



**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

SINGLE AUDIT

JULY 1, 2000 THROUGH JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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 Troy City School District, Miami County, ("the District") as of and for the year ended June 30, 2001, 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Insurance claims reported in the internal service fund self insurance fund are processed by a service organization that is independent of the District. The service organization did not provide us with evidence we requested regarding the design or proper operation of its internal control relative to the processing of the District's health insurance claim transaction. We were unable to satisfy ourselves as to the proper processing of health insurance claims. Those claims represent 100% of the expenses and 100% of the accrued liabilities for the Internal Service Fund Type.

In our opinion, except for the effects of such adjustments, if any as might have been determined to be necessary had we been able to examine the evidence regarding health insurance claims, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Troy City School District, Miami County, as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust fund for the year ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2001, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 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

December 4, 2001

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**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS:			
Cash and Cash Equivalents (note 6)	\$6,644,821	\$641,236	\$1,017,799
Receivables:			
Property Taxes - Current	19,228,378		482,620
Property Taxes - Delinquent	268,733		6,440
Accounts Receivable	52,259	1,120	
Accrued Interest	35,372		
Due From:			
Other Governments	1,900,514	13,201	106,792
Inventory - Material and Supplies	50,053		
Prepaid Items	15,144	241	
Restricted Assets:			
Cash and Cash Equivalents			
Property, Plant and Equipment (Net, where applicable, of accumulated depreciation) (note 8)			
Amount to be provided for retirement of General Long-Term Obligations			
TOTAL ASSETS AND OTHER DEBITS	28,195,274	655,798	1,613,651
LIABILITIES:			
Accounts Payable	235,132	142,246	10,395
Accrued Wages and Benefits	3,661,859	24,762	
Claims Payable - Health Care			
Due to:			
Other Government	65,116	28,912	
Others			
Deferred Revenue:			
Property Taxes	18,291,613		460,928
Other	1,890,643	12,951	77,765
Capital Leases Payable			
TOTAL LIABILITIES	24,144,363	208,871	549,088
EQUITY AND OTHER CREDITS:			
Investment in General Fixed Assets			
Contributed Equity			
Retained Earnings			
Fund Balances (Deficit):			
Reserved for Encumbrances	325,365	88,281	119,369
Reserved for Property Taxes	1,205,498		28,132
Reserved for Inventory	50,053		
Reserved for Prepays	15,144	241	
Reserved for Claims Payable			
Reserved for Endowments and Cash Awards			
Budget Stabilization Reserve			
Unreserved	2,454,851	358,405	917,062
Total Contributed Equity, Retained Earnings, & Fund Balances(Deficit)	4,050,911	446,927	1,064,563
TOTAL EQUITY AND OTHER CREDITS	4,050,911	446,927	1,064,563
TOTAL LIABILITIES, EQUITY & OTHER CREDITS	\$28,195,274	\$655,798	\$1,613,651

See accompanying notes to the general purpose financial statements.

Proprietary		Fiduciary	Account Groups		Totals	
			General	General	(Memorandum Only)	
Enterprise	Internal	Trust and	Fixed	Long-Term	2001	2000
(Note 17)	Service	Agency	Assets	Obligations		
\$431,503	\$300,000	\$294,082			\$9,329,441	\$5,832,815
328,738					20,039,736	19,777,450
4,060					279,233	275,457
1,606		50			55,035	63,332
86		953			36,411	41,823
34,313					2,054,820	1,800,789
27,861					77,914	75,473
1,454					16,839	13,188
						546,514
411,398			\$24,392,377		24,803,775	23,847,938
				\$2,682,843	2,682,843	2,732,347
<u>1,241,019</u>	<u>300,000</u>	<u>295,085</u>	<u>24,392,377</u>	<u>2,682,843</u>	<u>59,376,047</u>	<u>55,007,126</u>
22,048		18,187			428,008	294,151
268,328				2,624,272	6,579,221	6,323,451
	389,271				389,271	272,500
					94,028	21,497
		78,889			78,889	72,601
332,798					19,085,339	19,158,997
47,129					2,028,488	1,790,301
				58,571	58,571	
<u>670,303</u>	<u>389,271</u>	<u>97,076</u>		<u>2,682,843</u>	<u>28,741,815</u>	<u>27,933,498</u>
			24,392,377		24,392,377	23,552,137
155,811					155,811	155,811
414,905					414,905	405,458
					533,015	532,657
					1,233,630	893,910
					50,053	47,601
					15,385	11,844
	(89,271)				(89,271)	27,500
		140,060			140,060	137,860
						546,514
		57,949			3,788,267	762,336
<u>570,716</u>	<u>(89,271)</u>	<u>198,009</u>			<u>6,241,855</u>	<u>3,521,491</u>
<u>570,716</u>	<u>(89,271)</u>	<u>198,009</u>	<u>24,392,377</u>		<u>30,634,232</u>	<u>27,073,628</u>
<u>\$1,241,019</u>	<u>\$300,000</u>	<u>\$295,085</u>	<u>\$24,392,377</u>	<u>\$2,682,843</u>	<u>\$59,376,047</u>	<u>\$55,007,126</u>

