



Dave Yost • Auditor of State



**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Troy City School District, Miami County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Troy City School District, Miami County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 26, 2016

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**TROY CITY SCHOOL DISTRICT**  
**MIAMI COUNTY, OHIO**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

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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, 2015. 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 2015 are as follows:

*Overall:*

- Total net position increased by \$3,592,763, which represents an 8.64% increase from fiscal year 2014.
- Total assets of governmental activities increased by \$100,514, attributed primarily to an increase in cash and investments.
- General revenues accounted for \$45.6 million or 86.79% of total revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$6.9 million or 13.21% of total revenues of \$52.5 million.
- Of the School District's \$48.9 million in expenses, only \$6.9 million were offset by program specific charges for services, grants or contributions. General revenues (primarily grants and entitlements, income taxes and property taxes) were used to cover the net expense of \$42.0 million.
- The General Fund had \$44.2 million in revenues and \$42.0 million in expenditures representing 83.89% and 82.77% 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 \$2.2 million from the prior year.

**Using the Basic Financial Statements**

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

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

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**Reporting the School District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and use the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in that position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

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

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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**The School District as a Whole**

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

Table 1 provides a summary of the School District's net position for 2015 and 2014:

**TABLE 1**  
**NET POSITION JUNE 30**

	2015	Revised 2014
<b>Assets:</b>		
Current and Other Assets	\$ 36,790,974	36,154,759
Capital Assets	25,288,074	25,823,775
Total Assets	62,079,048	61,978,534
<b>Deferred Outflows of Resources:</b>		
Deferred Charge on Refunding	1,323,166	1,412,147
Pension	3,940,191	3,368,162
Total Deferred Outflows of Resources	5,263,357	4,780,309
<b>Liabilities:</b>		
Current Liabilities	4,613,447	5,111,722
Long-Term Liabilities:		
Due Within One Year	1,538,184	2,167,046
Due in More Than One Year:		
Net Pension Liability	53,360,305	63,389,851
Other Long-Term Liabilities	20,081,524	21,200,654
Total Liabilities	79,593,460	91,869,273
<b>Deferred Inflows of Resources:</b>		
Property Taxes	16,113,541	16,476,624
Pension	9,629,695	-
Total Deferred Inflows of Resources	25,743,236	16,476,624
<b>NET POSITION:</b>		
Net Investment in Capital Assets	8,443,717	8,010,283
Restricted	2,519,883	2,767,362
Unrestricted	(48,957,891)	(52,364,699)
Total Net Position	\$ (37,994,291)	(41,587,054)

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension

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Management's Discussion and Analysis  
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systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

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

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

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

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

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

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation, as well as a correction of an error noted, also had the effect of restating net position at June 30, 2014, from a positive \$18,433,097 to a deficit of \$(41,587,054). See note 3 for additional information.

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Management's Discussion and Analysis  
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The amount by which the School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2015, the School District's net position was \$(38.0) million. Of that amount, approximately \$8.5 million was invested in capital assets, net of debt related to those assets. Another \$2.5 million was subject to external restrictions upon its use. The remaining deficit of \$49.0 million resulted from the School District's recognition of GASB 68. Prior to the implementation of GASB 68, the School District reported a positive unrestricted net position of nearly \$7.7 million. With the current year increase in net position, it is reasonable to assume that unrestricted position would have increased further in the current year as well.

Table 2 shows the changes in net position for fiscal year 2015, as compared to fiscal year 2014:

**TABLE 2**  
**CHANGE IN NET POSITION, JUNE 30**

	2015	Revised 2014
<b>REVENUES:</b>		
Program Revenues:		
Charges for Services	\$ 2,680,425	2,892,824
Operating Grants and Contributions	4,239,895	4,440,363
Capital Grants and Contributions	12,596	37,599
General Revenues:		
Property Taxes	16,770,238	16,800,907
Income Taxes	10,302,194	10,065,460
Grants and Entitlements	18,115,114	16,437,358
Investment Earnings	(70,734)	102,161
Other	446,109	334,122
Total Revenues	52,495,837	51,110,794
<b>PROGRAM EXPENSES:</b>		
Instruction	31,298,009	31,391,091
Support Services:		
Pupils and Instructional Staff	3,003,731	2,967,141
Board of Education, Administration		
Fiscal and Business	5,398,499	5,251,225
Operation and Maintenance of Plant	3,455,830	3,216,316
Pupil Transportation	2,099,753	2,190,100
Central	181,148	229,741
Operation of Non-Instructional Services	1,907,926	2,067,308
Extracurricular Activities	478,374	491,791
Interest and Fiscal Charges	669,064	657,646
Depreciation Expense	410,740	426,055
Total Expenses	48,903,074	48,888,414
<i>Change in Net Position</i>	3,592,763	2,222,380
<i>Beginning Net Position (restated)</i>	(41,587,054)	16,212,255
Restatement to Implement GASB 68	-	(60,021,689)
<i>Ending Net Position</i>	\$ (37,994,291)	(41,587,054)

**TROY CITY SCHOOL DISTRICT**  
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The information necessary to restate the fiscal year 2014 beginning balances and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, the functional expenses reported for fiscal year 2014 still included pension expense of \$3,368,162 computed under GASB Statement No. 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the pension plans. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows and outflows of resources. The required contribution is no longer a component of pension expense under GASB 68. Using the guidance provided by GASB 68, the fiscal year 2015 statements report pension expense totaling \$2,466,509. Consequently, in order to compare fiscal year 2015 total program expenses to those of fiscal year 2014, the following adjustments are needed:

Total FY2015 program expenses under GASB 68	\$ 48,903,074
Pension expense under GASB 68	(2,466,509)
FY2015 contractually required contributions	<u>3,438,389</u>
Adjusted FY2015 program expenses	49,874,954
Total FY2014 program expenses under GASB 27	48,888,414
Decrease in program expenses not related to pension	<u>\$ 986,540</u>

**Governmental Activities**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property taxes made up 31.95% of revenues for governmental activities for the Troy City School District for fiscal year 2015. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 34.51% of the School District's total revenue was received from intergovernmental sources during fiscal year 2015.

