

Troy School District

Financial Statements

June 30, 2018



Troy School District
Comprehensive Annual Financial report
For the Fiscal Year Ended June 30, 2018

Troy School District
4400 Livernois Road
Troy, Michigan 48098

Prepared by:
Division of Business Services
Rick West, Assistant Superintendent, Business Services
Kandice Moynihan, Finance Director

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October 2, 2018

To the Citizens of Troy and the
Board Members of Troy School District:

The Comprehensive Annual Financial Report of Troy School District (the "School District") as of and for the fiscal year ended June 30, 2018 is submitted herewith. The report was prepared by the School District's Department of Business Services. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the School District. We believe the data, as presented, is accurate in all material respects. The information is presented in a manner designed to fairly set forth the financial position and the results of operations of the School District as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the School District's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the organizational chart, a listing of the elected and top administrative officials of the School District, and the Certificate of Excellence. The financial section includes the management's discussion and analysis, financial statements, the fund financial statements, notes to the financial statements, required and other supplemental information, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiple-year basis.

The School District's financial statements include all funds, account groups, and departments over which the Board of Education is financially accountable. The Board of Education is responsible for the selection and appointment of the superintendent of schools, as well as setting policy, developing long-range educational goals, adopting and amending operating budgets, and evaluating school programs.

It is the mission of Troy School District to ensure learning for all members of the school community. Troy School District will become an exemplary learning community that supports innovation and is committed to continuous improvement. Troy School District will be a place where a collaborative community develops curriculum, instructional strategies, and assessment to ensure all students learn.

Overview

Troy School District is a fiscally independent school district established under the laws of the State of Michigan and governed by an elected, seven-member Board of Education. It is somewhat unique in the Detroit metropolitan area in that its 26.61 square miles are totally within the City of Troy, which has a population of 87,177. It is a suburban district located in Oakland County, Michigan with continuing growth and development provided by upscale office and research facilities, light industry, and housing expansion.

The School District has 12 elementary schools, grades K-5; four middle schools, grades 6-8; two traditional high schools, grades 9-12; one alternative high school; the Troy Center for Transition Program serving Special Education students ages 19 through 26; and hosts the east campus of the International Academy that currently enrolls grades 9-12 and offers an international baccalaureate diploma. The School District also has a Board of Education office; a transportation facility; an adult/alternative/continuing education building which houses the athletics office; a central stores/maintenance facility; and the Services Building housing special education services, media, technology and data services, food services, and teaching and learning. The district enrollment for 2017-18 is 13,034 students and is projected to grow to 13,150 for 2018-19.

The School District successfully passed a \$125,000,000 bond issue in November 2013. Over the past 5 years, bond dollars have funded significant mechanical and electrical upgrades, technology purchases and improvements, secure front entries at all the District's elementary and middle school buildings, roof replacement, and parking lot and infrastructure improvements. Funds were also used to purchase flexible furniture for secondary math and 4th and 5th grade classrooms, cardio equipment for our high school weight rooms, and instruments for our instrumental music programs. We have approximately 5 more years of bond projects to be completed which will include additional mechanical and electrical upgrade, technology purchases and improvements, roof replacements, and parking lot and infrastructure improvements.

In November 2017 the community of Troy supported a 10-year 1-mill Building & Site Sinking Fund. The millage will generate approximately \$3.9 million annually and will be used to make improvements and repairs to the School District's facilities. Projects will commence in July 2018.

The district is currently constructing a state-of-the-art Early Childhood Learning Center (ECC) to help meet its growing need to provide pre-Kindergarten education for Troy students. The ECC will be located on the site of the Niles Continuing Education Center.

Major Initiatives and Achievements

Troy School District offers a comprehensive curriculum for all students. Goals and objectives define the skills, knowledge, and understanding expected of all learners for each subject at each grade level.

Curriculum Development

Core Curriculum

Teachers and administrators in Troy School District implement a comprehensive curriculum for all students in pre-kindergarten through twelfth grade. Our curriculum is based on the Michigan State standards in English language arts, social studies, mathematics, and science.

All state guidelines and requirements have been reviewed by teachers and administrators in the Troy School District and have been integrated into our curriculum. The curriculum of Troy School District meets or exceeds all standards required for school accreditation by the Michigan Department of Education.

Written curriculum and pacing guides function as systematic outlines for instruction. These documents identify what our teachers teach and what students should learn, and many have been uploaded to Rubicon Atlas, a web-based storage system, providing teachers access to this information from any computer. Class and course goals and objectives have been matched with state, national, and college readiness standards to ensure that we are preparing our students for today, as well as tomorrow. Throughout the Troy School District, high standards infuse the curriculum.

During the past year, several enhancements were made to the Troy School District curriculum. A literacy benchmark assessment system is used in pre-kindergarten through fifth grade, and students' reading achievement is tracked in our data warehousing system. The elementary writing common assessment for kindergarten through fifth grade has been revised and strengthened by the inclusion of a research-based scoring rubric. Some professional learning had been implemented during the 2017-2018 school year, and will be a focal point for the 2018-2019 school year. In addition, review of our other core curriculum areas - math, science, and social studies - continued throughout the year. Opportunities were provided for teachers in the arts, physical education, and world language to meet and review their curriculum areas. The secondary curriculum continued to be refined throughout the past school year. Teams of teachers, along with the District's curriculum and instruction specialists and administrators, refined ambitious learning outcomes and performance assessments across the K-12 curriculum. Teachers continued to have a variety of opportunities to engage in professional learning activities throughout the year.

Troy School District completed another extremely successful internal review through AdvancED on Accreditation and School Improvement. District accreditation is an approach that builds the capacity of all schools and departments within the system to increase and sustain student learning. We are one of a limited number of districts in the state of Michigan to have received such accreditation. This district accreditation engagement review was in place in March 2018. Our system goals are as follows:

- All Troy School District students will be on track to be college/career ready in literacy.
- All Troy School District students will be college/career ready in mathematics.
- All Troy School District Students will be college/career ready in science.
- All Troy School District Students will be college/career ready in social studies.

An exceptional number of Troy School District students attend institutions of higher learning upon graduation, both in Michigan and around the country. The University of Michigan is among several institutions that grant additional points for admission consideration to students who have graduated from Troy School District.

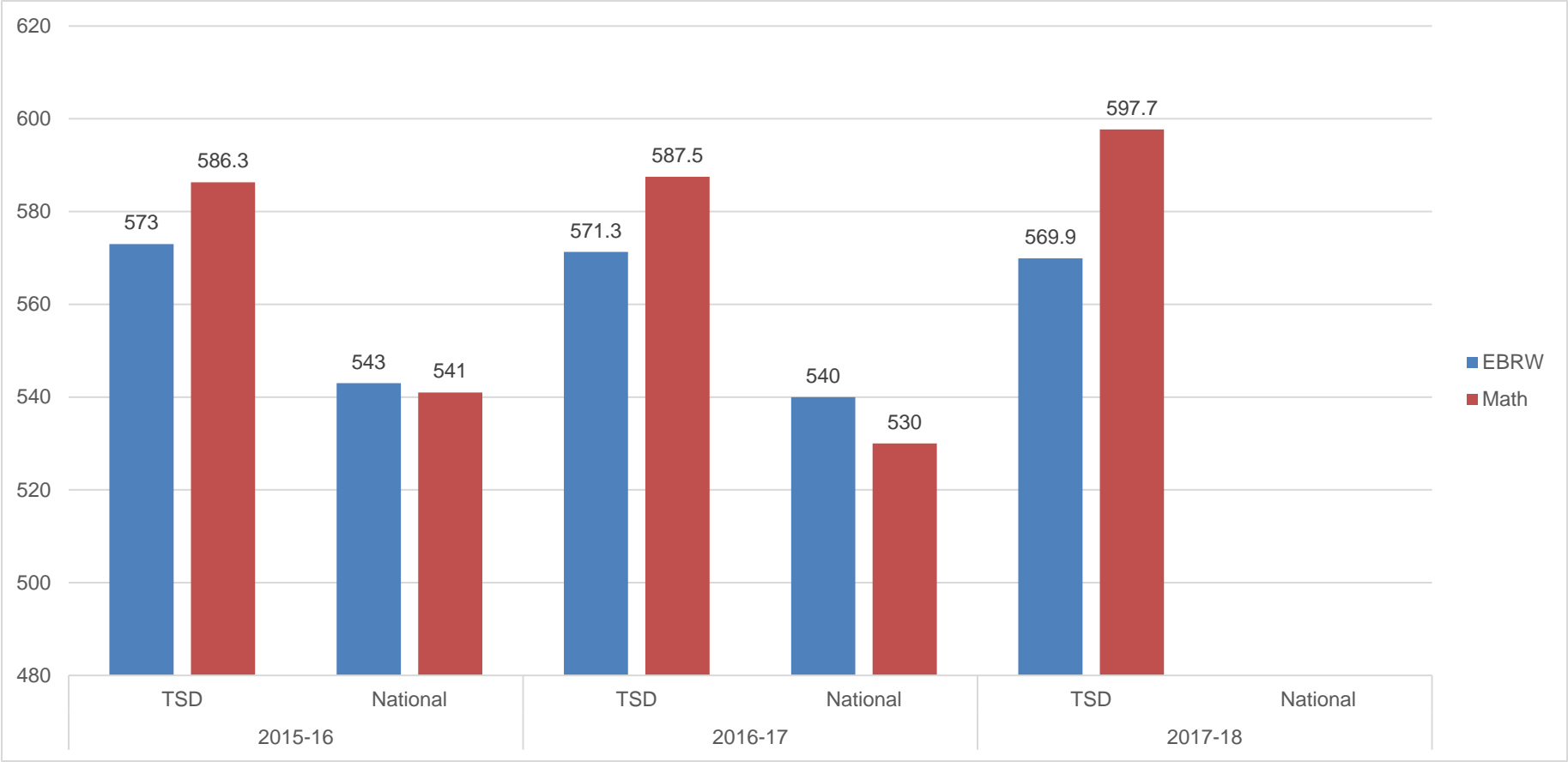
<u>Years Ended June 30</u>	<u>Percent of Students Graduating</u>	<u>Percent of Students Attending College</u>
2018	98	97
2017	99	97
2016	99	98
2015	99	97
2014	98	96
2013	98	96
2012	98	96
2011	98	95
2010	99	96
2009	99	96
2008	99	95
2007	98	95
2006	99	94
2005	99	94
2004	99	93
2003	99	93
2002	99	92

Students' results on standardized achievement measures such as the SAT, Explore, Plan, ACT, the Iowa Test of Basic Skills, Form A (ITBS), and the tests of the M-Step are among the highest in the tri-county area (see graphs and charts following).

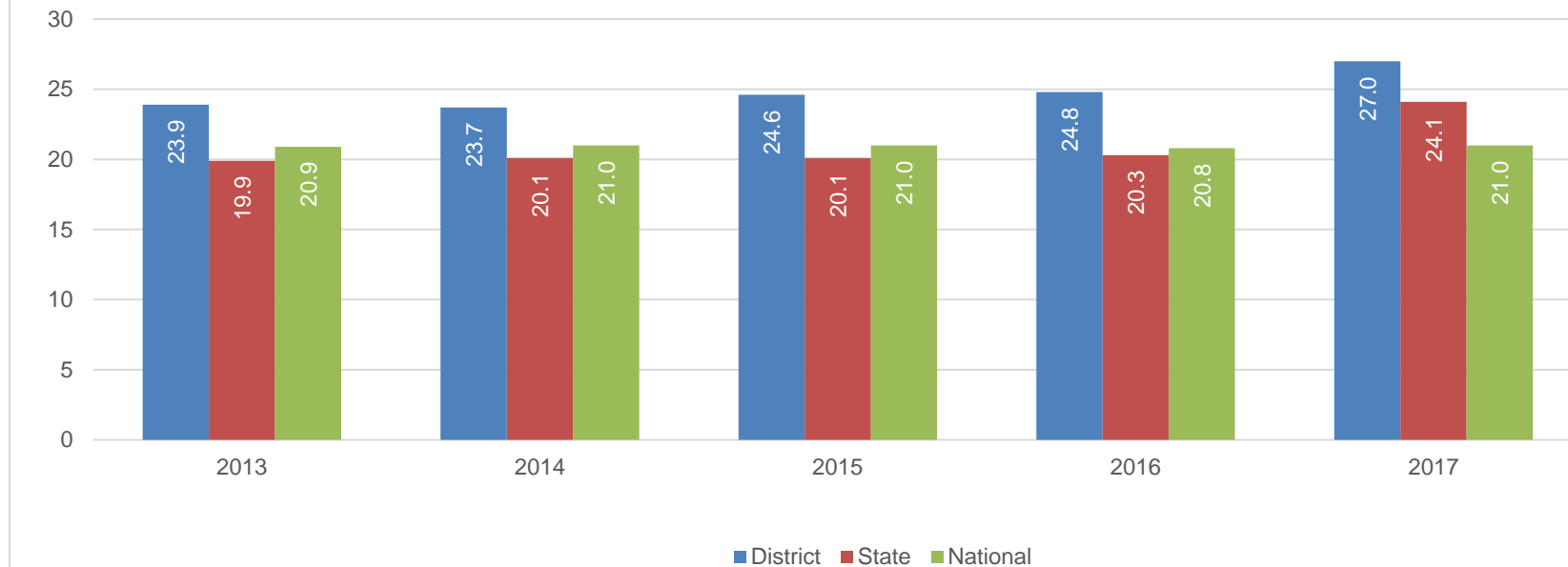
SAT

College Board, the administrator of the SAT, introduced a new SAT mid-year 2015-2016. The old SAT (prior to January, 2016) scored the SAT on a scale of 600-2400. The new SAT (after March, 2016) readjusted the scale to a score range of 400-1600, as well as modified the test content itself. The new SAT combines reading and writing into a single category score, Evidence Based Reading & Writing.

Because of these changes, only the years of 2015-16, 2016-17, and 2017-18 are presented here for comparison and performance trend. The National SAT data is not available at this time for 2017-18.



ACT Composite District vs. State and National Averages



Please note that the ACT National Data release is scheduled for October 17, 2018. Results for 2017/18 are not available at this time.

Median Percentile Rank of ITBS District Reading and Math:

	2017-2018		2016-2017		2015-2016	
	Reading	Math	Reading	Math	Reading	Math
Grade 5	71	78	73	78	73	79

Troy School District Advanced Placement Testing

Years Ended June 30	Number Taken	Percent Qualifying
2017-2018	3,118	83
2016-2017	3,208	82
2015-2016	2,989	82
2014-2015	2,392	82
2013-2014	2,248	82
2012-2013	2,571	82
2011-2012	2,372	85
2010-2011	2,052	85
2009-2010	2,029	87
2008-2009	1,888	85
2007-2008	1,708	83
2006-2007	1,662	86
2005-2006	1,468	85
2004-2005	1,379	83
2003-2004	1,140	82
2002-2003	1,220	77

M-STEP

M-STEP Percent Proficient Test Results									
	Elementary (grades 3-5)			Middle Schools (grades 6-8)			High Schools (grade 11)		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
ELA	76%	74%	74%	74%	72%	71%			
Math	69%	70%	69%	70%	68%	68%			
Science	28%	30%		48%	40%		57%	48%	
Social Studies	39%	44%	43%	48%	52%	47%	64%	62%	66%

Grade 11 does not participate in M-Step for ELA and Math
Science scores are withheld for two years beginning with 2017-18 results, as the test is considered by the Michigan Department of Education to be a sample or pilot test.

Troy Schools have 18 buildings that have achieved state recognition as exemplary schools: Athens High School, Troy High School, Baker Middle School, Boulton Park Middle School, Larson Middle School, Smith Middle School, Barnard Elementary School, Bemis Elementary School, Costello Elementary School, Hamilton Elementary School, Hill Elementary School, Leonard Elementary School, Martell Elementary School, Morse Elementary School, Schroeder Elementary School, Troy Union Elementary School, Wass Elementary School, and Wattles Elementary School. All Troy School District K-12 schools have earned the prestigious Blue Ribbon award from the Michigan Department of Education.

