

TROY SCHOOL DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**for the fiscal year ended
June 30, 2007**

Troy School District

**4400 Livernois Road
Troy, Michigan 48098**

Troy School District

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007

**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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September 25, 2007

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, 2007 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; a “GROW” program serving Special Education students 19 through 26; 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.

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 twelfth grade. Our curriculum is based on the Grade Level Content Expectations for grades three through eight and the High School Course Expectations for grades nine through twelve that have been approved by the State of Michigan Board of Education. These state guidelines have been reviewed by teachers and administrators in the Troy School District and have been integrated into our curriculum. The curriculum of the Troy School District 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 district, high standards infuse the curriculum.

During the 2006-2007 school year, several enhancements were made to the Troy School District curriculum. The major focus for our elementary curriculum was the implementation of our new writing curriculum. Extensive professional development opportunities were provided for our elementary teachers in writing throughout the year. In addition, review of our other core curriculum areas - math, science, and social studies - continued throughout the year. Opportunities were also provided for teachers in the arts, physical education, and foreign language to meet and review their curriculum areas.

The secondary curriculum continued its development throughout the 2006-2007 school year. New courses were added in Fundamentals of Business, Forensic Science, and Philosophy. New materials were purchased for several classes, including high school physics, astronomy, and world history. A new program to assist struggling readers in middle school was adopted as well. Finally, new math manipulatives for middle school were purchased to help students conceptualize math concepts. Teachers had a variety of opportunities to engage in professional development activities throughout the year.

A new and exciting addition to the Troy School District was the addition of an International Baccalaureate (IB) program at Morse Elementary School and Baker Middle School. The IB program allows our teachers at these two schools to use our current curriculum as they implement the IB program features. Training for our teachers and administrators at these two buildings occurred throughout the year. Teachers were given many opportunities to meet and plan units of study that followed the IB model.

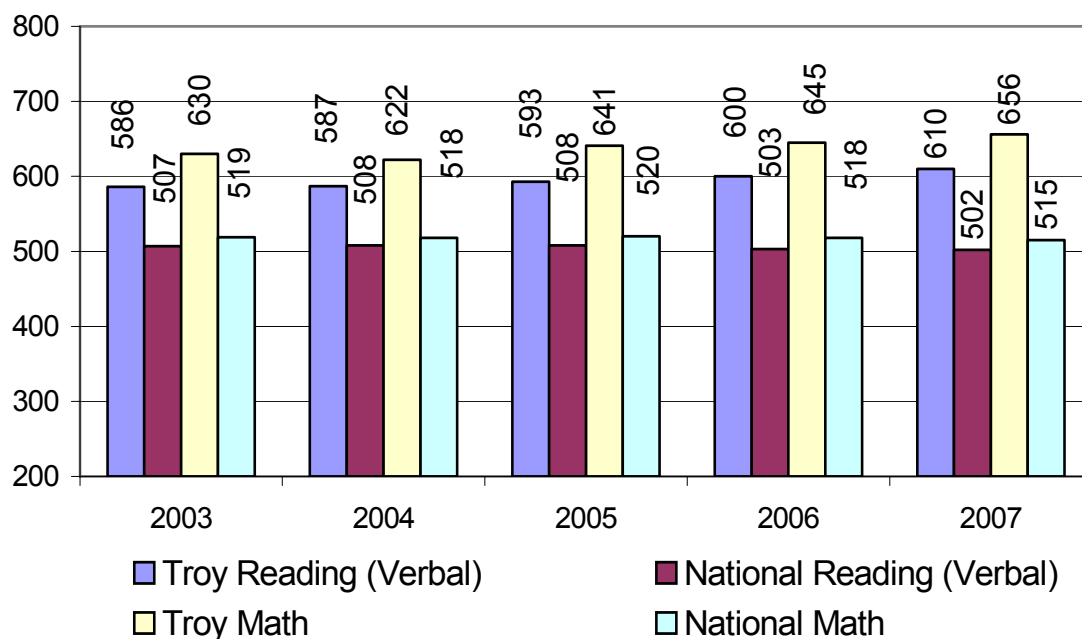
Each school in the School District participates in the school improvement process. The multiyear initiative is led by the staff at each building and focuses on the students' cognitive and affective outcomes. Each school improvement team, comprised of staff, parents, and students, was trained in the process, 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.

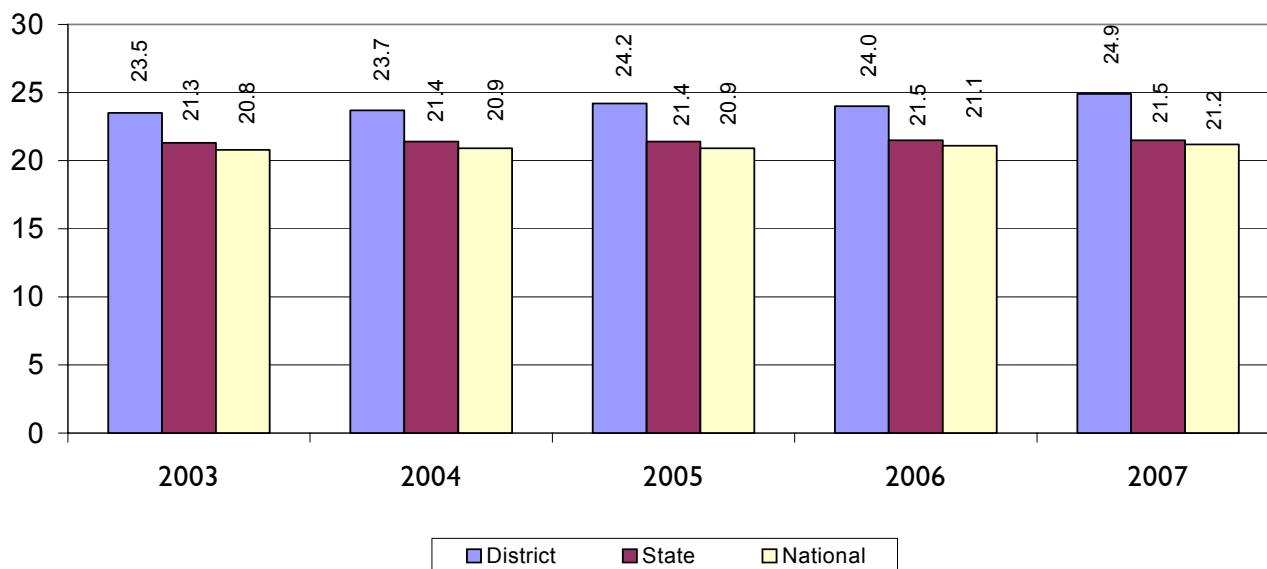
Years Ended June 30	Percent of Students Graduating	Percent of Students Attending College
2007	98	95
2006	99	94
2005	99	94
2004	99	93
2003	99	93
2002	99	92
2001	99	92
2000	99	95
1999	98	94
1998	97	95
1997	97	95

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:

	2006-2007		2005-2006		2004-2005	
	<u>Reading</u>	<u>Math</u>	<u>Reading</u>	<u>Math</u>	<u>Reading</u>	<u>Math</u>
Grade 3	76	87	78	89	72	86
Grade 5	76	86	73	79	82	91
Grade 7	71	77	70	79	76	85

Troy School District Advanced Placement Testing

<u>Years Ended</u> <u>June 30</u>	<u>Number</u> <u>Taken</u>	<u>Percent</u> <u>Qualifying</u>
2005-2006	1,468	85
2004-2005	1,379	83
2003-2004	1,140	82
2002-2003	1,220	77
2001-2002	1,204	77
2000-2001	1,116	77
1999-2000	937	81
1998-1999	923	79
1997-1998	663	77

MEAP/MME Percentile Test Results for Elementary School (grades 3 - 5) Middle School (grades 6-8) and High School (grade 11)

	06-07	05-06	04-05	03-04		06-07	05-06	04-05	03-04		06-07	05-06	04-05	03-04
Reading	96	95	94	96		92	90	89	81		77	77	78	89
Writing	76	83	82	86		88	89	79	75		68	61	60	72
Math	96	96	95	96		88	89	83	88		74	74	69	77
Science	96	93	93	93		86	90	84	89		78	76	71	74
Social Studies	--	--	56	63		88	92	55	49		91	90	56	56

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, Boulton Park Middle School, Larson Middle School, Smith Middle School, Barnard Elementary School, Bemis Elementary School, Costello Elementary School, Hamilton Elementary School, Hill Elementary School, Leonard Elementary School, Martell Elementary School, Morse Elementary School, Schroeder Elementary School, Troy Union Elementary School, Wass Elementary School, and Wattles Elementary School. All Troy District K-12 schools have earned the prestigious Blue Ribbon award from the Michigan Department of Education.

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:

Level	2007	2006	2005
K-5	99%	99%	99%
6-8	83%	82%	83%
9-12	81%	81%	80%

In addition to high student achievement, Troy Schools has one of the lowest dropout rates for districts of its size, consistently under one half of one 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 24 different programs at out-of-school district sites. A total of 36 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, 2007, the School District's net general obligation bonded debt of \$160,660,000 was well below the statutory bonding limit of \$644,649,520. Per capita debt totaled only \$1,834 at June 30, 2007.

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 2006-2007, the School District's General Fund earned \$1,521,289 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 2006-2007 school year was \$308,553,643. 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 2006-2007 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, 2007 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, 1989-2006. 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.

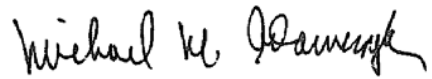
Acknowledgments

The preparation of this report was accomplished through the commitment and dedication of the business office, especially the Director of Finance, Steven Barr, and the District Accountant, Renelle Tolan. 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 script is cursive and fluid.

Michael M. Adamczyk
Treasurer/Assistant Superintendent -
Business Services

A handwritten signature in black ink, appearing to read "Barbara A. Fowler". The script is cursive and elegant.

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

TROY SCHOOL DISTRICT

DISTRICT OFFICIALS

ADMINISTRATION

Barbara A. Fowler, Ph.D.
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

Mary Beth Halushka
President

Paula Fleming
Vice President

Wendy Underwood
Secretary

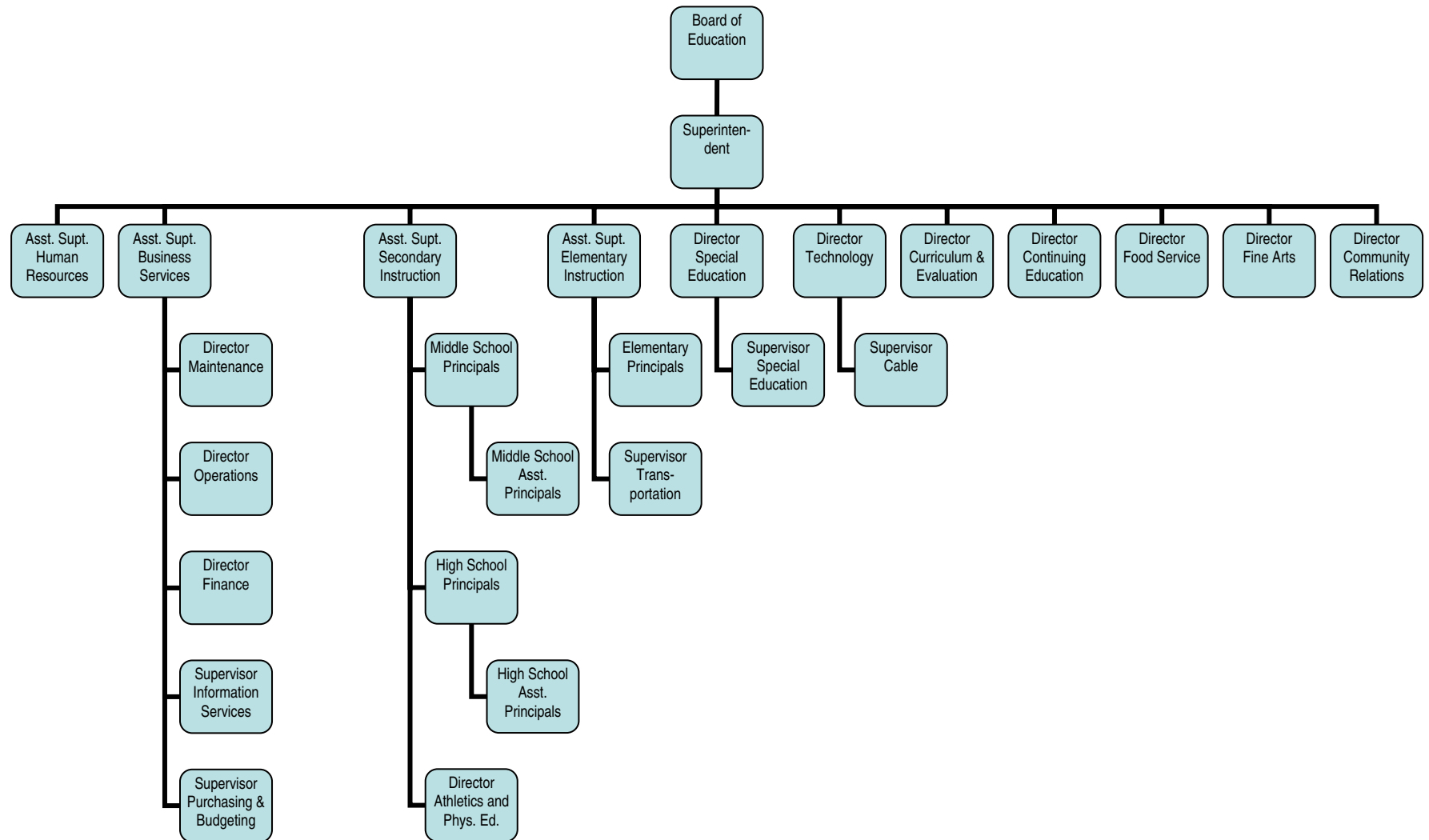
Ida Edmunds
Trustee

Gary Hauff
Trustee

Carol Pochodylo
Trustee

Anthony J. Spagnola
Trustee

TROY SCHOOL DISTRICT
ORGANIZATIONAL CHART
2006-07 SCHOOL YEAR



**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, 2006

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



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Tel: 248.375.7100
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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, 2007, 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, 2007 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 and budgetary comparison schedule - General Fund, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. 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 other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. The other supplemental information has 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 September 25, 2007 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide 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 & Moreau, PLLC

September 25, 2007

Troy School District

Management's Discussion and Analysis

This section of the 2007 annual financial report presents our discussion and analysis of Troy School District's (the "School District") financial performance during the year ended June 30, 2007. 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 and 2006 Capital Projects Funds, 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
 - Budgetary Comparison Schedule - Governmental Funds (excluding General Fund) and Proprietary Fund

Troy School District

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 and 2006 Bond Issues, which fund construction for voter-approved capital projects. By definition, the General Fund and 2004 and 2006 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, 2007 and 2006.

TABLE I

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
	(in millions)	
Assets		
Current and other assets	\$ 104.0	\$ 147.4
Capital assets	<u>161.1</u>	<u>121.9</u>
Total assets	265.1	269.3
Liabilities		
Current liabilities	32.5	30.6
Long-term liabilities	<u>169.5</u>	<u>181.7</u>
Total liabilities	<u>202.0</u>	<u>212.3</u>
Net Assets		
Invested in property and equipment - Net of related debt	39.5	35.7
Restricted	3.4	2.6
Unrestricted	<u>20.2</u>	<u>18.7</u>
Total net assets	<u><u>\$ 63.1</u></u>	<u><u>\$ 57.0</u></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 \$63.1 million at June 30, 2007 compared to \$57.0 million at June 30, 2006. Capital assets, net of related debt, totaled \$39.5 million and \$35.7 million at June 30, 2007 and 2006, 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 \$3.4 million and \$2.6 million at June 30, 2007 and 2006, 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, \$20.2 million and \$18.7 million at June 30, 2007 and 2006, respectively, was unrestricted.

