Assets	27,484,502	5,288,615	32,773,117
<b>Liabilities:</b>			
Accounts Payable	323,030	233,256	556,286
Accrued Wages and Benefits	3,509,610	307,086	3,816,696
Intergovernmental Payable	28,186		28,186
Compensated Absences Payable	346,421	59,522	405,943
Due to Other Funds		1,047,706	1,047,706
Deferred Revenue	12,278,867	1,838,916	14,117,783
Total Liabilities	16,486,114	3,486,486	19,972,600
<b>Fund Balances:</b>			
<b>Reserved for:</b>			
Encumbrances	272,020	1,615,815	1,887,835
Materials and Supplies Inventory	101,807	46,835	148,642
Prepaid Items	22,738	2,459	25,197
Property Taxes	1,281,057	207,894	1,488,951
<b>Unreserved, Undesignated:</b>			
General Fund	9,320,766		9,320,766
Special Revenue Funds		279,786	279,786
Debt Service Funds		453,124	453,124
Capital Projects Funds		(803,784)	(803,784)
Total Fund Balances	10,998,388	1,802,129	12,800,517
Total Liabilities and Fund Balances	\$27,484,502	\$5,288,615	\$32,773,117

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009**

Total Governmental Fund Balances	\$12,800,517
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	29,357,825
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	458,550
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 assets.	(429,770)
Long-term liabilities, which are not due and payable in the current period and therefore are not reported in the funds	
Accrued Interest Payable	(70,773)
Compensated Absences	(3,438,470)
Capital Leases Payable	(169,798)
Bonds Payable	<u>(19,805,337)</u>
Net Assets of Governmental Activities	<u><u>\$18,702,744</u></u>

*See accompanying notes to the basic financial statements.*

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Taxes	\$23,858,418	\$2,236,640	\$26,095,058
Intergovernmental	16,536,613	3,914,928	20,451,541
Investment Earnings	408,666	7,618	416,284
Tuition and Fees	931,738	51,464	983,202
Charges for Services		1,194,811	1,194,811
Extracurricular Activities	27,331	928,555	955,886
Miscellaneous	80,795	171,135	251,930
Total Revenues	41,843,561	8,505,151	50,348,712
<b>Expenditures:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	20,602,179	2,070,151	22,672,330
Special	4,881,684	985,989	5,867,673
Vocational			
Other	2,117,816	63,324	2,181,140
<b>Support Services:</b>			
Pupils	1,994,855	13,228	2,008,083
Instructional Staff	1,098,655	74,736	1,173,391
Board of Education	650,911		650,911
Administration	2,913,419	347,398	3,260,817
Fiscal	475,564	11,807	487,371
Business	595,781	39,781	635,562
Operation and Maintenance of Plant	3,404,627	150,000	3,554,627
Pupil Transportation	1,661,505		1,661,505
Central	64,007		64,007
Operation of Non-Instructional Services		2,454,844	2,454,844
Extracurricular Activities		175,304	175,304
Capital Outlay	640,868	1,058,470	1,699,338
<b>Debt Service:</b>			
Principal	122,733	535,000	657,733
Interest	9,418	857,303	866,721
Total Expenditures	41,234,022	8,837,335	50,071,357
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	609,539	(332,184)	277,355
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Assets		100	100
Transfers In		147,084	147,084
Transfers Out	(147,084)		(147,084)
Total Other Financing Sources (Uses)	(147,084)	147,184	100
Net Change in Fund Balances	462,455	(185,000)	277,455
Fund Balance, Beginning of Year	10,535,933	1,987,129	12,523,062
Fund Balance, End of Year	\$10,998,388	\$1,802,129	\$12,800,517

*See accompanying notes to the basic financial statements.*

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Total Net Change in Fund Balances - Total Governmental Funds	\$277,455
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Capital Asset Additions	1,699,338
Current Year Depreciation	(1,822,150)
<p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets.</p>	
Loss on the disposal of capital assets	(16,973)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	1,694
<p>Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
	657,733
<p>Some expenses reported in the statement of activities, such as compensated absences and accrued interest, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
Compensated Absences	(73,149)
Accrued Interest Payable	1,338
Interest Accrued on Capital Appreciation Bonds	(61,500)
<p>The Internal Service fund is used by management to charge the cost of providing medical insurance to the individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenue is eliminated. The net revenue of the internal service fund is allocated among the governmental activities.</p>	
	(78,484)
Change in Net Assets of Governmental Activities	\$585,302