Despite not having sought new operating funds through a property tax levy in nearly ten years, the School District has been able to remain financially stable following encountering financial difficulties in the recent past. Careful management of expenses has allowed the School District to increase cash balance maintained on hand. Expenses for fiscal year 2015 only increased by \$14,660 over those reported for the prior year. Some of issues limiting expenses for the year include the prior year reporting the majority of a one-time grant which was not repeated for the current year.

Instruction comprises 64.00% of the School District's expenses for fiscal year 2015. Support services expenses make up 28.91% 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.

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Management's Discussion and Analysis  
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(Unaudited)

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

	2015		2014	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 31,298,009	26,998,438	31,391,091	26,937,452
Support Services:				
Pupils and Instructional Staff	3,003,731	2,987,531	2,967,141	2,950,941
Board of Education, Administration, Fiscal and Business	5,398,499	5,238,207	5,251,225	4,812,393
Operation and Maintenance of Plant	3,455,830	3,305,956	3,216,316	3,125,459
Pupil Transportation	2,099,753	2,099,753	2,190,100	2,190,100
Central	181,148	181,148	229,741	229,741
Operation of Non-Instructional Services	1,907,926	228,735	2,067,308	317,499
Extracurricular Activities	478,374	(149,414)	491,791	(129,658)
Interest and Fiscal Charges	669,064	669,064	657,646	657,646
Depreciation Expense	410,740	410,740	426,055	426,055
Total Expenses	\$ <u>48,903,074</u>	<u>41,970,158</u>	<u>48,888,414</u>	<u>41,517,628</u>

**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 \$13.3 million, or 84.16% of the total fund balance for all governmental funds.

The School District's primary operating fund, the General Fund, ended the year with revenues exceeding expenditures by \$2.2 million. The unassigned ending fund balance of the General Fund (\$11.3 million) represents approximately 26.9% of the total expenditures reported in the General Fund.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, original budgeted revenue was \$43.0 million compared with the final budgeted revenue of \$44.0 million, with a 2.42% increase in budgeted amounts during the year. Actual revenue for the year totaled \$44.0 million which equaled the final budgeted figure.

Total actual expenditures on the budget basis (cash expenditures plus encumbrances) were \$42.5 million, which equaled the final budget and was \$546,018 lower than the original budget.

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

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Management's Discussion and Analysis  
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**Capital Assets**

At the end of fiscal year 2015, the School District had \$25.3 million invested in land, buildings, improvements, furniture, textbooks and equipment, and vehicles in governmental activities net of accumulated depreciation.

Overall, net capital assets decreased \$535,702 from fiscal year 2014. The decrease in capital assets results from depreciation expense reported for the year being a larger amount than the amount of capital outlay.

During fiscal year 2015, primary capital additions included various improvements to buildings and grounds totaling \$847,452, purchase of furniture and equipment totaling \$53,681, and \$205,629 in vehicles, including new busses. Current year depreciation expense totaled \$1.58 million. Capital assets disposed of during the fiscal year had a historical cost of \$578,146 with related accumulated depreciation of \$518,913 resulting in a net loss equal to \$59,233.

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

Table 4 shows fiscal year 2015 balances compared to 2014:

**TABLE 4**  
**CAPITAL ASSETS, JUNE 30**

	2015	2014
Land	\$ 530,131	530,131
Buildings	16,604,325	17,015,065
Improvements	6,159,259	5,972,417
Furniture and Equipment	752,379	945,699
Textbooks	27,577	128,404
Vehicles	1,214,402	1,232,059
Total Net Capital Assets	\$ 25,288,073	25,823,775

For more detailed disclosures regarding the School District's capital assets, readers should read Note 10 to the basic financial statements.

**Long-Term Obligations**

At June 30, 2015, the School District had four separate bond issues with an outstanding amount due of \$16.9 million, of which \$985,000 is scheduled to mature in the next fiscal year. During the year, \$950,000 of principal payments were made and \$170,440 of interest was accreted to the principal of the capital appreciation bonds. At June 30, 2015, the School District's overall legal debt margin was \$42.8 million and the unvoted debt margin was \$641,678.

For more detailed disclosures regarding the School District's long-term obligations readers should refer to Note 15 to the basic financial statements.



***TROY CITY SCHOOL DISTRICT***  
***MIAMI COUNTY, OHIO***  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

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

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

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

Statement of Net Position  
June 30, 2015

		Governmental Activities
<b>ASSETS:</b>		
Pooled Cash and Investments	\$	14,287,242
Receivables:		
Income Taxes		2,937,227
Accounts		61,636
Intergovernmental		165,581
Property and Other Local Taxes		18,764,863
Materials and Supplies Inventory		135,859
Prepaid Items		53,870
Restricted Asset:		
Cash and Cash Equivalents with Escrow Agent		384,696
Capital Assets:		
Nondepreciable		530,131
Depreciable, Net of Accumulated Depreciation		24,757,943
Total Assets		62,079,048
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred Charge on Refunding		1,323,166
Pension		3,940,191
Total Deferred Outflows of Resources		5,263,357
<b>LIABILITIES:</b>		
Accounts Payable		320,697
Accrued Wages and Benefits		2,542,478
Intergovernmental Payable		834,180
Claims Payable		874,179
Accrued Interest Payable		41,913
Noncurrent Liabilities:		
Due Within One Year		1,538,184
Due In More Than One Year		
Net Pension Liability		53,360,305
Other Amounts Due In More Than One Year		20,081,524
Total Liabilities		79,593,460
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Property Taxes not Levied to Finance Current Year Operations		16,113,541
Pension		9,629,695
Total Deferred Inflows of Resources		25,743,236
<b>NET POSITION:</b>		
Net Investment in Capital Assets		8,443,717
Restricted for:		
Hayner Cultural Center		561,603
Student Activities		322,643
Auxiliary Services		48,514
Educational Grants		13,991
Capital Projects		537,808
Debt Service		1,035,324
Unrestricted		(48,957,891)
Total Net Position	\$	(37,994,291)

