

**TROY SCHOOL DISTRICT**

**COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT**

**for the fiscal year ended  
June 30, 2005**

**Troy School District**

**4400 Livernois Road  
Troy, Michigan 48098**

# **Troy School District**

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## **Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2005**

**TROY SCHOOL DISTRICT  
4400 LIVERNOIS ROAD  
TROY, MICHIGAN 48098**

**PREPARED BY:  
DIVISION OF BUSINESS SERVICES  
MICHAEL M. ADAMCZYK  
ASSISTANT SUPERINTENDENT - BUSINESS SERVICES**

# Troy School District

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# Troy School District

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To the Board of Education  
Troy School District  
4400 Livernois  
Troy, MI 48098

To the Citizens of Troy and the  
Board Members of Troy Schools:

The Comprehensive Annual Financial Report of the Troy School District for the fiscal year ended June 30, 2005 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 the Troy School District, in partnership with parents and the community, to prepare students of all ages and abilities to be knowledgeable, caring, productive, and contributing members of a democratic society. The Troy School District, with a commitment to excellence, will teach the skills, content, and reasoning needed to be successful in life; promote understanding and respect in a culturally diverse society; and inspire all to become lifelong learners and meet the challenges of an ever-changing world.

## Overview

The 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 27.4 square miles are totally within the City of Troy. 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, and is in consortium in a grades 9-12 international academy, which offers an international baccalaureate diploma. The School District also has a Board of Education office; a transportation facility; an adult/alternative/continuing education building; a central stores/maintenance facility; and a building housing special education services, as well as offices for media, technology, food service, athletics, research and evaluation, fine arts, reading and writing, science, social studies, and math.

The School District has a comprehensive educational program for students of all ages. This includes a Title I early intervention program, Michigan school readiness programs, as well as a reading recovery program in each elementary building. The School District provides K-12 services for English as a second language students in all buildings, as well as Headstart and gifted and talented programs. In addition to the exploratory courses, students in the middle schools are provided with an extensive curriculum, including health, fine arts, and physical education. The Troy School District high schools offer comprehensive programming, which includes extensive core curriculum, fine arts, vocational education, advanced placement classes, and many other electives. Niles Community High School services Troy School District students who require a nontraditional educational environment. This year, 134 students participated in the program. A total of 76 students graduated from Niles and 42 earned college scholarships.

Business partnerships, human resource activities, job placement, enrichment classes, and assistance to non-English speaking students are areas of emphasis in the continuing education program. The School District's Division of Continuing Education consists of five departments directed at meeting the comprehensive needs of the community. These departments include adult education, enrichment, youth services, Troy Career Center, and the Niles Community High School. Programs and services are offered in the following areas: child care, adult education, enrichment classes, community swim, cultural arts, college extension, community/business partnerships, employment and training programs for youth and adults, and a community career services center. These community programs and services start with preschool-aged children and continue through senior citizen participation with over 25,000 registrations processed each year.

## **Economic Profile and Outlook**

Major employers include Target Corporation, LaSalle Bank, Flagstar Bank, General Motors, Syntel Inc., Magna International, and William Beaumont Hospital. Troy's business district of corporate world headquarters includes Kmart, Kelly Services, Ameritech, Delphi, and Meritor Automotive, Inc. The prestigious Somerset Collection includes specialty shops such as Neiman Marcus, Gucci, Laura Ashley, Louis Vuitton, Mark Cross, Burberry, Saks, Nordstrom, and Marshall Field's.

The City's master plan relegates light and heavy industrial property to the southernmost sector of the School District, which is easily served by a major interstate highway that intersects the community. Many fine residential subdivisions are currently under construction. Home prices range from \$70,000 to \$500,000 plus. The City of Troy issued 985 building permits for the 12-month period ended December 31, 2004, the value of which was \$146,804,744. These residential and business areas continue to develop with a high return on investment and a desirable quality of life condition while at the same time providing a good mix of residential, commercial, and industrial development.

## **Major Initiatives and Achievements**

The 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. School District staff, incorporating elements of the State's model core curriculum, has developed the curriculum. It meets or exceeds all standards required for school accreditation by the Michigan Department of Education.

### **Curriculum Development**

#### **Core Curriculum**

Teachers and administrators in the Troy School District continue to implement a comprehensive curriculum for all students in kindergarten through 12<sup>th</sup> grade. The curriculum is based on the teachers' knowledge of their subject and their students, the Michigan curriculum framework, national education goals, and recommendations from national and State professional organizations. The curriculum meets or exceeds all standards required for school accreditation by the Michigan Department of Education.

The written curriculum functions as a guide. It identifies what our teachers teach and what students should learn. For each subject at each grade level, goals and objectives define the skills, knowledge, and understandings expected of the students. These guide teachers as they prepare lessons. These goals and objectives have been matched with State and national standards to ensure that we are preparing our students for today, as well as tomorrow. Throughout the School District, high standards infuse the curriculum.

The curriculum in the Troy School District continually evolves. New students, analysis of student assessments on MEAP tests, national standardized tests, and new material create opportunities for teachers to continually review the curriculum. This continual review helps focus teaching strategies, identifies new approaches to teaching the benchmarks and standards, and allows for examination of assessment approaches. The goal is to continue to improve the curriculum to ensure that Troy School District's students are successful.

During the 2004-2005 school year, work continued on our Troy School District curriculum. At the elementary level, we moved into the second year of our comprehensive Social Studies curriculum. Based on the experience we had in our first year with the curriculum, minor modifications were made with some materials and units. Our elementary Spanish curriculum continued to be revised as we gained experience with our students and aligned it with our secondary curriculum. Teacher training was provided in each of the core subject areas - language arts, math, science, and social studies - in order to continue providing quality teachers in every classroom.

Curriculum work continued at the secondary level throughout the 2004-2005 school year. Curriculum reviews for middle school language arts, 8th grade U.S. history, and high school economics were completed. Textbook and support materials for each of these courses were approved by the Troy School District Board of Education and will be implemented during the coming year. Teachers received information on the new K-8 Grade Level Content Expectations. Additionally, a variety of curriculum development work was done throughout the curriculum. Middle school students had the opportunity to participate in a career fair held at Athens High School. Over 40 careers were highlighted for the students during this meaningful afternoon.

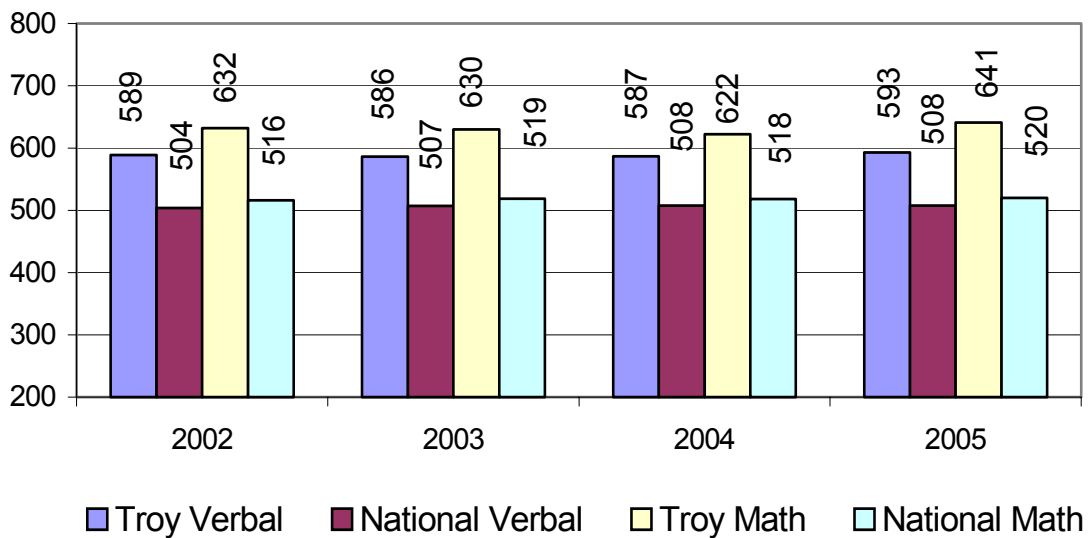
Each school in the School District participates in the school improvement process. The multiyear initiative is led by the staff at each building and focuses on the students' cognitive and affective outcomes. Each school improvement team, comprised of staff, parents, and students, was trained in the process, which includes development of the school's mission statement, identification of goals, development of strategies to achieve the goals, and monitoring progress toward meeting the goals. The School District continues to support the school improvement process through ongoing training, resources, and coordination of School District-level and building-level activities.

An exceptional number of Troy School District students attend institutions of higher learning upon graduation. The University of Michigan grants additional points for admission consideration to students who have graduated from Troy School District.

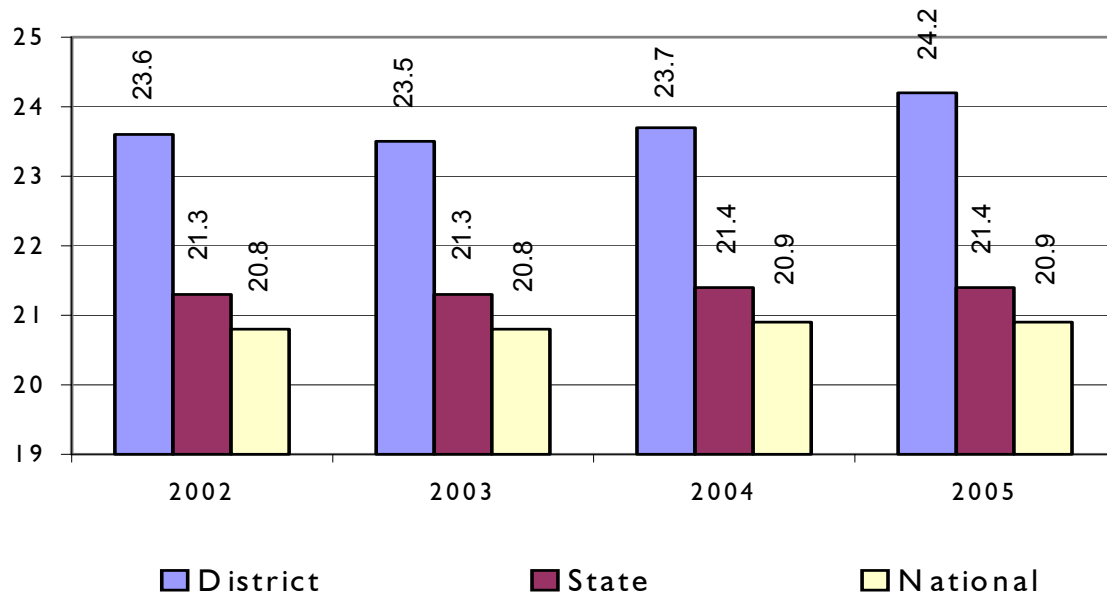
Years Ended June 30	Percent of Students Graduating	Percent of Students Attending College
2005	99	94
2004	99	93
2003	99	93
2002	99	92
2001	99	92
2000	99	95
1999	98	94
1998	97	95
1997	97	95
1996	97	95

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

### SAT I Reasoning Test District vs. National Averages



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



**Median Percentile Rank of ITBS District Reading and Math:**

	2004-2005		2003-2004		2002-2003	
	Reading	Math	Reading	Math	Reading	Math
Grade 3	72	86	73	86	72	84
Grade 5	82	91	79	89	82	88
Grade 7	76	85	76	79	78	79

**Troy School District Advanced Placement Testing**

<u>Years Ended June 30</u>	<u>Number Taken</u>	<u>Percent Qualifying</u>
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
1999-2000	937	81
1998-1999	923	79
1997-1998	663	77
1996-1997	665	79

**MEAP Percentile Test Results for Elementary School (grades 4 & 5)  
Middle School (grades 7 & 8) and High School (grade 11)**

	04-05	03-04	02-03		04-05	03-04	02-03		04-05	03-04	02-03
<b>Reading</b>	94	96	94		89	81	83		78	89	83
<b>Writing</b>	82	86	75		79	75	81		60	72	66
<b>Math</b>	95	96	93		83	88	83		69	77	75
<b>Science</b>	93	93	95		84	89	89		71	74	78
<b>Social Studies</b>	56	63	64		55	49	64		56	56	58

All schools are accredited by the North Central Association of Colleges and Schools (NCA). Troy Schools has 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. Seven Troy Schools have also achieved recognition as a National Blue Ribbon School: Athens High School, Troy High School, Larson Middle School, Bemis Elementary School, Leonard Elementary School, Schroeder Elementary School, and Troy Union Elementary School.