*See accompanying notes to the basic financial statements.*

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF FUND NET ASSETS  
INTERNAL SERVICE FUND  
JUNE 30, 2009**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<b>Assets:</b>	
Pooled Cash and Investments	\$350,000
<b>Receivables:</b>	
Accounts	11,072
Total Assets	<u>361,072</u>
<b>Liabilities:</b>	
Claims Payable	<u>790,842</u>
<b>Net Assets:</b>	
Unrestricted	<u>(\$429,770)</u>

*See accompanying notes to the basic financial statements.*

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>Operating Revenues:</b>	
Charges for Services	\$5,170,864
Total Operating Revenues	5,170,864
<b>Operating Expenses:</b>	
Claims	5,249,348
Total Operating Expenses	5,249,348
Operating Loss	(78,484)
Net Assets, Beginning of Year	(351,286)
Net Assets, End of Year	(\$429,770)

*See accompanying notes to the basic financial statements.*

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
Increase in Pooled Cash and Investments	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Quasi-External Transactions with Other Funds	\$5,242,669
Cash Payments for Claims	(5,242,669)
Net Cash Provided by Operating Activities	
Pooled Cash and Investments, Beginning of Year	350,000
Pooled Cash and Investments, End of Year	350,000
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	(78,484)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in assets and liabilities:	
Decrease in Accounts Receivable	71,805
Increase in Claims Payable	6,679
Total Adjustments	78,484
Net Cash Provided by Operating Activities	\$0

*See accompanying notes to the basic financial statements.*

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Scholarship Private- Purpose Trust Funds</b>	<b>Agency Fund</b>
<b>Assets:</b>		
Pooled Cash and Investments	\$315,269	\$74,709
<b>Receivables:</b>		
Accrued Interest	1,039	
Total Assets	316,308	74,709
<b>Liabilities:</b>		
Accounts Payable	55,896	6,017
Due to Students		68,692
Total Liabilities	55,896	74,709
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$260,412	\$0

*See accompanying notes to the basic financial statements.*



**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>Scholarship Private- Purpose Trust Funds</b>
<b>Additions:</b>	
Other Revenue	\$57,908
Investment Earnings	7,199
Total Additions	65,107
 <b>Deductions:</b>	
Educational Outreach	64,552
Total Deductions	64,552
Change in Net Assets	555
Net Assets, Beginning of Year	259,857
Net Assets, End of Year	\$260,412

*See accompanying notes to the basic financial statements.*

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**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**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.

**A. 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 Dayton Educational Cooperative Association

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Troy City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its government-wide and proprietary activities provided they do not conflict with or contradict GASB pronouncements. 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 assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

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

**2. Fund Financial Statements**

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

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**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.

**1. Governmental Funds**

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

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

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

**2. Proprietary Fund**

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

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

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus**

**1. Government-Wide Financial Statements**

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

**2. Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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 and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 are reported using the economic resources 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 revenue 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budget Data**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2009.

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**F. 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 2009, investments included federal government agency bonds, commercial paper, money market funds, STAROhio, negotiable certificates of deposit and non-negotiable certificates of deposit.

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

The School District has invested funds in the State Treasury Assets Reserve of Ohio (STAROhio) during fiscal year 2009. STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2009.

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 2009 amounted to \$408,666, which includes the general fund allocation as well as the allocations of all funds not specified in the Board's resolution. Interest was also credited for the year ended June 30, 2009 to the Hayner Cultural Fund and the Auxiliary Services Fund in the amount of \$2,639 and \$4,979, respectively.

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.

**G. Materials and Supplies Inventory**

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

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



**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2009, 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.

**I. 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.

**J. 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 assets but are not reported in the fund statements.

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

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

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

**K. Interfund Activity**

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

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Compensated Absences**

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

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

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

**M. 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 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.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets 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 assets 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 assets restricted by enabling legislation.

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

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepaid items, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**P. Compounded Interest on Capital Appreciation Bonds**

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

**3. ACCOUNTABILITY**

The following funds have fund equity deficits as of June 30, 2009:

	<b>Deficit Fund Equity</b>
<b>Special Revenue Funds:</b>	
Food Service Fund	\$160,807
Education Stabilization	1,183
Title I	72,662
Reducing Class Size	2,923
Miscellaneous Federal Grants	4

The deficits 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.