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES &
CHANGES IN FUND BALANCES --ALL GOVERNMENTAL FUND
TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			Fiduciary Fund Types	Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Expendable Trust	2001	2000
REVENUES:						
Taxes	\$19,774,086		\$502,322		\$20,276,408	\$18,952,007
Tuition and Fees	354,392				354,392	291,764
Interest	604,469	\$7,309			611,778	347,266
Intergovernmental	9,583,767	1,480,513	230,845		11,295,125	11,414,249
Extracurricular Activities	41,211	367,545			408,756	417,748
Miscellaneous	51,481	17,968	39,084	\$39,904	148,437	270,954
TOTAL REVENUES	30,409,406	1,873,335	772,251	39,904	33,094,896	31,693,988
EXPENDITURES:						
Current:						
Instruction:						
Regular	15,480,562	1,102,908	1,000		16,584,470	14,599,746
Special	1,991,722	302,993			2,294,715	2,362,623
Other	1,087,692	41,742	69,037		1,198,471	646,029
TOTAL INSTRUCTIONAL SERVICES	18,559,976	1,447,643	70,037		20,077,656	17,608,398
Support Services:						
Pupil	1,227,275	1,058			1,228,333	1,272,967
Instructional Staff	651,899	97,269			749,168	761,015
Board of Education	507,716				507,716	573,022
Administration	1,842,982	15,012			1,857,994	1,679,690
Fiscal	324,422		8,626		333,048	297,003
Business	370,191	47,976		25,651	443,818	416,050
Operation and Maintenance of Plant	2,276,668	2,655			2,279,323	2,083,688
Pupil Transportation	1,326,976				1,326,976	1,128,221
Other	1,189	96	42,000		43,285	30,214
TOTAL SUPPORT SERVICES	8,529,318	164,066	50,626	25,651	8,769,661	8,241,870
Extracurricular Activities		212,522			212,522	198,001
Capital outlay	419,809	126,420	637,121		1,183,350	1,068,095
Debt service:						
Principal Retirement	7,433	6,455			13,888	
Interest	3,073	1,750			4,823	
TOTAL EXPENDITURES	27,519,609	1,958,856	757,784	25,651	30,261,900	27,116,364
Excess of Revenue Over (Under) expenditures	2,889,797	(85,521)	14,467	14,253	2,832,996	4,577,624
OTHER FINANCING SOURCES (USES):						
Refund of Prior Year Receipt				(422,353)	(422,353)	(677,647)
Transfers in			612,206		612,206	265,581
Transfers out	(612,206)				(612,206)	(315,061)
Advances in						95,000
Other Financing Sources-Capital Leases	34,160	38,300			72,460	
TOTAL OTHER FINANCING SOURCES (USES)	(578,046)	38,300	612,206	(422,353)	(349,893)	(632,127)
Excess of Revenue and Other Financing Sources Over (under) Expenditures and Other Uses	2,311,751	(47,221)	626,673	(408,100)	2,483,103	3,945,497
Increase (decrease) in reserve for property taxes	332,737		6,983		339,720	(543,260)
Increase (decrease) in reserve for inventory	2,452				2,452	(8,447)
TOTAL CHANGE IN RESERVE FOR PROPERTY TAXES AND INVENTORY	335,189		6,983		342,172	(551,707)
Net change in unreserved fund balance for year	2,646,940	(47,221)	633,656	(408,100)	2,825,275	3,393,790
FUND BALANCES AT BEGINNING OF YEAR	1,403,971	494,148	430,907	461,677	2,790,703	(603,087)
FUND BALANCES AT END OF YEAR	\$4,050,911	\$446,927	\$1,064,563	\$53,577	\$5,615,978	\$2,790,703

See accompanying notes to the general purpose financial statements.