Troy parents value and support education. Troy School District enjoys the active support and participation of parents in PTO/PTA groups, booster clubs, and building and district-level committees. In addition, the Troy African-American Parent Support Network has set goals to support the School District's academic initiatives. Additionally, in 2012, the School District initiated the Troy Diversity Committee comprised of School District and building administration, teachers, parents, students, and community members whose mission is to create an inclusive environment for all members of the school community. Parent attendance at parent/teacher conferences is high as is the level of parent volunteerism for activities and programs. The high level and quality of parent involvement contribute greatly to the overall quality of the schools' programs. The percentage of parents attending fall conferences for the past three years is as follows:

Level	2018	2017	2016
K-5	99%	99%	99%
6-8	77%	78%	76%
9-12	72%	77%	77%

In addition to high student achievement, Troy Schools have one of the highest graduation rates in the state. This is a reflection of family and community values, as well as the clear expectations of Troy educators that students will successfully complete their education.

In consortia with eight other Oakland County school districts, Troy School District participates in an international academy, which is based on an international baccalaureate program. For over 10 years, a total of 25 Troy School District students were selected by lottery to attend the International Academy. Beginning with the 2008-2009 school year, Troy became a third campus of the International Academy. The former Baker Middle School site was transformed into the International Academy East. IA East opened in August 2008 with 125 ninth graders that included 37 schools of choice students from around metropolitan Detroit. In August 2009, the second class was added and, at year's end, 235 students were enrolled. In August 2010, the third class was added and, at year end, 332 students were enrolled. During the 2011-2012 school year, International Academy East included grades 9 through 12 and 450 students. The first graduating class from IA East participated in commencement ceremonies in May 2012 with 96 graduates. Troy School District also has students participating in the Oakland Schools Early College Program where the curriculum focuses on early college credit acquisition. There are options to meet the needs of special education students at 24 different programs at out-of-school district sites. Approximately 100 students attended the Oakland Technical Education Center to study curriculum ranging from food service and cosmetology to automotive programs.

Economic Condition and Outlook

As the School District completes its twenty-fourth year under Proposal A, approved by Michigan voters in 1994, revenue has not kept pace with inflation. Proposal A substantially shifted funding responsibility from the local level to the state level and from property tax as the major revenue source. Now, the School District is dependent upon the State Legislature for not only the majority of its funds, but also its funding level.

Although the School District is financially stable at the present time with a solid fund balance, the future requires that the School District continue to develop a long-term set of strategies to ensure it is able to maintain a balanced budget in the future.

Internal Controls

This report consists of management's representations concerning the finances of the School District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the School District has established a comprehensive internal control framework that is designed both to protect the School District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the School District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the School District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

All expenditure requests require proper administrative approval before any transactions and orders for goods can be processed. Individual budget managers are responsible for complying with the School District's purchasing policy and are prohibited from over-expending their legally adopted budget allocations.

Budgetary Controls

The School District maintains budgetary controls to ensure that budgets are in compliance with legal provisions in the annual appropriation budget adopted by the Board of Education.

Formal budgetary integration is employed as a management controls device throughout the year for the General Fund, Special Revenue Funds, Capital Projects Funds/Capital Maintenance Fund, and Debt Service Funds. Under the guidelines of Bulletin 1022 (Revised), the State of Michigan's School Accounting Manual, detailed budget information is provided, and appropriate administrators are delegated the responsibility for monitoring and controlling their respective budget allocations. The budget is amended during the year to appropriately address variances that occur.

The administration believes that the existing system of budgetary and accounting controls provides a reasonable level of assurance that errors or irregularities that could be material to the financial statements are prevented or that they would be detected within a timely manner.

As demonstrated by the statements and schedules included in the financial section of this report, the School District continues to meet its responsibility for sound financial management.

Independent Audit

State of Michigan statutes require an annual audit by independent certified public accountants. The accounting firm of Yeo & Yeo was appointed by the Troy Board of Education to perform this service for the 2017-2018 fiscal year. In addition, the 2 CFR 200 requires governmental recipients of federal assistance to have organization-wide financial and compliance audits on an annual basis.

Single Audit

As a recipient of federal, state, and county financial assistance, the School District is responsible for ensuring that an adequate internal administrative control structure is in place to document compliance with applicable laws and regulations related to those programs. Tests are made by the School District's auditors to determine the adequacy of the internal and administrative control structure. This control structure is also subject to periodic evaluation by management.

There were no findings or questioned costs for Federal awards for the year ended June 30, 2018.

Other Information

Enrollment

Enrollment projections are performed annually and, if necessary, adjustments are made. A five-year projection of enrollment is done utilizing data from the county, city, and school district. Information such as live births, cohort survival ratios, residential building permits, and work force/economic statistics is used in the enrollment projections. Historically, this method has proven to be accurate, within a reasonable variance, for planning future facility needs.

Building Information

	<u>Acreage</u>	<u>Square Footage</u>	<u>Year Built</u>	<u>Student Count</u>
<u>High Schools</u>				
Athens High School	50.00	398,426	1974	1,551
International Academy East	(included with Baker)	81,455	1952	638
Troy High School	73.13	343,207	1992	2,027
<u>Middle Schools</u>				
Baker Middle School	40.00	128,458	1952	711
Boulan Middle School	16.00	111,190	1971	827
Larson Middle School	31.94	111,190	1971	784
Smith Middle School	13.79	101,094	1967	676

Elementary Schools

Barnard Elementary School	15.01	64,312	1978	504
Bemis Elementary School	15.38	64,312	1978	555
Costello Elementary School	22.95	52,175	1972	363
Hamilton Elementary	14.83	64,312	1983	519
Hill Elementary School	12.94	54,456	1967	339
Leonard Elementary School	11.76	59,340	1959	419
Martell Elementary School	14.20	52,919	1972	486
Morse Elementary School	6.64	54,636	1956	490
Schroeder Elementary School	10.00	61,989	1970	528
Troy Union Elementary School	21.78	68,777	1925	474
Wass Elementary School	20.14	64,312	1978	424
Wattles Elementary School	19.00	59,270	1967	497
Administration Building	15.00	12,000	1973	0
Services Building	(Included with Administration Building)	29,263	2000	0
Niles Center	13.60	41,448	1923	222
Transportation Building	4.85	13,728	1964	0
Rankin (Warehouse)	1.59	24,840	Unknown	0
Total	444.53	2,117,109		13,034
Vacant Property	160.00			

Awards

This report has been prepared following the guidelines recommended by the Association of School Business Officials (ASBO). The ASBO awarded a Certificate of Excellence in Financial Reporting to the Troy School District for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 1989-2017. In order to be awarded a Certificate of Excellence, the School District must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Excellence Program's requirements and we are submitting it to ASBO to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report was accomplished through the commitment and dedication of the business office. The Comprehensive Annual Financial Report was prepared by Troy School District's Business Services Department.

Continued diligence in fiscal management and timely communication between the administration and Board of Education will facilitate efforts to exceed the present high level of excellence expected by the School District's constituents.

In order for the community to know the content of this report, copies will be made available on the School District's website, at the City of Troy Library, and at the offices of the city manager and city clerk.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Rick West". The signature is fluid and cursive, with the first name "Rick" and last name "West" clearly distinguishable.

Rick West
Assistant Superintendent, Business Services

A handwritten signature in black ink, appearing to read "Kandice Moynihan". The signature is fluid and cursive, with the first name "Kandice" and last name "Moynihan" clearly distinguishable.

Kandice Moynihan
Finance Director, Business Services

Troy School District
Members of the Board of Education and Administration
June 30, 2018

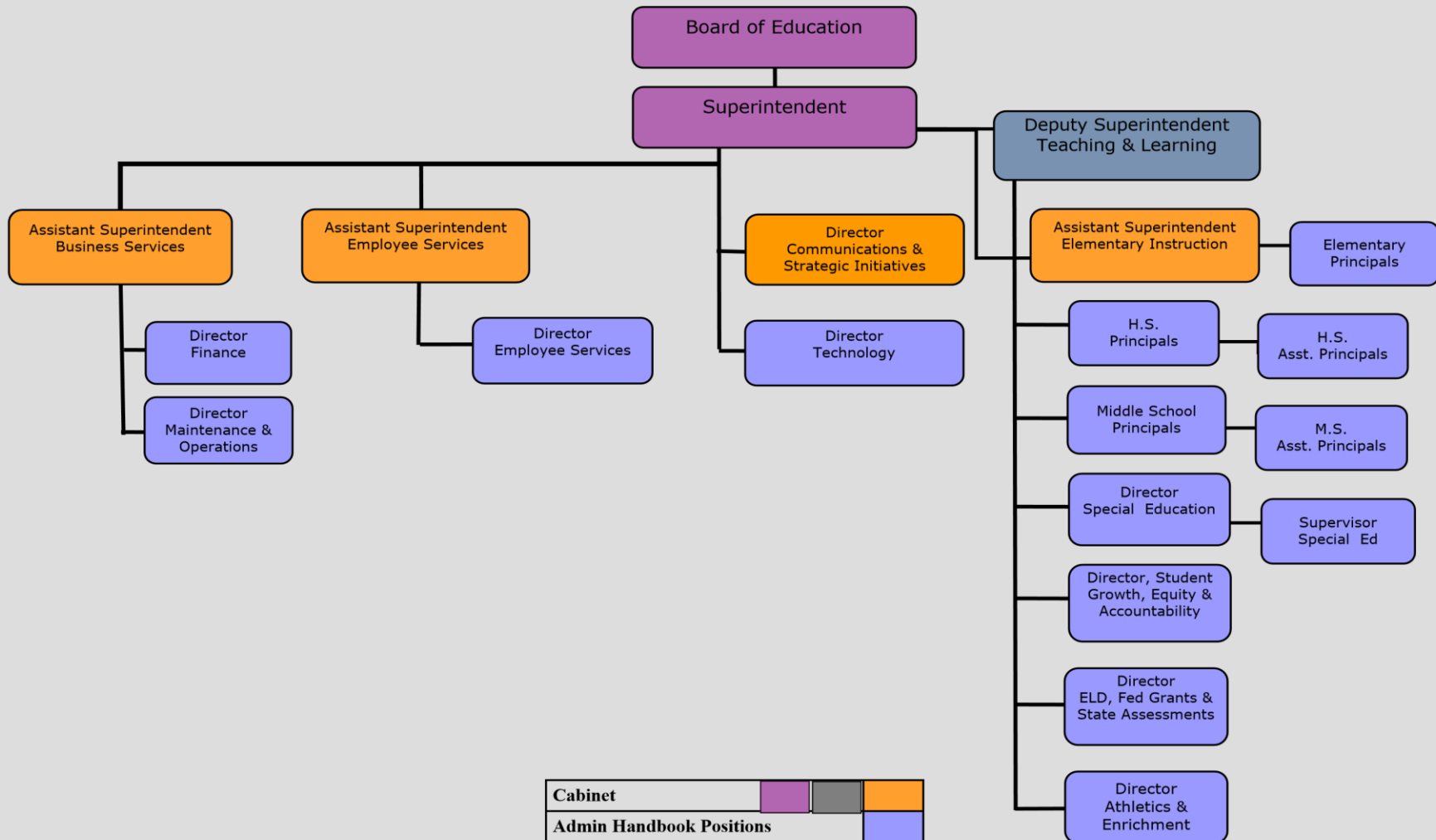
Members of the Board of Education

Karl D. Schmidt	President
Steve Gottlieb	Vice President
Gary Hauff	Secretary
Nancy Philippart	Trustee
Paula Fleming	Trustee
Elizabeth Hammond	Trustee
Todd Miletti	Trustee

Administration

Richard Machesky, Ed.D.	Superintendent
Mark Dziatczak	Deputy Superintendent of Teaching and Learning
Rick West	Assistant Superintendent, Business Services
Jordan Harris	Assistant Superintendent, Employee Services
Kris Griffor	Assistant Superintendent, Elementary Instruction
Kerry Birmingham	Director of Communications and Strategic Initiatives

2017/2018 ORGANIZATIONAL CHART





**The Certificate of Excellence in Financial Reporting
is presented to**

Troy School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, reading 'Charles E. Peterson, Jr.'.

Charles E. Peterson, Jr., SFO, RSBA, MBA
President

A handwritten signature in black ink, reading 'John D. Musso'.

John D. Musso, CAE
Executive Director

Independent Auditors' Report

Management and the Board of Education
Troy School District
Troy, MI

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Troy School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Troy School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, during the year ended June 30, 2018, the School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters:

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the school district's proportionate share of the net pension liability, schedule of the school district's pension contributions, schedule of the school district's proportionate share of the net OPEB liability and schedule of the school district's OPEB contributions identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Troy School District's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying Introductory Section and Statistical Section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2018 on our consideration of Troy School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Troy School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Troy School District's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Saginaw, MI
October 2, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Troy School District
Management's Discussion and Analysis
June 30, 2018

This section of the 2018 annual financial report presents our discussion and analysis of Troy School District's financial performance during the year ended June 30, 2018. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Troy School District financially as a whole. The Government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the Government-wide financial statements by providing information about the School District's most significant funds, the General Fund, the Capital Projects 2016 Fund and the capital projects Early Childhood Learning Center Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis - MD&A
(Required Supplemental Information)

- Basic Financial Statements
 - Government-wide Financial Statements
 - Fund Financial Statements
 - Fiduciary Fund
 - Notes to Financial Statements
- Required Supplemental Information
 - Budgetary Comparison Schedule - General Fund
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 - Combining Balance Sheet - Nonmajor Funds
 - Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Funds
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 - Schedule of Bonded Indebtedness

Troy School District
Management's Discussion and Analysis
June 30, 2018

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position - the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the statement of net position - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net position - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net position and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes such as the Food Service Fund. Funds are also established to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. By definition, the General Fund, the Capital Projects 2016 Fund, and the capital projects Early Childhood Learning Center Fund are the only funds that qualify to be classified as major funds. The governmental funds of the School District use the following accounting approach:

Governmental Funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship between governmental activities and governmental funds in a reconciliation format in the financial section on pages 3-6 and 3-9.

Troy School District
Management's Discussion and Analysis
June 30, 2018

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District acts as the trustee for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2018 and 2017:

TABLE 1	Governmental Activities	
	June 30	
	2018	2017
	(in millions)	
Assets		
Current and other assets	\$ 90.4	\$ 85.0
Capital assets	<u>169.8</u>	<u>163.7</u>
Total assets	260.2	248.7
Deferred Outflows of Resources	<u>61.3</u>	<u>36.7</u>
Total assets and deferred outflows of resources	321.5	285.4
Liabilities		
Current liabilities	24.8	17.4
Long-term liabilities	<u>452.9</u>	<u>370.2</u>
Total liabilities	477.7	387.6
Deferred Inflows of Resources	<u>23.5</u>	<u>7.2</u>
Total liabilities and deferred inflows of resources	<u>501.2</u>	<u>394.7</u>
Net Position		
Net investment in capital assets	64.1	52.2
Restricted	1.7	2.8
Unrestricted (deficit)	<u>(245.5)</u>	<u>(164.3)</u>
Total net position	<u>\$ (179.7)</u>	<u>\$ (109.3)</u>

Troy School District
Management's Discussion and Analysis
June 30, 2018

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of the School District's governmental activities is discussed below. The School District's net position was (\$179.7) million at June 30, 2018 compared to (\$109.3) million at June 30, 2017. Net investment in capital assets totaled \$64.1 million and \$52.2 million at June 30, 2018 and 2017, respectively. This compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position of \$1.7 million and \$2.8 million at June 30, 2018 and 2017, respectively, are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net position for day-to-day operations. The remaining amount of net position, (\$245.5) million and (\$164.3) million at June 30, 2018 and 2017, respectively, was unrestricted.