**4. DEPOSITS AND INVESTMENTS**

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

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

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

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of the School District's deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of the School District's deposits was \$3,658,752 and the bank balance was \$4,257,393. Of the bank balance, \$420,863 was covered by federal depository insurance and \$3,836,530 was uninsured. The uninsured bank balance was collateralized with securities held by the pledging institution's trust department but not in the School District's name.

**B. Investments**

Investments are reported at fair value. As of June 30, 2009, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity (in years)</u>		<u>Percent of Total Portfolio</u>	<u>Credit Rating</u>
		<u>Less Than 1</u>	<u>1 – 2</u>		
FHLB	\$ 3,887,690	\$3,136,871	\$ 750,819	37.82%	AAA
FHLMC	1,251,251	724,567	526,684	12.18%	AAA
FNMA	2,029,494	1,772,660	256,834	19.74%	AAA
Federal Farm Credit	233,086	233,086		2.27%	A-1+
US Treasury N/B	1,299,545	1,299,545		12.64%	N/A
Certificate of Deposit	59,000	59,000		0.57%	N/A
Money Market	377,372	377,372		3.67%	AAAm
STAROhio	1,142,480	1,142,480		11.11%	AAAm
Total Investments	<u>\$10,279,918</u>	<u>\$8,745,581</u>	<u>\$1,534,337</u>		

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.

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

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2009 for real and public utility property taxes represents collections of calendar 2008 taxes. Real property tax revenue received in calendar year 2009 are levied after April 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility property tax revenue received in calendar year 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a public lien December 31, 2007, are levied after April 1, 2008, and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property is assessed at varying percentages of value.

Tangible personal property tax revenue received during calendar year 2009 (other than public utility property) represents the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied or collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

The assessed values upon which fiscal year 2009 taxes were collected are:

	<b>2009 First Half Collections</b>		<b>2008 Second Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$637,388,880	97.48%	\$629,286,810	90.13%
Public Utility	16,482,000	2.52%	16,176,640	2.32%
Tangible Personal Property		0.00%	52,732,850	7.55%
<b>Total Assessed Value</b>	<b>\$653,870,880</b>	<b>100.00%</b>	<b>\$698,196,300</b>	<b>100.00%</b>
 Tax rate per \$1,000 of assessed Valuation	 <u>\$50.10</u>		 <u>\$57.44</u>	

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, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**5. PROPERTY TAXES (Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2009. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

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

The amount available as an advance at June 30, 2009, was \$1,281,057, \$31,650, \$117,935 and \$58,309 in the General, Hayner, Debt Service, and Capital Improvement funds, respectively.

**6 RECEIVABLES**

Receivables at June 30, 2009, consisted of current and delinquent property taxes, accounts (rent and student fees), intergovernmental grants, interest and interfund transactions. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<b>Governmental Activities:</b>	<b>Amount</b>
General – Tuition	\$ 9,861
Title I Grant	108,311
Reducing Class Size Grant	12,294
Permanent Improvement	2,004
Total Intergovernmental Receivables	\$132,470

**7. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 was as follows:

	<b>Balance 6/30/2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/2009</b>
<b>Capital Assets, not being depreciated:</b>				
Land	\$ 530,131			\$ 530,121
<b>Capital Assets, being depreciated:</b>				
Buildings	30,198,833			30,198,833
Improvements	10,131,603	\$1,079,922	(\$46,767)	11,164,758
Furniture and Equipment	4,389,320	109,784	(187,906)	4,311,198
Textbooks	1,396,344	245,476	(123,807)	1,518,013
Vehicles	2,564,934	264,156	(182,057)	2,647,033
	48,681,034	1,699,338	(540,537)	49,839,835

(Continued)

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**7. CAPITAL ASSETS (Continued)**

	<u>Balance 6/30/2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2009</u>
<b>Less: Accumulated Depreciation:</b>				
Buildings	(9,961,108)	(605,889)		(10,566,997)
Improvements	(4,655,932)	(549,418)	49,858	(5,155,492)
Furniture and Equipment	(3,309,082)	(260,736)	184,055	(3,385,763)
Textbooks	(595,325)	(203,614)	107,594	(691,345)
Vehicles	(1,192,108)	(202,493)	182,057	(1,212,544)
	<u>(19,713,555)</u>	<u>(1,822,150) *</u>	<u>523,564</u>	<u>(21,012,141)</u>
Capital Assets, being depreciated, net	<u>28,967,479</u>	<u>(122,812)</u>	<u>(16,973)</u>	<u>28,827,694</u>
Capital Assets, net	<u>\$29,497,610</u>	<u>(\$122,812)</u>	<u>(\$16,973)</u>	<u>\$29,357,825</u>

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

**Instruction:**

Regular \$ 803,653

**Support Services:**

Administration 157,289

Operation and Maintenance of Plant 39,262

Pupil Transportation 183,130

Operation of Non-Instructional Services 26,690

Extracurricular Activities 6,237

1,216,261

Unallocated Depreciation 605,889

Total Depreciation Expense \$1,822,150

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.