Troy parents value and support education. The Troy School District enjoys the active support and participation of parents in PTO/PTA groups, booster clubs, and building and district-level committees. 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:

	2004	2003	2002	2001
<b>K-5</b>	99%	99%	99%	99%
<b>6-8</b>	83%	82%	80%	80%
<b>9-12</b>	80%	81%	80%	80%

In addition to high student achievement, Troy Schools has one of the lowest dropout rates for districts of its size. In 2001, the official dropout rate (determined by the State) was 0.5 percent. In 2002, the rate was 0.5 percent and in 2003 it was 0.15 percent. The rate for 2004 was 0.47 percent. The low dropout rate 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. A total of 100 Troy School District students have been selected by lottery to attend the International Academy. This is a very unique school of choice. Troy School District also has students participating in the General Motors Technical Academy where the curriculum focuses on drafting. There are options to meet the needs of special education students at 17 different programs at out-of-School District sites. A total of 41 students attended the Oakland Technical Education Center to study curriculum ranging from food service to automotive programs.

## **Internal Controls**

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

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

## **Budgetary Controls**

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

Formal budgetary integration is employed as a management controls device throughout the year for the General Fund, Special Revenue Funds, Capital Projects Funds, 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.

## **Debt Administration**

On June 14, 2004, the Troy School District voters passed a \$119,500,000 bond issue. The bond issue is primarily devoted to technology enhancements, building additions and improvements, and school bus purchases. The 2004 bond issue has been developed not to impact the operational budget of the Troy School District but to work in harmony with the budget. This issue will continue the excellent maintenance program of the Troy School District, as well as enhance instruction to prepare its students to become lifelong learners and meet the challenges of an ever-changing world. Under current State statutes, the School District's general obligation bonded debt issuances are subject to a legal limitation based on 15 percent of total assessed value of real and personal property. As of June 30, 2005, the School District's net general obligation bonded debt of \$129,130,000 was well below the statutory bonding limit of \$604,862,665. Per capita debt totaled only \$1,494 at June 30, 2005.

## **Cash Management**

In accordance with Michigan statutes, the School District's cash management guidelines are established to maximize its interest earnings while attempting to minimize the risk of loss of invested principal. Interest-bearing checking accounts, cash management accounts, certificates of deposit in state or national banks, approved savings and loan associations, and commercial paper are all instruments used to achieve this goal.

In 2004-2005, the School District's General Fund earned \$799,356 in investment income. Funds are invested in accordance with Sections 380.1221 and 380.1223 of the Michigan School Code, Act 451 of 1976, as amended, and are approved by the Board of Education annually. An aggressive but prudent review and analysis of the investment portfolio and cash flow needs provide additional revenues not only to the General Fund but all other funds of the School District that have cash resources available.

## **Risk Management**

The School District carries a comprehensive insurance package to protect the School District and its employees. Coverage includes commercial general liability, property damage, garage liability, automobile coverage, school leaders errors and omissions, and various crime and liability coverage. The School District also carries a \$10,000,000 commercial umbrella policy.

The blanket building limit coverage for the 2004-2005 school year was \$302,621,000. Insurance coverage is reviewed annually to assure that the School District is properly protected. The School District participates in the MAISL Joint Risk Management Trust, a consortium of 36 school districts.

## **Independent Audit**

State of Michigan statutes require an annual audit by independent certified public accountants. The accounting firm of Plante & Moran, PLLC was appointed by the Troy Board of Education to perform this service for the 2004-2005 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, 2005 indicated no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

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.

### **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, 1989-2004. 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.

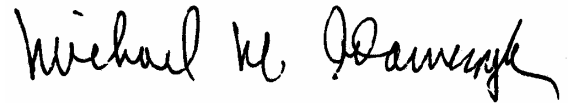
### **Acknowledgments**

The preparation of this report was accomplished through the commitment and dedication of the business office, especially Director of Finance, Steven Barr, and District Accountant, Monica Anderson. The Comprehensive Annual Financial Report was prepared by the 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 in each school building, at the City of Troy library, and at the offices of the city manager and Chamber of Commerce.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael M. Adamczyk". The signature is fluid and cursive, with a prominent initial "M".

Michael M. Adamczyk  
Treasurer/Assistant Superintendent -  
Business Services

A handwritten signature in black ink, appearing to read "Barbara A. Fowler". The signature is cursive and elegant, with a large initial "B".

Barbara A. Fowler, Ph.D.  
Interim Superintendent of Schools

# TROY SCHOOL DISTRICT

## DISTRICT OFFICIALS

### ADMINISTRATION

Barbara A. Fowler, Ed.D.  
Interim Superintendent

Michael M. Adamczyk  
Assistant Superintendent - Business Services

Maureen E. Kelly  
Assistant Superintendent - Human Resources

Robert Stromayer  
Director, Continuing Education

Tim McAvoy  
Supervisor, Information Services

### BOARD OF EDUCATION

Anthony J. Spagnola  
President

Ida Edmunds  
Vice President

Mary Beth Halushka  
Secretary

Paula Fleming  
Trustee

Gary Hauff  
Trustee

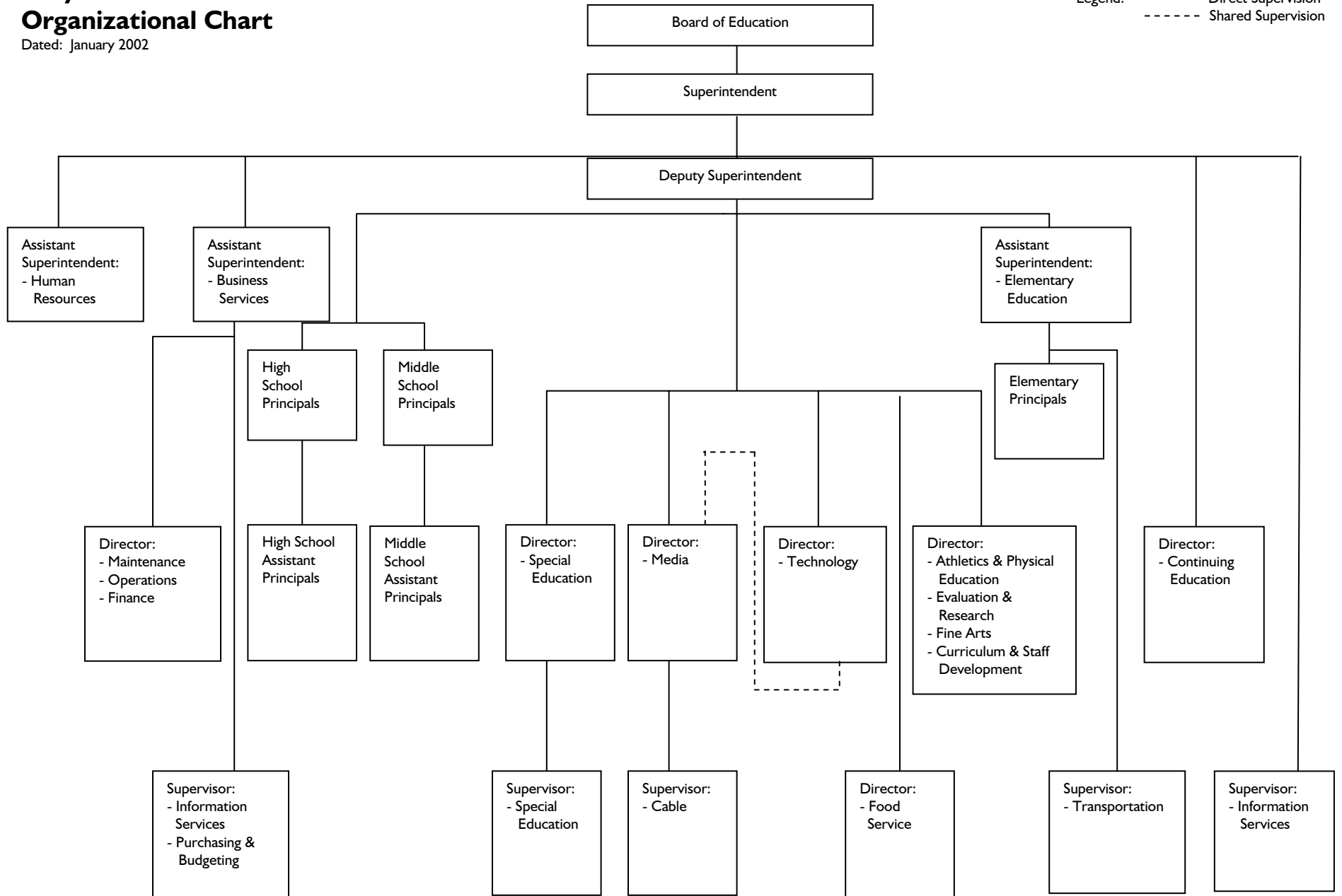
Carol Pochodylo  
Trustee

Wendy Underwood  
Trustee

# Troy School District Organizational Chart

Dated: January 2002

Legend: ——— Direct Supervision  
 - - - - - Shared Supervision



**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**Troy School District**

For its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2004

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

## Independent Auditor's Report

To the Board of Education  
Troy School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Troy School District as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Troy School District's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Troy School District as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Troy School District's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Education  
Troy School District

The accompanying introductory section and statistical tables, 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 express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2005 on our consideration of the 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. 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

August 26, 2005

# **Troy School District**

## **Management's Discussion and Analysis**

This section of the 2005 annual financial report presents our discussion and analysis of Troy School District's (the "School District") financial performance during the year ended June 30, 2005. 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 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 long-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 financial statements by providing information about the School District's most significant funds, the General Fund and 2004 Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The School District's Proprietary Internal Service Fund is reported separately from the governmental funds. The remaining statement, the statement of fiduciary assets and liabilities, 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
  - District-wide Financial Statements
  - Fund Financial Statements
  - Proprietary Fund
  - Fiduciary Fund
  - Notes to Financial Statements
- Required Supplemental Information - Budgetary Information for General Fund
- Other Supplemental Information
  - Combining Balance Sheet Nonmajor Funds
  - Combining Revenue, Expenditures, and Changes in Fund Balances Nonmajor Funds
  - Statement of Bonded Indebtedness

# **Troy School District**

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## **Management's Discussion and Analysis (Continued)**

### ***Reporting the School District as a Whole - Financial Statements***

One of the most important questions asked about the School District is, "What is the School District's financial condition as a result of the year's activities?" The statement of net assets 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 answer this question. These statements 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 Troy School District's net assets, which are the difference between assets and liabilities, as reported in the statement of net assets, 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 assets, as reported in the statement of activities, are one indicator 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. Many other nonfinancial factors, such as the scope and quality of the education provided, as well as the safety of the students and schools, must be considered to assess the overall health of the School District.

The statement of net assets 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 Services and Athletics Funds. Funds are also established to show that it is meeting legal responsibilities for using certain taxes, grants, and other money, including the 2004 Bond Issue, which funds construction for voter-approved capital projects. By definition, the General Fund and 2004 Capital Projects Funds are the only funds that qualify to be classified as major funds. The governmental funds of the School District use the following accounting approach:

# Troy School District

## Management's Discussion and Analysis (Continued)

Governmental and proprietary funds: All of the School District's services are reported in governmental and proprietary 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 the modified accrual method of 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 to determine whether there are more or less 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 15 and 17. The School District's Proprietary Internal Service Fund reports on the full accrual basis and presents the School District's obligations for early retirement incentive payments due in future years.

### ***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. These activities are excluded 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**

The statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2005 and 2004.

TABLE I

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 112.8	\$ 56.3
Capital assets	<u>107.9</u>	<u>109.6</u>
Total assets	220.7	165.9
<b>Liabilities</b>		
Current liabilities	14.7	13.9
Long-term liabilities	<u>150.6</u>	<u>92.2</u>
Total liabilities	<u>165.3</u>	<u>106.1</u>
<b>Net Assets</b>		
Invested in property and equipment - Net of related debt	29.0	25.8
Restricted	1.9	0.8
Unrestricted	<u>24.5</u>	<u>33.2</u>
Total net assets	<u>\$ 55.4</u>	<u>\$ 59.8</u>

# Troy School District

## Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets. The change in net assets of the School District's governmental activities is discussed below (see Table 2). The School District's net assets were \$55.4 million at June 30, 2005 compared to \$59.8 million at June 30, 2004. Capital assets, net of related debt, totaled \$29.0 million and \$25.8 million at June 30, 2005 and 2004, 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 assets of \$1.9 million and \$.8 million at June 30, 2005 and 2004, 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 assets for day-to-day operations. The remaining amount of net assets, \$24.5 million and \$33.2 million at June 30, 2005 and 2004, respectively, was unrestricted.

