



**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Troy City School District, Miami County (the "District"), as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Troy City School District, Miami County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2000, 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 grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

JIM PETRO
Auditor of State

January 10, 2000

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**COMBINED BALANCE SHEET - ALL FUND TYPES
AND ACCOUNT GROUPS
AS OF JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS
ASSETS AND OTHER DEBITS:			
Cash and Cash Equivalents (note 5)	\$630,768	\$613,473	\$603,366
Receivables:			
Property Taxes - Current	17,009,426	0	493,906
Property Taxes - Delinquent	275,978	0	6,898
Accounts Receivable	36,184	26,439	1,240
Accrued Interest	70,855	0	0
Due From:			
Other Governments	1,389,083	0	41,761
Inventory - Material and Supplies	56,048	0	0
Prepaid Items	13,815	0	0
Restricted Assets:			
Cash and Cash Equivalents	378,508	0	0
Property, Plant and Equipment (Net, where applicable of accumulated depreciation) (note 7)	0	0	0
Amount to be provided for retirement of General Long-Term Obligations	0	0	0
TOTAL ASSETS AND OTHER DEBITS	19,860,665	639,912	1,147,171
LIABILITIES:			
Accounts Payable	199,273	137,022	77,398
Accrued Wages and Benefits	3,464,330	24,387	0
Claims Payable - Health Care	0	0	0
Interest Payable	50,425	0	0
Due to:			
Other Government	53,903	0	0
Others	0	0	0
Deferred Revenue:			
Property Taxes	15,885,285	0	463,753
Other	1,328,435	0	41,761
Notes Payable:			
Tax Anticipation Note	1,644,016	0	0
Spending Reserve	0	0	0
TOTAL LIABILITIES	22,625,667	161,409	582,912
EQUITY AND OTHER CREDITS:			
Investment in General Fixed Assets	0	0	0
Contributed Equity	0	0	0
Retained Earnings	0	0	0
Fund Balances (Deficit):			
Reserved for Encumbrances	249,102	148,440	193,972
Reserved for Property Taxes	1,400,119	0	37,051
Reserved for Inventory	56,048	0	0
Reserved for Prepaids	13,815	0	0
Reserved for Endowments and Cash Awards	0	0	0
Reserved for Bus Purchase	52,054	0	0
Budget Stabilization Reserve	326,454	0	0
Unreserved	(4,862,594)	330,063	333,236
Total Contributed Equity, Retained Earnings, & Fund Balances(Deficit)	(2,765,002)	478,503	564,259
TOTAL EQUITY AND OTHER CREDITS	(2,765,002)	478,503	564,259
TOTAL LIABILITIES, EQUITY & OTHER CREDITS	\$19,860,665	\$639,912	\$1,147,171

See accompanying notes to the general purpose financial statements.

PROPRIETARY FUND TYPES			ACCOUNT GROUPS		TOTALS	
ENTERPRISE (NOTE 16)	INTERNAL SERVICE	FIDUCIARY TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(MEMORANDUM ONLY)	
					1999	1998
\$315,261	\$345,518	\$1,371,025	\$0	\$0	\$3,879,411	\$4,286,847
344,431	0	0	0	0	17,847,763	17,061,175
4,283	0	0	0	0	287,159	267,153
3,859	0	0	0	0	67,722	22,323
0	0	6,759	0	0	77,614	67,507
67,383	4,318	0	0	0	1,502,545	1,580,788
31,330	0	0	0	0	87,378	109,719
123	0	0	0	0	13,938	14,184
0	0	0	0	0	378,508	0
0	0	0	0	0	0	0
326,456	0	0	23,389,697	0	23,716,153	22,559,634
0	0	0	0	3,312,760	3,312,760	2,965,447
1,093,126	349,836	1,377,784	23,389,697	3,312,760	51,170,951	48,934,777
6,786	0	26,547	0	0	447,026	324,414
243,891	4,318	0	0	3,312,760	7,049,686	6,753,224
0	405,974	0	0	0	405,974	607,262
0	0	0	0	0	50,425	41,101
0	0	0	0	0	53,903	4,211
0	0	93,250	0	0	93,250	73,852
348,714	0	0	0	0	16,697,752	16,197,153
43,588	0	0	0	0	1,413,784	1,504,950
0	0	0	0	0	1,644,016	0
0	0	0	0	0	0	2,913,000
642,979	410,292	119,797	0	3,312,760	27,855,816	28,419,167
0	0	0	23,389,697	0	23,389,697	22,317,447
155,811	0	0	0	0	155,811	155,811
294,336	(60,456)	0	0	0	233,880	(258,131)
0	0	500	0	0	592,014	744,528
0	0	0	0	0	1,437,170	1,131,175
0	0	0	0	0	56,048	65,902
0	0	0	0	0	13,815	14,184
0	0	135,960	0	0	135,960	134,060
0	0	0	0	0	52,054	56,795
0	0	0	0	0	326,454	113,915
0	0	1,121,527	0	0	(3,077,768)	(3,960,076)
0	0	0	0	0	0	0
450,147	(60,456)	1,257,987	0	0	(74,562)	(1,801,837)
450,147	(60,456)	1,257,987	23,389,697	0	23,315,135	20,515,610
\$1,093,126	\$349,836	\$1,377,784	\$23,389,697	\$3,312,760	\$51,170,951	\$48,934,777