The \$20.2 million at June 30, 2007 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 \$20.2 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 2007 and 2006 (see Table 2).

TABLE 2

	Governmental Activities	
	2007	2006
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 6.7	\$ 6.9
Operating grants	19.6	18.4
General revenue:		
Property taxes	66.8	66.5
State aid	62.8	60.1
Other	7.3	4.5
Total revenue	163.2	156.4

Troy School District

Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities	
	2007	2006
	(in millions)	
Functions/Program Expenses		
Instruction	\$ 87.2	\$ 84.1
Support services	53.2	55.8
Community services	3.1	3.4
Food services	3.1	3.1
Athletics	2.2	2.1
Interest on long-term debt	8.3	6.3
Total functions/program expenses	157.1	154.8
Increase in Net Assets	6.1	1.6
Net Assets - Beginning of year	57.0	55.4
Net Assets - End of year	<u>\$ 63.1</u>	<u>\$ 57.0</u>

As reported in the statement of activities, the cost of all governmental activities this year was \$157.1 million, an increase of \$2.3 million, or 1.5 percent, from 2005-2006. Certain activities were partially funded from those who benefited from the programs (\$6.7 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$19.6 million). The remaining "public benefit" portion of governmental activities was funded with \$66.8 million in taxes, \$62.8 million in state aid allowance, and with other revenues, such as interest and general entitlements. Total revenues in 2006-2007 were \$163.2 million, an increase of \$6.8 million from 2005-2006.

The Troy School District experienced an increase in net assets of \$6.1 million primarily as a result of ongoing operations in the School District. In addition, long-term debt decreased \$12.2 million in 2006-2007.

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 \$81.3 million, a decrease of \$43.5 million from the prior year. The changes in major and nonmajor funds are as follows:

	General Funds	Capital Projects 2004	Capital Projects 2006	Other Nonmajor Funds	Governmental Funds 2007 Total	Proprietary Funds
Fund Balances - Beginning of year	\$ 23,286,029	\$ 37,167,628	\$ 56,385,538	\$ 7,984,563	\$ 124,823,758	\$ 216,924
Increase (decrease)	<u>1,131,384</u>	<u>22,649</u>	<u>(44,814,147)</u>	<u>143,813</u>	<u>(43,516,301)</u>	<u>230,555</u>
Fund Balances - End of year	<u>\$ 24,417,413</u>	<u>\$ 37,190,277</u>	<u>\$ 11,571,391</u>	<u>\$ 8,128,376</u>	<u>\$ 81,307,457</u>	<u>\$ 447,479</u>

In the General Fund, our principal operating fund, the fund balance increased by \$1.1 million compared to a \$2.6 million decrease in the prior year. Revenues and other financing sources increased \$5.6 million from the prior year and expenditures and other financing uses increased approximately \$1.9 million for a net increase of \$3.7 million from the prior year. There was a \$210 increase in the state foundation allowance and an enrollment decrease of 74.27 students. Increased expenditures 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 approximately \$23,000 in 2006-2007. This is due to earnings on investments of \$492,000, and expenditures of \$469,000.

The Capital Projects 2006 Fund decreased by \$44.8 million in 2006-2007. This is due to earnings on investments of \$ 2.3 million, and expenditures of \$47.1 million.

The other nonmajor funds increased by \$144,000. The Adult and Community Education Fund decreased by approximately \$12,000 due primarily to a \$104,000 operating transfer to the General Fund and decreased child care revenue. The Food Service Fund increased by approximately \$96,000 due to increased participation. Combined, the Debt Service Funds showed a fund balance increase of approximately \$60,000. Millage rates are reviewed annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service.

The fund balance in the Durant Fund did not change from the prior year. The fund had earnings on investments of \$304,000. Expenditures were primarily for the maintenance cost of automated external defibrillators for the entire School District. In addition, the Durant Fund made an operating transfer of approximately \$286,000 to the General Fund.

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 \$201,000 and earnings on investments of approximately \$231,000.

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 in June 2007. 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 in these financial statements.

Several changes were made to the originally adopted 2006-2007 General Fund budget. Revenues increased by \$2.2 million to account for additional earnings on investments, revised state aid and categorical grants, and federal grant award settlements. Expenditures increased by \$1.2 million to account for 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, 2007, the School District had \$161.0 million invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This represents a net increase (including additions, deductions, and depreciation) of approximately \$39.1 million, or 32.1 percent, from last year.

Land	\$ 2,592,570
Buildings and construction in progress	137,805,805
Furniture and equipment	<u>20,650,838</u>
Total capital assets	<u>\$ 161,049,213</u>

This year's change in fixed assets included \$47.8 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 continued major capital projects planned for the 2007-2008 fiscal year as a result of the 2006 and 2004 \$119,500,000 bond issues.

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

Troy School District

Management's Discussion and Analysis (Continued)

Debt

At the end of this year, the School District had \$166.6 million in bonds outstanding versus \$177.2 million in the previous year - a decrease of \$10.6 million. Those bonds consisted of the following:

General obligation bonds	\$ 160,660,000
Plus deferred issuance premiums	8,093,621
Less deferred interest	<u>(2,120,601)</u>
Total	<u><u>\$ 166,633,020</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 is significantly below this \$644.6 million statutorily imposed limit.

Other obligations include accrued vacation pay, sick leave, early retirement incentive payable, reserve for known workers' compensation claims, 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 2007 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 2007 fiscal year is 25 percent of the February 2007 and 75 percent of the September 2007 student counts. The 2007-2008 budget was adopted in June 2007 based on a blended student membership count of 12,126.01. 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

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. The State has not yet passed a State Aid bill for 2007-2008. The School District projected no increase in the foundation allowance when the budget was created. The School District's General Fund balance of \$24,417,413 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, 2007

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 40,886,909
Receivables (Note 4):	
Accounts receivable	145,446
Taxes receivable	41,088
Due from other governmental units	12,349,891
Accrued interest	86,593
Inventories	238,961
Prepaid expenses	510,019
Restricted cash and investments (Notes 3 and 10)	49,762,985
Nondepreciable capital assets (Note 5)	42,451,732
Depreciable capital assets (Note 5)	118,597,481
Total assets	265,071,105
Liabilities	
Accounts payable	4,721,368
Accrued payroll and other liabilities	14,676,799
Deferred revenue (Note 4)	694,627
Long-term liabilities (Note 7):	
Compensated absences and other liabilities, due within one year	1,962,481
Bonds and contracts payable, due within one year	10,488,646
Bonds and contracts payable, due in more than one year	156,144,374
Compensated absences and other liabilities, due in more than one year	13,314,015
Total liabilities	202,002,310
Net Assets	
Invested in capital assets - Net of related debt	39,520,249
Restricted for:	
Debt service	1,010,125
Capital projects	2,361,729
Unrestricted	20,176,692
Total net assets	\$ 63,068,795

Troy School District

Statement of Activities Year Ended June 30, 2007

Functions/Programs	Program Revenue			Governmental Activities
	Expenses	Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
Primary government - Governmental activities:				
Instruction	\$ 87,171,212	\$ 1,066,034	\$ 15,019,901	\$ (71,085,277)
Support services	53,189,328	129,012	4,046,691	(49,013,625)
Food services	3,161,951	2,798,955	513,483	150,487
Athletics	2,197,785	243,103	-	(1,954,682)
Community services	3,098,075	2,448,923	-	(649,152)
Interest and other bond expenditures on long-term debt	8,306,480	-	-	(8,306,480)
Total primary government - Governmental activities	<u>\$ 157,124,831</u>	<u>\$ 6,686,027</u>	<u>\$ 19,580,075</u>	(130,858,729)
General revenue:				
Taxes:				
Property taxes, levied for general purposes				48,851,684
Property taxes, levied for debt services				17,915,276
State aid not restricted to specific purposes				62,843,834
Interest and investment earnings				5,541,036
Other				1,766,150
Special item - Gain on sale of capital assets				14,112
Total general revenue and special item				<u>136,932,092</u>
Change in Net Assets				6,073,363
Net Assets - Beginning of year				<u>56,995,432</u>
Net Assets - End of year				<u>\$ 63,068,795</u>

Troy School District

Governmental Funds Balance Sheet June 30, 2007

	General Fund	Capital Projects 2004	Capital Projects 2006	Other Nonmajor Governmental Funds	Total
Assets					
Cash and investments (Note 3)	\$ 23,744,368	\$ 37,208,616	\$ 17,669,833	\$ 8,315,556	\$ 86,938,373
Receivables:					
Accounts receivable	108,722	-	-	36,724	145,446
Taxes receivable	33,516	-	-	7,572	41,088
Due from other funds (Note 6)	-	-	-	62,055	62,055
Due from other governmental units (Note 4)	12,275,348	-	-	74,543	12,349,891
Accrued interest	73,182	-	-	9,129	82,311
Inventories	153,277	-	-	85,684	238,961
Prepays and other assets	510,019	-	-	-	510,019
Total assets	<u>\$ 36,898,432</u>	<u>\$ 37,208,616</u>	<u>\$ 17,669,833</u>	<u>\$ 8,591,263</u>	<u>\$ 100,368,144</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 951,781	\$ 18,339	\$ 3,671,200	\$ 83,810	\$ 4,725,130
Accrued payroll and other liabilities	10,883,748	-	2,427,066	70,102	13,380,916
Due to other funds (Note 6)	249,370	-	176	10,468	260,014
Deferred revenue (Note 4)	396,120	-	-	298,507	694,627
Total liabilities	12,481,019	18,339	6,098,442	462,887	19,060,687
Fund Balances					
Reserved:					
Inventory and prepaid items	663,296	-	-	85,684	748,980
Debt service	-	-	-	1,010,125	1,010,125
Capital Projects Fund	-	37,190,277	11,571,391	-	48,761,668
Unreserved:					
Designated for Durant projects	-	-	-	5,610,166	5,610,166
Designated for subsequent years' expenditures	172,254	-	-	-	172,254
Undesignated - Reported in Special Revenue Funds	-	-	-	1,422,401	1,422,401
Undesignated	23,581,863	-	-	-	23,581,863
Total fund balances	24,417,413	37,190,277	11,571,391	8,128,376	81,307,457
Total liabilities and fund balances	<u>\$ 36,898,432</u>	<u>\$ 37,208,616</u>	<u>\$ 17,669,833</u>	<u>\$ 8,591,263</u>	<u>\$ 100,368,144</u>

Troy School District

Reconciliation of Governmental Fund Balances to the Statement of Net Assets June 30, 2007

Fund Balances - Total Governmental Funds	\$ 81,307,457
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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	262,653,632
Accumulated depreciation	<u>(101,604,419)</u>

Total	161,049,213
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Long-term liabilities are not due and payable in the current period and
are not reported in the funds:

Bonds payable, including issuance premiums and deferred interest	(166,633,020)
Compensated absences	(9,357,163)
Other long-term liabilities	<u>(2,449,288)</u>

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

447,479

Accrued interest payable is not included as a liability in governmental
activities

(1,295,883)

Net Assets of Governmental Activities	<u>\$ 63,068,795</u>
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Troy School District

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	General Fund	Capital Projects 2004	Capital Projects 2006	Other Nonmajor Governmental Funds	Total
Revenue					
Local sources	\$ 53,874,975	\$ 492,444	\$ 2,253,829	\$ 23,884,983	\$ 80,506,231
State sources	68,429,769	-	-	98,378	68,528,147
Federal sources	5,060,664	-	-	415,105	5,475,769
Interdistrict and other sources	8,082,588	-	-	-	8,082,588
Total revenue	135,447,996	492,444	2,253,829	24,398,466	162,592,735
Expenditures					
Current:					
Instruction	84,217,350	-	-	-	84,217,350
Support services	47,795,116	-	-	18,325	47,813,441
Community services	932,734	-	-	2,139,038	3,071,772
Food services	-	-	-	3,096,403	3,096,403
Athletics	-	-	-	1,923,116	1,923,116
Debt service principal	-	-	-	9,730,000	9,730,000
Debt service interest and other	-	-	-	7,855,105	7,855,105
Other bond expenditures	-	-	-	134,002	134,002
Capital outlay	325,624	469,795	47,067,976	-	47,863,395
Total expenditures	133,270,824	469,795	47,067,976	24,895,989	205,704,584
Excess of Revenue Over (Under)					
Expenditures	2,177,172	22,649	(44,814,147)	(497,523)	(43,111,849)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	59,434	-	-	2,234	61,668
Proceeds from bond refunding	-	-	-	6,045,190	6,045,190
Payment to bond escrow agent	-	-	-	(6,511,310)	(6,511,310)
Transfers in (Note 6)	573,550	-	-	1,678,772	2,252,322
Transfers out (Note 6)	(1,678,772)	-	-	(573,550)	(2,252,322)
Total other financing sources (uses)	(1,045,788)	-	-	641,336	(404,452)
Net Change in Fund Balances	1,131,384	22,649	(44,814,147)	143,813	(43,516,301)
Fund Balances - Beginning of year	23,286,029	37,167,628	56,385,538	7,984,563	124,823,758
Fund Balances - End of year	<u>\$ 24,417,413</u>	<u>\$ 37,190,277</u>	<u>\$ 11,571,391</u>	<u>\$ 8,128,376</u>	<u>\$ 81,307,457</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 Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds \$ (43,516,301)

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	(8,585,463)
Capital outlay	<u>47,773,916</u>

Total	39,188,453
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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	(61,668)
Gain on sale of fixed assets	14,112

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(317,373)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	16,115,000
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Governmental funds report bond proceeds and refundings as other financing sources and uses - Bond proceeds	(6,045,190)
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Increase in deferred interest related to bond refunding	126,310
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Amortization of deferred interest	(123,425)
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Amortization of bond premium	456,989
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Internal Service Fund activity	230,555
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Decreases in compensated absences and self-insurance are reported as expenditures when financial resources are used in the governmental funds, excluding Internal Service Fund early retirement incentive	<u>5,901</u>
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Change in Net Assets of Governmental Activities \$ 6,073,363

Troy School District

Proprietary Fund - Internal Service Fund Statement of Net Assets June 30, 2007

Assets - Current assets

Investments (Note 3)	\$ 3,711,521
Accrued interest receivable	4,282
Due from other funds (Note 6)	<u>201,721</u>

Total assets 3,917,524

Liabilities

Current liabilities - Early retirement incentive (Note 7)	1,216,738
Long-term liabilities - Early retirement incentive (Note 7)	<u>2,253,307</u>

Total liabilities 3,470,045

Net Assets - Unrestricted \$ 447,479

Troy School District

Proprietary Fund - Internal Service Fund Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2007

Operating Revenues - Charges for services	\$ 201,216
Operating Expenses - Early retirement incentive	<u>201,216</u>
Operating Income	-
Nonoperating Revenues - Interest income	<u>230,555</u>
Change in Net Assets	230,555
Net Assets - Beginning of year	<u>216,924</u>
Net Assets - End of year	<u><u>\$ 447,479</u></u>

Troy School District

Proprietary Fund - Internal Service Fund Statement of Cash Flows Year Ended June 30, 2007

Cash Flows from Operating Activities - Payments for services	\$ (1,103,029)
Cash Flows from Investing Activities - Interest	<u>232,952</u>
Net Decrease in Cash and Cash Equivalent Investments	(870,077)
Cash and Cash Equivalent Investments - July 1, 2006	<u>4,581,598</u>
Cash and Cash Equivalent Investments - June 30, 2007	<u><u>\$ 3,711,521</u></u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	\$ -
Adjustments to reconcile operating income to net cash from operating activities:	
Increase in due from other funds	(87,507)
Decrease in accrued liabilities	<u>(1,015,522)</u>
Net cash used in operating activities	<u><u>\$ (1,103,029)</u></u>

Troy School District

Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2007

	Student Activities Agency Fund
Assets	
Cash and investments (Note 3)	\$ 1,717,770
Accrued interest receivable	<u>250</u>
Total assets	<u>\$ 1,718,020</u>
Liabilities	
Accounts payable	\$ 60,351
Due to other funds (Note 6)	3,762
Due to student groups	<u>1,653,907</u>
Total liabilities	<u>\$ 1,718,020</u>

Troy School District

Notes to Financial Statements June 30, 2007

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.