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT**  
**MIAMI COUNTY, OHIO**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2015

<b>Functions/Programs:</b>	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense)/ Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions		Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$ 22,594,507	844,078	2,238,240	-	(19,512,189)
Special	6,005,705	133,414	1,010,775	-	(4,861,516)
Vocational	12,314	-	-	-	(12,314)
Student Intervention Services	203,487	-	-	-	(203,487)
Other	2,481,996	66,707	6,357	-	(2,408,932)
Support Services:					
Pupils	1,892,555	-	-	-	(1,892,555)
Instructional Staff	1,111,176	-	16,200	-	(1,094,976)
Board of Education	607,297	-	-	-	(607,297)
Administration	3,787,626	126,251	34,041	-	(3,627,334)
Fiscal	550,182	-	-	-	(550,182)
Business	453,394	-	-	-	(453,394)
Operation and Maintenance of Plant	3,455,830	129,046	17,482	3,346	(3,305,956)
Pupil Transportation	2,099,753	-	-	-	(2,099,753)
Central	181,148	-	-	-	(181,148)
Operation of Non-Instructional Services	1,907,926	762,391	916,800	-	(228,735)
Extracurricular Activities	478,374	618,538	-	9,250	149,414
Interest and Fiscal Charges	669,064	-	-	-	(669,064)
Unallocated Depreciation *	410,740	-	-	-	(410,740)
Total	\$ 48,903,074	2,680,425	4,239,895	12,596	(41,970,158)
<b>General Revenues:</b>					
Property Taxes Levied for:					
General Purposes					14,362,097
Hayner Cultural Center					473,683
Debt Service					1,332,702
Capital Outlay					601,756
Income Taxes Levied for General Purposes					10,302,194
Grants, Entitlements and Contributions not Restricted to Specific Programs					18,115,114
Investment Earnings					(70,734)
Other Revenue					446,109
			Total General Revenues		45,562,921
			Change in Net Position		3,592,763
			Net Position, Beginning of Year (Restated)		(41,587,054)
			Net Position, End of Year	\$	(37,994,291)

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

See accompanying notes to the basic financial statements.

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

Balance Sheet  
Governmental Funds  
June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Pooled Cash and Investments	\$ 11,118,846	2,360,259	13,479,105
Receivables:			
Property and Local Taxes	15,941,696	2,823,167	18,764,863
Income Taxes	2,937,227	-	2,937,227
Accounts	61,636	-	61,636
Intergovernmental	-	165,581	165,581
Due from Other Funds	16,332	-	16,332
Materials and Supplies Inventory	111,460	24,399	135,859
Prepaid Items	22,755	31,115	53,870
Restricted Asset:			
Cash and Cash Equivalents with Escrow Agent	384,696	-	384,696
Total Assets	<u>\$ 30,594,648</u>	<u>5,404,521</u>	<u>35,999,169</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable	\$ 180,708	139,989	320,697
Accrued Wages and Benefits	2,358,807	183,671	2,542,478
Intergovernmental Payable	750,741	83,439	834,180
Compensated Absences Payable	122,854	-	122,854
Due to Other Funds	-	16,332	16,332
Total Liabilities	<u>3,413,110</u>	<u>423,431</u>	<u>3,836,541</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Property Taxes not Levied to Finance			
Current Year Operations	13,696,265	2,417,276	16,113,541
Unavailable Revenue	197,942	62,893	260,835
Total Deferred Inflows of Resources	<u>13,894,207</u>	<u>2,480,169</u>	<u>16,374,376</u>
<b>FUND BALANCES:</b>			
Nonspendable	134,215	55,515	189,730
Restricted	384,696	2,464,440	2,849,136
Assigned	1,479,706	-	1,479,706
Unassigned	11,288,714	(19,034)	11,269,680
Total Fund Balances	<u>13,287,331</u>	<u>2,500,921</u>	<u>15,788,252</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 30,594,648</u>	<u>5,404,521</u>	<u>35,999,169</u>

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT**  
**MIAMI COUNTY, OHIO**  
Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
June 30, 2015

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Total Governmental Fund Balances	\$	15,788,252
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		25,288,074
Some revenues will not be available to pay for current period expenditures and therefore are reported as unavailable in the funds.		260,835
The Internal Service fund is used by management to charge the cost of providing medical insurance to the individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		(66,042)
Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
General Obligation Bonds		(15,788,304)
Energy Conservation Bonds		(1,103,964)
Unamortized Bond Premiums		(1,603,568)
Deferred Amount on Refunding		1,323,166
Accrued Interest Payable		(41,913)
Compensated Absences Payable		(3,001,018)
The net pension liability is not due and payable in the current period; therefore the liability and related deferred inflows and outflows are not reported in the governmental funds.		
Deferred Outflows - Pension		3,940,191
Deferred Inflows - Pension		(9,629,695)
Net Pension Liability		<u>(53,360,305)</u>
Net Position of Governmental Activities	\$	<u>(37,994,291)</u>