**8. RISK MANAGEMENT**

**A. Property and Liability**

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

**B. Health Insurance**

The District provides health care coverage for its employees and is self-insured up to a stop loss limit of \$75,000 per employee for the cost of providing this coverage. This activity is accounted for in the General, Special Revenue, and Proprietary Funds. Paid claims are recorded as an expenditure/expense in the respective funds based on a per employee charge. For reporting purposes, this activity has been reclassified to the Employee Health Insurance Fund within the Internal Service Fund.

Expenses for claims are recorded as other expenditures/expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on past experience and large outstanding balances. The liability at June 30, 2009, 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, 2009, follows:

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2008	\$772,673	\$5,369,979	(\$5,358,489)	\$784,163
2009	784,163	5,242,669	(5,235,990)	790,842

**9. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$564,300, \$521,723 and \$748,840, respectively; 50% has been contributed for fiscal year 2009 and 100% for fiscal years 2008 and 2007.

**B. State Teachers Retirement System**

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

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



**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were \$2,535,952, \$2,425,830 and \$2,622,128, respectively; 83% has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**10. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

**TROY CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2009, 2008 and 2007 were \$350,952, \$290,941 and \$201,362, respectively; 49.6 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was .75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008 and 2007 were \$45,987, \$41,243 and \$36,372, respectively; 49.6 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System**

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

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for Health care for the fiscal years ended June 30, 2009, 2008 and 2007 were \$195,073, \$186,602 and \$201,702, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**11. 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.

**TROY CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**11. OTHER EMPLOYEE BENEFITS (Continued)**

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.

**12. CAPITALIZED LEASES – LESSEE DISCLOSURE**

The Troy City School District entered into a capital lease for equipment. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are made from the General Fund. Amortization applicable to assets acquired through capital lease arrangements is included with depreciation for financial statement presentation.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$750,038, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was split between long-term liabilities due within a year and long-term liabilities due within more than one year on the statement of net assets for governmental activities. Principal payments in fiscal year 2009 totaled \$122,733. Capital lease obligations will be paid from the General Fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2009.

Year	Amount
2010	\$132,150
2011	42,895
	175,045
Less: Amount representing interest	(5,247)
Total Present value of minimum lease payments	\$169,798

**13. LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2009 were as follows:

	Amount Outstanding 6/30/2008	Increase	Decrease	Amount Outstanding 6/30/2009	Amount Due Within One Year
<b>Long-Term Obligations:</b>					
<b>General Obligation Bonds:</b>					
<b>2005 School Improvement Bonds:</b>					
Serial – 3.00% - 5.00%	\$ 9,865,000		(\$535,000)	\$ 9,330,000	\$565,000
Term – 4.50% - 5.00%	9,980,000			9,980,000	
Capital Appreciation – 13.707%	433,837	\$ 61,500		495,337	
Capital Leases	292,531		(122,733)	169,798	127,438
Compensated Absences	3,365,321	248,855	( 175,706)	3,438,470	254,429
Total Governmental Activities	\$23,936,689	\$310,355	(\$833,439)	\$23,413,605	\$946,867

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**13. LONG-TERM OBLIGATIONS (Continued)**

Compensated absences will be paid from the fund from which the employees' salaries are paid. Capital lease obligations will be paid from the General Fund.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 565,000	\$ 839,390	\$ 1,404,390
2011	595,000	819,090	1,414,090
2012	495,337	1,213,687	1,709,024
2013	705,000	796,340	1,501,340
2014	745,000	769,103	1,514,103
2015-2019	4,760,000	3,312,088	8,072,088
2020-2024	3,415,000	2,405,231	5,820,231
2025-2029	4,290,000	391,613	4,626,613
2030-2033	4,235,000	391,613	4,626,613
	<u>\$19,805,337</u>	<u>\$12,047,317</u>	<u>\$31,852,654</u>

As of June 30, 2009, the overall legal debt margin was \$39,614,101 with an unvoted debt margin of \$653,871.