**COMBINED STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND
TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	(Memorandum Only)	
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	EXPENDABLE TRUST FUNDS	1999	1998
Revenues:						
Taxes	\$16,924,273	0	\$488,359	\$0	\$17,412,632	\$16,820,187
Tuition and Fees	229,051	0	0	0	229,051	173,122
Interest	165,450	4,025	0	0	169,475	465,428
Intergovernmental	8,641,538	1,157,428	45,859	0	9,844,825	8,677,190
Extracurricular Activities	0	301,033	0	0	301,033	302,215
Miscellaneous	109,638	85,415	121,236	1,119,340	1,435,629	448,420
Total Revenue	26,069,950	1,547,901	655,454	1,119,340	29,392,645	26,886,562
Expenditures:						
Current:						
Instruction:						
Regular	14,546,943	791,518	0	0	15,338,461	15,079,414
Special	2,051,733	237,182	0	0	2,288,915	1,753,519
Other	744,782	339	26,227	0	771,348	539,853
Total Instructional Services	17,343,458	1,029,039	26,227	0	18,398,724	17,372,786
Support Services:						
Pupil	1,142,327	7,664	0	0	1,149,991	1,485,030
Instructional Staff	835,920	34,388	0	0	870,308	853,023
Board of Education	680,544	0	0	0	680,544	508,247
Administration	1,752,748	15,051	0	0	1,767,799	1,741,913
Fiscal	295,807	0	9,157	0	304,964	291,509
Business	406,671	28,975	0	13,600	449,246	453,178
Operation and Maintenance of Plant	2,107,443	0	0	0	2,107,443	2,102,212
Pupil Transportation	1,075,931	2,129	0	0	1,078,060	1,056,959
Other	795	0	0	0	795	2,647
Total Support Services	8,298,186	88,207	9,157	13,600	8,409,150	8,494,718
Extracurricular Activities	0	140,031	0	0	140,031	174,061
Capital outlay	121,925	129,387	1,157,288	0	1,408,600	913,577
Debt service:						
Principal Retirement	3,026,000	0	0	0	3,026,000	0
Interest	(116,603)	0	0	0	(116,603)	205,878
Total Expenditures	28,672,966	1,386,664	1,192,672	13,600	31,265,902	27,161,020
Excess of Revenue Over (Under) Expenditures	(2,603,016)	161,237	(537,218)	1,105,740	(1,873,257)	(274,458)
Other Financing Sources/(Uses)						
Proceeds from Sale of Notes	3,026,000	0	0	0	3,026,000	0
Transfers in	59,139	0	0	0	59,139	0
Transfers out	(179,512)	0	0	0	(179,512)	0
Advances out	(95,000)	0	0	0	(95,000)	0
Total Other Financing Sources/Uses	2,810,627	0	0	0	2,810,627	0
Excess of Revenue and Other Financing Sources Over (under) Expenditures and Other Uses	207,611	161,237	(537,218)	1,105,740	937,370	(274,458)
Increase (decrease) in reserve for property taxes	299,042	0	6,953	0	305,995	119,617
Increase (decrease) in reserve for inventory	(9,854)	0	0	0	(9,854)	(44,099)
Total Change in Reserve for Property Taxes and Inventory	289,188	0	6,953	0	296,141	75,518
Net change in unreserved fund balance for year	496,799	161,237	(530,265)	1,105,740	1,233,511	(198,940)
Fund Balances at Beginning of Year	(3,261,801)	317,266	1,094,524	13,413	(1,836,598)	(1,637,660)
Fund Balances at End of Year	(\$2,765,002)	\$478,503	\$564,259	\$1,119,153	(\$603,087)	(\$1,836,600)

See accompanying notes to the general purpose financial statements.

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAPP) BUDGETARY BASIS AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS (NOTE 4)
FOR THE YEAR ENDED JUNE 30, 1999**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Taxes	\$16,700,385	\$16,923,773	\$223,388	\$0	\$0	\$0
Tuition and Fees	178,840	243,411	64,571	0	0	0
Interest	235,000	330,641	95,641	0	0	0
Intergovernmental	8,320,219	8,641,555	321,336	970,081	970,081	0
Extracurricular Activities	0	0	0	300,921	301,004	83
Miscellaneous	56,160	75,060	18,900	66,157	70,415	4,258
Total Revenues	25,490,604	26,214,440	723,836	1,337,159	1,341,500	4,341
Expenditures:						
Current:						
Instruction						
Regular	14,968,324	14,516,172	452,152	743,772	674,984	68,788
Special	2,054,672	2,045,546	9,126	243,148	237,962	5,186
Other	1,191,292	921,301	269,991	150,000	134,531	15,469
Total Instructional Services	18,214,288	17,483,019	731,269	1,136,920	1,047,477	89,443
Support Services						
Pupil	1,258,394	1,252,058	6,336	9,641	9,641	0
Instructional Staff	934,770	907,515	27,255	57,769	41,007	16,762
Board of Education	692,424	711,616	(19,192)	0	0	0
Administration	1,770,337	1,778,683	(8,346)	20,925	16,107	4,818
Fiscal	290,854	291,694	(840)	0	0	0
Business	440,893	394,927	45,966	28,975	28,975	0
Operation and Maintenance of Plant	2,321,106	2,185,216	135,890	0	0	0
Pupil Transportation	1,187,548	1,117,671	69,877	0	0	0
Other	3,000	795	2,205	0	0	0
Total Support Services	8,899,326	8,640,175	259,151	117,310	95,730	21,580
Extracurricular Activities	0	0	0	239,835	198,230	41,605
Capital Outlay	0	0	0	0	0	0
Debt service:						
Principal Retirement	8,764,000	8,764,000	0	0	0	0
Interest and Fiscal Charges	42,782	0	42,782	0	0	0
Total Expenditures	35,920,396	34,887,194	1,033,202	1,494,065	1,341,437	152,628
Excess of Revenue Over (Under) Expenditures	(10,429,792)	(8,672,754)	1,757,038	(156,906)	63	156,969
Other Financing Sources / (Uses)						
Proceeds from Sale of Notes	5,348,780	4,670,016	(678,764)			
Transfers In	190,627	269,420	78,793	0	0	0
Transfers Out	0	(389,793)	(389,793)	(11,000)	0	11,000
Advances Out	0	(95,000)	(95,000)	0	0	0
Total Other Financing Sources (Uses)	5,539,407	4,454,643	(1,084,764)	(11,000)	0	11,000
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,890,385)	(4,218,111)	672,274	(167,906)	63	167,969
Fund Balance at Beginning of Year	4,182,670	4,182,670	0	261,797	261,797	0
Prior Year Encumbrances Appropriated	649,023	649,023	0	56,427	56,427	0
Fund Balance at End of Year	(\$58,692)	\$613,582	\$672,274	\$150,318	\$318,287	\$167,969