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT**  
**MIAMI COUNTY, OHIO**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Property and Other Local Taxes	\$ 14,529,361	2,434,288	16,963,649
Income Taxes	10,302,194	-	10,302,194
Intergovernmental	17,787,767	4,485,967	22,273,734
Investment Earnings	(70,958)	224	(70,734)
Tuition and Fees	993,618	15,919	1,009,537
Charges for Services	-	837,391	837,391
Extracurricular Activities	241,173	543,538	784,711
Miscellaneous	380,668	160,886	541,554
Total Revenues	<u>44,163,823</u>	<u>8,478,213</u>	<u>52,642,036</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	20,731,219	2,120,615	22,851,834
Special	5,125,652	942,851	6,068,503
Vocational	12,314	-	12,314
Student Intervention Services	203,487	-	203,487
Other	2,486,511	-	2,486,511
Support Services:			
Pupils	1,927,239	2,228	1,929,467
Instructional Staff	938,101	168,010	1,106,111
Board of Education	607,297	-	607,297
Administration	3,411,916	383,669	3,795,585
Fiscal	533,428	32,796	566,224
Business	445,675	6,160	451,835
Operation and Maintenance of Plant	3,384,403	185,629	3,570,032
Pupil Transportation	1,910,520	-	1,910,520
Central	241,721	2,126	243,847
Operation of Non-Instructional Services	-	1,925,645	1,925,645
Extracurricular Activities	5,741	467,991	473,732
Capital Outlay	-	1,026,979	1,026,979
Debt Service:			
Principal	-	950,000	950,000
Interest	-	520,960	520,960
Total Expenditures	<u>41,965,224</u>	<u>8,735,659</u>	<u>50,700,883</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>2,198,599</u>	<u>(257,446)</u>	<u>1,941,153</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from Sale of Capital Assets	3,158	105	3,263
Insurance Recoveries	-	17,383	17,383
Total Other Financing Sources (Uses)	<u>3,158</u>	<u>17,488</u>	<u>20,646</u>
Net Change in Fund Balances	2,201,757	(239,958)	1,961,799
Fund Balance, Beginning of Year (restated)	11,085,574	2,740,879	13,826,453
Fund Balance, End of Year	<u>\$ 13,287,331</u>	<u>2,500,921</u>	<u>15,788,252</u>

See accompanying notes to the basic financial statements.

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

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015

Total Net Change in Fund Balances - Total Governmental Funds	\$	1,961,799
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		
Capital Asset Additions		1,106,762
Current Year Depreciation		(1,583,231)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the carrying amount of capital assets disposed of during the year which was offset against any proceeds received.		
		(59,233)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(166,845)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General obligation bonds		950,000
In the statement of activities, interest is accrued and expensed on outstanding bond obligations, whereas in governmental funds, an interest expenditure is reported when payments are due.		
		3,200
Some expenses reported in the statement of activities, such as compensated absences and certain components of debt obligations, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated absences		(233,876)
Accreted interest on capital appreciation bonds		(170,440)
Amortization of bond premium		108,117
Amortization of deferred amount on refunding		(88,981)
Early retirement incentive payable		699,026
The Internal Service fund used by management to charge the cost of providing medical insurance to the individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenue is eliminated. The net income of the internal service fund is allocated among the governmental activities.		
		94,585
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		3,438,389
Except for amounts reported as deferred outflows and inflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		<u>(2,466,509)</u>
Change in Net Position of Governmental Activities	\$	<u>3,592,763</u>

See accompanying notes to the basic financial statements.



**TROY CITY SCHOOL DISTRICT**  
**MIAMI COUNTY, OHIO**  
Statement of Fund Net Position  
Internal Service Fund  
June 30, 2015

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	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<b>ASSETS:</b>	
Pooled Cash and Investments	\$ <u>808,137</u>
<b>LIABILITIES:</b>	
Claims Payable	<u>874,179</u>
<b>NET POSITION:</b>	
Unrestricted	\$ <u><u>(66,042)</u></u>

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT**  
**MIAMI COUNTY, OHIO**  
Statement of Revenues, Expenses and  
Changes in Fund Net Position  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2015

	Governmental Activities
	Internal Service Fund
<b>OPERATING REVENUES:</b>	
Insurance Premium Contributions:	
Employer Contributions from District	\$ 5,194,593
Employee Contributions	304,647
Stop Loss Premiums	<u>(626,744)</u>
Net Premium Contributions	4,872,496
Miscellaneous	<u>10,474</u>
Total Operating Revenues	<u>4,882,970</u>
<b>OPERATING EXPENSES:</b>	
Insurance Claims Expense:	
Total Claims Incurred	4,774,332
Claims Ceded to Stop Loss Coverage	<u>(209,377)</u>
Net Claims Incurred	4,564,955
Contractual Services	<u>223,430</u>
Total Operating Expenses	<u>4,788,385</u>
Operating Income	94,585
Net Position, Beginning of Year	<u>(160,627)</u>
Net Position, End of Year	\$ <u>(66,042)</u>

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT**  
**MIAMI COUNTY, OHIO**  
Statement of Cash Flows  
Internal Service Fund  
For the Fiscal Year Ended June 30, 2015

	Governmental Activities
	Internal Service Fund
<u>Increase in Pooled Cash and Investments</u>	
Cash Flows from Operating Activities:	
Cash Received from Quasi-External Transactions with Other Funds	\$ 5,194,593
Cash Received for Employee Premiums	304,647
Cash Payments for Premiums for Stop Loss Insurance	(626,744)
Cash Received for Other Purposes	10,474
Cash Payments for Insurance Claims	(4,868,916)
Cash Received from Stop Loss Insurance	209,377
Cash Payments for Contractual Services	(223,430)
Net Cash Provided by Operating Activities	1
Net Increase in Pooled Cash and Investments	1
Pooled Cash and Investments, Beginning of Year	808,136
Pooled Cash and Investments, End of Year	\$ 808,137
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$ 94,585
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in assets and liabilities:	
Decrease in Claims Payable	(94,584)
Net Cash Provided by Operating Activities	\$ 1

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT**  
**MIAMI COUNTY, OHIO**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015

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	Scholarship Private- Purpose Trust Funds	Agency Fund
<b>ASSETS:</b>		
Pooled Cash and Investments	\$ 285,079	103,983
Prepaid Items	-	1,791
Total Assets	285,079	105,774
<b>LIABILITIES:</b>		
Accounts Payable	41,814	26
Due to Students	-	105,748
Total Liabilities	41,814	105,774
<b>NET POSITION:</b>		
Held in Trust for Scholarships	\$ 243,265	-

See accompanying notes to the basic financial statements.

**TROY CITY SCHOOL DISTRICT**  
**MIAMI COUNTY, OHIO**  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2015

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		Scholarship Private- Purpose Trust Funds
<b>ADDITIONS:</b>		
Gifts and Contributions	\$	32,440
Investment Earnings		5,066
Miscellaneous		2,280
Total Additions		39,786
<b>DEDUCTIONS:</b>		
Educational Outreach		48,602
Total Deductions		48,602
Change in Net Position		(8,816)
Net Position, Beginning of Year		252,081
Net Position, End of Year	\$	243,265

See accompanying notes to the basic financial statements.

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

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

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

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

The School District is associated with two jointly governed organizations. These organizations are presented in Note 18 to the basic financial statements. These organizations are:

**Jointly Governed Organizations:**

Southwestern Ohio Educational Purchasing Council  
Metropolitan Dayton Educational Cooperative Association

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***A. Basis of Presentation***

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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



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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***B. Fund Accounting***

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

Governmental Funds

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

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

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

Proprietary Fund

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has various funds established to provide scholarships to its students that are classified as private-purpose trust funds. Funds used to account for the activity of the numerous student-managed activities within the School District are classified as agency funds.

**TROY CITY SCHOOL DISTRICT**  
**MIAMI COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***C. Measurement Focus***

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

Governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows and inflows of resources, and in the presentation of expenses versus expenditures.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within ninety days of fiscal year end for all revenues except property tax. For property tax revenue, available means expected to be received within sixty days of fiscal year end.

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

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

***E. Deferred Outflows/Inflows of Resources***

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained further in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are further explained in Note 12.

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***F. Budget Data***

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the School District. The amounts reported as the original budgeted amounts in the budgetary schedule reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary schedule reflect the amounts in the final amended certificate issued during fiscal year 2015.

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

***G. Pooled Cash and Investments***

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

During fiscal year 2015, investments included federal government agency bonds, money market funds, STAROhio, and negotiable certificates of deposit.

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

The School District has invested funds in the State Treasury Assets Reserve of Ohio (STAROhio) during fiscal year 2015. 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, 2015.

**TROY CITY SCHOOL DISTRICT**  
**MIAMI COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. For the year, the School District posted a negative \$70,958 of interest revenue to the general fund as the result of recognizing investments at fair value in the financial statements.

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

***H. Materials and Supplies Inventory***

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

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

***I. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

***J. Estimates***

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

***K. Capital Assets and Depreciation***

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

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

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**L. Restricted Assets**

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

**M. Interfund Activity**

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

**N. Compensated Absences**

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

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

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to come due for payment as the result of retirement or termination of employment. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**TROY CITY SCHOOL DISTRICT**  
**MIAMI COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***O. Pensions***

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

***P. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they have matured and are due for payment during the current year. Long-term notes, general obligation bonds, and capital leases are recognized as a liability on the governmental fund financial statements when due for payment.

***Q. Net Position***

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

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

***R. Fund Balance***

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

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES/CORRECTION OF ERROR**

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure.

In addition, the School District determined they had not properly recorded the annual activity of the 2009 energy conservation bond issue in prior years. Quarterly payments made by the School District out of the general fund were treated as reductions to the bond principal however the deposits were being made to a sinking fund at the paying agent, in the name of the School District, to be held until the bond’s maturity date. As such, the principal amount of the bond should not have been reduced and the fair value of the sinking fund should have been reported as a restricted asset.

The implementation of GASB 68 and the correction of the error noted above had the following effect on net position and the fund balance of the general fund as reported June 30, 2014:

	Governmental Activities Net Position	General Fund Balance
Amount previously reported at June 30, 2014	\$ 18,433,097	\$ 10,777,698
Adjustments:		
Implementation of GASB 68:		
Net pension liability at June 30, 2014	(63,389,851)	-
Deferred outflows - payments subsequent to measurement date	3,368,162	-
Correction of Error:		
Recognition of bond sinking fund	307,876	307,876
Restatement of bond principal to original value	(306,338)	-
Net position June 30, 2014 as restated	\$ (41,587,054)	\$ 11,085,574

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources related to pension as the information needed to generate these restatements was not available.



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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**NOTE 4 – FUND BALANCES**

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

Fund Balances	General	Nonmajor Governmental Funds	Total
Nonspendable for:			
Inventory of Supplies	\$ 111,460	24,400	135,860
Prepays	22,755	31,115	53,870
Total Nonspendable	134,215	55,515	189,730
Restricted for:			
Debt Service	384,696	1,003,792	1,388,488
Capital Improvements	-	528,574	528,574
Hayner Cultural Center	-	587,460	587,460
District Managed Activities	-	321,993	321,993
State Educational Grants	-	19,309	19,309
Federal Education Grants	-	3,312	3,312
Total Restricted	384,696	2,464,440	2,849,136
Assigned for:			
Student and Staff Support	184,406	-	184,406
Subsequent Expenditures	134,295	-	134,295
Subsequent Appropriations	1,161,005	-	1,161,005
Total Assigned	1,479,706	-	1,479,706
Unassigned (Deficit)	11,288,714	(19,034)	11,269,680
Total Fund Balances	\$ 13,287,331	2,500,921	15,788,252

**NOTE 5 - ACCOUNTABILITY**

The following fund had a fund equity deficits as of June 30, 2015:

	Deficit Fund Equity
Special Revenue Funds:	
Race to the Top Grant Fund	\$ 450
Title II-A Grant Fund	4,501

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

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**NOTE 6 – DEPOSITS AND INVESTMENTS**

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

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

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

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

Deposits

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

At year end, the carrying amount of the School District’s cash and deposits was \$7,769,138 (including \$14,790 of cash on hand) and the bank balance was \$8,123,508. Of the bank balance, \$2,578,973 was covered by federal depository insurance (FDIC) and \$5,544,535 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.

Investments

Investments are reported at fair value. As of June 30, 2015, the School District had the following investments:

	Fair Value	Maturity (in years)		% of Portfolio	Credit Rating*
		Less than 1	1-3		
FNMA	\$ 1,239,919	370,137	869,782	17.00%	AA+
U.S. Treasury Notes	2,010,492	1,000,630	1,009,862	27.57%	N/A
Negotiable CD's	3,842,364	1,742,741	2,099,623	52.70%	N/A
Mutual Fund	199,017	199,017	-	2.73%	AAAm
STAR Ohio	70	70	-	0.00%	AAAm
Total Investments	\$ <u>7,291,862</u>	<u>3,312,595</u>	<u>3,979,267</u>		

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

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**NOTE 6 – DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

**NOTE 7 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received during calendar year 2015 were levied after April 1, 2014 on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternative payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Miami County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015 are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Property taxes receivable represents real property and public utility property taxes that are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the portion of real property taxes available as an advance at June 30 was levied to finance current year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes. The amount available as an advance at June 30, 2015, was \$1,984,875, \$201,320, \$90,187 and \$71,566 in the General, Debt Service, Capital Project and Hayner funds, respectively.

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**NOTE 7 – PROPERTY TAXES (Continued)**

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

The assessed values upon which the fiscal year 2015 taxes were collected are as follows:

	2015 First Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 620,459,840	96.69%	612,004,830	96.76%
Public Utility	21,217,960	3.31%	20,482,000	3.24%
Total Assessed Value	\$ 641,677,800	100.00%	632,486,830	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$52.69		 \$52.69	

**NOTE 8 – 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 2015, this income tax generated \$10,302,194 of revenue in the General Fund.

**NOTE 9 – RECEIVABLES**

Receivables at June 30, 2015, consisted of current and delinquent property taxes, income taxes, accounts (rent and student fees), intergovernmental grants, interest and interfund transactions. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Title I Grant Fund	\$ 100,664
Title I-D Grant Fund	34,325
Title II-A Grant Fund	15,535
Title III Grant Fund	9,528
Race to the Top Grant	5,529
Total Intergovernmental Receivables	\$ 165,581

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**NOTE 10 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance 6/30/2014	Additions	Deductions	Balance 6/30/2015
<b><u>Capital Assets, not being depreciated:</u></b>				
Land	\$ 530,131	-	-	530,131
<b><u>Capital Assets, being depreciated:</u></b>				
Buildings	30,430,819	-	-	30,430,819
Improvements	14,333,931	847,452	-	15,181,383
Furniture and Equipment	4,821,252	53,681	(22,870)	4,852,063
Textbooks	731,113		(415,491)	315,622
Vehicles	3,028,101	205,629	(139,785)	3,093,945
	53,345,216	1,106,762	(578,146)	53,873,832
<b><u>Less: Accumulated Depreciation:</u></b>				
Buildings	(13,415,754)	(410,740)		(13,826,494)
Improvements	(8,361,514)	(660,610)		(9,022,124)
Furniture and Equipment	(3,875,553)	(242,180)	18,049	(4,099,684)
Textbooks	(602,709)	(46,415)	361,079	(288,045)
Vehicles	(1,796,042)	(223,286)	139,785	(1,879,543)
	(28,051,572)	(1,583,231) *	518,913	(29,115,890)
<b>Capital Assets, being depreciated, net</b>	25,293,644	(476,469)	(59,233)	24,757,942
<b>Capital Assets, net</b>	\$ 25,823,775	(476,469)	(59,233)	25,288,073

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

Instruction:	
Regular	\$ 718,438
Support Services:	
Instructional Staff	14,871
Administration	170,804
Operation and Maintenance of Plant	30,317
Pupil Transportation	209,578
Operation of Non-Instructional Services	22,989
Extracurricular Activities	5,494
	1,172,491
Unallocated Depreciation	410,740
Total Depreciation Expense	\$ 1,583,231

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

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**NOTE 11 – RISK MANAGEMENT**

***A. Property and Liability***

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

***B. Health Insurance***

The School District provides health care coverage for its employees and is self-insured up to a stop loss limit of \$100,000 per employee for the cost of providing this coverage and an aggregate stop loss limit of \$6,650,790. Premiums are charged to the funds from which the covered employees are paid. Self-insured risk for health care benefits is accounted for with the School District’s internal service fund.

Expenses for claims are recorded as other expenditures/expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on past experience and large outstanding balances. The liability at June 30, 2015, 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, 2015, follows:

<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>
2014	\$ 1,104,256	5,122,771	(5,258,264)	968,763
2015	\$ 968,763	4,774,332	(4,868,916)	874,179

**NOTE 12 – DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

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

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

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

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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

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

**TROY CITY SCHOOL DISTRICT**  
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Notes to the Basic Financial Statements  
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**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$889,709 for fiscal year 2015; \$181,410 of contributions is reported within intergovernmental payable at June 30, 2015.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](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. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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



**TROY CITY SCHOOL DISTRICT**  
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Notes to the Basic Financial Statements  
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**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$2,548,680 for fiscal year 2015; \$485,088 of contributions is reported within intergovernmental payable at June 30, 2015.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 10,667,557	\$ 42,692,748	\$ 53,360,305
Proportion of the net pension liability	0.210782%	0.17552086%	
Pension expense	\$ 595,198	\$ 1,871,311	\$ 2,466,509

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Notes to the Basic Financial Statements  
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**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<u>Deferred Outflows of Resources:</u>			
Differences between expected and actual experience	\$ 90,792	\$ 411,010	\$ 501,802
School District contributions subsequent to the measurement date	<u>889,709</u>	<u>2,548,680</u>	<u>3,438,389</u>
Total	<u>\$ 980,501</u>	<u>\$ 2,959,690</u>	<u>\$ 3,940,191</u>
<u>Deferred Inflows of Resources:</u>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 1,731,375</u>	<u>\$ 7,898,320</u>	<u>\$ 9,629,695</u>

\$3,438,389 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ (409,916)	\$ (1,871,828)	\$ (2,281,744)
2017	(409,916)	(1,871,827)	(2,281,743)
2018	(409,916)	(1,871,828)	(2,281,744)
2019	<u>(410,835)</u>	<u>(1,871,827)</u>	<u>(2,282,662)</u>
	<u>\$ (1,640,583)</u>	<u>\$ (7,487,310)</u>	<u>\$ (9,127,893)</u>

***Actuarial Assumptions - SERS***

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

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

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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

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

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

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

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

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

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 15,219,434	\$ 10,667,557	\$ 6,839,035

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**NOTE 12 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
School District's proportionate share of the net pension liability	\$ 61,119,323	\$ 42,692,748	\$ 27,110,066

**TROY CITY SCHOOL DISTRICT**  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**NOTE 13 – POSTEMPLOYMENT BENEFITS**

***A. School Employee Retirement System***

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

Fund Policy – The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pension and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocation is 0.82%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The School District's allocated contributions to the health care fund for the years ended June 30, 2015, 2014 and 2013 were \$149,986, \$95,208, and \$111,348 respectively; which equaled the required contributions for each year.

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

***B. State Teachers Retirement System***

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocate any portion of the employer contributions to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$180,129, and \$180,633 respectively; which equaled the required contributions for each year.

**TROY CITY SCHOOL DISTRICT**  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

**NOTE 14 – OTHER EMPLOYEE BENEFITS**

***A. Compensated Absences***

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

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

**NOTE 15 – LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2015 were as follows:

	Revised Amount Outstanding 6/30/14	Increase	Decrease	Amount Outstanding 6/30/15	Amount Due Within One Year
General Obligation Bonds:					
2005 School Improvement Bonds:					
Serial - 3.00% - 5.00%	\$ 850,000	-	(850,000)	-	-
2012 Refunding Bonds					
Serial - 2.00% - 4.00%	8,020,000	-	-	8,020,000	-
2013 Refunding Bonds					
Serial - 3.00% - 5.00%	5,920,000	-	(100,000)	5,820,000	985,000
Term - 2.05% - 2.50%	1,320,000	-	-	1,320,000	-
Capital Appreciation Bonds	457,864	170,440	-	628,304	-
Add: Bond Premium	1,711,685	-	(108,117)	1,603,568	-
Total General Obligation Bonds	<u>18,279,549</u>	<u>170,440</u>	<u>(1,058,117)</u>	<u>17,391,872</u>	<u>985,000</u>
Net Pension Liability:					
STRS	50,855,322	-	(8,162,574)	42,692,748	-
SERS	12,534,529	-	(1,866,972)	10,667,557	-
Total Net Pension Liability	<u>63,389,851</u>	<u>-</u>	<u>(10,029,546)</u>	<u>53,360,305</u>	<u>-</u>
Energy Conservation Bonds 0.0%	1,103,964	-	-	1,103,964	-
Compensated Absences	3,285,161	356,731	(518,020)	3,123,872	553,184
Early Retirement Incentive	699,026	-	(699,026)	-	-
Total Governmental Activities	<u>\$ 86,757,551</u>	<u>527,171</u>	<u>(12,304,709)</u>	<u>74,980,013</u>	<u>1,538,184</u>

The School District pays obligations related to employee compensation (compensated absences and pension contributions) from the fund benefitting from their service. Early retirement incentive payments were made from the general fund and food service fund during the year which was the final payment under the plan.

**Legal Debt Margins**

As of June 30, 2015, the overall legal debt margin was \$42,759,386 with an unvoted debt margin of \$641,678.

**TROY CITY SCHOOL DISTRICT**  
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Notes to the Basic Financial Statements  
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**NOTE 15 – LONG-TERM OBLIGATIONS (Continued)**

General Obligation Bonds

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

- \$21,204,991, issued in fiscal year 2005 and maturing in fiscal year 2033, for the renovation of school building facilities. The original issue included current interest serial and current interest term bonds, as well as capital appreciation bonds which were retired in the previous fiscal year. During fiscal year 2013, the School District advanced refunded \$15,850,000 of this issue.
- \$8,095,000, issued in fiscal year 2012 and maturing in fiscal year 2029, for the partial advance refunding of \$8,190,000 of the 2005 school improvement bonds. These bonds are current interest serial bonds.
- \$7,659,990, issued in fiscal year 2013 and maturing in fiscal year 2032, for the partial advance refunding of \$7,660,000 of the 2005 school improvement bonds. These bonds include both current interest serial and capital appreciation bonds. The capital appreciation bonds will mature in fiscal year 2017 and have a maturity value of \$1,010,000.

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

Year	Principal	Interest	Total
2016	\$ 985,000	493,110	1,478,110
2017	633,304	864,906	1,498,210
2018	1,065,000	462,250	1,527,250
2019	1,110,000	419,530	1,529,530
2020	655,000	385,010	1,040,010
2021-25	3,730,000	1,519,689	5,249,689
2026-30	4,445,000	858,020	5,303,020
2031-33	3,165,000	144,222	3,309,222
Total	\$ 15,788,304	5,146,737	20,935,041

Energy Conservation Bonds

The School District issued Energy Conservation Bonds totaling \$1,103,964, in fiscal year 2010, for the purpose of making energy conservation improvements to the School District’s various buildings. The bonds are a single term bond which do not bear interest and mature on September 1, 2024. Although the bonds are not subject to mandatory sinking fund redemption, the School District covenanted to set aside deposits quarterly which are to be held by the paying agent in a separate account, to be applied to the payment of the principal amount of the bonds at maturity.

At June 30, 2015 the fair value of the sinking account (separate account maintained by paying agent) was \$384,696 and is reported as restricted cash and cash equivalents with escrow agent within the general fund.



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Notes to the Basic Financial Statements  
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**NOTE 15 – LONG-TERM OBLIGATIONS (Continued)**

Annual deposit requirements to the sinking fund are as follows:

<u>Year</u>	<u>Required Deposit</u>
2016	\$ 75,964
2017	75,964
2018	75,964
2019	75,964
2020	75,964
2021-25	<u>339,448</u>
Total	<u>\$ 719,268</u>

**NOTE 16 – TERMINATION BENEFITS**

During fiscal year 2012, the District entered into an Employee Service Plan (ESP) which offered full time certified and classified staff who had a minimum of ten years of service with the District an early retirement incentive. Eligible certified staff would receive \$45,000 plus an amount equivalent to applicable contractual severance pay. Eligible classified staff would receive 100% of his/her fiscal year 2012 base salary, not to exceed \$20,000 plus an amount equivalent to applicable contractual severance pay. During fiscal year 2015, 2014 and 2013, the School District paid \$699,026, \$699,026 and \$520,525, respectively, which completed the contractually required payments to the plan sponsor for the plan. No additional early retirement incentive plans were offered to employees during fiscal year 2015.

**NOTE 17 - INTERFUND ACTIVITY**

At June 30, 2015, the Race to the Top and Title I grant funds, non-major special revenue funds, owed the general fund \$1,601 and \$14,731, respectively, which are recorded as due to other funds and due from other funds, respectively, within the fund financial statements. These interfund borrowings occurred to cover a cash deficit which existed in the grant funds at fiscal-year end.

**NOTE 18 – 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 2015, the School District contributed \$2,179 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Drive, Suite 208, Vandalia, Ohio 45377.

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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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 2015, the District contributed \$80,980 to MDECA. The Board of MDECA consists of one representative from each of the participating members. Financial information can be obtained from Dean Reineke, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Acquisition</u>
Set-aside Cash Balance, June 30, 2014	\$ -
Current Year Set-aside Requirement	752,318
Qualifying Disbursements	-
Current Year Off-Sets	<u>(764,468)</u>
Total	<u>(12,150)</u>
Balance Carried Forward to FY2016	\$ <u>-</u>

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

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

**TROY CITY SCHOOL DISTRICT**  
**MIAMI COUNTY, OHIO**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2015

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**NOTE 20 - CONTINGENCIES**

**B. Full-Time Equivalency Review**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**C. Litigation**

The School District is not currently party to legal proceedings

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

Schedule of Revenues, Expenditures and Changes  
In Fund Balance - Budget and Actual (Non-GAAP Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
Taxes	\$ 24,376,783	24,967,041	24,967,041	-
Intergovernmental	17,367,238	17,787,767	17,787,767	-
Interest	26,705	27,352	27,352	-
Tuition and Fees	914,883	937,036	937,036	-
Miscellaneous	299,869	307,130	307,130	-
Total Revenues	<u>42,985,478</u>	<u>44,026,326</u>	<u>44,026,326</u>	-
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	21,083,240	20,815,678	20,815,678	-
Special	5,247,862	5,181,263	5,181,263	-
Vocational	12,472	12,314	12,314	-
Other	2,731,628	2,696,962	2,696,962	-
Support Services:				
Pupils	1,964,979	1,940,042	1,940,042	-
Instructional Staff	961,539	949,336	949,336	-
Board of Education	663,766	655,342	655,342	-
Administration	3,432,504	3,388,943	3,388,943	-
Fiscal	542,467	535,583	535,583	-
Business	460,682	454,836	454,836	-
Operation and Maintenance of Plant	3,571,274	3,525,952	3,525,952	-
Pupil Transportation	2,012,534	1,986,993	1,986,993	-
Central	256,015	252,766	252,766	-
Other	7,081	6,991	6,991	-
Debt Service				
Principal	76,940	75,964	75,964	-
Total Expenditures	<u>43,024,983</u>	<u>42,478,965</u>	<u>42,478,965</u>	-
Excess of Revenues Over (Under) Expenditures	<u>(39,505)</u>	<u>1,547,361</u>	<u>1,547,361</u>	-
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Fixed Assets	3,083	3,158	3,158	-
Refund of Prior Year Receipts	(96)	(95)	(95)	-
Refund of Prior Year Expenditures	20,567	21,065	21,065	-
Advances Out	(16,542)	(16,332)	(16,332)	-
Transfers In	4,851	4,968	4,968	-
Total Other Financing Sources (Uses)	<u>11,863</u>	<u>12,764</u>	<u>12,764</u>	-
Net Change in Fund Balance	(27,642)	1,560,125	1,560,125	-
Fund Balance, Beginning of Year	8,745,471	8,745,471	8,745,471	-
Prior Year Encumbrances Appropriated	398,493	398,493	398,493	-
Fund Balance, End of Year	<u>\$ 9,116,322</u>	<u>10,704,089</u>	<u>10,704,089</u>	-

See accompanying notes to the required supplementary information.

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

Last Two Fiscal Years (1)

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

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

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

Schedule of District's Contributions

Last Five Fiscal Years (1)

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

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

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

Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2015

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Basis of Budgeting

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

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

General Budget Policies

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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

Prior to January 20, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Miami County Budget Commission for rate determination.

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary schedule reflect the amounts in the final amended certificate issued during fiscal year 2015.



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

Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2015

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

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

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

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

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

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

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

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

Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2015

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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	\$ 2,201,757
Revenue Accruals	218,729
Expenditure Accruals	(494,577)
Encumbrances	(327,768)
Advances	(16,332)
Perspective Difference	<u>(21,684)</u>
Budget (Non-GAAP) Basis	\$ <u>1,560,125</u>

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

TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>					
<i>Passed through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$167,694		\$167,694	
National School Lunch Program	10.555	<u>712,248</u>	<u>\$195,877</u>	<u>712,248</u>	<u>\$195,877</u>
Total Child Nutrition Cluster		879,942	195,877	879,942	195,877
Total U.S. Department of Agriculture		879,942	195,877	879,942	195,877
<b>U.S. Department of Education</b>					
<i>Passed through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	1,229,714		1,244,611	
Special Education - Grants to States	84.027	998,061		998,527	
English Language Acquisition State Grants	84.365	19,874		19,904	
Improving Teacher Quality State Grants	84.367	129,670		127,905	
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	<u>66,072</u>		<u>67,887</u>	
Total U.S. Department of Education		<u>2,443,391</u>		<u>2,458,834</u>	
Total Federal Financial Assistance		<u><u>\$3,323,333</u></u>	<u><u>\$195,877</u></u>	<u><u>\$3,338,776</u></u>	<u><u>\$195,877</u></u>

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

**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Troy City School District, Miami County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2016, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 26, 2016



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Troy City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Troy City School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, the Troy City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 26, 2016



**TROY CITY SCHOOL DISTRICT  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

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

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**TROY CITY SCHOOL DISTRICT**

**MIAMI COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 5, 2016**