Government-wide and Fund Financial Statements

The government-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

Government-wide Financial Statements - The government-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.

Troy School District

Notes to Financial Statements June 30, 2007

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.

2004 Capital Projects Fund - 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.

2006 Capital Projects Fund - The 2006 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 payments from the General Fund.

The School District's only fiduciary fund is the Student Activities Agency 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 five governmental Debt Service Funds, which are used to account for property tax and other revenue legally restricted for payment of long-term debt.

Troy School District

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

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.

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 three 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.

Troy School District

Notes to Financial Statements June 30, 2007

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 on the government-wide statements.

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.

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

Troy School District

Notes to Financial Statements June 30, 2007

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 and 2006 Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, 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 respective 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.

The School District has designated eight 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.

Note 3 - Deposits and Investments (Continued)

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 \$25,099,093 had \$24,545,406 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, 2007, the School District does not have investments with custodial credit risk.

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, 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.

Troy School District

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

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
U.S. gov or agency bond or note	Federal Home Loan Bank	\$ 3,958,040	4/7/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Bank	807,419	1/8/2009	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Bank	2,236,359	3/24/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Bank	2,962,740	7/28/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Bank	984,635	9/26/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Bank	1,864,723	10/26/2007	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Mortgage Corp.	1,441,341	7/27/2007	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.	1,610,418	5/21/2009	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Mortgage Corp.	992,790	10/6/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Home Loan Mortgage Corp.	991,480	8/15/2008	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	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	2,950,050	2/1/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	585,398	11/17/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	1,132,783	8/15/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	2,500,800	12/3/2007	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	3,430,280	5/9/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal National Mortgage Association	3,529,505	6/30/2008	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Farm Credit Bank	1,470,225	4/15/2009	Standard & Poor's	AAA
U.S. gov or agency bond or note	Federal Farm Credit Bank	1,993,700	6/10/2009	Standard & Poor's	AAA
Interlocal agreement fund	MILAF	14,534,695	N/A	Standard & Poor's	AAA
Commercial paper	Citigroup Funding	150,117	8/8/2007	Standard & Poor's	A-1 +
Commercial paper	Citigroup Funding	184,913	8/8/2007	Standard & Poor's	A-1 +
Commercial paper	Citigroup Funding	1,700,006	8/8/2007	Standard & Poor's	A-1 +
Commercial paper	General Electric	3,711,521	8/3/2007	Standard & Poor's	A-1 +
Commercial paper	John Deere	5,612,742	8/3/2007	Standard & Poor's	A-1
Commercial paper	L'Oreal	597,908	7/16/2007	Standard & Poor's	A-1 +
Commercial paper	L'Oreal	298,954	7/16/2007	Standard & Poor's	A-1 +
Commercial paper	L'Oreal	298,954	7/16/2007	Standard & Poor's	A-1 +
Commercial paper	L'Oreal	996,513	7/16/2007	Standard & Poor's	A-1 +
Total		<u>\$ 68,430,077</u>			

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

The School District places limits on the amount the School District may invest in any one issuer. The following requirements do not apply to the funds derived from the sale of debt. 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.
- **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.

Troy School District

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

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>
Federal Farm Credit Bank	5.06
General Electric	5.49
John Deere	8.20
Federal Home Loan Mortgage Corp	8.81
Federal Home Loan Bank	18.73
Michigan Liquid Asset Fund Plus	21.24
Federal National Mortgage Association	26.61

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 - Receivables and Deferred Revenue

The majority of the amount due from other governmental units, reflected on the General Fund balance sheet, is due from the State of Michigan for state aid membership which totals \$10,844,584 at June 30, 2007.

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, 2007

Note 5 - Capital Assets

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

	Balance July 1, 2006	Additions	Transfers and Disposals	Balance June 30, 2007
Assets not being depreciated:				
Land	\$ 2,592,570	\$ -	\$ -	\$ 2,592,570
Construction in progress	20,596,305	27,146,111	(7,883,254)	39,859,162
Subtotal	23,188,875	27,146,111	(7,883,254)	42,451,732
Capital assets being depreciated:				
Buildings and building improvements	131,599,757	25,457,470	-	157,057,227
Furniture and equipment	61,434,629	3,053,589	(1,343,545)	63,144,673
Subtotal	193,034,386	28,511,059	(1,343,545)	220,201,900
Total capital assets	216,223,261	55,657,170	(9,226,799)	262,653,632
Accumulated depreciation:				
Buildings and building improvements	55,293,459	3,817,125	-	59,110,584
Furniture and equipment	39,021,486	4,768,338	(1,295,989)	42,493,835
Subtotal	94,314,945	8,585,463	(1,295,989)	101,604,419
Net capital assets being depreciated	98,719,441	19,925,596	(47,556)	118,597,481
Net capital assets	\$ 121,908,316	\$ 47,071,707	\$ (7,930,810)	\$ 161,049,213

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

Governmental activities:

Instruction	\$ 1,781,271
Support services	6,453,215
Food services	65,548
Athletics	282,953
Community services	2,476
Total governmental activities	<u>\$ 8,585,463</u>

Construction Commitments - The School District has active construction projects at year end. The projects include the 2004 and 2006 Bond issues and various projects. At year end, the School District's commitments with contractors totaled \$19,568,157.

Troy School District

Notes to Financial Statements June 30, 2007

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 2006	Nonmajor Governmental Funds	Student Activities Agency Fund	
General Fund	\$ (14,406)	\$ 176	\$ 10,468	\$ 3,762	\$ -
Nonmajor governmental funds	62,055	-	-	-	62,055
Internal Service Fund	201,721	-	-	-	201,721
Total	<u>\$ 249,370</u>	<u>\$ 176</u>	<u>\$ 10,468</u>	<u>\$ 3,762</u>	<u>\$ 263,776</u>

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

The composition of interfund transfers is as follows:

	Transfers		Total
	Transfers Out - General Fund	Out - Nonmajor Governmental Funds	
Transfers in:			
General Fund	\$ -	\$ 573,550	\$ 573,550
Nonmajor governmental funds	<u>1,678,772</u>	<u>-</u>	<u>1,678,772</u>
Total	<u>\$ 1,678,772</u>	<u>\$ 573,550</u>	<u>\$ 2,252,322</u>

Transfers subsidized operations in the Athletic Fund.

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.

The School District's bonds payable are liquidated by the various Debt Service Funds. The other long-term obligations are liquidated primarily by the General Fund.

Troy School District

Notes to Financial Statements June 30, 2007

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	\$ 170,790,000	\$ 5,985,000	\$ 16,115,000	\$ 160,660,000	\$ 10,165,000
Plus deferred amounts:					
Issuance premiums	8,490,420	60,190	456,989	8,093,621	466,017
Deferred interest	(2,117,716)	(126,310)	(123,425)	(2,120,601)	(142,371)
Employee compensated absences	9,448,798	80,591	172,226	9,357,163	745,743
Early retirement incentive and severance obligation	5,709,677	201,216	1,797,002	4,113,891	1,216,738
Litigation settlements	1,014,444	-	1,014,444	-	-
Self-insured liabilities	125,000	1,680,442	-	1,805,442	-
Total governmental activities	<u>\$ 193,460,623</u>	<u>\$ 7,881,129</u>	<u>\$ 19,432,236</u>	<u>\$ 181,909,516</u>	<u>\$ 12,451,127</u>

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

	Governmental Activities		
	Principal	Interest	Total
2008	\$ 10,165,000	\$ 7,731,780	\$ 17,896,780
2009	11,035,000	7,336,100	18,371,100
2010	11,495,000	6,881,250	18,376,250
2011	11,925,000	6,350,200	18,275,200
2012	12,460,000	5,790,650	18,250,650
2013-2017	43,355,000	21,011,500	64,366,500
2018-2022	37,925,000	11,267,500	49,192,500
2023-2026	22,300,000	2,382,500	24,682,500
Total	<u>\$ 160,660,000</u>	<u>\$ 68,751,480</u>	<u>\$ 229,411,480</u>

Troy School District

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

Governmental Activities

General obligation bonds consist of the following at June 30, 2007:

\$53,545,000 General Obligation Bonds due in annual installments of \$630,000 to \$3,550,000 through May 1, 2026; interest at 5.00%	\$ 53,545,000
\$13,375,000 Refunding Bonds due in annual installments of \$2,110,000 to \$2,295,000 through May 1, 2010; interest at 2.00% to 3.50%	6,595,000
\$98,870,000 General Obligation and Refunding Bonds due in annual installments of \$4,050,000 to \$10,765,000 through May 1, 2024; interest at 3.00% to 5.00%	94,535,000
\$5,985,000 Refunding Bonds due in annual installments of \$1,135,000 to \$1,240,000 through May 1, 2012; interest at 4.00%	<u>5,985,000</u>
Total bonded debt	<u>\$ 160,660,000</u>

Other governmental activities long-term obligations include the following:

Employee compensated absences	\$ 9,357,163
Early retirement incentive and severance obligation	4,113,891
Self-insured liabilities	<u>1,805,442</u>
Total	<u>\$ 15,276,496</u>

Early Retirement Incentive - The School District has a long-term early retirement incentive program in place that calls for monthly payments of \$101,395 through August 2010. The obligation is presented at net present value using a discount rate of 5.0 percent.

Troy School District

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

Advance and Current Refundings - During the year, the School District issued \$5,985,000 in general obligation bonds with an average interest rate of 3.82 percent. The proceeds of these bonds were used to advance refund \$6,385,000 of outstanding 1997 bonds with an average interest rate of 4.95 percent. The net proceeds of \$6,511,310 (after payment of \$82,880 in underwriting fees, insurance, and other issuance costs, cash contribution of \$549,000 from the 1997 Debt Service Fund, plus original issuance premiums of \$60,190) 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 \$219,136, which represents an economic gain of \$156,426.

Defeased Debt - 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, 2007, \$64,870,000 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.

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.

Troy School District

Notes to Financial Statements June 30, 2007

Note 8 - Risk Management (Continued)

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 (\$4,928,277 for calendar year 2007). All claims filed on a calendar year basis in excess of the loss fund are paid by an excess insurer.

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

	2007	2006
Estimated liability - Beginning of year	\$ 1,735,656	\$ 1,677,587
Estimated claims incurred, including changes in estimates	4,005,576	4,157,673
Claim payments	<u>(3,935,790)</u>	<u>(4,099,604)</u>
Estimated liability - End of year	<u>\$ 1,805,442</u>	<u>\$ 1,735,656</u>

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), 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 MPERS 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 MPERS. That report may be obtained by writing to the MPERS at P.O. Box 30171, Lansing, MI 48909-7671.

Funding Policy - Employer contributions to the MPERS 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 totaled 16.34 percent and 17.74 percent of the covered payroll to the plan for the periods from July 1, 2006 through September 30, 2006 and October 1, 2006 through June 30, 2007, 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 MPERS plan for the years ended June 30, 2007, 2006, and 2005 were \$14,538,271, \$13,212,795, and \$12,264,276, respectively.

Troy School District

Notes to Financial Statements June 30, 2007

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

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	\$ 48,761,668
Property tax collections for repayment of bonded indebtedness	<u>1,001,317</u>
Total restricted assets	<u>\$ 49,762,985</u>

Required Supplemental Information

Troy School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 53,311,082	\$ 53,283,686	\$ 53,874,975	\$ 591,289
State sources	66,549,419	68,439,263	68,429,769	(9,494)
Federal sources	4,900,309	5,585,626	5,060,664	(524,962)
Interdistrict and other sources	8,466,366	8,088,486	8,082,588	(5,898)
Total revenue	133,227,176	135,397,061	135,447,996	50,935
Expenditures - Current				
Instruction:				
Basic programs	67,910,933	67,355,010	66,878,085	(476,925)
Added needs	15,175,031	15,155,902	14,967,987	(187,915)
Adult and continuing education	2,109,321	2,631,988	2,495,266	(136,722)
Support services:				
Pupil	10,543,397	10,660,188	10,395,916	(264,272)
Instructional staff	6,920,051	7,493,531	7,507,194	13,663
General administration	1,965,454	2,435,508	2,267,136	(168,372)
School administration	7,722,586	7,647,890	7,881,989	234,099
Business services	1,426,023	1,394,495	1,277,045	(117,450)
Operations and maintenance	12,783,422	12,919,229	12,495,929	(423,300)
Transportation	4,575,521	4,748,299	4,382,628	(365,671)
Central support services	1,968,971	2,037,603	1,765,088	(272,515)
Community services	1,150,140	947,386	956,561	9,175
Total expenditures	134,250,850	135,427,029	133,270,824	(2,156,205)
Other Financing Sources (Uses)				
Transfers in	448,220	566,578	573,550	6,972
Transfers out	(1,707,197)	(1,693,516)	(1,678,772)	14,744
Proceeds from sale of fixed assets	3,033,000	60,000	59,434	(566)
Total other financing sources (uses)	1,774,023	(1,066,938)	(1,045,788)	21,150
Net Change in Fund Balance	750,349	(1,096,906)	1,131,384	2,228,290
Fund Balance - July 1, 2006	21,196,500	23,286,029	23,286,029	-
Fund Balance - June 30, 2007	<u>\$ 21,946,849</u>	<u>\$ 22,189,123</u>	<u>\$ 24,417,413</u>	<u>\$ 2,228,290</u>

Other Supplemental Information

Troy School District

	Special Revenue Funds			
	Food Services	Athletics	Adult and Community Education	Durant
Assets				
Cash and investments	\$ 1,015,296	\$ 2,255	\$ 683,946	\$ 5,612,742
Accounts receivable	-	-	36,724	-
Taxes receivable	-	-	-	-
Due from other funds	21,940	39,625	-	-
Due from other governmental units	74,543	-	-	-
Accrued interest receivable	1,162	-	697	6,524
Inventories	85,684	-	-	-
Total assets	<u>\$ 1,198,625</u>	<u>\$ 41,880</u>	<u>\$ 721,367</u>	<u>\$ 5,619,266</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 23,585	\$ 41,106	\$ 19,119	\$ -
Accrued payroll and other liabilities	45,721	774	23,607	-
Due to other funds	-	-	1,368	9,100
Deferred revenue	76,516	-	221,991	-
Total liabilities	145,822	41,880	266,085	9,100
Fund Balances				
Reserved:				
Inventory and prepaid items	85,684	-	-	-
Debt service	-	-	-	-
Unreserved:				
Designated for Durant projects	-	-	-	5,610,166
Undesignated	967,119	-	455,282	-
Total fund balances	<u>1,052,803</u>	<u>-</u>	<u>455,282</u>	<u>5,610,166</u>
Total liabilities and fund balances	<u>\$ 1,198,625</u>	<u>\$ 41,880</u>	<u>\$ 721,367</u>	<u>\$ 5,619,266</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