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**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES--BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND (NOTE 5)
FOR THE YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Taxes	\$19,899,486	\$19,774,086	(\$125,400)			
Tuition and Fees	305,600	375,336	69,736			
Interest	350,000	603,223	253,223			
Intergovernmental	9,533,270	9,585,367	52,097	\$1,109,738	\$1,096,673	(\$13,065)
Extracurricular Activities	42,500	41,211	(1,289)	383,880	383,212	(668)
Miscellaneous	25,500	53,356	27,856	20,300	17,968	(2,332)
TOTAL REVENUES	30,156,356	30,432,579	276,223	1,513,918	1,497,853	(16,065)
EXPENDITURES:						
Current:						
Instruction						
Regular	15,708,655	15,323,230	385,425	930,961	799,615	131,346
Special	2,047,986	2,023,310	24,676	309,709	309,542	167
Other	1,604,083	1,564,535	39,548	86,500	86,500	
TOTAL INSTRUCTIONAL SERVICES	19,360,724	18,911,075	449,649	1,327,170	1,195,657	131,513
Support Services						
Pupil	1,310,071	1,265,639	44,432	3,053	1,139	1,914
Instructional Staff	781,626	771,513	10,113	91,579	78,543	13,036
Board of Education	594,769	520,137	74,632			
Administration	1,827,203	1,800,111	27,092	17,510	16,130	1,380
Fiscal	341,990	322,276	19,714			
Business	428,133	383,852	44,281	43,093	47,976	(4,883)
Operation and Maintenance of Plant	2,304,060	2,304,060				
Pupil Transportation	1,330,015	1,302,385	27,630			
Other	10,175	1,214	8,961	96	96	
TOTAL SUPPORT SERVICES	8,928,042	8,671,187	256,855	155,331	143,884	11,447
Extracurricular Activities				323,863	266,887	56,976
Capital Outlay						
TOTAL EXPENDITURES	28,288,766	27,582,262	706,504	1,806,364	1,606,428	199,936
Excess of Revenue Over (Under) Expenditures	1,867,590	2,850,317	982,727	(292,446)	(108,575)	183,871
OTHER FINANCING SOURCES (USES):						
Transfers In						
Transfers Out	(612,206)	(612,206)				
TOTAL OTHER FINANCING SOURCES (USES)	(612,206)	(612,206)				
Excess of Revenue and Other Financing Sources						
Over (Under) Expenditures and Other Financing Uses	1,255,384	2,238,111	982,727	(292,446)	(108,575)	183,871
FUND BALANCES AT BEGINNING OF YEAR	3,474,743	3,474,743		434,552	434,552	
Prior Year Encumbrances Appropriated	359,532	359,532		54,928	54,928	
FUND BALANCES AT END OF YEAR	\$5,089,659	\$6,072,386	\$982,727	\$197,034	\$380,905	\$183,871