See accompanying notes to the general purpose financial statements.

CAPITAL PROJECTS FUND			FIDUCIARY FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$488,359	\$488,359	\$0	\$0	\$0	\$0	\$17,188,744	\$17,412,132	\$223,388
0	0	0	0	0	0	178,840	243,411	64,571
0	0	0	0	0	0	235,000	330,641	95,641
45,859	45,859	0	0	0	0	9,336,159	9,657,495	321,336
0	0	0	0	0	0	300,921	301,004	83
120,616	120,616	0	1,121,250	1,119,340	(1,910)	1,364,183	1,385,431	21,248
654,834	654,834	0	1,121,250	1,119,340	(1,910)	28,603,847	29,330,114	726,267
0	0	\$0	0	0	0	15,712,096	15,191,156	520,940
0	0	\$0	0	0	0	2,297,820	2,283,508	14,312
434,458	309,716	124,742	0	0	0	1,775,750	1,365,548	410,202
434,458	309,716	124,742	0	0	0	19,785,666	18,840,212	945,454
0	0	0	0	0	0	1,268,035	1,261,699	6,336
0	0	0	0	0	0	992,539	948,522	44,017
0	0	0	0	0	0	692,424	711,616	(19,192)
0	0	0	0	0	0	1,791,262	1,794,790	(3,528)
9,000	9,157	(157)	0	0	0	299,854	300,851	(997)
0	0	0	45,300	28,850	16,450	515,168	452,752	62,416
0	0	0	0	0	0	2,321,106	2,185,216	135,890
0	0	0	0	0	0	1,187,548	1,117,671	69,877
0	0	0	0	0	0	3,000	795	2,205
9,000	9,157	(157)	45,300	28,850	16,450	9,070,936	8,773,912	297,024
0	0	0	0	0	0	239,835	198,230	41,605
1,257,339	1,146,620	110,719	0	0	0	1,257,339	1,146,620	110,719
0	0	0	0	0	0	8,764,000	8,764,000	0
0	0	0	0	0	0	42,782	0	42,782
1,700,797	1,465,493	235,304	45,300	28,850	16,450	39,160,558	37,722,974	1,437,584
(1,045,963)	(810,659)	235,304	1,075,950	1,090,490	14,540	(10,556,711)	(8,392,860)	2,163,851
0	0	0	0	0	0	5,348,780	4,670,016	(678,764)
0	0	0	0	0	0	190,627	269,420	78,793
0	0	0	0	0	0	(11,000)	(389,793)	(378,793)
0	0	0	0	0	0	0	(95,000)	(95,000)
0	0	0	0	0	0	5,528,407	4,454,643	(1,073,764)
(1,045,963)	(810,659)	235,304	1,075,950	1,090,490	14,540	(5,028,304)	(3,938,217)	1,090,087
854,206	854,206	0	13,412	13,412	0	5,312,085	5,312,085	0
288,448	288,448	0	14,250	14,250	0	1,008,148	1,008,148	0
\$96,691	\$331,995	\$235,304	\$1,103,612	\$1,118,152	\$14,540	\$1,291,929	\$2,382,016	\$1,090,087

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND
BALANCES--ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 1999**

	PROPRIETARY		FIDUCIARY	TOTALS	
	ENTERPRISE (NOTE 16)	INTERNAL SERVICE	NON-EXPENDABLE TRUSTS	(MEMORANDUM ONLY)	
				1999	1998
Operating Revenues:					
Sales	\$955,075	\$0	\$0	\$955,075	\$909,486
Intergovernmental	0	24,478	0	24,478	279,547
Miscellaneous Receipts	82,953	0	0	82,953	88,945
Charge for Services	0	2,245,465	0	2,245,465	1,859,939
Total Revenues:	1,038,028	2,269,943	0	3,307,971	3,137,917
Operating Expenses:					
Salaries and Wages	662,733	(14,498)	0	648,235	750,580
Fringe Benefits	243,388	5,283	0	248,671	290,957
Contractual Services	96,087	0	0	96,087	130,384
Materials and Supplies	653,090	0	0	653,090	651,055
Claims Expense	0	2,044,177	0	2,044,177	1,744,523
Depreciation	19,544	0	0	19,544	40,346
Other Expense	7,916	0	6,077	13,993	13,293
Total Operating Expenses	1,682,758	2,034,962	6,077	3,723,797	3,621,138
Operating Income (Loss)	(644,730)	234,981	(6,077)	(415,826)	(483,221)
Nonoperating Revenues:					
Property Taxes	319,770	0	0	319,770	310,243
Grants	340,758	0	0	340,758	347,992
Interest	2,093	0	7,829	9,922	10,075
Other	31,264	0	0	31,264	30,739
Total Nonoperating Revenues	693,885	0	7,829	701,714	699,049
Net Income (Loss) Before Operating Transfers	49,155	234,981	1,752	285,888	215,828
Operating Transfers In	0	179,512	0	179,512	0
Operating Transfers Out	0	(59,139)	0	(59,139)	0
Advances In	95,000	0	0	95,000	0
Net Income (Loss)	144,155	355,354	1,752	501,261	215,828
Retained Earnings/Fund Balances at Beginning of Year	150,181	(408,310)	137,082	(121,047)	(336,876)
Residual Equity Transfer	0	(7,500)	0	(7,500)	0
Retained Earnings/Fund Balances at End of Year	294,336	(60,456)	138,834	372,714	(121,048)
Contributed Capital Beginning of Year	155,811	0	0	155,811	0
Contributions	0	0	0	0	155,811
Contributed Capital End of Year	155,811	0	0	155,811	155,811
Total Fund Equity at End of Year	\$450,147	(\$60,456)	\$138,834	\$528,525	\$34,763