Debt Service Funds

1997	2004A	2004	2006	2007	Total
\$ 348,874	\$ 187,964	\$ 312,198	\$ 152,281	\$ -	\$ 8,315,556
-	-	-	-	-	36,724
3,485	1,069	1,915	1,103	-	7,572
490	-	-	-	-	62,055
-	-	-	-	-	74,543
348	27	348	23	-	9,129
-	-	-	-	-	85,684
<u>\$ 353,197</u>	<u>\$ 189,060</u>	<u>\$ 314,461</u>	<u>\$ 153,407</u>	<u>\$ -</u>	<u>\$ 8,591,263</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,810
-	-	-	-	-	70,102
-	-	-	-	-	10,468
-	-	-	-	-	298,507
-	-	-	-	-	462,887
-	-	-	-	-	85,684
353,197	189,060	314,461	153,407	-	1,010,125
-	-	-	-	-	5,610,166
-	-	-	-	-	1,422,401
<u>353,197</u>	<u>189,060</u>	<u>314,461</u>	<u>153,407</u>	<u>-</u>	<u>8,128,376</u>
<u>\$ 353,197</u>	<u>\$ 189,060</u>	<u>\$ 314,461</u>	<u>\$ 153,407</u>	<u>\$ -</u>	<u>\$ 8,591,263</u>

Troy School District

	Special Revenue Funds			
	Food Services	Athletics	Adult and Community Education	Durant
Revenue				
Local sources	\$ 2,860,187	\$ 244,321	\$ 2,231,087	\$ 304,514
State sources	98,378	-	-	-
Federal sources	415,105	-	-	-
Total revenue	3,373,670	244,321	2,231,087	304,514
Expenditures				
Current:				
Support services	-	-	-	18,325
Community services	-	-	2,139,038	-
Food services	3,096,403	-	-	-
Athletics	-	1,923,116	-	-
Debt service:				
Principal	-	-	-	-
Interest and other	-	-	-	-
Other bond expenditures	-	-	-	-
Total expenditures	3,096,403	1,923,116	2,139,038	18,325
Excess of Revenue Over (Under) Expenditures	277,267	(1,678,795)	92,049	286,189
Other Financing Sources (Uses)				
Transfers in (out)	(183,205)	1,678,772	(104,156)	(286,189)
Proceeds from bond refunding	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Proceeds from sale of capital assets	1,721	23	-	-
Total other financing sources (uses)	(181,484)	1,678,795	(104,156)	(286,189)
Net Change in Fund Balances	95,783	-	(12,107)	-
Fund Balances - Beginning of year	957,020	-	467,389	5,610,166
Fund Balances - End of year	<u>\$ 1,052,803</u>	<u>\$ -</u>	<u>\$ 455,282</u>	<u>\$ 5,610,166</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007

Debt Service Fund

1997	2004A	2004	2006	2007	Total
\$ 8,412,913	\$ 2,582,784	\$ 4,588,952	\$ 2,660,225	\$ -	\$ 23,884,983
-	-	-	-	-	98,378
-	-	-	-	-	415,105
8,412,913	2,582,784	4,588,952	2,660,225	-	24,398,466
-	-	-	-	-	18,325
-	-	-	-	-	2,139,038
-	-	-	-	-	3,096,403
-	-	-	-	-	1,923,116
7,550,000	2,180,000	-	-	-	9,730,000
511,452	218,100	4,619,350	2,506,203	-	7,855,105
23,294	7,790	19,423	615	82,880	134,002
8,084,746	2,405,890	4,638,773	2,506,818	82,880	24,895,989
328,167	176,894	(49,821)	153,407	(82,880)	(497,523)
-	-	-	-	-	1,105,222
-	-	-	-	6,045,190	6,045,190
(549,000)	-	-	-	(5,962,310)	(6,511,310)
490	-	-	-	-	2,234
(548,510)	-	-	-	82,880	641,336
(220,343)	176,894	(49,821)	153,407	-	143,813
573,540	12,166	364,282	-	-	7,984,563
\$ 353,197	\$ 189,060	\$ 314,461	\$ 153,407	\$ -	\$ 8,128,376

Troy School District

	Special Revenue Funds		Debt Service Funds	
	Budget	Actual	Budget	Actual
Revenue				
Local sources	\$ 5,453,247	\$ 5,640,109	\$ 18,228,652	\$ 18,244,874
State sources	98,378	98,378	-	-
Federal sources	393,019	415,105	-	-
Total revenue	5,944,644	6,153,592	18,228,652	18,244,874
Expenditures				
Special Revenue Funds:				
Salaries	3,332,365	3,381,694	-	-
Employee benefits	1,335,152	1,323,110	-	-
Purchased services	435,951	407,561	-	-
Supplies/Materials	2,074,120	1,999,930	-	-
Capital outlay	10,288	9,779	-	-
Other expenditures	53,794	54,808	-	-
Debt service:	-	-	-	-
Principal	-	-	9,730,000	9,730,000
Interest and other	-	-	7,855,199	7,855,105
Other bond expenditures	-	-	139,100	134,002
Capital outlay	-	-	-	-
Total expenditures	7,241,670	7,176,882	17,724,299	17,719,107
Excess of Revenue Over (Under) Expenditures	(1,297,026)	(1,023,290)	504,353	525,767
Other Financing Sources (Uses)				
Transfers in (out)	1,104,738	1,105,222	-	-
Proceeds from bond refunding	-	-	6,045,190	6,045,190
Payment to bond escrow agent	-	-	(6,511,310)	(6,511,310)
Proceeds from sale of capital assets	-	1,744	-	490
Total other financing sources (uses)	1,104,738	1,106,966	(466,120)	(465,630)
Net Change in Fund Balances	(192,288)	83,676	38,233	60,137
Fund Balances - Beginning of year	7,034,575	7,034,575	949,988	949,988
Fund Balances - End of year	<u>\$ 6,842,287</u>	<u>\$ 7,118,251</u>	<u>\$ 988,221</u>	<u>\$ 1,010,125</u>

Other Supplemental Information

Budgetary Comparison Schedule - Governmental Funds (Excluding General Fund) and Proprietary Fund - Internal Service Fund

Year Ended June 30, 2007

Capital Projects Funds		Internal Service Fund	
Budget	Actual	Budget	Actual
\$ 2,351,482	\$ 2,746,273	\$ 426,200	\$ 431,771
-	-	-	-
-	-	-	-
2,351,482	2,746,273	426,200	431,771
-	-	-	-
-	-	-	201,216
3,943,736	3,804,982	-	-
12,000	10,206	-	-
42,831,942	43,690,018	-	-
35,035	32,565	201,200	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
46,822,713	47,537,771	201,200	201,216
(44,471,231)	(44,791,498)	225,000	230,555
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(44,471,231)	(44,791,498)	225,000	230,555
93,553,166	93,553,166	216,924	216,924
<u>\$ 49,081,935</u>	<u>\$ 48,761,668</u>	<u>\$ 441,924</u>	<u>\$ 447,479</u>

Troy School District

June 30	2007 Debt			2006 Debt		
	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate
2008	\$ 1,240,000	\$ 260,680	4.000	\$ -	\$ 2,677,250	5.000
2009	1,235,000	189,800	4.000	630,000	2,677,250	5.000
2010	1,205,000	140,400	4.000	800,000	2,645,750	5.000
2011	1,170,000	92,200	4.000	1,775,000	2,605,750	5.000
2012	1,135,000	45,400	4.000	2,075,000	2,517,000	5.000
2013	-	-	-	2,290,000	2,413,250	5.000
2014	-	-	-	3,525,000	2,298,750	5.000
2015	-	-	-	3,525,000	2,122,500	5.000
2016	-	-	-	3,525,000	1,946,250	5.000
2017	-	-	-	3,525,000	1,770,000	5.000
2018	-	-	-	3,525,000	1,593,750	5.000
2019	-	-	-	3,525,000	1,417,500	5.000
2020	-	-	-	3,525,000	1,241,250	5.000
2021	-	-	-	3,550,000	1,065,000	5.000
2022	-	-	-	3,550,000	887,500	5.000
2023	-	-	-	3,550,000	710,000	5.000
2024	-	-	-	3,550,000	532,500	5.000
2025	-	-	-	3,550,000	355,000	5.000
2026	-	-	-	3,550,000	177,500	5.000
	<u>\$ 5,985,000</u>	<u>\$ 728,480</u>		<u>\$ 53,545,000</u>	<u>\$ 31,653,750</u>	
Principal payments due	May 1			May 1		
Interest payments due	May 1 and November 1			May 1 and November 1		
Interest rate	4.70% to 5.00%			5.00%		
Original issue	<u>\$ 5,985,000</u>			<u>\$ 53,545,000</u>		

**Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2007**

2004 Debt			2004A Debt		
Principal	Interest	Interest Rate	Principal	Interest	Interest Rate
\$ 6,630,000	\$ 4,619,350	3.000, 5.000	\$ 2,295,000	\$ 174,500	2.000
6,980,000	4,340,450	4.000, 5.000	2,190,000	128,600	2.500
7,380,000	4,021,250	5.000	2,110,000	73,850	3.500
8,980,000	3,652,250	3.750, 5.000	-	-	-
9,250,000	3,228,250	5.000	-	-	-
10,765,000	2,765,750	5.000	-	-	-
4,050,000	2,227,500	5.000	-	-	-
4,050,000	2,025,000	5.000	-	-	-
4,050,000	1,822,500	5.000	-	-	-
4,050,000	1,620,000	5.000	-	-	-
4,050,000	1,417,500	5.000	-	-	-
4,050,000	1,215,000	5.000	-	-	-
4,050,000	1,012,500	5.000	-	-	-
4,050,000	810,000	5.000	-	-	-
4,050,000	607,500	5.000	-	-	-
4,050,000	405,000	5.000	-	-	-
4,050,000	202,500	5.000	-	-	-
		-	-	-	-
		-	-	-	-
\$ 94,535,000	\$ 35,992,300		\$ 6,595,000	\$ 376,950	
May 1			May 1		
May 1 and November 1			May 1 and November 1		
2.50% to 5.00%			2.00% to 3.50%		
\$ 98,870,000			\$ 13,375,000		

Statistical and Other Information (Unaudited)

Troy School District

Net Assets by Component

	June 30					
	2002	2003	2004	2005	2006	2007
Governmental Activities						
Invested in capital assets - Net						
of related debt	\$ 22,371,818	\$ 27,171,994	\$ 25,827,547	\$ 28,949,595	\$ 35,678,044	\$ 39,520,249
Restricted	5,159,619	2,460,986	767,907	1,938,459	2,592,210	3,371,854
Unrestricted	<u>30,232,410</u>	<u>25,363,438</u>	<u>33,180,151</u>	<u>24,464,131</u>	<u>18,725,178</u>	<u>20,176,692</u>
 Total primary government						
net assets	<u>\$ 57,763,847</u>	<u>\$ 54,996,418</u>	<u>\$ 59,775,605</u>	<u>\$ 55,352,185</u>	<u>\$ 56,995,432</u>	<u>\$ 63,068,795</u>

Note: This schedule includes all periods subsequent to the adoption of GASB 34.

Source: Data included in this schedule from 2002-2006 has been excerpted from prior audited financial statements.

Troy School District

Changes in Governmental Net Assets

	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
Instruction	\$ 77,948,704	\$ 82,042,521	\$ 80,785,619	\$ 88,747,576	\$ 84,096,275	\$ 87,171,212
Support services	45,276,940	49,607,745	52,928,974	53,433,135	55,765,484	53,189,328
Food services	2,756,344	2,946,119	3,017,616	3,121,786	3,085,138	3,161,951
Athletics	1,787,558	1,946,018	1,942,654	2,096,801	2,058,617	2,197,785
Community services	2,287,575	2,420,695	3,920,749	4,028,914	3,414,463	3,098,075
Interest on long-term debt	4,975,874	4,609,160	4,335,127	5,412,602	6,318,539	8,306,480
Total governmental activities	135,032,995	143,572,258	146,930,739	156,840,814	154,738,516	157,124,831
Program revenues:						
Charges for services	6,299,916	6,789,416	7,386,672	7,436,496	6,914,213	6,686,027
Operating grants and contributions	9,498,076	9,202,867	9,440,829	17,750,348	18,417,860	19,580,075
Total program revenue	15,797,992	15,992,283	16,827,501	25,186,844	25,332,073	26,266,102
Net expense	<u><u>\$ (119,235,003)</u></u>	<u><u>\$ (127,579,975)</u></u>	<u><u>\$ (130,103,238)</u></u>	<u><u>\$ (131,653,970)</u></u>	<u><u>\$ (129,406,443)</u></u>	<u><u>\$ (130,858,729)</u></u>
General revenues:						
Property taxes	\$ 58,278,890	\$ 59,969,080	\$ 60,404,226	\$ 66,168,277	\$ 66,462,954	\$ 66,766,960
State aid not restricted to specific purposes	64,340,336	63,725,350	65,502,382	58,779,988	60,069,254	62,843,834
Investment earnings	1,180,674	641,109	522,790	2,299,143	4,422,790	5,541,036
Other	128,690	217,698	130,153	73,778	181,128	1,766,150
Total general revenues	123,928,590	124,553,237	126,559,551	127,321,186	131,136,126	136,917,980
Special item	325,100	259,309	8,322,874	(90,636)	(86,436)	14,112
Changes in Net Assets	<u><u>\$ 5,018,687</u></u>	<u><u>\$ (2,767,429)</u></u>	<u><u>\$ 4,779,187</u></u>	<u><u>\$ (4,423,420)</u></u>	<u><u>\$ 1,643,247</u></u>	<u><u>\$ 6,073,363</u></u>

Note: This schedule includes all periods subsequent to the adoption of GASB 34.

Source: Data included in this schedule from 2002-2006 has been excerpted from prior audited financial statements.

Troy School District

	1998	1999	2000	2001
General Fund				
Reserved	\$ 2,538,753	\$ 2,023,140	\$ 1,801,274	\$ 2,180,575
Unreserved	<u>26,378,984</u>	<u>31,151,425</u>	<u>25,202,198</u>	<u>26,692,960</u>
Total General Fund	<u>\$ 28,917,737</u>	<u>\$ 33,174,565</u>	<u>\$ 27,003,472</u>	<u>\$ 28,873,535</u>
All Other Government Funds				
Reserved	\$ 69,353,286	\$ 34,878,153	\$ 20,442,543	\$ 13,794,972
Unreserved - Reported in Special Revenue Funds	<u>1,886,706</u>	<u>2,666,958</u>	<u>8,120,379</u>	<u>8,112,185</u>
Total all other governmental funds	<u>\$ 71,239,992</u>	<u>\$ 37,545,111</u>	<u>\$ 28,562,922</u>	<u>\$ 21,907,157</u>

Source: Data included in this schedule from 1998-2006 has been excerpted from prior audited financial statements.