**14. INTERFUND ACTIVITY**

Interfund transfers for the year ended June 30, 2009, consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		\$147,084
Non-Major Governmental Funds	\$147,084	
	<u>\$147,084</u>	<u>\$147,084</u>

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

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

As of June 30, 2009, principal components of interfund balances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Title I	\$ 46,983
	Drug Free School Grant Fund	723
	Permanent Improvement	1,000,000
		<u>\$1,047,706</u>

The due to represents cash advances to grant funds for cash flow purposes by the General fund.

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**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. During fiscal year 2009, the School District contributed \$2,174 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Drive, Suite 208, Vandalia, Ohio 45377.

**Metropolitan Dayton Educational Cooperative Association** – The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a data acquisition site used by the School District. MDECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. MDECA was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. During fiscal year 2009, the District contributed \$103,732 to MDECA. The Board of MDECA consists of one representative from each of the participating members. Complete financial information can be obtained from MDECA located in Dayton, Ohio.

**16. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, 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, 2009.

**B. Litigation**

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**17. 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 purchase of textbooks and other instructional materials and an equal amount 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.

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**17. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)**

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

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set-aside Cash Balance, As of June 30, 2008	(\$3,253,879)	
Current Year Set-aside Requirement	678,839	\$678,839
Qualifying Disbursements	(1,232,607)	(1,422,973)
Total	(3,807,647)	(744,134)
 Balance Carried Forward to FY 2009	 (\$3,807,467)	 \$0

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

**18. 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 2009, this income tax generated \$9,411,372 of revenue in the General Fund.

**19. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2009, the District implemented GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments". The implementation of this statement had no effect on the District's financial statements for fiscal year 2009.

**20. SUBSEQUENT EVENTS**

On September 21, 2009, the District issued \$1,103,964 of energy improvement bonds for the purpose of acquiring, constructing and installing energy conservation measures.

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Taxes	\$23,524,636	\$23,524,636	\$23,271,677	(\$252,959)
Intergovernmental	16,840,908	16,840,908	16,552,345	(288,563)
Interest	475,000	475,000	427,707	(47,293)
Tuition and Fees	859,000	859,000	929,087	70,087
Miscellaneous	80,000	80,000	94,446	14,446
<b>Total Revenues</b>	<u>41,779,544</u>	<u>41,779,544</u>	<u>41,275,262</u>	<u>(504,282)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	21,008,381	21,063,347	20,887,426	175,921
Special	4,748,005	5,231,072	5,026,300	204,772
Other	2,363,487	2,412,205	2,383,923	28,282
<b>Support Services:</b>				
Pupils	2,013,048	2,025,842	2,001,436	24,406
Instructional Staff	1,148,126	1,220,390	1,198,115	22,275
Board of Education	797,208	797,734	688,671	109,063
Administration	2,889,808	2,915,365	2,915,205	160
Fiscal	461,215	474,258	473,533	725
Business	686,665	638,990	600,484	38,506
Operation and Maintenance of Plant	3,867,859	3,845,832	3,588,197	257,635
Pupil Transportation	2,036,953	2,031,567	1,935,352	96,215
Central	60,754	65,254	65,132	122
Other	1,000	1,000	1,000	1,000
<b>Total Expenditures</b>	<u>42,082,509</u>	<u>42,722,856</u>	<u>41,763,774</u>	<u>959,082</u>
Excess of Revenues Over (Under) Expenditures	<u>(302,965)</u>	<u>(943,312)</u>	<u>(488,512)</u>	<u>454,800</u>
<b>Other Financing Sources (Uses):</b>				
Advances In	82,630	82,630	82,630	
Advances Out	(100,000)	(1,089,332)	(1,047,706)	41,626
Transfers In			10,853	10,853
Transfers Out	(147,269)	(157,937)	(157,937)	
<b>Total Other Financing Sources (Uses)</b>	<u>(164,639)</u>	<u>(1,164,639)</u>	<u>(1,112,160)</u>	<u>52,479</u>
Net Change in Fund Balance	(467,604)	(2,107,951)	(1,600,672)	507,279
Fund Balance, Beginning of Year	9,220,904	9,220,904	9,220,904	
Prior Year Encumbrances Appropriated	922,049	922,049	922,049	
<b>Fund Balance, End of Year</b>	<u>\$9,675,349</u>	<u>\$8,035,002</u>	<u>\$8,542,281</u>	<u>\$507,279</u>

See accompanying notes to the required supplementary information.