See accompanying notes to the general purpose financial statements.

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 1999

	PROPRIETARY		FIDUCIARY	TOTALS	
	ENTERPRISE FUNDS	INTERNAL SERVICE	NON-EXPENDABLE TRUSTS	(MEMORANDUM ONLY)	
				1999	1998
Cash Flow from Operating Activities:					
Operating Income (Loss)	(\$644,730)	\$234,981	(\$6,077)	(\$415,826)	(\$483,221)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used In) Operating Activities:					
Donated Commodities Used	46,051	0	0	46,051	52,041
Depreciation	19,544	0	0	19,544	40,346
Change in Assets and Liabilities:					
(Increase) in Taxes Receivable	(32,284)	0	0	(32,284)	(12,369)
(Increase) Decrease in Accrued Interest	0	0	(2,894)	(2,894)	0
(Increase) Decrease in Accounts Receivable	(1,750)	0	0	(1,750)	(1,942)
(Increase) Decrease in Due From Other Governments	(36,669)	70,947	0	34,278	48,334
(Increase) Decrease in Inventory	12,487	0	0	12,487	17,956
(Increase) Decrease in Prepaids	(123)	0	0	(123)	0
Increase in Accounts Payable	(2,748)	0	50	(2,698)	5,650
Increase (Decrease) in Accrued Wages Payable	234	(62,170)	0	(61,936)	(223,176)
Increase (Decrease) in Deferred Revenue	20,042	0	0	20,042	(3,550)
Increase (Decrease) in Claims Payable	0	(201,288)	0	(201,288)	0
Total Adjustments	24,784	(192,511)	(2,844)	(170,571)	(76,710)
Net Cash Provided by (Used In) Operating Activities	(619,946)	42,470	(8,921)	(586,397)	(559,931)
Cash Flows From Noncapital Financing Activities:					
Property Taxes	319,770	0	0	319,770	310,243
Grants Received	294,707	0	0	294,707	335,180
Contributed Property, Plant and Equipment	0	0	0	0	155,811
Transfers In (Out)	0	120,373	0	120,373	0
Advances In	95,000	0	0	95,000	0
Other	31,264	0	0	31,264	30,739
Net Cash Provided by (Used In) Noncapital Financing Activities	740,741	120,373	0	861,114	831,973
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	111,313	0	0	111,313	163,800
Net Cash Used in Capital and Related Financing Activities	111,313	0	0	111,313	163,800
Cash Flows from Investing Activities:					
Interest	2,093	0	7,829	9,922	11,145
Net Cash Provided by Investing Activities	2,093	0	7,829	9,922	11,145
Net Increase (Decrease) in Cash and Cash Equivalents	11,575	162,843	(1,092)	173,326	119,387
Cash & Cash Equivalents at Beginning of Year	303,686	182,675	137,469	623,830	504,441
Cash & Cash Equivalents at End of Year	\$315,261	\$345,518	\$136,377	\$797,156	\$623,828

See accompanying notes to the general purpose financial statements.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Troy City School District (District), organized in 1849, is located in Miami County, Ohio, and is a fiscally independent political subdivision of the State of Ohio. The 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 District is not a part of, nor under the control of, the City of Troy, Ohio.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (i) the District's ability to impose its will over a component unit, or (ii) the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. On that basis, the reporting entity of the District includes the services of the school district as well as the Hayner Cultural Center (Center).

Blended Component Unit: 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 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 District has provided for a Governing Board whose responsibility in part is to preserve, maintain, and operate the Center. The District has the authority to reject the recommendations of the Governing Board. Likewise, there is a financial benefit and financial burden relationship between the District and the Center. Accordingly, the Hayner Cultural Center's financial statements are included within the proprietary funds.

Based on these criteria, the school district is considered a primary government and there are no organizations, other than Hayner Cultural Center, whose financial statements should be combined and presented with the general purpose financial statement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Presentation-Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the District:

1. Governmental Funds

General Fund -- The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds -- Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Funds -- The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation-Fund Accounting (Continued)

2. Proprietary Funds

Enterprise Funds -- Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis is financed or recovered primarily through user charges.

Internal Service Fund -- Internal Service Funds account for operations that provide services to other departments of the government, or to other governments, on a cost reimbursement basis. The Internal Service Rotary Fund is used to account for the expenses incurred by the District for the Severe Behavioral Handicapped program which is operated by the Miami County Educational Service Center (Center). Sections of this program are staffed by District personnel and housed in the District's facilities. Expenses are recovered by the District through billings to the Center. The Employee Health Insurance Fund is used to account for the expenses incurred by the District in providing health insurance to District employees through a self insurance program as discussed in Note 10.

