

Troy School District

Financial Statements

June 30, 2016

Troy School District
Comprehensive Annual Financial report
For the Fiscal Year Ended June 30, 2016

Troy School District
4400 Livernois Road
Troy, Michigan 48098

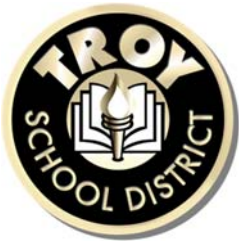
Prepared by:
Division of Business Services
Rick West, Assistant Superintendent, Business Services
Stephanie Trotter, Finance Director

Table of Contents

<u>Section</u>		<u>Page</u>
	<u>Introductory Section</u>	
	Letter of Transmittal	i-xi
	Members of the Board of Education and Administration	xii
	Organizational Chart	xiii
	Certificate of Excellence	xiv
	<u>Financial Section</u>	
1	Independent Auditors' Report	1 - 1
2	Management's Discussion and Analysis	2 - 1
3	Basic Financial Statements	
	District-wide Financial Statements	
	Statement of Net Position	3 - 1
	Statement of Activities	3 - 3
	Fund Financial Statements	
	Governmental Funds	
	Balance Sheet	3 - 4
	Reconciliation of the Balance Sheet of	
	Governmental Funds to the Statement of Net Position	3 - 6
	Statement of Revenues, Expenditures and Changes in Fund Balances	3 - 7
	Reconciliation of the Statement of Revenues, Expenditures and	
	Changes in Fund Balances of Governmental Funds to the Statement of Activities	3 - 9
	Fiduciary Funds	
	Statement of Fiduciary Assets and Liabilities	3 - 11
	Notes to the Financial Statements	3 - 12

<u>Section</u>		<u>Page</u>
4	Required Supplementary Information	
	Budgetary Comparison Schedule – General Fund	4 - 1
	Schedule of School District's Proportionate Share of Net Pension Liability	4 - 3
	Schedule of School District's Contributions	4 - 4
5	Other Supplementary Information	
	Nonmajor Governmental Funds	
	Combining Balance Sheet	5 - 1
	Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)	5 - 2
	Budgetary Comparison Schedule	5 - 3
	Statement of Changes in Fiduciary Assets and Liabilities	5 - 5
	Schedule of Outstanding Bonded Indebtedness	5 - 6
6	<u>Statistical Section (Unaudited)</u>	
	Statistical Section Summary	6 - 1
	Financial Trend Information:	
	Net Position by Component – Last Ten Fiscal Years	6 - 2
	Changes in Governmental Net Position – Last Ten Fiscal Years	6 - 3
	Fund Balances – Governmental Funds – Last Ten Fiscal Years	6 - 4
	Changes in Fund Balances – Governmental Funds – Last Ten Fiscal Years	6 - 5
	Revenue Capacity Information:	
	Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years	6 - 7
	Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	6 - 8
	Principal Property Taxpayers – Current Year and Nine Years Ago	6 - 9
	Property Tax Levies and Collections– Last Ten Fiscal Years	6 - 10
	Summary of Taxable Assessed Value, Foundation Allowance, and Retirement Rate History – Last Ten Fiscal Years	6 - 11
	Debt Capacity Information:	
	Ratios of General Bonded Debt Outstanding– Last Ten Fiscal Years	6 - 12
	Direct and Overlapping Governmental Activities Debt– June 30, 2015	6 - 13
	Legal Debt Margin– Last Ten Fiscal Years	6 - 14

<u>Section</u>	<u>Page</u>
6 (Continued)	
Demographic and Economic Information:	
Demographic and Economic Statistics – Last Ten Fiscal Years	6 - 15
Principal Employers – Current Year and Nine Years Ago	6 - 16
Operating Information:	
Full-time Equivalent School District Employees – Last Ten Fiscal Years	6 - 17
Operating Indicators – Last Ten Fiscal Years	6 - 18
Capital Asset Information – Last Ten Fiscal Years	6 - 19



Rick West
Assistant Superintendent,
Business Services

Stephanie Trotter, Finance
Director, Business Services

4400 Livernois
Troy, Michigan 48098-4777
rwest@troy.k12.mi.us

248.823.4022
Fax: 248.823.4013

October 11, 2016

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, 2016 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 82,339. 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; 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 a building housing special education services, as well as offices for media, technology, food services, research and evaluation, fine arts, curriculum, instruction, and assessment. The district enrollment for 2015-16 is 12,735 students and is projected to grow to 12,860 for 2016-17.

The School District successfully passed a \$125,000,000 (\$52,710,000 in 2014 audit – actual ballot language approved \$125,000,000) bond issue in November 2013. Over the course of the next 7 years, bond dollars will fund significant technology purchases and improvements, secure front entries at all of the District's elementary and middle school buildings, roof replacement, parking lot and infrastructure improvements.

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 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 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 Troy School District curriculum. A literacy benchmark assessment system is used in 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 has been implemented during the 2015-2016 school year, and will be a focal point for the 2016-2017 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 development activities throughout the year.

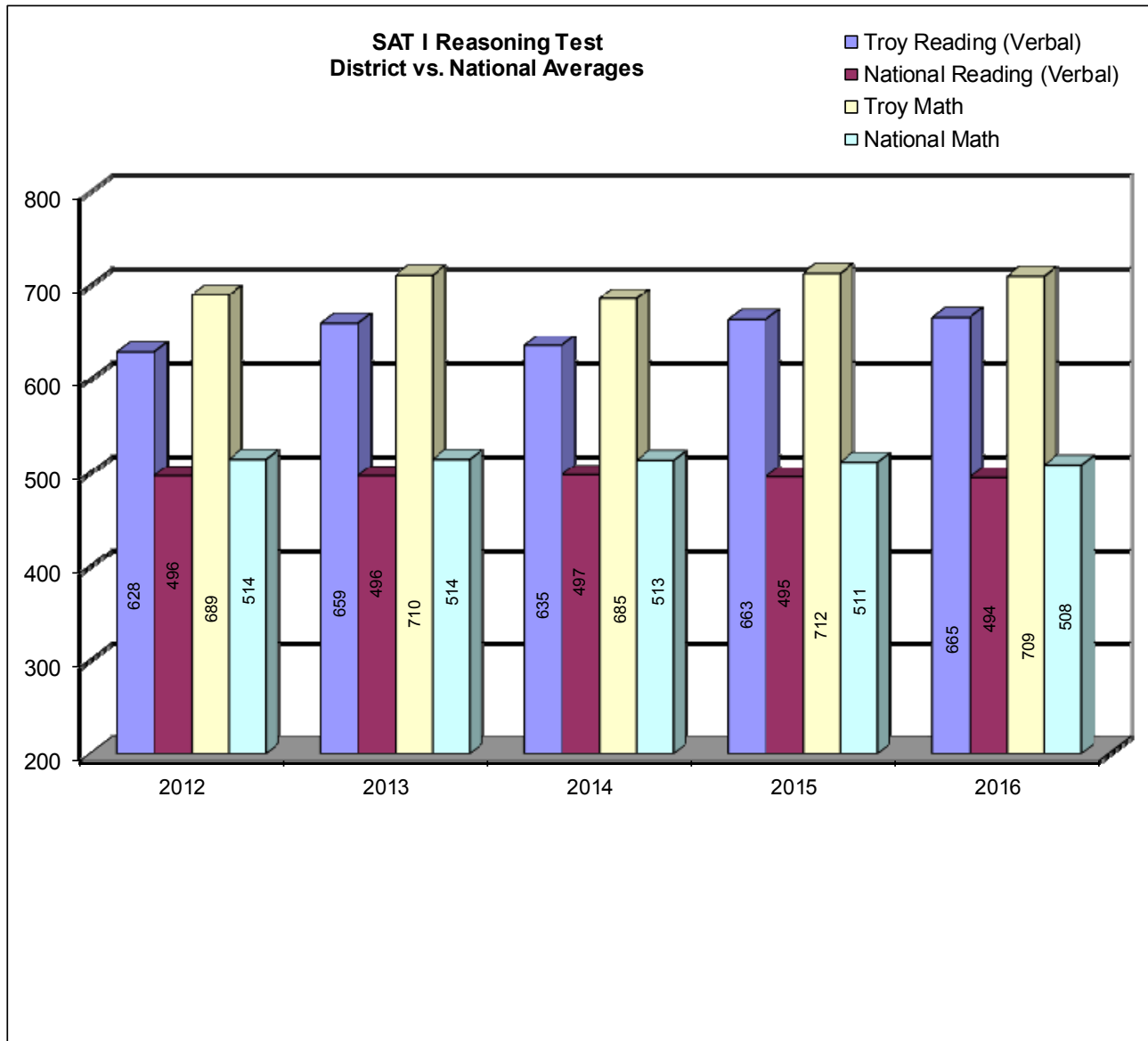
Troy School District completed another extremely successful internal review through AdvancEd- North Central Association Commission on Accreditation and School Improvement. District accreditation is an approach that builds the capacity of all schools and departments within the system to increase and sustain student learning. We are one of a limited number of districts in the state of Michigan to have received such accreditation. This district accreditation will be in place until June 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.

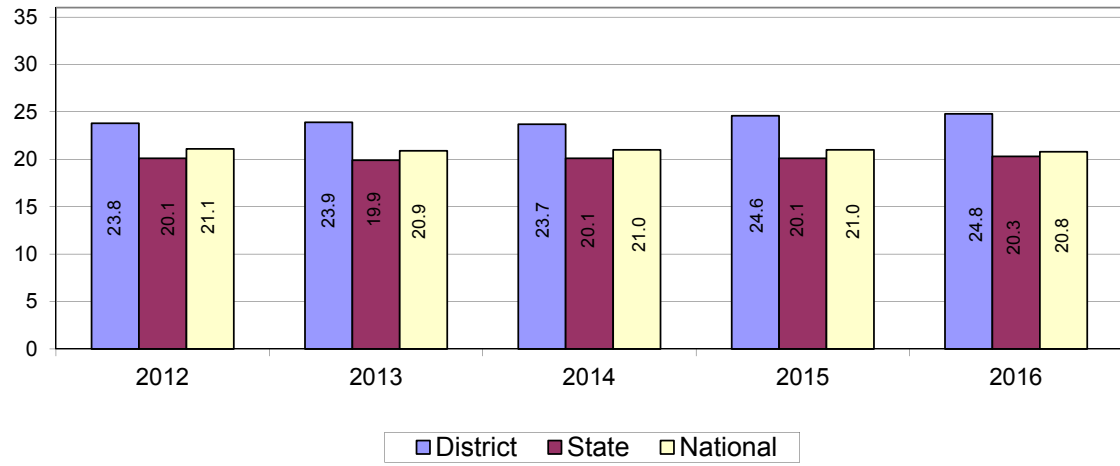
An exceptional number of Troy School District students attend institutions of higher learning upon graduation, both in Michigan and around the country. The University of Michigan is among several institutions that grant additional points for admission consideration to students who have graduated from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

<u>Years Ended June 30</u>	<u>Percent of Students Graduating</u>	<u>Percent of Students Attending College</u>
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
2001	99	92
2000	99	95

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).