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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 statements reflect the amounts in the final amended certificate issued during fiscal year 2009.



**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the function level of expenditures within the individual funds, with the exception of the grant funds which are at the special cost center level. The level at which the Board of Education approves the annual appropriation resolution is the School District legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission.

Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements 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 as a reservation of fund balance for subsequent-year expenditures for governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. The encumbered appropriations balance is carried forward to the subsequent fiscal year and need not be 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 Statement 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 a reservation of fund balance (GAAP basis).

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

<u>Net Change in Fund Balances</u>	
	<u>General Fund</u>
GAAP Basis	\$462,455
Revenue Accruals	(568,299)
Expenditure Accruals	51,948
Encumbrances	(581,700)
Other Financing Sources (Uses)	<u>(965,076)</u>
Budget (Non-GAAP) Basis	<u>(\$1,600,672)</u>

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
<i>Non Cash Assistance (Food Distribution)</i>						
National School Lunch Program	10.555	N/A		\$167,986		\$167,986
<i>Cash Assistance:</i>						
School Breakfast Program	10.553	N/A	\$192,285		\$192,285	
National School Lunch Program	10.555	N/A	464,312		464,312	
Cash Assistance Subtotal			656,597		656,597	
Total Child Nutrition Cluster			656,597	167,986	656,597	167,986
Total U.S. Department of Agriculture			656,597	167,986	656,597	167,986
<b>U.S. Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-08 C1-S1-09 C1-SD-08 C1-SD-09	118,086 479,694 12,473 103,337		70,405 525,098 163 104,861	
Total Title I Grants to Local Educational Agencies			713,590		700,527	
Special Education Grants to States	84.027	6B-SF-09	945,860		945,860	
Safe and Drug-Free Schools and Communities State Grants	84.186	DR-S1-08 DR-S1-09	1,962 6,504		541 6,298	
Total Safe and Drug-Free Schools and Communities State Grants			8,466		6,839	
State Grants for Innovative Programs	84.298	C2-S1-08 C2-S1-09	2,804 3,947		1,048 3,947	
Total State Grants for Innovative Programs			6,751		4,995	
Education Technology State Grants	84.318	TJ-S1-08 TJ-S1-09	5,345 5,585		3,908 5,418	
Total Education Technology State Grants			10,930		9,326	
English Language Acquisition Grants	84.365	T3-S1-09 T3-S2-09	21,037 667		21,037 132	
Total English Language Acquisition Grants			21,704		21,169	
Improving Teacher Quality State Grants	84.367	TR-S1-08 TR-S1-09	7,295 161,317		8,309 161,317	
Total Improving Teacher Quality State Grants			168,612		169,626	
Total U.S. Department of Education			1,875,913		1,858,342	
<b>U.S. Department of Health and Human Services</b>						
<i>Passed through Montgomery County Educational Service Center</i>						
Medical Assistance Program	93.778	N/A	32,777			
Total Federal Financial Assistance			<u>\$2,565,287</u>	<u>\$167,986</u>	<u>\$2,514,939</u>	<u>\$167,986</u>

See accompanying notes to the Federal Awards Expenditures Schedule.

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C - FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE E - MEDICAL ASSISTANCE PROGRAM**

The District received \$32,777 for CAFS settlement. This amount relates to settlements for CAFS services provided during prior years.



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' 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 the financial statements of the governmental activities, each 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, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the School District's management in a separate letter dated January 8, 2010.

### **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, providing an opinion 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*.

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated January 8, 2010.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

January 8, 2010



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

#### Compliance

We have audited the compliance of Troy City School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

#### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

**Internal Control Over Compliance  
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated January 8, 2010.

We intend this report solely for the information and use of the audit committee, management, Board of Education federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

January 8, 2010



**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

Auditor of State

## Independent Accountant's Report on Applying Agreed-Upon Procedures

Troy City School District  
Miami County  
500 North Market St  
Troy, OH 45373

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on June 24, 2002 and was re-adopted on March 12, 2007
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - 3) A procedure for reporting prohibited incidents;
  - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - 5) A procedure for documenting any prohibited incident that is reported;
  - 6) A procedure for responding to and investigating any reported incident;

- 7) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
  - 8) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
  - 9) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):
- 1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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

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



**Mary Taylor, CPA**  
Auditor of State

January 8, 2010



Mary Taylor, CPA  
Auditor of State

**TROY CITY SCHOOL DISTRICT**

**MIAMI COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 4, 2010**