**Fund Balances - Governmental Funds
Last Ten Fiscal Years**

2002	2003	2004	2005	2006	2007
\$ 4,741,345	\$ 6,900,445	\$ 355,563	\$ 249,718	\$ 700,470	\$ 663,296
<u>28,882,512</u>	<u>24,493,723</u>	<u>35,263,833</u>	<u>25,650,229</u>	<u>22,585,559</u>	<u>23,754,117</u>
<u>\$ 33,623,857</u>	<u>\$ 31,394,168</u>	<u>\$ 35,619,396</u>	<u>\$ 25,899,947</u>	<u>\$ 23,286,029</u>	<u>\$ 24,417,413</u>
\$ 10,555,442	\$ 3,073,100	\$ 872,954	\$ 58,666,195	\$ 94,610,279	\$ 49,857,477
<u>3,448,744</u>	<u>5,013,417</u>	<u>6,450,254</u>	<u>6,423,070</u>	<u>6,927,450</u>	<u>7,032,567</u>
<u>\$ 14,004,186</u>	<u>\$ 8,086,517</u>	<u>\$ 7,323,208</u>	<u>\$ 65,089,265</u>	<u>\$101,537,729</u>	<u>\$ 56,890,044</u>

Troy School District

	1998	1999	2000	2001
Revenue				
Local revenue	\$ 61,154,660	\$ 64,576,518	\$ 65,472,282	\$ 67,042,510
State revenue	64,003,935	57,811,837	57,842,775	61,070,886
Federal revenue	2,949,001	3,150,566	2,609,815	3,252,415
Interdistrict revenue	-	-	1,545,865	3,098,539
Total revenue	128,107,596	125,538,921	127,470,737	134,464,350
Expenditures				
Current:				
Instruction	61,830,286	64,918,652	68,057,547	69,549,262
Support services	33,301,126	36,371,404	37,042,664	38,329,587
Community services	2,336,232	2,456,678	2,625,103	3,880,970
Athletics	1,350,085	1,371,499	1,490,883	1,611,032
Food services	1,895,968	2,081,635	2,256,290	2,539,691
Debt service:				
Principal	6,110,000	6,905,000	7,260,000	7,065,000
Interest	5,234,247	6,138,702	5,761,526	5,356,946
Other	5,609	5,992	5,244	40,723
Capital outlay	8,656,782	36,950,842	16,921,595	7,603,397
Intergovernmental transfers	-	-	1,614,616	1,540,438
Total expenditures	120,720,335	157,200,404	143,035,468	137,517,046
Excess of Revenue Over (Under) Expenditures	7,387,261	(31,661,483)	(15,564,731)	(3,052,696)
Other Financing Sources (Uses)				
Proceeds from sale of bonds	85,240,960	-	-	-
Debt premium or discount	-	-	-	-
Sale of fixed assets	361,380	365,507	415,129	195,841
Transfers in	2,083,500	1,495,926	7,333,234	1,704,077
Transfers out	(2,083,500)	(1,497,366)	(7,333,234)	(1,704,077)
Debt defeasance	(13,875,000)	-	-	-
Other	692,938	1,859,363	(3,680)	(1,928,847)
Total other financing sources (uses)	72,420,278	2,223,430	411,449	(1,733,006)
Net Change in Fund Balances	79,807,539	(29,438,053)	(15,153,282)	(4,785,702)
Fund Balances - Beginning of year	20,350,190	100,157,729	70,719,676	55,566,394
Fund Balances - End of year	\$100,157,729	\$ 70,719,676	\$ 55,566,394	\$ 50,780,692
Debt service as a percentage of noncapital expenditures	11.27%	12.17%	11.69%	10.75%

Source: Data included in this schedule from 1998-2006 has been excerpted from prior audited financial statements.

**Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years**

2002	2003	2004	2005	2006	2007
\$ 65,956,043	\$ 67,660,373	\$ 68,338,207	\$ 75,829,231	\$ 77,592,739	\$ 80,506,231
63,633,937	63,223,896	62,804,461	63,708,384	65,006,361	68,528,147
3,451,666	3,510,203	3,997,606	4,567,236	5,170,638	5,475,769
<u>6,684,936</u>	<u>6,151,048</u>	<u>8,246,778</u>	<u>8,229,714</u>	<u>8,290,309</u>	<u>8,082,588</u>
139,726,582	140,545,520	143,387,052	152,334,565	156,060,047	162,592,735
72,622,801	76,748,293	76,540,528	84,591,594	79,528,485	84,217,350
42,664,745	43,793,380	45,770,832	47,986,601	47,599,805	47,813,441
2,778,534	2,592,545	3,922,118	3,431,473	2,816,455	3,071,772
1,655,818	1,682,553	1,661,096	1,814,997	1,779,548	3,096,403
2,750,326	2,901,153	2,960,514	3,057,353	3,019,126	1,923,116
7,765,000	8,110,000	8,475,000	10,740,000	11,885,000	9,730,000
5,014,248	5,611,200	4,304,848	5,087,496	5,943,398	7,855,105
31,254	1,988	128,185	280,182	725	134,002
6,989,544	4,690,229	2,380,305	7,719,792	23,360,462	47,863,395
<u>2,478,909</u>	<u>2,847,316</u>	<u>2,916,037</u>	<u>2,847,952</u>	<u>2,932,826</u>	<u>-</u>
144,751,179	148,978,657	149,059,463	167,557,440	178,865,830	205,704,584
(5,024,597)	(8,433,137)	(5,672,411)	(15,222,875)	(22,805,783)	(43,111,849)
-	-	13,375,000	98,870,000	56,610,152	6,045,190
-	-	-	6,014,422	-	-
619,774	285,779	8,699,330	222,236	-	61,668
1,852,509	1,787,946	3,223,646	1,586,914	2,122,512	2,252,322
(1,852,509)	(1,787,946)	(3,223,646)	(1,586,914)	(2,122,512)	(2,252,322)
-	-	(12,940,000)	(39,495,000)	-	(6,511,310)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,342,175)</u>	<u>30,177</u>	<u>-</u>
619,774	285,779	9,134,330	63,269,483	56,640,329	(404,452)
(4,404,823)	(8,147,358)	3,461,919	48,046,608	33,834,546	(43,516,301)
<u>52,032,866</u>	<u>47,628,043</u>	<u>39,480,685</u>	<u>42,942,604</u>	<u>90,989,212</u>	<u>124,823,758</u>
<u>\$ 47,628,043</u>	<u>\$ 39,480,685</u>	<u>\$ 42,942,604</u>	<u>\$ 90,989,212</u>	<u>\$ 124,823,758</u>	<u>\$ 81,307,457</u>
10.46%	10.74%	9.86%	11.43%	13.23%	12.65%

Troy School District

Taxable Value by Property Type						
Tax Year	Real Property				Agricultural and Other	Personal Property
	Residential	Commercial	Industrial			
1997	\$ 1,514,279,348	\$ 774,094,190	\$ 273,582,060	\$ -	\$ 461,931,290	\$ 3,023,886,888
1998	1,600,337,199	838,249,690	276,902,320	-	504,755,690	3,220,244,899
1999	1,672,168,533	880,688,353	278,326,244	-	542,464,363	3,373,647,493
2000	1,756,307,450	974,731,550	287,395,150	-	520,650,890	3,539,085,040
2001	1,862,572,590	1,091,856,660	310,710,930	-	525,455,040	3,790,595,220
2002	1,972,340,290	1,112,229,080	332,879,420	-	498,854,208	3,916,302,998
2003	2,049,453,131	1,152,900,440	327,066,420	-	468,176,960	3,997,596,951
2004	2,158,772,810	1,147,811,590	347,707,990	-	426,948,096	4,081,240,486
2005	2,277,076,230	1,178,957,390	350,683,300	-	403,225,480	4,209,942,400
2006	2,427,726,198	1,187,083,160	351,979,910	-	384,167,410	4,350,956,678

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

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

Source: City of Troy, Assessing Department

Assessed Value and Actual Value of Taxable Property

Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percentage of Actual
21.6400	\$ 6,047,773,776	50.00
21.6200	6,440,489,798	50.00
21.6101	6,747,294,986	50.00
21.3155	7,078,170,080	50.00
21.1400	7,581,190,440	50.00
21.1400	7,832,605,996	50.00
21.1400	7,995,193,902	50.00
22.1300	8,162,568,632	50.00
22.1300	8,419,884,800	50.00
22.1300	8,701,913,356	50.00

Troy School District

Millage Rates - Direct School District Taxes							
Tax Year	Year Ended June 30	Operating		Debt*	Sinking Fund*	Total Direct Taxes	
		Homestead	Non-homestead			Homestead	Non-homestead
1997	1998	8.7664	18.0000	3.6400	-	12.4064	21.6400
1998	1999	8.0895	18.0000	3.6200	-	11.7095	21.6200
1999	2000	7.7517	18.0000	3.6101	-	11.3618	21.6101
2000	2001	7.3876	18.0000	3.3155	-	10.7031	21.3155
2001	2002	6.9237	18.0000	3.1400	-	10.0637	21.1400
2002	2003	6.5969	18.0000	3.1400	-	9.7369	21.1400
2003	2004	6.2943	18.0000	3.1400	-	9.4343	21.1400
2004	2005	6.0265	18.0000	4.1300	-	10.1565	22.1300
2005	2006	5.7387	18.0000	4.1300	-	9.8687	22.1300
2006	2007	5.3740	18.0000	4.1300	-	9.5040	22.1300

* Debt fund millages apply to homestead and nonhomestead property

** Suburban Mobility Authority Regional Transportation

Source: Municipal Advisory Council of Michigan and City of Troy

Direct and Overlapping Property Tax Rates Years Ending June 30

Overlapping Taxes					
County	Community College	Intermediate School District	State Education	City of Troy	SMART**
4.8480	1.6522	2.1294	6.0000	9.8100	-
4.8180	1.6522	2.1294	6.0000	9.8100	-
4.6564	1.6456	2.1208	6.0000	9.8100	-
4.6522	1.6295	2.0998	6.0000	9.4800	0.3270
4.6478	1.6109	2.0752	6.0000	9.4800	0.3236
4.6523	1.6090	3.4224	6.0000	9.4500	0.6000
4.6497	1.5983	3.3991	5.0000	9.4500	0.5974
4.4322	1.5889	3.3789	6.0000	9.4500	0.5962
4.6461	1.5844	3.3690	6.0000	9.4500	0.5950
4.6461	1.5844	3.3690	6.0000	9.4300	0.5900

Troy School District

Taxpayer	2006 Taxable Value	Percentage of Total	2005 Taxable Value	Percentage of Total
1 Frankel Forbes Cohen Associates	\$ 64,549,870	1.48	\$ 62,372,530	1.49
2 Liberty Property LTD PTN	44,522,510	1.02	43,507,780	1.04
3 Nykel Management Co.	40,726,630	0.94	56,361,080	1.35
4 Kelly Services & Properties	32,632,130	0.75	33,786,950	0.81
5 LaSalle Bank	27,965,270	0.64	27,759,750	0.66
6 Teacher's Insurance & Annuity	27,812,420	0.64	27,234,240	0.65
7 Detroit Edison	27,165,500	0.62	33,882,660	0.81
8 Nemer Troy Place Realty LLC	25,719,770	0.59	25,205,320	0.60
9 TTBRTT	25,580,430	0.59	*	-
10 Sheffield Office II LLC	24,014,210	0.55	*	-
All others	<u>4,010,267,938</u>	92.18	<u>3,871,784,340</u>	92.59
Total	<u>\$4,350,956,678</u>		<u>\$4,181,894,650</u>	

Source: Oakland County

* Data not available

Principal Property Taxpayers Last Ten Years

2004 Taxable Value	Percentage of Total	2003 Taxable Value	Percentage of Total	2002 Taxable Value	Percentage of Total	2001 Taxable Value	Percentage of Total
\$ 61,057,410	1.50	\$ 59,713,100	1.50	\$ 58,814,340	1.51	\$ 18,596,530	0.49
42,599,790	1.04	43,191,650	1.09	46,208,450	1.19	39,720,320	1.05
55,107,070	1.35	54,827,230	1.38	53,855,480	1.38	52,240,590	1.38
34,097,390	0.83	21,853,030	0.55	*	-	*	-
27,138,580	0.66	25,550,320	0.64	25,550,320	0.66	26,460,230	0.70
26,112,390	0.64	25,386,190	0.64	25,872,200	0.67	*	-
39,840,040	0.98	41,450,850	1.04	41,429,220	1.06	35,917,830	0.95
25,106,540	0.62	24,542,100	0.62	24,179,430	0.62	23,644,150	0.62
*	-	*	-	*	-	*	-
*	-	*	-	*	-	*	-
<u>3,770,181,276</u>	92.38	<u>3,674,824,141</u>	92.54	<u>3,614,514,228</u>	92.91	<u>3,594,015,570</u>	94.81
<u>\$ 4,081,240,486</u>		<u>\$ 3,971,338,611</u>		<u>\$ 3,890,423,668</u>		<u>\$ 3,790,595,220</u>	

Troy School District

Taxpayer	2000 Taxable Value	Percentage of Total	1999 Taxable Value	Percentage of Total
1 Frankel Forbes Cohen Associates	\$ 58,776,560	1.66	\$ 55,436,550	1.64
2 Liberty Property LTD PTN	46,100,650	1.30	43,114,960	1.28
3 Nykel Management Co.	53,855,480	1.52	50,675,750	1.50
4 Kelly Services & Properties	*	-	*	-
5 LaSalle Bank	26,501,380	0.75	26,406,860	0.78
6 Teacher's Insurance & Annuity	*	-	*	-
7 Detroit Edison	35,920,150	1.02	43,333,620	1.29
8 Nemer Troy Place Realty LLC	24,400,740	0.69	*	-
9 TTBRTT	*	-	*	-
10 Sheffield Office II LLC	*	-	*	-
All others	3,293,530,080	93.06	3,154,679,753	93.51
Total	<u>\$ 3,539,085,040</u>		<u>\$ 3,373,647,493</u>	

Source: Oakland County

* Data not available

Principal Property Taxpayers (Continued)
Last Ten Years

1998 Taxable Value	Percentage of Total	1997 Taxable Value	Percentage of Total
\$ 86,410,690	2.68	\$ 66,247,310	2.19
27,827,470	0.86	32,354,360	1.07
48,265,323	1.50	42,978,780	1.42
22,648,290	0.70	38,999,450	1.29
25,500,390	0.79	22,159,950	0.73
*	-	*	-
36,220,070	1.13	30,071,490	1.00
*	-	*	-
*	-	*	-
*	-	-	-
<u>2,973,372,666</u>	92.34	<u>2,791,075,548</u>	92.30
<u>\$ 3,220,244,899</u>		<u>\$ 3,023,886,888</u>	

Troy School District

Property Tax Levies and Collections Last 10 Years

Tax Year	Year Ended June 30	Total Levy	Current Collections	Percent Collected	Delinquent Collections	Total Tax Collections	Levy Collected
1997	1998	\$ 52,487,897	\$ 52,075,338	99.21	\$ 208,445	\$ 52,283,783	99.61
1998	1999	54,134,990	53,890,396	99.55	164,404	54,054,800	99.85
1999	2000	56,333,764	55,804,070	99.06	137,735	55,941,805	99.30
2000	2001	57,178,094	56,494,058	98.80	212,605	56,706,663	99.18
2001	2002	59,193,467	58,328,985	98.54	123,866	58,452,851	98.75
2002	2003	61,002,834	59,833,312	98.08	173,244	60,006,556	98.37
2003	2004	60,793,929	60,254,035	99.11	150,190	60,404,225	99.36
2004	2005	65,590,790	65,087,435	99.23	1,080,842	66,168,277	100.88
2005	2006	66,108,260	65,974,622	99.80	488,332	66,462,954	100.54
2006	2007	66,689,831	66,485,173	99.69	281,787	66,766,960	100.12