**ACT Composite
District vs. State and National Averages**



Median Percentile Rank of ITBS District Reading and Math:

	2015-2016		2014-2015		2013-2014	
	Reading	Math	Reading	Math	Reading	Math
Grade 5	73	79	70	78	71	82

Troy School District Advanced Placement Testing

Years Ended June 30	Number Taken	Percent Qualifying
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
2001-2002	1,204	77
2000-2001	1,116	77

M-Step Percent Proficient Test Results for Elementary School (Grades 3-5)

Middle School (Grades 6-8) and High School (Grade 11)

	M-STEP Percent Proficient Test Results							
	Elementary (Gr 3-5) Middle (Gr 6-8) and High (Grade 11)							
	Elementary			Middle Schools			High Schools	
	15-16*	14-15		15-16*	14-15		15-16	14-15
ELA	76%	83%		74%	79%		n/a	79%
Math	69%	73%		70%	72%		n/a	67%
Science	28%	19%		48%	35%		57%	51%
Social Studies	39%	53%		48%	44%		64%	66%

*15-16 Was the first year for ELA and Math Computer Adaptive Testing (CAT)
n/a Grade 11 ELA and Math were switched from M-STEP assessments to the SAT

Troy Schools have 18 buildings that have achieved state recognition as exemplary schools: Athens High School, Troy High School, Baker Middle School, Boulan 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 grown in membership and 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	2016	2015	2014
K-5	99%	99%	99%
6-8	76%	75%	75%
9-12	77%	68%	80%

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. Baker Middle School 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-second 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 Fund/Capital Maintenance Fund, Internal Service 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. Controls are in place that will not allow individuals to spend more than the amount appropriated to them. The controls are integrated into the School District's computerized accounting system. Expenditures are prohibited from exceeding appropriations at the area level. An encumbrance system is utilized to measure the uncommitted budget amount available at any given point in time during the year. The budget is amended during the year to appropriately address variances that occur as a result of enrollment changes and revenue and expenditure allocations.

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 2015-2016 fiscal year. In addition, the OMB Circular A-133 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.

The results of the School District's single audit for the fiscal year ended June 30, 2015 indicated one instance of material weakness in the internal control of recording the proper capital asset balance in our financial statements. A corrective action plan has been developed and this issue will be resolved in the 2016-2017 fiscal year.

Both of these requirements have been met and the auditor's report on the basic financial statements is included herein.

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	1,565
International Academy East	(included with Baker)	81,455	1952	585
Troy High School	73.13	343,207	1992	1,966
<u>Middle Schools</u>				
Baker Middle School	40.00	128,458	1952	741
Boulan Middle School	16.00	111,190	1971	782
Larson Middle School	31.94	111,190	1971	705
Smith Middle School	13.79	101,094	1967	697

Elementary Schools

Barnard Elementary School	15.01	64,312	1978	467
Bemis Elementary School	15.38	64,312	1978	571
Costello Elementary School	22.95	52,175	1972	346
Hamilton Elementary	14.83	64,312	1983	485
Hill Elementary School	12.94	54,456	1967	333
Leonard Elementary School	11.76	59,340	1959	460
Martell Elementary School	14.20	52,919	1972	497
Morse Elementary School	6.64	54,636	1956	466
Schroeder Elementary School	10.00	61,989	1970	523
Troy Union Elementary School	21.78	68,777	1925	475
Wass Elementary School	20.14	64,312	1978	435
Wattles Elementary School	19.00	59,270	1967	463
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	173
Transportation Building	4.85	13,728	1964	0
Rankin (Warehouse)	1.59	24,840	Unknown	0
Total	<u>444.53</u>	<u>2,117,109</u>		<u>12,735</u>
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, 1989-2015. 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,



Rick West
Assistant Superintendent, Business Services



Stephanie K. Trotter,
Finance Director, Business Services

Troy School District
Members of the Board of Education and Administration
June 30, 2016

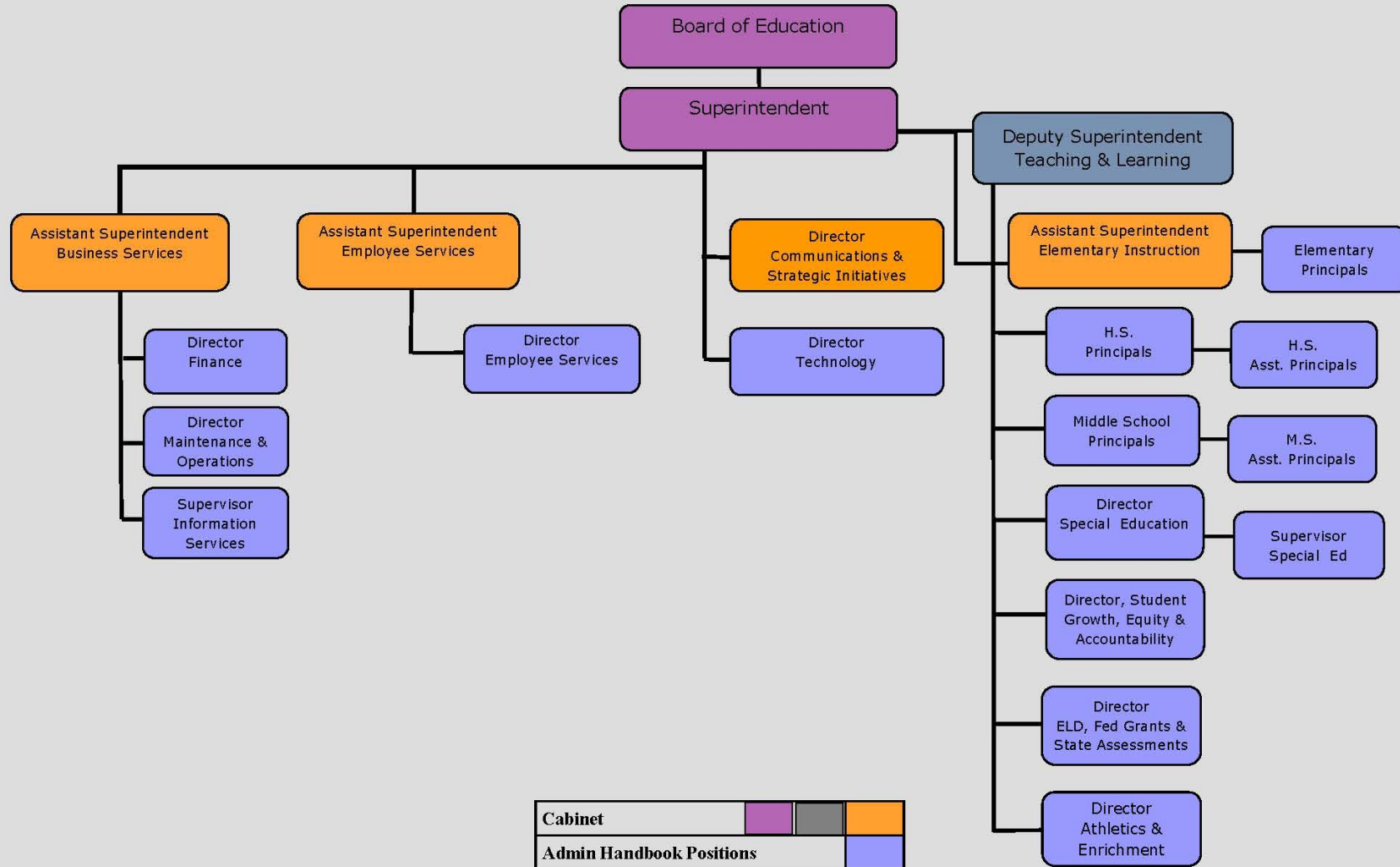
Members of the Board of Education

Nancy Philippart	President
Karl D. Schmidt	Vice President
Paula Flemming	Secretary
Ida Edmunds	Trustee
Todd Milette	Trustee
Gary Hauff	Trustee
Wendy Underwood	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

2015/2016 ORGANIZATIONAL CHART





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

Troy School District

**for its Comprehensive Annual Financial Report (CAFR).
for the Fiscal Year Ended June 30, 2015.**

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



A handwritten signature in black ink, reading 'Brenda Burkett', written over a horizontal line.

Brenda R. Burkett, CPA, CSBA, SFO
President

A handwritten signature in black ink, reading 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

Independent Auditors' Report

Management and the Board of Education
Troy School District

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, 2016, 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, 2016, 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, 2016, the School District adopted GASB Statements No. 72, 76, 79, and 82, *Fair Value Measurement and Application*, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, *Certain External Investment Pools and Pool Participants*, and *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73, respectively*. Our opinions are not modified with respect to this matter.

Prior Period Adjustment

As discussed in Note 13 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. Our opinion is 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, and schedule of the school district's 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 11, 2016 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 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 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 11, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Troy School District
Management's Discussion and Analysis
June 30, 2016

This section of the 2016 annual financial report presents our discussion and analysis of Troy School District's financial performance during the year ended June 30, 2016. 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 and the Capital Projects 2014 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
 - Proprietary Fund - Internal Service Fund
 - Fiduciary Fund
 - Notes to Financial Statements
- Required Supplemental Information
 - Budgetary Comparison Schedule - General Fund
- Other Supplemental Information
 - Combining Balance Sheet - Nonmajor Funds
 - Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Funds
 - Budgetary Comparison Schedule - Governmental Funds (excluding General Fund)
 - Schedule of Bonded Indebtedness

Troy School District
Management's Discussion and Analysis
June 30, 2016

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 and liabilities, 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 significant funds - not the School 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 and the Capital Projects 2014 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, 2016

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, 2016 and 2015:

TABLE 1	Governmental Activities	
	June 30	
	2016	(Restated) 2015
	(in millions)	
Assets		
Current and other assets	\$ 58.9	\$ 75.5
Capital assets	162.0	152.3
Total assets	220.9	227.8
Deferred Outflows of Resources		
Total assets and deferred outflows of resources	31.9	22.2
	252.8	250.0
Liabilities		
Current liabilities	20.6	19.4
Long-term liabilities	335.6	318.5
Total liabilities	356.1	337.9
Deferred Outflows of Resources		
Total liabilities and deferred inflows of resources	6.1	19.6
	362.2	357.5
Net Position		
Net investment in capital assets	52.9	50.3
Restricted	2.1	1.5
Unrestricted (deficit)	(164.3)	(159.3)
Total net position	\$ (109.4)	\$ (107.5)

Troy School District
Management's Discussion and Analysis
June 30, 2016

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 (\$109.4) million at June 30, 2016 compared to (\$107.5) million at June 30, 2015. Net investment in capital assets totaled \$52.9 million and \$50.3 million at June 30, 2016 and 2015, 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 \$2.1 million and \$1.5 million at June 30, 2016 and 2015, 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, (\$164.3) million and (\$159.3) million at June 30, 2016 and 2015, respectively, was unrestricted.

The (\$164.3) million in unrestricted net position of governmental activities represents the implementation of GASB 68. In the prior year, beginning net position in the statement of activities was reduced by \$177,876,176, restating it from \$70,539,775 to \$(107,336,401). Additionally deferred inflows relating to net pension liability are \$6,050,582 and deferred outflows relating to the net pension liability are \$30,295,207. These deferrals will be amortized through the plan year 2018.

Troy School District
Management's Discussion and Analysis
June 30, 2016

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 2016 and 2015.

TABLE 2	Governmental Activities	
	2016	(Restated) 2015
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 7.6	\$ 6.8
Operating grants	28.6	25.5
General revenue:		
Property taxes	50.8	50.0
State aid	78.6	77.1
Other	0.9	0.3
Total revenue	166.5	159.7
Functions/Program Expenses		
Instruction	101.9	93.2
Support services	54.2	54.5
Community services	2.7	2.2
Food services	3.4	3.4
Community services	1.6	1.7
Interest and fiscal charges on long-term debt	4.6	4.9
Total functions/program expenses	168.4	159.9
Change in net position	(2.0)	(0.2)
Net deficit - beginning, as restated	(107.5)	(107.3)
Net deficit - ending	\$ (109.4)	\$ (107.5)

**Troy School District
Management's Discussion and Analysis
June 30, 2016**

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$168.4 million, an increase of \$8.5 million, or approximately 5%, from 2014-2015. Certain activities were partially funded from those who benefited from the programs (\$7.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$28.6 million). We paid for the remaining “public benefit” portion of our governmental activities with \$50.7 million in taxes, \$78.6 million in State foundation allowance, and with our other revenues (i.e., interest and general entitlements). Total revenue in 2015-2016 was \$166.5 million, an increase of approximately \$6.8 million from 2014-2015. The School District experienced a decrease in net position of approximately \$2.0 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 \$39.8 million, which is a decrease of \$17.3 million from last year. The changes in major and nonmajor funds are as follows:

	General Fund	Capital Projects 2014	Nonmajor Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balance - beginning	\$20,701,637	\$ 31,091,791.00	\$5,310,221	\$57,103,649
Net change in fund balance	<u>830,648</u>	<u>(18,975,540)</u>	<u>844,745</u>	<u>(17,300,147)</u>
Fund balance - ending	<u>\$ 21,532,285</u>	<u>\$ 12,116,251</u>	<u>\$ 6,154,966</u>	<u>\$ 39,803,502</u>

In the General Fund, our principal operating fund, the fund balance increased \$0.83 million compared to a \$.68 million decrease in the prior year. Revenue and other financing sources increased approximately \$4.5 million from the prior year and expenditures and other financing uses increased approximately \$3.0 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, 2016

A new Capital Projects Fund was created in the 2013-2014 school year due to the fact that the School District issued \$52.7 million in new voter-approved bonds. These bonds were issued in accordance with State law and have been and will be used over the next six years to fund significant technology purchases and improvements, front entrance security at all of the District's elementary and middle school buildings, roof replacement, parking lot and infrastructure improvements.

The Adult and Community Education's fund balance decreased by \$1.8 million due primarily to transfers to the General Fund and Capital Maintenance Fund. The Food Services' fund balance increased by approximately \$294,000 due to an increase in participation. The Facility Rentals' fund balance increased by approximately \$237,000 primarily due to an increase in facility rentals. Combined, the debt service funds showed a fund balance increase of approximately \$314,000 due to decreases in principal and interest. Millage rates are reviewed annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service.

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 2015-2016 General Fund original budget. Budgeted revenues increased by \$4.6 million to account for final pupil counts, state aid and categorical grants, and federal grant awards.

Budgeted expenditures were also increased by \$4.3 million to account for changes in grant awards, as well as estimates for salaries, benefits, purchased services and other expenditures in the operating plan of the District.

There were also no significant variances between the final budget and actual amounts. Total revenue was over budget by approximately \$.03 million and total expenditures were under budget by approximately \$1.9 million. This reflects a 1.3% variance on total expenditures of \$140.2 million.

**Troy School District
Management's Discussion and Analysis
June 30, 2016**

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2016, the School District had approximately \$162 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 \$9.6 million, or 6.3 percent, from last year.

	2016
Land	\$ 2,592,570
Construction in progress	3,795,067
Buildings and building improvements	151,072,964
Furniture and equipment	4,518,156
Total capital assets	\$ 161,978,757

This year's change in capital assets included \$34.0 million of additions to construction in progress and furniture and equipment.

Several major capital projects are planned for the 2016-2017 fiscal year. There will be capital additions in 2016-17 as well. 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 \$121.2 million in bonds outstanding versus \$133.1 million in the previous year - a decrease of \$11.9 million. Those bonds consisted of the following:

	2016
General obligation bonds	\$ 111,925,000
Plus deferred issuance premiums	10,897,023
Less deferred interest	(1,577,802)
Total	\$ 121,244,221

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.

Troy School District
Management's Discussion and Analysis
June 30, 2016

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 2017 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 2017 fiscal year is 90 percent and 10 percent of the September 2016 and February 2017 student counts, respectively. The 2016-2017 budget was adopted in June 2016, based on a blended student membership count of 12,740. 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 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, 2016

	<u>Governmental Activities</u>
Assets	
Cash	\$ 23,463,414
Accounts receivable	581,588
Due from other governmental units	18,520,728
Inventory	161,733
Investments	15,808,215
Prepaid items	375,398
Capital assets not being depreciated	6,387,637
Capital assets - net of accumulated depreciation	<u>155,591,120</u>
 Total assets	 <u>220,889,833</u>
 Deferred Outflows of Resources	
Deferred amount relating to net pension liability	30,295,207
Deferred amount on debt refunding	<u>1,577,802</u>
 Total deferred outflows of resources	 <u>31,873,009</u>
 Total assets and deferred outflows of resources	 <u>252,762,842</u>

See Accompanying Notes to the Financial Statements

Troy School District
Statement of Net Position
June 30, 2016

	Governmental Activities
Liabilities	
Checks written excess of deposits	\$ 1,564,826
Accounts payable	3,226,739
Due to other governmental units	1,470,949
Accrued expenditures	1,442,613
Accrued salaries payable	11,976,506
Unearned revenue	868,554
Noncurrent liabilities	
Net pension liability	206,148,083
Debt due within one year	11,310,000
Debt due in more than one year	118,130,086
Total liabilities	356,138,356
Deferred Inflows of Resources	
Deferred amount relating to net pension liability	6,050,582
Total liabilities and deferred inflows of resources	362,188,938
Net Position	
Net investment in capital assets	52,850,787
Restricted for:	
Food service	1,610,824
Debt service	499,558
Unrestricted (deficit)	(164,387,265)
Total net position	\$ (109,426,096)

See Accompanying Notes to the Financial Statements

Troy School District
Statement of Activities
For the Year Ended June 30, 2016

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
Functions/Programs				
Governmental activities				
Instruction	\$ 101,854,565	\$ 488,463	\$ 25,753,690	\$ (75,612,412)
Supporting services	55,879,635	741,377	1,798,620	(53,339,638)
Food services	3,379,220	2,408,187	1,029,727	58,694
Community services	2,706,054	3,970,320	-	1,264,266
Interest and fiscal charges on long-term debt	4,627,733	-	-	(4,627,733)
	<u>\$ 168,447,207</u>	<u>\$ 7,608,347</u>	<u>\$ 28,582,037</u>	<u>(132,256,823)</u>
General revenues				
				33,843,149
				16,934,440
				78,611,473
				96,248
				812,604
				130,297,914
				(1,958,909)
				(107,467,187)
				\$ (109,426,096)

See Accompanying Notes to the Financial Statements

Troy School District
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Capital Projects 2014	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 16,792,441	\$ -	\$ 6,670,973	\$ 23,463,414
Accounts receivable	505,452	378	75,758	581,588
Due from other funds	330,509	-	-	330,509
Due from other governmental units	18,112,142	-	408,586	18,520,728
Inventory	118,374	-	43,359	161,733
Investments	-	15,808,215	-	15,808,215
Prepaid items	375,398	-	-	375,398
	<u>36,234,316</u>	<u>15,808,593</u>	<u>7,198,676</u>	<u>59,241,585</u>
Total assets	<u>\$ 36,234,316</u>	<u>\$ 15,808,593</u>	<u>\$ 7,198,676</u>	<u>\$ 59,241,585</u>
Liabilities				
Checks written excess of deposits	\$ -	\$ 1,564,826	\$ -	\$ 1,564,826
Accounts payable	804,481	2,127,516	294,742	3,226,739
Due to other funds	-	-	330,509	330,509
Due to other governmental units	1,470,949	-	-	1,470,949
Accrued salaries payable	11,976,506	-	-	11,976,506
Unearned revenue	450,095	-	418,459	868,554
	<u>14,702,031</u>	<u>3,692,342</u>	<u>1,043,710</u>	<u>19,438,083</u>
Total liabilities	<u>14,702,031</u>	<u>3,692,342</u>	<u>1,043,710</u>	<u>19,438,083</u>

See Accompanying Notes to the Financial Statements

**Troy School District
Governmental Funds
Balance Sheet
June 30, 2016**

	General Fund	Capital Projects 2014	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance				
Non-spendable				
Inventory	\$ 118,374	\$ -	\$ 43,359	\$ 161,733
Prepaid items	375,398	-	-	375,398
Restricted for				
Food service	-	-	1,567,465	1,567,465
Debt service	-	-	1,221,661	1,221,661
Capital projects	-	12,116,251	-	12,116,251
Committed				
Adult and community education	-	-	155,527	155,527
Facility rentals	-	-	597,516	597,516
Assigned				
Unassigned	<u>21,038,513</u>	<u>-</u>	<u>2,569,438</u>	<u>23,607,951</u>
 Total fund balance	 <u>21,532,285</u>	 <u>12,116,251</u>	 <u>6,154,966</u>	 <u>39,803,502</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 36,234,316</u>	 <u>\$ 15,808,593</u>	 <u>\$ 7,198,676</u>	 <u>\$ 59,241,585</u>

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, 2016

Total fund balances for governmental funds	\$ 39,803,502
Total net position for governmental activities in the statement of net position is different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets not being depreciated	6,387,637
Capital assets - net of accumulated depreciation	155,591,120
Deferred outflows (inflows) of resources	
Deferred outflows of resources resulting from debt refunding	1,577,802
Deferred inflows of resources resulting from net pension liability	(6,050,582)
Deferred outflows of resources from net pension liability	30,295,207
Certain liabilities are not due and payable in the current period and are not reported in the funds	
Accrued interest	(722,103)
Incurred but not reported benefit claims	(720,510)
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	(206,148,083)
Compensated absences	(6,393,063)
Special termination benefits	(225,000)
Bonds payable	<u>(122,822,023)</u>
Net position of governmental activities	<u>\$ (109,426,096)</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, 2016

	General Fund	Capital Projects 2014	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 36,089,115	\$ 156,222	\$ 23,003,441	\$ 59,248,778
State sources	94,326,224	-	122,756	94,448,980
Federal sources	2,986,496	-	2,828,347	5,814,843
Interdistrict sources	7,011,587	-	-	7,011,587
	<u>140,413,422</u>	<u>156,222</u>	<u>25,954,544</u>	<u>166,524,188</u>
Expenditures				
Current				
Education				
Instruction	97,217,899	-	-	97,217,899
Supporting services	42,492,393	-	2,009,628	44,502,021
Food services	-	-	3,229,152	3,229,152
Community services	35,424	-	2,572,634	2,608,058
Facilities acquisition	-	19,131,762	17,979	19,149,741
Capital outlay	502,348	-	-	502,348
Debt service				
Principal	-	-	11,660,000	11,660,000
Interest and other expenditures	-	-	4,923,585	4,923,585
Tax tribunal refunds	-	-	37,516	37,516
	<u>140,248,064</u>	<u>19,131,762</u>	<u>24,450,494</u>	<u>183,830,320</u>
Excess (deficiency) of revenues over expenditures	<u>165,358</u>	<u>(18,975,540)</u>	<u>1,504,050</u>	<u>(17,306,132)</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, 2016

	General Fund	Capital Projects 2014	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ 5,985	\$ -	\$ -	\$ 5,985
Transfers in	659,305	-	4,557,254	5,216,559
Transfers out	-	-	(5,216,559)	(5,216,559)
Total other financing sources (uses)	<u>665,290</u>	<u>-</u>	<u>(659,305)</u>	<u>5,985</u>
Net change in fund balance	830,648	(18,975,540)	844,745	(17,300,147)
Fund balance - beginning	<u>20,701,637</u>	<u>31,091,791</u>	<u>5,310,221</u>	<u>57,103,649</u>
Fund balance - ending	<u>\$ 21,532,285</u>	<u>\$ 12,116,251</u>	<u>\$ 6,154,966</u>	<u>\$ 39,803,502</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, 2016

Net change in fund balances - Total governmental funds \$ (17,300,147)

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 (41,875)

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 (7,975,532)

Capital outlay 17,596,460

Sale of capital assets (net book value) (8,600)

Expenses are recorded when incurred in the statement of activities.

Interest 124,962

Benefit claims (441,837)

Special termination benefits 40,000

Compensated absences (351,819)

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 (28,793,242)

Net change in the deferrals of resources related to the net pension liability 25,625,068

Net change between actual pension contributions and the cost of benefits earned net of employee contributions (2,300,753)

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, 2016

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.

Repayments of long-term debt	\$ 11,660,000
Amortization of premiums	276,166
Amortization of deferred amount on debt refunding	<u>(67,760)</u>
Change in net position of governmental activities	<u>\$ (1,958,909)</u>

Troy School District
Fiduciary Funds
Statement of Assets and Liabilities
June 30, 2016

	<u>Student Activities Agency Funds</u>
Assets	
Cash	\$ 2,034,385
Accounts receivable	<u>28,530</u>
 Total assets	 <u>\$ 2,062,915</u>
 Liabilities	
Accounts payable	\$ 149,652
Due to agency fund activities	<u>1,913,263</u>
 Total liabilities	 <u>\$ 2,062,915</u>

See Accompanying Notes to the Financial Statements

Troy School District
Notes to the Financial Statements
June 30, 2016

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, 2016

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.

2014 Capital Projects Fund – 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.

Additionally, the School District reports the following fund types:

Capital Projects Fund – 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 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.

Assets, Liabilities and Net Position or Equity

Cash and cash equivalents – Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

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.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Troy School District
Notes to the Financial Statements
June 30, 2016

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2016, the rates are as follows per \$1,000 of assessed value.

General Fund	
Principal residence exemption	4.9918
Non-principal residence exemption	17.8794
Commercial personal property	10.9918
Industrial personal property	4.9918
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. Approximately 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. Certificates of deposit are stated at cost which approximates fair value.

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 estimated fair market 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 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 amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability 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

Troy School District
Notes to the Financial Statements
June 30, 2016

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.

Deferred Inflows of Resources – For district-wide financial statements, the School District reports deferred outflows of resources as a result of pension 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 amortized over the next four years and included in pension expense. Changes in assumptions relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the

plan. The School District also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce the net pension liability in the following year.

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.

Troy School District
Notes to the Financial Statements
June 30, 2016

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

The Governmental Accounting Standards Board (“The GASB”) has issued Statement No. 72 *Fair Value Measurements and Applications*. Statement 72 provides guidance for accounting and financial reporting issues related to fair value measurement. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The guidance establishes a three level hierarchy of inputs for valuation of fair value. Statement 72 is effective for the year ending June 30, 2016.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces

the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement 76 is effective for the year ending June 30, 2016.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria that, if met, permit external investment pools to elect to measure all of their investments at amortized cost for financial reporting purposes. Also, it establishes additional disclosure requirements for qualifying external investment pools that make that election and for governments that participate in such external investment pools. Statement 79 is effective for the year ending June 30, 2016.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement 82 is effective for the year ending June 30, 2016.

Troy School District
Notes to the Financial Statements
June 30, 2016

Upcoming Accounting and Reporting Changes

GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* addresses the other postemployment benefits plans (OPEB) – defined benefit and defined contribution – administered through trusts. This Statement will improve the financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts. This information will enhance the transparency by providing information about measures of net OPEB liabilities and explanations of how and why those liabilities changed from year to year. Statement No. 74 is effective for the fiscal year ending June 30, 2017.

GASB 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.

GASB Statement No. 77, *Tax Abatement Disclosures* requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit

incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement are effective for the fiscal year ending June 30, 2017.

GASB 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.

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.

Troy School District
Notes to the Financial Statements
June 30, 2016

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	\$ 80,056,816	\$ 80,529,183	\$ 472,367
Pupil	10,217,680	10,241,980	24,300
General administration	2,155,460	2,183,629	28,169
School administration	7,279,784	7,365,968	86,184
Pupil transportation services	3,191,761	3,260,786	69,025
Food Service Fund	3,182,130	3,249,261	67,131
Adult and Community Ed	5,239,522	5,261,770	22,248
Facility Rentals	1,300	1,365	65

District-Wide Deficits

The School District has an unrestricted net position deficit for District-Wide activities in the amount of \$164,387,265 as of June 30, 2016.

Compliance - Bond Proceeds

The Capital Projects Fund 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 2014 Capital Project Funds from the inception of the funds through the current fiscal year:

	<u>2014 Fund</u>
Revenues	\$ 58,381,232
Expenditures	(46,264,981)

Note 3 - Deposits and Investments

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 23,463,414	\$ 2,034,385	\$ 25,497,799
Investments	<u>15,808,215</u>	-	<u>15,808,215</u>
	<u>\$ 39,271,629</u>	<u>\$ 2,034,385</u>	<u>\$ 41,306,014</u>

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

Deposits (checking, savings accounts, money markets, certificates of deposit)	\$ 25,470,886
Investments in securities, mutual funds, and similar vehicles	15,808,215
Petty cash and cash on hand	<u>26,913</u>
Total	<u>\$ 41,306,014</u>

Troy School District
Notes to the Financial Statements
June 30, 2016

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

Investment	Fair Value	Maturities	Rating	Rating Organization
MI LAF + Cash Management Class	\$ 4,076,827	N/A	AAAm	Standard & Poor's
MI LAF + MAX Class	174	N/A	AAAm	Standard & Poor's
MI LAF Managed Account				
US Treasury Notes	3,946,979	1 year	AA+	Standard & Poor's
Fannie Mae Global Notes	2,719,997	1 year	AA+	Standard & Poor's
Freddie Mac Global Notes	270,632	1 year	AA+	Standard & Poor's
FNMA Global Benchmark Notes	2,322,685	1 year	AA+	Standard & Poor's
Fannie Mae Notes	1,505,169	1 year	AA+	Standard & Poor's
FHLB Notes	<u>965,752</u>	1 year	AA+	Standard & Poor's
	<u>\$ 15,808,215</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.

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, \$24,626,439 of the School District's bank balance of \$25,052,244 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, 2016:

- Amounts invested in MILAF + Portfolio of \$4,077,001. 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)
- U.S. Treasury securities of \$3,946,979 million are valued using quoted market prices (Level 1 inputs)

Troy School District
Notes to the Financial Statements
June 30, 2016

- Asset backed securities, primarily invested with Federal Government Mortgage Loans (Fannie Mae) and (Freddie Mac), of \$7,784,235. 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 (as restated)	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,592,570	\$ -	\$ -	\$ 2,592,570
Construction-in-progress	<u>20,195,600</u>	<u>3,795,067</u>	<u>20,195,600</u>	<u>3,795,067</u>
Total capital assets not being depreciated	<u>22,788,170</u>	<u>3,795,067</u>	<u>20,195,600</u>	<u>6,387,637</u>
Capital assets being depreciated				
Buildings and additions	231,170,719	33,768,105	-	264,938,824
Equipment and furniture	<u>47,132,448</u>	<u>228,888</u>	<u>172,429</u>	<u>47,188,907</u>
Total capital assets being depreciated	<u>278,303,167</u>	<u>33,996,993</u>	<u>172,429</u>	<u>312,127,731</u>
Less accumulated depreciation for				
Buildings and additions	106,926,561	6,939,299	-	113,865,860
Equipment and furniture	<u>41,798,347</u>	<u>1,036,233</u>	<u>163,829</u>	<u>42,670,751</u>
Total accumulated depreciation	<u>148,724,908</u>	<u>7,975,532</u>	<u>163,829</u>	<u>156,536,611</u>
Net capital assets being depreciated	<u>129,578,259</u>	<u>26,021,461</u>	<u>8,600</u>	<u>155,591,120</u>
Net capital assets	<u>\$ 152,366,429</u>	<u>\$ 29,816,528</u>	<u>\$ 20,204,200</u>	<u>\$ 161,978,757</u>

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

Governmental activities	
Instruction	\$ 279,812
Supporting services	7,664,001
Food services	30,386
Community services	<u>1,333</u>
Total governmental activities	<u>\$ 7,975,532</u>

Construction Contracts

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

	Total Contract	Remaining Construction Commitment at Year End	Contract Payable at Year End
Various Projects	<u>\$ 36,813,370</u>	<u>\$ 25,472,880</u>	<u>\$ 1,949,663</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 December 31, 2016.

Troy School District
Notes to the Financial Statements
June 30, 2016

Note 6 - Interfund Receivables, Payables, and Transfers

Individual interfund receivable and payable balances at year end were:

Due From Fund	Due to Fund	Amount
Nonmajor Governmental Funds	General Fund	\$ 330,509

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:

	Transfers Out		
	General Fund	Other Governmental Funds	Total
Transfers in			
General Fund	\$ -	\$ 659,305	\$ 659,305
Other governmental funds	-	4,557,254	4,557,254
	\$ -	\$ 5,216,559	\$ 5,216,559

For the year ended June 30, 2016, the School District transferred funds to (1) cover indirect expenses incurred in the Food Services and Troy Career Center funds, (2) establish the 2015 Debt Service Fund, and (3) to reduce the fund balance of the Adult and Community Education Fund.

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:

	Unearned
Grant and categorical aid payments received prior to meeting all eligibility requirements	\$ 868,554

Note 8 - Operating Leases

The School District leases the building for the Troy Career Center under a noncancelable operating lease. Total costs for this lease were \$175,976 for the current year. Future minimum payments totaling \$14,665 per month, or \$58,660 in total is required through October 31, 2016.

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, termination benefits, and certain risk liabilities.

Troy School District
Notes to the Financial Statements
June 30, 2016

Long-term obligation activity is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Government obligation bonds	\$ 123,585,000	\$ -	\$ 11,660,000	\$ 111,925,000	\$ 11,310,000
Compensated absences	6,041,244	351,819	-	6,393,063	-
Severance obligation	265,000	-	40,000	225,000	-
Premium on bonds	11,173,189	-	276,166	10,897,023	-
Total	\$ 141,064,433	\$ 351,819	\$ 11,976,166	\$ 129,440,086	\$ 11,310,000

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Deferred amount on refunding	\$ (1,645,562)	\$ -	\$ 67,760	\$ (1,577,802)	\$ -

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

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%	\$ 34,095,000
\$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 2.0-5.0%	45,900,000
\$31,930,000 refunding bond due in annual installments of \$2,600,000 to \$3,295,000 through May 1, 2026, interest at 5%	<u>31,930,000</u>
Total general obligation bonded debt	<u>\$ 111,925,000</u>

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

	Principal	Interest	Total
Year Ending June 30,			
2017	\$ 11,310,000	\$ 4,428,896	\$ 15,738,896
2018	9,655,000	4,085,992	13,740,992
2019	9,615,000	3,758,838	13,373,838
2020	9,580,000	3,412,906	12,992,906
2021	9,545,000	3,067,947	12,612,947
2022 - 2026	46,670,000	10,086,272	56,756,272
2027 - 2028	15,550,000	1,175,000	16,725,000
Total	\$ 111,925,000	\$ 30,015,851	\$ 141,940,851

The general obligation bonds are payable from the Debt Service Funds. As of year-end, the funds had a balance of \$1,221,661 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 \$4,922,838, respectively.

Compensated Absences

Accrued compensated absences at year end, consist of \$333,663 of vacation hours earned and vested and \$6,059,400 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 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.

Troy School District
Notes to the Financial Statements
June 30, 2016

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.

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 and health and vision claims. The School District participates in the Metropolitan Association for Improved School Legislation (MAISL) 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 is self-insured for dental insurance. The School District has contracted with an independent administrator to process the dental claims and perform other administrative duties. The School District evaluates the liability related to the dental claims at the end of each fiscal year. The liability is calculated, based upon claims already incurred and reported and an estimate of incurred but not reported claims, as provided by the administrator. For governmental activities, the liability for dental benefits is primarily liquidated by the general

fund. Estimated liabilities for claims for dental benefits is approximately \$25,000 as of June 30, 2016.

The School District is self-insured under the Michigan Worker's Disability Compensation Act. Under the plan, the School District's maximum loss is limited to an amount equal to a percentage of the normal workers' compensation premiums. Losses in excess of this limitation are insured up to an aggregate limit of \$5,000,000.

Change in estimated liabilities for claims for dental and workers' compensation for the year is as follows:

	2016	2015
Estimated liability at the beginning of the year	\$ 278,673	\$ 382,614
Estimated claims incurred including changes in estimates	902,224	106,835
Claim payments	(460,387)	(210,776)
Estimated liability end of year	\$ 720,510	\$ 278,673

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 Plans and Post-Employment Benefits

Organization

The Michigan Public School Employees' Retirement System (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

Troy School District
Notes to the Financial Statements
June 30, 2016

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 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 at www.michigan.gov/mpsers-cafr.

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 for DB plan members are determined by final average compensation and 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 member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. 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 and Funding Status

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, 2015 valuation will be amortized over a 21 year period for the plan's 2015 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2015.

<u>Pension Contribution Rates</u>		
<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	22.52 - 23.07%
Member Investment Plan	3.0 - 7.0	22.52 - 23.07
Pension Plus	3.0 - 6.4	21.99
Defined Contribution	0.0	17.72 - 18.76

Required contributions to the pension plan from the School District were \$16,281,923 for the year ending September 30, 2015.

Net Pension Liability

At June 30, 2016, the School District reported a liability of \$206,148,083 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The School District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all employers' statutorily required contributions for the measurement period. At September 30, 2015, the School District's

Troy School District
Notes to the Financial Statements
June 30, 2016

proportionate share percent was .8440 percent, which was an increase of .0388 percent since the prior measurement date.

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

For the year ended June 30, 2016, the School District recognized total pension expense of \$19,339,407. The School District's actual contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$16,282,000, \$12,505,000, and \$14,929,000, respectively.

At June 30, 2016, 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
Difference between expected and actual experience	\$ -	\$ 682,823
Changes in assumptions	5,075,802	-
Net difference between projected and actual earnings on pension plan investments	1,052,220	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,232,979	115,525
Employer contributions subsequent to the measurement date	16,934,206	5,252,234
	<u>\$ 30,295,207</u>	<u>\$ 6,050,582</u>

\$16,934,206 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, 2017. \$5,252,234 reported as deferred inflows of resources relating to pensions resulting from employer contributions subsequent to the measurement date are 147c revenues received that will be recognized in the year ended June 30, 2017 when the related payments reduce the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Plan Year Ending September 30</u>	<u>Amount:</u>
2015	\$ 2,493,950
2016	2,493,950
2017	2,218,718
2018	<u>5,356,035</u>
Total	<u>\$ 12,562,653</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, 2014
- Actuarial Cost Method: Entry Age, Normal
- Wage inflation rate: 3.5%
- Investment Rate of returns:

Troy School District
Notes to the Financial Statements
June 30, 2016

- MIP and Basic Plans (Non-Hybrid): 8.0%
- 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
- Healthcare Cost Trend Rate: 8.5% 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.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for liabilities is the average of the expected remaining service lives of all employees in years: (4.7158 for non-university employers). The recognition period for assets in years is 5.0000. Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report (CAFR) (www.michigan.gov/mpsers-cafr).

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, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
	<u>100.0%</u>	

*Long term rate of return does not include 2.1% inflation

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 8.0% (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.

Troy School District
Notes to the Financial Statements
June 30, 2016

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 a discount rate of 8.0% (7.0% for the Pension Plus 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-point higher:

1% Decrease (Non-Hybrid/Hybrid)* 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)* 8.0% / 7.0%	1% Increase (Non-Hybrid/Hybrid)* 9.0% / 8.0%
\$ 265,777,725	\$ 206,148,083	\$ 155,877,854

*Non-university employers, 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.

Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2015 MPSERS CAFR (www.michigan.gov/mpsers-cafr).

Payables to the Pension Plan

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

Post-Employment Benefits

In addition to the pension benefits described above, state law requires the School District to provide post-employment healthcare benefits for eligible retirees and beneficiaries through the Michigan Public School Employees Retirement System (MPSERS).

The 2012 Retirement Reform included changes to retiree healthcare benefits. New employees hired after the effective date who elect this benefit are enrolled in the defined contribution Personal Healthcare Fund. This establishes a portable tax-deferred account in which the participant contributes up to 2% of their salary, and receives up to a 2% employer match. These funds can be used to pay for healthcare expenses in retirement.

Employees working prior to the enactment of the 2012 Retirement Reform have two options: (a) the Personal Healthcare Fund, or (b) the defined benefit Premium Subsidy benefit.

Employees electing the defined benefit Premium Subsidy benefit contribute 3% of their compensation, and the employer contributes an actuarially determined percent of payroll for all participants. Upon retirement members receive a premium subsidy towards health, dental and vision insurance. The subsidy is a percent of the premium cost, with the percentage varying based on several factors.

For the periods July 1, 2015 through September 30, 2015, and October 1, 2015 through June 30, 2016, the employer contribution rate ranged from 2.20% to 2.71% and 6.40% to 6.83%, respectively.

The School District's actual contributions match the required contributions for the years ended June 30, 2016, 2015, and 2014 and were approximately \$4,595,000, \$2,498,000, and \$4,636,000, respectively.

Unfunded Accrued Liability

During the year ending June 30, 2016, the School District had contributions in the amount of \$8,086,581 to the MPSERS. This amount represents the additional employer contributions attributed to the unfunded accrued actuarial liability (UAAL) rate, which was approximately 10.53% for the year ending June 30, 2016.

Troy School District
Notes to the Financial Statements
June 30, 2016

Note 12 - 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, 2016.

Note 13 - Prior Period Adjustment

During the year ended June 30, 2014, the School District's construction in progress balance erroneously included \$1,747,566 in buses, which had already been entered into the fixed asset system as depreciable assets. An adjusting entry was required to be posted to correct the beginning balance for the current year. The impact of this change is to reduce beginning net position in the statement of activities as of July 1, 2015, by \$1,747,566, restating it from \$(105,719,621) to \$(107,467,187).

REQUIRED SUPPLEMENTARY INFORMATION

Troy School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Revenues				
Local sources	\$ 35,198,639	\$ 35,477,362	\$ 36,089,115	\$ 611,753
State sources	90,070,344	94,382,217	94,326,224	(55,993)
Federal sources	3,395,503	3,465,012	2,986,496	(478,516)
Interdistrict sources	7,167,230	7,113,713	7,011,587	(102,126)
Total revenues	135,831,716	140,438,304	140,413,422	(24,882)
Expenditures				
Instruction				
Basic programs	75,503,372	80,056,816	80,529,183	472,367
Added needs	16,487,839	16,374,209	16,063,591	(310,618)
Adult and continuing education	724,298	695,137	625,125	(70,012)
Supporting services				
Pupil	10,500,927	10,217,680	10,241,980	24,300
Instructional staff	7,073,767	6,955,621	6,591,792	(363,829)
General administration	1,995,323	2,155,460	2,183,629	28,169
School administration	7,535,964	7,279,784	7,365,968	86,184
Business	1,425,141	1,164,145	1,078,775	(85,370)
Operations and maintenance	9,144,810	9,431,225	8,250,538	(1,180,687)
Pupil transportation services	3,376,336	3,191,761	3,260,786	69,025
Central	2,049,638	2,057,940	1,882,858	(175,082)
Athletic activities	1,904,561	1,937,671	1,636,067	(301,604)
Community services	32,042	114,604	35,424	(79,180)
Capital outlay	145,906	529,884	502,348	(27,536)
Total expenditures	137,899,924	142,161,937	140,248,064	(1,913,873)
Excess (deficiency) of revenues over expenditures	(2,068,208)	(1,723,633)	165,358	1,888,991

Troy School District
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ 6,000	\$ 5,985	\$ (15)
Transfers in	<u>680,363</u>	<u>675,866</u>	<u>659,305</u>	<u>(16,561)</u>
Total other financing sources (uses)	<u>680,363</u>	<u>681,866</u>	<u>665,290</u>	<u>(16,576)</u>
Net change in fund balance	(1,387,845)	(1,041,767)	830,648	1,905,567
Fund balance - beginning	<u>20,701,637</u>	<u>20,701,637</u>	<u>20,701,637</u>	<u>-</u>
Fund balance - ending	<u>\$ 19,313,792</u>	<u>\$ 19,659,870</u>	<u>\$ 21,532,285</u>	<u>\$ 1,905,567</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)

	June 30,									
	2016	Restated* 2015	2014	2013	2012	2011	2010	2009	2008	2007
A. Reporting unit's proportion of net pension liability (%)	0.8440%	0.8052%								
B. Reporting unit's proportionate share of net pension liability	\$ 206,148,083	\$ 177,354,841								
C. Reporting unit's covered-employee payroll	\$ 73,470,015	\$ 71,628,110								
D. Reporting unit's proportionate share of net pension liability as a percentage of its covered- employee payroll	35.64%	40.39%								
E. Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%								

Note: 2007 - 2014 data is not available as GASB 68 and 71 were implemented in fiscal year 2015.

* The 2015 proportionate share of the net pension liability amount included in the Required Supplementary Information contained an error, and has been restated from \$17,735,841 to \$177,354,841. The correction had no effect on the financial information.

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

	For the Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
A. Statutorily required contributions	\$ 16,281,923	\$ 12,505,055								
B. Contributions in relation to statutorily required contributions	<u>16,281,923</u>	<u>12,505,055</u>								
C. Contribution deficiency (excess)	\$ -	\$ -								
D. Reporting unit's covered-employee payroll	\$ 71,360,808	\$ 70,933,761								
E. Contributions as a percentage of covered-employee payroll	22.82%	17.63%								

Notes: Benefit Changes - There were no changes of benefit terms in 2016.
Changes in Assumptions - There were no changes of benefit assumptions in 2016.
2007 - 2014 data is not available as GASB 68 and 71 were implemented in fiscal year 2015.

OTHER SUPPLEMENTARY INFORMATION

Troy School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special Revenue Funds				Debt Service Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Services	Adult and Community Education	Troy Career Center Fund	Facility Rentals	2006 Debt	2012 Refunding	2014 Debt	2015 Debt	Capital Maintenance	
Assets										
Cash	\$ 1,896,020	\$ 423,301	\$ 24,944	\$ 529,848	\$ 11,657	\$ 42,183	\$ 374,558	\$ 763,255	\$ 2,605,207	\$ 6,670,973
Accounts receivable	6,924	1,166	-	67,668	-	-	-	-	-	75,758
Due from other governmental units	67,802	-	310,776	-	10,113	8,411	11,484	-	-	408,586
Inventory	43,359	-	-	-	-	-	-	-	-	43,359
Total assets	\$ 2,014,105	\$ 424,467	\$ 335,720	\$ 597,516	\$ 21,770	\$ 50,594	\$ 386,042	\$ 763,255	\$ 2,605,207	\$ 7,198,676
Liabilities										
Accounts payable	\$ 225,418	\$ 28,344	\$ 5,211	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,769	\$ 294,742
Due to other funds	-	-	330,509	-	-	-	-	-	-	330,509
Unearned revenue	177,863	240,596	-	-	-	-	-	-	-	418,459
Total liabilities	403,281	268,940	335,720	-	-	-	-	-	35,769	1,043,710
Fund Balance										
Non-spendable										
Inventory	43,359	-	-	-	-	-	-	-	-	43,359
Restricted for										
Food service	1,567,465	-	-	-	-	-	-	-	-	1,567,465
Debt service	-	-	-	-	21,770	50,594	386,042	763,255	-	1,221,661
Committed	-	155,527	-	597,516	-	-	-	-	-	753,043
Unassigned	-	-	-	-	-	-	-	-	2,569,438	2,569,438
Total fund balance	1,610,824	155,527	-	597,516	21,770	50,594	386,042	763,255	2,569,438	6,154,966
Total liabilities, deferred inflows of resources, and fund balance	\$ 2,014,105	\$ 424,467	\$ 335,720	\$ 597,516	\$ 21,770	\$ 50,594	\$ 386,042	\$ 763,255	\$ 2,605,207	\$ 7,198,676

Troy School District
Other Supplementary Information
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
For the Year Ended June 30, 2016

	Special Revenue Funds				Debt Service Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Food Services	Adult and Community Education	Troy Career Center Fund	Facility Rentals	2006 Debt	2012 Refunding	2014 Debt	2015 Debt	Capital Maintenance	
Revenues										
Local sources	\$ 2,408,187	\$ 3,422,147	\$ -	\$ 238,408	\$ 5,549,181	\$ 5,259,029	\$ 6,126,489	\$ -	\$ -	\$ 23,003,441
State sources	104,991	-	17,765	-	-	-	-	-	-	122,756
Federal sources	1,029,727	-	1,798,620	-	-	-	-	-	-	2,828,347
Total revenues	3,542,905	3,422,147	1,816,385	238,408	5,549,181	5,259,029	6,126,489	-	-	25,954,544
Expenditures										
Current										
Education										
Supporting services	-	-	1,809,210	501	-	-	-	-	199,917	2,009,628
Food services	3,229,152	-	-	-	-	-	-	-	-	3,229,152
Community services	-	2,571,770	-	864	-	-	-	-	-	2,572,634
Facilities acquisition	17,979	-	-	-	-	-	-	-	-	17,979
Principal	-	-	-	-	3,525,000	4,325,000	3,810,000	-	-	11,660,000
Interest and other expenditures	-	-	-	-	176,250	726,238	2,264,450	1,756,647	-	4,923,585
Tax tribunal refunds	-	-	-	-	13,090	10,325	14,101	-	-	37,516
Total expenditures	3,247,131	2,571,770	1,809,210	1,365	3,714,340	5,061,563	6,088,551	1,756,647	199,917	24,450,494
Excess (deficiency) of revenues over expenditures	295,774	850,377	7,175	237,043	1,834,841	197,466	37,938	(1,756,647)	(199,917)	1,504,050
Other Financing Sources (Uses)										
Transfers in	-	-	-	-	-	-	-	2,517,254	2,040,000	4,557,254
Transfers out	(2,130)	(2,690,000)	(7,175)	-	(2,517,254)	-	-	-	-	(5,216,559)
Total other financing sources (uses)	(2,130)	(2,690,000)	(7,175)	-	(2,517,254)	-	-	2,517,254	2,040,000	(659,305)
Net change in fund balance	293,644	(1,839,623)	-	237,043	(682,413)	197,466	37,938	760,607	1,840,083	844,745
Fund balance - beginning	1,317,180	1,995,150	-	360,473	704,183	(146,872)	348,104	2,648	729,355	5,310,221
Fund balance (deficit) - ending	\$ 1,610,824	\$ 155,527	\$ -	\$ 597,516	\$ 21,770	\$ 50,594	\$ 386,042	\$ 763,255	\$ 2,569,438	\$ 6,154,966

Troy School District
Other Supplementary Information
Nonmajor Governmental Funds
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Capital Projects Fund</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Revenues						
Local sources	\$ 5,753,644	\$ 6,068,742	\$ 16,905,412	\$ 16,934,699	\$ -	\$ -
State sources	121,170	122,756	-	-	-	-
Federal sources	3,178,811	2,828,347	-	-	-	-
Total revenues	<u>9,053,625</u>	<u>9,019,845</u>	<u>16,905,412</u>	<u>16,934,699</u>	<u>-</u>	<u>-</u>
Expenditures						
Current						
Education						
Supporting services	2,080,085	1,809,711	-	-	300,000	199,917
Food services	3,160,000	3,229,152	-	-	-	-
Community services	2,550,222	2,572,634	-	-	-	-
Facilities acquisition	20,000	17,979	-	-	-	-
Debt service						
Principal	-	-	11,660,000	11,660,000	-	-
Interest and other expenditures	-	-	4,923,588	4,923,585	-	-
Tax tribunal refunds	-	-	51,500	37,516	-	-
Total expenditures	<u>7,810,307</u>	<u>7,629,476</u>	<u>16,635,088</u>	<u>16,621,101</u>	<u>300,000</u>	<u>199,917</u>
Excess (deficiency) of revenues over expenditures	<u>1,243,318</u>	<u>1,390,369</u>	<u>270,324</u>	<u>313,598</u>	<u>(300,000)</u>	<u>(199,917)</u>

Troy School District
Other Supplementary Information
Nonmajor Governmental Funds
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Capital Projects Fund</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Other Financing Sources (Uses)						
Transfers in	\$ -	\$ -	\$ -	\$ 2,517,254	\$ 2,040,000	\$ 2,040,000
Transfers out	<u>(2,715,866)</u>	<u>(2,699,305)</u>	<u>-</u>	<u>(2,517,254)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,715,866)</u>	<u>(2,699,305)</u>	<u>-</u>	<u>-</u>	<u>2,040,000</u>	<u>2,040,000</u>
Net change in fund balance	(1,472,548)	(1,308,936)	270,324	313,598	1,740,000	1,840,083
Fund balance - beginning	<u>3,672,803</u>	<u>3,672,803</u>	<u>908,063</u>	<u>908,063</u>	<u>729,355</u>	<u>729,355</u>
Fund balance - ending	<u>\$ 2,200,255</u>	<u>\$ 2,363,867</u>	<u>\$ 1,178,387</u>	<u>\$ 1,221,661</u>	<u>\$ 2,469,355</u>	<u>\$ 2,569,438</u>

Troy School District
Fiduciary Funds
Statement of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2016

	<u>Balance,</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance,</u> <u>June 30, 2016</u>
Assets	\$ 1,997,895	\$ 2,840,898	\$ (2,775,878)	\$ 2,062,915
Liabilities	\$ 1,997,895	\$ 2,840,898	\$ (2,775,878)	\$ 2,062,915

Troy School District
Other Supplementary Information
Schedule of Outstanding Bonded Indebtedness
June 30, 2016

Year Ending June 30,	2012 Debt Service Fund		2014 Debt Service Fund		2015 Debt Service Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 4,360,000	\$ 644,396	\$ 4,350,000	\$ 2,188,000	\$ 2,600,000	\$ 1,596,500	\$ 11,310,000	\$ 4,428,896
2018	4,360,000	561,992	2,000,000	2,057,500	3,295,000	1,466,500	9,655,000	4,085,992
2019	4,335,000	479,588	2,000,000	1,977,500	3,280,000	1,301,750	9,615,000	3,758,838
2020	4,310,000	397,656	2,000,000	1,877,500	3,270,000	1,137,750	9,580,000	3,412,906
2021	4,260,000	316,197	2,000,000	1,777,500	3,285,000	974,250	9,545,000	3,067,947
2022	4,160,000	235,683	2,000,000	1,677,500	3,270,000	810,000	9,430,000	2,723,183
2023	4,155,000	157,059	2,000,000	1,577,500	3,255,000	646,500	9,410,000	2,381,059
2024	4,155,000	78,529	2,000,000	1,477,500	3,240,000	483,750	9,395,000	2,039,779
2025	-	-	5,900,000	1,377,500	3,225,000	321,750	9,125,000	1,699,250
2026	-	-	6,100,000	1,082,500	3,210,000	160,500	9,310,000	1,243,000
2027	-	-	7,600,000	777,500	-	-	7,600,000	777,500
2028	-	-	7,950,000	397,500	-	-	7,950,000	397,500
Total	<u>\$ 34,095,000</u>	<u>\$ 2,871,100</u>	<u>\$ 45,900,000</u>	<u>\$ 18,245,500</u>	<u>\$ 31,930,000</u>	<u>\$ 8,899,250</u>	<u>\$ 111,925,000</u>	<u>\$ 30,015,850</u>

Principal payments
due the first day of

May

May

May

Interest payments
due the first day of

May and November

May and November

May and November

Interest rate

1.89%

2.00% - 5.00%

5.00%

Original issue

\$43,580,000

\$52,710,000

\$31,930,000

STATISTICAL SECTION (UNAUDITED)

Troy School District
Statistical Section Summary (Unaudited)
June 30, 2016

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment in capital assets	\$ 39,520,249	\$ 40,667,213	\$ 42,248,195	\$ 42,539,503	\$ 42,262,738	\$ 44,635,062	\$ 49,650,160	\$ 48,963,971	\$ 50,345,593	\$ 52,850,787
Restricted	3,371,854	4,011,735	1,801,846	824,854	254,502	964,489	1,098,915	1,325,280	1,525,050	2,110,382
Unrestricted	20,176,692	21,875,070	13,822,989	12,789,711	12,808,528	14,978,449	14,608,921	(159,373,218)	(159,337,830)	(164,387,265)
 Total primary government net position	 \$ 63,068,795	 \$ 66,554,018	 \$ 57,873,030	 \$ 56,154,068	 \$ 55,325,768	 \$ 60,578,000	 \$ 65,357,996	 \$ (109,083,967)	 \$ (107,467,187)	 \$ (109,426,096)

Source: Data included in this schedule from 2007-2015 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.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
Instruction	\$ 87,171,212	\$ 87,130,404	\$ 95,610,720	\$ 91,308,634	\$ 91,898,069	\$ 83,976,599	\$ 87,870,523	\$ 91,406,718	\$ 93,200,608	\$ 101,854,565
Support services	53,189,328	56,490,210	58,769,127	53,767,043	50,536,487	52,377,200	51,272,032	51,044,441	52,626,314	54,243,566
Food services	3,161,951	3,325,579	3,289,411	3,199,402	3,188,874	3,200,155	3,165,119	3,251,038	3,421,925	3,379,220
Athletics	2,197,785	2,173,322	2,135,773	2,201,651	1,940,250	1,933,989	1,946,554	1,991,675	1,739,618	1,636,069
Community services	3,098,075	2,720,825	2,877,199	2,776,876	3,009,115	3,023,284	2,000,169	2,135,687	2,270,469	2,706,054
Other	-	12,472	15,487	173,114	-	73,880	91,187	416,246	-	-
Interest on long-term debt	8,306,480	7,673,678	7,421,573	6,958,667	6,647,705	6,137,988	4,738,351	3,846,343	4,889,258	4,627,733
Total governmental activities	157,124,831	159,526,490	170,119,290	160,385,387	157,220,500	150,723,095	151,083,935	154,092,148	158,148,192	168,447,207
Program revenue:										
Charges for services:										
Instruction	1,066,034	985,219	1,501,740	1,402,597	2,106,145	1,903,679	663,813	784,889	463,496	488,463
Support services	129,012	159,308	158,880	236,142	177,094	-	-	-	99,141	101,214
Food services	2,798,955	2,760,105	2,736,249	2,386,859	2,428,530	2,437,770	2,286,324	2,325,177	2,301,069	2,408,187
Athletics	243,103	241,758	201,157	432,518	576,170	628,042	636,055	624,520	617,879	640,163
Community services	2,448,923	2,515,851	2,304,595	2,022,432	2,100,225	2,386,819	2,572,614	2,737,638	3,341,922	3,970,320
Operating grants and contributions	19,580,075	20,284,814	26,023,873	24,576,393	23,888,708	22,809,337	23,286,360	21,234,000	25,532,747	28,582,037
Total program revenue	26,266,102	26,947,055	32,926,494	31,056,941	31,276,872	30,165,647	29,445,166	27,706,224	32,356,254	36,190,384
Net expense	(130,858,729)	(132,579,435)	(137,192,796)	(129,328,446)	(125,943,628)	(120,557,448)	(121,638,769)	(126,385,924)	(125,791,938)	(132,256,823)
General Revenue										
Property taxes	66,766,960	68,235,762	63,138,507	61,997,936	58,211,136	53,454,199	51,280,806	49,347,295	49,975,301	50,777,589
State aid - unrestricted	62,843,834	63,276,294	63,783,531	61,239,849	68,168,710	71,495,549	74,507,547	80,048,303	77,093,615	78,611,473
Federal sources - unrestricted	-	-	-	3,414,174	2,748,170	101,652	-	-	-	-
Interest and investment earnings	5,541,036	4,554,422	1,330,114	607,949	375,274	22,832	17,303	11,718	3,638	96,248
Other	1,766,150	320,599	382,797	349,576	403,786	735,448	613,109	398,539	336,164	815,219
Total general revenue	136,917,980	136,387,077	128,634,949	127,609,484	129,907,076	125,809,680	126,418,765	129,805,855	127,408,718	130,300,529
Gain (Loss) on Disposal	14,112	(322,419)	(123,141)	-	(4,791,748)	-	-	14,282	-	(2,615)
Changes in Net Position	\$ 6,073,363	\$ 3,485,223	\$ (8,680,988)	\$ (1,718,962)	\$ (828,300)	\$ 5,252,232	\$ 4,779,996	\$ 3,434,213	\$ 1,616,780	\$ (1,958,909)

Source: Data included in this schedule from 2007-2015 has been excerpted from prior financial statements.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 663,296	\$ 612,778	\$ 333,435	\$ 935,281	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	23,754,117	23,584,208	14,651,114	12,315,614	-	-	-	-	-	-
Nonspendable	-	-	-	-	631,500	553,640	636,986	379,313	470,218	493,772
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
Total General Fund	\$ 24,417,413	\$ 24,196,986	\$ 14,984,549	\$ 13,250,895	\$ 19,756,837	\$ 23,078,581	\$ 22,070,236	\$ 21,380,015	\$ 20,701,637	\$ 21,532,285
All Other Government Funds										
Reserved	\$ 49,857,477	\$ 23,241,680	\$ 13,213,375	\$ 9,077,403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	7,032,567	7,350,027	7,574,245	7,582,377	-	-	-	-	-	-
Nonspendable	-	-	-	-	68,060	54,510	138,930	95,318	55,497	43,359
Restricted	-	-	-	-	5,242,648	1,160,639	1,043,418	52,935,633	33,408,409	14,905,377
Committed	-	-	-	-	1,340,428	1,870,844	2,411,625	3,024,664	3,084,978	753,043
Unassigned	-	-	-	-	-	(1,859,077)	(3,022,218)	(39,821)	(146,872)	2,569,438
Total All Other Governmental Funds	\$ 56,890,044	\$ 30,591,707	\$ 20,787,620	\$ 16,659,780	\$ 6,651,136	\$ 1,226,916	\$ 571,755	\$ 56,015,794	\$ 36,402,012	\$ 18,271,217