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)
\$503,756	\$502,322	(\$1,434)				\$20,403,242	\$20,276,408	(\$126,834)
						305,600	375,336	69,736
						350,000	603,223	253,223
203,210	201,818	(1,392)				10,846,218	10,883,858	37,640
						426,380	424,423	(1,957)
50,000	39,084	(10,916)	\$23,800	\$39,904	\$16,104	119,600	150,312	30,712
756,966	743,224	(13,742)	23,800	39,904	16,104	32,451,040	32,713,560	262,520
6,500	6,500					16,646,116	16,129,345	516,771
						2,357,695	2,332,852	24,843
229,453	176,653	52,800				1,920,036	1,827,688	92,348
235,953	183,153	52,800				20,923,847	20,289,885	633,962
						1,313,124	1,266,778	46,346
						873,205	850,056	23,149
						594,769	520,137	74,632
						1,844,713	1,816,241	28,472
11,000	8,626	2,374				352,990	330,902	22,088
			68,489	43,951	24,538	539,715	475,779	63,936
						2,304,060	2,304,060	
						1,330,015	1,302,385	27,630
42,000	42,000		422,353	422,353		474,624	465,663	8,961
53,000	50,626	2,374	490,842	466,304	24,538	9,627,215	9,332,001	295,214
			10,000		10,000	333,863	266,887	66,976
940,774	711,077	229,697				940,774	711,077	229,697
1,229,727	944,856	284,871	500,842	466,304	34,538	31,825,699	30,599,850	1,225,849
(472,761)	(201,632)	271,129	(477,042)	(426,400)	50,642	625,341	2,113,710	1,488,369
612,206	612,206					612,206	612,206	
						(612,206)	(612,206)	
612,206	612,206							
139,445	410,574	271,129	(477,042)	(426,400)	50,642	625,341	2,113,710	1,488,369
172,023	172,023		461,590	461,590		4,542,908	4,542,908	
305,439	305,439		18,386	18,386		738,285	738,285	
\$616,907	\$888,036	\$271,129	\$2,934	\$53,576	\$50,642	\$5,906,534	\$7,394,903	\$1,488,369

TROY CITY SCHOOL DISTRICT
MIAMI COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND
BALANCES--ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Types		Fiduciary Fund Type	Totals	
	Enterprise (Note 17)	Internal Service	Non-Expendable Trust	(Memorandum Only)	
				2001	2000
OPERATING REVENUES:					
Sales	\$1,047,331			\$1,047,331	\$988,514
Intergovernmental					(761)
Classroom Fees	56,875			56,875	43,691
Miscellaneous Receipts	45,912			45,912	43,489
Charge for Services		\$2,482,491		2,482,491	2,137,829
TOTAL REVENUES	<u>1,150,118</u>	<u>2,482,491</u>		<u>3,632,609</u>	<u>3,212,762</u>
OPERATING EXPENSES:					
Salaries and Wages	695,723			695,723	582,975
Fringe Benefits	284,013			284,013	261,398
Contractual Services	130,183			130,183	158,495
Materials and Supplies	734,693			734,693	654,475
Claims Expense		2,599,262		2,599,262	2,004,355
Depreciation	26,305			26,305	22,226
Other Expense	7,658		\$6,526	14,184	13,522
TOTAL OPERATING EXPENSES	<u>1,878,575</u>	<u>2,599,262</u>	<u>6,526</u>	<u>4,484,363</u>	<u>3,697,446</u>
OPERATING INCOME (LOSS)	<u>(728,457)</u>	<u>(116,771)</u>	<u>(6,526)</u>	<u>(851,754)</u>	<u>(484,684)</u>
NONOPERATING REVENUES:					
Property Taxes	329,375			329,375	328,779
Grants	369,134			369,134	358,953
Interest	6,836		8,939	15,775	12,138
Other	32,559			32,559	32,595
TOTAL NONOPERATING REVENUES	<u>737,904</u>		<u>8,939</u>	<u>746,843</u>	<u>732,465</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>9,447</u>	<u>(116,771)</u>	<u>2,413</u>	<u>(104,911)</u>	<u>247,781</u>
Operating Transfers In					95,000
Operating Transfers Out					(45,520)
Advances Out					(95,000)
NET INCOME (LOSS)	<u>9,447</u>	<u>(116,771)</u>	<u>2,413</u>	<u>(104,911)</u>	<u>202,261</u>
Retained Earnings/Fund Balances at Beginning of Year	405,458	27,500	142,019	574,977	372,716
Residual Equity Transfer					
RETAINED EARNINGS/FUND BALANCES AT END OF YEAR	<u>414,905</u>	<u>(89,271)</u>	<u>144,432</u>	<u>470,066</u>	<u>574,977</u>
Contributed Capital Beginning of Year	155,811			155,811	155,811
Contributions					
Contributed Capital End of Year	<u>155,811</u>			<u>155,811</u>	<u>155,811</u>
Total Fund Equity at End of Year	<u>\$570,716</u>	<u>(\$89,271)</u>	<u>\$144,432</u>	<u>\$625,877</u>	<u>\$730,788</u>

See accompanying notes to the general purpose financial statements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
YEAR ENDED JUNE 30, 2001**

	<u>Proprietary</u>		<u>Fiduciary</u>	<u>Totals</u>	
	<u>Enterprise Funds</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	<u>(Memorandum Only)</u>	
				<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Operating (Loss)	(\$728,457)	(\$116,771)	(\$6,526)	(\$851,754)	(\$484,684)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Donated Commodities Used	65,282			65,282	60,130
Depreciation	26,305			26,305	31,826
Change in Assets and Liabilities:					
(Increase) Decrease in Taxes Receivable	(9,004)			(9,004)	24,920
Decrease in Accounts Receivable	713			713	1,540
(Increase) Decrease in Accrued Interest	531		6,127	6,658	(938)
Decrease in Due From Other Governments	502			502	32,568
Decrease in Inventory	11			11	3,458
(Increase) in Prepays	(110)			(110)	(1,221)
Increase (Decrease) in Accounts Payable	9,443		(2,060)	7,383	6,777
Increase (Decrease) in Accrued Wages Payable	35,969			35,969	(11,532)
Increase (Decrease) in Deferred Revenue	7,718			7,718	(20,093)
Increase (Decrease) in Claims Payable		116,771		116,771	(133,474)
TOTAL ADJUSTMENTS	<u>137,360</u>	<u>116,771</u>	<u>4,067</u>	<u>258,198</u>	<u>(6,039)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(591,097)</u>		<u>(2,459)</u>	<u>(593,556)</u>	<u>(490,723)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Property Taxes	329,375			329,375	328,779
Grants Received	303,852			303,852	298,823
Transfers In					49,480
Advances (Out)					(95,000)
Other	32,559			32,559	32,595
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>665,786</u>			<u>665,786</u>	<u>614,677</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and Construction of Capital Assets	(141,902)			(141,902)	(1,171)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest	6,836		8,939	15,775	12,138
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	<u>(60,377)</u>		<u>6,480</u>	<u>(53,897)</u>	<u>134,921</u>
Cash & Cash Equivalents at Beginning of Year	491,880	300,000	140,199	932,079	797,158
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$431,503</u>	<u>\$300,000</u>	<u>\$146,679</u>	<u>\$878,182</u>	<u>\$932,079</u>

See accompanying notes to the general purpose financial statements.

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**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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.

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:

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Fund Types

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).

2. Proprietary Fund Types

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 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 11.

3. Fiduciary Fund Types

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.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Account Group

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 Obligations 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.

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 obligations account group.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non exchange transactions, in which the District receives value without directly giving equal value in return include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non exchange transactions must also be available before it can be recognized.

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.

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.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or function level. The appropriation measure may be amended or supplemented during the year as new information becomes available.

During fiscal year 2001, 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.

6. Budgetary Basis of Accounting

The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual -- All Governmental Fund Types and Expendable Trust Fund in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance (GAAP basis).

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2001, 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.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2001. 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, 2001.

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 2001 amounted to \$604,469.

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

House Bill 412 required school districts to establish and maintain a Budget Stabilization reserve. At June 30, 2000, the District had set aside \$546,514 to comply with this statute. In 2001, House Bill 345 deleted from law the requirement for the budget reserve set-aside. The District has transferred the balance in the reserve to the Capital Projects Fund 070 to be used for future capital improvements.

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, 2001, is capitalized and shown as a reserve of fund balance.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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/expense is reported in the year in which services are consumed.

H. 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.

I. 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.

J. 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 Obligations Account Group. For proprietary funds, the cost of vacation and sick leave is recorded as a liability when earned.

K. 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.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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, claims payable, endowments and cash awards. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. 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.

N. 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.

O. 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.

P. 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.

Q. 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.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Non-Expendable Trust	\$146,679
Expendable Trust	62,377
Agency	<u>85,026</u>
	<u>\$294,082</u>

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the District has implemented Governmental Accounting Statement No. 33 *Accounting and Financial Reporting for Non exchange Transactions*. This statement established accounting and reporting guidelines for non exchange transactions in which a government receives or gives value without directly receiving (or giving) equal value in exchange. Implementation of this statement did not affect the financial statements as of June 30, 2000.

4. DEFICIT FUND BALANCE

At June 30, 2001, the Food Service and Internal Service Funds have deficit fund balances of \$106,932 and \$89,271 respectively. These deficit balances were created by the application of generally accepted accounting principles.