Source: Troy School District

Troy School District

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

	Taxable Assessed Value*	Share of Revenue		Foundation Allowance	Executive Order	
		State (Percent)	Local (Percent)		Reduction per Pupil	Retirement Rate (Percent)
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	4,081,240,486	46.94	38.14	9,035.00	-	14.87
2005-06	4,209,942,400	46.48	37.42	9,209.18	-	16.34
2006-07	4,350,956,678	47.71	36.06	9,419.18	-	17.74

* City of Troy, Assessing Department

Troy School District

Fiscal Year	General Obligation Bonds	Less Pledged Debt Service Funds	Net General Bonded Debt	Other General Obligation Debt	Total General Obligation Debt
1998	\$ 125,640,000	\$ -	\$ 125,640,000	\$ -	\$ 125,640,000
1999	118,735,000	-	118,735,000	-	118,735,000
2000	111,475,000	-	111,475,000	-	111,475,000
2001	104,410,000	-	104,410,000	-	104,410,000
2002	96,645,000	-	96,645,000	-	96,645,000
2003	88,535,000	-	88,535,000	-	88,535,000
2004	80,495,000	-	80,495,000	-	80,495,000
2005	129,130,000	-	129,130,000	-	129,130,000
2006	170,790,000	-	170,790,000	-	170,790,000
2007	160,660,000	-	160,660,000	-	160,660,000

Population information obtained from City of Troy, Department of Planning

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

**Ratios of General Bonded Debt Outstanding
Last Ten Years**

		Net General				
		Bonded Debt as	Total Debt as a			
		a Percentage of	Percentage of	Net General	Total Debt	
Taxable Value	Taxable Value	Taxable Value	Population	Bonded Debt	per Capita	
				per Capita	per Capita	
\$	3,023,886,888	4	4	83,390	\$ 1,507	\$ 1,507
	3,220,244,899	4	4	84,105	1,412	1,412
	3,373,647,783	3	3	84,825	1,314	1,314
	3,539,085,040	3	3	85,821	1,217	1,217
	3,790,595,220	3	3	84,345	1,146	1,146
	3,916,302,998	2	2	84,841	1,044	1,044
	3,997,596,951	2	2	85,556	941	941
	4,081,284,316	3	3	86,408	1,494	1,494
	4,209,942,400	4	4	87,159	1,960	1,960
	4,350,956,678	4	4	87,594	1,834	1,834

Troy School District

Direct and Overlapping Governmental Activities Debt June 30, 2007

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
City of Troy	\$ 47,020,536	80.05%	\$ 37,639,939
Oakland County at Large	106,286,871	7.00%	7,440,081
Oakland Intermediate School District	55,185,000	7.02%	3,873,987
Oakland Community College	8,995,000	7.04%	633,248
Total overlapping debt			49,587,255
Direct district debt - Net			159,649,875
Total direct and overlapping debt			<u><u>\$ 209,237,130</u></u>

Source: Municipal Advisory Council of Michigan

Troy School District

	1998	1999	2000	2001
Calculation of debt limit:				
Taxable value	\$ 2,997,276,908	\$ 3,190,628,369	\$ 3,342,102,803	\$ 3,506,037,730
15% of taxable value	449,591,536	478,594,255	501,315,420	525,905,660
Calculation of debt subject to limit:				
Total debt	125,640,000	118,735,000	111,475,000	104,410,000
Less debt not subject to limit - State qualified debt issuance	-	-	-	-
Net debt subject to limit	125,640,000	118,735,000	111,475,000	104,410,000
Legal debt margin	<u>\$ 323,951,536</u>	<u>\$ 359,859,255</u>	<u>\$ 389,840,420</u>	<u>\$ 421,495,660</u>
limit	27.95%	24.81%	22.24%	19.85%

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

**Legal Debt Margin
Last Ten Years**

2002	2003	2004	2005	2006	2007
\$ 3,750,278,520 562,541,778	\$ 3,870,991,178 580,648,677	\$ 3,950,543,221 592,581,483	\$ 4,032,417,766 604,862,665	\$ 4,157,889,090 623,683,364	\$ 4,297,663,468 644,649,520
96,645,000	88,535,000	80,495,000	129,130,000	170,790,000	160,660,000
-	-	-	-	-	-
96,645,000	88,535,000	80,495,000	129,130,000	170,790,000	160,660,000
<u>\$ 465,896,778</u>	<u>\$ 492,113,677</u>	<u>\$ 512,086,483</u>	<u>\$ 475,732,665</u>	<u>\$ 452,893,364</u>	<u>\$ 483,989,520</u>
17.18%	15.25%	13.58%	21.35%	27.38%	24.92%

Troy School District

Demographic and Economic Statistics Years Ended June 30

Fiscal Year	Population	Total Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
1998	83,390	\$ 1,742,308	\$ 20,893	1.90
1999	84,102	1,865,405	22,180	1.80
2000	84,825	2,157,845	25,439	1.70
2001	85,821	2,463,093	28,700	2.50
2002	84,345	2,427,175	28,777	3.80
2003	84,841	2,302,880	27,143	4.50
2004	85,556	2,378,525	27,801	4.80
2005	86,408	2,434,002	28,169	4.90
2006	87,159	2,572,590	29,516	4.90
2007	87,594	Not available	-	5.00

Source: State of Michigan

Troy School District

Taxpayer	2006 Employees	Percentage of Total Employment	2005 Employees	Percentage of Total Employment	2004 Employees	Percentage of Total Employment
Beaumont Hospital	3,982	9.77	3,982	9.61	*	*
Ameritech Publishing	2,500	6.13	-	-	*	*
Delphi	2,000	4.91	2,000	4.83	*	*
LaSalle Bank	1,643	4.03	1,643	3.97	*	*
US Post Office	1,526	3.74	1,526	3.68	*	*
Kelly Services	1,404	3.44	1,300	3.14	*	*
Troy School District	1,361	3.34	1,415	3.42	*	*
City of Troy	1,349	3.31	1,349	3.26	*	*
ThyssenKrupp Budd Co	1,091	2.68	-	-	*	*
Flagstar Mortgage Corp.	841	2.06	-	-	*	*
EDS	*	*	1,800	4.35	*	*
Entech Personnel	*	*	1,233	2.98	*	*
Kmart Corp.	*	*	-	-	*	*
Meritor Automotive	*	*	-	-	*	*
Advanced Technology	*	*	-	-	*	*
Corporate Systems Development	*	*	-	-	*	*
Dayton Hudson Corp	*	*	-	-	*	*
Textron Automotive	*	*	-	-	*	*
GMC - Delco	*	*	-	-	*	*
Saturn Corp.	*	*	-	-	*	*
Rockwell International	*	*	-	-	*	*
Dupont Automotive	*	*	-	-	*	*
BBDO Detroit	*	*	1,600	3.86	*	*
Total principal employers	17,697		17,848		*	
Total employment	40,771		41,415		41,476	

Source: Oakland County

* Information not available for year

**Principal Employers
Last Ten Years
Years Ended June 30**

2003 Employees	Percentage of Total Employment	2002 Employees	Percentage of Total Employment	2001 Employees	Percentage of Total Employment	2000 Employees	Percentage of Total Employment
*	*	*	*	2,413	5.83	*	*
*	*	*	*	2,500	6.04	*	*
*	*	*	*	-	-	*	*
*	*	*	*	-	-	*	*
*	*	*	*	-	-	*	*
*	*	*	*	-	-	*	*
*	*	*	*	-	-	*	*
*	*	*	*	-	-	*	*
*	*	*	*	-	-	*	*
*	*	*	*	-	-	*	*
*	*	*	*	4,939	11.93	*	*
*	*	*	*	-	-	*	*
*	*	*	*	3,351	8.09	*	*
*	*	*	*	2,900	7.00	*	*
*	*	*	*	2,000	4.83	*	*
*	*	*	*	1,500	3.62	*	*
*	*	*	*	1,423	3.44	*	*
*	*	*	*	1,270	3.07	*	*
*	*	*	*	1,206	2.91	*	*
*	*	*	*	-	-	*	*
*	*	*	*	-	-	*	*
*	*	*	*	-	-	*	*
*	*	*	*	-	-	*	*
				23,502		*	
41,933		42,495		43,650		*	

Troy School District

Taxpayer	1999 Employees	Percentage of Total Employment	1998 Employees	Percentage of Total Employment
1 Beaumont Hospital	2,400	5.33	*	*
2 Ameritech Publishing	-	-	*	*
4 Delphi	6,188	13.74	*	*
5 LaSalle Bank	1,260	2.80	*	*
6 US Post Office	-	-	*	*
7 Kelly Services	1,470	3.27	*	*
3 Troy School District	1,175	2.61	*	*
8 City of Troy	-	-	*	*
11 EDS	-	-	*	*
12 Entech Personnel	1,450	3.22	*	*
13 Kmart Corp.	1,060	2.35	*	*
14 Meritor Automotive	850	1.89	*	*
15 Advanced Technology	-	-	*	*
16 Corporate Systems Development	-	-	*	*
17 Dayton Hudson Corp	-	-	*	*
18 Textron Automotive	-	-	*	*
19 GMC - Delco	990	2.20	*	*
20 Saturn Corp.	770	1.71	*	*
21 Rockwell International	-	-	*	*
22 Dupont Automotive	-	-	*	*
23 BBDO Detroit	-	-	*	*
Total principal employers	17,613		*	
Total employment	45,022		46,603	

Source: Oakland County

* Information not available for year

*

45,770

Troy School District

Function/Program	1998	1999	2000	2001
General government:				
Instruction	*	*	*	*
Support services	*	*	*	*
Community service	*	*	*	*
Food service	*	*	*	*
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

* Data not available

Source: Troy School District, as reported to the State of Michigan Registry of Educational Personnel.

**Full-time Equivalent School District Employees
Last Ten Years
Years Ended June 30**

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
*	*	*	*	779	794
*	*	*	*	500	471
*	*	*	*	60	52
*	*	*	*	45	44
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>1,384</u>	<u>1,361</u>

Troy School District

Operating Indicators Last Ten Years Years Ended June 30

Year	Enrollment	Operating Expenditures	Cost per Pupil	Operating Revenues	Revenue per Pupil	Total Teaching Staff	Percentage of Students Qualifying for Free/Reduced Meals	Average Teacher Salary
1998	12,050	\$ 95,509,751	\$ 7,926.12	\$ 110,581,445	\$ 9,176.88	725	*	\$ 64,433
1999	12,066	101,672,674	8,426.38	105,563,318	8,748.82	730	3.05	66,991
2000	12,087	107,036,910	8,855.54	106,588,576	8,818.45	755	3.25	68,482
2001	12,076	109,798,915	9,092.32	115,109,451	9,532.08	765	2.63	66,803
2002	12,083	114,607,235	9,485.00	122,473,180	10,135.99	765	2.58	69,594
2003	12,049	120,236,424	9,978.95	122,641,994	10,178.60	773	2.99	69,721
2004	12,059	123,375,990	10,231.03	124,788,691	10,348.18	768	3.58	70,249
2005	12,050	133,879,704	11,110.35	127,954,231	10,618.61	767	3.89	75,092
2006	12,022	131,169,844	10,910.82	130,225,352	10,832.25	761	4.34	73,499
2007	12,096	133,270,824	11,017.76	135,447,996	11,197.75	763	5.42	75,417

* Data not available

Source: Troy School District and Michigan Department of Education Bulletin 1014

Troy School District

Function/Program	1998	1999	2000	2001
Instructional buildings:				
Elementary:				
Number of buildings	12	12	12	12
Square footage	653,967	653,967	653,967	653,967
Capacity	6,400	6,400	6,400	6,400
Enrollment	5,301	5,251	5,249	5,196
Middle:				
Number of buildings	4	4	4	4
Square footage	397,579	397,579	397,579	397,579
Capacity	3,000	3,000	3,000	3,000
Enrollment	2,950	2,910	2,877	2,894
High:				
Number of buildings	3	3	3	3
Square footage	621,625	621,625	655,247	655,247
Capacity	3,896	3,896	3,896	3,896
Enrollment	3,807	3,962	4,023	4,011
Administrative:				
Number of buildings	2	2	2	2
Square footage	44,500	44,500	44,500	46,000
Transportation/Maintenance:				
Number of buildings	2	2	2	2
Buses	63	67	66	73

Source: Troy School District

Capital Asset Information
Last Ten Years
Years Ended June 30

2002	2003	2004	2005	2006	2007
12	12	12	12	12	12
653,967	653,967	653,967	653,967	653,967	688,967
6,400	6,400	6,400	6,400	6,400	6,400
5,103	5,077	5,048	5,133	5,062	5,105
4	4	4	4	4	4
653,967	653,967	397,579	397,579	397,579	397,579
3,000	3,000	3,000	3,000	3,000	3,000
2,974	3,017	2,995	2,862	2,785	2,739
3	3	3	3	3	3
655,247	655,247	655,247	655,247	655,247	660,252
3,896	3,896	3,896	3,896	3,896	3,896
4,072	4,006	4,009	4,092	4,158	4,285
2	2	2	2	2	2
46,000	46,000	46,000	46,000	46,000	46,000
2	2	2	2	2	2
76	75	78	80	86	86

Troy School District

**Federal Awards
Supplemental Information
June 30, 2007**

Troy School District

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Independent Auditor's Report

To the Board of Education
Troy School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Troy School District as of and for the year ended June 30, 2007, which collectively comprise Troy School District's basic financial statements, and have issued our report thereon dated September 25, 2007. Those basic financial statements are the responsibility of the management of Troy School District. Our responsibility was to express opinions on those basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Troy School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has 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.

Plante & Moran, PLLC

September 25, 2007

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education
Troy School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Troy School District as of and for the year ended June 30, 2007, which collectively comprise Troy School District's basic financial statements, and have issued our report thereon dated September 25, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Troy School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Troy School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Troy School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Education
Troy School District

Compliance and Other Matters

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

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

Plante & Moreau, PLLC

September 25, 2007

Report on Compliance with Requirements Applicable to Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Education
Troy School District

Compliance

We have audited the compliance of Troy School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The major federal programs of Troy School District are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Troy School District's management. Our responsibility is to express an opinion on Troy School District's compliance based on our audit.

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

In our opinion, Troy School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

To the Board of Education
Troy School District

Internal Control Over Compliance

The management of Troy School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Troy School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement for a major program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement for a major program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance that is material to a type of compliance requirement for a major program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses, as defined above.