The \$24.5 million at June 30, 2005 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. It means that if all bills had to be paid today, including all noncapital liabilities, there would be \$24.5 million left. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Troy School District as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal years 2005 and 2004 (see Table 2).

TABLE 2

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 7.4	\$ 7.4
Operating grants	17.7	9.4
General revenue:		
Property taxes	66.2	60.4
State aid	58.8	65.5
Other	<u>2.3</u>	<u>9.0</u>
Total revenue	152.4	151.7

# Troy School District

## Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities	
	2005	2004
	(in millions)	
<b>Functions/Program Expenses</b>		
Instruction	\$ 88.8	\$ 80.8
Support services	53.4	52.9
Community services	4.0	3.9
Food services	3.1	3.0
Athletics	2.1	2.0
Interest on long-term debt	5.4	4.3
Total functions/program expenses	<u>156.8</u>	<u>146.9</u>
<b>Increase (Decrease) in Net Assets</b>	(4.4)	4.8
<b>Net Assets - Beginning of year</b>	<u>59.8</u>	<u>55.0</u>
<b>Net Assets - End of year</b>	<u><u>\$ 55.4</u></u>	<u><u>\$ 59.8</u></u>

As reported in the statement of activities, the cost of all governmental activities this year was \$156.8 million, an increase of \$9.9 million, or 6.7 percent, from 2003-2004. Certain activities were partially funded from those who benefited from the programs (\$7.4 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$17.7 million). The remaining "public benefit" portion of governmental activities was funded with \$66.2 million in taxes, \$58.8 million in State aid allowance, and with other revenues, such as interest and general entitlements. Total revenues in 2004-2005 were \$152.4 million, an increase of \$0.7 million from 2003-2004.

The Troy School District experienced a decrease in net assets of \$4.4 million primarily as a result of ongoing operations in the School District. In addition, long-term debt increased \$58.4 million in 2004-05.

As discussed above, the net cost shows the financial burden that was placed on the State and the Troy 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 revenues.

### The School District's Funds

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

# Troy School District

## Management's Discussion and Analysis (Continued)

As the School District completed this year, the governmental funds reported a combined fund balance of \$91.0 million, an increase of \$48.1 million from the prior year. The changes in major and nonmajor funds are as follows:

	General Funds	Capital Projects 2004	Other Nonmajor Funds	Governmental Funds 2005 Total	Proprietary Funds
<b>Fund Balances</b> - Beginning of year	\$ 35,619,396	\$ -	\$ 7,323,208	\$ 42,942,604	\$ -
Increase (decrease)	<u>(9,719,449)</u>	<u>57,385,341</u>	<u>380,716</u>	<u>48,046,608</u>	<u>5,157</u>
<b>Fund Balances</b> - End of year	<u><b>\$ 25,899,947</b></u>	<u><b>\$ 57,385,341</b></u>	<u><b>\$ 7,703,924</b></u>	<u><b>\$ 90,989,212</b></u>	<u><b>\$ 5,157</b></u>

In the General Fund, our principal operating fund, the fund balance decreased by \$9.7 million compared to a \$4.3 million increase in the prior year. Revenues and other financing sources decreased \$5.5 million from the prior year and expenditures and other financing uses increased approximately \$8.5 million for a net increase of \$14.0 million from the prior year. There was no increase in the State foundation allowance and an enrollment decrease of nine students. The School District received one-time additional special education revenue of approximately \$421,000 from the Intermediate School District. In 2004-2005, the School District offered a voluntary resignation incentive program to members of the Troy Education Association. This program resulted in additional expenditures of \$5.5 million in 2004-2005. Additional expenditure increases are a normal part of operations as a result of salary and benefit increases, increased costs for utilities, and other operating expenses. The fund balance of the General Fund is available to fund costs related to allowable school operating purposes.

The Capital Projects 2004 Fund increased by \$57.4 million in 2004-05. This is due to revenue from the sale of bonds of \$63.3 million, earnings on investments of \$1.1 million, and expenditures of \$7.0 million.

The other nonmajor funds increased by \$381,000. The Adult and Community Education Fund decreased by approximately \$287,000 due primarily to a \$140,000 operating transfer to the General Fund and decreased child care revenue. The Food Service Fund increased by approximately \$220,000 due to increased participation. Combined, the Debt Service Funds showed a fund balance increase of approximately \$664,000. Millage rates are reviewed annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service.

The 1997 Capital Projects Fund was closed out in 2004-2005 by spending the remaining \$291,000.

The Durant Fund increased by approximately \$74,000. The fund had earnings on investments of \$102,000. Expenditures were for the maintenance cost of automated external defibrillators for the entire School District.

# Troy School District

## Management's Discussion and Analysis (Continued)

The Internal Service Fund is used to account for the activity related to the voluntary resignation incentive program. This fund was created in 2004-2005 and had expenditures of approximately \$5.5 million and earnings on investments of approximately \$5,000.

### 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 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.

Several changes were made to the originally adopted 2004-2005 General Fund budget. Revenues increased by \$2.8 million to account for additional federal grant funds and additional revenue from the county for special education. Expenditures increased by \$8.0 million to account for the voluntary resignation incentive program, changes in estimates for salaries and benefits, costs of supplies and purchased services, and other expenses in the operating plan of the School District.

### Capital Assets and Debt Administration

#### *Capital Assets*

At June 30, 2005, the School District had \$107.8 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This represents a net decrease (including additions, deductions, and depreciation) of approximately \$1.7 million, or 0.2 percent, from last year.

Land	\$ 2,592,570
Buildings and construction in progress	85,138,248
Furniture and equipment	<u>20,104,392</u>
Total capital assets	<u><u>\$ 107,835,210</u></u>

# Troy School District

## Management's Discussion and Analysis (Continued)

This year's change in fixed assets included \$2.0 million of additions for building renovations, technology, school buses and other vehicles, and food services equipment. Depreciation expense accounts for the main decrease in net capital assets. There are major capital projects planned for the 2005-2006 fiscal year as a result of the recently passed \$119,500,000 bond issue.

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 \$134.9 million in bonds outstanding versus \$80.5 million in the previous year - an increase of \$54.4 million. Those bonds consisted of the following:

General obligation bonds	\$ 129,130,000
Plus deferred amounts - Issuance premiums	<u>5,738,761</u>
Total	<u><u>\$ 134,868,761</u></u>

The School District's underlying general obligation bond rating from Moody's remained at Aa2 while the bond rating from Standard and Poor's remained at AA-. 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 of \$134.9 million is significantly below this \$604.9 million statutorily imposed limit.

Other obligations include accrued vacation pay, sick leave, early retirement incentive payable, and incurred but not yet reported health care 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 considered many factors when setting the School District's 2006 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation allowance revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2005 fiscal year is 25 percent of the February 2005 and 75 percent of the September 2005 student counts. The 2005-2006 budget was adopted in June 2005 based on a blended student membership count of 12,051.57. Approximately 87 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School 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 School District resources are not sufficient to fund original appropriations.

# **Troy School District**

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## **Management's Discussion and Analysis (Continued)**

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 revenues are less than their estimates, reduction to the per pupil funding allowance may be necessary. Of particular concern are potential shortfalls in the State's general budget for the fiscal year beginning October 1, 2005 and what effect this may have on the School Aid Fund. The State has passed a State Aid bill for 2005-2006 that provides for an increase in the foundation allowance of \$175 per pupil, which has been included in the School District's budget for the 2005-2006 school year. The School District's General Fund balance of \$25,899,947 is sufficient to meet any unanticipated shortfalls the State may experience in the School Aid Fund.

# Troy School District

## Statement of Net Assets June 30, 2005

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 38,491,215
Receivables:	
Accounts receivable	316,121
Taxes receivable	546,097
Due from other governmental units	12,215,059
Accrued interest	60,998
Inventories	192,854
Prepaid expenses	197,360
Other assets	40,951
Restricted cash and investments (Notes 3 and 10)	58,525,071
Deferred interest	2,234,825
Nondepreciable capital assets (Note 5)	8,358,602
Capital assets (Note 5)	<u>99,476,608</u>
Total assets	220,655,761
<b>Liabilities</b>	
Accounts payable	3,888,977
Accrued payroll and other liabilities	10,177,252
Deferred revenue (Note 4)	642,481
Long-term liabilities (Note 7):	
Compensated absences and other liabilities, due within one year	1,411,407
Bonds and contracts payable, due within one year	12,185,721
Bonds and contracts payable, due in more than one year	122,683,040
Compensated absences and other liabilities, due in more than one year	<u>14,314,698</u>
Total liabilities	<u>165,303,576</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	28,949,595
Restricted for:	
Debt service	1,140,358
Capital projects	798,101
Unrestricted	<u>24,464,131</u>
Total net assets	<u><u>\$ 55,352,185</u></u>

# Troy School District

## Statement of Activities Year Ended June 30, 2005

Functions/Programs	Program Revenue			Governmental
	Expenses	Charges for Services	Operating Grants/ Contributions	Activities
				Net (Expense) Revenue and Changes in Net Assets
Primary government - Governmental activities:				
Instruction	\$ 88,747,576	\$ 1,312,859	\$ 13,759,714	\$ (73,675,003)
Support services	53,433,135	173,825	3,191,422	(50,067,888)
Food services	3,121,786	2,801,977	460,979	141,170
Athletics	2,096,801	255,076	-	(1,841,725)
Community services	4,028,914	2,892,759	338,233	(797,922)
Interest and other bond expenditures long-term debt	5,412,602	-	-	(5,412,602)
Total primary government - Governmental activities	<u>\$ 156,840,814</u>	<u>\$ 7,436,496</u>	<u>\$ 17,750,348</u>	(131,653,970)
General revenue (expenditures):				
Taxes:				
Property taxes, levied for general purposes				49,258,054
Property taxes, levied for debt services				16,910,223
State aid not restricted to specific purposes				58,779,988
Interest and investment earnings				2,299,143
Other				73,778
Special item - Loss on sale of capital assets				(90,636)
Total general revenue and special item				<u>127,230,550</u>
<b>Change in Net Assets</b>				(4,423,420)
<b>Net Assets - Beginning of year</b>				<u>59,775,605</u>
<b>Net Assets - End of year</b>				<u>\$ 55,352,185</u>

# Troy School District

## Governmental Funds Balance Sheet June 30, 2005

	General Fund	Capital Projects 2004	Other Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and investments (Note 3)	\$ 24,746,370	\$ 58,951,984	\$ 7,776,427	\$ 91,474,781
Receivables:				
Accounts receivable	318,787	1,800	8,241	328,828
Taxes receivable	546,097	-	-	546,097
Due from other funds (Note 6)	-	-	286,839	286,839
Due from other governmental units	12,207,526	-	7,533	12,215,059
Accrued interest	47,302	-	8,539	55,841
Inventories	88,383	-	104,471	192,854
Prepays and other assets	202,286	-	36,025	238,311
Total assets	<b>\$ 38,156,751</b>	<b>\$ 58,953,784</b>	<b>\$ 8,228,075</b>	<b>\$ 105,338,610</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,219,792	\$ 1,560,829	\$ 108,354	\$ 3,888,975
Accrued payroll and other liabilities	9,438,758	-	134,400	9,573,158
Due to other funds (Note 6)	188,007	7,614	49,163	244,784
Deferred revenue (Note 4)	410,247	-	232,234	642,481
Total liabilities	12,256,804	1,568,443	524,151	14,349,398
<b>Fund Balances</b>				
Reserved:				
Inventory and prepaid items	249,718	-	140,496	390,214
Debt service	-	-	1,140,358	1,140,358
Capital Projects Fund	-	57,385,341	-	57,385,341
Unreserved:				
Designated for Durant projects	-	-	5,107,994	5,107,994
Designated for 2005-2006 budget deficit	3,203,491	-	356,827	3,560,318
Undesignated - Reported in Special Revenue Funds	-	-	958,249	958,249
Undesignated	22,446,738	-	-	22,446,738
Total fund balances	25,899,947	57,385,341	7,703,924	90,989,212
Total liabilities and fund balances	<b>\$ 38,156,751</b>	<b>\$ 58,953,784</b>	<b>\$ 8,228,075</b>	<b>\$ 105,338,610</b>

# Troy School District

## Reconciliation of Governmental Fund Balances to the Statement of Net Assets Year Ended June 30, 2005

**Fund Balances - Total Governmental Funds** \$ 90,989,212

Amounts reported for governmental activities in the statement of net assets  
are different because capital assets used in governmental activities  
are not financial resources and are not reported in the funds:

Capitalized cost of the capital assets 197,652,987  
Accumulated depreciation (89,817,777)

Total 107,835,210

Long-term liabilities are not due and payable in the current period and  
are not reported in the funds:

Bonds payable (134,868,761)  
Compensated absences (9,058,042)  
Other long-term liabilities (1,181,320)

Other assets not capitalized in the governmental funds 2,234,825

Internal Service Fund assets and liabilities are included in governmental  
activities in the statement of net assets 5,157

Accrued interest payable is not included as a liability in governmental  
activities (604,096)

**Net Assets of Governmental Activities** \$ 55,352,185

# Troy School District

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2005

	General Fund	Capital Projects 2004	Other Nonmajor Governmental Funds	Total
<b>Revenue</b>				
Local sources	\$ 51,909,876	\$ 1,050,432	\$ 22,868,923	\$ 75,829,231
State sources	63,594,181	-	114,203	63,708,384
Federal sources	4,220,460	-	346,776	4,567,236
Interdistrict and other sources	8,229,714	-	-	8,229,714
Total revenue	127,954,231	1,050,432	23,329,902	152,334,565
<b>Expenditures</b>				
Current:				
Instruction	84,591,594	-	-	84,591,594
Support services	47,548,136	411,988	26,477	47,986,601
Community services	674,995	-	2,756,478	3,431,473
Food services	-	-	3,057,353	3,057,353
Athletics	-	-	1,814,997	1,814,997
Debt service principal	-	-	10,740,000	10,740,000
Debt service interest and other	-	-	5,087,496	5,087,496
Other bond expenditures	-	-	280,182	280,182
Capital outlay	784,850	6,570,718	364,224	7,719,792
Intergovernmental transfers	2,847,952	-	-	2,847,952
Total expenditures	136,447,527	6,982,706	24,127,207	167,557,440
<b>Excess of Expenditures Over Revenue</b>	(8,493,296)	(5,932,274)	(797,305)	(15,222,875)
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	220,804	-	1,432	222,236
Proceeds from sale of bonds	-	63,317,615	-	63,317,615
Proceeds from bond refunding	-	-	35,552,385	35,552,385
Bond premium	-	-	6,014,422	6,014,422
Payment to bond escrow agent	-	-	(39,495,000)	(39,495,000)
Bond deferred charges	-	-	(2,342,175)	(2,342,175)
Transfers in (Note 6)	139,957	-	1,446,957	1,586,914
Transfers out (Note 6)	(1,586,914)	-	-	(1,586,914)
Total other financing sources	(1,226,153)	63,317,615	1,178,021	63,269,483
<b>Net Change in Fund Balances</b>	(9,719,449)	57,385,341	380,716	48,046,608
<b>Fund Balances - Beginning of year</b>	35,619,396	-	7,323,208	42,942,604
<b>Fund Balances - End of year</b>	<u>\$ 25,899,947</u>	<u>\$ 57,385,341</u>	<u>\$ 7,703,924</u>	<u>\$ 90,989,212</u>

# Troy School District

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

**Net Change in Fund Balances - Total Governmental Funds** \$ 48,046,608

Amounts reported for governmental activities in the statement of activities are different because governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(9,124,053)
Capital outlay	<u>7,719,792</u>

Total	(1,404,261)
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The net effect of other transactions involving capital assets that increased (decreased) net assets:

Proceeds from the sale of fixed assets	(222,236)
Loss on sale of fixed assets	(90,636)

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid (44,924)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 10,740,000

Governmental funds report bond proceeds and refundings as other financing sources and uses:

Bond proceeds	(104,884,422)
Bond refunding payments to escrow	41,837,175

Amortization of deferred interest (107,353)

Amortization of bond premium 275,661

Internal Service Fund activity 5,157

Decreases in compensated absences, arbitrage payable, and self-insurance are reported as expenditures when financial resources are used in the governmental funds, excluding Internal Service Fund early retirement incentive 1,425,811

**Change in Net Assets of Governmental Activities** **\$ (4,423,420)**

# Troy School District

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## Proprietary Fund - Internal Service Fund Statement of Net Assets June 30, 2005

<b>Assets - Current assets</b>	
Investments (Note 3)	\$ 5,541,505
Accrued interest receivable	<u>5,157</u>
Total assets	5,546,662
<b>Liabilities</b>	
Accrued liabilities, due within one year (Note 7)	1,028,585
Accrued liabilities, due in more than one year (Note 7)	4,458,158
Due to other funds (Note 6)	<u>54,762</u>
Total liabilities	<u>5,541,505</u>
<b>Net Assets - Unrestricted</b>	<u><u>\$ 5,157</u></u>

# Troy School District

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## Proprietary Fund - Internal Service Fund Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2005

Operating Revenues - Charges for services	\$ 5,486,743
Operating Expenses - Early retirement incentive	<u>5,486,743</u>
Operating Income	-
Nonoperating Revenues - Interest income	<u>5,157</u>
Change in Net Assets	5,157
Net Assets - Beginning of year	<u>-</u>
Net Assets - End of year	<u><u>\$ 5,157</u></u>

# Troy School District

## Proprietary Fund - Internal Service Fund Statement of Cash Flows June 30, 2005

### Cash Flows From Operating Activities

Receipts from other funds	\$ 5,541,505
Payments for services	<u>-</u>
Net cash provided by operating activities	<u>5,541,505</u>
<b>Net Increase in Cash and Cash Equivalent Investments</b>	5,541,505
<b>Cash and Cash Equivalent Investments - July 1, 2004</b>	<u>-</u>
<b>Cash and Cash Equivalent Investments - June 30, 2005</b>	<u><u>\$ 5,541,505</u></u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	\$ -
Adjustment to reconcile operating income to net cash from operating activities:	
Increase in due to other funds	54,762
Increase in accrued liabilities	<u>5,486,743</u>
Net cash provided by operating activities	<u><u>\$ 5,541,505</u></u>

# Troy School District

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## Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2005

	Student Activities <u>Agency Fund</u>
<b>Assets</b>	
Cash and investments (Note 3)	\$ 1,481,310
Accounts receivable	77,337
Accrued interest receivable	117
Due from other funds (Note 6)	<u>12,707</u>
Total assets	<b><u>\$ 1,571,471</u></b>
<b>Liabilities</b>	
Accounts payable	\$ 70,882
Due to student groups	<u>1,500,589</u>
Total liabilities	<b><u>\$ 1,571,471</u></b>

## **Note I - Summary of Significant Accounting Policies**

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

### **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 and 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. Based on application of the criteria, the entity does not contain any component units.

### **District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Substantially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, although the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-wide Financial Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of interfund activity has been substantially eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

**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 revenue to be available if it is 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.

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.

## **Note I - Summary of Significant Accounting Policies (Continued)**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The only proprietary fund maintained is an Internal Service Fund that is used to account for the financing of an early retirement incentive payment provided to other funds on a cost-reimbursement basis. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Fiduciary Fund and Internal Service Fund statements are also 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 the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

**Capital Projects 2004** - The 2004 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring sites, buildings and equipment and for major remodeling projects.

Additionally, the School District reports the following fund types:

The School District's proprietary fund is the Internal Service Fund. The purpose of the Internal Service Fund is to finance services provided to other funds on a cost-reimbursement basis. The Internal Service Fund is for the Voluntary Resignation Incentive Plan and is funded through transfers from the General Fund.

The School District's only fiduciary fund is the Trust and Agency - Student Activities Fund, which accounts for assets held by the School District in a trustee capacity or as an agent.

Additionally, the School District reports the following nonmajor governmental fund types:

The School District maintains three governmental Debt Service Funds, which are used to account for property tax and other revenue legally restricted for payment of long-term debt.

The School District maintains four nonmajor governmental Special Revenue Funds, which account for the School District's food services, athletics, adult and community education activities, and Durant funds.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

The School District maintains one nonmajor Capital Project Fund, the 1997 Capital Projects Fund, which is used to record the bond proceeds and other revenue and the disbursement of money specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling and repairs.

### **Assets, Liabilities, and Net Assets or Equity**

**Cash and Investments** - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of nine months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund and various Debt Service Funds is allocated to each fund using a weighted average of balance for the principal invested.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are considered fully collectible and no allowance for uncollectible amounts is recorded.

**Property Taxes** - The property tax revenue of the School District is collected and distributed by the City of Troy as an agent for the School District. The State of Michigan establishes the process by which taxes are levied and collected. The city assessor is required to assess real property as of December 31 and complete the tax rolls by May 1. Taxes are levied on July 1 for approximately 50 percent of the school taxes due September 1 and December 1 for the remainder of the school property taxes that are due on February 15. A taxpayer may petition the City Board of Review during the first weeks of March for a revision of the assessed value. The city assessor makes approved changes in assessed and taxable values by May 1 and on this date the city treasurer is to deliver the completed assessment rolls to the county treasurer.

Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

**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 consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

## **Note I - Summary of Significant Accounting Policies (Continued)**

**Restricted Assets** - The unspent bond proceeds and related interest of the Capital Projects Fund requires amounts to be set aside for construction and fixed asset acquisition. The property taxes levied in the Debt Service Funds are required to be set aside for future principal and interest payments on bonded debt. These amounts have been classified as restricted assets.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

**Compensated Absences** - The liability for compensated absences reported in the government-wide statements consists of unpaid salaries, accumulated annual sick leave balances, and early retirement obligations. The liability has been calculated using the vesting method, in which sick leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Long-term Obligations** - In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as bond issuance costs, during the current period.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# Troy School District

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## Notes to Financial Statements June 30, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Comparative Data** - Comparative data is not included in the School District's financial statements.

**Accounting Change** - During the year, the School District adopted the provisions of GASB Statement #47, *Accounting for Termination Benefits*, described in Note 7.

### 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, Special Revenue, Debt Service, Internal Service, and Capital Projects Funds. All annual appropriations lapse at fiscal year end. The budget document presents major General Fund information by function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year.

The School District amended budgeted amounts during the year in response to changes in anticipated spending for salaries, benefits, and other expenditures.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School District did not have significant General Fund expenditure budget variances.

**Capital Projects Fund Compliance** - The 2004 Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For this capital project, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code. Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2004 Capital Projects Fund.

### Note 3 - Deposits and Investments

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 offices 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. The School District's deposits are in accordance with statutory authority.

## **Note 3 - Deposits and Investments (Continued)**

The School District has designated seven banks for the deposit of its funds.

The investment policy adopted by the board in accordance with State statutes has authorized investment in all the allowable investment vehicles noted above.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk 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's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$19,529,573 had \$19,029,573 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### **Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states the School District will minimize this risk by limiting investments to the types of investments listed above and prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business. At June 30, 2005, the School District does not have investments with custodial credit risk.

### Note 3 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy restricts investment maturities to three years or less from the date of purchase and commercial paper which can only be purchased with a 270-day maturity. The overall weighted average duration of the entire portfolio shall be less than two years. The School District's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

#### Credit Risk

State law limits investments in commercial paper to the top three ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Type	Name of Investment/Description	Fair Value	Maturity Date	Rating Agency Used	Rating Given
Commercial paper	American Express	\$ 2,989,675	7/15/2005	Standard & Poor's	A-1
Commercial paper	Citigroup Funding	2,986,913	7/29/2005	Standard & Poor's	A-1+
U.S. gov or agency bond or note	Federal Home Loan Bank	4,050,813	11/15/2006	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Bank	1,784,744	2/15/2007	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Bank	2,155,840	3/15/2006	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Bank	1,628,011	12/15/2005	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Mortgage Corp.	4,194,609	12/15/2006	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Mortgage Corp.	2,160,857	3/15/2007	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Mortgage Corp.	648,664	9/15/2005	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Mortgage Corp.	992,309	9/15/2007	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Mortgage Corp.	576,456	8/15/2005	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Mortgage Corp.	1,850,546	2/15/2006	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	3,782,866	10/15/2006	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	3,264,518	1/15/2007	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	1,238,436	7/15/2007	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	1,735,109	10/15/2005	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	988,408	11/15/2007	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	1,681,915	1/15/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	2,871,475	4/15/2006	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	2,596,689	5/15/2006	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	2,926,490	6/16/2006	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	7,790,216	8/11/2006	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	2,352,087	1/15/2006	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	3,017,317	6/15/2006	Standard & Poor's	AAA

# Troy School District

## Notes to Financial Statements June 30, 2005

### Note 3 - Deposits and Investments (Continued)

Type	Name of Investment/Description	Fair Value	Maturity Date	Rating Agency Used	Rating Given
Mutual fund	Fidelity Government Fund	\$ 4,663,609	N/A	Standard & Poor's	AA
Commercial paper	General Electric	597,650	7/20/2005	Standard & Poor's	A-1+
Commercial paper	General Electric	4,380,200	7/27/2005	Standard & Poor's	A-1+
Interlocal agreement fund	MILAF	441	Not Required	Standard & Poor's	AAA
Interlocal agreement fund	MILAF	131,062	Not Required	Standard & Poor's	AAA
Commercial paper	Pitney Bowes	1,498,116	7/13/2005	Standard & Poor's	A-1
Commercial paper	Pitney Bowes	749,058	7/13/2005	Standard & Poor's	A-1
Commercial paper	Pitney Bowes	649,184	7/13/2005	Standard & Poor's	A-1
Commercial paper	Pitney Bowes	1,298,367	7/13/2005	Standard & Poor's	A-1
Commercial paper	Proctor & Gamble	401,700	9/19/2005	Standard & Poor's	A-1+
Commercial paper	Proctor & Gamble	510,000	9/19/2005	Standard & Poor's	A-1+
Commercial paper	Proctor & Gamble	179,400	9/19/2005	Standard & Poor's	A-1+
Commercial paper	Proctor & Gamble	1,487,863	9/19/2005	Standard & Poor's	A-1+
Commercial paper	Proctor & Gamble	2,152,443	9/19/2005	Standard & Poor's	A-1+
Total		<u>\$ 78,964,056</u>			

### Concentration of Credit Risk

The School District places limits on the amount the School District may invest in any one issuer. The School District's policy is as follows:

- **U.S. Government Securities** - A maximum of 100 percent of available funds may be invested in United States government securities.
- **U.S. Government Agencies** - A maximum of 50 percent of available funds may be invested in United States government agencies. A maximum of 10 percent of available funds may be invested in any individual United States government agency.
- **Federal Instrumentalities** - A maximum of 80 percent of available funds may be invested in federal instrumentalities. A maximum of 30 percent of available funds may be invested in any one issuer and a maximum of 25 percent of available funds may be invested in callable securities.
- **Certificates of Deposit** - A maximum of 75 percent of available funds may be invested in non-negotiable interest-bearing time certificates of deposit. A maximum of 37.5 percent of available funds may be deposited with any one institution.
- **Repurchase Agreements** - A maximum of 20 percent of available funds may be invested in repurchase agreements excluding one business day agreements and overnight sweep agreements.
- **Commercial Paper** - A maximum of 60 percent of available funds may be directly invested in prime commercial paper. A maximum of 30 percent of available funds may be invested with any one issuer.

### Note 3 - Deposits and Investments (Continued)

- **Bankers' Acceptances** - A maximum of 20 percent of available funds may be directly invested in bankers' acceptances. A maximum of 5 percent of available funds may be invested with any one issuer.
- **Registered Investment Companies (Money Market Mutual Funds)** - A maximum of 100 percent of available funds may be invested in money market funds.

The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5 percent of the School District's investments are in the following commercial paper or government agency obligation:

<u>Issuer</u>	<u>Percent of Total Investments</u>
General Electric	6.30%
Proctor & Gamble	5.99%
Pitney Bowes	5.31%
Federal Home Loan Bank	12.18%
Federal Home Loan Mortgage Corp	13.20%
Federal National Mortgage Association	43.37%

### Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value, as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consists of fees for services received prior to providing the related services.

# Troy School District

## Notes to Financial Statements June 30, 2005

### Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2004	Reclassifications	Additions	Disposals	Balance June 30, 2005
Assets not being depreciated:					
Land	\$ 2,594,042	\$ -	\$ -	\$ (1,472)	\$ 2,592,570
Construction in progress	51,376	(51,376)	5,766,032	-	5,766,032
Subtotal	2,645,418	(51,376)	5,766,032	(1,472)	8,358,602
Capital assets being depreciated:					
Buildings and building improvements	130,961,642	51,376	357,957	-	131,370,975
Furniture and equipment	58,245,520	-	1,595,803	(1,917,913)	57,923,410
Subtotal	189,207,162	51,376	1,953,760	(1,917,913)	189,294,385
Total capital assets	191,852,580	-	7,719,792	(1,919,385)	197,652,987
Accumulated depreciation:					
Buildings and building improvements	48,667,188	-	3,331,571	-	51,998,759
Furniture and equipment	33,633,049	-	5,792,482	(1,606,513)	37,819,018
Subtotal	82,300,237	-	9,124,053	(1,606,513)	89,817,777
Net capital assets being depreciated	106,906,925	51,376	(7,170,293)	(311,400)	99,476,608
Net capital assets	\$ 109,552,343	\$ -	\$ (1,404,261)	\$ (312,872)	\$ 107,835,210

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

Governmental activities:

Instruction	\$ 1,364,878
Support services	7,411,640
Food services	64,433
Athletics	281,804
Community services	1,298

Total governmental activities \$ 9,124,053

**Construction Commitments** - The School District has active construction projects at year end. The projects include the 2004 Bond issue and various projects. At year end, the School District's commitments with contractors totaled approximately \$1,082,000.

# Troy School District

## Notes to Financial Statements June 30, 2005

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	General Fund	Capital Projects 2004	Nonmajor Governmental Funds	Internal Service Fund	
General Fund	\$ (111,539)	\$ 7,614	\$ 49,163	\$ 54,762	\$ -
Capital Projects 2004	-	-	-	-	-
Nonmajor governmental funds	286,839	-	-	-	286,839
Trust and Agency Fund	12,707	-	-	-	12,707
<b>Total</b>	<b>\$ 188,007</b>	<b>\$ 7,614</b>	<b>\$ 49,163</b>	<b>\$ 54,762</b>	<b>\$ 299,546</b>

The composition of interfund transfers is as follows:

	Transfers Out -		Total
	Transfers Out - General Fund	Nonmajor Governmental Funds	
Transfers in:			
General Fund	\$ -	\$ 139,957	\$ 139,957
Nonmajor governmental funds	1,586,914	-	1,586,914
<b>Total</b>	<b>\$ 1,586,914</b>	<b>\$ 139,957</b>	<b>\$ 1,726,871</b>

Interfund balances represent routine and temporary cash flow assistance from the General Fund until amounts are transferred from fund investment accounts.

### Note 7 - 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, early retirement incentives, and certain risk liabilities.

# Troy School District

## Notes to Financial Statements June 30, 2005

### Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds	\$ 80,495,000	\$ 98,870,000	\$ 50,235,000	\$ 129,130,000	\$ 11,885,000
Plus deferred amounts - Issuance premiums	-	6,014,422	275,661	5,738,761	300,721
Other obligations	11,665,173	5,571,982	1,511,050	15,726,105	1,411,407
Total governmental activities	\$ 92,160,173	\$ 110,456,404	\$ 52,021,711	\$ 150,594,866	\$ 13,597,128

Annual debt service requirements to maturity for the above governmental bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2006	\$ 11,885,000	\$ 5,943,396	\$ 17,828,396
2007	9,730,000	5,505,693	15,235,693
2008	10,235,000	5,107,243	15,342,243
2009	10,465,000	4,720,218	15,185,218
2010	10,770,000	4,283,460	15,053,460
2011-2015	39,595,000	14,085,750	53,680,750
2016-2020	20,250,000	7,087,500	27,337,500
2021-2024	16,200,000	2,025,000	18,225,000
Total	\$ 129,130,000	\$ 48,758,260	\$ 177,888,260

# Troy School District

## Notes to Financial Statements June 30, 2005

### Note 7 - Long-term Debt (Continued)

#### Governmental Activities

General obligation bonds consist of the following at June 30, 2005:

\$13,375,000 Refunding Bonds due in annual installments of \$2,110,000 to \$2,315,000 through May 1, 2010; interest at 2.00% to 3.50%	\$ 11,060,000
\$86,405,000 General Obligation Bonds due in annual installments of \$2,530,000 to \$10,765,000 through May 1, 2024; interest at 4.65% to 5.00%	21,005,000
\$98,870,000 General Obligation and Refunding Bonds due in annual installments of \$2,530,000 to \$10,765,000 through May 1, 2024; interest at 2.50% to 5.00%	<u>97,065,000</u>
Total bonded debt	<u>\$ 129,130,000</u>

Other governmental activities long-term obligations include the following:

Employee-compensated absences	\$ 9,058,042
Early retirement incentive and severance obligation	6,543,063
Self-insurance	<u>125,000</u>
Total	<u>\$ 15,726,105</u>

**Early Retirement Incentive** - The School District has a long-term early retirement incentive program in place that calls for annual payments of \$101,395 through August 2010. The obligation is presented at net present value using a discount rate of 4.0 percent.

## **Note 7 - Long-term Debt (Continued)**

**Advance and Current Refundings** - During the year, the School District issued \$98,870,000 in general obligation bonds with an average interest rate of 4.19 percent. A total of \$60,130,000 of the proceeds related to the 2004 Capital Projects Fund. The remaining \$38,740,000 was used to advance refund outstanding 1997 bonds with an average interest rate of 3.71 percent. The net proceeds of \$41,837,175 (after payment of \$279,632 in underwriting fees, insurance, and other issuance costs plus original issuance premiums of \$2,826,807) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligations. The advance refunding reduced total debt service payments by \$1,396,632, which represents an economic gain of approximately \$1,188,000.

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2005, \$69,565,000 of bonds outstanding are considered defeased.

## **Note 8 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss claims and health insurance for certain employee groups and participates in the 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 only partially insured for medical claims for certain other employee groups and for all workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

# Troy School District

## Notes to Financial Statements June 30, 2005

### Note 8 - Risk Management (Continued)

**Workers' Compensation** - The School District is partially uninsured for workers' compensation claims. 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. At June 30, 2005, the School District has recorded a liability of \$197,367 in the General Fund for claims filed but not yet paid. An estimate of \$125,000 for claims incurred but not yet reported based on occurrence date has been recorded in the government-wide statements.

**Health Insurance** - The School District is partially uninsured for health claims for certain employee groups. The School District's maximum loss is limited to an aggregate loss fund amount (\$5,290,562 for calendar year 2005). All claims filed on a calendar year basis in excess of the loss fund are paid by an excess insurer. At June 30, 2005, the School District has recorded a liability of \$1,355,220 in the General Fund for claims filed but not paid. From January 1 to June 30, 2005, claims of \$1,917,615 have been paid under the plan.

Changes in the estimated liability for uninsured health and workers' compensation claims (both current and long-term) for the past fiscal year are as follows:

	<u>2005</u>	<u>2004</u>
Estimated liability - Beginning of year	\$ 1,637,878	\$ 1,607,000
Estimated claims incurred, including changes in estimates	4,211,009	4,579,714
Claim payments	<u>(4,171,300)</u>	<u>(4,548,836)</u>
Estimated liability - End of year	<u>\$ 1,677,587</u>	<u>\$ 1,637,878</u>

### Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at P.O. Box 30171, Lansing, MI 48909-7671.

# Troy School District

## Notes to Financial Statements June 30, 2005

### Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

**Funding Policy** - Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 12.99 percent and 14.87 percent of the covered payroll to the plan for the periods from July 1, 2004 through September 30, 2004 and October 1, 2004 through June 30, 2005, respectively. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2005, 2004, and 2003 were \$12,264,276, \$10,620,850, and \$10,181,204, respectively.

**Postemployment Benefits** - Under the MPSERS Act, all eligible retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

### Note 10 - Restricted Assets

The balances of governmental activities restricted asset accounts are as follows:

Unspent bond proceeds and related interest	\$ 57,385,341
Property tax collections for repayment of bonded indebtedness	<u>1,139,730</u>
Total restricted assets	<u>\$ 58,525,071</u>

### Note 11 - Contingent Liabilities

Certain lawsuits have been filed against the School District, primarily related to employment matters. The final outcome of these cases is not presently determinable, and the School District does not believe any potential loss would be material to the basic financial statements.

## **Note 12 - Subsequent Events**

During the year, the School District priced \$53,545,000 of Capital Projects bonds. The proceeds will be the second and final series of bonds under the 2004 authorization to be used for school building and site purposes. The bonds are expected to be issued in May 2006.

## **Required Supplemental Information**

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# Troy School District

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 50,456,006	\$ 50,919,741	\$ 51,909,876	\$ 990,135
State sources	63,555,493	63,538,096	63,594,181	56,085
Federal sources	4,000,529	4,948,215	4,220,460	(727,755)
Interdistrict and other sources	<u>6,840,567</u>	<u>8,246,295</u>	<u>8,229,714</u>	<u>(16,581)</u>
Total revenue	124,852,595	127,652,347	127,954,231	301,884
<b>Expenditures - Current</b>				
Instruction:				
Basic programs	66,359,784	72,419,876	72,185,424	(234,452)
Added needs	10,493,617	10,828,737	10,724,657	(104,080)
Adult and continuing education	1,736,426	1,742,621	1,681,513	(61,108)
Support services:				
Pupil	9,575,185	11,040,946	10,359,556	(681,390)
Instructional staff	7,086,877	7,803,682	7,253,845	(549,837)
General administration	2,137,732	2,063,023	2,029,476	(33,547)
School administration	7,926,847	7,685,347	7,627,964	(57,383)
Business services	1,528,950	1,338,483	1,309,047	(29,436)
Operations and maintenance	13,018,500	12,967,262	12,933,331	(33,931)
Transportation	4,459,973	4,410,979	4,296,634	(114,345)
Central support services	2,077,354	1,915,315	1,795,131	(120,184)
Community services	<u>1,132,275</u>	<u>1,297,251</u>	<u>1,271,138</u>	<u>(26,113)</u>
Total expenditures	127,533,520	135,513,522	133,467,716	(2,045,806)
<b>Other Financing Sources (Uses)</b>				
Transfers in	135,297	141,864	139,957	(1,907)
Transfers out	(1,589,401)	(1,622,296)	(1,586,914)	35,382
Interdistrict transfers and other	(3,060,106)	(3,150,347)	(2,979,811)	170,536
Proceeds from sale of fixed assets	<u>8,000</u>	<u>110,400</u>	<u>220,804</u>	<u>110,404</u>
Total other financing sources (uses)	<u>(4,506,210)</u>	<u>(4,520,379)</u>	<u>(4,205,964)</u>	<u>314,415</u>
<b>Net Change in Fund Balance</b>	(7,187,135)	(12,381,554)	(9,719,449)	2,662,105
<b>Fund Balance - July 1, 2004</b>	<u>33,183,079</u>	<u>35,619,396</u>	<u>35,619,396</u>	<u>-</u>
<b>Fund Balance - June 30, 2005</b>	<u><b>\$ 25,995,944</b></u>	<u><b>\$ 23,237,842</b></u>	<u><b>\$ 25,899,947</b></u>	<u><b>\$ 2,662,105</b></u>

## **Other Supplemental Information**

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# Troy School District

	Special Revenue Funds			
	Food Services	Athletics	Adult and Community Education	Durant
<b>Assets</b>				
Cash and investments	\$ 668,307	\$ 6,317	\$ 812,622	\$ 5,149,451
Accounts receivable	6,539	-	1,702	-
Accrued interest receivable	58	-	67	7,706
Due from other governmental units	7,533	-	-	-
Due from other funds	89,756	72,021	109,214	-
Inventories	104,471	-	-	-
Prepays	835	-	-	35,190
<b>Total assets</b>	<b>\$ 877,499</b>	<b>\$ 78,338</b>	<b>\$ 923,605</b>	<b>\$ 5,192,347</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 13,604	\$ 74,171	\$ 4,651	\$ -
Accrued payroll and other liabilities	37,526	4,167	92,707	-
Due to other funds	-	-	-	49,163
Deferred revenue	60,709	-	171,525	-
<b>Total liabilities</b>	<b>111,839</b>	<b>78,338</b>	<b>268,883</b>	<b>49,163</b>
<b>Fund Balances</b>				
Reserved:				
Inventory and prepaid items	105,306	-	-	35,190
Debt service	-	-	-	-
Unreserved:				
Designated for Durant projects	-	-	-	5,107,994
Designated for 2005-2006 budget deficit	-	-	356,827	-
Undesignated	660,354	-	297,895	-
<b>Total fund balances</b>	<b>765,660</b>	<b>-</b>	<b>654,722</b>	<b>5,143,184</b>
<b>Total liabilities and fund balances</b>	<b>\$ 877,499</b>	<b>\$ 78,338</b>	<b>\$ 923,605</b>	<b>\$ 5,192,347</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005**

Debt Service Funds					
1976	1997	2004A	2004	Capital Projects 1997	Total
\$ -	\$ 508,793	\$ 149,632	\$ 481,225	\$ 80	\$ 7,776,427
-	-		-	-	8,241
-	122	328	258	-	8,539
-	-	-	-	-	7,533
-	-	-	-	15,848	286,839
-	-	-	-	-	104,471
-	-	-	-	-	36,025
<u>\$ -</u>	<u>\$ 508,915</u>	<u>\$ 149,960</u>	<u>\$ 481,483</u>	<u>\$ 15,928</u>	<u>\$ 8,228,075</u>
\$ -	-	-	-	15,928	108,354
-	-	-	-	-	134,400
-	-	-	-	-	49,163
-	-	-	-	-	232,234
-	-	-	-	15,928	524,151
-	-	-	-	-	140,496
-	508,915	149,960	481,483	-	1,140,358
-	-	-	-	-	5,107,994
-	-	-	-	-	356,827
-	-	-	-	-	958,249
<u>-</u>	<u>508,915</u>	<u>149,960</u>	<u>481,483</u>	<u>-</u>	<u>7,703,924</u>
<u>\$ -</u>	<u>\$ 508,915</u>	<u>\$ 149,960</u>	<u>\$ 481,483</u>	<u>\$ 15,928</u>	<u>\$ 8,228,075</u>

# Troy School District

	Special Revenue Funds			
	Food Services	Athletics	Adult and Community Education	Durant
<b>Revenue</b>				
Local sources	\$ 2,820,335	\$ 256,779	\$ 2,646,024	\$ 101,971
State sources	114,203	-	-	-
Federal sources	346,776	-	-	-
<b>Total revenue</b>	<b>3,281,314</b>	<b>256,779</b>	<b>2,646,024</b>	<b>101,971</b>
<b>Expenditures</b>				
Current:				
Support services	-	-	-	26,477
Community services	-	-	2,756,478	-
Food services	3,057,353	-	-	-
Athletics	-	1,814,997	-	-
Debt service:				
Principal	-	-	-	-
Interest and other	-	-	-	-
Other bond expenditures	-	-	-	-
Capital outlay	3,501	16,861	47,924	1,195
<b>Total expenditures</b>	<b>3,060,854</b>	<b>1,831,858</b>	<b>2,804,402</b>	<b>27,672</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>220,460</b>	<b>(1,575,079)</b>	<b>(158,378)</b>	<b>74,299</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	-	1,575,079	(128,122)	-
Debt proceeds	-	-	-	-
Proceeds from bond refunding	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Proceeds from sale of capital assets	6	-	-	-
<b>Total other financing sources (uses)</b>	<b>6</b>	<b>1,575,079</b>	<b>(128,122)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>220,466</b>	<b>-</b>	<b>(286,500)</b>	<b>74,299</b>
<b>Fund Balances - Beginning of year</b>	<b>545,194</b>	<b>-</b>	<b>941,222</b>	<b>5,068,885</b>
<b>Fund Balances - End of year</b>	<b>\$ 765,660</b>	<b>\$ -</b>	<b>\$ 654,722</b>	<b>\$ 5,143,184</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2005**

Debt Service Fund				
1997	2004A	2004	Capital Projects 1997	Total
\$ 8,637,358	\$ 2,709,741	\$ 5,694,311	\$ 2,404	\$ 22,868,923
-	-	-	-	114,203
-	-	-	-	346,776
8,637,358	2,709,741	5,694,311	2,404	23,329,902
-	-	-	-	\$ 26,477
-	-	-	-	2,756,478
-	-	-	-	3,057,353
-	-	-	-	1,814,997
6,620,000	2,315,000	1,805,000	-	10,740,000
1,301,518	378,150	3,407,828	-	5,087,496
279,932	250	-	-	280,182
-	-	-	294,743	364,224
8,201,450	2,693,400	5,212,828	294,743	24,127,207
435,908	16,341	481,483	(292,339)	(797,305)
-	-	-	-	\$ 1,446,957
-	-	-	-	-
41,566,807	-	-	-	41,566,807
(41,837,175)	-	-	-	(41,837,175)
-	-	-	1,426	1,432
(270,368)	-	-	1,426	1,178,021
165,540	16,341	481,483	(290,913)	380,716
343,375	133,619	-	290,913	7,323,208
<b>\$ 508,915</b>	<b>\$ 149,960</b>	<b>\$ 481,483</b>	<b>\$ -</b>	<b>\$ 7,703,924</b>

# Troy School District

June 30	2004 Debt			2004A Debt		
	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate
2006	\$ 2,530,000	\$ 4,682,600	2.500	\$ 2,285,000	\$ 263,800	2.000
2007	-	4,619,359	-	2,180,000	218,100	2.000
2008	6,630,000	4,619,359	3.000, 5.000	2,295,000	174,500	2.000
2009	6,980,000	4,340,432	4.000, 5.000	2,190,000	128,600	2.500
2010	7,380,000	4,021,250	5.000	2,110,000	73,850	3.500
2011	8,980,000	3,652,250	3.750, 5.000	-	-	-
2012	9,250,000	3,228,250	5.000	-	-	-
2013	10,765,000	2,765,750	5.000	-	-	-
2014	4,050,000	2,227,500	5.000	-	-	-
2015	4,050,000	2,025,000	5.000	-	-	-
2016	4,050,000	1,822,500	5.000	-	-	-
2017	4,050,000	1,620,000	5.000	-	-	-
2018	4,050,000	1,417,500	5.000	-	-	-
2019	4,050,000	1,215,000	5.000	-	-	-
2020	4,050,000	1,012,500	5.000	-	-	-
2021	4,050,000	810,000	5.000	-	-	-
2022	4,050,000	607,500	5.000	-	-	-
2023	4,050,000	405,000	5.000	-	-	-
2024	4,050,000	202,500	5.000	-	-	-
	<b><u>\$ 97,065,000</u></b>	<b><u>\$ 45,294,250</u></b>		<b><u>\$ 11,060,000</u></b>	<b><u>\$ 858,850</u></b>	
Principal payments due	May 1			May 1		
Interest payments due	May 1 and November 1			May 1 and November 1		
Interest rate	2.50% to 5.00%			2.00% to 3.50%		
Original issue	<b><u>\$ 98,870,000</u></b>			<b><u>\$ 13,375,000</u></b>		



**Statistical Section (Unaudited)**

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# Troy School District

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	1996	1997	1998	1999
Total tax levy	\$ 46,699,688	\$ 47,938,773	\$ 52,487,897	\$ 54,134,990
Current tax collections	\$ 46,387,599	\$ 47,654,776	\$ 52,075,338	\$ 53,890,396
Percent of current taxes collected	0.9933	99.41%	99.21%	99.55%
Delinquent tax collections	\$ 308,642	\$ 326,993	\$ 208,445	\$ 164,404
Total tax collections	\$ 46,696,241	\$ 47,981,769	\$ 52,283,783	\$ 54,054,800
Ratio of total tax collections to total tax levy	99.99%	100.08%	99.61%	99.85%
Taxes receivable	\$ 3,447	\$ -	\$ 204,114	\$ 80,190
Ratio of taxes receivable to total tax levy	0.01%	- %	0.39%	0.15%

**Ten-year Summary of Property Tax Data (Unaudited)**

2000	2001	2002	2003	2004	2005
\$ 56,333,764	\$ 57,178,094	\$ 59,193,467	\$ 61,002,834	\$ 60,793,929	\$ 65,590,790
\$ 55,804,070	\$ 56,494,058	\$ 58,328,985	\$ 59,833,312	\$ 60,254,035	\$ 65,087,435
99.06%	98.80%	98.54%	98.08%	99.11%	99.23%
\$ 137,735	\$ 212,605	\$ 123,866	\$ 173,244	\$ 150,190	\$ 1,080,842
\$ 55,941,805	\$ 56,706,663	\$ 58,452,851	\$ 60,006,556	\$ 60,404,225	\$ 66,168,277
99.30%	99.18%	98.75%	98.37%	99.36%	100.88%
\$ 391,959	\$ 471,431	\$ 740,616	\$ 996,278	\$ 389,704	-
0.70%	0.82%	1.25%	1.63%	0.64%	-

# Troy School District

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Tax Year	Homestead*	Non-Homestead*	Total Taxable Value*	Total Estimated Actual Value
1995	\$ 1,304,728,058	\$ 1,436,292,037	\$ 2,741,020,095	\$ 5,482,040,190
1996	1,367,649,486	1,488,538,427	2,856,187,913	5,712,375,826
1997	1,452,457,392	1,571,429,496	3,023,886,888	6,047,773,776
1998	1,537,517,964	1,682,726,935	3,220,244,899	6,440,489,798
1999	1,609,386,253	1,764,261,240	3,373,647,493	6,747,294,986
2000	1,691,935,219	1,847,149,821	3,539,085,040	7,078,170,080
2001	1,791,072,106	1,999,523,114	3,790,595,220	7,581,190,440
2002	1,894,315,712	2,021,987,286	3,916,302,998	7,832,605,996
2003	1,964,989,183	2,032,607,768	3,997,596,951	7,995,193,902
2004	2,055,223,774	2,026,060,542	4,081,284,316	8,162,568,632

\*Source: City of Troy, Assessing Department

**Ten-year Summary of Assessed and Actual Value of Taxable Property  
(Unaudited)**

Composition of Estimated Actual Value			
Commercial*	Industrial*	Residential*	Personal Property*
\$ 1,384,403,140	\$ 524,047,060	\$ 2,744,371,710	\$ 829,218,280
1,467,623,540	540,410,960	2,874,885,686	829,455,640
1,548,188,380	547,164,120	3,028,558,696	923,862,580
1,676,499,380	553,804,640	3,200,674,398	1,009,511,380
1,761,376,706	556,652,488	3,344,337,066	1,084,928,726
1,949,463,100	574,790,300	3,512,614,900	1,041,301,780
2,183,713,320	621,421,860	3,725,145,180	1,050,910,080
2,224,458,160	665,758,840	3,944,680,580	997,708,416
2,305,800,880	654,132,840	4,098,906,262	936,353,920
2,295,623,180	695,415,980	4,317,545,620	853,896,192

# Troy School District

## Ten-year Summary of Property Tax Rates Levied on Property within the District Direct and Overlapping Governments (Rates per \$1,000 of Assessed Value) (Unaudited)

Fiscal Year	Troy School District*	Oakland County Intermediate School District**	Oakland County Operating Levy**	Oakland County Community College**	Oakland County Public Transportation Act**	City of Troy**	Administration Fee**	Total Property Tax Rate Levied
1995-H	19.6534	2.1294	4.9480	.8522	-	9.25	.2759	37.1089
1995-N-H	27.5000	2.1294	4.9480	.8522	-	9.25	.2759	44.9555
1996-H	18.3611	2.1294	4.9480	1.6522	-	9.18	.2742	36.5449
1996-N-H	27.5000	2.1294	4.9480	1.6522	-	9.18	.2742	45.6838
1997-H	18.1111	2.1294	4.8480	1.6522	-	9.81	.3621	36.9128
1997-N-H	27.2500	2.1294	4.8480	1.6522	-	9.81	.3621	46.0517
1998-H	18.4064	2.1294	4.8180	1.6522	-	9.81	.3624	37.1784
1998-N-H	27.6400	2.1294	4.8180	1.6522	-	9.81	.3624	46.4120
1999-H	17.7095	2.1208	4.6564	1.6456	-	9.81	.2645	36.2068
1999-N-H	27.6200	2.1208	4.6564	1.6456	-	9.81	.3636	46.2164
2000-H	17.3618	2.0998	4.6522	1.6295	.3270	9.48	.2606	35.8109
2000-N-H	27.6101	2.0998	4.6522	1.6295	.3270	9.48	.3630	46.1616
2001-H	16.7031	2.0752	4.6478	1.6109	.3236	9.48	.2535	35.0941
2001-N-H	27.3155	2.0752	4.6478	1.6109	.3236	9.48	.3596	45.8126
2002-H	15.7369	3.4224	4.6523	1.6090	.6000	9.45	.2601	35.7307
2002-N-H	27.1400	3.4224	4.6523	1.6090	.6000	9.45	.3742	47.2479
2003-H	14.4343	3.3991	4.6497	1.5983	.5974	9.45	.2467	34.3755
2003-N-H	26.1400	3.3991	4.6497	1.5983	.5974	9.45	.3637	46.1982
2004-H	16.1565	3.3789	4.4322	1.5889	.5962	9.45	.2663	35.8690
2004-N-H	28.1300	3.3789	4.4322	1.5889	.5962	9.45	.3833	47.9595

\* Includes 5.00 mills for the State Education Tax in 2003, 6.00 mills in all other years

\*\*Source: City of Troy

Beginning with the 1994-1995 school year, different rates were assessed depending on whether the property was classified as homestead (H) or nonhomestead (N-H).

# Troy School District

## Ten-year Summary of Ratio of Bonded Debt to Taxable Assessed Valuation and Debt per Capita (Unaudited)

Fiscal Year	Bonded Debt Outstanding	Tax Year	State Equalized/Taxable Valuation*	Percent of Bonded Debt to State Equalized/Taxable Valuation*	Estimated Population**	Per Capita Debt
1996	\$ 64,610,000	1995	\$ 2,717,159,085	2.3779	81,770	\$ 790
1997	59,220,000	1996	2,830,943,833	2.0919	82,000	722
1998	125,640,000	1997	2,997,276,908	4.1918	83,390	1,506
1999	118,735,000	1998	3,190,628,369	3.7214	84,102	1,412
2000	111,475,000	1999	3,342,102,803	3.3355	84,825	1,314
2001	104,410,000	2000	3,506,037,730	2.9780	85,821	1,217
2002	96,645,000	2001	3,750,278,520	2.5770	84,345	1,146
2003	88,535,000	2002	3,870,991,178	2.2871	84,841	1,044
2004	80,495,000	2003	3,950,543,221	2.0376	85,556	941
2005	129,130,000	2004	4,032,417,766	3.2023	86,408	1,494

\* Taxable and State Equalized Valuations for a tax year are valuations as of December 31 of the previous year. See explanation of taxable values on the ten-year summary of assessed and actual value page. Summary includes certain property values where only debt millage is levied.

\*\* Source: City of Troy, Department of Planning

# Troy School District

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## Computation of Legal Debt Margin Year Ended June 30, 2005 (Unaudited)

Taxable value - December 31, 2004*	<u>\$ 4,032,417,766</u>
Statutory bonding limit, 15 percent of taxable value	\$ 604,862,665
June 30, 2005 - General obligation bonds outstanding	<u>129,130,000</u>
Legal debt margin	<u>\$ 475,732,665</u>

\* Taxable valuations as of December 31, 2003. This valuation is for the 2004 tax year, which is the 2005 fiscal year base for the Troy School District.

# Troy School District

## Schedule of Direct and Overlapping Debt Year Ended June 30, 2005 (Unaudited)

Direct debt:		
General obligation bonds	\$ 129,130,000	
Less: Funds for general obligation principal	<u>(1,140,358)</u>	
Net direct debt		\$ 127,989,642
Overlapping debt:*		
80.11 percent of City of Troy	40,857,044	
7.29 percent of Oakland County at large	7,073,419	
7.31 percent of Oakland Community College	747,082	
7.34 percent of Oakland Intermediate School District	<u>820,245</u>	
Total overlapping debt		<u>49,497,790</u>
Total direct and overlapping debt		<u><b>\$ 177,487,432</b></u>

	Per Capita Debt	Percent of Debt to Taxable Value**
	<u>Debt</u>	<u>Value**</u>
Net direct debt	\$ 1,496	3.20%
Net direct and overlapping debt	2,075	4.44%

\* Source: Municipal Advisory Council of Michigan

\*\* Taxable valuations as of December 31, 2003. The valuation is for the 2004 tax year, which is the 2005 fiscal year tax base for the Troy School District.

# Troy School District

## Ten-year Summary of Ratio of Annual Debt Service for General Bonded Debt to Total Expenditures (Unaudited)

Year Ended	Debt Service Funds Expenditures			Total Expenditures*	Percent of Debt Service to Total
	Principal	Interest and Fees	Total Debt		
1996	\$ 5,105,000	\$ 3,822,266	\$ 8,927,266	\$ 108,256,532	8.25
1997	5,390,000	3,543,363	8,933,363	111,285,018	8.03
1998	6,110,000	5,239,856	11,349,856	120,720,335	9.40
1999	6,905,000	6,144,694	13,049,694	157,201,844	8.30
2000	7,260,000	5,766,770	13,026,770	143,035,468	9.11
2001	7,065,000	5,397,669	12,462,669	137,517,046	9.06
2002	7,765,000	5,017,409	12,782,409	144,751,179	8.83
2003	8,110,000	4,671,981	12,781,981	150,831,709	8.47
2004	8,475,000	4,433,033	12,908,033	152,617,736	8.46
2005	10,740,000	5,087,496	15,827,496	169,144,354	9.36

\* Includes General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds expenditures

# Troy School District

	1996	1997	1998	1999
Current:				
Instruction:				
Elementary education	\$ 22,386,302	\$ 23,326,464	\$ 23,364,633	\$ 23,665,406
Secondary education	28,019,936	29,877,087	29,569,992	31,343,675
Special education	5,052,077	5,160,350	5,013,008	5,056,984
Compensatory education	459,687	515,190	727,074	907,551
Vocational education	847,749	895,805	878,450	911,977
Other needs	972,376	823,215	1,063,594	1,272,349
Adult and community education/ Alternative education	<u>1,091,056</u>	<u>1,073,138</u>	<u>1,213,535</u>	<u>1,760,710</u>
Total instruction	58,829,183	61,671,249	61,830,286	64,918,652
Support services:				
Pupil services	6,459,640	6,831,204	6,963,361	6,992,673
Instructional staff	4,155,868	5,146,809	4,265,154	5,345,968
General administration	1,370,626	1,299,113	1,449,232	1,526,750
School administration	5,046,074	5,059,807	5,368,886	5,416,611
Pupil transportation	<u>3,282,006</u>	<u>3,282,466</u>	<u>2,919,434</u>	<u>2,971,960</u>
Total support services	20,314,214	21,619,399	20,966,067	22,253,962
Business services:				
Fiscal services	1,491,665	1,276,313	1,259,287	1,673,514
Operations and maintenance	10,484,988	10,426,577	9,688,669	10,753,585
Community services	390,732	447,823	378,339	382,618
Central services	<u>2,192,350</u>	<u>1,583,914</u>	<u>1,387,103</u>	<u>1,690,343</u>
Total business services	14,559,735	13,734,627	12,713,398	14,500,060
Auxiliary services:				
Athletics	1,281,511	1,336,454	1,350,085	1,371,499
Food service	1,839,507	1,937,913	1,895,968	2,081,635
Durant	-	-	-	-
Adult and community education	<u>2,182,790</u>	<u>2,042,125</u>	<u>1,957,893</u>	<u>2,074,060</u>
Total auxiliary services	5,303,808	5,316,492	5,203,946	5,527,194
Noncurrent:				
Capital outlay	322,326	9,888	8,656,782	36,950,842
Debt service	<u>8,927,266</u>	<u>8,933,363</u>	<u>11,349,856</u>	<u>13,049,694</u>
Total noncurrent	9,249,592	8,943,251	20,006,638	50,000,536
Total expenditures	<u>\$ 108,256,532</u>	<u>\$ 111,285,018</u>	<u>\$ 120,720,335</u>	<u>\$ 157,200,404</u>

Total expenditures exclude intergovernmental transfers, which were classified as other financing uses rather than as expenditures prior to 2002.

## Ten-year Summary of Governmental Expenditures by Function

	2000	2001	2002	2003	2004	2005
\$	25,393,188	\$ 25,198,857	\$ 26,093,161	\$ 27,832,573	\$ 28,040,190	\$ 31,192,749
	32,725,545	33,336,996	34,885,348	36,538,659	37,079,627	40,928,382
	5,144,275	5,190,005	5,415,716	5,696,069	6,121,645	7,012,413
	1,186,568	1,673,092	1,633,781	1,786,414	2,000,296	2,290,079
	1,388,224	1,397,749	1,520,279	1,677,228	1,328,681	1,422,165
	1,180,702	1,691,553	1,474,882	1,487,701	1,588,422	1,482,307
	<u>1,039,045</u>	<u>1,061,010</u>	<u>1,106,390</u>	<u>1,245,602</u>	<u>381,667</u>	<u>263,500</u>
	68,057,547	69,549,262	72,129,557	76,264,246	76,540,528	84,591,595
	7,574,964	8,137,019	8,595,629	8,950,563	9,571,519	10,359,556
	5,408,219	5,509,595	6,696,385	6,266,002	7,008,447	7,253,845
	1,731,966	1,774,312	1,867,276	1,725,166	1,991,858	2,036,749
	5,751,433	6,142,028	6,312,572	6,900,039	7,135,253	7,627,964
	<u>3,092,345</u>	<u>3,250,205</u>	<u>3,631,168</u>	<u>3,795,687</u>	<u>3,949,577</u>	<u>4,701,348</u>
	23,558,927	24,813,159	27,103,030	27,637,457	29,656,654	31,979,462
	1,512,067	1,398,077	1,267,477	1,482,286	1,584,216	1,309,047
	11,241,615	11,984,745	11,940,948	12,565,225	12,597,690	12,933,331
	322,083	387,258	409,224	371,350	1,210,975	1,271,138
	<u>2,344,671</u>	<u>1,666,414</u>	<u>1,756,999</u>	<u>1,915,860</u>	<u>1,785,927</u>	<u>1,795,131</u>
	15,420,436	15,436,494	15,374,648	16,334,721	17,178,808	17,308,647
	1,490,883	1,611,032	1,655,818	1,682,553	1,678,844	1,814,997
	2,256,290	2,539,691	2,750,326	2,901,153	3,042,051	3,057,353
	321,373	362,612	515,096	2,250,301	561,406	26,477
	<u>2,303,020</u>	<u>3,493,712</u>	<u>2,943,749</u>	<u>2,897,795</u>	<u>2,721,085</u>	<u>2,756,478</u>
	6,371,566	8,007,047	7,864,989	9,731,802	8,003,386	7,655,305
	16,600,222	7,248,415	6,989,544	3,381,135	1,856,017	7,066,801
	<u>13,026,770</u>	<u>12,462,669</u>	<u>12,810,502</u>	<u>12,847,095</u>	<u>12,908,033</u>	<u>16,107,678</u>
	29,626,992	19,711,084	19,800,046	16,228,230	14,764,050	23,174,479
	<u>29,626,992</u>	<u>19,711,084</u>	<u>19,800,046</u>	<u>16,228,230</u>	<u>14,764,050</u>	<u>23,174,479</u>
<b>\$</b>	<b><u>143,035,468</u></b>	<b><u>137,517,046</u></b>	<b><u>142,272,270</u></b>	<b><u>146,196,456</u></b>	<b><u>146,143,426</u></b>	<b><u>164,709,488</u></b>

# Troy School District

	1996	1997	1998	1999	2000
<b>General Fund:</b>					
Property taxes	\$ 38,157,439	\$ 38,709,022	\$ 41,150,179	\$ 41,725,520	\$ 43,326,406
Tuition	2,895	8,707	14,252	238,147	720,543
Interest on investments	1,258,085	1,412,666	1,647,345	1,809,262	1,762,487
Intermediate sources	-	-	-	-	-
State sources	56,185,683	57,541,532	63,999,262	57,693,800	57,783,032
Federal sources	2,241,311	2,593,197	2,712,825	2,910,394	2,357,600
Other sources	953,312	857,026	1,057,582	1,186,195	638,508
<b>Total General Fund</b>	<b>98,798,725</b>	<b>101,122,150</b>	<b>110,581,445</b>	<b>105,563,318</b>	<b>106,588,576</b>
<b>Special Revenue Funds:</b>					
Adult and community education	1,854,809	2,267,707	1,859,274	2,442,317	2,433,824
Athletics	97,042	91,356	96,586	109,713	108,581
Food services	1,830,391	1,954,117	2,045,041	2,283,057	2,471,359
Durant	-	-	-	-	331,063
<b>Total Special Revenue Funds</b>	<b>3,782,242</b>	<b>4,313,180</b>	<b>4,000,901</b>	<b>4,835,087</b>	<b>5,344,827</b>
Capital Projects Funds - Interest and other	75,692	69,642	2,253,474	3,286,676	1,514,453
<b>Debt Service Funds:</b>					
Property taxes	9,571,088	9,251,942	11,004,872	11,637,332	12,223,839
Interest and other	194,626	222,909	266,904	216,508	253,177
<b>Total Debt Service Funds</b>	<b>9,765,714</b>	<b>9,474,851</b>	<b>11,271,776</b>	<b>11,853,840</b>	<b>12,477,016</b>
<b>Total revenue</b>	<b><u>\$ 112,422,373</u></b>	<b><u>\$ 114,979,823</u></b>	<b><u>\$ 128,107,596</u></b>	<b><u>\$ 125,538,921</u></b>	<b><u>\$ 125,924,872</u></b>

**Ten-year Summary of Governmental Revenue by Source\***  
**(Unaudited)**

	2001	2002	2003	2004	2005
\$	44,866,203	\$ 46,516,312	\$ 47,662,946	\$ 47,912,853	\$ 49,258,053
	773,202	911,909	1,035,770	564,763	443,091
	1,838,219	696,430	494,195	407,838	799,356
	-	-	-	-	-
	60,985,944	63,544,728	63,127,692	62,694,360	63,594,181
	2,987,219	3,185,753	3,203,557	3,676,942	4,220,461
	3,658,664	7,618,048	7,117,834	9,531,935	9,639,089
	<u>115,109,451</u>	<u>122,473,180</u>	<u>122,641,994</u>	<u>124,788,691</u>	<u>127,954,231</u>
	2,645,656	2,490,404	2,616,750	2,664,806	2,646,024
	99,406	118,464	118,592	132,561	256,779
	2,627,033	2,739,870	3,010,709	3,199,502	3,281,314
	341,809	137,767	48,722	40,191	101,971
	<u>5,713,904</u>	<u>5,486,505</u>	<u>5,794,773</u>	<u>6,037,060</u>	<u>6,286,088</u>
	1,667,588	244,602	46,620	8,796	1,052,836
	11,706,940	11,762,578	12,306,133	12,491,373	16,910,223
	266,467	379,491	106,891	61,132	131,186
	<u>11,973,407</u>	<u>12,142,069</u>	<u>12,413,024</u>	<u>12,552,505</u>	<u>17,041,409</u>
	<u><b>\$ 134,464,350</b></u>	<u><b>\$ 140,346,356</b></u>	<u><b>\$ 140,896,411</b></u>	<u><b>\$ 143,387,052</b></u>	<u><b>\$ 152,334,564</b></u>

\* Includes General, Special Revenue, Capital Projects, and Debt Service Funds

# Troy School District

## Ten-year Summary of Taxable Assessed Value, State and Local Share of Revenue Sources, Foundation Allowance, and Retirement Rate History (Unaudited)

	Taxable Assessed Value*	Share of Revenue			Foundation Allowance	Executive Order Reduction per Pupil	Retirement Rate (Percent)
		State (Percent)	Local (Percent)				
1995-96	\$ 2,741,020,095	56.87	39.90	7,687.18	-	14.56	
1996-97	2,856,187,913	56.55	40.69	7,842.18	-	15.17	
1997-98	3,023,886,888	49.93	36.92	7,996.18	-	11.12	
1998-99	3,220,244,899	51.49	40.10	7,996.18	-	10.77	
1999-00	3,373,647,493	51.96	41.42	8,234.00	-	11.66	
2000-01	3,539,085,040	50.08	39.45	8,535.00	-	12.16	
2001-02	3,790,595,220	48.34	38.82	8,835.00	-	12.17	
2002-03	3,916,302,998	49.08	39.68	9,035.00	(50.00)	12.99	
2003-04	3,997,596,951	45.25	36.18	9,035.00	(74.00)	12.99	
2004-05	4,081,284,316	46.94	38.14	9,035.00	-	14.87	

\* City of Troy, Assessing Department

# Troy School District

## Ten-year Summary of Demographic Data (Unaudited)

<u>Year</u>	<u>Estimated Population*</u>	<u>Pupil Enrollment</u>	<u>Certified Teacher</u>
1996	81,770	11,853	696.00
1997	82,000	12,019	723.95
1998	83,390	12,050	725.49
1999	84,102	12,066	730.40
2000	84,825	12,087	755.12
2001	85,821	12,076	764.80
2002	84,345	12,083	765.05
2003	84,841	12,049	772.65
2004	85,556	12,059	768.05
2005	86,408	12,050	766.70

\* Source: City of Troy, Department of Planning

# Troy School District

## Ten-year Summary of Construction and Property Values - City of Troy (Unaudited)

Calendar Year	Commercial and Industrial		Residential			
	Number of Permits*	Estimated Value**	Number of Permits*	Estimated Value**	Number of Permits*	Estimated Value**
1995	496	\$ 89,086,761	105	\$ 1,633,027	1,046	\$ 43,922,985
1996	540	96,073,900	24	350,326	1,002	52,142,117
1997	477	129,224,652	33	1,281,200	882	48,553,486
1998	475	158,238,622	39	5,865,831	960	51,301,730
1999	425	203,897,591	28	26,428,432	990	55,188,742
2000	480	176,092,691	15	6,279,063	854	42,286,261
2001	421	110,552,103	201	14,679,744	750	31,067,044
2002	332	110,482,924	231	27,800,184	709	28,971,424
2003	370	75,160,149	247	20,653,550	789	39,908,776
2004	399	91,818,612	251	18,708,824	734	36,277,308

\* Source: City of Troy, Building Department

\*\* Represents completed project costs through December 31

# Troy School District

## Principal Taxpayers (Unaudited)

Principal Taxpayers*	Taxable Value*	Percent of Taxable Value Total
Frankel Forbes Cohen Associates	\$ 61,057,410	1.49
Nykel Management Co.	55,107,070	1.34
Gale & Wentworth LLC	49,486,660	1.21
Liberty Property LTD PTN	42,599,790	1.04
Detroit Edison	39,840,040	0.97
Kelly Services & Properties	34,097,390	0.83
Kmart Corporation	30,223,150	0.74
Standard Federal Bank	27,138,580	0.66
Teacher's Insurance & Annuity	26,112,390	0.64
Nemer Troy Place Realty LLC	25,106,540	0.61
Sheffield Office LP	24,894,030	0.61
Top of Troy (TTERTT Associates)	24,557,870	0.60
Delphi Automotive Systems LLC	21,445,170	0.52
El Dupont Denemoure & Co.	20,214,250	0.49
Flagstar Bank FSB	18,357,360	0.45
WHP Mess Borrowers 2	18,319,180	0.45
888 W. Big Beaver LLC	16,432,560	0.40
888 W. Big Beaver Associates LLC	16,341,820	0.40
Meritor Heavy Vehicle Systems LLC	16,154,930	0.39
Riggs & Co. #147	13,790,780	0.34
All others	3,513,798,126	85.80
<b>Total</b>	<b><u>\$ 4,095,075,096</u></b>	<b><u>100.00</u></b>

\*Source: City of Troy, Assessing Department

Taxable valuations do not reflect adjustments from Board of Review appeals and Michigan Tax Tribunal decisions. The December 31, 2003 valuations, used for the 2004 tax year levy, are the basis of the School District's 2005 fiscal year tax revenue.

# Troy School District

## Statistical Summary of School Buildings and Sites Year Ended June 30, 2005 (Unaudited)

Building	Enrollment*	Pupil Capacity	Teaching Stations	Building Square Footage	Site Acreage
Elementary schools:					
Barnard	463	550	20	60,000	18.00
Bemis	521	550	20	60,000	15.20
Costello	351	500	18	46,438	23.00
Hamilton	419	550	20	60,000	15.00
Hill	398	550	20	45,000	12.90
Leonard	450	500	20	45,000	16.05
Martel	407	500	18	46,438	14.20
Morse	372	500	20	45,000	9.80
Schroeder	421	550	20	60,000	10.00
Troy Union	505	550	22	62,091	21.80
Wass	426	550	20	60,000	21.40
Wattles	400	550	20	64,000	19.00
Middle schools:					
Baker	558	700	37	82,423	40.00
Boulan Park	783	800	44	110,828	16.00
Larson	793	800	44	110,828	32.00
Smith	728	700	37	93,500	20.10
High schools:					
Athens	1,960	1,600	84	320,247	50.00
Troy High	1,905	1,800	90	300,000	72.00
Niles Community High	131	496	18	35,000	13.60
International Academy	96	-	-	-	-
<b>Total</b>	<b>12,087</b>	<b>13,296</b>	<b>592</b>	<b>1,706,793</b>	<b>440.05</b>

\* For state reporting purposes, the official enrollment is 12,050.26