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 2007-2015 has been excerpted from prior financial statements.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Local sources	\$ 80,506,231	\$ 79,584,801	\$ 71,213,765	\$ 69,343,129	\$ 65,740,243	\$ 61,234,662	\$ 57,865,103	\$ 56,158,802	\$ 57,046,419	\$ 59,248,778
State sources	68,528,147	68,920,464	69,557,165	67,205,629	74,091,437	79,208,070	83,608,210	87,337,983	90,333,958	94,448,980
Federal sources	5,475,769	5,733,719	11,902,478	12,646,069	12,777,299	6,490,527	6,491,677	5,847,491	6,106,109	5,814,843
Interdistrict sources	8,082,588	8,622,042	8,527,747	9,144,341	8,247,213	8,696,443	7,684,248	7,143,518	7,145,883	7,011,587
Total revenues	162,592,735	162,861,026	161,201,155	158,339,168	160,856,192	155,629,702	155,649,238	156,487,794	160,632,369	166,524,188
Expenditures										
Current										
Instruction	84,217,350	85,842,791	93,983,695	89,888,197	91,406,553	85,883,693	88,303,787	90,372,588	93,935,867	97,217,899
Support services	47,813,441	48,117,608	49,099,565	44,791,202	42,611,688	40,711,527	43,470,086	42,601,282	42,810,578	42,865,952
Community services	3,071,772	2,718,349	2,874,855	2,774,654	3,007,782	3,021,951	1,998,836	2,134,354	2,292,046	2,608,058
Facilities acquisition	-	12,472	15,487	173,114	-	73,880	91,187	-	19,724,689	19,149,741
Athletics	1,923,116	1,890,367	1,851,868	1,928,893	1,651,659	1,657,870	1,696,702	1,759,847	1,739,618	1,636,069
Food services	3,096,403	3,258,613	3,231,473	3,141,616	3,162,503	3,179,306	3,145,374	3,231,293	3,451,865	3,229,152
Debt service										
Principal	9,730,000	10,165,000	11,035,000	11,495,000	11,925,000	12,490,900	13,085,900	8,690,900	10,630,898	11,660,000
Interest	7,855,105	7,728,238	7,336,100	6,881,250	6,350,200	5,795,891	4,470,151	3,327,532	4,963,082	4,923,585
Other	134,002	21,814	165,549	161,670	394,033	437,583	577,214	416,246	1,055,059	37,516
Capital outlay	47,863,395	29,751,899	10,652,503	3,738,472	3,849,476	4,479,577	625,155	7,461,887	691,641	502,348
Total expenditures	205,704,584	189,507,151	180,246,095	164,974,068	164,358,894	157,732,178	157,464,392	159,995,929	181,295,343	183,830,320
Deficiency of revenues over expenditures	(43,111,849)	(26,646,125)	(19,044,940)	(6,634,900)	(3,502,702)	(2,102,476)	(1,815,154)	(3,508,135)	(20,662,974)	(17,306,132)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other Financing Sources (Uses)										
Proceeds from issuance of bonds	\$ 6,045,190	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,580,000	\$ 52,710,000	\$ 31,930,000	\$ -
Premium on issuance of bonds	-	-	-	-	-	-	-	5,510,442	5,574,183	-
Proceeds from sale of capital assets	61,668	127,361	28,416	18,908	-	-	-	41,511	44,450	5,985
Transfers in	2,252,322	2,176,754	2,430,066	2,520,080	752,058	1,320,236	1,345,540	107,708	1,605,170	5,216,559
Transfers out	(2,252,322)	(2,176,754)	(2,430,066)	(1,920,080)	(752,058)	(1,320,236)	(1,345,540)	(107,708)	(1,580,263)	(5,216,559)
Debt defeasance	(6,511,310)	-	-	-	-	-	(43,428,352)	-	(37,202,726)	-
Other	-	-	-	154,498.00	-	-	-	-	-	-
Total other financing sources (uses)	(404,452)	127,361	28,416	773,406	-	-	151,648	58,261,953	370,814	5,985
Net change in fund balance	(43,516,301)	(26,518,764)	(19,016,524)	(5,861,494)	(3,502,702)	(2,102,476)	(1,663,506)	54,753,818	(20,292,160)	(17,300,147)
Fund balance - beginning	124,823,758	81,307,457	54,788,693	35,772,169	29,910,675	26,407,973	24,305,497	22,641,991	77,395,809	57,103,649
Fund balance - ending	\$ 81,307,457	\$ 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
Debt service as a percentage of noncapital expenditures	12.65%	12.63%	12.27%	12.99%	13.16%	13.92%	13.07%	8.88%	11.29%	11.11%

Source: Data included in this schedule from 2007-2015 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
2006	\$2,427,726,198	\$1,187,083,160	\$351,979,910	\$ -	\$384,167,410	\$4,350,956,678	22.1300	\$8,701,913,356	50.00%
2007	2,519,246,587	1,195,877,610	357,618,240	451,030	375,547,560	4,448,741,027	22.1300	8,897,482,054	50.00%
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%

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

Tax Year	Year Ended June 30	Millage Rates - Direct School District Taxes					Overlapping Taxes							
		Operating			Total Direct Taxes		Oakland County	Oakland County Community College	Oakland County Intermediate School District	State Education	City of Troy	Zoo	Art	SMART**
		Homestead	Non- homestead	Debt*	Homestead	Non- homestead								
2006	2007	5.3740	18.0000	4.1300	9.5040	22.1300	4.6461	1.5844	3.3690	6.0000	9.4300	-	-	0.5950
2007	2008	5.2856	18.0000	4.1300	9.4156	22.1300	4.6461	1.5844	3.3690	6.0000	9.2800	-	-	0.5950
2008	2009	4.6229	18.0000	4.1000	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	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	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	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	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	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	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	9.6918	22.5794	4.5456	1.5819	3.3634	6.0000	10.4974	0.0998	0.1996	1.0000

* 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	2016 Taxable Value	Percentage of Total	2007 Taxable Value	Percentage of Total
1 FRANKEL FORBES COHEN	\$ 52,530,410	1.46%	\$ 64,549,870	1.48%
2 DTE	36,502,710	1.01%	*	-
3 TROY APTS I - IV LLC	28,654,450	0.80%	*	-
4 URBANCAL	23,302,960	0.65%	*	-
5 CC TROY	20,406,560	0.57%	*	-
6 OSPREY TROY	20,342,940	0.56%	56,361,080	1.30%
7 KELLY SERVICES	19,210,410	0.53%	*	-
8 MACY'S	16,142,270	0.45%	25,719,770	-
9 755 TOWER ASSOC	14,313,840	0.40%	40,726,630	0.94%
10 DELPHI	13,457,190	0.37%	*	-
11 ALL OTHERS	15,764,770	0.44%	-	-
	<u>3,342,883,080</u>	92.77%	<u>4,189,319,098</u>	96.29%
Total	<u>\$ 3,603,511,590</u>		<u>\$ 4,350,956,678</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>
2006	2007	\$ 66,689,831	\$ 66,485,173	99.69%	\$ 244,400	\$ 66,729,573	100.06%
2007	2008	68,065,212	67,883,013	99.73%	297,034	68,180,047	100.17%
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%

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>
2006-2007	4,350,956,678	9,419.18	-	17.74
2007-2008	4,448,741,027	9,467.18	-	16.72
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

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
2007	\$ 160,660,000	\$ -	\$ 160,660,000	\$ -	\$ 160,660,000	\$ 4,350,956,678	3.69%	3.69%	87,594	\$ 1,834	\$ 1,834
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

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, 2016

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
City of Troy	\$ 23,435,993	80.08%	\$ 18,767,543
Oakland County at Large	403,351,276	6.95%	28,032,914
Oakland Intermediate School District	46,680,000	6.97%	3,253,596
Oakland Community College	1,605,000	7.00%	<u>112,350</u>
Total overlapping debt			50,166,403
Direct district debt			<u>111,925,000</u>
Total direct and overlapping debt			<u><u>\$ 162,091,403</u></u>

Source: Municipal Advisory Council of Michigan

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Calculation of debt limit:										
Taxable value	\$ 4,350,956,678	\$ 4,448,741,027	\$ 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
15% of taxable value	652,643,502	667,311,154	666,502,455	657,450,293	582,959,193	534,447,273	518,836,812	517,128,292	523,872,425	540,526,739
Debt subject to limit	<u>160,660,000</u>	<u>150,495,000</u>	<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>
Legal debt margin	<u>\$ 491,983,502</u>	<u>\$ 516,816,154</u>	<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>
Net debt subject to limit as % of debt limit	24.62%	22.55%	20.92%	19.49%	19.91%	19.38%	18.04%	26.62%	23.59%	20.71%

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
2007	87,594	\$ 2,728,126	5.889%	\$ 31,145	5.00%
2008	87,954	2,822,492	5.332%	32,091	5.40%
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	Not Available	- %	-	4.78%
2016	82,339	Not Available	- %	-	3.71%

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	2016 Employees	Percentage of Total Employment	2007 Employees	Percentage of Total Employment
1 Flagstar Bank FSB	*		4,009	10.02%
2 Kelly Services	*		1,400	3.50%
3 Troy School District**	1,127	1.19%	1,954	4.88%
4 Magna International, Inc.	*		*	*
5 SERPEO	*		*	*
6 Arvin Meritor Automotive	*		*	*
7 Wm Beaumont Hospital	*		3,943	9.85%
8 City of Troy	*		1,349	3.37%
9 ThyssenKrupp Automotive Sales and Tech Center	*		*	*
10 Systems Technology Group, Inc.	*		*	*
Total principal employers	<u>1,127</u>		<u>20,287</u>	
Total employment	<u>94,504</u>	**	<u>40,012</u>	

Source: Oakland County

* No historical information available

** Information provided by Troy School District

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government:										
Instruction	794	790	856	867	855	785	771	776	787	825
Support services	471	467	418	263	241	216	215	243	276	249
Community service	52	47	49	51	50	36	42	9	9	53
Athletics										
Food service	<u>44</u>	<u>50</u>	<u>48</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total	 <u>1,361</u>	 <u>1,354</u>	 <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>

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
2007	12,096	\$ 133,270,824	\$ 11,018	\$ 135,447,996	\$ 11,198	782	5.42%	\$ 73,623
2008	12,174	136,505,061	11,213	136,284,634	11,195	789	5.22%	74,813
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

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instructional buildings:										
Elementary:										
Number of buildings	12	12	12	12	12	12	12	12	12	12
Square footage	688,967	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	5,105	5,191	5,220	5,138	5,204	5,344	5,462	5,588	5,534	5,591
Middle:										
Number of buildings	4	4	4	4	4	4	4	4	4	4
Square footage	397,579	450,492	450,492	450,492	450,492	450,492	450,492	450,492	450,492	450,492
Capacity	3,000	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885
Enrollment	2,739	2,804	2,776	2,806	2,831	2,873	2,806	2,821	2,864	2,921
High:										
Number of buildings	3	4	4	4	4	4	4	4	4	4
Square footage	660,252	851,426	851,426	851,426	851,426	851,426	851,426	851,426	851,426	851,426
Capacity	3,896	4,596	4,596	4,596	4,596	4,596	4,596	4,596	4,596	4,596
Enrollment	4,285	4,128	4,138	4,112	4,047	4,123	4,158	4,182	4,197	4,219
Administrative:										
Number of buildings	2	2	2	2	2	2	2	2	2	2
Square footage	46,000	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	86	88	88	81	81	79	68	68	55	56

Source: Troy School District - February Count Day