The (\$245.5) million in unrestricted net position of governmental activities primarily represents the implementation of GASB 68 and 75. Furthermore, deferred inflows relating to net pension liability are \$20,926,596 and deferred outflows relating to the net pension liability are \$55,009,078. These deferrals will be amortized through the plan year 2018. Deferred inflows relating to net OPEB liability are \$2,596,720 and deferred outflows relating to the net OPEB liability are \$5,032,826. These deferrals will be amortized through the plan year 2021 and 2022, respectively.

Troy School District
Management's Discussion and Analysis
June 30, 2018

The results of this year's operations for the School District as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years 2018 and 2017.

TABLE 2

	Governmental Activities	
	2018	2017
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 7.8	\$ 7.5
Operating grants	34.2	30.6
General revenue:		
Property taxes	54.6	53.1
State aid	81.5	80.0
Other	9.3	1.4
Total revenue	<u>187.4</u>	<u>172.6</u>
Functions/Program Expenses		
Instruction	111.0	101.2
Support services	60.6	60.1
Community services	3.5	2.7
Food services	3.9	4.0
Interest and fiscal charges on long-term debt	<u>5.1</u>	<u>4.5</u>
Total functions/program expenses	<u>184.1</u>	<u>172.5</u>
Change in net position	3.3	0.1
Net deficit - beginning, as restated	<u>(183.1)</u>	<u>(109.4)</u>
Net deficit - ending	<u><u>\$ (179.7)</u></u>	<u><u>\$ (109.3)</u></u>

Troy School District
Management's Discussion and Analysis
June 30, 2018

As reported in the statement of activities, the cost of all of our governmental activities this year was \$184.1 million, an increase of \$11.6 million, approximately 6.7%, from 2016-2017. Certain activities were partially funded from those who benefited from the programs (\$7.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$34.2 million). We paid for the remaining "public benefit" portion of our governmental activities with \$54.6 million in taxes, \$81.5 million in State foundation allowance, and with our other revenues (i.e., interest and general entitlements). Total revenue in 2017-2018 was \$187.4 million, an increase of approximately \$14.8 million from 2016-2017. The School District experienced an increase in net position of approximately \$3.3 million.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$67.0 million, which is a decrease of \$2.3 million from last year. The changes in major and nonmajor funds are as follows:

	General Fund	Capital Projects 2016	Early Childhood Learning Center	Nonmajor Governmental Funds	Total Governmental Funds
Fund balance - beginning	\$ 24,205,391	\$ 36,718,462	\$ -	\$ 8,368,346	\$ 69,292,199
Net change in fund balance	<u>1,037,081</u>	<u>(13,766,686)</u>	<u>14,335,520</u>	<u>(3,888,606)</u>	<u>(2,282,691)</u>
Fund balance - ending	<u>\$ 25,242,472</u>	<u>\$ 22,951,776</u>	<u>\$ 14,335,520</u>	<u>\$ 4,479,740</u>	<u>\$ 67,009,508</u>

In the General Fund, our principal operating fund, the fund balance increased \$1.04 million compared to a \$2.67 million increase in the prior year. Revenue and other financing sources increased approximately \$5.5 million from the prior year and expenditures and other financing uses in approximately \$7.2 million. The fund balance of the General Fund is available to fund costs related to allowable school operating purposes.

**Troy School District
Management's Discussion and Analysis
June 30, 2018**

In school year 2016-2017, the School District issued \$40 million in voter-approved bonds. These bonds were issued in accordance with State law and will be used to fund significant mechanical and electrical upgrades, flexible furniture purchases for secondary math and 4th and 5th grade classrooms, cardio equipment for our weight rooms, instruments for our music program, technology purchases, roof replacement, and parking lot and infrastructure improvements. The Capital Projects 2016 Fund has a fund balance of \$22.9 million at June 30, 2018.

In 2018, the School District issued \$7.1 million in limited general obligation bonds. These bonds were issued in accordance with State law and will be used to fund the construction of a state-of-the-art Early Childhood Learning Center (ECC) to help meet the School District's need to provide pre-Kindergarten education for Troy students. The ECC is expected to be open for operations for the 2019-2020 school year.

The other nonmajor governmental funds have a combined fund balance of \$4.5 million, which represents a decrease of approximately \$3.9 million. The decrease is primarily related to the debt service funds and capital projects funds.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were significant revisions made to the 2017-2018 General Fund original budget. Budgeted revenues increased by \$5.7 million primarily to account for final pupil counts, state aid, and categorical and federal grants.

Budgeted expenditures were also increased by \$4.2 million to account for changes in grant awards, as well as estimates for salaries and benefits and other expenditures in the operating plan of the School District.

There were also no significant variances between the final budget and actual amounts. Total revenue was under budget by approximately \$0.7 million and total expenditures were under budget by approximately \$.9 million. This reflects a .6% variance on total expenditures of \$150.7 million.

Troy School District
Management's Discussion and Analysis
June 30, 2018

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the School District had approximately \$170 million invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$6.1 million, or 3.7percent, from last year.

	<u>2018</u>	<u>2017</u>
Land	\$ 2,381,610	\$ 2,592,570
Construction in progress	6,533,440	4,732,259
Buildings and building improvements	154,866,439	150,796,217
Furniture and equipment	<u>6,029,807</u>	<u>5,602,595</u>
Total capital assets	<u>\$ 169,811,296</u>	<u>\$ 163,723,641</u>

This year's change in capital assets included \$19.4 million of additions to construction in progress, buildings and additions, and furniture and equipment. In November 2017, the community passed a 10-year 1-mill Building & Site Sinking Fund. In 2017, School District issued \$40 million in voter-approved bonds. In 2018, the School District issued \$7.1 million in limited general obligation bonds. Several major capital projects are planned for the 2018-2019 fiscal year with the use of these funds.

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$143.1 million in bonds outstanding versus \$121.2 million in the previous year – an increase of \$21.9 million. Those bonds consisted of the following:

	<u>2018</u>	<u>2017</u>
General obligation bonds	\$ 134,635,000	\$ 140,615,000
Plus deferred issuance premiums	9,723,801	10,353,730
Less deferred interest	<u>(1,235,138.00)</u>	<u>(1,406,470)</u>
Total	<u>\$ 143,123,663</u>	<u>\$ 149,562,260</u>

Troy School District
Management's Discussion and Analysis
June 30, 2018

The School District's general obligation bond rating from Moody's was affirmed at AA/Stable while the bond rating from Standard & Poor's was affirmed at AA/Stable. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. The School District's outstanding unqualified general obligation debt is significantly below this \$540 million statutorily imposed limit.

Other obligations include accrued vacation pay, sick leave, and reserve for known workers' compensation claims. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2019 fiscal year is 90 percent and 10 percent of the September 2018 and February 2018 student counts, respectively. The 2018-2019 budget was adopted in June 2018, based on a blended student membership count of 13,150. Approximately 66 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The School Aid Act for the 2018-2019 school year included a \$120 per-pupil increase for all school districts and up to an additional \$120 (\$240 in total) for the lowest funded school districts. The total foundation grant for Troy School District will be \$9,195 per pupil. The State periodically holds a revenue estimating conference to estimate revenues. If actual State revenue is less than their estimate, reduction to the per-pupil funding may be necessary.

Contacting the District's Management

This financial report is intended to provide our taxpayers, parents, and investors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Business Office.

BASIC FINANCIAL STATEMENTS

Troy School District
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Cash	\$ 37,050,758
Accounts receivable	360,366
Due from other governmental units	20,061,591
Inventory	176,384
Investments	32,432,591
Prepaid items	321,066
Capital assets not being depreciated	8,915,050
Capital assets - net of accumulated depreciation	<u>160,896,246</u>
Total assets	<u>260,214,052</u>
Deferred Outflows of Resources	
Deferred amount relating to the net pension liability	55,009,078
Deferred amount relating to the net OPEB liability	5,032,826
Deferred amount on debt refunding	<u>1,235,138</u>
Total deferred outflows of resources	<u>61,277,042</u>
Total assets and deferred outflows of resources	<u>321,491,094</u>

See Accompanying Notes to the Financial Statements

Troy School District
Statement of Net Position
June 30, 2018

	Governmental Activities
Liabilities	
Checks written excess of deposits	\$ 354,530
Accounts payable	5,379,419
Due to other governmental units	1,637,807
Accrued expenditures	1,442,697
Accrued salaries payable	15,093,802
Unearned revenue	904,832
Long-term liabilities	
Debt due within one year	10,565,000
Debt due in more than one year	140,362,062
Net pension liability	225,168,031
Net OPEB liability	<u>76,809,462</u>
Total liabilities	<u>477,717,642</u>
Deferred Inflows of Resources	
Deferred amount relating to the net pension liability	20,926,596
Deferred amount relating to the net OPEB liability	<u>2,596,720</u>
Total deferred inflows of resources	<u>23,523,316</u>
Total liabilities and deferred inflows of resources	<u>501,240,958</u>
Net Position	
Net investment in capital assets	64,080,214
Restricted for	
Food service	954,411
Debt service	747,407
Unrestricted (deficit)	<u>(245,531,896)</u>
Total net position	<u>\$ (179,749,864)</u>

See Accompanying Notes to the Financial Statements

Troy School District
Statement of Activities
For the Year Ended June 30, 2018

		<u>Program Revenues</u>		Net (Expense)
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
Functions/Programs				
Governmental activities				
Instruction	\$ 110,991,618	\$ 568,971	\$ 31,466,495	\$ (78,956,152)
Supporting services	60,613,994	753,095	1,742,688	(58,118,211)
Food services	3,928,310	2,382,497	1,035,519	(510,294)
Community services	3,483,990	4,087,294	-	603,304
Interest and fiscal charges on long-term debt	<u>5,069,657</u>	<u>-</u>	<u>-</u>	<u>(5,069,657)</u>
Total governmental activities	<u>\$ 184,087,569</u>	<u>\$ 7,791,857</u>	<u>\$ 34,244,702</u>	<u>(142,051,010)</u>
General revenues				
Property taxes, levied for general purposes				36,980,842
Property taxes, levied for debt service				17,656,467
State aid - unrestricted				81,468,745
Interest and investment earnings				460,082
Gain on sale of capital assets				8,352,188
Other				<u>473,190</u>
Total general revenues				<u>145,391,514</u>
Change in net position				3,340,504
Net position - beginning, as restated				<u>(183,090,368)</u>
Net position - ending				<u>\$ (179,749,864)</u>

See Accompanying Notes to the Financial Statements

Troy School District
Governmental Funds
Balance Sheet
June 30, 2018

		Capital Projects Funds			
	General Fund	Capital Projects 2016	Early Childhood Learning Center	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 23,649,831	\$ -	\$ 8,490,057	\$ 4,910,870	\$ 37,050,758
Accounts receivable	301,279	-	-	59,087	360,366
Due from other funds	299,174	-	-	-	299,174
Due from other governmental units	19,416,408	-	-	645,183	20,061,591
Inventory	134,835	-	-	41,549	176,384
Investments	-	25,182,663	7,139,109	110,819	32,432,591
Prepaid items	321,066	-	-	-	321,066
Total assets	<u>\$ 44,122,593</u>	<u>\$ 25,182,663</u>	<u>\$ 15,629,166</u>	<u>\$ 5,767,508</u>	<u>\$ 90,701,930</u>
Liabilities					
Checks written excess of deposits	\$ -	\$ 30,220	\$ -	\$ 324,310	\$ 354,530
Accounts payable	1,658,970	2,200,667	1,293,646	226,136	5,379,419
Due to other funds	-	-	-	299,174	299,174
Due to other governmental units	1,637,807	-	-	-	1,637,807
Accrued expenditures	-	-	-	10,529	10,529
Accrued expenses	15,093,802	-	-	-	15,093,802
Unearned revenue	477,213	-	-	427,619	904,832
Total liabilities	<u>18,867,792</u>	<u>2,230,887</u>	<u>1,293,646</u>	<u>1,287,768</u>	<u>23,680,093</u>

See Accompanying Notes to the Financial Statements

Troy School District
Governmental Funds
Balance Sheet
June 30, 2018

		Capital Projects Funds			
	General Fund	Capital Projects 2016	Early Childhood Learning Center	Nonmajor Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources					
Unavailable revenue					
Operating grants	\$ 12,329	\$ -	\$ -	\$ -	\$ 12,329
 Total liabilities and deferred inflows of resources	 18,880,121	 2,230,887	 1,293,646	 1,287,768	 23,692,422
Fund Balance					
Non-spendable					
Inventory	134,835	-	-	41,549	176,384
Prepaid items	321,066	-	-	-	321,066
Restricted for					
Food service	-	-	-	912,862	912,862
Debt service	-	-	-	1,535,463	1,535,463
Capital projects	-	22,951,776	14,335,520	105,285	37,392,581
Committed					
Adult and community education	-	-	-	311,231	311,231
Facility rentals	-	-	-	886,881	886,881
Assigned					
Capital Maintenance	-	-	-	686,469	686,469
Unassigned	24,786,571	-	-	-	24,786,571
 Total fund balance	 25,242,472	 22,951,776	 14,335,520	 4,479,740	 67,009,508
 Total liabilities, deferred inflows of resources, and fund balance	 \$ 44,122,593	 \$ 25,182,663	 \$ 15,629,166	 \$ 5,767,508	 \$ 90,701,930

See Accompanying Notes to the Financial Statements

Troy School District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances for governmental funds	\$ 67,009,508
Total net position for governmental activities in the statement of net position is different because	
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds	
Operating grants	12,329
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets not being depreciated	8,915,050
Capital assets - net of accumulated depreciation	160,896,246
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	1,235,138
Deferred inflows of resources resulting from the net pension liability	(20,926,596)
Deferred outflows of resources from the net pension liability	55,009,078
Deferred inflows of resources resulting from the net OPEB liability	(2,596,720)
Deferred outflows of resources from the net OPEB liability	5,032,826
Certain liabilities are not due and payable in the current period and are not reported in the funds	
Accrued interest	(788,056)
Incurred but not reported benefit claims	(644,112)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities	
Net pension liability	(225,168,031)
Net OPEB liability	(76,809,462)
Compensated absences	(6,420,761)
Special termination benefits	(147,500)
Bonds payable	<u>(144,358,801)</u>
Net position of governmental activities	<u>\$ (179,749,864)</u>

See Accompanying Notes to the Financial Statements

Troy School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

		Capital Projects Funds			
	General Fund	Capital Projects 2016	Early Childhood Learning Center	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 38,844,065	\$ 265,144	\$ 14,556	\$ 24,072,129	\$ 63,195,894
State sources	101,977,419	-	-	241,189	102,218,608
Federal sources	3,333,254	-	-	2,778,207	6,111,461
Interdistrict sources	7,537,593	-	-	-	7,537,593
Total revenues	<u>151,692,331</u>	<u>265,144</u>	<u>14,556</u>	<u>27,091,525</u>	<u>179,063,556</u>
Expenditures					
Current					
Education					
Instruction	104,214,738	-	-	-	104,214,738
Supporting services	46,452,918	-	-	2,728,169	49,181,087
Food services	-	-	-	3,502,376	3,502,376
Community services	69,516	-	-	3,259,822	3,329,338
Facilities acquisition	-	14,031,830	2,309,281	1,420,631	17,761,742
Debt service					
Principal	-	-	-	13,105,000	13,105,000
Interest and other expenditures	-	-	-	5,665,142	5,665,142
Tax tribunal refunds	-	-	-	1,294	1,294
Bond issuance costs	-	-	62,718	-	62,718
Total expenditures	<u>150,737,172</u>	<u>14,031,830</u>	<u>2,371,999</u>	<u>29,682,434</u>	<u>196,823,435</u>
Excess (deficiency) of revenues over expenditures	<u>955,159</u>	<u>(13,766,686)</u>	<u>(2,357,443)</u>	<u>(2,590,909)</u>	<u>(17,759,879)</u>

See Accompanying Notes to the Financial Statements

Troy School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

		Capital Projects Funds			
	General Fund	Capital Projects 2016	Early Childhood Learning Center	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Proceeds from issuance of bonds	\$ -	\$ -	\$ 7,125,000	\$ -	\$ 7,125,000
Proceeds from sale of capital assets	29,050	-	4,218,963	4,104,175	8,352,188
Transfers in	52,872	-	5,349,000	71,000	5,472,872
Transfers out	-	-	-	(5,472,872)	(5,472,872)
Total other financing sources (uses)	81,922	-	16,692,963	(1,297,697)	15,477,188
Net change in fund balance	1,037,081	(13,766,686)	14,335,520	(3,888,606)	(2,282,691)
Fund balance - beginning	24,205,391	36,718,462	-	8,368,346	69,292,199
Fund balance - ending	<u>\$ 25,242,472</u>	<u>\$ 22,951,776</u>	<u>\$ 14,335,520</u>	<u>\$ 4,479,740</u>	<u>\$ 67,009,508</u>

See Accompanying Notes to the Financial Statements

Troy School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - Total governmental funds \$ (2,282,691)

Total change in net position reported for governmental activities in the statement of activities is different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Operating grants 12,329

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (8,281,921)

Capital outlay 14,666,654

Sale of capital assets (net book value) (297,078)

Expenses are recorded when incurred in the statement of activities.

Interest 200,900

Benefit claims 47,746

Special termination benefits 12,500

Compensated absences 202,058

The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.

Net change in net pension liability (12,715,774)

Net change in the deferrals of resources related to the net pension liability 5,941,340

The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and pension expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.

Net change in net OPEB liability 769,701

Net change in the deferrals of resources related to the net OPEB liability (1,373,857)

Troy School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Bond and note proceeds and capital leases are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are recorded as liabilities and amortized in the statement of activities. When debt refunding occurs, the difference in the carrying value of the refunding debt and the amount applied to the new debt is reported the same as regular debt proceeds or repayments, as a financing source or expenditure in the governmental funds. However, in the statement of net position, debt refunding may result in deferred inflows of resources or deferred outflows of resources, which are then amortized in the statement of activities.

Debt issued	\$ (7,125,000)
Repayments of long-term debt	13,105,000
Amortization of premiums	629,929
Amortization of deferred amount on debt refunding	<u>(171,332)</u>
Change in net position of governmental activities	<u><u>\$ 3,340,504</u></u>

Troy School District
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2018

	Student Activities Agency Funds
	<u> </u>
Assets	
Cash	\$ 2,101,565
Accounts receivable	<u>2,098</u>
Total assets	<u><u>\$ 2,103,663</u></u>
Liabilities	
Accounts payable	\$ 192,057
Due to agency fund activities	<u>1,911,606</u>
Total liabilities	<u><u>\$ 2,103,663</u></u>

See Accompanying Notes to the Financial Statements

Troy School District
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Troy School District (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net position presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net position is reported in three parts (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes and certain intergovernmental revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net position resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Troy School District
Notes to the Financial Statements
June 30, 2018

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

2016 Capital Projects Fund – The 2016 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated to remodeling, equipping, and furnishing sites, buildings, and equipment and for major remodeling projects, as well as the acquisition and installation of technology equipment and infrastructure and the purchase of school buses.

Early Childhood Learning Center Capital Projects Fund – The Early Childhood Learning Center Capital Projects Fund is used to record bond proceeds and other revenue and the disbursement of invoices specifically designated to the construction of the Early Childhood Learning Center.

Additionally, the School District reports the following fund types:

Capital Projects Funds – The 2014 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for remodeling, equipping, and furnishing sites, buildings, and equipment and for major remodeling projects, as well as the acquisition and installation of technology equipment and infrastructure and the purchase of school buses. The Capital Maintenance Fund is financed by support of the General Fund and is used for tracking capital maintenance expenditures.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include the Food Service Fund, Troy Career Center, Facility Rentals, and Adult and Community Education Funds. Revenue sources for the Food Service Fund include sales to customers and dedicated grants from state and federal sources. Revenue sources for the Troy Career Center Fund include dedicated grants from federal and state sources. Revenue of the Facility Rentals Fund consists of charges for the rental of various facilities. Revenue of the Adult and Community Education Fund consists primarily of fees charged to users. Operating deficits generated by these activities are generally transferred from the General Fund.

Debt Service Funds – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Troy School District
Notes to the Financial Statements
June 30, 2018

Assets, Liabilities and Net Position or Equity

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2018, the rates are as follows per \$1,000 of assessed value.

General Fund	
Principal residence exemption	5.6320
Non-principal residence exemption	18.0000
Commercial personal property	11.6320
Industrial personal property	5.6320
Debt Service Funds	4.7000

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. All of the School District's tax roll lies within Oakland County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 14 or February 14. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Oakland and remitted to the School District by May 15.

Investments – Investments are stated at fair value, except for the investments in MILAF, which are valued at amortized cost.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed, although significant amounts of inventory are capitalized at year end.

Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds the School District follows the consumption method, and they therefore are capitalized as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Equipment and furniture	5-10 years
Buses and other vehicles	5-10 years

Deferred Outflows of Resources – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred amounts on bond refundings are included in the district-wide financials statements. The amounts represent the difference between the reacquisition price and the net carrying amount of the prior debt. For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be

Troy School District
Notes to the Financial Statements
June 30, 2018

amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. The School District also reported deferred outflows of resources for pension and OPEB contributions made after the measurement date. This amount will reduce the net pension and OPEB liabilities in the following year.

Compensated Absences – The liability for compensated absences reported in the government-wide statement consists of accumulated annual leave balances for sick and vacation pay. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period.

In the School District's fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same

basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. For district-wide financial statements, the School District reports deferred inflows of resources as a result of pension and OPEB plan earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense. Changes in assumptions relating to the net pension and OPEB liabilities are deferred and amortized over the expected remaining services lives of the employees and retirees in the plans. Deferred inflows of resources also includes revenue received relating to the amounts included in the deferred outflows for payments related to MPERS Unfunded Actuarial Accrued Liabilities (UAAL) Stabilization defined benefit pension statutorily required contributions.

Troy School District
Notes to the Financial Statements
June 30, 2018

Fund Equity – In the fund financial statements, governmental funds report fund balance in the following categories:

Non-spendable – amounts that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts that have been formally set aside by the Board of Education for specific purposes. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – amounts intended to be used for specific purposes, as determined by the board of education. Residual amounts in governmental funds other than the General Fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments, and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the School District's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

The School District has adopted a minimum fund balance policy, as follows: The Board will endeavor to maintain a minimum year-end fund balance of fifteen (15) percent.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred inflows and deferred outflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Adoption of New Accounting Standards

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined OPEB plans, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. It also requires additional note disclosures and required supplementary information. Statement No. 75 is effective for the fiscal year ending June 30, 2018.

Statement No. 81, *Irrevocable Split-Interest Agreements* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Statement No. 81 is effective for the fiscal year ending June 30, 2018.

Troy School District
Notes to the Financial Statements
June 30, 2018

Statement No. 85, *Omnibus 2017* addresses practice issues that were identified during implementation and application of certain GASB Statements. This statement covers issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits), which is effective for the fiscal year ending June 30, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues* is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The statement provides uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irremovable trust for the purpose of extinguishing that debt were acquired. Statement No. 86 is effective for the fiscal year ending June 30, 2018.

Upcoming Accounting and Reporting Changes

Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 84, *Fiduciary Activities* improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria includes the following: (1) is the government controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The four fiduciary funds that should be reported, if applicable are: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally will report fiduciary activities that are not held in a trust or similar arrangement that meets specific criteria. The requirements of this Statement are effective for the fiscal year ending June 30, 2020.

Statement No. 87, *Leases* increases the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the District's leasing activities. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* improves the information that is disclosed in notes to the District's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities districts should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. It will also require that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for the fiscal year ending June 30, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. It requires that interest cost incurred before the end of a construction period be

Troy School District

Notes to the Financial Statements

June 30, 2018

recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund. Interest cost incurred before the end of a construction period should be recognized as an expenditure for financial statements prepared using the current financial resources measurement. The requirements of this Statement are effective for the fiscal year ending June 30, 2021.

The School District is evaluating the impact that the above GASBs will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end, thereby canceling all encumbrances. These appropriations are reestablished at the beginning of the year.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the law if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations.

During the year, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

Function	Final Budget	Amount of Expenditures	Budget Variances
General Fund			
Basic programs	\$85,626,124	\$ 85,998,342	\$ 372,218
Adult and continuing education	1,171,619	1,396,738	225,119
Pupil	10,865,669	10,930,368	64,699
Pupil transportation services	3,507,381	3,555,315	47,934
Athletic activities	1,838,673	1,896,934	58,261
Food Service Fund	3,653,036	3,711,759	58,723

Compliance – Bond Proceeds

The Capital Projects Funds includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, management believes the School District has complied, in all material respects, with the applicable provisions of Section 1351a of the Revised School Code. The following is a summary of the revenue and expenditures in the 2016 Capital Project Fund and Early Childhood Learning Center Fund from the inception of the funds through the current fiscal year:

	2016 Fund	Early Childhood Learning Center
Revenues	\$ 40,401,249	\$ 16,707,519
Expenditures	(17,449,473)	(2,371,999)

Troy School District
Notes to the Financial Statements
June 30, 2018

Note 3 - Deposits and Investments

The School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 37,026,427	\$ 2,101,565	\$ 39,127,992
Investments	<u>32,432,591</u>	<u>-</u>	<u>32,432,591</u>
	<u>\$ 69,459,018</u>	<u>\$ 2,101,565</u>	<u>\$ 71,560,583</u>

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 39,101,692
Investments in securities, mutual funds, and similar vehicles	32,432,591
Petty cash and cash on hand	<u>26,300</u>
Total	<u>\$ 71,560,583</u>

As of year-end, the School District had the following investments:

Investment	Fair Value	Maturities	Rating	Rating Organization
MI LAF + Cash Management Class	\$ 16,499,519	N/A	AAAm	Standard & Poor's
MI LAF + MAX Class	7,161,385	N/A	AAAm	Standard & Poor's
MI LAF Managed Account				
Freddie Mac Global Notes	2,856,158	1 year	AA+	Standard & Poor's
FNMA Benchmark Notes	1,257,474	1 year	AA+	Standard & Poor's
Freddie Mac Notes	2,470,570	18 months	AA+	Standard & Poor's
FHLMC Agency Notes	1,351,317	2 years	AA+	Standard & Poor's
FHLB Agency Notes	<u>836,168</u>	2 years	AA+	Standard & Poor's
	<u>\$32,432,591</u>			

Interest rate risk – The School District does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

Credit risk – State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles.

Concentration of credit risk – The School District has no policy that would limit the amount that may be invested with any one issuer.

Troy School District

Notes to the Financial Statements

June 30, 2018

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of year-end, \$38,997,417 of the School District's bank balance of \$39,442,952 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of year end, none of the School District's investments were exposed to custodial credit risk.

Note 4 - Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2018:

- Amounts invested in MILAF + Portfolio of \$23,660,904. The MILAF + Portfolio is not registered under Rule 2a-7 under the Investment Company Act of 1940. The money market securities are valued using amortized cost, which generally approximates the current fair value of the security. However, the value is not obtained from a quoted price in an active market. (Level 2 inputs)

- Asset backed securities, primarily invested with Federal Government Mortgage Loans (Fannie Mae) and (Freddie Mac), of \$8,771,687. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset (Level 2 inputs).

Note 5 - Capital Assets

A summary of the changes in governmental capital assets is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,592,570	\$ -	\$ 210,960	\$ 2,381,610
Construction-in-progress	4,732,259	6,533,440	4,732,259	6,533,440
Total capital assets not being depreciated	7,324,829	6,533,440	4,943,219	8,915,050
Capital assets being depreciated				
Buildings and additions	271,951,870	11,179,777	-	283,131,647
Equipment and furniture	49,102,225	1,657,643	1,938,607	48,821,261
Total capital assets being depreciated	321,054,095	12,837,420	1,938,607	331,952,908
Less accumulated depreciation for				
Buildings and additions	121,155,653	7,109,555	-	128,265,208
Equipment and furniture	43,499,630	1,172,366	1,880,542	42,791,454
Total accumulated depreciation	164,655,283	8,281,921	1,880,542	171,056,662
Net capital assets being depreciated	156,398,812	4,555,499	58,065	160,896,246
Net capital assets	\$ 163,723,641	\$ 11,088,939	\$ 5,001,284	\$ 169,811,296

Troy School District
Notes to the Financial Statements
June 30, 2018

Depreciation expense was charged to activities of the School District as follows:

Governmental activities

Instruction	\$ 279,476
Supporting services	7,945,848
Food services	55,264
Community services	<u>1,333</u>
 Total governmental activities	 <u>\$ 8,281,921</u>

Construction Contracts

As of year end, the School District had the following construction contracts in progress:

	<u>Total Contract</u>	<u>Remaining Construction Commitment at Year End</u>	<u>Contract Payable at Year End</u>
Various Projects	<u>\$ 61,833,035</u>	<u>\$ 16,692,070</u>	<u>\$ 2,571,286</u>

Contracts payable at year end represent actual contractor billings and are recorded as a Capital Projects Fund liability. All projects are expected to be complete by June 30, 2020.

Note 6 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
Nonmajor Governmental Fund	General Fund	<u>\$ 299,174</u>

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers consist of the following:

<u>Transfers in</u>	<u>Transfers Out</u>
	<u>Nonmajor Governmental Funds</u>
General Fund	\$ 52,872
Early Childhood Learning Center Fund	5,349,000
Nonmajor governmental funds	<u>71,000</u>
	<u>\$ 5,472,872</u>

For the year ended June 30, 2018, the School District transferred funds to (1) cover indirect cost expenses incurred in the Food Services and Troy Career Center funds, (2) transfer proceeds from the sale of land to support the construction of the Early Childhood Learning Center, and (3) to reduce the fund balance of the Adult and Community Education Fund.

Troy School District
Notes to the Financial Statements
June 30, 2018

Note 7 - Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the components of unearned revenue are as follows:

	<u>Unearned</u>
Student lunch accounts	\$ 170,209
Tuition/fees received in advance	670,286
Grant and categorical aid payments received prior to meeting all eligibility requirements	<u>64,337</u>
Total	<u><u>\$ 904,832</u></u>

Note 8 - Operating Leases

The School District leases the building for the Troy Career Center and a fleet of copiers under operating leases. Total costs for these leases were \$106,165 and \$137,716, respectively, for the current year. Future minimum payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 247,708
2020	249,581
2021	172,772
2022	<u>37,904</u>
	<u><u>\$ 707,965</u></u>

Note 9 - Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and termination benefits.

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Government obligation bonds	\$ 140,615,000	\$7,125,000	\$13,105,000	\$ 134,635,000	\$ 10,565,000
Compensated absences	6,622,819	435,692	637,750	6,420,761	-
Severance obligation	160,000	-	12,500	147,500	-
Premium on bonds	<u>10,353,730</u>	<u>-</u>	<u>629,929</u>	<u>9,723,801</u>	<u>-</u>
Total	<u><u>\$ 157,751,549</u></u>	<u><u>\$7,560,692</u></u>	<u><u>\$14,385,179</u></u>	<u><u>\$ 150,927,062</u></u>	<u><u>\$ 10,565,000</u></u>

For governmental activities, compensated absences and severance obligations are primarily liquidated by the General Fund.

Troy School District
Notes to the Financial Statements
June 30, 2018

General obligation bonds payable at year end, consist of the following:

\$43,580,000 refunding bond due in annual installments of \$4,155,000 to \$4,360,000 through May 1, 2024 interest at 1.89%	\$ 25,375,000
\$52,710,000 general obligation bond due in annual installments of \$2,000,000 to \$7,950,000 through May 1, 2028, interest ranging from 4.00-5.00%	39,550,000
\$31,930,000 refunding bond due in annual installments of \$3,210,000 to \$3,295,000 through May 1, 2026, interest at 5%	26,035,000
\$40,000,000 general obligation bond due in annual installments of \$950,000 to \$4,650,000 through May 1, 2032, interest ranging from from 2.94-4.50%	36,550,000
\$7,125,000 general obligation bond due in annual installments of \$225,000 to \$485,000 through May 1, 2040, interest at 3.00%	<u>7,125,000</u>
Total general obligation bonded debt	<u>\$ 134,635,000</u>

Future principal and interest requirements for bonded debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2019	\$ 10,565,000	\$ 5,052,098	\$ 15,617,098
2020	11,205,000	4,693,162	15,898,162
2021	10,875,000	4,300,428	15,175,428
2022	10,790,000	3,916,409	14,706,409
2023	10,930,000	3,534,145	14,464,145
2024 - 2028	57,080,000	11,848,780	68,928,780
2029 - 2033	20,130,000	2,798,703	22,928,703
2034 - 2038	2,110,000	409,238	2,519,238
2039 - 2040	<u>950,000</u>	<u>53,814</u>	<u>1,003,814</u>
Total	<u>\$ 134,635,000</u>	<u>\$36,606,777</u>	<u>\$ 171,241,777</u>

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$1,535,463 to pay this debt. Future debt and interest will be payable from future tax levies.

Interest and other expenditures for the fiscal year in the Debt Service Funds were \$5,665,142.

Compensated Absences

Accrued compensated absences at year end, consist of \$292,372 of vacation hours earned and vested and \$6,128,389 in accrued sick time benefits. The entire vested amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

Administrative Severance Obligation

The School District has an administrative severance program in place. The liability of \$147,500 is calculated based on years of service and will be paid out as eligible individuals retire or are terminated in accordance with the administrator's handbook.

Deferred Amount on Refunding

The School District issued bonds in 2012 and 2015 to advance refund and retire previously issued term bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,076,925 in the 2012 refunding and \$1,523,006 in the 2015 refunding. This amount is reported in the accompanying statement of net position as a deferred outflow of resources and is being charged to activities through fiscal year 2026.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Deferred amount on refunding	\$ (1,406,470)	\$ -	\$ 171,332	\$ (1,235,138)

Troy School District
Notes to the Financial Statements
June 30, 2018

Note 10 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees. The School District has purchased commercial insurance for general liability, property and casualty, as well as medical benefits provided to employees. The School District participates in the SET-SEG risk pool for claims relating to property and general liability. The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. The School District is self-insured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

The School District was self-insured for workers' compensation claims through June 30, 2017. Under the self-insured plan, workers' compensation liabilities are recorded when the occurrence of the liabilities is probable and reasonably estimable. As of July 1, 2017, the School District is no longer self-insured for workers' compensation claims, and claims are fully insured. The amounts recorded at June 30, 2018 are based on compensation and medical costs expected to be paid for all claims that have been incurred through June 30, 2017, including both those claims that have been reported as well as those that have not been reported.

The School District is self-insured for dental insurance and has contracted with an independent administrator to process the dental claims. The liability for dental claims that have been reported and an estimate of incurred but not reported claims is approximately \$25,000 as of June 30, 2018.

Changes in the estimated liabilities of the School District's self-insured plans for the past two fiscal years were as follows:

	<u>2018</u>	<u>2017</u>
Estimated liability at the beginning of the year	\$691,858	\$720,510
Estimated claims incurred including changes in estimates	138,089	225,388
Claim payments	<u>(185,835)</u>	<u>(254,040)</u>
Estimated liability end of year	<u>\$644,112</u>	<u>\$691,858</u>

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method, the School District must reimburse the Employment Commission for all benefits charged against the School District. The School District had no unemployment compensation expense for the year. No provision has been made for possible future claims.

Note 11 - Pension Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

Troy School District
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The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017.

Pension Contribution Rates		
Benefit Structure	Member	Employer
Basic	0.0 - 4.0%	19.03%
Member Investment Plan	3.0 - 7.0%	19.03%
Pension Plus	3.0 - 6.4%	18.40%
Defined Contribution	0.0%	15.27%

Required contributions to the pension plan from the School District were \$20,380,237 for the year ending September 30, 2017.

Troy School District
Notes to the Financial Statements
June 30, 2018

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

At June 30, 2018, the School District reported a liability of \$225,168,031 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.8689 percent, which was an increase of 0.0174 percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total pension expense for the School District was \$26,554,831.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ 1,956,864	\$ (1,104,852)	\$ 852,012
Changes of assumptions	24,668,947	-	24,668,947
Net difference between projected and actual earnings on pension plan investments	-	(10,764,513)	(10,764,513)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	<u>7,822,166</u>	<u>(53,345)</u>	<u>7,768,821</u>
Total to be recognized in the future	34,447,977	(11,922,710)	22,525,267
School District contributions subsequent to the measurement date	<u>20,561,101</u>	<u>(9,003,886)</u>	<u>(9,003,886)</u>
Total	<u>\$ 55,009,078</u>	<u>\$ (20,926,596)</u>	<u>\$ 13,521,381</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflow of Resources by Year (To Be Recognized in Future Pension Expenses)	
2018	\$ 7,317,880
2019	10,563,786
2020	4,636,098
2021	<u>7,503</u>
	<u>\$ 22,525,267</u>

Troy School District

Notes to the Financial Statements

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Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return:
 - MIP and Basic Plans (Non-Hybrid): 7.5%
 - Pension Plus Plan (Hybrid): 7.0%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Cost-of-Living Pension Adjustments: 3% Annual Non-Compounded for MIP Members
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees: 4.5188 years

Recognition period for assets: 5 years

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Troy School District
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Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.6%
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.5
Short Term Investment Pools	2.0	(0.9)
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.5% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of

return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (Non-Hybrid/Hybrid)* 6.5% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 7.5% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 8.5% / 8.0%
<u>\$ 293,319,052</u>	<u>\$ 225,168,031</u>	<u>\$ 167,789,213</u>

*The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS CAFR, available on the ORS website at www.michigan.gov/orschools.

Payables to the Michigan Public School Employees' Retirement System (MPERS)

There were no significant payables to the pension plan that are not ordinary accruals to the School District.

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Note 12 - Postemployment Benefits Other Than Pensions (OPEB)
Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Troy School District
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Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates		
Benefit Structure	Member	Employer
Premium Subsidy	3.0%	5.91%
Personal Healthcare Fund (PHF)	0.0%	5.69%

Required contributions to the OPEB plan from the School District were \$6,752,660 for the year ended September 30, 2017.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School District reported a liability of \$76,809,462 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The School District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the School District's proportion was 0.8674 percent, which is the same percent from its proportion measured as of September 30, 2016. At September 30, 2017, the total OPEB expense for the School District was \$5,142,945.

Troy School District
Notes to the Financial Statements
June 30, 2018

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between expected and actual experience	\$ -	\$ (817,795)	\$ (817,795)
Net difference between projected and actual earnings on OPEB investments	-	(1,778,925)	(1,778,925)
Changes in proportion and differences between the School District contributions and proportionate share of contributions	23,921	-	23,921
Total to be recognized in the future	23,921	(2,596,720)	(2,572,799)
School District contributions subsequent to the measurement date	5,008,905	-	5,008,905
Total	<u>\$ 5,032,826</u>	<u>\$ (2,596,720)</u>	<u>\$ 2,436,106</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred Inflow of Resources by Year
(To Be Recognized in Future OPEB Expenses)

2018	\$ (622,157)
2019	(622,157)
2020	(622,157)
2021	(622,157)
2022	(84,171)
	<u>\$ (2,572,799)</u>

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

- Valuation Date: September 30, 2016
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of Return: 7.5%
- Projected Salary Increases: 3.5 - 12.3%, including wage inflation at 3.5%
- Healthcare Cost Trend Rate: 7.5% Year 1 graded to 3.5% Year 12
- Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Troy School District

Notes to the Financial Statements

June 30, 2018

Other Assumptions:

- Opt Out Assumptions: 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
- Survivor Coverage: 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
- Coverage Election at Retirement: 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees: 5.4744 years

Recognition period for assets: 5 years

Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0 %	5.6%
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
	<u>100.0%</u>	

*Long-term rates of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Troy School District
Notes to the Financial Statements
June 30, 2018

Discount Rate

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
<u>\$ 89,966,080</u>	<u>\$ 76,809,462</u>	<u>\$ 65,643,613</u>

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 6.5%	Current Healthcare Cost Trend Rate 7.5%	1% Increase 8.5%
<u>\$ 65,047,289</u>	<u>\$ 76,809,462</u>	<u>\$ 90,164,589</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

There were no significant payables to the OPEB plan that are not ordinary accruals to the School District.

Note 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial. A separate report on federal compliance has been issued for the year June 30, 2018.

Troy School District
Notes to the Financial Statements
June 30, 2018

Note 14 - Adoption of New Accounting Standards

As indicated in Note 1, the School District has adopted Government Accounting Standards Board Statement 75. This required the School District to record their proportionate share of the net OPEB liability and OPEB expense. Previously, these amounts were not recorded on the School District's statements. The standards require this change to be applied retroactively. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2017 by \$73,769,200, restating it from (\$109,321,168) to (\$183,090,368).

REQUIRED SUPPLEMENTARY INFORMATION

Troy School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 37,990,138	\$ 38,566,567	\$ 38,844,065	\$ 277,498
State sources	97,760,866	101,928,246	101,977,419	49,173
Federal sources	3,506,988	3,993,668	3,333,254	(660,414)
Interdistrict sources	7,471,631	7,933,648	7,537,593	(396,055)
Total revenues	146,729,623	152,422,129	151,692,331	(729,798)
Expenditures				
Instruction				
Basic programs	83,230,516	85,626,124	85,998,342	372,218
Added needs	17,245,604	17,522,992	16,819,658	(703,334)
Adult and continuing education	859,510	1,171,619	1,396,738	225,119
Supporting services				
Pupil	10,678,738	10,865,669	10,930,368	64,699
Instructional staff	7,400,192	8,406,416	8,068,092	(338,324)
General administration	2,331,819	1,013,063	1,010,393	(2,670)
School administration	7,394,387	7,458,151	7,444,176	(13,975)
Business	1,197,500	1,409,978	1,347,587	(62,391)
Operations and maintenance	9,385,957	9,748,029	9,342,523	(405,506)
Pupil transportation services	3,512,836	3,507,381	3,555,315	47,934
Central	2,269,499	2,916,954	2,857,530	(59,424)
Athletic activities	1,781,790	1,838,673	1,896,934	58,261
Community services	141,796	164,342	69,516	(94,826)
Total expenditures	147,430,144	151,649,391	150,737,172	(912,219)
Excess (deficiency) of revenues over expenditures	(700,521)	772,738	955,159	182,421

Troy School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ 9,100	\$ 29,050	\$ 19,950
Transfers in	<u>728,762</u>	<u>78,762</u>	<u>52,872</u>	<u>(25,890)</u>
Total other financing sources (uses)	<u>728,762</u>	<u>87,862</u>	<u>81,922</u>	<u>(5,940)</u>
Net change in fund balance	28,241	860,600	1,037,081	188,361
Fund balance - beginning	<u>24,205,391</u>	<u>24,205,391</u>	<u>24,205,391</u>	<u>-</u>
Fund balance - ending	<u>\$ 24,233,632</u>	<u>\$ 25,065,991</u>	<u>\$ 25,242,472</u>	<u>\$ 188,361</u>

Troy School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. School District's proportion of net pension liability (%)	0.8689%	0.8515%	0.8440%	0.8052%						
B. School District's proportionate share of net pension liability	\$ 225,168,031	\$ 212,452,257	\$ 206,148,083	\$ 177,354,841						
C. School District's covered-employee payroll	\$ 73,207,364	\$ 72,136,475	\$ 73,470,015	\$ 71,628,110						
D. School District's proportionate share of net pension liability as a percentage of its covered-employee payroll	32.51%	33.95%	35.64%	40.39%						
E. Plan fiduciary net position as a percentage of total pension liability	64.21%	63.27%	63.17%	66.20%						

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

2009 - 2014 data is not available as GASB 68 was implemented in fiscal year 2015.

Troy School District
Required Supplementary Information
Schedule of the School District's Pension Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	\$ 22,141,167	\$ 19,127,812	\$ 16,281,923	\$ 12,505,055						
B. Contributions in relation to statutorily required contributions	<u>22,141,167</u>	<u>19,127,812</u>	<u>16,281,923</u>	<u>12,505,055</u>						
C. Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
D. Reporting unit's covered-employee payroll	\$ 73,147,546	\$ 75,447,606	\$ 71,360,808	\$ 70,933,761						
E. Contributions as a percentage of covered-employee payroll	30.27%	25.35%	22.82%	17.63%						

Troy School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Measurement Date September 30th, of Each June Fiscal Year)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. School District's proportion of net OPEB liability (%)	0.8674%									
B. School District's proportionate share of net OPEB liability	\$ 76,809,462									
C. School District's covered-employee payroll	\$ 73,207,364									
D. School District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	95.31%									
E. Plan fiduciary net position as a percentage of total OPEB liability	36.39%									

Note Disclosures

Changes of benefit terms: There were no changes of benefit terms in plan fiscal year 2017.

Changes of benefit assumptions: There were no changes of benefit assumptions in plan fiscal year 2017.

2009 - 2017 data is not available as GASB 71 was implemented in fiscal year 2018.

Troy School District
Required Supplementary Information
Schedule of the School District's OPEB Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years

	For the Years Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
A. Statutorily required contributions	\$ 5,503,226									
B. Contributions in relation to statutorily required contributions	<u>5,503,226</u>									
C. Contribution deficiency (excess)	<u>\$ -</u>									
D. Reporting unit's covered-employee payroll	\$73,147,546									
E. Contributions as a percentage of covered-employee payroll	7.52%									

OTHER SUPPLEMENTARY INFORMATION

Troy School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds				Debt Service Funds				Capital Projects Funds		Total Nonmajor Governmental Funds
	Food Services	Adult and Community Education	Troy Career Center Fund	Facility Rentals	2012 Refunding	2014 Debt	2015 Debt	2016 Debt	Capital Projects 2014	Capital Maintenance	
Assets											
Cash	\$ 1,190,141	\$ 634,277	\$ 24,331	\$ 827,794	\$ 417,588	\$ 458,535	\$ 277,566	\$ 381,774	\$ -	\$ 698,864	\$ 4,910,870
Accounts receivable	-	-	-	59,087	-	-	-	-	-	-	59,087
Due from other governmental units	61,528	-	583,655	-	-	-	-	-	-	-	645,183
Inventory	41,549	-	-	-	-	-	-	-	-	-	41,549
Investments	-	-	-	-	-	-	-	-	110,819	-	110,819
Total assets	<u>\$ 1,293,218</u>	<u>\$ 634,277</u>	<u>\$ 607,986</u>	<u>\$ 886,881</u>	<u>\$ 417,588</u>	<u>\$ 458,535</u>	<u>\$ 277,566</u>	<u>\$ 381,774</u>	<u>\$ 110,819</u>	<u>\$ 698,864</u>	<u>\$ 5,767,508</u>
Liabilities											
Checks written excess of deposits	\$ -	\$ -	\$ 324,310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 324,310
Accounts payable	167,179	31,798	9,230	-	-	-	-	-	5,534	12,395	226,136
Due to other funds	1,419	37,841	259,914	-	-	-	-	-	-	-	299,174
Accrued expenditures	-	8,522	2,007	-	-	-	-	-	-	-	10,529
Unearned revenue	170,209	244,885	12,525	-	-	-	-	-	-	-	427,619
Total liabilities	<u>338,807</u>	<u>323,046</u>	<u>607,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,534</u>	<u>12,395</u>	<u>1,287,768</u>
Fund Balance											
Non-spendable											
Inventory	41,549	-	-	-	-	-	-	-	-	-	41,549
Restricted for											
Food service	912,862	-	-	-	-	-	-	-	-	-	912,862
Debt service	-	-	-	-	417,588	458,535	277,566	381,774	-	-	1,535,463
Capital projects	-	-	-	-	-	-	-	-	105,285	-	105,285
Committed	-	311,231	-	886,881	-	-	-	-	-	-	1,198,112
Assigned	-	-	-	-	-	-	-	-	-	686,469	686,469
Total fund balance	<u>954,411</u>	<u>311,231</u>	<u>-</u>	<u>886,881</u>	<u>417,588</u>	<u>458,535</u>	<u>277,566</u>	<u>381,774</u>	<u>105,285</u>	<u>686,469</u>	<u>4,479,740</u>
Total liabilities and fund balance	<u>\$ 1,293,218</u>	<u>\$ 634,277</u>	<u>\$ 607,986</u>	<u>\$ 886,881</u>	<u>\$ 417,588</u>	<u>\$ 458,535</u>	<u>\$ 277,566</u>	<u>\$ 381,774</u>	<u>\$ 110,819</u>	<u>\$ 698,864</u>	<u>\$ 5,767,508</u>

Troy School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2018

	Special Revenue Funds				Debt Service Funds				Capital Projects Funds		Total Nonmajor Governmental Funds
	Food Services	Adult and Community Education	Troy Career Center Fund	Facility Rentals	2012 Refunding	2014 Debt	2015 Debt	2016 Debt	Capital Projects 2014	Capital Maintenance	
Revenues											
Local sources	\$ 2,384,122	\$ 3,948,689	\$ -	\$ 138,605	\$ 4,654,839	\$ 4,446,139	\$ 3,102,562	\$ 5,388,292	\$ 8,881	\$ -	\$ 24,072,129
State sources	110,279	-	59,497	-	18,841	17,929	12,459	22,184	-	-	241,189
Federal sources	1,035,519	-	1,742,688	-	-	-	-	-	-	-	2,778,207
Total revenues	3,529,920	3,948,689	1,802,185	138,605	4,673,680	4,464,068	3,115,021	5,410,476	8,881	-	27,091,525
Expenditures											
Current											
Education											
Supporting services	-	-	1,764,599	307	-	-	-	-	-	963,263	2,728,169
Food services	3,502,376	-	-	-	-	-	-	-	-	-	3,502,376
Community services	-	3,258,673	-	1,149	-	-	-	-	-	-	3,259,822
Facilities acquisition	209,383	-	-	-	-	-	-	-	1,211,248	-	1,420,631
Principal	-	-	-	-	4,360,000	2,000,000	3,295,000	3,450,000	-	-	13,105,000
Interest and other expenditures	-	-	-	-	562,092	2,057,750	1,467,000	1,578,300	-	-	5,665,142
Tax tribunal refunds	-	-	-	-	341	325	226	402	-	-	1,294
Total expenditures	3,711,759	3,258,673	1,764,599	1,456	4,922,433	4,058,075	4,762,226	5,028,702	1,211,248	963,263	29,682,434
Excess (deficiency) of revenues over expenditures	(181,839)	690,016	37,586	137,149	(248,753)	405,993	(1,647,205)	381,774	(1,202,367)	(963,263)	(2,590,909)
Other Financing Sources (Uses)											
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	4,104,175	4,104,175
Transfers in	-	-	-	-	-	-	-	-	-	71,000	71,000
Transfers out	(15,286)	(720,000)	(37,586)	-	-	-	-	-	-	(4,700,000)	(5,472,872)
Total other financing sources (uses)	(15,286)	(720,000)	(37,586)	-	-	-	-	-	-	(524,825)	(1,297,697)
Net change in fund balance	(197,125)	(29,984)	-	137,149	(248,753)	405,993	(1,647,205)	381,774	(1,202,367)	(1,488,088)	(3,888,606)
Fund balance - beginning	1,151,536	341,215	-	749,732	666,341	52,542	1,924,771	-	1,307,652	2,174,557	8,368,346
Fund balance - ending	\$ 954,411	\$ 311,231	\$ -	\$ 886,881	\$ 417,588	\$ 458,535	\$ 277,566	\$ 381,774	\$ 105,285	\$ 686,469	\$ 4,479,740

Troy School District
Other Supplementary Information
Budgetary Comparison Schedule - Special Revenue Funds
For the Year Ended June 30, 2018

	Food Services		Adult and Community Education		Troy Career Center Fund		Facility Rentals	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues								
Local sources	\$ 2,500,211	\$ 2,384,122	\$ 3,869,000	\$ 3,948,689	\$ -	\$ -	\$ 110,000	\$ 138,605
State sources	122,728	110,279	-	-	54,279	59,497	-	-
Federal sources	999,044	1,035,519	-	-	2,466,544	1,742,688	-	-
Total revenues	<u>3,621,983</u>	<u>3,529,920</u>	<u>3,869,000</u>	<u>3,948,689</u>	<u>2,520,823</u>	<u>1,802,185</u>	<u>110,000</u>	<u>138,605</u>
Expenditures								
Current								
Education								
Supporting services	-	-	-	-	2,477,061	1,764,599	1,150	307
Food services	3,384,036	3,502,376	-	-	-	-	-	-
Community services	-	-	3,313,585	3,258,673	-	-	650	1,149
Facilities acquisition	269,000	209,383	-	-	-	-	-	-
Total expenditures	<u>3,653,036</u>	<u>3,711,759</u>	<u>3,313,585</u>	<u>3,258,673</u>	<u>2,477,061</u>	<u>1,764,599</u>	<u>1,800</u>	<u>1,456</u>
Excess (deficiency) of revenues over expenditures	(31,053)	(181,839)	555,415	690,016	43,762	37,586	108,200	137,149
Other Financing Uses								
Transfers out	<u>(35,000)</u>	<u>(15,286)</u>	<u>(720,000)</u>	<u>(720,000)</u>	<u>(43,762)</u>	<u>(37,586)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(66,053)	(197,125)	(164,585)	(29,984)	-	-	108,200	137,149
Fund balance - beginning	<u>1,151,536</u>	<u>1,151,536</u>	<u>341,215</u>	<u>341,215</u>	<u>-</u>	<u>-</u>	<u>749,732</u>	<u>749,732</u>
Fund balance - ending	<u>\$ 1,085,483</u>	<u>\$ 954,411</u>	<u>\$ 176,630</u>	<u>\$ 311,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 857,932</u>	<u>\$ 886,881</u>

Troy School District
Other Supplementary Information
Budgetary Comparison Schedule - Debt Service Funds
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>2012 Refunding</u>	<u>2014 Debt</u>	<u>2015 Debt</u>	<u>2016 Debt</u>
Revenues					
Local sources	\$ 17,550,220	\$ 4,654,839	\$ 4,446,139	\$ 3,102,562	\$ 5,388,292
State sources	<u>-</u>	<u>18,841</u>	<u>17,929</u>	<u>12,459</u>	<u>22,184</u>
Total revenues	<u>17,550,220</u>	<u>4,673,680</u>	<u>4,464,068</u>	<u>3,115,021</u>	<u>5,410,476</u>
Expenditures					
Debt service					
Principal	13,105,000	4,360,000	2,000,000	3,295,000	3,450,000
Interest and other expenditures	5,665,792	562,092	2,057,750	1,467,000	1,578,300
Tax tribunal refunds	<u>8,000</u>	<u>341</u>	<u>325</u>	<u>226</u>	<u>402</u>
Total expenditures	<u>18,778,792</u>	<u>4,922,433</u>	<u>4,058,075</u>	<u>4,762,226</u>	<u>5,028,702</u>
Net change in fund balance	(1,228,572)	(248,753)	405,993	(1,647,205)	381,774
Fund balance - beginning	<u>2,643,654</u>	<u>666,341</u>	<u>52,542</u>	<u>1,924,771</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,415,082</u>	<u>\$ 417,588</u>	<u>\$ 458,535</u>	<u>\$ 277,566</u>	<u>\$ 381,774</u>

Note: Budget adopted for Debt Service Funds in total, therefore not presented on an individual fund level.

Troy School District
Other Supplementary Information
Budgetary Comparison Schedule - Capital Projects Funds
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Capital Projects 2016</u>	<u>Early Childhood Learning Center</u>	<u>Capital Projects 2014</u>	<u>Capital Maintenance</u>
Revenues					
Local sources	\$ 100,000	\$ 265,144	\$ 14,556	\$ 8,881	\$ -
Expenditures					
Current					
Education					
Supporting services	1,050,000	-	-	-	963,263
Facilities acquisition	32,356,482	14,031,830	2,309,281	1,211,248	-
Debt service					
Bond issuance costs	-	-	62,718	-	-
Total expenditures	<u>33,406,482</u>	<u>14,031,830</u>	<u>2,371,999</u>	<u>1,211,248</u>	<u>963,263</u>
Excess (deficiency) of revenues over expenditures	(33,306,482)	(13,766,686)	(2,357,443)	(1,202,367)	(963,263)
Other Financing Uses					
Proceeds from issuance of bonds	\$ 7,125,000	\$ -	\$ 7,125,000	\$ -	\$ -
Proceeds from sale of capital assets	8,330,000	-	4,218,963	-	4,104,175
Transfers in	5,420,000	-	5,349,000	-	71,000
Transfers out	<u>(4,700,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,700,000)</u>
Total other financing sources (uses)	<u>16,175,000</u>	<u>-</u>	<u>16,692,963</u>	<u>-</u>	<u>(524,825)</u>
Net change in fund balance	(17,131,482)	(13,766,686)	14,335,520	(1,202,367)	(1,488,088)
Fund balance - beginning	<u>40,200,671</u>	<u>36,718,462</u>	<u>-</u>	<u>1,307,652</u>	<u>2,174,557</u>
Fund balance - ending	<u>\$ 23,069,189</u>	<u>\$ 22,951,776</u>	<u>\$ 14,335,520</u>	<u>\$ 105,285</u>	<u>\$ 686,469</u>

Note: Budget adopted for Capital Projects Funds in total, therefore not presented on an individual fund level.

Troy School District
Fiduciary Funds
Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2018

	Balance, June 30, 2017	Additions	Deductions	Balance, June 30, 2018
Assets	<u>\$ 2,059,513</u>	<u>\$ 5,761,676</u>	<u>\$ (5,717,526)</u>	<u>\$ 2,103,663</u>
Liabilities	<u>\$ 2,059,513</u>	<u>\$ 5,761,676</u>	<u>\$ (5,717,526)</u>	<u>\$ 2,103,663</u>

Troy School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2018

Year Ending June 30,	2012 Debt Service Fund		2014 Debt Service Fund		2015 Debt Service Fund		2016 Debt Service Fund		2018 Debt Service Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 4,335,000	\$ 479,588	\$ 2,000,000	\$ 1,977,500	\$ 3,280,000	\$ 1,301,750	\$ 950,000	\$ 1,074,570	\$ -	\$ 218,690	\$ 10,565,000	\$ 5,052,098
2020	4,310,000	397,656	2,000,000	1,877,500	3,270,000	1,137,750	1,625,000	1,046,640	-	233,616	11,205,000	4,693,162
2021	4,260,000	316,197	2,000,000	1,777,500	3,285,000	974,250	1,075,000	998,865	255,000	233,616	10,875,000	4,300,428
2022	4,160,000	235,683	2,000,000	1,677,500	3,270,000	810,000	1,100,000	967,260	260,000	225,966	10,790,000	3,916,409
2023	4,155,000	157,059	2,000,000	1,577,500	3,255,000	646,500	1,250,000	934,920	270,000	218,166	10,930,000	3,534,145
2024	4,155,000	78,529	2,000,000	1,477,500	3,240,000	483,750	1,400,000	900,375	280,000	210,066	11,075,000	3,150,220
2025	-	-	5,900,000	1,377,500	3,225,000	321,750	1,650,000	865,095	290,000	201,666	11,065,000	2,766,011
2026	-	-	6,100,000	1,082,500	3,210,000	160,500	1,925,000	823,200	300,000	192,966	11,535,000	2,259,166
2027	-	-	7,600,000	777,500	-	-	3,600,000	1,150,875	310,000	183,966	11,510,000	2,112,341
2028	-	-	7,950,000	397,500	-	-	3,625,000	988,875	320,000	174,666	11,895,000	1,561,041
2029	-	-	-	-	-	-	4,475,000	825,750	330,000	165,066	4,805,000	990,816
2030	-	-	-	-	-	-	4,575,000	624,375	345,000	155,166	4,920,000	779,541
2031	-	-	-	-	-	-	4,650,000	418,500	355,000	144,816	5,005,000	563,316
2032	-	-	-	-	-	-	4,650,000	209,250	370,000	133,810	5,020,000	343,060
2033	-	-	-	-	-	-	-	-	380,000	121,970	380,000	121,970
2034	-	-	-	-	-	-	-	-	395,000	109,810	395,000	109,810
2035	-	-	-	-	-	-	-	-	410,000	96,776	410,000	96,776
2036	-	-	-	-	-	-	-	-	420,000	82,426	420,000	82,426
2037	-	-	-	-	-	-	-	-	435,000	67,726	435,000	67,726
2038	-	-	-	-	-	-	-	-	450,000	52,500	450,000	52,500
2039	-	-	-	-	-	-	-	-	465,000	35,626	465,000	35,626
2040	-	-	-	-	-	-	-	-	485,000	18,188	485,000	18,188
Total	\$25,375,000	\$1,664,712	\$39,550,000	\$14,000,000	\$26,035,000	\$5,836,250	\$36,550,000	\$11,828,550	\$7,125,000	\$3,277,264	\$134,635,000	\$36,606,776

Principal payments
due the first day of

May

May

May

May

May

Interest payments
due the first day of

May and November

May and November

May and November

May and November

May and November

Interest rate

1.89%

2.00% - 5.00%

5.00%

2.94% - 4.50%

3.00%

Original issue

\$43,580,000

\$52,710,000

\$31,930,000

\$40,000,000

\$7,125,000

STATISTICAL SECTION (UNAUDITED)

Troy School District
Statistical Section Summary (Unaudited)
June 30, 2018

Financial Trend information

These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.

Revenue Capacity Information

These schedules contain information to help the reader assess the School District's most significant local revenue source, property taxes.

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within the School District's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.

Troy School District
Financial Trend Information (Unaudited)
Net Position by Component- Last Ten Fiscal Years

	June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in capital assets	\$ 42,248,195	\$ 42,539,503	\$ 42,262,738	\$ 44,635,062	\$ 49,650,160	\$ 48,963,971	\$ 50,345,593	\$ 52,850,787	\$ 52,187,495	\$ 64,080,214
Restricted	1,801,846	824,854	254,502	964,489	1,098,915	1,325,280	1,525,050	2,110,382	2,806,234	1,701,818
Unrestricted	<u>13,822,989</u>	<u>12,789,711</u>	<u>12,808,528</u>	<u>14,978,449</u>	<u>14,608,921</u>	<u>(159,373,218)</u>	<u>(159,337,830)</u>	<u>(164,387,265)</u>	<u>(238,084,097)</u>	<u>(245,531,896)</u>
Total primary government net position	<u>\$ 57,873,030</u>	<u>\$ 56,154,068</u>	<u>\$ 55,325,768</u>	<u>\$ 60,578,000</u>	<u>\$ 65,357,996</u>	<u>\$ (109,083,967)</u>	<u>\$ (107,467,187)</u>	<u>\$ (109,426,096)</u>	<u>\$ (183,090,368)</u>	<u>\$ (179,749,864)</u>

Source: Data included in this schedule from 2009-2017 has been excerpted from prior financial statements.

Note: A prior period adjustment was recorded in 2016, which required a restatement of the 2015 financial statements. Also, prior period adjustments were recorded in 2015 and 2018 to reflect the implementation of GASB 68 and 75, respectively.

Troy School District
Financial Trend Information (Unaudited)
Changes in Governmental Net Position - Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction	\$ 95,610,720	\$ 91,308,634	\$ 91,898,069	\$ 83,976,599	\$ 87,870,523	\$ 91,406,718	\$ 93,200,608	\$101,854,565	\$101,201,673	\$110,991,618
Support services	58,769,127	53,767,043	50,536,487	52,377,200	51,272,032	51,044,441	52,626,314	54,243,566	58,358,918	58,770,663
Food services	3,289,411	3,199,402	3,188,874	3,200,155	3,165,119	3,251,038	3,421,925	3,379,220	3,993,896	3,928,310
Athletics	2,135,773	2,201,651	1,940,250	1,933,989	1,946,554	1,991,675	1,739,618	1,636,069	1,758,020	1,843,331
Community services	2,877,199	2,776,876	3,009,115	3,023,284	2,000,169	2,135,687	2,270,469	2,706,054	2,715,707	3,483,990
Other	15,487	173,114	-	73,880	91,187	416,246	-	-	-	-
Interest on long-term debt	7,421,573	6,958,667	6,647,705	6,137,988	4,738,351	3,846,343	4,889,258	4,627,733	4,469,693	5,069,657
Total governmental activities	<u>170,119,290</u>	<u>160,385,387</u>	<u>157,220,500</u>	<u>150,723,095</u>	<u>151,083,935</u>	<u>154,092,148</u>	<u>158,148,192</u>	<u>168,447,207</u>	<u>172,497,907</u>	<u>184,087,569</u>
Program revenue:										
Charges for services:										
Instruction	1,501,740	1,402,597	2,106,145	1,903,679	663,813	784,889	463,496	488,463	462,953	568,971
Support services	158,880	236,142	177,094	-	-	-	99,141	101,214	111,728	113,563
Food services	2,736,249	2,386,859	2,428,530	2,437,770	2,286,324	2,325,177	2,301,069	2,408,187	2,392,223	2,382,497
Athletics	201,157	432,518	576,170	628,042	636,055	624,520	617,879	640,163	622,554	639,532
Community services	2,304,595	2,022,432	2,100,225	2,386,819	2,572,614	2,737,638	3,341,922	3,970,320	3,909,779	4,087,294
Operating grants and contributions	<u>26,023,873</u>	<u>24,576,393</u>	<u>23,888,708</u>	<u>22,809,337</u>	<u>23,286,360</u>	<u>21,234,000</u>	<u>25,532,747</u>	<u>28,582,037</u>	<u>30,632,594</u>	<u>34,244,702</u>
Total program revenue	<u>32,926,494</u>	<u>31,056,941</u>	<u>31,276,872</u>	<u>30,165,647</u>	<u>29,445,166</u>	<u>27,706,224</u>	<u>32,356,254</u>	<u>36,190,384</u>	<u>38,131,831</u>	<u>42,036,559</u>
Net expense	(137,192,796)	(129,328,446)	(125,943,628)	(120,557,448)	(121,638,769)	(126,385,924)	(125,791,938)	(132,256,823)	(134,366,076)	(142,051,010)
General Revenue										
Property taxes	63,138,507	61,997,936	58,211,136	53,454,199	51,280,806	49,347,295	49,975,301	50,777,589	53,098,343	54,637,309
State aid - unrestricted	63,783,531	61,239,849	68,168,710	71,495,549	74,507,547	80,048,303	77,093,615	78,611,473	79,978,729	81,468,745
Federal sources - unrestricted	-	3,414,174	2,748,170	101,652	-	-	-	-	-	-
Interest and investment earnings	1,330,114	607,949	375,274	22,832	17,303	11,718	3,638	96,248	221,146	460,082
Other	382,797	349,576	403,786	735,448	613,109	398,539	336,164	815,219	1,171,586	473,190
Total general revenue	<u>128,634,949</u>	<u>127,609,484</u>	<u>129,907,076</u>	<u>125,809,680</u>	<u>126,418,765</u>	<u>129,805,855</u>	<u>127,408,718</u>	<u>130,300,529</u>	<u>134,469,804</u>	<u>137,039,326</u>
Gain (Loss) on Disposal	<u>(123,141)</u>	<u>-</u>	<u>(4,791,748)</u>	<u>-</u>	<u>-</u>	<u>14,282</u>	<u>-</u>	<u>(2,615)</u>	<u>1,200</u>	<u>8,352,188</u>
Changes in Net Position	<u>\$ (8,680,988)</u>	<u>\$ (1,718,962)</u>	<u>\$ (828,300)</u>	<u>\$ 5,252,232</u>	<u>\$ 4,779,996</u>	<u>\$ 3,434,213</u>	<u>\$ 1,616,780</u>	<u>\$ (1,958,909)</u>	<u>\$ 104,928</u>	<u>\$ 3,340,504</u>

Source: Data included in this schedule from 2009-2017 has been excerpted from prior financial statements.

Troy School District
Financial Trend Information (Unaudited)
Fund Balances - Governmental Funds - Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 333,435	\$ 935,281	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	14,651,114	12,315,614	-	-	-	-	-	-	-	-
Nonspendable	-	-	631,500	553,640	636,986	379,313	470,218	493,772	489,092	455,901
Assigned	-	-	1,106,970	3,163,998	-	-	-	-	-	-
Unassigned	-	-	18,018,367	19,360,943	21,433,250	21,000,702	20,231,419	21,038,513	23,716,299	24,786,571
Total General Fund	<u>\$ 14,984,549</u>	<u>\$ 13,250,895</u>	<u>\$ 19,756,837</u>	<u>\$ 23,078,581</u>	<u>\$ 22,070,236</u>	<u>\$ 21,380,015</u>	<u>\$ 20,701,637</u>	<u>\$ 21,532,285</u>	<u>\$ 24,205,391</u>	<u>\$ 25,242,472</u>
All Other Government Funds										
Reserved	\$ 13,213,375	\$ 9,077,403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,574,245	7,582,377	-	-	-	-	-	-	-	-
Nonspendable	-	-	68,060	54,510	138,930	95,318	55,497	43,359	34,918	41,549
Restricted	-	-	5,242,648	1,160,639	1,043,418	52,935,633	33,408,409	14,905,377	41,786,386	39,840,906
Committed	-	-	1,340,428	1,870,844	2,411,625	3,024,664	3,084,978	753,043	1,090,947	1,198,112
Assigned	-	-	-	-	-	-	-	-	2,174,557	686,469
Unassigned	-	-	-	(1,859,077)	(3,022,218)	(39,821)	(146,872)	2,569,438	-	-
Total All Other Governmental Funds	<u>\$ 20,787,620</u>	<u>\$ 16,659,780</u>	<u>\$ 6,651,136</u>	<u>\$ 1,226,916</u>	<u>\$ 571,755</u>	<u>\$ 56,015,794</u>	<u>\$ 36,402,012</u>	<u>\$ 18,271,217</u>	<u>\$ 45,086,808</u>	<u>\$ 41,767,036</u>

Note: Years beginning with 2011 are presented in accordance with GASB No. 54, which was effective as of July 1, 2010

Source: Data included in this schedule from 2009-2017 has been excerpted from prior financial statements.

Troy School District
Financial Trend Information (Unaudited)
Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Local sources	\$ 71,213,765	\$ 69,343,129	\$ 65,740,243	\$ 61,234,662	\$ 57,865,103	\$ 56,158,802	\$ 57,046,419	\$ 59,248,778	\$ 61,515,660	\$ 63,195,894
State sources	69,557,165	67,205,629	74,091,437	79,208,070	83,608,210	87,337,983	90,333,958	94,448,980	97,409,955	102,218,608
Federal sources	11,902,478	12,646,069	12,777,299	6,490,527	6,491,677	5,847,491	6,106,109	5,814,843	5,834,392	6,111,461
Interdistrict sources	<u>8,527,747</u>	<u>9,144,341</u>	<u>8,247,213</u>	<u>8,696,443</u>	<u>7,684,248</u>	<u>7,143,518</u>	<u>7,145,883</u>	<u>7,011,587</u>	<u>7,610,128</u>	<u>7,537,593</u>
Total revenues	<u>161,201,155</u>	<u>158,339,168</u>	<u>160,856,192</u>	<u>155,629,702</u>	<u>155,649,238</u>	<u>156,487,794</u>	<u>160,632,369</u>	<u>166,524,188</u>	<u>172,370,135</u>	<u>179,063,556</u>
Expenditures										
Current										
Instruction	93,983,695	89,888,197	91,406,553	85,883,693	88,303,787	90,372,588	93,935,867	97,217,899	99,214,158	104,214,738
Support services	49,099,565	44,791,202	42,611,688	40,711,527	43,470,086	42,601,282	42,810,578	42,865,952	44,755,225	47,337,756
Community services	2,874,855	2,774,654	3,007,782	3,021,951	1,998,836	2,134,354	2,292,046	2,608,058	2,672,036	3,329,338
Facilities acquisition	15,487	173,114	-	73,880	91,187	-	19,724,689	19,149,741	14,656,965	17,761,742
Athletics	1,851,868	1,928,893	1,651,659	1,657,870	1,696,702	1,759,847	1,739,618	1,636,069	1,758,020	1,843,331
Food services	3,231,473	3,141,616	3,162,503	3,179,306	3,145,374	3,231,293	3,451,865	3,229,152	3,553,109	3,502,376
Debt service										
Principal	11,035,000	11,495,000	11,925,000	12,490,900	13,085,900	8,690,900	10,630,898	11,660,000	11,310,000	13,105,000
Interest	7,336,100	6,881,250	6,350,200	5,795,891	4,470,151	3,327,532	4,963,082	4,923,585	4,430,246	5,665,142
Other	165,549	161,670	394,033	437,583	577,214	416,246	1,055,059	37,516	144,555	64,012
Capital outlay	<u>10,652,503</u>	<u>3,738,472</u>	<u>3,849,476</u>	<u>4,479,577</u>	<u>625,155</u>	<u>7,461,887</u>	<u>691,641</u>	<u>502,348</u>	<u>619,824</u>	<u>-</u>
Total expenditures	<u>180,246,095</u>	<u>164,974,068</u>	<u>164,358,894</u>	<u>157,732,178</u>	<u>157,464,392</u>	<u>159,995,929</u>	<u>181,295,343</u>	<u>183,830,320</u>	<u>183,114,138</u>	<u>196,823,435</u>
Deficiency of revenues over expenditures	<u>(19,044,940)</u>	<u>(6,634,900)</u>	<u>(3,502,702)</u>	<u>(2,102,476)</u>	<u>(1,815,154)</u>	<u>(3,508,135)</u>	<u>(20,662,974)</u>	<u>(17,306,132)</u>	<u>(10,744,003)</u>	<u>(17,759,879)</u>

Troy School District
Financial Trend Information (Unaudited)
Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources (Uses)										
Proceeds from issuance of bonds	\$ -	\$ -	\$ -	\$ -	\$ 43,580,000	\$ 52,710,000	\$ 31,930,000	\$ -	\$ 40,000,000	\$ 7,125,000
Premium on issuance of bonds	-	-	-	-	-	5,510,442	5,574,183	-	-	-
Proceeds from sale of capital assets	28,416	18,908	-	-	-	41,511	44,450	5,985	232,700	8,352,188
Transfers in	2,430,066	2,520,080	752,058	1,320,236	1,345,540	107,708	1,605,170	5,216,559	802,379	5,472,872
Transfers out	(2,430,066)	(1,920,080)	(752,058)	(1,320,236)	(1,345,540)	(107,708)	(1,580,263)	(5,216,559)	(802,379)	(5,472,872)
Debt defeasance	-	-	-	-	(43,428,352)	-	(37,202,726)	-	-	-
Other	-	154,498	-	-	-	-	-	-	-	-
Total other financing sources (uses)	28,416	773,406	-	-	151,648	58,261,953	370,814	5,985	40,232,700	15,477,188
Net change in fund balance	(19,016,524)	(5,861,494)	(3,502,702)	(2,102,476)	(1,663,506)	54,753,818	(20,292,160)	(17,300,147)	29,488,697	(2,282,691)
Fund balance - beginning	54,788,693	35,772,169	29,910,675	26,407,973	24,305,497	22,641,991	77,395,809	57,103,649	39,803,502	69,292,199
Fund balance - ending	<u>\$ 35,772,169</u>	<u>\$ 29,910,675</u>	<u>\$ 26,407,973</u>	<u>\$ 24,305,497</u>	<u>\$ 22,641,991</u>	<u>\$ 77,395,809</u>	<u>\$ 57,103,649</u>	<u>\$ 39,803,502</u>	<u>\$ 69,292,199</u>	<u>\$ 67,009,508</u>
Debt service as a percentage of of noncapital expenditures	12.27%	12.99%	13.16%	13.92%	13.07%	8.88%	11.29%	11.11%	10.10%	11.75%

Source: Data included in this schedule from 2009-2017 has been excerpted from prior financial statements.

Troy School District
Revenue Capacity Information (Unaudited)
Assessed Value and Actual Value of Taxable Property - Last Ten Fiscal Years

Taxable Value by Property Type									
Real Property									
Tax Year	Residential	Commercial	Industrial	Agricultural and Other	Personal Property	Total Value	Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percentage of Actual
2008	\$ 2,531,030,310	\$ 1,191,128,660	\$ 358,797,580	\$ -	\$ 362,393,150	\$ 4,443,349,700	22.1000	\$ 8,886,699,400	50.00%
2009	2,498,444,569	1,174,009,185	354,556,100	-	355,992,100	4,383,001,954	22.1000	8,766,003,908	50.00%
2010	2,228,267,664	1,031,219,807	304,152,000	-	322,755,150	3,886,394,621	22.7000	7,772,789,242	50.00%
2011	2,102,682,450	995,799,580	163,123,060	-	301,376,730	3,562,981,820	22.7000	7,125,963,640	50.00%
2012	2,116,563,380	825,249,420	205,855,470	-	311,243,810	3,458,912,080	22.9500	6,917,824,160	50.00%
2013	2,167,941,140	761,103,818	194,670,340	-	323,806,650	3,447,521,948	22.7000	6,895,043,896	50.00%
2014	2,237,229,620	731,677,310	191,295,720	-	332,280,180	3,492,482,830	22.5920	6,984,965,660	50.00%
2015	2,325,897,703	743,060,107	193,552,920	-	341,000,860	3,603,511,590	22.5794	7,207,023,180	50.00%
2016	2,343,454,337	748,668,967	195,013,921	-	343,574,846	3,630,712,070	22.7000	7,261,424,140	50.00%
2017	2,417,387,678	772,288,628	201,166,390	-	354,414,244	3,745,256,940	22.7000	7,490,513,880	50.00%

Note: Under Michigan law, the revenue base is taxable value.

Taxes levied in a particular "tax year" becomes revenue of the subsequent fiscal year.

Source: City of Troy, Assessing Department

Troy School District
Revenue Capacity Information (Unaudited)
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years

		Millage Rates - Direct School District Taxes						Overlapping Taxes							
		Operating				Total Direct Taxes				Oakland County	Oakland County				
Tax Year	Year Ended June 30	Homestead	Non-homestead	Debt*	Sinking Fund*	Homestead	Non-homestead	Oakland County	Community College	Intermediate School District	State Education	City of Troy	Zoo	Art	SMART**
2007	2008	5.2856	18.0000	4.1300	0.0000	9.4156	22.1300	4.6461	1.5844	3.3690	6.0000	9.2800	-	-	0.5950
2008	2009	4.6229	18.0000	4.1000	0.0000	8.7229	22.1000	4.6461	1.5844	3.3690	6.0000	9.2800	0.0998	-	0.5950
2009	2010	4.6686	18.0000	4.1000	0.0000	8.7686	22.1000	4.6461	1.5844	3.3690	6.0000	9.4000	0.0998	-	0.5950
2010	2011	5.0381	18.0000	4.7000	0.0000	9.7381	22.7000	4.6461	1.5844	3.3690	6.0000	9.4900	0.0998	-	0.5950
2011	2012	5.4608	18.0000	4.7000	0.0000	10.1608	22.7000	4.6461	1.5844	3.3690	6.0000	9.4900	0.0998	-	0.5950
2012	2013	5.5563	18.0000	4.9500	0.0000	10.5063	22.9500	4.6461	1.5844	3.3690	6.0000	10.5200	0.0998	0.1996	0.5950
2013	2014	5.3741	18.0000	4.7000	0.0000	10.0741	22.7000	4.6461	1.5844	3.3690	6.0000	10.5000	0.0998	0.1996	0.5950
2014	2015	5.2580	17.8920	4.7000	0.0000	9.9580	22.5920	4.6461	1.5844	3.3690	6.0000	10.5000	0.0998	0.1996	0.5950
2015	2016	4.9918	17.8794	4.7000	0.0000	9.6918	22.5794	4.5456	1.5819	3.3634	6.0000	10.4974	0.0998	0.1996	1.0000
2016	2017	5.6320	18.0000	4.7000	0.0000	10.3320	22.7000	4.0400	1.5707	3.3398	6.0000	10.3989	0.0990	0.1981	1.0000
2017	2018	5.6320	18.0000	4.7000	0.4961	10.3320	22.7000	4.0400	1.5550	3.3079	6.0000	10.3582	-	-	-

* Debt fund millages apply to homestead and nonhomestead property

** Suburban Mobility Authority Regional Transportation

Source: Municipal Advisory Council of Michigan and City of Troy

Troy School District
Revenue Capacity Information (Unaudited)
Principal Property Taxpayers - Current Year and Nine Years Ago

Taxpayer		2017 Taxable Value		2009 Taxable	
1	FRANKEL FORBES COHEN	\$ 53,059,670	1.46	\$ 69,981,710	1.60
2	DTE	39,808,670	1.10	*	-
3	TROY APTS IV	28,910,220	0.80	*	-
4	URBANCAL OAKLAND MALL	23,506,650	0.65	*	-
5	OSPREY - TROY OFFICE	20,526,020	0.57	27,463,660	0.63
6	MACY'S	16,190,910	0.45	43,586,970	0.99
7	755 TOWER ASSOC	14,442,660	0.40	*	-
8	IRON POINT TROY INDUSTRIAL	13,282,560	0.37	*	-
9	CONSUMERS ENERGY	13,428,320	0.37	*	-
10	VHS CHILDRENS HOSPITAL OF MI	13,147,860	0.36	*	-
11	ALL OTHERS	<u>3,508,953,400</u>	96.65	<u>4,241,969,614</u>	96.78
Total		<u>\$ 3,630,712,070</u>		<u>\$ 4,383,001,954</u>	

Source: City of Troy, Assessing Department

Notes: Taxable values do not reflect adjustments from Board of Review appeals and Michigan tax tribunal decisions.
Taxes levied in a particular "tax year" become revenue in the subsequent fiscal year.

* Data not available

Troy School District
Revenue Capacity Information (Unaudited)
Property Tax Levies and Collections - Last Ten Fiscal Years

<u>Tax Year</u>	<u>Year Ended June 30</u>	<u>Total Levy</u>	<u>Current Collections</u>	<u>Percent Collected</u>	<u>Delinquent Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Levy Collected</u>
2008	2009	\$ 62,952,681	\$ 60,295,359	95.78%	\$ 260,596	\$ 60,555,955	96.19%
2009	2010	61,915,697	59,606,369	96.27%	169,603	59,775,972	96.54%
2010	2011	58,130,197	55,664,986	95.76%	172,543	55,837,529	96.06%
2011	2012	53,411,375	53,294,220	99.78%	150,362	53,444,582	100.06%
2012	2013	51,334,635	51,107,593	99.56%	173,214	51,280,807	99.90%
2013	2014	49,457,295	49,116,127	99.31%	231,168	49,347,295	99.78%
2014	2015	49,928,293	48,917,135	97.97%	830,632	49,747,767	99.64%
2015	2016	50,867,677	49,811,759	97.92%	886,090	50,697,849	99.67%
2016	2017	52,985,629	51,980,465	98.10%	823,575	52,804,040	99.66%
2017	2018	54,512,259	53,587,874	98.30%	836,283	54,424,157	99.84%

Source: Troy School District

Troy School District
Revenue Capacity Information (Unaudited)
Summary of Taxable Assessed Value, Foundation Allowance, and Retirement Rate History - Last Ten Fiscal Years

	<u>Taxable Assessed Value</u>	<u>Foundation Allowance</u>	<u>Executive Order Reduction per Pupil</u>	<u>Retirement Rate (Percent)</u>
2008-2009	\$ 4,443,349,700	\$ 9,523.18	\$ -	16.54
2009-2010	4,383,001,954	9,121.00	(154.00)	16.94
2010-2011	3,886,394,621	9,105.00	(170.00)	19.63
2011-2012	3,562,981,820	8,805.00	-	23.51
2012-2013	3,458,912,080	8,805.00	-	20.96 - 25.36
2013-2014	3,447,521,948	8,835.00	-	20.96 - 24.79
2014-2015	3,492,482,830	8,885.00	-	20.96 - 25.78
2015-2016	3,603,511,590	8,955.00	-	20.96 - 25.78
2016-2017	3,630,712,070	8,964.00	-	20.96 - 24.94
2017-2018	3,745,256,940	9,075.00	-	20.96 - 25.56

Source: Troy School District
City of Troy, Assessing Department
State Aid Status Report

Troy School District
Debt Capacity Information (Unaudited)
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Pledged Debt Service Funds	Net General Bonded Debt	Other General Obligation Debt	Total General Obligation Debt	Taxable Value	Bonded Debt as a Percentage of Taxable Value	Total Debt as a Percentage of Taxable Value	Population	Net General Bonded Debt per Capita	Total Debt per Capita
2008	\$ 150,495,000	\$ -	\$ 150,495,000	\$ -	\$ 150,495,000	\$ 4,448,741,027	3.38%	3.38%	87,954	\$ 1,711	\$ 1,711
2009	139,460,000	-	139,460,000	-	139,460,000	4,443,349,700	3.14%	3.14%	83,874	1,663	1,663
2010	127,965,000	-	127,965,000	154,498	128,119,498	4,383,001,954	2.92%	2.92%	80,084	1,598	1,600
2011	116,040,000	-	116,040,000	123,598	116,163,598	3,886,394,621	2.99%	2.99%	80,980	1,433	1,434
2012	103,580,000	-	103,580,000	92,698	103,672,698	3,562,981,820	2.91%	2.91%	81,151	1,276	1,278
2013	93,605,000	-	93,605,000	61,798	93,666,798	3,458,912,080	2.71%	2.71%	81,945	1,142	1,143
2014	137,655,000	-	137,655,000	30,898	137,685,898	3,447,521,948	3.99%	3.99%	83,270	1,653	1,653
2015	123,585,000	-	123,585,000	-	123,585,000	3,492,482,830	3.54%	3.54%	83,319	1,483	1,483
2016	111,925,000	-	111,925,000	-	111,925,000	3,603,511,590	3.11%	3.11%	82,339	1,359	1,359
2017	140,615,000	-	140,615,000	-	140,615,000	3,630,712,070	3.87%	3.87%	83,181	1,690	1,690
2018	134,635,000	-	134,635,000	-	134,635,000	3,745,256,940	3.59%	3.59%	87,177	1,544	1,544

Population information obtained from City of Troy, Department of Planning and SEMCOG/U.S. Bureau of Census

Source: Troy School District and City of Troy, Department of Planning

Troy School District
Debt Capacity Information (Unaudited)
Direct and Overlapping Governmental Activities Debt
For the Year Ended June 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
City of Troy	\$ 16,904,329	80.12%	\$ 13,543,749
Oakland County at Large	340,795,795	6.85%	23,344,512
Oakland Intermediate School District	44,695,000	6.88%	<u>3,075,016</u>
Total overlapping debt			39,963,277
Direct district debt			<u>134,635,000</u>
Total direct and overlapping debt			<u><u>\$ 174,598,277</u></u>

Source: Municipal Advisory Council of Michigan

Troy School District
Debt Capacity Information (Unaudited)
Legal Debt Margin - Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Calculation of debt limit:										
Taxable value	\$4,443,349,700	\$4,383,001,954	\$3,886,394,621	\$3,562,981,820	\$3,458,912,080	\$3,447,521,948	\$3,492,482,830	\$3,603,511,590	\$3,630,712,070	\$3,745,256,940
15% of taxable value	666,502,455	657,450,293	582,959,193	534,447,273	518,836,812	517,128,292	523,872,425	540,526,739	544,606,811	561,788,541
Debt subject to limit	<u>139,460,000</u>	<u>128,119,498</u>	<u>116,040,000</u>	<u>103,580,000</u>	<u>93,605,000</u>	<u>137,655,000</u>	<u>123,585,000</u>	<u>111,925,000</u>	<u>140,615,000</u>	<u>134,635,000</u>
Legal debt margin	<u>\$ 527,042,455</u>	<u>\$ 529,330,795</u>	<u>\$ 466,919,193</u>	<u>\$ 430,867,273</u>	<u>\$ 425,231,812</u>	<u>\$ 379,473,292</u>	<u>\$ 400,287,425</u>	<u>\$ 428,601,739</u>	<u>\$ 403,991,811</u>	<u>\$ 427,153,541</u>
Net debt subject to limit as % of debt limit	20.92%	19.49%	19.91%	19.38%	18.04%	26.62%	23.59%	20.71%	25.82%	23.97%

Source: Troy School District and City of Troy, Department of Planning

Troy School District
Demographic and Economic Information (Unaudited)
Demographic and Economic Statistics - Last Ten Fiscal Years

Fiscal Year	Population	Total Personal Income (in thousands)	Ratio of Total Debt to Personal Income	Per Capita Personal Income	Unemployment Rate
2009	83,874	\$ 2,779,943	5.017%	\$ 33,144	10.04%
2010	80,084	2,524,004	5.076%	31,517	11.93%
2011	80,980	2,661,920	4.364%	32,871	8.53%
2012	81,151	2,835,993	3.656%	34,947	9.65%
2013	81,945	3,139,525	2.983%	38,313	7.66%
2014	83,270	3,154,588	4.365%	37,884	6.51%
2015	83,319	3,696,092	3.344%	44,361	4.78%
2016	82,339	3,830,797	2.922%	46,525	3.71%
2017	83,181	Not Available	- %	-	3.27%
2018	87,177	Not Available	- %	-	3.02%

Population source prior to 2010 was Oakland County Trends
2010 and beyond, population source is SEMCOG

Source: State of Michigan

Unemployment Source: Michigan Labor Market Information database

Troy School District
Demographic and Economic Information (Unaudited)
Principal Employers - Current Year and Nine Years Ago

Taxpayer	2018		Percentage of		2009		Percentage of	
	Employees	Rank	Total	Employment	Employees	Rank	Total	Employment
William Beaumont Hospital	2,300	1	5.30%		1,500	2	4.28%	
Troy School District*	1,021	2	2.35%		1,371	3	3.91%	
Meritor, Inc. (FKA arvin Meritor Automotive)	1,000	3	2.31%		775	8	2.21%	
Magna International, Inc.	700	4	1.61%		-	-	-	
MAHLE Behr USA Inc. (FKA Behr America, Inc.)	500	5	1.15%		300	9	0.86%	
ThyssenKrupp Automotive Sales and Tech Center	450	6	1.04%		-	-	-	
Kamax GB Dupont LP	400	7	0.92%		-	-	-	
Systems Technology Group, Inc.	375	8	0.86%		-	-	-	
Magna Powertrain of America, Inc.	300	9	0.69%		-	-	-	
Altair Engineering, Inc.	300	10	0.69%		-	-	-	
City of Troy	-		-		791	7	-	
Delphi Automotive LLC	-		-		1,000	5	7.10%	
Flagstar Bank FSB	-		-		1,600	1	3.50%	
Kelly Services	-		-		1,200	4	2.69%	
BBDO Detroit	-		-		900	6	2.57%	
Sterling Cleaning Service	-		-		299	10	4.31%	
Total principal employers	7,346				3,646			
Total employment	43,383				35,041			

Source: PFM and Michigan Department of Labor

* Information provided by Troy School District

Troy School District
Operating Information (Unaudited)
Full-time Equivalent School District Employees - Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government:										
Instruction	856	867	855	785	771	776	787	825	848	840
Support services	418	263	241	216	215	243	276	249	308	153
Community service	49	51	50	36	42	9	9	53	79	27
Athletics	-	-	-	-	-	-	-	-	-	1
Food service	48	-	-	-	-	-	-	-	-	-
Total	<u>1,371</u>	<u>1,181</u>	<u>1,146</u>	<u>1,037</u>	<u>1,028</u>	<u>1,028</u>	<u>1,072</u>	<u>1,127</u>	<u>1,235</u>	<u>1,021</u>

Source: School District REP report

Troy School District
Operating Information (Unaudited)
Operating Indicators - Last Ten Fiscal Years

Year	Enrollment	Operating Expenditures	Cost per Pupil	Operating Revenue	Revenue per Pupil	Total Teaching Staff	Students Qualifying for Free/Reduced Meals	Average Teacher Salary
2009	12,177	\$ 144,553,747	\$ 11,871	\$ 136,560,386	\$ 11,215	786	8.40%	\$ 76,918
2010	12,076	136,053,498	11,266	134,719,100	11,156	773	12.00%	75,454
2011	12,032	137,073,866	11,392	137,351,598	11,416	742	14.00%	77,324
2012	12,312	127,464,365	10,353	130,865,059	10,629	736	15.00%	76,574
2013	12,438	132,351,755	10,641	131,343,410	10,560	762	16.00%	73,683
2014	12,591	133,270,712	10,585	132,538,980	10,526	756	15.00%	75,505
2015	12,563	137,233,758	10,924	135,821,734	10,812	787	14.00%	72,769
2016	12,731	140,248,064	11,017	140,413,422	11,030	825	12.20%	73,622
2017	12,932	143,554,320	11,101	146,167,117	11,303	848	11.37%	73,603
2018	13,034	150,737,172	11,565	151,692,331	11,638	840	15.00%	74,459

Source: Troy School District and Michigan Dept. of Education Bulletin 1014

Troy School District
Operating Information (Unaudited)
Capital Asset Information - Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instructional buildings:										
Elementary:										
Number of buildings	12	12	12	12	12	12	12	12	12	12
Square footage	717,462	717,462	717,462	717,462	717,462	717,462	717,462	717,462	717,462	717,462
Capacity	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400
Enrollment	5,220	5,138	5,204	5,344	5,462	5,588	5,534	5,591	5,609	5,647
Middle:										
Number of buildings	4	4	4	4	4	4	4	4	4	4
Square footage	450,492	450,492	450,492	450,492	450,492	450,492	450,492	450,492	450,492	450,492
Capacity	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885
Enrollment	2,776	2,806	2,831	2,873	2,806	2,821	2,864	2,921	2,988	2,995
High:										
Number of buildings	4	4	4	4	4	4	4	4	4	4
Square footage	851,426	851,426	851,426	851,426	851,426	851,426	851,426	851,426	851,426	851,426
Capacity	4,596	4,596	4,596	4,596	4,596	4,596	4,596	4,596	4,596	4,596
Enrollment	4,138	4,112	4,047	4,123	4,158	4,182	4,197	4,219	4,334	4,392
Administrative:										
Number of buildings	2	2	2	2	2	2	2	2	2	2
Square footage	41,143	41,143	41,143	41,143	41,143	41,143	41,143	41,143	41,143	41,143
Transportation/Maintenance:										
Number of buildings	2	2	2	2	2	2	2	2	2	2
Buses	88	81	81	79	68	68	55	56	65	69

Source: Troy School District - February Count Day