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

Plante & Moran, PLLC

September 25, 2007

Troy School District

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Clusters:			
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:			
National School Lunch Program - 2005-2006		\$ 264,275	\$ 264,275
National School Lunch Program - 2006-2007	10.555	<u>290,606</u>	<u>-</u>
Total Child Nutrition Cluster		554,881	264,275
Special Education Cluster - U.S. Department of Education - Passed through the Oakland County ISD:			
	84.027		
IDEA:			
Project number 050450		1,289,263	1,289,263
Project number 060450		1,372,672	987,787
Project number 070450		<u>1,489,762</u>	<u>-</u>
Total IDEA		4,151,697	2,277,050
Preschool Incentive:			
	84.173		
Project number 060460		59,813	59,813
Project number 070460		<u>63,744</u>	<u>-</u>
Total Preschool Incentive		123,557	59,813
Transition Grant:			
	84.027A		
2005-2006		550	550
2006-2007		<u>550</u>	<u>-</u>
Total Transition Grant		1,100	550
Capacity Building - Project number 060490	84.027A	<u>2,000</u>	<u>1,843</u>
Total Special Education Cluster		4,278,354	2,339,256

Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Accrued Revenue at July 1, 2006	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2007
\$ 45,803	\$ 45,803	\$ -	\$ -
<u>-</u>	<u>276,099</u>	<u>290,606</u>	<u>14,507</u>
45,803	321,902	290,606	14,507
141,379	141,379	-	-
151,155	377,012	384,885	159,028
<u>-</u>	<u>840,136</u>	<u>1,133,029</u>	<u>292,893</u>
292,534	1,358,527	1,517,914	451,921
17,614	17,614	-	-
<u>-</u>	<u>40,679</u>	<u>63,744</u>	<u>23,065</u>
17,614	58,293	63,744	23,065
550	550	-	-
<u>-</u>	<u>-</u>	<u>550</u>	<u>550</u>
550	550	550	550
<u>1,843</u>	<u>1,843</u>	<u>-</u>	<u>-</u>
312,541	1,419,213	1,582,208	475,536

Troy School District

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Clusters (Continued):			
WIA Cluster - U.S. Department of Labor - Passed through the Oakland County Treasurer - WorkForce Investment Act:			
WIA Dislocated Worker:	17.260		
2005-2006		\$ 809,089	\$ 808,895
2006-2007		769,080	-
2005-2006 Incumbent Worker		267,026	267,026
2006-2007 Incumbent Worker		<u>484,254</u>	<u>-</u>
Total WIA Dislocated Worker		2,329,449	1,075,921
WIA Youth Activities:	17.259		
2005-2006		77,140	76,970
2006-2007		<u>97,850</u>	<u>-</u>
Total WIA Youth Activities		174,990	76,970
WIA Adult Activities:	17.258		
2005-2006		115,728	115,506
2006-2007		<u>296,400</u>	<u>-</u>
Total WIA Adult Activities		412,128	115,506
Administrative Cost Pool:	17.260		
2005-2006		52,319	52,123
2006-2007		<u>59,900</u>	<u>-</u>
Total Administrative Cost Pool		112,219	52,123
WIA Incentive IRA 2006-07	17.260	8,580	-
WIA State Scholarships 2006-07	17.260	<u>30,600</u>	<u>-</u>
Total WIA Cluster		3,067,966	1,320,520

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Accrued Revenue at July 1, 2006	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2007
\$ 359,938	\$ 359,938	\$ -	\$ -
-	552,909	766,010	213,101
99,039	99,039	-	-
-	221,500	449,489	227,989
458,977	1,233,386	1,215,499	441,090
38,738	38,738	-	-
-	79,505	97,764	18,259
38,738	118,243	97,764	18,259
49,486	49,486	-	-
-	207,406	296,347	88,941
49,486	256,892	296,347	88,941
30,820	30,820	-	-
-	43,602	59,873	16,271
30,820	74,422	59,873	16,271
-	5,200	8,400	3,200
-	27,208	30,600	3,392
578,021	1,715,351	1,708,483	571,153

Troy School District

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Clusters (Continued):			
Employment Service Cluster - U.S. Department of Labor - Passed through the Oakland County Treasurer:			
Employment Training Program:	17.207		
7A 2005-2006		\$ 360,622	\$ 359,309
7A 2006-2007		309,215	-
Re-employment Services - 2005-2006		<u>29,440</u>	<u>28,040</u>
Total Employment Training Program		699,277	387,349
Management Supplement (Administration):			
2005-2006	17.207	25,881	25,525
2006-2007		<u>25,546</u>	<u>-</u>
Total Management Supplement (Administration)		<u>51,427</u>	<u>25,525</u>
Total Employment Service Cluster		750,704	412,874
Medicaid Outreach Program Cluster - U.S. Department of Health and Human Services - Passed through the Oakland Schools ISD	93.778	7,041	-
Other federal awards:			
U.S. Department of Education - Passed through the Michigan Department of Education:			
Title I:	84.010		
Project number 061530 0506		215,596	215,596
Project number 061530 0607		3,732	-
Project number 071530 0607		<u>240,576</u>	<u>-</u>
Total Title I		459,904	215,596
Title V - Project number 070250 0607	84.298	2,446	-

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Accrued Revenue at July 1, 2006	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2007
<hr/>	<hr/>	<hr/>	<hr/>
\$ 102,319	\$ 102,319	\$ -	\$ -
-	246,847	309,132	62,285
<u>28,040</u>	<u>28,040</u>	<u>-</u>	<u>-</u>
130,359	377,206	309,132	62,285
3,345	3,345	-	-
<u>-</u>	<u>20,575</u>	<u>25,500</u>	<u>4,925</u>
<u>3,345</u>	<u>23,920</u>	<u>25,500</u>	<u>4,925</u>
133,704	401,126	334,632	67,210
-	7,041	7,041	-
4,850	4,850	-	-
-	3,732	3,732	-
<u>-</u>	<u>190,169</u>	<u>196,814</u>	<u>6,645</u>
4,850	198,751	200,546	6,645
-	2,446	2,446	-

Troy School District

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Other federal awards (Continued):			
U.S. Department of Education - Passed through the Michigan Department of Education (Continued):			
Safe and Drug-free Schools and Communities:	84.186		
Project number 062860 0607		\$ 22,278	\$ -
Project number 072860 0607		<u>28,785</u>	<u>-</u>
Total Safe and Drug-free Schools and Communities		51,063	-
Teacher Principal Training and Security - Title II Part A:	84.367		
Project number 060520 0506		244,848	244,848
Project number 070520 0607		<u>244,550</u>	<u>-</u>
Total Title II Part A		489,398	244,848
Enhancing Education Through Technology - Title II Part D -	84.318		
Project number 074290 0607		2,470	-
English Language Acquisition - Title III:	84.365		
Project number 060580 0506		216,382	216,382
Project number 060580 0607		71,027	-
Project number 070580 0607		<u>199,587</u>	<u>-</u>
Total Title III		486,996	216,382
Adult Education:	84.002		
Project number 061130 610246		150,000	150,000
Project number 071130 710247		147,800	-
Project number 071120 7500097		<u>25,000</u>	<u>-</u>
Total Adult Education		<u>322,800</u>	<u>150,000</u>
Total U.S. Department of Education - Passed through the Michigan Department of Education		1,815,077	826,826

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Accrued Revenue at July 1, 2006	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2007
\$ -	\$ 22,278	\$ 22,278	\$ -
-	11,853	18,796	6,943
-	34,131	41,074	6,943
34,706	34,706	-	-
-	190,779	220,720	29,941
34,706	225,485	220,720	29,941
-	230	2,470	2,240
49,169	49,169	-	-
-	71,027	71,027	-
-	163,996	199,587	35,591
49,169	284,192	270,614	35,591
23,980	23,980	-	-
-	121,958	143,812	21,854
-	25,000	25,000	-
23,980	170,938	168,812	21,854
112,705	916,173	906,682	103,214

Troy School District

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Other federal awards (Continued):			
U.S. Department of Education - Passed through the Oakland County ISD:	84.084A		
Perkins 2005-2006		\$ 97,242	\$ 97,242
Perkins 2006-2007		103,741	-
Total U.S. Department of Education - Passed through the Oakland County ISD		200,983	97,242
U.S. Department of Agriculture - Passed through the Michigan Department of Education - Food Distribution:	10.550		
Cash in lieu of commodities - 2006-2007		123,069	-
Bonus commodities - 2006-2007		1,430	-
Total U.S. Department of Agriculture - Passed through the Michigan Department of Education		124,499	-
U.S. Department of Health and Human Services - Passed through the Michigan Family Independence Agency (TANF):	93.558		
Work First Employment Related 2005-2006		11,700	11,700
Work First Employment Related 2006-2007		17,100	-
Work First 2005-2006		309,485	218,235
Work First 2006-2007		277,127	-
Total U.S. Department of Health and Human Services - Passed through the the Michigan Family Independence Agency (TANF):		615,412	229,935
U.S. Department of Health and Human Services - Passed through the Michigan Family Independence Agency (TANF) and the Oakland County Community Mental Health Authority - Community Mental Health Grant	93.958		
		69,500	-
Total U.S. Department of Health and Human Services - Noncluster programs		684,912	229,935

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Accrued Revenue at July 1, 2006	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2007
\$ 33,991	\$ 33,991	\$ -	\$ -
-	50,011	103,741	53,730
33,991	84,002	103,741	53,730
-	83,470	123,069	39,599
-	1,430	1,430	-
-	84,900	124,499	39,599
11,700	11,700	-	-
-	-	17,097	17,097
69,494	160,744	91,250	-
-	143,367	177,454	34,087
81,194	315,811	285,801	51,184
-	69,500	52,125	(17,375)
81,194	385,311	337,926	33,809

Troy School District

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Other federal awards (Continued):			
U.S. Department of Labor - Passed through the Oakland County			
Treasurer - One Stop Career Center Initiative:	17.257		
Service Center Operation (One-Stop) - 2005-2006		\$ 85,000	\$ 84,777
Service Center Operation (One-Stop) - 2006-2007		<u>79,951</u>	<u>-</u>
Total Service Center Operation		<u>164,951</u>	<u>84,777</u>
Total federal awards		<u>\$11,649,368</u>	<u>\$5,575,705</u>

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

Accrued Revenue at July 1, 2006	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2007
\$ 53,232	\$ 53,232	\$ -	\$ -
-	69,451	79,951	10,500
53,232	122,683	79,951	10,500
<u>\$ 1,351,191</u>	<u>\$ 5,457,702</u>	<u>\$ 5,475,769</u>	<u>\$ 1,369,258</u>

Troy School District Troy School District

Notes to Schedule of Expenditures of Federal Awards Year Ended

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Troy School District and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Note 3 - Grant Section Auditor's Report

Management has utilized Form R-7120 and the Cash Management System GAR in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Troy School District

Schedule of Findings and Questioned Costs Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
17.260	Workforce Investment Act - Dislocated Worker
17.259	Workforce Investment Act - Youth Activities
17.258	Workforce Investment Act - Adult Activities
17.260	Workforce Investment Act - Administrative Cost Pool
17.260	Workforce Investment Act - Incumbent Worker

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Troy School District

Schedule of Findings and Questioned Costs (Continued) Year Ended

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None



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Fax: 248.375.7101
plantemoran.com

September 25, 2007

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

Dear Board Members:

We recently completed our audit of the basic financial statements of Troy School District for the year ended June 30, 2007. Once again, our audit did not identify any specific issues requiring school board action. As a result of our audit, and in addition to our financial report, we offer the following comments for your review and consideration.

Funding - Past, Present, and Future

For the past several years the State has used single-year budgets for funding schools, and the 2006-2007 fiscal year was no exception. In addition, the State has had to resort to proration in the past and significant one-time fixes in 2007 to balance its budget, putting increased strain on K-12 budgets. In fact, because of the struggling Michigan economy, the State has resorted to one-time changes in school aid funding to fund schools for the past five fiscal years ended June 30, 2003 through 2007.

For the 2006-2007 School Aid Fund budget, the State tapped resources in the pension system and future tobacco settlement funds to fully fund the School Aid Fund budget and prevent proration. This was necessary because the revenues dedicated to the School Aid Fund were not sufficient to pay the commitments of the fund. As late as June 2007, there was still a possibility that the District's promised state aid could have had a significant proration. Clearly, school aid was not easy to predict, and this uncertainty made financial management a significant challenge.

With the 2006-2007 fiscal year finally resolved, the governor and legislature have begun working on state budget issues for the 2007-2008 fiscal year. The State's fiscal year does not begin until October 1, 2007. Now that they have replaced the single business tax with the Michigan business tax, they are working on a series of cost/restructuring and revenue increase measures. Many of the cost measures and some of the revenue measures will likely impact school districts and the School Aid Fund. It is likely the goal of the measures will be to add some stability in the cost of operations and in the revenue sources going into the School Aid Fund. Since the focus for the spring and summer has been on the 2006-2007 fiscal year, there is little specific information on the level of school funding or the types of categoricals that will be in place for the 2007-2008 fiscal year.

As the legislation moves forward, the specific implications for each district will become clearer. As funding remains tentative, and there remains the continuing possibility of prorations if the School Aid Fund revenue should fall short of projections, concerns over the financial health of the School Aid Fund highlight the need for the District to continue prudent monitoring of revenue and expenditures and to maintain a strong fund balance position.

Retirement Rate - MPSERS

In 2007, legislation was enacted that restructured the elements computing the MPSERS retirement rate, creating a lower cost to the retirement system. The District paid in 17.74 percent as established in last year's State Aid Act amendments, but received a credit for the difference between the amounts paid in and the actual cost within the retirement system. This credit was essentially treated as revenue available for state aid and was the principal element in eliminating the need for a proration.

A few years ago, a study was done by Citizens Research Council that indicated the total MPSERS contribution rate climbing to over 20 percent in the near future. The rate for the plan year ending September 30, 2007 started out at 17.74 percent. However, as part of the overall plan to deal with the State's budget shortfall, the plan elected to suspend the normal "five-year smoothing" method as of October 1, 2006 and instead recognize all the previously unaccounted for gains as of that date. This step had the effect of reducing the funding requirement for FYE September 30, 2007 to a rate of approximately 15 percent and established a rate of 16.72 percent for the FYE September 30, 2008.

Caution should be exercised when projecting future MPSERS contribution rates. The one-time fix described above holds rates below their normal levels for two years (September 30, 2007 and September 30, 2008). Then, without significant changes to the retirement system, it is assumed rates will jump back to a much higher level. An increase from 16.72 percent to 20 percent would cost the District approximately \$33,000 for each \$1,000,000 of payroll. For the District, this would represent approximately \$2,762,000 in total pension cost increase or \$228 per pupil.

Internal Control Matters

During the 2007 school year, we noted the District continued to refine policies and procedures and implement new controls in an effort to strengthen and enhance internal control systems. The District has implemented control procedure recommendations that we noted in the letter to the board last year as follows:

- **Payroll System Controls** - During the June 30, 2006 audit, we noted a lack of segregation of duties between the payroll function and the ability to add new employees and pay rates into the payroll system. The District has implemented control procedures whereby the District accountant now reviews payroll activity reports after each payroll, which details changes made to pay rates and personnel records in the computer system, and matches these changes to documentation received from the human resources department.

- **Cash Receipts - Segregation of Duties** - During the June 30, 2006 audit, we noted a lack of segregation of duties between the opening of business office mail and recording deposits into the accounting system. The District has implemented additional controls whereby a business office employee, independent of the cash receipting function, opens the mail and creates a log of all checks received.
- **Journal Entry Review** - During the 2006 audit, we noted journal entries were properly reviewed by business office employees, but there was a lack of evidence that the review was being performed - such as initialing and dating the documentation. During the audit this year, we noted that procedures have been put into place to resolve this issue.
- **Wire Transfers** - During the June 30, 2006 audit, we recommended having the Board of Education review all wire transfer activity, as this is becoming a more significant portion of the District's cash activity. The District has implemented a procedure whereby the Board of Education reviews all wire transfers monthly.
- **Conflict of Interest/Ethics Policy** - The District implemented a new conflict of interest/ethics policy for administrators during 2006-2007. This policy has been added to the administrative handbook and all administrators are required to read and sign this policy annually. We commend the board and administration for implementing this new requirement and communicating an appropriate and ethical "tone at the top."

Decisions regarding the District's internal control structure often involve cost-benefit issues. The current state of school district funding in Michigan leaves many districts with fewer resources to implement control enhancements. That being said, we commend the District for implementing new meaningful procedures and internal controls in the past year. As a result of new auditing standards effective with next year's audit (described below), there will be an even greater emphasis placed on the District's internal controls. We encourage the District to continue the process of reviewing internal control systems and assessing staff responsibilities and segregation of duties in order to be prepared for the implementation of these standards.