5. 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.

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).

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)
GAAP Basis	\$2,311,751	(\$47,221)	\$626,673	(\$408,100)	\$2,483,103
Revenue Accruals	23,173	17,227	(29,027)	0	11,373
Expenditure Accruals	509,781	152,467	(57,308)	(9,500)	595,440
Outstanding Encumbrances at Fiscal Year End	(572,434)	(88,853)	(129,764)	(8,800)	(799,851)
Other Financing Sources - Capital Leases	(34,160)	(38,300)	0	0	(72,460)
Auxiliary Services Fund	0	(103,895)	0	0	(103,895)
Budget Basis	<u>\$2,238,111</u>	<u>(\$108,575)</u>	<u>\$410,574</u>	<u>(\$426,400)</u>	<u>\$2,113,710</u>

6. 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.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. 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 \$7,450 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."

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. CASH AND INVESTMENTS (Continued)

Deposits - At year end the carrying amount of the District's deposits was \$175,319 and the bank balance was \$720,118. Of the bank balance:

1. \$300,000 was covered by federal depository insurance; and
2. \$420,118 was collateralized with securities held by its agent not in the District's name.

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 and Deferred Compensation are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Interest Rate	Category			Cost	Fair Value
		1	2	3		
Investment in State Treasurer's Investment Pool	N/A				\$9,146,672	\$9,146,672
Total Investments					<u>\$9,146,672</u>	<u>\$9,146,672</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	Investments
GASB Statement 9	\$9,329,441	
Investments:		
State Treasurer's Investment Pool	(9,146,672)	9,146,672
GASB Statement 3	<u>\$ 182,769</u>	<u>\$9,146,672</u>

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. 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 sexennially 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 2000, 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.

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 2001 upon which 2000 property tax levies were based totaled \$598,019,436 which was comprised of \$436,230,940 in real property, \$27,982,420 in public utility property, and \$133,806,076 in personal property.

Accrued taxes receivable represent taxes on real property, personal property and public utility property which became measurable as of June 30, 2001. 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, 2001, is reported as a reserved fund balance of the total fund equity.

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.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

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 was 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.

8. 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 2001 is as follows:

	<u>Balance</u> <u>June 30, 2000</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance</u> <u>June 30, 2001</u>
Furniture and Fixtures	\$ 9,237,881	\$ 939,426	\$427,155	\$ 9,750,152
Buildings and Improvements	13,896,899	327,968	0	14,224,867
Land	<u>417,358</u>	<u>0</u>	<u>0</u>	<u>417,358</u>
TOTAL	<u>\$23,552,138</u>	<u>\$1,267,394</u>	<u>\$427,155</u>	<u>\$24,392,377</u>

Proprietary fund type property, plant and equipment at June 30, 2001, for the Enterprise Fund consist of the following:

	<u>Enterprise</u>
Furniture and Fixtures	\$ 650,353
Buildings and Improvements	494,687
Land	<u>3,148</u>
Sub-Total	1,148,188
Accumulated Depreciation	<u>(736,790)</u>
Net Carrying Value	<u>\$ 411,398</u>

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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. The report may be obtained by writing to SERS, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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. 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, 2001, 2000, and 1999 were \$659,339, \$583,211, and \$661,148 respectively; 45.2 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$361,416, representing the unpaid contribution for fiscal year 2001, 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. Broad 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; 9.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 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, 2001, 2000, and 1999 were \$2,102,762, \$1,990,731, and \$2,092,209 respectively; 70.6 percent has been contributed for fiscal years 2001 and 100 percent for fiscal years 2000 and 1999. \$618,085, representing the unpaid contribution for fiscal year 2001, 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, 2001, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. 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.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

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, 2001, the allocation rate is 9.80 percent, an increase from 1.30 percent from fiscal year 2000. 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 2001, 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 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available) were \$140,696,340, and the target level was \$211 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 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 \$383,092 during the 2001 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 4.5 percent of the covered payroll to the Health Care Reserve Fund from which health care benefits are paid. For the District, this amount equaled \$1,158,617 during 2001.

The balance in the Health Care Reserve Fund was \$3,419 million on June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

11. 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.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. SELF INSURANCE 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, 2001, 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, 2001, follows:

	<u>Internal Service Fund</u>
Claims liability at June 30, 1999	\$ 405,974
Claims incurred	2,063,079
Claims paid	<u>(2,196,553)</u>
Claims liability at June 30, 2000	\$272,500
Claims incurred	2,832,420
Claims paid	<u>(2,715,649)</u>
Claims liability at June 30, 2001	<u>\$ 389,271</u>

12. 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.

13. OPERATING LEASES

The District leases office equipment under non-cancellable operating leases. Total costs for such leases were \$22,338 for the year ended June 30, 2001. The future minimum lease payments as of June 30, 2001, are as follows:

<u>Year Ending June 30</u>	<u>Amounts</u>
2002	\$15,539
2003	3,184
2004	3,184
2005	2,388

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. LONG TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2001, follows:

	<u>Balance June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
General long-term obligations account group:				
Accrued wages and benefits	\$2,732,347		(\$108,075)	\$2,624,272
Capital Leases Payable	<u>0</u>	<u>72,460</u>	<u>(13,889)</u>	<u>58,571</u>
Total Long-Term Debt	<u>\$2,732,347</u>	<u>\$72,460</u>	<u>(\$121,964)</u>	<u>\$2,682,843</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, 2001, 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. At June 30, 2001, the District had no debt. 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, 2001, 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 Account Group. Vacation and sick leave for employees paid from the Proprietary Funds are recorded as an expense when earned.

15. CAPITAL LEASE COMMITMENTS

The District is obligated under two leases accounted for as capital leases. The cost of the leased assets is accounted for in the General Fixed Assets Account Group and the related liability in the General Long-Term Obligations Account Group. The original cost of the assets under capital lease was \$72,460.

The following is a schedule of the future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2001:

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. CAPITAL LEASE COMMITMENTS (Continued)

Year ending June 30,	Capital Lease Payments
2002	\$21,446
2003	21,446
2004	21,446
2005	<u>2,735</u>
Minimum Lease Payments	67,073
Less: Amount representing interest at the District's incremental borrowing rate	<u>(8,502)</u>
Present value of minimum lease payments	<u>\$58,571</u>

16 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.

17 SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The more significant financial data for the District's Enterprise Funds for the year ended June 30, 2001, is as follows:

	Food Service Fund	Hayner Cultural Center Fund	Uniform School Supply Fund	Total
Operating revenues:	\$1,047,331	\$45,912	\$56,875	\$1,150,118
Operating expenses	1,457,868	338,473	55,929	1,852,270
Depreciation	<u>(847)</u>	27,152	0	26,305
Operating income	(409,690)	(319,713)	946	(728,457)
Non-operating revenues and expenses:				
Property taxes	0	329,375	0	329,375
Operating grants	355,973	13,161	0	369,134
Interest	4,135	2,701	0	6,836
Other net	0	32,559	0	32,559
Net income (loss)	<u>(49,582)</u>	<u>58,083</u>	<u>946</u>	<u>9,447</u>
Additions to fixed assets	<u>0</u>	<u>141,902</u>	<u>0</u>	<u>141,902</u>
Net working capital	<u>(124,687)</u>	<u>272,677</u>	<u>11,328</u>	<u>159,318</u>
Total assets	<u>148,717</u>	<u>1,075,021</u>	<u>17,281</u>	<u>1,241,019</u>
Total fund equity	<u>(106,932)</u>	<u>666,320</u>	<u>11,328</u>	<u>570,716</u>

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. 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. Payments to SOEPC are made from the General (Governmental) Fund. An annual membership fee of \$2,191.60 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.

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

As stated in House Bill 412, revised in House Bill 345, school districts are required to maintain two reserves; one for capital acquisition and maintenance, and one for textbooks and other instructional materials. A reserve represents resources whose use is limited because of contractual or statutory restrictions.

The following demonstrates the District's compliance with set-aside requirements in House Bill 412:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2000	\$(284,383)	(\$831,883)	\$546,514
Current year set-aside requirement	699,433	699,433	0
Transferred to Capital Projects Fund (per H.B. 345)			(546,514)
Current year offsets	0	0	0
Qualifying disbursements	<u>(839,317)</u>	<u>(739,203)</u>	<u>0</u>
Set-aside Cash Balance carried forward to future fiscal years	<u>(\$424,267)</u>	<u>(\$871,653)</u>	<u>\$ 0</u>

The District had additional offsets and qualifying disbursements during the year in the Textbook set-aside that may be used to reduce the set-aside requirements of future years. The District also had additional offsets and qualifying disbursements during the year in the Capital Acquisition set-aside that may not be used to reduce the set-aside requirements of future years.

The \$546,514 of the prior Budget Stabilization set-aside has been designated in the Capital Projects Fund 070 to be used for future capital improvements.

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

20. SUBSEQUENT EVENT

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 4, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR YEAR ENDED JUNE 30, 2001**

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						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	Not Available	10.550		\$64,498		\$65,282
School Breakfast Program	05-PU	10.553	\$39,735		\$39,735	
National School Lunch Program	03 & 04-PU-99 & 00	10.555	235,783		235,783	
Total U.S. Department of Agriculture - Nutrition Cluster			275,518	64,498	275,518	65,282
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-00P 6B-SF-00	84.027	301,301		301,301 974	
Total Special Education Cluster			301,301		302,275	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-01 C1-SD-01 C1-S1-00 C1-S1-00C	84.010	343,843 48,993		294,577 48,122 15,770 2,153	
Total Title I			392,836		360,622	
Eisenhower Professional Development	MS-S1-01 MS-S1-00 MS-S1-99	84.281	17,575 6,450		14,890 10,228 807	
Total Eisenhower Professional Development			24,025		25,925	
Class Size Reduction Subsidy	CR-S1-01 CR-S1-00	84.340	77,007		70,723 13,151	
Total Class Size Reduction Subsidy			77,007		83,874	
Drug Free Schools	DR-S1-01	84.186	21,173		20,104	
Goals 2000	G2-S8-00	84.276			530	
Emergency Immigration Grant	Not Available	84.162			3,213	
Technology Literacy Challenge Grant	TF-34-99P	84.318			62,500	
Innovative Education Program Strategy	C2-S1-01 C2-S1-00 C2-S1-99C	84.298	26,189		24,471 596 86	
Total Innovation Education Program Strategy			26,189		25,153	
Total U.S. Department of Education			842,531		884,196	
Total Federal Assistance			\$1,118,049	\$64,498	\$1,159,714	\$65,282

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

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance in the form of food received from the U.S. Department of Agriculture, is reported on the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

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OFFICE OF THE AUDITOR

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

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

To the Board of Education:

We have audited the financial statements of Troy City School District, Miami County, ("the District") as of and for the year ended June 30, 2001, and have issued our report thereon dated December 4, 2001, which was qualified for a lack of evidential matter related to the Internal Service Fund expenses and liabilities. Except for the above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10355-001.

**Internal Control Over Financial Reporting
(Continued)**

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. 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. However, we consider item 2001-10355-001 to be a material weakness.

This report is intended for the information and use of the audit committee, Board of Education, management, 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

December 4, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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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**

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 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 each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are 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 each of its major federal programs 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

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.

**Internal Control Over Compliance
(Continued)**

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

December 4, 2001

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FISCAL YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(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):	Title I Grants to Local Educational Agencies CFDA # 84.010 Special Education Grants to States (IDEA Part B) CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**TROY CITY SCHOOL DISTRICT
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

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

FINDING NUMBER 2001-10355-001

Material Weakness

The District has delegated employees' health insurance claims processing, which is a significant accounting function of the internal service fund, to United Medical Resources (UMR) a third-party administrator. Although the District Business Manager reviews the claims register received from UMR documenting employees involved and the amount of claim approved for payment, the failure of UMR to obtain a report on the effectiveness of their claims processing internal control policies and procedures limits the District's ability to reasonably determine that health insurance claims have been completely and accurately processed in accordance with the health insurance contract.

We recommend the District implement procedures to reasonably assure completeness, and accuracy (including eligibility, and allowability) of health insurance claims processed by its third-party administrator. Statement of Auditing Standards (SAS) No. 70 as amended by SAS No. 88, prescribes standards for reporting on the processing of transactions by service organizations. An unqualified "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the District with an appropriate level of assurance that health insurance claims are being processed in conformance with the contract.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No Finding or Questioned Costs reported for federal awards.



STATE OF OHIO
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
JANUARY 8, 2002**