3. Fiduciary Funds

Trust and Agency Funds -- Trust and Agency Funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Expendable trust funds are accounted for and reported as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

4. Account Groups

General Fixed Assets Account Group -- This account group is established to account for fixed assets of the District other than those accounted for in proprietary or nonexpendable trust funds.

General Long-Term Debt Account Group -- This account group is established to account for all unmatured long-term indebtedness of the District except that accounted for in the proprietary funds.

B. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by governmental funds, agency funds and expendable trust funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenue. The district considers property taxes available if they are collected by year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the liability is incurred except for (1) interest on general long-term obligations, which is recorded when due, and (2) the noncurrent portion of accrued vacation and sick leave, which is recorded in the general long-term debt account group.

Those revenues susceptible to accrual are taxes, tuition and fees, interest and intergovernmental revenues.

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the District; therefore, revenues are recognized based upon when the expenditures are incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The accrual basis of accounting, i.e., revenues are recorded when earned and expenses are recorded when incurred, is utilized by the proprietary funds and non-expendable trust funds.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

C. Budgetary Process

All governmental and proprietary fund types are subject to annual expenditures budgets except for Auxiliary Service Funds (Special Revenue Funds), which are deemed to be appropriated and therefore are not included in the budgetary statement. The Board follows the procedures outlined below in establishing the expenditures budget data reported in the general purpose financial statements:

1. Tax Budget

A Tax Budget of estimated cash receipts and disbursements is submitted to the Miami County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission certifies its actions on the budget to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any additional revenue to be received by a fund and any unencumbered balances from the preceding year.

3. Appropriations

An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. Unencumbered appropriations lapse at year-end and encumbered appropriations are reported as expenditures in the year encumbered. In some years the Board has adopted a temporary appropriation measure to allow the District to operate until its annual appropriations are adopted. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the fund, function, object, or cost center level. The appropriation measure may be amended or supplemented during the year as new information becomes available.

During fiscal year 1999, the Board made several supplemental appropriations but none are considered to be material.

4. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in all funds. Encumbrances are reported as reservations of fund balance, since they do not constitute expenditures or liabilities.

5. Lapsing of Appropriations

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 appropriations. The encumbered appropriations balance is carried forward to the subsequent fiscal year and need not be reappropriated.

D. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAROhio and non-negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments (Continued)

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 1999. STAROhio is an investment pool managed by the State Treasurer's Office which 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, 1999.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$165,450.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by state statute and can be used only after receiving approval from the State Department of Education. During fiscal year 1999, the District received a \$2,258 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. This refund is presented as "other revenue" in the accompanying financial statements. A fund balance reserve has also been established.

The state also mandated that a portion of the general fund be set aside as a "rainy day" reserve. The District's required amount for the current year contribution, \$210,281, has been allocated to the Budget Stabilization Reserve and can be used only upon receiving approval from the State Department of Education.

F. Inventory of Supplies

Inventory is valued at the lower of cost (first-in, first-out) or market. The cost of inventory in the Governmental Funds is recorded as an expenditure at the time individual inventory items are purchased. Inventory outstanding at June 30, 1999, is capitalized and shown as a reserve of fund balance.

G. Fixed Assets -- Governmental Funds

Fixed assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and capitalized at cost (or estimated historical cost for assets for which cost is not available) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their estimated fair market value at the date received. No depreciation is provided on general fixed assets.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets -- Proprietary Funds

Fixed assets used by proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction where applicable. The original cost of the property, buildings and equipment was not available. Accordingly, such costs were estimated using standard industry assumptions as determined by an outside consultant. Contributed fixed assets are recorded at estimated fair market value at the date received. Depreciation is provided using the straight-line method over estimated useful lives ranging from 30 to 50 years for buildings, 10 to 40 years for building improvements, 10 to 20 years for improvements other than buildings, and 5 to 20 years for equipment.

I. 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 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 termination payment method.

For governmental funds, the cost of accumulated vacation and sick leave expected to be paid in the next 12 months is recorded as a fund liability, and amounts expected to be paid after 12 months are recorded in the General Long-Term Debt Account Group. For proprietary funds, the cost of vacation and sick leave is recorded as a liability when earned.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.

K. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, prepaids, endowments and cash awards, bus purchases, and budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

L. Proprietary Fund Type Accounting

Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date the district accounts for its proprietary funds as presented by the GASB.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenditure/expenses during the reporting period. Actual results could differ from those estimates.

N. Comparative Data

Comparative total data for the prior year has been presented in the accompanying general purpose financial statements in order to provide an understanding of overall changes in the District's financial position and operations.

O. Total Columns

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

P. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Proprietary and Nonexpendable Trust Funds consider all highly liquid investments held by trustees, with a maturity of three months or less when purchased, to be cash equivalents. In addition, all cash and investments with the Treasurer are also considered to be cash equivalents since they are available to the Proprietary and Nonexpendable Trust Funds on demand.

Reconciliation of Non-Expendable Trust ending cash to balance sheet:

Non-Expendable Trust	\$ 136,377
Expendable Trust	1,133,203
Agency	<u>101,445</u>
	<u>\$1,371,025</u>

NOTE 3 - DEFICIT FUND BALANCES

At June 30, 1999, the General Fund, Food Service Fund, and Internal Service Self-Insurance Fund have deficit fund balances of \$2,765,002, \$111,292, and \$241,879 respectively, which were created by the application of generally accepted accounting principles.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Budget Basis), All Governmental Fund Types and Expendable Trust Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (Continued)

The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis.)
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on short-term obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources Over (Under)
Expenditures and Other Financing Uses
Governmental Fund Types and Expendable Trust Fund**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
GAAP Basis	\$207,611	\$161,237	(\$537,218)	\$1,105,740	\$937,370
Revenue Accruals	144,490	(15,028)	(620)	0	128,842
Expenditure Accruals	(5,804,459)	94,214	(1,450)	(200)	(5,711,896)
Outstanding Encumbrances at Fiscal Year End	(409,767)	(218,729)	(271,371)	(15,050)	(914,916)
Tax Anticipation Note Proceeds	1,644,016	0	0	0	1,644,016
Auxiliary Services Fund	<u>0</u>	<u>(21,631)</u>	<u>0</u>	<u>0</u>	<u>(21,631)</u>
Budget Basis	<u>(\$4,218,109)</u>	<u>\$ 63</u>	<u>(\$810,659)</u>	<u>\$1,090,490</u>	<u>(\$3,938,215)</u>

NOTE 5 - CASH AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the District into three categories:

Active deposits are public deposits necessary to meet current demand on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW accounts), or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 – CASH AND INVESTMENTS (Continued)

Interim deposits are deposits of interim monies. Interim monies are 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. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may be made only through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At fiscal year end, the District had \$1,907 in undeposited cash on hand which is included on the balance sheet of the District as part of "Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions and Investments."

Deposits At year end the carrying amount of the District's deposits was \$1,914,485 and the bank balance was \$2,147,465. Of the bank balance:

1. \$214,616 was covered by federal depository insurance; and
2. \$1,932,849 was collateralized with securities held by its agent not in the District's name.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 – CASH AND INVESTMENTS (Continued)

Investments The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Interest Rate	1	Category 2	3	Cost	Fair Value
Investment in State Treasurer's Investment Pool	N/A				<u>2,341,527</u>	<u>2,341,527</u>
Total Investments					<u>\$2,341,527</u>	<u>\$2,341,527</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9 Investments of the Cash Management Pool:	\$2,435,592	\$ 0
State Treasurer's Investment Pool	(2,341,527)	2,341,527
Certificates of Deposit	<u>1,822,327</u>	<u>0</u>
GASB Statement 3	<u>\$1,916,392</u>	<u>\$2,341,527</u>

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected from real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued semiannually with a triennial update. The last revaluation was completed in 1998. Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 14; if paid semi-annually, the first payment is due February 14, with the remainder payable by July 20. In certain circumstances, state statute permits earlier or later payment dates to be established.

Taxpayers become liable for tangible personal property taxes (other than public utilities) on January 1 of the current calendar year based on tax rates determined in the preceding year and assessed values determined as of the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. In calendar year 1998, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding year on assessed values as of the lien date, January 1, of that preceding year. Public utility tangible personal property currently is generally assessed at 88% of its true value with the exception of the telecommunications industry which is assessed at 25% of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county including the District. The County Auditor periodically remits to the taxing districts their portion of the taxes collected, with final settlement in June and December for taxes payable in the first and second halves of the year, respectively.

The assessed values of real and tangible personal property for collection in 1999 upon which 1998 property tax levies were based totaled \$586,274,550, which was comprised of \$414,092,790 in real property, \$28,359,930 in public utility property, and \$143,821,830 in personal property.

Accrued taxes receivable represent taxes on real property, personal property and public utility property which became measurable as of June 30, 1999. Although these tax revenues for the next fiscal year are measurable, they are not intended to finance current-year operations; therefore, the receivable is offset by a credit to deferred revenue.

The only exception to this approach occurs when second half property taxes are available as an advance prior to year end. The amount representing property taxes available for advance at June 30, 1999, is reported as a reserved fund balance of the total fund equity.

NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT

Fixed assets are reported as General Fixed Assets for all fund types except Proprietary (Enterprise and Internal Service) Funds. The summary of the General Fixed Assets Account Group for 1999 is as follows:

	<u>Balance</u> <u>June 30, 1998</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance</u> <u>June 30, 1999</u>
Furniture and Fixtures	\$9,231,406	\$845,943	\$406,976	\$9,670,373
Buildings and Improvements	12,669,283	633,283	0	13,302,566
Land	<u>416,758</u>	<u>0</u>	<u>0</u>	<u>416,758</u>
TOTAL	<u>\$22,317,447</u>	<u>\$1,479,226</u>	<u>\$406,976</u>	<u>\$23,389,697</u>

Proprietary fund type property, plant and equipment at June 30, 1999, for the Enterprise Fund consist of the following:

	<u>Enterprise</u>
Furniture and Fixtures	\$649,574
Building and Improvements	355,300
Land	<u>3,148</u>
Sub-Total	1,008,022
Accumulated Depreciation	<u>(681,566)</u>
Net Carrying Value	<u>\$ 326,456</u>

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 8 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the years ended June 30, 1999, 1998, and 1997 were \$661,148, \$645,736, and \$581,146 respectively; 45.1 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$363,068, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Board Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$2,092,209, \$2,058,883, and \$2,039,901, respectively; 70.9 percent has been contributed for fiscal years 1999 and 100 percent for fiscal years 1998 and 1997. \$608,448, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective January 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 9 – POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.3 percent, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits was \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000. For the School District, the portion of the employer contributions that were used to fund post-employment benefits, including surcharge, equaled \$253,483 during the 1999 fiscal year.

B. State Teachers Retirement System

State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R. C. grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of the covered payroll.

The Retirement Board allocates employer contributions equal to 8 percent of the covered payroll to the Health Care Reserve Fund from which health care benefits are paid, and increase from 3.5 percent for the year ended June 30, 1998. For the District, this amount equaled \$1,138,004 during 1999.

The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998 (the latest information available). For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 10 – SELF INSURANCE FUND

The District provides health care coverage for its employees and is self insured up to a stop loss limit of \$50,000 per employee for the cost of providing this coverage. This activity is accounted for in the General, Special Revenue, and Proprietary Funds. Paid claims are recorded as an expenditure/expense in the respective funds based on a per employee charge. For reporting purposes, this activity has been reclassified to the Employee Health Insurance Fund within the Internal Service Fund.

Expenses for claims are recorded as other expenditures/expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on past experience and large outstanding balances. The liability at June 30, 1999, is not discounted. An actuary was used in determining this liability. A summary of changes in self-insured claims for the year ended June 30, 1999, follows:

	<u>Internal Service Fund</u>
Claims liability at June 30, 1997	\$ 722,678
Claims incurred	1,744,523
Claims paid	<u>(1,859,939)</u>
Claims liability at June 30, 1998	\$ 607,262
Claims incurred	2,044,177
Claims paid	<u>(2,245,465)</u>
Claims liability at June 30, 1999	<u>\$ 405,974</u>

NOTE 11 - RISK MANAGEMENT

The 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 fiscal years.

NOTE 12 - OPERATING LEASES

The District leases office equipment under non-cancellable operating leases. Total costs for such leases were \$24,146 for the year ended June 30, 1999. The future minimum lease payments as of June 30, 1999, are as follows:

<u>Year Ending June 30</u>	<u>Amounts</u>
2000	\$24,146
2001	24,146
2002	10,590

NOTE 13 – SHORT-TERM OBLIGATIONS

On February 25, 1998, the District issued \$2,913,000 in Spending Reserve Notes at an interest rate of 4.12% in connection with the 1998 Ohio School Districts Cash Flow Borrowing Program (Spending Reserve). These notes matured and were paid, including interest expense of \$102,013.26, on December 31, 1998, from the General Fund. \$60,912.03 is reported as interest expense as of June 30, 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 13 – SHORT-TERM OBLIGATIONS (Continued)

When the proceeds from these borrowed funds were not being used, they were invested in Guaranteed Investment Contracts at an interest rate of 5.50%. The interest income earned on these invested funds was \$135,634.08, of which \$80,765.92 is reported as investment income as of June 30, 1999.

On January 5, 1999, the District issued a \$1,644,016 Property Tax Anticipation Note at an interest rate of 6.325%. This note matures on October 31, 1999. The proceeds are reported in the General Fund, as is the liability for the principal and accrued interest expense of \$50,425.12, as of June 30, 1999.

When the proceeds from these borrowed funds are not being used, they are invested in a certificate of deposit at an interest rate of 7.325%. The accrued interest income reported as of June 30, 1999, is \$58,397.48.

NOTE 14 - LONG TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 1999, follows:

	Balance June 30, <u>1998</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>1999</u>
General long-term debt account group:				
Accrued wages and benefits	<u>\$2,965,447</u>	<u>\$347,313</u>	<u>\$ 0</u>	<u>\$3,312,760</u>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the school district as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed 0.1% of the total assessed value of property. The unvoted net debt at June 30, 1999, was 0%. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. The aggregate amount of the District's unvoted debt is also subject to overlapping debt restrictions with Miami County and the City of Troy. As of June 30, 1999, these entities have complied with the requirement that debt service payments on unvoted overlapping debt must not exceed in the aggregate 1% (10 mills) of the assessed property value.

Additions and deletions of accrued wages and benefits are shown net since it is impractical for the District to determine these amounts separately. The criteria for determining vested vacation and sick leave components are derived from Board policy, negotiated agreements, state statutes, and contracts with individual employees. Accumulated vacation and sick leave of governmental fund type employees meeting the eligibility requirements have been recorded in the appropriate governmental fund as a current liability to the extent that amounts are expected to be payable within the current period. The balance of the liability is recorded in the General Long-Term Obligations. Vacation and sick leave for employees paid from the Proprietary Funds are recorded as an expense when earned.

NOTE 15 - OPERATING GRANTS

The District receives certain Federal and State operating grants which remain subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the District's administration believes such disallowances, if any, would be immaterial.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The more significant financial data for the District's Enterprise Funds for the year ended June 30, 1999, is as follows:

	Food Service Fund	Hayner Cultural Center Fund	Uniform School Supply Fund	Total
Operating revenues	\$955,075	\$32,165	\$50,788	\$1,038,028
Operating expenses	1,342,874	275,574	44,766	1,663,214
Depreciation	(32)	19,576	0	19,544
Operating income	<u>(387,767)</u>	<u>(262,985)</u>	<u>6,022</u>	<u>(644,730)</u>
Non-operating revenues and expenses:				
Property taxes	0	319,770	0	319,770
Operating grants	334,858	5,900	0	340,758
Interest	0	2,093	0	2,093
Other net	<u>0</u>	<u>31,264</u>	<u>0</u>	<u>31,264</u>
Net income (loss)	<u>(52,909)</u>	<u>96,042</u>	<u>6,022</u>	<u>49,155</u>
Additions to fixed assets	<u>0</u>	<u>111,313</u>	<u>0</u>	<u>111,313</u>
Net working capital	<u>(136,629)</u>	<u>250,806</u>	<u>9,514</u>	<u>123,691</u>
Total assets	<u>\$ 121,133</u>	<u>\$958,927</u>	<u>\$13,066</u>	<u>\$1,093,126</u>
Total fund equity	<u>(\$111,292)</u>	<u>\$551,925</u>	<u>\$ 9,514</u>	<u>\$ 450,147</u>

NOTE 17- JOINTLY GOVERNED ORGANIZATIONS

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - SOEPC is a purchasing cooperative made up of nearly one hundred school districts in twelve counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges and assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by the SOEPC is held in trust for the member district by the fiscal agent. Payments to SOEPC are made from the General (Governmental) Fund. An annual membership fee of \$1,740.00 is assessed to the district.

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. The organization 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. The Board of MDECA consists of one representative from each of the participating members. Complete financial statements can be obtained from MDECA located in Dayton, Ohio.

NOTE 18 – SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$6,743,231 of school foundation support for its general fund.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 18 – SCHOOL FUNDING COURT DECISION (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 19 – SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition or 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 District is also required to set aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$113,915
Current year set-aside requirement	420,562	420,562	212,539
Current year offsets	0	0	0
Qualifying disbursements	<u>689,798</u>	<u>1,064,779</u>	<u>0</u>
Set-aside Cash Balance as of June 30, 1999	<u>(\$269,236)</u>	<u>(\$644,217)</u>	<u>\$326,454</u>
Balance to be carried forward	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$326,454</u>
Amount restricted for bus purchases			<u>52,054</u>
Total Restricted Assets			<u>\$378,508</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the District had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 20 – YEAR 2000 COMPLIANCE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations.

On October 19, 1998, President Clinton signed into law the "Year 2000 Information and Readiness Disclosure Act." The purpose of this law is as follows:

"encourage the disclosure and exchanges of information about computer processing problems, solutions, best practices, and test results."

In accordance with this act, the District is providing its position relative to Year 2000 Readiness. We are continuing the process of reviewing all systems, both hardware and software. We are focusing on mission critical systems, such as payroll and accounting software to assure uninterrupted services. The District uses Ohio Education Computer Network (OECN) State Software for accounting, payroll, fixed asset inventory and student record management through Education Management and Information System (EMIS). These services are provided by the Metropolitan Dayton Educational Cooperative Association (MDECA – see note number 17). MDECA has indicated this software to be compliant.

No costs will be imposed to the District as a result of the program modifications.

The Treasurer of Miami County, Ohio, collects property taxes for distribution to the District. The aforementioned county government is responsible for remediating the tax collection system and is solely responsible for any costs associated with the tax collection system project.

The Auditor of State of Ohio distributes a substantial sum of money to the District in the form of "School Foundation" and other payments. Further, departments of the State of Ohio process a significant amount of financial and non-financial information about the District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems and is solely responsible for any costs associated with the School Foundation processing and EMIS systems.

The District utilizes an external service organization for administering its employee benefit health care claim system. This external service organization is responsible for remediating their system. Their organization reports that by mid-year, 1999, they plan to have all of their systems, including vendor and customer electronic interfaces, fully tested and compliant.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that the parties with whom the District does business will be Year 2000 ready.

NOTE 21 – SUBSEQUENT EVENT

One of the district's major taxpayers has overpaid its tangible personal property taxes to Miami County, Ohio, in the amount of \$1,578,152 for the years 1994 through 1996 and has underpaid \$159,974 for 1997. Accrued interest on the overpayment totals \$463,718.

The district has negotiated repayment over a five-year period beginning in fiscal year 1999-2000. The district's share of the repayment for the first year is 72.4% of the amount, or \$165,260. For the second year, the district's share is 72%, or \$294,029, and for the third, fourth, and fifth years, the district's share is 73%, or \$298,113 for each of the three years.

The total amount repayable by the District is \$1,353,628.

**SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor / Pass Through Grantor Program Title	Pass Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	Not Available	10.550	\$0	\$34,147	\$0	\$46,051
School Breakfast Program	05-PU	10.553	31,158	0	31,158	0
National School Lunch Program	03&04-PU-98 & 99	10.555	203,167	0	203,167	0
Total U.S. Department of Agriculture - Nutrition Cluster			<u>234,325</u>	<u>34,147</u>	<u>234,325</u>	<u>46,051</u>
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Special Education Grants to States (IDEA PartB)	6B-SF	84.027	195,132	0	195,132	0
Title I	C1-S1	84.010	399,225	0	397,668	0
Emergency Immigration Grant	Not Available	84.162	3,953	0	3,590	0
Eisenhower Professional Development Grant	MS-S1	84.281	18,939	0	13,971	0
Title VI, Education Consolidation Improvement	C2-S1	84.298	19,088	0	15,898	0
GOALS 2000	G2-S4	84.276	21,000	0	10,439	0
Architectural & Transportation Barriers Grant	Not Available	88.001	15,560	0	15,560	0
Technology Literacy Challenge Grant	Not Available	84.318	150,000	0	134,531	0
Total U.S. Department of Education			<u>822,897</u>	<u>0</u>	<u>786,789</u>	<u>0</u>
U.S. DEPARTMENT OF LABOR						
(Passed through Ohio Department of Education)						
School to Work	Not Available	17.249	148	0	148	0
TOTAL FEDERAL ASSISTANCE			<u>\$1,057,370</u>	<u>\$34,147</u>	<u>\$1,021,262</u>	<u>\$46,051</u>

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures (the schedule) is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received for the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of lunches. It was assumed that federal dollars were expended first.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1998, the District had a food commodities inventory of \$13,212.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the Troy City Schools, Miami County (the "District") as of and for the year ended June 30, 1999, and have issued our report thereon dated January 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated January 10, 2000.

Board of Education
Troy City School District
Miami County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

January 10, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Troy City School District, Miami County ("the District"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Troy City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Education
Troy City School District
Miami County
Report of Independent Accountants on Compliance With Requirements
Applicable to Each Major Federal Program and Internal Control Over
Compliance In Accordance With OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

January 10, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA 10.550, 10.553, 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

No Findings required to be reported under GAGAS.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No Findings or Questioned Costs reported for federal awards.



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OFFICE OF THE AUDITOR

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TROY CITY SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 8, 2000**