New Auditing Standards and Pronouncements

Several new auditing standards will become effective in the next year, impacting how school district audits will be conducted and what will be reported by auditors. Below we have summarized the new standards and their potential implications to the District's future audits.

Statement on Auditing Standards Nos. 104 to 111 - The Risk Assessment Standards - The AICPA issued Statements on Auditing Standards (SAS 104 to SAS 111), which will substantially affect the auditing process. The effective date for school district audits will be for the audit of the financial statements for after the year ending June 30, 2008. These standards essentially redefine the audit process from start to finish and the ramifications for the audit process are substantial.

The new standards primarily require:

- The auditor to obtain a deeper understanding of: (1) the district and its internal control, for purposes of identifying the risks of material misstatement in the financial statements; and (2) what the district is doing to mitigate those risks
- A more rigorous assessment of the risks of material misstatement based on that understanding, with additional emphasis on significant risks that call for special audit consideration
- A clearer linkage between the assessed risks and the audit procedures performed, including tests of controls and substantive tests, in response to those risks

We have invested substantial resources into the redesign of our audit process to conform to these requirements. Our ultimate goal, as in the past, is to provide a quality audit, in full conformance to the requirements, which is tailored to the unique environment for Michigan schools. As a result, our 2008 audit process will have many new features and elements built in. We will work with the District to understand the elements, involve the District in the information gathering process, and perform audit tests focused on the risks embedded in the District's financial statements. To provide the District with as much lead time as possible in the data gathering process, we will review the information needs and provide the District the tools necessary in the fall of 2007.

Statement on Auditing Standards No. 114 - Communication with Those Charged with Governance - The AICPA issued Statement on Auditing Standards (SAS) No. 114, which will increase the amount of information provided to the Board of Education, superintendent, and others charged with governance about the audit process and results. This standard, effective for the June 30, 2008 audit, will provide information describing what an audit is, emphasizing management's role in the financial statement reporting process, identifying issues encountered during the audit, and clarifying what must be communicated in writing. This required communication will be in addition to the financial statements, management letter, and single audit report already received by the District.

September 25, 2007

Government Auditing Standards (2007 Revision) - The Government Accountability Office (GAO) finalized its revisions to *Government Auditing Standards* (the "Yellow Book"). These revisions were issued in January 2007. All school districts in Michigan are required to be audited under the Yellow Book requirements in addition to the audit standards issued by the Auditing Standards Board. Most of these Yellow Book changes will be effective for the June 30, 2009 school district audits. However, the Yellow Book does incorporate the SASs issued by the AICPA and those requirements will be effective based on the effective date of the SAS. The changes unique to the Yellow Book are substantive and will impact audit approach, audit documentation, and audit reporting. Some likely impacts from the changes include:

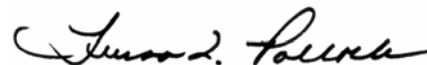
- Clarified ethics and competency considerations when audit services are performed
- Increased use of "emphasis of matter" comments in the auditor's opinion when unique financial statement matters impact the financial statements
- Increased evaluation of compliance with auditor independence requirements
- Increased expectation of governments to maintain and prepare their financial information for audit

These changes, along with the other changes in the auditing standards, continue to increase the level of audit effort required by the auditor and the amount of information provided to the District. We will work closely with the District to simplify and clarify changes as they continue to become effective.

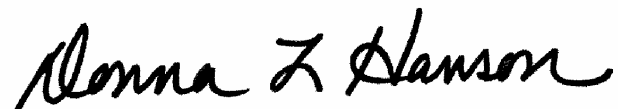
We would like to thank the business office staff for the excellent condition of the District's records in preparation for the annual audit and for their courtesy and assistance extended to us during the audit. We appreciate the opportunity to serve as auditors for the Troy School District, and we are committed to providing you the best service possible. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

Plante & Moran, PLLC



Teresa L. Pollock, CPA



Donna L. Hanson, CPA

FORM **SF-SAC**
(5-2004)U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates in 2004, 2005, or 2006**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**RETURN
TO****Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132****PART I****GENERAL INFORMATION (To be completed by auditee, except for Items 4 and 7)****1. Fiscal period ending date for this submission**

Month	Day	Year
06	30	2007

Fiscal Period End Dates Must Be In 2004, 2005, or 2006

2. Type of Circular A-133 audit1 ☒ Single audit 2 ☐ Program-specific audit**3. Audit period covered**1 ☒ Annual 2 ☐ Biennial 3 ☐ Other — Months**4. FEDERAL
GOVERNMENT
USE ONLY**Date received by
Federal clearinghouse**5. Auditee Identification Numbers****a. Primary Employer Identification Number (EIN)**

3 8 — 6 0 0 3 0 9 9

b. Are multiple EINs covered in this report? 1 ☐ Yes 2 ☒ No**c. If Part I, Item 5b = "Yes," complete Part I, Item 5c on the continuation sheet on Page 4.****d. Data Universal Numbering System (DUNS) Number**

0 6 — 8 8 3 — 4 7 9 5

e. Are multiple DUNS covered in this report? 1 ☐ Yes 2 ☒ No**f. If Part I, Item 5e = "Yes," complete Part I, Item 5f on the continuation sheet on Page 4.****6. AUDITEE INFORMATION****a. Auditee name****TROY SCHOOL DISTRICT****b. Auditee address (Number and street)****4400 LIVERNOIS**

City

TROY

State

ZIP + 4 Code

MI

4

8

0

9

8

—

c. Auditee contact

Name

STEVE BARR

Title

DIRECTOR OF FINANCE**d. Auditee contact telephone**

(248) 823 — 4025

e. Auditee contact FAX

(248) 689 — 7483

f. Auditee contact E-mail**g. AUDITEE CERTIFICATION STATEMENT** — This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Signature of certifying official

Date

Month

Day

Year

/ /

Printed Name of certifying official

Printed Title of certifying official

7. AUDITOR INFORMATION (To be completed by auditor)**a. Auditor name****PLANTE & MORAN, PLLC****b. Auditor address (Number and street)****2601 CAMBRIDGE COURT, SUITE 500**

City

AUBURN HILLS

State

ZIP + 4 Code

MI

4

8

3

2

6

—

c. Auditor contact

Name

TERESA POLLOCK

Title

PARTNER**d. Auditor contact telephone**

(248) 375 — 7100

e. Auditor contact FAX

(248) 375 — 7101

f. Auditor contact E-mail**9. AUDITOR STATEMENT** — The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and **is not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor

Date

Month

Day

Year

/ /

PART II**FINANCIAL STATEMENTS (To be completed by auditor)****1. Type of audit report**

Mark either: 1 ☒ Unqualified opinion **OR**
any combination of: 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report?1 ☐ Yes 2 ☒ No**3. Is a reportable condition disclosed?**1 ☐ Yes 2 ☒ No – *SKIP to Item 5***4. Is any reportable condition reported as a material weakness?**1 ☐ Yes 2 ☐ No**5. Is a material noncompliance disclosed?**1 ☐ Yes 2 ☒ No**PART III****FEDERAL PROGRAMS (To be completed by auditor)****1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12)**1 ☐ Yes 2 ☒ No**2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § ____ .520(b))**

\$ 300,000

3. Did the auditee qualify as a low-risk auditee? (§ ____ .530)1 ☒ Yes 2 ☐ No**4. Is a reportable condition disclosed for any major program? (§ ____ .510(a)(1))**1 ☐ Yes 2 ☒ No – *SKIP to Item 6***5. Is any reportable condition reported as a material weakness? (§ ____ .510(a)(1))**1 ☐ Yes 2 ☐ No**6. Are any known questioned costs reported? (§ ____ .510(a)(3) or (4))**1 ☐ Yes 2 ☒ No**7. Were Prior Audit Findings related to **direct** funding shown in the Summary Schedule of Prior Audit Findings? (§ ____ .315(b))**1 ☐ Yes 2 ☒ No**8. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. (Mark (X) all that apply or None)**98 ☐ U.S. Agency for International Development83 ☐ Federal Emergency Management Agency43 ☐ National Aeronautics and Space Administration96 ☐ Social Security Administration10 ☐ Agriculture39 ☐ General Services Administration89 ☐ National Archives and Records Administration19 ☐ U.S. Department of State23 ☐ Appalachian Regional Commission93 ☐ Health and Human Services05 ☐ National Endowment for the Arts20 ☐ Transportation11 ☐ Commerce97 ☐ Homeland Security06 ☐ National Endowment for the Humanities21 ☐ Treasury94 ☐ Corporation for National and Community Service14 ☐ Housing and Urban Development06 ☐ National Endowment for the Humanities82 ☐ United States Information Agency12 ☐ Defense03 ☐ Institute of Museum and Library Services47 ☐ National Science Foundation64 ☐ Veterans Affairs84 ☐ Education15 ☐ Interior07 ☐ Office of National Drug Control Policy00 ☒ None81 ☐ Energy16 ☐ Justice07 ☐ Office of National Drug Control Policy☐ Other – Specify:66 ☐ Environmental Protection Agency17 ☐ Labor59 ☐ Small Business Administration09 ☐ Legal Services Corporation

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives ☒
- and, if not marked above, the Federal cognizant agency ☐

Count total number of boxes marked above and submit this number of reporting packages

1

PART III **FEDERAL PROGRAMS - Continued****9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR**

CFDA Number			Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program (g)		If yes, type of audit report (h)	10. AUDIT FINDINGS	
Federal Agency Prefix ¹ (a)	Extension ² (b)	1					2	Type(s) of compliance requirement(s) ⁴ (a)		Audit finding reference number(s) ⁵ (b)	
1	0	.555	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	CHILD NUTRITION CLUSTER - NATIONAL SCHOOL LUNCH	\$ 290,606 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
8	4	.027	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SPECIAL EDUCATION CLUSTER - IDEA	\$ 1,517,914 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
8	4	.173	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SPECIAL EDUCATION CLUSTER - PRESCHOOL INCENTIVE	\$ 63,744 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
8	4	.027A	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SPECIAL EDUCATION CLUSTER - TRANSITION GRANT	\$ 550 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
1	7	.260	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WIA CLUSTER - WIA DISLOCATED WORKER	\$ 766,010 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U		O	N/A
1	7	.259	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WIA CLUSTER - WIA YOUTH ACTIVITIES	\$ 97,764 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U		O	N/A
1	7	.258	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WIA CLUSTER - WIA ADULT ACTIVITIES	\$ 296,347 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U		O	N/A
1	7	.260	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WIA CLUSTER - WIA ADMINISTRATIVE COST POOL	\$ 59,873 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U		O	N/A
1	7	.207	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	EMPLOYMENT SERVICES CLUSTER - EMPLOYMENT TRAINING PROGRAM	\$ 309,132 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
1	7	.207	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	EMPLOYMENT SERVICES CLUSTER - MANAGEMENT SUPPLEMENT	\$ 25,500 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A

TOTAL FEDERAL AWARDS EXPENDED 

\$ 5,475,769 .00

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)³ If major program is marked "Yes," enter only one letter (**U** = Unqualified opinion, **Q** = Qualified opinion, **A** = Adverse opinion, **D** = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.⁴ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

A. Activities allowed or unallowed
 B. Allowable costs/cost principles
 C. Cash management
 D. Davis - Bacon Act

E. Eligibility
 F. Equipment and real property management
 G. Matching, level of effort, earmarking
 H. Period of availability of Federal funds

I. Procurement and suspension and debarment
 J. Program income
 K. Real property acquisition and relocation assistance

L. Reporting
 M. Subrecipient monitoring
 N. Special tests and provisions
 O. None
 P. Other

⁵ N/A for NONE

PART III **FEDERAL PROGRAMS – Continued****9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR**

CFDA Number			Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program (g)		If yes, type of audit report (h)	10. AUDIT FINDINGS	
Federal Agency Prefix ¹ (a)	Extension ² (b)	Major program (g)					Major program (g)	Type(s) of compliance requirement(s) ⁴ (a)		Audit finding reference number(s) ⁵ (b)	
8 4	.298	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE V	\$ 2,446 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
8 4	.186	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SAFE AND DRUG-FREE SCHOOL AND COMMUNITIES	\$ 41,074 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
8 4	.367	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE II PART A	\$ 220,720 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
8 4	.365	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE III - ENGLISH LANGUAGE ACQUISITION	\$ 270,614 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
8 4	.002	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	ADULT EDUCATION	\$ 168,812 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
1 0	.550	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	U.S. DEPARTMENT OF AGRICULTURE - COMMODITIES	\$ 124,499 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
9 3	.558	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - WORK FIRST	\$ 285,801 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
1 7	.257	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	ONE STOP CAREER CENTER INITIATIVE	\$ 79,951 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
8 4	.318	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE II PART D	\$ 2,470 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
8 4	.084A	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	PERKINS ACT GRANT	\$ 103,741 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
TOTAL FEDERAL AWARDS EXPENDED				\$ 5,475,769 .00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS						

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)³ If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.⁴ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

- A. Activities allowed or unallowed
 B. Allowable costs/cost principles
 C. Cash management
 D. Davis – Bacon Act
 N/A for NONE
- E. Eligibility
 F. Equipment and real property management
 G. Matching, level of effort, earmarking
 H. Period of availability of Federal funds
- I. Procurement and suspension and debarment
 J. Program income
 K. Real property acquisition and relocation assistance
- L. Reporting
 M. Subrecipient monitoring
 N. Special tests and provisions
 O. None
 P. Other

PART III **FEDERAL PROGRAMS - Continued****9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR**

CFDA Number		Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program		Type(s) of compliance requirement(s) ⁴ (a)	Audit finding reference number(s) ⁵ (b)
Federal Agency Prefix ¹ (a)	Extension ² (b)					Major program (g)	If yes, type of audit report ³ (h)		
1	7 .260	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WIA CLUSTER - WIA INCUMBENT WORKER	\$ 449,489 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
8	4 .010	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE I	\$ 200,546 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9	3 .778	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	MEDICAID OUTREACH PROGRAM CLUSTER	\$ 7,041 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9	3 .958	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	US DEPARTMENT OF HEALTH AND HUMAN SERVICES - COMMUNITY MENTAL HEALTH GRANT	\$ 52,125 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1	7 .260	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WIA CLUSTER - WIA IRA	\$ 8,400 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
1	7 .260	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WIA CLUSTER - WIA STATE SCHOLARSHIPS	\$ 30,600 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
	.	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
	.	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
	.	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
	.	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
	.	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			

TOTAL FEDERAL AWARDS EXPENDED	\$ 5,475,769 .00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS
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¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)³ If major program is marked "Yes," enter only one letter (**U** = Unqualified opinion, **Q** = Qualified opinion, **A** = Adverse opinion, **D** = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.⁴ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

- | | | | |
|------------------------------------|--|--|---------------------------------|
| A. Activities allowed or unallowed | E. Eligibility | I. Procurement and suspension and debarment | L. Reporting |
| B. Allowable costs/cost principles | F. Equipment and real property management | J. Program income | M. Subrecipient monitoring |
| C. Cash management | G. Matching, level of effort, earmarking | K. Real property acquisition and relocation assistance | N. Special tests and provisions |
| D. Davis - Bacon Act | H. Period of availability of Federal funds | | O. None |
| ⁵ N/A for NONE | | | P. Other |

PART I

List the multiple Employer Identification Numbers (EINs) covered in this report.

f. List the multiple DUNS covered in the report.

[illegible]

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS.