

# Comprehensive Annual Financial Report

City of Troy, Michigan  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006



## CITY COUNCIL

### Mayor

*Louise E. Schilling*

### Mayor Pro Tem

*Cristina Broomfield*

### Council Members

*Robin Beltramini*

*Wade Fleming*

*Martin F. Howrylak*

*David Lambert*

*Jeanne M. Stine*

## ADMINISTRATION

### City Manager

*Phillip L. Nelson*

### Assistant City Manager/Finance and Administration

*John M. Lamerato*

### Financial Services Director

*James A. Nash*

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## Introductory Section

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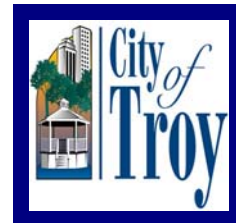
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December 4, 2006

Dear Honorable Mayor and City Council Members:

The Comprehensive Annual Financial Report (CAFR) for the City of Troy, Michigan for the year ended June 30, 2006 is hereby submitted. The report represents a comprehensive and detailed picture of our financial transactions during fiscal year 2005/06 and the financial condition of the various funds as of fiscal year end. This report was prepared by a team of City staff led by John M. Lamerato, Assistant City Manager/Finance and Administration. City of Troy staff is responsible for the accuracy of data and completeness and fairness of the presentation, including all disclosures.

In 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, which significantly changed the contents and format of municipal financial statements. GASB Statement No. 34 (GASB No. 34) was developed to promote comparability between various units of government and to demonstrate the operational, as well as the fiscal, accountability of each municipality. Prior to GASB No. 34, municipalities reported only on the fund basis. This demonstrated to the financial statement user that the municipality met its responsibility to the public and all legal requirements in the short term, usually a year or a budget cycle. With the adoption of GASB No. 34, a municipality must also include full accrual government-wide financial statements. The purpose of these statements is to demonstrate the operational accountability of the municipality. Operational accountability refers to the government's responsibility to assure that it is currently meeting, and can continue to meet, operational objectives into the foreseeable future. The accompanying report is in compliance with the format requirements of GASB 34.

A Management's Discussion and Analysis Report (MD&A), as well as entity-wide, full accrual financial statements have been added to the front of the financial statement section. The fund statements have been altered to provide reporting under the "Major/Non-major Fund" concept. Reconciliation between the two presentations is included and the note disclosures have been expanded to provide appropriate information on both the entity-wide and fund financial statements.

The information presented is accurate in all material respects. Financial data presented is designed to provide the reader with information to assist in determining both the long-term fiscal health of the City of Troy and the City of Troy's ability to meet obligations on a short-term basis.

As required by *Generally Accepted Accounting Principles* (GAAP), these financial statements present the City of Troy and related component units. The individual component units are included in the City of Troy's reporting entity because of the significance of their operational or financial relationships with the City of Troy.

The financial reporting entity includes all of the primary government (the City of Troy as legally defined). The criteria used in determining the reporting entity are consistent with current GAAP guidelines. Based on these criteria, the various funds of the City are shown in the table of contents and are included in this report. We have addressed all component units.

The City of Troy was incorporated in 1955 and has always operated under the Council-Manager form of government. The Mayor and six members of the City Council are elected to staggered four-year terms.

The City Manager is appointed by a majority vote of the City Council and is responsible for all administrative functions. The City provides a full range of municipal services, including police, fire, water distribution, wastewater collection, street maintenance, public improvements, planning, zoning, recreation and general administration.

The CAFR was prepared to meet the needs of a broad spectrum of financial statement readers and is divided into the following major sections:

### **📍 Introductory Section**

Here is an introduction to the City of Troy and to this report. Included are: this transmittal letter with continuing disclosure reporting enhancements, the City's organizational chart, a list of principal officials, and a fund organization chart.

### **📍 Financial Section**

The independent auditor's report, MD&A letter, government-wide financial statements, combined fund financial statements, component unit financial statements and notes to the financial statements are included here. These are the City's basic financial statements and provide an overview for readers who require less detailed information than is contained in the balance of this report.

### **📍 Required Supplemental Information**

This section contains schedules showing the funding progress of both the Employees' Retirement System and the Incentive Plan for Volunteer Firefighters.

### **📍 Statistical Section**

Although this section contains substantial financial data, these schedules differ from financial statements in that they present some non-accounting data, cover more than the current year, and are designed to reflect social and economic data, financial trends, and the fiscal capabilities of the City.

### **📍 Single Audit Section**

The City of Troy is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor’s reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in the single audit section of this report.

## Economic Condition and Outlook

The economic condition of the City of Troy has remained fairly steady during these difficult times. Our unemployment rate is well below the state average.

	<u>1990</u>	<u>2000</u>	<u>July 2006</u>
Troy	3.5%	1.6%	4.9%
Metro Area*	7.6%	4.3%	7.2%
Michigan	7.6%	3.6%	6.7%
National	5.5%	4.0%	5.1%

\*The Metro Area includes Lapeer, Macomb, Monroe, Oakland, St. Clair and Wayne Counties

The growth in taxable value has slowed in recent years compared to the 1990s, which is expected of a more mature community. In 1990, our taxable value was \$2,931,850,960. By December 31, 2005, that value had grown to \$5,264,351,550, an increase of 79.6 percent. In Michigan, only the City of Detroit has a higher taxable value than the City of Troy. The Southeast Michigan Council of Governments (SEMCOG) estimates that Troy will experience employment and population increases well into the next century. However, in this era of competition for business retention and attraction, we need to advance a preferred future in which residents and businesses continue to aspire to locate here.

Other significant economic events occurring during the fiscal year include the following major initiatives, which more often than not span several years:

### **AM Radio Station**

The City of Troy received a grant from the Office of Homeland Security that was used to purchase an AM radio station. Features include a 15-minute programming loop and access via the telephone for emergency updates. Staff is currently working on program development.

### **Big Beaver Corridor Study**

The Troy City Council, Planning Commission and Downtown Development Authority have approved and accepted the vision and recommendations of the Big Beaver corridor study, including the six key concepts: 1) Gateways, districts and transitions; 2) Trees and landscape as ceilings and walls; 3) Walking becomes entertainment (much to observe and engage in); 4) Mixing the uses turns on the lights (energetic dynamic of mixed uses with a focus on residential); 5) The automobile and parking are no longer #1; and 6) Civic art as the wise sage of the boulevard.

The Planning Commission will expedite development of an overlay district on Big Beaver, with the zoning ordinance changes used as a control mechanism to allow for the implementation of the study. Use of the overlay district will be an interim measure until the new master plan and zoning ordinance have been developed and approved, which will take approximately two years.

### **Futures Process**

The co-chairs of the Futures Committee submitted the final draft Futures report to City staff on October 18, 2006. City staff will develop the draft into the final product for publication.

### **Transit Center**

The City is currently soliciting statements of qualifications via MiTN for "conceptual and preliminary engineering/design services for an intermodal transit facility." The statements of qualifications are due on November 10, 2006. The expectation is to have a firm on board in early 2007, and have the design work completed by summer 2007.

### **Wireless Oakland**

Due to the County's struggles in working out the kinks of the project, Wireless Oakland will suffer a start up delay of between six and eight months. The seven pilot communities, of which Troy is one, are expected to be up and running by the end of the year.

The Wireless Oakland project will provide infrastructure space through local municipalities that are participating in the program, and no county funding is involved in building the system, which will include all Oakland County communities, encompassing 910 square miles. The project will provide free basic wireless Internet access across the county when complete. Consumers will have to pay a fee to receive high-speed wireless Internet service in the county after the project is finished.

## **Department Feature - Building and Zoning**

The City of Troy Building Department consists of a staff of 21 full-time and 2 part-time employees performing duties, dedicated to protecting the health, safety and welfare of all people within the City of Troy. The Building Inspection Department serves the community in many different ways. They enforce 30 different chapters of the Troy City Code, including building codes, property maintenance, signs, litter, zoning, nuisance and others.

The primary function of the department is to review plans, issue permits and conduct inspections for private construction activity within the city. In calendar year 2005, the department issued over 2,000 building permits for various projects within the city; this includes over 1,100 permits for residential construction and nearly 900 permits for non-residential work. This work constituted over \$134,000,000 worth of construction in the City of Troy for that year. In addition to these building permits another 11,400 permits were issued for mechanical, electrical, and plumbing work. All told, the department issued nearly 13,400 permits in 2005.

Issuance of permits is only one part of the construction process that the Building Department oversees. Once construction begins the inspection staff takes over the bulk of the work. In calendar year 2005, the department ensured that the work in the field was done in compliance with approved plans and permits by making nearly 30,000 inspections.

Department inspectors average over 15 inspections per day for each member of the construction inspection staff. All staff involved in this area are registered with the State of Michigan as inspectors in one or more trade categories. Many are also state licensed contractors for the trades that they inspect.

In addition to the work performed by the department regarding construction projects, a good portion of the work is activity to ensure the maintenance of existing buildings and property. This activity primarily falls to the Housing and Zoning Division. Two full-time and two part-time code enforcement inspectors perform apartment inspections, and enforce the property maintenance code and other nuisance codes. In 2005 these employees performed over 8,000 inspections on existing buildings and sites within the city.

A good portion of their work is spent issuing violation notices, performing follow-up inspections and where necessary preparing court action and testifying in the District Court regarding violations. Housing and Zoning also reviews plans for sign permits, issues sign permits, and inspects all signs in the City. They also enforce the zoning, noise, junk vehicle, and litter regulations.

The heart of the Building Department is its clerical staff. Five account clerks, supervised by one secretary, handle all the paperwork that makes the department run effectively. Processing permit requests, inspection reports, violations notices, and other correspondence generates over 100,000 individual items each year. These must be processed, recorded and filed by the clerical staff as part of their daily duties. Numerous requests for public information either in person at our offices or by formal FOIA request are able to be fulfilled easily by efficient record processing of the clerical staff. This staff is also the “public face” of the department being the first line of contact with the public whether in person at the service counter or by processing inquiries made by phone.

Additionally, the Building Inspection Department is responsible for staff support to the Board of Zoning Appeals and the Building Code Board of Appeals. This includes all correspondence, public hearing notices, agenda and minutes preparation. In addition, Building Inspection prepares agenda items for City Council where their deliberations are required on matters affecting building and zoning issues. The department also provides technical assistance to both the Historical District Commission and the Committee for Persons with Disabilities.

Members of the Building Inspection Department staff are considered leaders in their fields. They serve as officers on boards of directors, and have committee appointments to numerous organizations on the local, state and national levels. Staff members provide training and education to other inspectors in the area resulting in thousands of contact hours of training opportunities each year.

## **Financial Information**

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The concept of reasonable assurance recognizes that: 1) The cost of a control should not exceed the benefits likely to be derived; and 2) The valuation of costs and benefits requires estimates and judgments by management.

### **Single Audit**

As a recipient of Federal, State, and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and the independent auditors of the City.

As a part of the single audit process, tests are made by the auditors to determine the adequacy of the internal control structure, including that portion related to Federal financial assistance programs, as well as to determine that the City has complied with the applicable laws and regulations.

### **Budgeting Controls**

The object of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council.

Activities of the General and Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund.

The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Outstanding encumbrances at year-end for the Capital Projects Fund are recorded as a reservation of fund balance and are re-appropriated as part of the following year's budget. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

### **General Government Functions**

Generally accepted accounting standards require that management provide a narrative introduction, overview and analysis to accompany these basic financial statements in the form of the MD&A letter.

This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City of Troy's MD&A can be found immediately following the report of the independent auditors. Since the MD&A focuses on the government-wide financial statements, the balance of this letter will be directed at the fund or activity level.

The General Fund receives all City of Troy revenues not designated for special uses by statutes or the City Charter and accounts for most of the services provided to residents.

Overall General Fund revenues increased 2.9 percent from the prior year. Property taxes in the General Fund increased by 9.1 percent due to new construction, a consumer price index valuation adjustment for existing property, and a transfer of .25 mills in property taxes from Debt Service.

State sources decreased for the fourth year in a row this year by \$57,104 due to a decrease in total dollars distributed, as a result of downturn in the State's economy in particular, sales tax revenue and the State budget-balancing problem. State shared revenue is a return to local governments of a portion of state sales tax and is not restricted to use.

Licenses and permits were up 3.4 percent due to an increase in the issuance of building and right-of-way permits. Fines and forfeitures were up 2.1 percent. Charges for services revenue increased by 6.5 percent primarily due to increased utilization of the Community Center and cable franchise fees.

Investment Income was up 36.6 percent due to the corresponding increase in interest rates.

There was a decrease in transfers from other funds due to a lower transfer from the Capital Fund.

Expenditures – Total General Fund expenditures increased by 1.3 percent. All bargaining units received contractual increases in wages this past year. Full-time employment was reduced by three positions through attrition. The frequency of snow and ice removal events accounted for the large decrease in road and streets expenditures. The increase in the transfer to Other Funds accounts for an additional transfer to the Budget Stabilization Fund.

### **Ⓢ General Fund Balance**

The fund balance of the General Fund increased by \$3.1 million to a balance of \$26,898,809. Of the \$26,898,809 fund balance, \$618,143 is reserved for such items as inventory and prepaid items; \$8,756,013 is unreserved but designated for tax appeals, insurance claims and improvements and maintenance; \$6,367,250 is unreserved but designated for the 2006/07 budget, leaving \$11,157,403 as unreserved and undesignated. The \$11,157,403 represents 17.2 percent of our 2006/07 General Fund budget. This amount is within our 17 percent goal and is considered adequate to provide funds for unforeseen future negative events, and any upcoming budget shortfalls.

### **Ⓢ Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Special Revenue Funds of the City include:

Major Street Fund – Gas and weight tax revenues received in this fund from the State of Michigan are used for repairs, maintenance, snow and ice removal, and construction of all streets classified as “major” within the city. The gas and weight taxes generated \$3,628,794 compared to \$3,647,503 last fiscal year.

Local Street Fund – Gas and weight taxes as well as a transfer of funds from the Major Street Fund finance the repairs, maintenance, snow and ice removal, and construction of all streets classified as “local” within the city.

Refuse Fund - This fund has been established to account for property tax revenues restricted for rubbish and garbage collection and service charges for recycling.

Community Development Block Grant – This fund accounts for grant revenues from the Department of Housing and Urban Development to be used for residential and other capital improvements. The major activities in this fund include senior minor home chore program and infrastructure improvements.

[Budget Stabilization Fund](#) – This fund was established in 2004 for the purpose of: 1) Covering any General Fund deficit; 2) Preventing a reduction in the level of public services; and 3) Covering expenses arising because of a natural disaster.

## **Enterprise Operations**

The City operates five separate enterprise operations: Water Fund, Sanitary Sewer Fund, Aquatic Center Fund, Sylvan Glen and Sanctuary Lake Golf Course Funds.

[Water Fund](#) - Operating revenues amounted to \$15,631,146, resulting in an increase of \$2.1 million from last year. Operating expenses totaled \$13,831,565, an increase of \$.5 million from last fiscal year.

[Sanitary Sewer Fund](#) - Generated \$10,119,547 in operating revenues compared to \$9,623,505 last fiscal year. Operating expenses totaled \$9,681,204 compared to \$8,981,412 last fiscal year. These rates are reviewed annually during budget time to ensure proper funding for operations and maintenance and improvements to the system.

[Aquatic Center](#) - Continues to operate at a loss. The operating loss of \$155,374 compares to a net loss of \$122,230 last fiscal year. Operating revenues increased by \$44,708 year to year. The City has taken measures to increase usage and continues to look at ways to reduce the net loss.

[Sylvan Glen Golf Course Fund](#) - Ended the year with an increase in net assets of \$25,796. This amount compares to an increase of \$141,121 last fiscal year.

[Sanctuary Lake Golf Course Fund](#) - Ended the year with a decrease in net assets of \$557,510 compared to a \$787,998 decrease in net assets last fiscal year. Steps have been taken to increase play and reduce the loss.

## **Internal Service Funds**

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the government, on a cost reimbursement basis.

[Compensated Absences Fund](#) – This fund accounts for the charges to other departments based on sick and vacation accruals. The expenses of accumulated sick pay and vacation pay are then recorded in this fund.

[Unemployment Compensation Fund](#) – This fund accounts for the charges to other departments and the expenses to provide unemployment compensation insurance.

[Custodial Services Fund](#) – This fund charges other departments on a square footage basis to account for the custodial services and maintenance provided to all City-owned buildings.

[Information Technology Fund](#) – This fund accounts for charges to other departments based on the number of workstations to cover the expenses for providing computer services, including support, training and replacement.

[Motor Equipment Fund](#) – The rental charges of City-owned equipment to other City departments are accounted for in this fund. The fund provides maintenance, insurance and replacement of all City-owned vehicles.

[Workers' Compensation Fund](#) – This fund charges departments a percentage of payroll based on premiums established by our provider to account for pooled insurance expenses.

## **Ⓢ Fiduciary Funds**

Fiduciary Funds are established to account for assets held by the governmental unit in a trustee capacity or as an agent for individuals, private organizations, and other governmental units and/or funds.

[Pension Trust – Employees' Retirement Fund](#) – This fund is used to account for the accumulation of resources for pension benefit payments to qualified general and public safety employees. The Employees Retirement Fund reported end-of-the-year net assets held in trust for pension benefits of \$165,167,131 compared to the beginning amount of \$161,263,146. As of December 31, 2005, the fund is 113.7 percent funded.

[Pension Trust – Discretionary Fire Incentive Reserve Fund](#) – This fund is used to account for accumulation of resources for incentive payments to qualified volunteer firefighters.

[Retiree Health Care Trust Fund](#) - The Retiree Health Care Trust Fund was established in fiscal year 2006 to account for medical benefits provided to employees during retirement. This fund will accumulate revenue until the reserves are depleted in the employees retirement fund.

This plan and trust is created under the authority of the Public Employee Health Care Fund Investment Act, Public Act 149 of 1999.

[Agency Fund](#) – This fund is used to account for taxes collected on behalf of other governmental units.

## **Ⓢ Component Units**

Component units, as defined by GASB No. 14, are so classified due to their relationship with the primary government relative to financial accountability of the reporting agency.

[Downtown Development Authority Fund](#) – The Authority generates revenue from property value increases within the district compared to the initial taxable value established in 1993. These funds are used for the purpose of providing for the construction and financing of necessary improvements to prevent further deterioration of the development area while preserving and promoting economic growth.

[Brownfield Redevelopment Authority](#) – This fund was established in 2002 to account for projects that will improve environmentally distressed areas within the City of Troy.

[Local Development Financing Authority](#) – This fund was established to capture tax increment revenues in the Automation Alley Smart Park, to encourage local development, to prevent conditions of unemployment and to promote economic growth. The purpose of the authority is to provide for the construction and financing of public facilities within the City of Troy necessary for the project.

## **Debt Administration**

At June 30, 2006, the City had a number of debt issues outstanding. These issues included \$40,876,290 being serviced by Governmental Funds and \$11,800,000 by Proprietary Fund types. All three major rating agencies (Fitch Ratings, Moody's and Standard and Poor's) gave the City a "AAA" rating for general obligation bonds.

## **Cash Management**

The City complies with Public Act 20 of 1943 (as amended) of the State of Michigan in its cash management activities.

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, commercial paper, obligations of the U.S. Treasury and government pooled investment accounts. The Pension Trust Fund investment portfolio also includes corporate bonds, stocks and mutual funds.

The City administers an aggressive cash management and investment program. The following investment objectives are utilized in the management of City funds: the primary objective is the preservation of capital and protection of investment principal; provide sufficient liquidity to meet the City's projected operating and capital requirements; control risk by diversifying investments and maximize the return of the portfolio while avoiding unreasonable investment risk.

## **Tax Rate Limitations**

The City Charter provides tax rate limitations for general operations. In addition, the City of Troy may levy taxes in excess of the Charter limitation for refuse collection and debt service.

<u>Purpose</u>	<u>Authority</u>	<u>Rate Per \$1,000 of Taxable Value</u>
General Operating	City Charter	\$10.00*
Refuse Collection	Act 298, P.A. of Michigan 1917 as Amended,	3.00*
Disposal	Article IX, Section 56 of Michigan Constitution	
Debt Service	City Charter	Amount Necessary for debt payment

\*The maximum permitted general operating and refuse collection and disposal per Headlee Amendment of the Michigan Constitution for fiscal year 2006 was 8.5139 and 2.5522, respectively.

## **Risk Management**

The City has entered into a public entity risk pool with other Michigan units of government by joining the Michigan Municipal Risk Management Authority for its general liability insurance, including auto and public official liability as well as property damage insurance.

The City has also entered into a joint agreement with other Michigan units of government by joining the Michigan Municipal Workers' Compensation Fund for its workers' compensation insurance.

## Other Information

### Independent Audit

The City Charter and State statutes require an annual audit of all accounts of the City by certified public accountants. The accounting firm of Rehmann Robson, was selected by the City Council. The City received an "unqualified opinion" from Rehmann Robson, which is the best opinion that an organization can receive on its financial statements.

It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly stated in all material respects.

Additionally, during the current year an audit was performed in accordance with the requirements of the *Single Audit Act Amendments of 1996 (P.L. 104456)*. The auditor's reports related to the single audit are issued as a part of this report.

### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Troy, Michigan for its CAFR for the fiscal year ended June 30, 2005.

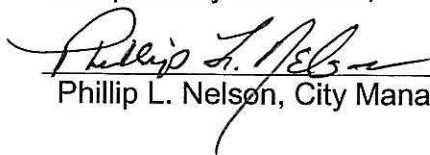
This was the ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The City has also received the GFOA *Distinguished Budget Presentation Award* and the *Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR)*.

## Acknowledgements

The timely preparation of the CAFR was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in preparation of this report.

Respectfully submitted,

  
Phillip L. Nelson, City Manager

  
John M. Lamerato, Assistant City  
Manager/Finance

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Troy,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



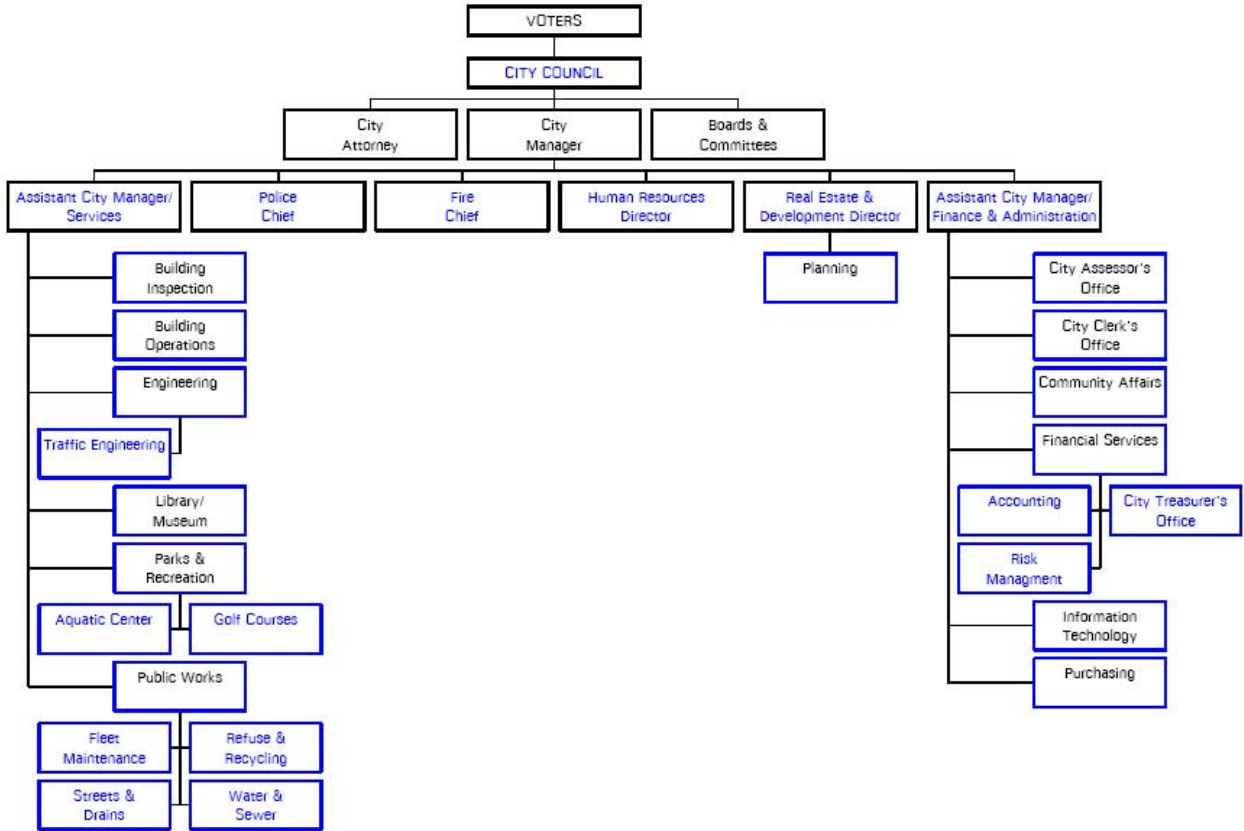
*Carla E. Fudge*

President

*Jeffrey R. Emer*

Executive Director

**ORGANIZATIONAL CHART**



## Principal Officials

City Manager	Phillip L. Nelson
City Attorney	Lori Grigg Bluhm
Assistant City Manager/Finance & Administration	John M. Lamerato
Assistant City Manager/Real Estate & Development Director	Brian P. Murphy
City Assessor	Leger A. Licari
City Clerk	Tonni L. Bartholomew
City Engineer	Steven J. Vandette
City Treasurer	Sandra L. Kasperek
Community Affairs Director	Cynthia Stewart
Director of Building/Zoning	Mark S. Stimac
Director of Building Operations	Steven Pallotta
Financial Services Director	James A. Nash
Fire Chief	William S. Nelson
Human Resources Director	Peggy E. Sears
Information Technology Director	Gertrude M. Paraskevin
Library/Museum Director	Brian Stoutenburg
Parks and Recreation Director	Carol K. Anderson
Planning Director	Mark F. Miller
Police Chief	Charles T. Craft
Public Works Director	Timothy L. Richnak
Purchasing Director	Jeanette Bennett
Risk Manager	Stephen Cooperrider
Superintendent of Fleet Maintenance	Samuel Lamerato
Superintendent of Streets and Drains	Thomas Rosewarne
Superintendent of Water	Richard W. Shepler

# City of Troy, Michigan Fund Organization Chart

## **Governmental Funds**

### Capital Projects\*

#### Debt Service

- Proposal A
- Proposal B
- Proposal C
- General Debt Service

#### Special Revenue

- Major Streets
- Local Streets
- Refuse
- Community Development Block Grant
- Budget Stabilization

## **Proprietary Funds**

### Enterprise

- Water\*
- Sanitary Sewer\*
- Aquatic Center
- Sylvan Glen Golf Course Fund
- Sanctuary Lake Golf Course Fund

### General\*

#### Permanent

- Cemetery Perpetual Care

## **Fiduciary Funds**

### Pension Trust

- Employees' Retirement
- Fire Incentive Reserve
- Retirees Health Care Trust

### Internal Service

- Compensated Absences
- Unemployment Compensation
- Custodial Services
- Information Technology
- Motor Equipment
- Workers Compensation

## **Component Units**

- Downtown Development Agency
- Brownfield Redevelopment Authority
- Local Development Finance Authority

### Agency

- Agency

\*Major funds under GASB No. 34

## FINANCIAL SECTION

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**INDEPENDENT AUDITORS' REPORT**

September 29, 2006

To the Honorable Mayor and City Council  
City of Troy, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Troy, Michigan (the "City")*, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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.

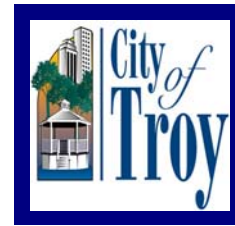
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Troy, Michigan*, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The Management's Discussion and Analysis listed in the table of contents on Pages 3-10 and the Schedule of Funding Progress on pages 65-68 are not a required part of the basic financial statements but are supplementary 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 supplementary 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 **City's** basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, reading "Lehmann Lohman".



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## Management's Discussion and Analysis

This section of the City of Troy's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the transmittal letter, which begins on page VII and the City's financial statements, which begins on page 11.

### Financial Highlights

- ⓐ The City's combined total net assets are reported as \$372.3 million for the fiscal year ended June 30, 2006, compared to \$372.7 last fiscal year.
- ⓐ In the City's governmental activities, revenues generated \$78.8 million, while expenses totaled \$82.9 million.
- ⓐ In the City's business-type activities, revenues generated \$30.6 million, while expenses totaled \$26.9 million.
- ⓐ The total cost of all of the City's programs, including governmental activities and business-type activities was \$109.8 million, up \$4 million from last fiscal year.
- ⓐ Total net assets decreased \$.4 million.

### Overview of the Financial Statements

This annual report consists of a series of financial statements. The first two statements, the Statement of Net Assets and the Statement of Activities, provide information about the activities of the City of Troy as a whole and present a longer-term view of the City's finances. The remaining statements, including governmental funds, proprietary funds, and fiduciary funds focus on how City services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City of Troy's operations in more detail than the government-wide financial statements.

The financial statements include notes that explain and provide more detailed data about some of the information found in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

## Management's Discussion and Analysis, Continued

In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental, business-type, internal service, and fiduciary funds, each of which are added together and presented in single columns in the basic financial statements.

### Government-wide Statements

The government-wide statements report information about the City of Troy as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the change in the difference between the City's assets and liabilities. This change in net assets is an indicator of whether the City's financial health is improving or deteriorating. In order to assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads and other infrastructure.

The government-wide financial statements of the City of Troy are divided into two categories:

- Ⓒ Governmental activities – Most of the City's basic services are included here, such as police, fire, public works, parks and recreation, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.
- Ⓒ Business-type activities – The City charges fees to customers to help cover the cost of certain services it provides. The City's business-type activities include water, sanitary sewer, Aquatic Center, and two public golf courses.

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City of Troy has three types of funds:

- Ⓒ Governmental funds – Most of the City's basic services are included in governmental funds, which focus on how cash, and other financial assets that can readily be converted to cash, flow in and out. The funds also show the balances left at year-end that are available for spending.

## Management's Discussion and Analysis, Continued

The governmental fund statements focus on a short-term view rather than the long-term focus of the government-wide statements, so additional information is provided after the governmental fund statements that explain the relationship or differences between the fund and government-wide statements.

- ⓐ Proprietary funds – Proprietary funds are used to report services where the City charges customers a fee for services rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds
  - Enterprise funds and business-type activities are the same, but the fund statements provide more detail and additional information such as cash flows.
  - Internal Service funds are used to report activities that provide supplies and services for the City's other programs. Examples of internal service funds would be Motor Equipment and Information Technology.
- ⓑ Fiduciary funds – The City of Troy is trustee for its employee pension plans. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

### The City of Troy as a Whole

The City's combined total net assets for the fiscal year ended June 30, 2006 is \$372.3 million. Business-type activities comprise \$145.0 million and governmental activities make up \$227.3 million of the total net assets.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is reported as \$76.9 million. \$34.5 million is the amount of unrestricted net assets reported for the City of Troy's governmental activities.

The table on the following page shows the comparison of total assets, total liabilities, and total net assets (in millions of dollars) in a condensed format as of June 30, 2006 to the prior year.

Management's Discussion  
and Analysis, Continued

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current Assets	\$ 84.3	\$ 89.4	\$ 42.6	\$ 40.4	\$ 126.9	\$ 129.8
Capital Assets	198.9	196.9	114.4	114.0	\$ 313.3	\$ 310.9
<b>Total Assets</b>	<b>\$ 283.2</b>	<b>\$ 286.3</b>	<b>\$ 157.0</b>	<b>\$ 154.4</b>	<b>\$ 440.2</b>	<b>\$ 440.7</b>
Liabilities:						
Long-term Debt Outstanding	\$ 44.6	\$ 46.0	\$ 11.8	\$ 12.0	\$ 56.4	\$ 58.0
Other Liabilities	11.3	9.7	0.2	0.3	11.5	10.0
<b>Total Liabilities</b>	<b>\$ 55.9</b>	<b>\$ 55.7</b>	<b>\$ 12.0</b>	<b>\$ 12.3</b>	<b>\$ 67.9</b>	<b>\$ 68.0</b>
Net Assets:						
Invested in Capital Assets, Net of Debt	\$ 159.8	\$ 155.8	\$ 102.6	\$ 102.1	\$ 262.4	\$ 257.9
Restricted	33.0	42.3	-	-	33.0	42.3
Unrestricted	34.5	32.5	42.4	40.0	76.9	72.5
<b>Total Net Assets</b>	<b>\$ 227.3</b>	<b>\$ 230.6</b>	<b>\$ 145.0</b>	<b>\$ 142.1</b>	<b>\$ 372.3</b>	<b>\$ 372.7</b>

Total assets decreased by \$.5 million during the year, made up of a decrease of \$3.1 million in governmental activities and an increase of \$2.6 million in business type activities. The increase in capital assets was due primarily to the completion of several capital projects.

Total liabilities decreased by \$.1 million primarily due to the reduction in long-term debt through annual debt payments. Other liabilities increased by \$1.5 million compared to the prior year.

Net assets show increases in investments in capital assets net of debt of \$4.5 million and unrestricted net assets increased by \$4.4 million. Restricted net assets decreased by \$9.3 million due to the completion of several capital projects that had reserved funding.

Management's Discussion  
and Analysis, Continued

The following table shows the comparison of the change in net assets (in millions of dollars) as of June 30, 2006 to the prior year, in a condensed format:

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Program Revenues:						
Charges for Services	\$ 10.8	\$ 11.4	\$ 28.2	\$ 25.6	\$ 39.0	\$ 37.0
Operating Grants & Contributions	1.1	0.5	-	-	1.1	0.5
Capital Grants & Contributions	6.5	9.4	0.7	0.6	7.2	10.0
General Revenues:						
Property Taxes	49.5	46.9	-	-	49.5	46.9
State-shared Revenues	6.8	6.9	-	-	6.8	6.9
Interest Earnings	3.4	2.3	1.5	0.9	4.9	3.2
Other Revenue	0.7	0.2	0.2	0.2	0.9	0.4
<b>Total Revenues</b>	<b>\$ 78.8</b>	<b>\$ 77.6</b>	<b>\$ 30.6</b>	<b>\$ 27.3</b>	<b>\$ 109.4</b>	<b>\$ 104.9</b>
Program Expenses:						
General Government	\$ 11.7	\$ 12.1	\$ -	\$ -	\$ 11.7	\$ 12.1
Public Safety	28.7	27.7	-	-	28.7	27.7
Engineering & Public Services	18.4	16.5	-	-	18.4	16.5
Community & Economic Dev	2.1	0.1	-	-	2.1	0.1
Sanitation	4.4	4.4	-	-	4.4	4.4
Recreation and Culture	15.9	16.1	-	-	15.9	16.1
Interest Expense	1.7	3.2	-	-	1.7	3.2
Water	-	-	13.8	13.3	13.8	13.3
Sanitary Sewer	-	-	9.7	9.0	9.7	9.0
Golf Courses	-	-	2.8	2.8	2.8	2.8
Aquatic Center	-	-	0.6	0.6	0.6	0.6
<b>Total Expenses</b>	<b>\$ 82.9</b>	<b>\$ 80.1</b>	<b>\$ 26.9</b>	<b>\$ 25.7</b>	<b>\$ 109.8</b>	<b>\$ 105.8</b>
Inc in Net Assets before Transfers	\$ (4.1)	\$ (2.5)	\$ 3.7	\$ 1.6	\$ (0.4)	\$ (0.9)
Transfers	0.8	0.8	(0.8)	(0.8)	-	-
<b>Increase in Net Assets</b>	<b>(3.3)</b>	<b>(1.7)</b>	<b>2.9</b>	<b>0.8</b>	<b>(0.4)</b>	<b>(0.9)</b>
Net Assets - Beginning of Year	230.6	232.3	142.1	141.3	372.7	\$ 373.6
<b>Net Assets - End of Year</b>	<b>\$ 227.3</b>	<b>\$ 230.6</b>	<b>\$ 145.0</b>	<b>\$ 142.1</b>	<b>\$ 372.3</b>	<b>\$ 372.7</b>

## Management's Discussion and Analysis, Continued

### Governmental Activities

The City of Troy's total governmental revenue is reported at \$78.8 million, an increase of \$1.2 million from the prior year. This was primarily attributed to an increase in property taxes and interest earnings.

Expenses increased by \$2.8 million compared to last fiscal year. The net increase of \$2.8 million is spread over several divisions. The public safety division increased by \$1.0 million, and the engineering and public services increased by \$1.9 million, due to the completion of capital projects.

During the year the City continued meeting the actuarial required contributions for the defined benefit pension system and discretionary for incentive reserve fund as well as pre-funding retiree healthcare benefits. This is important for the City because future taxpayers should not be required to fund benefit payments that were earned in the past.

### Business-type Activities

The City of Troy's business-type activities consist of water, sanitary sewer, Aquatic Center, and golf courses. Water and sanitary sewer services classified as Major Funds are provided to City residents through the Detroit water system and sewerage treatment plants. The large increase in charges for the services and water purchase in the water fund was due to increased water consumption and a water rate increase by the City of Detroit. Change in net assets for business-type activities increased by \$3 million. The Water and Sewer Fund increased by \$2.4 million and \$1.0 million respectively. The City's two golf courses recorded a net decrease in net assets of \$.5 million, an improvement from last year.

### The City of Troy's Funds

Analysis of the City of Troy's major funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City of Troy as a whole. Funds are created to help manage money for specific purposes, as well as to show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

The City's General Fund fund balance increased by \$3.1 million to a balance of \$26.9 million.

## Management's Discussion and Analysis, Continued

Fund balance in the Capital Projects Fund decreased by \$9.1 million due to the completion of major projects and the planned use of reserves to fund them.

### General Fund Budgetary Highlights

Over the course of the year, City Council amended the budget to take into account events during the year. The most significant was to recognize an increase in charges for services and investment earnings, and to provide additional funding for parks and recreation activities. Revenue received for the fiscal year came in \$1.9 million over the budgeted amount.

Overall expenses for the City were 4.1 percent or \$2.5 million less than the budgeted amount due to a conservative spending policy, delays in filling vacant positions, reduction of three full-time positions, and reduction in benefit levels for new hires.

### Capital Asset and Debt Administration

At the end of 2006, the City of Troy had \$262.4 million invested in a broad range of capital assets including land, buildings, police and fire equipment, water and sewer lines, roads, sidewalks, and other infrastructure, net of debt. The increase in capital assets during the year was less than in previous years due to the completion of several major projects. Additional information about the City's capital assets is presented in Note 1 and Note 5 to the financial statements.

The City of Troy's debt rating is excellent. We maintain a AAA by Fitch Ratings, Moody's, and Standard and Poor's. The City of Troy's bond indebtedness totaled \$51.1 million at June 30, 2006. Additional information about the City's long-term debt can be found in Note 8 to the financial statements.

### Current Economic Events

The City of Troy's budget for 2007 calls for a slight decrease (.02 mills) in property tax rates. These rates have remained the same or lower since July 1, 1996. Property taxes make up approximately 55% of our General Fund budget. Because of the impact of Proposal A and State of Michigan budget woes, the City of Troy is utilizing a portion of our undesignated fund balance to balance the budget. The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or five percent.

## Management's Discussion and Analysis, Continued

Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City of Troy will grow less than inflation before considering new property additions. With conservative budget forecasting of revenues and realistic expenditure estimates, we hope to limit the use of fund balance.

State shared revenue payments decreased by \$62,205 this past year. When comparing this annual amount to the amount we received four years ago, we are receiving \$1.4 million less. The State is still experiencing financial woes so we have adjusted our revenue forecast to reflect the State's economy, and the likelihood of future reductions.

The City purchases its water and sewer services from the City of Detroit. Historically, we have passed along the full water and sewer rate increases to our customers. The City's rate structure enables us to provide water and sewer service to our citizens as well as pay for operations, maintenance and improvements to the system.

The City still prides itself on having one of the lowest combined water and sewer rates of any southeastern Michigan community.

## Contacting the City of Troy's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the City of Troy's financial condition.

If you have questions about this report or need additional information, we welcome you to contact the administrative offices at City Hall, 500 W. Big Beaver, Troy, Mi 48084. Additional information can be obtained at the City of Troy's web site, [www.troymi.gov](http://www.troymi.gov).

**City of Troy, Michigan**  
**Statement of Net Assets**  
**June 30, 2006**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 57,573,682	\$ 17,691,196	\$ 75,264,878	\$ 9,925,975
Investments	18,318,943	16,474,935	34,793,878	2,295,862
Receivables (net)	7,286,995	8,216,905	15,503,900	249,278
Internal balances	292,210	(292,210)	-	-
Due from component units	67,485	-	67,485	-
Other assets	809,147	546,856	1,356,003	-
Capital assets:				
Assets not being depreciated	38,342,767	14,591,041	52,933,808	-
Assets being depreciated, net	160,563,836	99,830,697	260,394,533	-
<b>Total assets</b>	<u>283,255,065</u>	<u>157,059,420</u>	<u>440,314,485</u>	<u>12,471,115</u>
<b>Liabilities</b>				
Accounts payable	8,942,671	133,271	9,075,942	-
Accrued payroll	1,972,612	-	1,972,612	-
Accrued liabilities	410,120	59,420	469,540	229,077
Due to primary government	-	-	-	67,485
Unearned revenue	3,500	23,709	27,209	674
Noncurrent liabilities:				
Due within one year	4,931,545	200,000	5,131,545	1,650,000
Due in more than one year	39,694,176	11,600,000	51,294,176	29,645,000
<b>Total liabilities</b>	<u>55,954,624</u>	<u>12,016,400</u>	<u>67,971,024</u>	<u>31,592,236</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	159,749,955	102,621,738	262,371,693	-
Restricted for:				
Debt service	4,776,501	-	4,776,501	-
Highways and streets	3,649,796	-	3,649,796	-
Capital projects	22,468,271	-	22,468,271	-
Perpetual care	170,518	-	170,518	-
Other purposes	1,951,952	-	1,951,952	-
Unrestricted	34,533,448	42,421,282	76,954,730	(19,121,121)
<b>Total net assets (deficit)</b>	<u>\$ 227,300,441</u>	<u>\$ 145,043,020</u>	<u>\$ 372,343,461</u>	<u>\$ (19,121,121)</u>

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 11,734,897	\$ 2,101,074	\$ -	\$ -	\$ (9,633,823)
Public safety	28,703,542	2,925,740	167,908	321,953	(25,287,941)
Public works	18,372,828	1,361,164	-	6,181,819	(10,829,845)
Sanitation	4,367,093	44,765	-	-	(4,322,328)
Community and economic development	2,058,782	-	714,911	22,297	(1,321,574)
Recreation and culture	15,924,318	4,338,069	196,424	1,407	(11,388,418)
Interest on long-term debt	1,686,805	-	-	-	(1,686,805)
Total governmental activities	<u>82,848,265</u>	<u>10,770,812</u>	<u>1,079,243</u>	<u>6,527,476</u>	<u>(64,470,734)</u>
Business-type activities:					
Water	13,839,024	15,595,766	-	335,719	2,092,461
Sewer	9,682,048	10,114,977	-	391,624	824,553
Aquatic center	638,837	310,428	-	-	(328,409)
Sylvan Glen golf course	1,109,119	1,055,142	-	-	(53,977)
Sanctuary Lake golf course	1,730,874	1,173,020	-	-	(557,854)
Total business-type activities	<u>26,999,902</u>	<u>28,249,333</u>	<u>-</u>	<u>727,343</u>	<u>1,976,774</u>
Total primary government	<u>\$ 109,848,167</u>	<u>\$ 39,020,145</u>	<u>\$ 1,079,243</u>	<u>\$ 7,254,819</u>	<u>\$ (62,493,960)</u>
<b>Component units:</b>					
Downtown development authority	\$ 2,474,118	\$ -	\$ 3,918,894	\$ -	\$ 1,444,776
Local development financing authority	171,192	-	-	-	(171,192)
Brownfield redevelopment authority	26,536	-	-	-	(26,536)
Total component units	<u>\$ 2,671,846</u>	<u>\$ -</u>	<u>\$ 3,918,894</u>	<u>\$ -</u>	<u>\$ 1,247,048</u>

continued...

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Activities (Concluded)**  
**For the Year Ended June 30, 2006**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (64,470,734)	\$ 1,976,774	\$ (62,493,960)	\$ 1,247,048
General revenues:				
Property taxes	34,849,621	-	34,849,621	-
Property taxes for sanitary purposes	4,120,154	-	4,120,154	-
Property taxes for economic development	-	-	-	4,360,504
Property taxes for capital projects	8,041,747	-	8,041,747	-
Property taxes for debt service	2,486,038	-	2,486,038	-
State shared revenue, unrestricted	6,844,167	-	6,844,167	-
Grants and contributions not restricted to specific programs	24,905	212,213	237,118	-
Unrestricted investment earnings	3,436,837	1,530,660	4,967,497	517,743
Gain on sale of capital assets	634,535	-	634,535	-
Transfers - internal activities	758,500	(758,500)	-	-
Total general revenues and transfers	<u>61,196,504</u>	<u>984,373</u>	<u>62,180,877</u>	<u>4,878,247</u>
Change in net assets	(3,274,230)	2,961,147	(313,083)	6,125,295
Net assets (deficit), beginning of year, as restated	<u>230,574,671</u>	<u>142,081,873</u>	<u>372,656,544</u>	<u>(25,246,416)</u>
<b>Net assets (deficit), end of year</b>	<u><u>\$ 227,300,441</u></u>	<u><u>\$ 145,043,020</u></u>	<u><u>\$ 372,343,461</u></u>	<u><u>\$ (19,121,121)</u></u>

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 25,872,407	\$ 16,612,163	\$ 6,395,950	\$ 48,880,520
Investments	6,495,406	5,438,047	3,282,794	15,216,247
Receivables:				
Accounts receivable (net)	1,056,202	460,979	-	1,517,181
Taxes-delinquent	937,364	-	-	937,364
Special assessments	-	1,178,830	51,713	1,230,543
Interest and dividends	99,065	82,938	34,816	216,819
Due from other funds	362,939	-	-	362,939
Due from component units	67,485	-	-	67,485
Due from other governments	2,423,568	-	914,125	3,337,693
Inventory	212,513	-	-	212,513
Prepaid expenditures	405,630	-	-	405,630
Total assets	<u>\$ 37,932,579</u>	<u>\$ 23,772,957</u>	<u>\$ 10,679,398</u>	<u>\$ 72,384,934</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 8,081,194	\$ 861,477	\$ -	\$ 8,942,671
Accrued payroll	1,972,612	-	-	1,972,612
Due to other funds	-	-	78,918	78,918
Other liabilities	19,439	-	-	19,439
Deferred revenue	960,525	443,209	51,713	1,455,447
Total liabilities	<u>11,033,770</u>	<u>1,304,686</u>	<u>130,631</u>	<u>12,469,087</u>
<b>Fund balances:</b>				
Reserved for:				
Debt service	-	-	4,776,501	4,776,501
Inventory and Prepaid items	618,143	-	-	618,143
Project commitments	-	3,894,580	-	3,894,580
Unreserved, reported in:				
General fund	26,280,666	-	-	26,280,666
Special revenue funds	-	-	5,601,748	5,601,748
Capital project funds	-	18,573,691	-	18,573,691
Permanent fund	-	-	170,518	170,518
Total fund balances	<u>26,898,809</u>	<u>22,468,271</u>	<u>10,548,767</u>	<u>59,915,847</u>
Total liabilities and fund balances	<u>\$ 37,932,579</u>	<u>\$ 23,772,957</u>	<u>\$ 10,679,398</u>	<u>\$ 72,384,934</u>

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2006**

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Fund balances - total governmental funds	\$	59,915,847
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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 therefore are not reported in the funds.

Add: capital assets not being depreciated		38,332,519
Add: capital assets being depreciated		296,408,564
Deduct: accumulated depreciation		(140,202,840)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred revenues		1,451,947
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Internal service funds are used by management to charge the costs of certain equipment usage, public service department and retiree health care costs to individual governmental funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in the internal service funds		11,126,393
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: accrued interest payable		(390,681)
Deduct: bonds payable		(39,156,648)
Deduct: claims incurred but not reported		(184,660)

Net assets of governmental activities	\$	<u>227,300,441</u>
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The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	35,229,232	\$ 8,041,747	\$ 6,606,192	\$ 49,877,171
Licenses and permits	1,662,592	-	-	1,662,592
Intergovernmental:				
Federal sources	25,799	858,825	79,067	963,691
State sources	7,012,967	-	5,058,205	12,071,172
Local sources	581,445	310,260	-	891,705
Charges for services	6,941,809	673,091	311,783	7,926,683
Fines and forfeitures	994,373	-	-	994,373
Investment earnings	827,334	1,555,645	564,693	2,947,672
Other	1,259,558	121,839	188,012	1,569,409
Total revenues	<u>54,535,109</u>	<u>11,561,407</u>	<u>12,807,952</u>	<u>78,904,468</u>
<b>Expenditures</b>				
Current:				
General government	9,002,076	-	-	9,002,076
Public safety	27,973,275	-	-	27,973,275
Public works	7,590,342	614	-	7,590,956
Sanitation	-	-	4,367,093	4,367,093
Community development	-	1,932,208	79,067	2,011,275
Recreation and culture	13,376,722	-	-	13,376,722
Debt service				
Principal	-	211,712	1,525,000	1,736,712
Interest and fees	-	102,262	1,600,594	1,702,856
Capital Outlay	-	18,994,837	-	18,994,837
Total expenditures	<u>57,942,415</u>	<u>21,241,633</u>	<u>7,571,754</u>	<u>86,755,802</u>
Revenues over (under) expenditures	<u>(3,407,306)</u>	<u>(9,680,226)</u>	<u>5,236,198</u>	<u>(7,851,334)</u>
<b>Other financing sources (uses)</b>				
Transfers in	6,598,925	3,168,423	3,000,002	12,767,350
Transfers out	(100,000)	(3,584,093)	(8,324,757)	(12,008,850)
Proceeds from debt issuance	-	81,089	-	81,089
Proceeds from sale of capital assets	-	905,292	-	905,292
Total other financing sources (uses)	<u>6,498,925</u>	<u>570,711</u>	<u>(5,324,755)</u>	<u>1,744,881</u>
Net change in fund balances	3,091,619	(9,109,515)	(88,557)	(6,106,453)
Fund balances, beginning of year, as restated	<u>23,807,190</u>	<u>31,577,786</u>	<u>10,637,324</u>	<u>66,022,300</u>
<b>Fund balances, end of year</b>	<u><u>\$ 26,898,809</u></u>	<u><u>\$ 22,468,271</u></u>	<u><u>\$ 10,548,767</u></u>	<u><u>\$ 59,915,847</u></u>

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2006**

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Net change in fund balances - total governmental funds	\$ (6,106,453)
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Amounts reported for *governmental activities* in the statement of activities are different because:

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

Add: capital outlay	14,250,818
Deduct: depreciation expense	(12,348,343)
Deduct: Book basis in capital assets sold	(514,449)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct: net difference in deferred revenue	(780,853)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	1,736,712
Deduct: proceeds from bond issuance	(81,089)

Internal service funds are used by management to charge the costs of certain equipment, public service department and employee insurance costs to individual governmental funds. The net revenue (expense) attributable to those funds are reported with governmental activities.

Add: net gain from governmental activities in the internal service funds	589,267
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest expense	16,051
Deduct: increase in accrued claims payable	(35,891)

Change in net assets of governmental activities	\$ (3,274,230)
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The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 34,351,690	\$ 34,351,690	\$ 35,229,232	\$ 877,542
Licenses and permits	2,012,500	2,012,500	1,662,592	(349,908)
Intergovernmental:				
Federal sources	10,000	10,000	25,799	15,799
State sources	6,669,200	6,669,200	7,012,967	343,767
Local sources	570,020	570,020	581,445	11,425
Charges for services	6,117,300	6,247,300	6,941,809	694,509
Fines and forfeitures	995,000	995,000	994,373	(627)
Investment earnings	450,000	600,000	827,334	227,334
Other	1,150,080	1,150,080	1,259,558	109,478
Total revenues	<u>52,325,790</u>	<u>52,605,790</u>	<u>54,535,109</u>	<u>1,929,319</u>
<b>Expenditures</b>				
General government:				
Council and Executive Administration	2,077,060	2,077,060	1,837,322	239,738
Finance	4,706,650	4,706,650	4,552,247	154,403
Other	2,638,720	2,638,720	2,612,507	26,213
Total general government	<u>9,422,430</u>	<u>9,422,430</u>	<u>9,002,076</u>	<u>420,354</u>
Public safety:				
Police	22,618,610	22,618,610	21,945,429	673,181
Fire	4,092,750	4,092,750	4,036,114	56,636
Building Inspection	2,105,420	2,105,420	1,991,732	113,688
Total public safety	<u>28,816,780</u>	<u>28,816,780</u>	<u>27,973,275</u>	<u>843,505</u>
Public works:				
Roads and streets	5,303,780	5,303,780	4,754,570	549,210
Engineering	2,996,560	2,996,560	2,835,772	160,788
Total public works	<u>8,300,340</u>	<u>8,300,340</u>	<u>7,590,342</u>	<u>709,998</u>
Culture and recreation:				
Parks and recreation	8,640,600	8,920,600	8,596,120	324,480
Library and museum	4,973,280	4,973,280	4,780,602	192,678
Total culture and recreation	<u>13,613,880</u>	<u>13,893,880</u>	<u>13,376,722</u>	<u>517,158</u>
Total expenditures	<u>60,153,430</u>	<u>60,433,430</u>	<u>57,942,415</u>	<u>2,491,015</u>
Revenues over (under) expenditures	<u>(7,827,640)</u>	<u>(7,827,640)</u>	<u>(3,407,306)</u>	<u>4,420,334</u>
<b>Other financing sources (uses)</b>				
Transfers in	6,582,620	6,582,620	6,598,925	16,305
Transfers out	(100,000)	(100,000)	(100,000)	-
Total other financing (uses)	<u>6,482,620</u>	<u>6,482,620</u>	<u>6,498,925</u>	<u>16,305</u>
Net change in fund balances	<u>(1,345,020)</u>	<u>(1,345,020)</u>	<u>3,091,619</u>	<u>4,436,639</u>
Fund balance, beginning of year	<u>23,807,190</u>	<u>23,807,190</u>	<u>23,807,190</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 22,462,170</u>	<u>\$ 22,462,170</u>	<u>\$ 26,898,809</u>	<u>\$ 4,436,639</u>

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 3,305,640	\$ 13,706,126	\$ 500	\$ 678,930	\$ 17,691,196	\$ 8,693,162
Investments	10,889,641	5,343,243	-	242,051	16,474,935	3,102,696
Interest receivable	48,739	79,177	-	3,692	131,608	47,320
Accounts receivable:						
Billed	1,711,108	94,918	23,541	15,572	1,845,139	75
Unbilled	3,284,826	2,414,296	-	-	5,699,122	-
Due from other funds	-	-	-	1,139,845	1,139,845	-
Inventories	458,092	34,231	23,796	30,737	546,856	191,004
Total current assets	<u>19,698,046</u>	<u>21,671,991</u>	<u>47,837</u>	<u>2,110,827</u>	<u>43,528,701</u>	<u>12,034,257</u>
Noncurrent assets:						
Contracts receivable	205,985	335,051	-	-	541,036	-
Capital assets not being depreciated	6,986,424	3,069,804	2,213,463	2,321,350	14,591,041	10,248
Capital assets being depreciated net of accumulated depreciation	59,351,376	28,435,965	9,368,456	2,674,900	99,830,697	4,358,112
Total capital assets, net of accumulated depreciation	<u>66,337,800</u>	<u>31,505,769</u>	<u>11,581,919</u>	<u>4,996,250</u>	<u>114,421,738</u>	<u>4,368,360</u>
Total noncurrent assets	<u>66,543,785</u>	<u>31,840,820</u>	<u>11,581,919</u>	<u>4,996,250</u>	<u>114,962,774</u>	<u>4,368,360</u>
Total assets	<u>86,241,831</u>	<u>53,512,811</u>	<u>11,629,756</u>	<u>7,107,077</u>	<u>158,491,475</u>	<u>16,402,617</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	127,474	5,797	-	-	133,271	-
Due to other funds	-	-	1,139,845	283,118	1,422,963	903
Accrued liabilities	12,350	-	47,070	-	59,420	-
Compensated absences	-	-	-	-	-	3,004,789
Unearned revenue	23,709	-	-	-	23,709	-
Current portion of bonds payable	-	-	200,000	-	200,000	-
Total current liabilities	<u>163,533</u>	<u>5,797</u>	<u>1,386,915</u>	<u>283,118</u>	<u>1,839,363</u>	<u>3,005,692</u>
Noncurrent liabilities:						
Compensated absences	-	-	-	-	-	2,279,624
Bonds payable	-	-	11,600,000	-	11,600,000	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>11,600,000</u>	<u>-</u>	<u>11,600,000</u>	<u>2,279,624</u>
Total liabilities	<u>163,533</u>	<u>5,797</u>	<u>12,986,915</u>	<u>283,118</u>	<u>13,439,363</u>	<u>5,285,316</u>
<b>Net Assets</b>						
Investment in capital assets, net of related debt	66,337,800	31,505,769	(218,081)	4,996,250	102,621,738	4,368,360
Unrestricted	19,740,498	22,001,245	(1,139,078)	1,827,709	42,430,374	6,748,941
Total net assets (deficit)	<u>\$ 86,078,298</u>	<u>\$ 53,507,014</u>	<u>\$ (1,357,159)</u>	<u>\$ 6,823,959</u>	<u>145,052,112</u>	<u>\$ 11,117,301</u>
Adjustment to reflect the consolidation of internal service activities related to enterprise funds					(9,092)	
Net assets of business type activities					<u>\$ 145,043,020</u>	

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Operating revenues</b>						
Charges for services	\$ 14,544,620	\$ 10,114,977	\$ 853,609	\$ 1,166,017	\$ 26,679,223	\$ 7,855,281
Rental:						-
Golf course	-	-	319,411	192,926	512,337	-
Restaurant	-	-	-	79,620	79,620	-
Hydrant	133,350	-	-	-	133,350	-
Building	-	-	-	-	-	195,787
Equipment	-	-	-	-	-	3,492,236
Tap and connections fees	543,032	-	-	-	543,032	-
Penalties	358,019	-	-	-	358,019	-
Other services	52,125	4,570	-	99,270	155,965	-
Other services to City funds	-	-	-	-	-	525,608
<b>Total operating revenues</b>	<u>15,631,146</u>	<u>10,119,547</u>	<u>1,173,020</u>	<u>1,537,833</u>	<u>28,461,546</u>	<u>12,068,912</u>
<b>Operating expenses</b>						
Cost of sales and services	9,313,969	7,605,222	-	-	16,919,191	8,158,449
General and administrative	706,376	411,969	-	-	1,118,345	525,097
Operations	2,067,773	585,840	827,431	1,439,154	4,920,198	2,494,945
Depreciation	1,743,447	1,078,173	348,211	309,336	3,479,167	1,042,131
<b>Total operating expenses</b>	<u>13,831,565</u>	<u>9,681,204</u>	<u>1,175,642</u>	<u>1,748,490</u>	<u>26,436,901</u>	<u>12,220,622</u>
<b>Operating income (loss)</b>	<u>1,799,581</u>	<u>438,343</u>	<u>(2,622)</u>	<u>(210,657)</u>	<u>2,024,645</u>	<u>(151,710)</u>
<b>Non-operating revenues (expenses)</b>						
Federal grants	-	91,556	-	-	91,556	-
Investment earnings	563,538	886,043	-	81,079	1,530,660	489,165
Interest expense	-	-	(554,888)	-	(554,888)	-
Gain on sale of capital assets	-	-	-	-	-	243,699
<b>Total non-operating revenues (expenses)</b>	<u>563,538</u>	<u>977,599</u>	<u>(554,888)</u>	<u>81,079</u>	<u>1,067,328</u>	<u>732,864</u>
<b>Income before contributions and transfers</b>	<u>2,363,119</u>	<u>1,415,942</u>	<u>(557,510)</u>	<u>(129,578)</u>	<u>3,091,973</u>	<u>581,154</u>
Developer contributions	335,719	300,068	-	-	635,787	-
Transfers out	-	(758,500)	-	-	(758,500)	-
<b>Change in net assets</b>	<u>2,698,838</u>	<u>957,510</u>	<u>(557,510)</u>	<u>(129,578)</u>	<u>2,969,260</u>	<u>581,154</u>
Net assets (deficit), beginning of year	<u>83,379,460</u>	<u>52,549,504</u>	<u>(799,649)</u>	<u>6,953,537</u>	<u>10,536,147</u>	<u>10,536,147</u>
<b>Net assets (deficit), end of year</b>	<u>\$ 86,078,298</u>	<u>\$ 53,507,014</u>	<u>\$(1,357,159)</u>	<u>\$ 6,823,959</u>	<u>\$ 11,117,301</u>	<u>\$ 11,117,301</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(8,113)	
Change in net assets of business-type activities					<u>\$ 2,961,147</u>	

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Cash flows from operating activities</b>						
Cash received from customers and others	\$ 15,680,049	\$ 10,082,986	\$ 1,156,178	\$ 1,495,053	\$ 28,414,266	\$ -
Cash received from interfund services	-	-	-	-	-	12,079,022
Cash payments to employees	(1,682,650)	(748,373)	(426,331)	(853,933)	(3,711,287)	(7,621,839)
Cash payments to suppliers for goods and services	(10,144,263)	(7,663,473)	(383,972)	(521,780)	(18,713,488)	(3,575,652)
Cash payments for interfund services	(331,283)	(202,810)	414,414	(46,931)	(166,610)	-
Net cash provided (used) by operating activities	<u>3,521,853</u>	<u>1,468,330</u>	<u>760,289</u>	<u>72,409</u>	<u>5,822,881</u>	<u>881,531</u>
<b>Cash flows from non-capital financing activities</b>						
Subsidy from federal grant	-	91,556	-	-	91,556	-
Advances to other funds	-	-	-	(438,540)	(438,540)	-
Transfers to other funds	-	(758,500)	-	-	(758,500)	-
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(666,944)</u>	<u>-</u>	<u>(438,540)</u>	<u>(1,105,484)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>						
Purchase of capital assets	(2,507,375)	(242,826)	(5,401)	(463,791)	(3,219,393)	(1,352,009)
Bond/note principal payments	-	-	(200,000)	-	(200,000)	-
Bond/note interest payments	-	-	(554,888)	-	(554,888)	-
Net cash provided (used) by capital and related financing activities	<u>(2,507,375)</u>	<u>(242,826)</u>	<u>(760,289)</u>	<u>(463,791)</u>	<u>(3,974,281)</u>	<u>(1,352,009)</u>
<b>Cash flows from investing activities</b>						
Proceeds from sale of investments	9,307,380	5,720,791	-	721,856	15,750,027	7,116,007
Purchases of investments	(9,709,790)	(2,318,870)	-	(391,194)	(12,419,854)	(4,519,368)
Investment earnings	528,439	856,511	-	82,890	1,467,840	472,486
Net cash provided (used) by investing activities	<u>126,029</u>	<u>4,258,432</u>	<u>-</u>	<u>413,552</u>	<u>4,798,013</u>	<u>3,069,125</u>
Net increase (decrease) in cash and cash equivalent:	1,140,507	4,816,992	-	(416,370)	5,541,129	2,598,647
Cash and cash equivalents, beginning of year	<u>2,165,133</u>	<u>8,889,134</u>	<u>500</u>	<u>1,095,300</u>	<u>12,150,067</u>	<u>6,094,515</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 3,305,640</u>	<u>\$ 13,706,126</u>	<u>\$ 500</u>	<u>\$ 678,930</u>	<u>\$ 17,691,196</u>	<u>\$ 8,693,162</u>

The accompanying notes are an integral part of these financial statements.

Continued...

City of Troy, Michigan  
Statement of Cash Flows (Concluded)  
Proprietary Funds  
For the Year Ended June 30, 2006

Concluded	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sewer	Sanctuary Lake Golf Course	Nonmajor Business-Type Activities	Total	Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>						
Operating income (loss)	\$ 1,799,581	\$ 438,343	\$ (2,622)	\$ (210,657)	\$ 2,024,645	\$ (151,710)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,743,447	1,078,173	348,211	309,336	3,479,167	1,042,131
Changes in assets and liabilities:						
Accounts receivable	56,210	(61,152)	(16,842)	2,820	(18,964)	10,110
Inventories	(43,476)	3,375	(8,491)	(4,335)	(52,927)	(27,912)
Contracts receivable	28,786	24,591	-	-	53,377	-
Accounts payable	(29,777)	(15,000)	-	-	(44,777)	-
Due to other funds	-	-	438,540	-	438,540	-
Accrued liabilities	3,175	-	1,493	20,845	25,513	-
Compensated absences	-	-	-	-	-	8,912
Unearned revenue	(36,093)	-	-	(45,600)	(81,693)	-
<b>Net cash provided by operating activities</b>	<u>\$ 3,521,853</u>	<u>\$ 1,468,330</u>	<u>\$ 760,289</u>	<u>\$ 72,409</u>	<u>\$ 5,822,881</u>	<u>\$ 881,531</u>
<b>Noncash investing, capital, and financing activities:</b>						
Contributions of capital assets	<u>\$ 335,719</u>	<u>\$ 300,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 635,787</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

# City of Troy, Michigan

## Statement of Net Assets

### Fiduciary Funds

June 30, 2006

	<u>Pension Trusts</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,355,040	\$ 2,503,772
Interest receivable	469,622	9,403
Taxes receivable	-	614,799
Investments:		
U.S. Government securities	13,326,127	-
Corporate bonds	35,729,176	-
Corporate equities, preferred	2,095,000	-
Corporate equities, common	89,320,511	-
Mutual funds	23,115,617	-
Other investments	487,265	616,495
Total assets	<u>171,898,358</u>	<u>\$ 3,744,469</u>
<b>LIABILITIES</b>		
Liabilities		
Accounts payable	-	\$ 3,149
Performance deposits	-	3,741,320
Total liabilities	<u>-</u>	<u>\$ 3,744,469</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	131,192,342	
Held in trust for postemployment healthcare benefits	<u>40,706,016</u>	
Total net assets	<u>\$ 171,898,358</u>	

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Statement of Changes in Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2006**

	<b>Pension Trusts</b>
<b>Additions</b>	
Contributions	
Employer contributions	\$ 2,828,438
Employee contributions	305,015
Total contributions	3,133,453
Investment income	
Interest	2,392,537
Dividends	3,241,937
Net appreciation in fair value	4,668,400
Total investment earnings	10,302,874
<b>Total additions</b>	13,436,327
<b>Deductions</b>	
Benefits	8,265,617
Refunds of contributions	57,875
Administrative expenses	29,350
<b>Total deductions</b>	8,352,842
Net increase in plan net assets	5,083,485
Net assets held in trust, beginning of year for:	
Pension benefits	129,625,049
Postemployment healthcare benefits	37,189,824
Total net assets held in trust, beginning of year	166,814,873
Net assets held in trust for	
Pension benefits	131,192,342
Postemployment healthcare benefits	40,706,016
Total net assets held in trust, end of year	\$ 171,898,358

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Component Units**  
**Combining Statement of Net Assets**  
**June 30, 2006**

	<b>Downtown Development Authority</b>	<b>Local Development Financing Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 9,802,035	\$ 44,131	\$ 79,809	\$ 9,925,975
Investments	2,251,626	15,751	28,485	2,295,862
Receivables:				
Accounts receivable	-	-	674	674
Taxes receivable	213,589	-	-	213,589
Interest receivable	34,341	240	434	35,015
<b>Total assets</b>	<b>12,301,591</b>	<b>60,122</b>	<b>109,402</b>	<b>12,471,115</b>
<b>Liabilities</b>				
Due to primary government	67,485	-	-	67,485
Interest payable	229,077	-	-	229,077
Unearned revenue	-	-	674	674
Noncurrent liabilities:				
Due within one year	1,650,000	-	-	1,650,000
Due after one year	29,645,000	-	-	29,645,000
<b>Total liabilities</b>	<b>31,591,562</b>	<b>-</b>	<b>674</b>	<b>31,592,236</b>
<b>Net assets (deficit)</b>				
Unrestricted	(19,289,971)	60,122	108,728	(19,121,121)
<b>Total net assets (deficit)</b>	<b>\$ (19,289,971)</b>	<b>\$ 60,122</b>	<b>\$ 108,728</b>	<b>\$ (19,121,121)</b>

The accompanying notes are an integral part of these financial statements.

**City of Troy, Michigan**  
**Component Units**  
**Comining Statement of Activities**  
**For the Year Ended June 30, 2006**

	<u>Downtown Development Authority</u>	<u>Local Development Financing Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
<b>Revenues</b>				
Program:				
Intergovernmental	\$ 3,918,894	\$ -	\$ -	\$ 3,918,894
General:				
Property taxes	3,336,884	212,602	811,018	4,360,504
Investment earnings	<u>507,529</u>	<u>4,519</u>	<u>5,695</u>	<u>517,743</u>
Total revenues	<u>7,763,307</u>	<u>217,121</u>	<u>816,713</u>	<u>8,797,141</u>
<b>Expenses</b>				
Economic development	1,052,681	171,192	10,988	1,234,861
Interest	<u>1,421,437</u>	<u>-</u>	<u>15,548</u>	<u>1,436,985</u>
Total expenses	<u>2,474,118</u>	<u>171,192</u>	<u>26,536</u>	<u>2,671,846</u>
Change in net assets	5,289,189	45,929	790,177	6,125,295
Beginning of year	<u>(24,579,160)</u>	<u>14,193</u>	<u>(681,449)</u>	<u>(25,246,416)</u>
<b>Net assets (deficit), end of year</b>	<u><u>\$ (19,289,971)</u></u>	<u><u>\$ 60,122</u></u>	<u><u>\$ 108,728</u></u>	<u><u>\$ (19,121,121)</u></u>

The accompanying notes are an integral part of these financial statements.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### Note 1 - Summary of Significant Accounting Policies

The financial statements of the City of Troy, Michigan have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity**

The City of Troy, Michigan was incorporated in 1955, and was formerly known as Troy Township since it was organized in 1821. The City is governed by an elected mayor and six-member council.

As required by generally accepted accounting principles, these financial statements present the City of Troy and its component units, entities for which the government is considered to be financially accountable.

#### **Component Units**

Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are also legally separate entities, but are not in substance part of the government operation. The City of Troy has three component units, the Downtown Development Authority, Brownfield Redevelopment Authority and the Local Development Financing Authority, which meets the criteria for discretely presented component units. The Authorities are also reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The purpose of the Downtown Development Authority is to issue bonds and use tax increment financing in the accomplishment of specific Downtown Development improvements to City-owned facilities and infrastructure, which are contained in the locally adopted development plan. The purpose of the Brownfield Redevelopment Authority is to provide assistance for the redevelopment of abandoned, idled, or under-utilized industrial or commercial properties, which are complicated by real or perceived environmental contamination. The Authority's governing body, which consists of seven individuals, is selected by the City Council. In addition, the City Council sets the annual budget for the Authority. The Local Development Financing Authority is a multi-jurisdictional authority that was established to encourage local development in order to prevent conditions of unemployment and to promote economic growth.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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Included within the reporting entity is the Troy Municipal Building Authority. The City feels that this authority meets the minimum requirements to be considered a blended component unit. The governing body of this authority is appointed by City Council. Its' budget and any bond issuance authorizations also are approved by the City Council and the legal liability for any general obligation debt remains with the City. The blended component unit reported herein has a June 30<sup>th</sup> year end.

The purpose of the Troy Municipal Building Authority is to issue bonds for City-owned facilities and infrastructure, which are limited tax full faith and credit general obligations of the City.

### **Basis of Presentation - Government-Wide Financial Statements**

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the Governmental Accounting Standards Board Statement No. 33.

The statement of net assets and the statement of activities display information about the City as a whole. The statements include all funds of the primary government and its component units, except for its Fiduciary Funds. Those funds are reported in the statements of fiduciary net assets and changes in fiduciary net assets.

The statement of net assets and the statement of activities are presented to distinguish between governmental and business-type activities of the City. Governmental activities are financed through taxes, intergovernmental revenues and other non-exchange revenues. These activities are reported in Governmental and Internal Service Funds. Business-type activities are financed by fees charged to external parties for goods or services. These activities are reported in the City's Enterprise Funds.

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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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Capital assets are reported in the government-wide statements at historical cost. Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, library collection, infrastructure and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land and construction in progress are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings. Roads are depreciated as a class with each class containing items based on their date of construction or reconstruction. Sidewalks are depreciated by class with each class containing items based on the year of construction.

### **Basis of Presentation - Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### **Governmental Funds**

The City reports the following major and nonmajor governmental funds:

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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### **Major Funds**

#### **General Fund**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

#### **Capital Projects Fund**

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

### **Nonmajor Governmental Funds**

#### **Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

#### **Debt Service Funds**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

#### **Permanent Funds**

Permanent Funds are used to account for the resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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In addition, the City reports the following fund types:

### **Proprietary Funds**

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds, Aquatic Center, Golf Course Funds and the City's Internal Service Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds and Internal Service Funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary Funds focus on limitations on the use of net assets, rather than on the source of those assets.

The following Proprietary Funds are reported:

### **Enterprise Funds**

Enterprise Funds are used to account for City operations which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

### **Internal Service Funds**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or other governments, on a cost-reimbursement basis.

The City reports the following major proprietary funds:

### **Water Fund**

The Water Fund accounts for the operation and maintenance of the City's water supply system, capital additions and improvements.

### **Sanitary Sewer Fund**

The Sanitary Sewer Fund accounts for the operation and maintenance of the City's sewage disposal system, capital additions and improvements.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### **Sanctuary Lake Golf Course Fund**

The Sanctuary Lake Golf Course Fund accounts for the operations of the new 18-hole links style course with practice facility.

### **Fiduciary Funds**

#### **Trust and Agency Funds**

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. These include Pension Trust Funds, a Retiree Health Care Trust Fund and an Agency Fund. Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds, since capital maintenance is critical. The Pension Trust Funds account for the activities of the general employees and volunteer fireman retirement systems, which accumulate resources for pension benefits to qualified employees and volunteers during retirement. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are generally considered available when

they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year end to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The exception to this is state shared revenues and expenditure driven grants in which revenues are recognized if received within 90 days and one year of the end of the fiscal period, respectively. Significant revenues susceptible to accrual include reimbursement grants, state shared revenues and charges for services.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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Certain indirect expenditures are included in the program expense reported for individual functions and activities.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financial uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All Proprietary Funds, Pension Trust Funds and Agency Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Water and Sewer Fund utility service receivables are recorded at year-end.

All Proprietary Funds and the Pension Trust Funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statements of net assets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

### **Budget Information**

The City is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's "Bulletin for Audits of Local Units of Government in Michigan" dated April 1984:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

The City adopts its budget by function, which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or before the third Monday in April, the City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing on the budget is held before its final adoption.
3. As provided for by the City Charter, on or before the third Monday in May, the budget is legally adopted and by resolution designates the sum to be raised by taxation.
4. The City Manager is authorized to transfer budgeted amounts within budgetary functions; however, any revisions that alter the total expenditure of any budgetary function must be approved by the City Council.

Budget amounts of the revenues and expenditures presented for the Governmental Funds are a summarization of the budgeted amounts as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were adopted, for the General and Special Revenue Funds. Budget appropriations lapse at year end. During the current year, the budget was amended in a legally permissible manner. Budgets have been prepared on a basis consistent with generally accepted accounting principles (GAAP).

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### **Encumbrance Accounting**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the Capital Projects Fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

### **Cash and Investments**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

The City is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, domestic certificates of deposit, certain commercial paper, U.S. government repurchase agreements, bankers acceptances, mutual funds and investment pools that are composed of authorized investment vehicles.

The Pension Trust Funds are authorized by Michigan Public Act 485 of 1996 and 149 of 1999 to invest in certain reverse repurchase agreements, real estate leased to public agencies, stocks, diversified investment companies, annuity investment contracts, mortgages, certain state and local government obligations, and certain other specified investment vehicles.

Investments are stated at fair value.

### **Inventory**

Inventory is stated at cost determined on a first-in, first-out basis which approximates market value. Inventories in the Governmental Funds are recorded as an expenditure when the inventory item is consumed. Inventories are equally offset by a fund balance reserve which indicates that such amounts do not constitute "available spendable resources".

### **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### Capital Assets

Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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.

Infrastructure acquired prior to fiscal years ended after June 30, 1980 is not reported in Capital Assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Assets Classification</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Water and sewer transmission and distribution system	50 years
Service connections	20 years
Infrastructure	20 - 25 years
Land improvements	10 years
Building improvements	20 years
Golf course equipment	3 - 10 years
Furniture and fixtures	3 - 10 years
Vehicles and miscellaneous equipment	2 - 20 years

### Accrued Vacation and Other Compensated Absences

The City maintains an Internal Service Fund to account for the accumulation of resources for, and the payment of, vacation, compensatory time, holiday and sick pay. Earned but unpaid vacation pay is fully accrued in the Compensated Absences Fund, as it is due during the fiscal year subsequent to the statement of net assets date.

The City charges departments incurring payroll costs for vacation pay benefits as they are earned on a percent of payroll basis and transfers related proceeds into the Compensated Absences Fund to pay for eventual benefits to employees. Accumulated unpaid vacation pay due to the employees of the City at June 30, 2006, was \$2,427,774.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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All other compensated absences which are currently due are also accrued in the Compensated Absences Fund since it has been earned by the employee as of the statement of net assets date.

The Compensated Absences Fund also includes compensatory holiday and sick pay.

### **Long-Term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts and issuance costs are reported as debt service expenditures.

### **Fund Balance/Equity**

Reservations of fund balance indicate that a portion of the fund balance is not appropriable for expenditures or is legally restricted for specific future use. Designations of fund balance indicate plans for future financial resources utilization.

## **Note 2 - Stewardship, Compliance and Accountability**

### **State Construction Code Act**

The City oversees building construction, in accordance with the State Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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A summary of the current year activity and the cumulative shortfall generated since July 1, 2001 is as follows:

Shortfall at July 1, 2005		\$ (2,145,412)
Current year building permit revenue	\$ 1,583,486	
Related expenses:		
Direct costs	2,001,227	
Estimated indirect costs	<u>160,098</u>	
Total construction code expenses	<u>2,161,325</u>	
Net shortfall for the year ended June 30, 2006		<u>(577,839)</u>
Cumulative shortfall at June 30, 2006		<u>\$ (2,723,251)</u>

### Note 3 - Deposits and Investments

#### Statutory Authority

State statutes authorize the City to make limited investments authorized by Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), and may invest in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States. Repurchase agreements consisting of these same instruments.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase. Not more than fifty percent of any fund may be invested in commercial paper at any time.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan or any of its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The investment policy adopted by the City Council in accordance with Public Act 20 of 1943, as amended authorizes investments in all of the above investments with the following provision: Authorized Depositories shall be designated by the City of Troy City Council.

The City of Troy's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All investments are recorded at fair value.

The Pension Trust Funds are also authorized to invest in Stocks, Annuity Investment Contracts, Mutual Funds, Commercial Paper, Corporate Bonds, Instrumentalities of the United States, Real Estate (limited to five percent of the trust funds assets), certain state and local government obligations, and certain other specified investment vehicles.

### **Investment and deposit 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. State law limits the allowable investments and the maturities of some of the allowable investments. The City of Troy's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

At year end, the average maturities of debt security Investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Ave Maturity</u>
Government-wide		
US Government or agency bond/note	\$12,177,857	270 days
Pooled Investments	22,616,021	120 days
Employees' Retirement System		
Corporate Bonds	35,729,176	3.10 years
US Government or agency bond/note	8,520,277	5 years
Discretionary Fire Incentive Reserve		
US Government or agency bond/note	4,805,850	5 years
Other	7,446	120 days
Retiree Health Care Trust Fund		
Other	479,819	120 days

**Credit Risk.** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The City of Troy investment policy does not have specific limits in excess of state law on investment credit risk. As of year end, the credit quality ratings of debt securities (other than the U.S. Government) are as follows:

<u>Investment</u>	<u>FairValue</u>	<u>Rating</u>	<u>Organization</u>
<b>General Employees' Retirement System</b>			
Corporate Bonds	\$ 2,378,281	AAA	S&P
Corporate Bonds	10,742,361	AA to AA-	S&P
Corporate Bonds	15,035,130	A to A-	S&P
Corporate Bonds	1,823,287	BBB to BBB-	S&P
Corporate Bonds	2,612,466	BB to BB-	S&P
Corporate Bonds	2,872,592	B to B-	S&P
Corporate Bonds	<u>265,059</u>	Not Rated	
<b>Total</b>	<u>\$35,729,176</u>		

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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***Custodial Credit Risk – Deposits.*** Custodial credit risk is the risk that in the event of a bank failure, the City of Troy deposits may not be returned. State law does not require and the City's investment policy does not directly address a deposit policy for custodial credit risk. At year end, \$73,352,900 of the City of Troy's bank deposits (certifications of deposit, checking, and cash) was exposed to custodial credit risk because they were uninsured and uncollateralized. The City 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 City 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 – Investments.*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City of Troy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City of Troy does not have a policy for investment custodial credit risk. At year end none of the City's investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool
- Investments were book-entry only in the name of the City and were fully insured
- Investments were part of a mutual fund
- Investments were held by an agent in the City's name

***Concentration of Credit Risk.*** In compliance with State law, the City's investment policy limits investments to the top two ratings issued by nationally recognized statistical rating organizations. Through its investment policy, the City places a 5 percent limit on the amount the City may invest in any one issuer.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### Note 4 - Receivables

Receivables, which includes amounts due from other governments at June 30, 2006, are summarized as follows:

	<u>Governments</u>	<u>Other</u>
Major Governmental Funds		
General Fund		
Due from Oakland County	\$ 39,472	\$ -
Due from State of Michigan	2,384,096	-
Invoices and advances	-	1,056,202
	2,423,568	1,056,202
Capital Projects Fund		
Billed Accounts Receivable	-	460,979
Total Major Governmental Funds	2,423,568	1,517,181
Nonmajor Governmental Funds		
Community Development Block Grant Fund		
Due from Federal Government	78,918	-
Major Streets Fund		
Due from State of Michigan	599,183	-
Local Streets Fund		
Due from State of Michigan	236,024	-
Total Nonmajor Governmental Funds	914,125	-
Total Governmental Funds	\$ 3,337,693	\$ 1,517,181
Major Business-Type Activities		
Water Fund		
Billed accounts receivable	\$ -	\$ 1,711,108
Unbilled accounts receivable	-	3,284,826
	-	4,995,934
Sanitary Sewer Fund		
Billed accounts receivable	-	94,918
Unbilled accounts receivable	-	2,414,296
	-	2,509,214
Sanctuary Lake Golf Course Fund		
Billed accounts receivable	-	23,541
Total Major Business-Type Activities Funds	\$ -	\$ 7,528,689
Nonmajor Business-Type Activities		
Aquatic Center Fund		
Billed accounts receivable	\$ -	\$ 6,238
Sylvan Glen Golf Course Fund		
Billed accounts receivable	-	9,334
Total Nonmajor Business-Type Activities	-	15,572
Total Business-Type Activities	-	7,544,261
Governmental Activities - Internal Service Fund		
Motor Equipment Fund		
Billed accounts Receivable	\$ -	\$ 75
Total	\$ 3,337,693	\$ 9,061,517

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### Note 5 - Capital Assets

Capital Assets Activity of the primary government's Governmental and Business-Type Activities was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 28,851,896	\$ 2,470,414	\$ 514,449	\$ 30,807,861
Museum artifacts	2,082,845	-		2,082,845
Construction – in- Progress	3,213,120	2,471,470	232,529	5,452,061
<b>Total capital assets, not being depreciated</b>	<b><u>\$ 34,147,861</u></b>	<b><u>\$ 4,941,884</u></b>	<b><u>\$ 746,978</u></b>	<b><u>\$ 38,342,767</u></b>
Capital assets, being depreciated:				
Infrastructure - major/county/local roads	\$ 129,838,699	\$ 5,520,343	\$ -	\$ 135,359,042
Infrastructure - local donated roads	31,566,626	1,200,000	-	32,766,626
Infrastructure - sidewalks	28,299,185	336,344	-	28,635,529
Infrastructure – drains	926,972	-	-	926,972
Land improvements	5,584,327	130,719	-	5,715,046
Buildings and improvements	76,670,248	416,943	-	77,087,191
Miscellaneous equipment	3,218,701	298,341	71,155	3,445,887
Computer equipment	402,447	231,201	76,111	557,537
Office furniture	1,151,623	15,809	17,119	1,150,313
Office equipment	179,295	71,250	10,986	239,559
Computer software	90,390	306,006	-	396,396
Vehicles	16,677,740	1,889,702	1,124,340	17,443,102
Library books/Audio Visual	5,959,895	740,014	404,774	6,295,135
<b>Total at historical cost</b>	<b><u>\$ 300,566,148</u></b>	<b><u>\$ 11,156,672</u></b>	<b><u>\$ 1,704,485</u></b>	<b><u>\$ 310,018,335</u></b>
Less Accumulated Depreciation for:				
Infrastructure - major/county/local roads	\$ 47,297,888	\$ 5,244,443	\$ -	\$ 52,542,331
Infrastructure - local donated roads	17,104,528	1,285,172	-	18,389,700
Infrastructure - sidewalks	20,712,142	1,235,131	-	21,947,273
Infrastructure – drains	18,539	18,539	-	37,078
Land improvements	4,418,114	250,727	-	4,668,841
Buildings and improvements	27,315,943	2,936,783	-	30,252,726
Miscellaneous equipment	2,771,712	246,609	71,155	2,947,166
Computer equipment	374,917	17,295	76,111	316,101
Office furniture	909,917	129,943	17,119	1,022,741
Office equipment	159,171	55,683	10,986	203,868
Computer software	49,646	75,264	-	124,910
Vehicles	11,976,025	1,274,786	1,104,839	12,145,972
Library books/Audio Visual	4,640,467	620,099	404,774	4,855,792
<b>Total accumulated depreciation</b>	<b><u>\$ 137,749,009</u></b>	<b><u>\$ 13,390,474</u></b>	<b><u>\$ 1,684,984</u></b>	<b><u>\$ 149,454,499</u></b>
<b>Total capital assets, being depreciated, net</b>	<b><u>\$ 162,817,139</u></b>	<b><u>\$ (2,233,802)</u></b>	<b><u>\$ 19,501</u></b>	<b><u>\$ 160,563,836</u></b>
<b>Total Governmental Activities Capital Assets, net</b>	<b><u>\$ 196,965,000</u></b>	<b><u>\$ 2,708,082</u></b>	<b><u>\$ 766,479</u></b>	<b><u>\$ 198,906,603</u></b>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 6,738,504	\$ -	\$ -	\$ 6,738,504
Construction-in-progress	4,721,587	3,130,950	-	7,852,537
	<u>\$ 11,460,091</u>	<u>\$ 3,130,950</u>	<u>\$ -</u>	<u>\$ 14,591,041</u>
<b>Total capital assets, not being depreciated</b>				
Capital assets, being depreciated:				
Water and sewer transmission and distribution system	\$ 137,765,953	\$ 635,786	\$ -	\$ 138,401,739
Service connections	750,121	-	-	750,121
Land improvements	8,326,392	-	-	8,326,392
Buildings and improvements	7,172,107	-	-	7,172,107
Miscellaneous equipment	2,296,771	88,445	-	2,385,216
Motor vehicles	417,414	-	-	417,414
Furniture, fixtures and other	261,330	-	-	261,330
	<u>\$ 156,990,088</u>	<u>\$ 724,231</u>	<u>\$ -</u>	<u>\$ 157,714,319</u>
<b>Total capital assets, being depreciated</b>				
Less accumulated depreciation for:				
Water and sewer transmission and distribution system	\$ 48,217,337	\$ 2,756,377	\$ -	\$ 50,973,714
Service connections	750,121	-	-	750,121
Land improvements	917,556	215,372	-	1,132,928
Buildings and improvements	2,557,121	274,415	-	2,831,536
Miscellaneous equipment	1,487,449	180,213	-	1,667,662
Motor vehicles	216,806	50,344	-	267,150
Furniture, fixtures and other	258,064	2,447	-	260,511
	<u>\$ 54,404,454</u>	<u>\$ 3,479,168</u>	<u>\$ -</u>	<u>\$ 57,883,622</u>
<b>Total accumulated depreciation</b>				
	<u>\$ 102,585,634</u>	<u>\$ (2,754,937)</u>	<u>\$ -</u>	<u>\$ 99,830,697</u>
<b>Total capital assets, being depreciated, net</b>				

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General government	\$ 4,069,860
Public safety	449,931
Public works	7,858,816
Community and economic development	43,495
Recreation and culture	<u>968,372</u>
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 13,390,474</u></b>

**Business-type activities:**

Water	\$ 1,743,448
Sewer	1,078,173
Aquatic Center	155,460
Sylvan Glen Golf Course	153,876
Sanctuary Lake Golf Course	<u>348,211</u>
<b>Total depreciation expense - business-type activities</b>	<b><u>\$ 3,479,168</u></b>

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

The amounts of interfund receivables, payables and transfers are as follows as of June 30, 2006:

	<b><u>Due From Other Funds</u></b>	<b><u>Due to Other Funds</u></b>
General Fund	\$ 362,939	\$ -
Special Revenue Funds		
Community Development Block Grant Fund	-	78,918
Internal Service Funds		
Information Technology	-	903
Enterprise Funds		
Aquatic Center Fund	-	283,118
Sanctuary Lake Golf Course Fund	-	1,139,845
Sylvan Glen Golf Course Fund	<u>1,139,845</u>	<u>-</u>
	<b><u>\$ 1,502,784</u></b>	<b><u>\$ 1,502,784</u></b>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

Interfund balances represent routine and temporary cash flow assistance from mainly the General Fund until amounts are transferred from Fund Investment Accounts. The Sylvan Glen Golf Course Fund is providing funds for the Sanctuary Lake Golf Course Fund until its operations provide enough funding to cover expenses.

Interfund transfers reported in the fund statements are as follows as of June 30, 2006:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 100,000
Nonmajor Governmental Funds	General Fund	3,507,425
	Nonmajor Governmental Funds	2,900,002
	Capital Projects Fund	<u>1,917,330</u>
		8,324,757
Capital Projects Fund	General Fund	2,333,000
	Capital Projects Fund	<u>1,251,093</u>
		3,584,093
Sewer Fund	General Fund	<u>758,500</u>
Total		<u>\$ 12,767,350</u>

### Nonmajor Governmental Funds

Major Streets Fund transfer to General Fund for routine road maintenance in the amount of \$1,858,450. Major Streets Fund transfer to Capital Projects Fund of \$1,917,330 representing funding of road improvements. Local Streets Fund transfer to General Fund for routine road maintenance in the amount of \$1,607,670. General Debt Service Fund transfer to Proposal A, B and C Debt Service Funds in the amount of \$2,817,332 for principle and interest payments on outstanding debt.

### Capital Projects Fund

Transfer to General Fund for repayment of previous transfers.

### Sewer Fund

Transfer to General Fund for storm sewer operating expenditures.

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 7 - Operating Leases**

The City leases copy machines and telephones which are being treated as operating leases. The leases have various terms of three to four years and the future minimum lease payments remaining on these leases are as follows:

**Year Ending June 30**

2007	\$ 155,589
2008	155,589
2009	149,216

Lease costs for the year ended June 30, 2006, are \$91,063.

**Note 8 - Long-Term Debt**

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2006:

	<u>Serviced by Governmental Fund Types</u>			<u>Serviced by Proprietary Fund Types</u>		<u>Total Long-Term Debt</u>	<u>Component Units</u>
	<u>Special Assessment</u>	<u>Storm Drains and Other</u>	<u>Street Bonds</u>	<u>Enterprise</u>	<u>Internal Service</u>		<u>Downtown Development Authority Construction</u>
Long Term debt Payable at July 1, 2005	\$100,000	\$39,136,041	\$1,725,000	\$12,000,000	\$5,276,404	\$58,237,445	\$32,865,000
Addition of new debt	-	140,249	-	-	4,412,834	4,553,083	-
Long Term debt retired	<u>(50,000)</u>	<u>(1,534,982)</u>	<u>(175,000)</u>	<u>(200,000)</u>	<u>(4,404,825)</u>	<u>(6,364,807)</u>	<u>(1,570,000)</u>
Total long-term debt payable at June 30, 2006	<u>\$ 50,000</u>	<u>\$37,741,308</u>	<u>\$1,550,000</u>	<u>\$11,800,000</u>	<u>\$5,284,413</u>	<u>\$56,425,721</u>	<u>\$31,295,000</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### Governmental Activities

	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>	<u>Due</u>
	<u>July 1, 2005</u>	<u>(Deductions)</u>	<u>June 30, 2006</u>	<u>Within</u>
				<u>One Year</u>
Street, Roads and Streetscape Improvement General Obligation Bonds dated 8/1/00; original issuance amount \$4,150,000; bearing interest at 4.75% to 6.0%; principal due in annual installments of \$50,000 to \$400,000 through October 1, 2020	\$ 3,850,000	\$ (100,000)	\$ 3,750,000	\$ 100,000
Street, Roads and Streetscape Improvement General Obligation Bonds dated 11/1/01; original issuance amount \$6,850,000; bearing interest at 3.25% to 4.70%; principal due in annual installments of \$150,000 to \$600,000 through October 1, 2020	6,325,000	(225,000)	6,100,000	250,000
Public Safety Facilities and City Hall General Obligation Bonds dated 8/1/00; original issuance amount \$2,330,000; bearing interest at 4.625% to 4.75%; principal due in annual installments of \$80,000 to \$500,000 through October 1, 2010	1,900,000	(150,000)	1,750,000	250,000
Public Safety Facilities and City Hall General Obligation Bonds dated 11/1/01; original issuance amount \$1,170,000; bearing interest at 3.75% to 4.75%; principal due in annual installments of \$15,000 to \$110,000 through October 1, 2020	1,110,000	(25,000)	1,085,000	25,000
George W. Kuhn Drain District Drain Bonds, Series 2001D 12/20/01; original issuance amount \$81,089; bearing interest at 2.50%; principal due in annual installments of \$3,198 to \$5,116 through April 1, 2025	-	81,089	-	-
	-	(3,198)	77,891	3,198

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### Governmental Activities - Continued

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<p>Community Center and Recreational Facilities General Obligation Bonds dated 11/1/01; original issuance amount \$9,470,000; bearing interest at 3.00% to 4.625%; principal due in annual installments of \$200,000 to \$700,000 through October 1, 2020</p>	\$ 8,720,000	\$ (350,000)	\$ 8,370,000	\$ 400,000
<p>North Arm Relief Drain Revenue Bonds dated 1998; original issuance amount \$926,972; bearing interest at 2.25%; principal due in annual installments of \$38,408 to \$54,933 through October 1, 2020</p>	763,986	(40,078)	723,908	41,080
<p>George W. Kuhn Drain District Drain Bonds, Series 2001C dated 10/1/01; original issuance amount \$2,102,682; bearing interest at 2.50%; principal due in annual installments of \$82,368 to \$131,609 through April 1, 2024</p>	2,020,314	(84,414)	1,935,900	86,461
<p>Michigan Transportation Fund Bonds serviced by the Downtown Development Authority Fund, dated 2/1/2000; original issuance amount \$5,600,000; bearing interest at 4.75% to 5.45%; principal due in annual installments of \$125,000 to \$1,300,000 through May 1, 2013</p>	1,725,000	(175,000)	1,550,000	175,000
<p>Public Safety Facilities and City Hall General Obligation Bonds, dated 2/1/03; original issuance amount \$14,500,000; bearing interest at 2.50% to 4.50%; principal due in annual installments of \$500,000 to \$1,100,000 through April 1, 2020</p>	13,500,000	(500,000)	13,000,000	500,000

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Governmental Activities - Continued**

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
1986 Special Assessment Bonds, date of issue 8/1/86; original issuance amount \$930,000; bearing interest at 6.75% to,6.85%; principal due in annual installments of \$25,000 to \$50,000 through August 1, 2006	\$ 100,000	\$ (50,000)	\$ 50,000	\$ 50,000
George W. Kuhn Drain District Drain Bonds, Series 2000A dated 10/1/00; original issuance amount \$457,372; bearing interest at 2.50%; principal due in annual installments of \$17,906 to \$28,650 through April 1, 2022	402,375	(19,313)	383,062	19,825
George W. Kuhn Drain District Drain Bonds, Series 2000B dated 10/1/00; original issuance amount \$168,061; bearing interest at 4.75% to 5.375%; principal due in annual installments of \$5,116 to \$12,658 through April 1, 2022	152,073	(5,756)	146,317	6,395
George W. Kuhn Drain District Drain Bonds, Series 2001E dated 1/1/02; original issuance amount \$252,476; bearing interest at 4.00% to 5.25%; principal due in annual installments of \$8,953 to \$18,415 through April 1, 2024	<u>243,523</u>	<u>(8,953)</u>	<u>234,570</u>	<u>8,953</u>
<b>Total Long-Term Debt</b>	<b><u>\$40,812,271</u></b>	<b><u>\$(1,655,623)</u></b>	<b><u>\$39,156,648</u></b>	<b><u>\$1,915,912</u></b>
<b>Other Long-Term Obligations</b>				
Compensated Absences	\$ 5,276,404	\$ 4,412,834	\$ -	\$ -
	-	(4,404,825)	5,284,413	3,004,789
Incurred but not reported insurance claims	-	59,160	-	-
	<u>148,770</u>	<u>(23,270)</u>	<u>184,660</u>	<u>10,844</u>
<b>Total Governmental Activities</b>	<b><u>\$46,237,445</u></b>	<b><u>\$(1,611,724)</u></b>	<b><u>\$44,625,721</u></b>	<b><u>\$4,931,545</u></b>

- Compensated absences are liquidated through the Internal Service Fund and incurred, but not reported insurance claims are generally liquidated through the General Fund.

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Business-Type Activities- Continued**

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Municipal Building Authority Golf Course Bonds serviced by the Golf Course Fund, dated 7/1/02; original issuance amount \$12,000,000; bearing interest at 3.25% to 5.00%; principal due in annual installments of \$200,000 to \$900,000 through December 1, 2027	\$12,000,000	\$ (200,000)	\$11,800,000	\$ 200,000
Total Business-Type Activities	\$12,000,000	\$ (200,000)	\$11,800,000	\$ 200,000
Total	<u>\$58,237,445</u>	<u>\$(1,811,724)</u>	<u>\$56,425,721</u>	<u>\$5,131,545</u>

**Component Units**

Note payable to developer, payments based on Brownfield tax increment revenues plus interest at 6%	\$ 701,704	\$ (701,704)	\$ -	\$ -
Downtown Development Authority Development Bonds, dated 7/19/01; original issuance amount \$14,255,000; bearing interest at 4.00% to 5.50%; principal due in annual installments of \$545,000 to \$1,165,000 through November 1, 2018	11,950,000	(615,000)	11,335,000	640,000
2002 Downtown Development Authority Community Center Facilities Bonds serviced by the Downtown Development Authority Fund, dated 9/1/02; original issuance amount \$9,700,000; bearing interest at 2.05% to 5.00%; principal due in annual installments of \$400,000 to \$850,000 through May 1, 2018	8,875,000	(425,000)	8,450,000	500,000
2003 Downtown Development Authority Community Center Facilities Junior Lien Bonds serviced by the Downtown Development Authority Fund, dated 6/1/03; original issuance amount \$4,025,000; bearing interest at 2.50% to 4.25%; principal due in annual installments of \$75,000 to \$500,000 through November 1, 2018	3,950,000	(100,000)	3,850,000	100,000

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Component Units- Continued**

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Downtown Development Authority Refunding Bonds, dated 7/19/01; original issuance amount \$9,745,000; bearing interest at 4.00% to 5.50%; principal due in annual installments of \$380,000 to \$800,000 through November 1, 2018	<u>\$ 8,090,000</u>	<u>\$ (430,000)</u>	<u>\$ 7,660,000</u>	<u>\$ 410,000</u>
Total Downtown Development Authority	<u>\$32,865,000</u>	<u>\$(1,570,000)</u>	<u>\$31,295,000</u>	<u>\$1,650,000</u>
Total Component Units	<u>\$33,566,704</u>	<u>\$(2,271,704)</u>	<u>\$31,295,000</u>	<u>\$1,650,000</u>

It is the intent of the City that all payments relating to these obligations will be made from revenues generated from operations of the respective funds. The City has pledged its full faith and credit for the debt if revenues are insufficient to meet the obligations, of all general obligation bonds.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

The annual debt requirements to maturity for all long-term debts outstanding as of June 30, 2006, exclusive of earned but unpaid sick pay and insurance claims are as follows:

Year Ending June 30,	Government Activities			Business Type Activities			Component Units		
	General Obligation Debt Serviced by Governmental Fund Types	Street Bonds And Special Assessment Bonds	Amount of Annual Interest	Proprietary Fund Types	Amount of Annual Interest	Total	Downtown Development Authority	Amount of Annual Interest	Total
2007	\$ 1,690,912	\$ 225,000	\$ 1,579,523	\$ 200,000	\$ 547,870	\$ 4,243,305	\$ 1,650,000	\$ 1,370,712	\$ 3,020,712
2008	1,785,238	175,000	1,516,876	300,000	539,032	4,316,146	1,725,000	1,306,899	3,031,899
2009	1,974,694	175,000	1,445,340	300,000	527,895	4,422,929	1,850,000	1,242,886	3,092,886
2010	2,054,148	175,000	1,890,242	300,000	516,195	4,935,585	1,975,000	1,166,842	3,141,842
2011	2,263,860	175,000	1,266,195	400,000	501,945	4,607,000	2,065,000	1,079,374	3,144,374
2012	2,323,572	200,000	1,167,508	400,000	485,446	4,576,526	2,215,000	989,480	3,204,480
2013	2,433,794	225,000	1,065,748	400,000	468,597	4,593,139	2,365,000	888,602	3,253,602
2014	2,498,761	250,000	956,846	400,000	451,247	4,556,854	2,490,000	772,871	3,262,871
2015	2,628,934	-	838,793	450,000	431,248	4,348,975	2,650,000	648,953	3,298,953
2016	2,744,335	-	726,958	500,000	408,998	4,380,291	2,815,000	515,814	3,330,814
2017	2,805,403	-	608,932	500,000	386,748	4,301,083	3,005,000	376,638	3,381,638
2018	2,746,010	-	488,018	500,000	364,248	4,098,276	3,175,000	231,600	3,406,600
2019	2,951,566	-	361,869	600,000	339,123	4,252,558	3,315,000	78,450	3,393,450
2020	3,007,890	-	228,436	600,000	310,999	4,147,325	-	-	-
2021	3,147,703	-	88,944	600,000	282,124	4,118,771	-	-	-
2022	188,521	-	14,322	600,000	252,500	1,055,343	-	-	-
2023	151,178	-	8,781	700,000	220,000	1,079,959	-	-	-
2024	155,013	-	4,508	700,000	185,000	1,044,521	-	-	-
2025	5,116	-	128	800,000	147,500	952,744	-	-	-
2026	-	-	-	800,000	107,500	907,500	-	-	-
2027	-	-	-	850,000	66,250	916,250	-	-	-
2028	-	-	-	900,000	22,500	922,500	-	-	-
<b>Total</b>	<b>\$ 37,556,648</b>	<b>\$ 1,600,000</b>	<b>\$ 14,257,967</b>	<b>\$ 11,800,000</b>	<b>\$ 7,562,965</b>	<b>\$ 72,777,580</b>	<b>\$ 31,295,000</b>	<b>\$ 10,669,121</b>	<b>\$ 41,964,121</b>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### **Special Assessment Bonds**

In the event that special assessment collections are insufficient to meet debt service costs of such issues, the City has pledged its full faith and credit as additional security for payment of related principal and interest.

### **Note 9 - Net Assets/Fund Balance Reserves and Designations**

Fund balance has been reserved and designated as follows:

#### **Reserve for Inventory and Prepaid Items**

The General Fund has reserved fund balance for inventory and prepaid items in the amount of \$618,143 representing the portion of the fund balance that is not available for other future expenditures.

#### **Reserve for Debt Service**

The fund balance of \$4,776,501 in the City's General Debt Service Fund is considered reserved for debt service in accordance with City accounting policy.

#### **Reserve For Project Commitments**

Related amounts have been reserved as a result of contractual commitments, or due to the limited purpose for which a fund has been established, as follows:

Capital Projects Fund	
Project Commitments	\$ 3,894,580

#### **Restricted for Pension Benefits**

The related amount restricted in the Fiduciary Fund reserve is largely comprised of equity recorded in the Pension Trust Fund. In addition, equity is set aside to pay for sick pay and vacation pay in the Internal Service Funds.

#### **Net Assets/Fund Balance**

Net assets have been restricted for (a) debt service, based upon bond indenture agreements and the City's understanding that bond proceeds generated by these Funds are only to be spent on specified construction or the retirement of related debt, (b) replacements and extensions based upon bond indenture agreements or the limited purpose for which a fund was established, (c)

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

employee fringe benefits based upon the limited purpose for which funds have been established, and (d) outstanding purchase orders for motor equipment and supplies.

**Unreserved Fund Balance**

The following is a summary of the unreserved fund balances of the Governmental Funds with management's designations:

	<b>Funds</b>			
	<b>General</b>	<b>Capital Projects</b>	<b>Nonmajor</b>	<b>Permanent</b>
Designated For:				
Improvement and maintenance	\$ 5,619,828	\$ -	\$ -	\$ 170,518
Insurance claims	2,236,185	-	-	-
Snow and ice control	-	-	700,000	-
Subsequent years budgets	6,367,250	6,277,420	307,570	-
Tax appeals	900,000	-	-	-
Total designated	\$ 15,123,263	\$ 6,277,420	\$ 1,007,570	\$ 170,518
Undesignated	\$ 11,157,403	\$ 12,296,271	\$ 4,594,178	\$ -
Total unreserved fund balance	\$ 26,280,666	\$ 18,573,691	\$ 5,601,748	\$ 170,518

**Note 10 - Risk Management**

The City has entered into a Public Entity Risk Pool with other Michigan units of government as an individual member for its general liability, property damage insurance including auto and public officials liability and contractors equipment. The City's maximum deductible for property coverage is \$11,000 per occurrence. The liability maximum self-insured retention is \$500,000 per occurrence with an aggregate stop loss of \$1,000,000 per policy year for both property and liability.

The City accounts for transactions related to these risks in accordance with GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which states that a liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss that can be reasonably estimated.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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No settlements have exceeded insurance coverage during the last three years. The City has made no significant reductions in insurance coverage during the year. The City has received no indication that any significant losses exist at June 30, 2006.

The City has also entered into a public entity risk pool with other Michigan units of government for its workers compensation insurance.

### **Note 11 - Litigation and Contingent Liabilities**

#### **Litigation**

The City is a defendant to various claims, legal actions and complaints arising in the ordinary course of business. The City of Troy denies the allegations and plans a vigorous defense. In the opinion of legal council, all such matters as indicated above are adequately covered by insurance, or if not so covered, are without merit or of such kind, or involve such amounts that an unfavorable disposition would not have a material effect on the financial position of the City.

#### **Condemnations**

The City of Troy has exercised its condemnation rights under Michigan law and has awarded the affected property owners a monetary settlement for their property. Certain of these property owners have contested the settlement amount and have subsequently filed suit. The amount of final settlements cannot be determined and have not been recorded in the financial statements.

#### **Tax Appeals to the Michigan Tax Tribunal**

The City has several outstanding property tax assessment appeals totaling approximately \$20,690,165 (taxable values) to the Michigan Tax Tribunal. If the City is not successful with a portion of these appeals, the City of Troy's share of the tax to be refunded would be the levied rate (approximately \$10 per thousand of assessed value) plus interest. The amount of refund (if any) cannot be determined as of June 30, 2006.

### **Note 12 - Property Taxes**

Property taxes are recorded on the modified accrual basis of accounting and are levied, and become a lien on July 1<sup>st</sup> on the taxable valuation of the property located within its boundaries as of the preceding December 31<sup>st</sup>. Taxable value is determined by the prior years taxable value plus 5% or the Consumer Price Index which ever is less, starting with the 1994 state equalized value as the base taxable value. Assessed values are equalized by the State, to closely approximate fifty percent of estimated current market value. The final taxable value of real and personal property subject to property tax within the City for the fiscal 2005-2006 levy was \$5,264,351,550. The

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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City's operating tax rate was 6.50 mills for the same year with additional millages of .50, 1.62 and .83 levied to fund various types of debt service costs, capital outlay expenditures and refuse removal and disposal, respectively.

In addition to collecting their own taxes, the City also acts as collection agent for all overlapping governments and school districts within its boundaries, which includes seven school districts, two intermediate school districts, a community college, and Oakland County.

City taxes are received in one installment, collectible from July 1<sup>st</sup> to September 1<sup>st</sup>. Any real property taxes not paid by March 1<sup>st</sup>, following the due date, are reimbursed by the County. The County Treasurer takes over collection responsibility at that date, as well as delinquent personal property taxes.

The City is occasionally ordered by the Michigan Tax Tribunal to refund taxes already collected and recorded into revenue. It is, therefore, the City's policy to compensate for doubtful accounts, as well as refunds of taxes already collected through use of an allowance for doubtful taxes receivable and as a designation of the general fund balance.

### Note 13 - Retirement System and Plan

#### Employee Retirement System

The City of Troy, Michigan, under the authorization of the City ordinance, maintains an employee retirement system covering all full-time employees. The single-employer plan provides retirement benefits based on credited service time and average compensation with death and disability benefits, and under some circumstances, payments to dependents. Normal retirement age is 65 with provisions for early and late retirement. Participants under such plan are required to contribute a fixed percentage of their total compensation, with the City's contribution being an amount sufficient to cover current service costs and prior service costs which are being funded and charged to operations over ten years for pension benefits and fifteen years for healthcare benefits. The percent of wages required to be contributed by all employees participating in the primary plan was 1.0 to 4.0 percent as of June 30, 2006. The City's total payroll for the year ended

June	30,
------	-----

2006, was \$35,402,157. Included in this total was \$12,424,140 and \$18,785,926 of covered payroll for the employee retirement system and the employee defined contribution plan, respectively. \$4,192,091 represents payroll which was not covered by the retirement system or the defined contribution plan. The plan is closed to new participants. Current membership in the system is as follows:

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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<u>Group</u>	<u>December 31, 2005</u>
Retirees and beneficiaries currently receiving benefits	205
Vested terminated employees	17
Active employees:	
Fully vested	140
Nonvested	34

The employee retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2006 were determined using an individual entry-age actuarial funding method. Unfunded actuarial liabilities were amortized as a level percent of payroll on an open basis over a period of ten years for pensions and fifteen years for post-retirement healthcare.

For the year ended June 30, 2006, contributions totaling \$517,570 (\$212,555 employer and \$305,015 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004, which was net of the amortization of assets in excess of unfunded actuarial accrued liability. Employer and employee contributions were based on 1.7 percent and 2.5 percent, respectively, of covered payroll.

Significant actuarial assumptions used include (a) a 6.5 percent investment rate of return, (b) projected salary increases of 4 percent per year compounded annually, attributable to inflation, additional projected salary increases ranging from .2 to 4 percent per year, depending on age, attributable to seniority/merit and the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five year period.

### **Incentive Plan for Volunteer Firefighters**

The City of Troy has a noncontributory discretionary incentive plan established by resolution of the City Council covering its volunteer firefighters. The single-employer plan benefits are determined based on annual contribution amounts for each year of incentive service. The normal cost and amortization payment for the year ended June 30, 2006 was determined using an individual entry age funding method. At December 31, 2005, the benefit payment amount was \$539 per year for incentive service. Participants are eligible for payments at age 55 with ten or more years of volunteer service, age 50 with 25 years of service or 30 years of incentive service

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

regardless of age. The City's contribution to the plan for the year ended June 30, 2006, was \$815,000. The volunteer firefighters are not paid any remuneration for their service. Unfunded actuarial liabilities were amortized as a level dollar amount on a closed basis. The amortization period is 25 years.

<u>Group</u>	<u>December 31, 2005</u>
Retirees and beneficiaries currently receiving benefits	67
Vested terminated employees	27
Active employees:	
Fully vested	79
Nonvested	85

Significant actuarial assumptions used include a 6.5 percent investment rate of return. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four year period.

See the required supplementary information section of the financial statements for the summaries of Schedule of Funding Progress and Schedule of Employer Contributions.

### Three-Year Trend Information Employee Retirement System (\$ Amounts in Thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Actuarial Valuation Date December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	2002	\$ 1,109	100.0%	None
2005	2003	117	100.0	None
2006	2004	213	100.0	None

### Three-Year Trend Information Incentive Plan for Volunteer Firefighters (\$ Amounts in Thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Actuarial Valuation Date December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	2002	\$ 623	100.0%	None
2005	2003	796	100.0	None
2006	2004	815	100.0	None

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

The plans do not issue a separate financial report.

**Statement of Net Assets**

	<b>Employees' Retirement System</b>	<b>Discretionary Fire Incentive Reserve Fund</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,934,263	\$ 76,416
Interest receivable	452,289	10,015
Investments		
U.S. Government securities	8,520,277	4,805,850
Corporate bonds	35,729,176	-
Corporate equities, preferred	2,095,000	-
Corporate equities, common	89,320,511	-
Mutual funds	23,115,617	-
Other investments	-	7,446
Total assets	165,167,133	4,899,727
<b>NET ASSETS</b>		
Held in trust for pension benefits	126,292,617	4,899,727
Held in trust for postemployment healthcare benefits	38,874,516	-
Total net assets	\$ 165,167,133	\$ 4,899,727

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Statement of Changes in Fund Net Assets**

	<b>Employees' Retirement System</b>	<b>Discretionary Fire Incentive Reserve Fund</b>
<b>Additions</b>		
Contributions		
Employer contributions	\$ 212,555	\$ 815,000
Employee contributions	305,015	-
Total contributions	517,570	815,000
Investment income		
Interest	2,102,757	259,163
Dividends	3,241,937	-
Net adjustment in fair value of investments	4,834,667	(166,267)
Total investment earnings	10,179,361	92,896
<b>Total additions</b>	<b>10,696,931</b>	<b>907,896</b>
<b>Deductions</b>		
Benefits	6,711,921	1,553,696
Refunds of contributions	57,875	-
Administrative expenses	23,150	6,200
<b>Total deductions</b>	<b>6,792,946</b>	<b>1,559,896</b>
Net increase (decrease) in plan net assets	3,903,985	(652,000)
Net assets held in trust, beginning of year for:		
Pension benefits	124,073,323	5,551,727
Postemployment healthcare benefits	37,189,825	-
Total net assets held in trust, beginning of year	161,263,148	5,551,727
Net assets held in trust, end of year for:		
Pension benefits	126,292,617	4,899,727
Postemployment healthcare benefits	38,874,516	-
Total net assets held in trust, end of year	\$ 165,167,133	\$ 4,899,727

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### **Note 14 - Defined Contribution Plan**

The City maintains a defined contribution plan (DCP) administered by the International City Manager's Association Retirement Corporation (ICMARC), which qualifies under the Internal Revenue Code Section 401(a). Classified, Exempt and Fire Staff Officers in the City's Employees Retirement System were given the option to transfer to the DCP by December 31, 1997. Employees who elected to transfer to the DCP had their individually actuarially determined earned retirement benefits in the Employees Retirement System determined as of the date of election to transfer to the DCP. In 1998, the City afforded the option to AFSCME members of the Employees Retirement System to elect a transfer to the DCP, of which 41 employees elected such transfer. In 1999, the City afforded the option to MAP members of the Employees Retirement System to elect a transfer to the DCP, of which 29 employees elected such transfer. In 2000, the City afforded the option to TCOA members of the Employees Retirement System to elect a transfer to the DCP, of which 20 employees elected such transfer. In 2002, the City afforded the option to TPOA members of the Employees Retirement System to elect a transfer to the TCP of which 19 employees elected such transfer. The DCP is also in effect for all new full-time employees. Total membership in the DCP as of June 30, 2006 was 296.

The DCP maintains a schedule of vesting as follows: participants who transferred from the Employees Retirement System are fully vested. For new hires the following schedule applies: 50% vested after 3 years, 75% vested after 4 years and 100% vested after 5 years. Employees contribute 3 to 5 percent of their salary, while the employer contributes 10 to 13 percent. All employees are able to contribute up to 10 percent of their salary on a voluntary after-tax basis. All contributions are remitted to a third-party plan administrator.

The DCP was established by City Council resolution and any amendments to the plan would require City Council approval.

The City's payroll for employees covered by the DCP for the year ended June 30, 2006, was \$18,785,926, and the City's total payroll was \$35,402,157. The required contributions, which matched those actually made, were \$811,322 by employees and \$2,184,924 by the City, representing 4.3 percent and 11.6 percent of covered payroll, respectively.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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### Note 15 - Retiree Health Care Trust Fund

The City provides certain healthcare benefits for retired employees in accordance with the bargaining groups agreements and other requirements. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. The City's contribution for healthcare benefits is accounted for in the Retiree Health Care Trust Fund. The employers contribution of \$1,800,883 was attributable to healthcare benefits. This contribution represented 5.8 percent of total covered payroll during the current year. During the current year, healthcare benefits paid for 260 retirees totaled \$1,456,993, which was paid out of the Employees Retirement System. Future payments will be made by the Employees Retirement System until the reserves that have accumulated there are exhausted.

<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,344,363
Interest receivable	7,318
Investments	
Other investments	<u>479,819</u>
Total assets	<u>1,831,500</u>
 <b>NET ASSETS</b>	
Held in trust for postemployment healthcare benefits	<u>1,831,500</u>
Total net assets	<u>\$ 1,831,500</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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	<b>Retiree Health Care Trust Fund</b>
<b>Statement of Changes in Fund Net Assets</b>	
<b>Additions</b>	
Contributions	
Employer contributions	\$ 1,800,883
Total contributions	<u>1,800,883</u>
Investment income	
Interest	30,617
Total investment earnings	<u>30,617</u>
<b>Total additions</b>	<u>1,831,500</u>
<b>Deductions</b>	
Benefits	-
<b>Total deductions</b>	<u>-</u>
Net increase (decrease) in plan net assets	<u>1,831,500</u>
Net assets held in trust, beginning of year for:	
Postemployment healthcare benefits	-
Total net assets held in trust, beginning of year	<u>-</u>
Net assets held in trust, end of year for:	
Postemployment healthcare benefits	1,831,500
Total net assets held in trust, end of year	<u>\$ 1,831,500</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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### **Note 16 - Deficit Net Assets**

The Sanctuary Lake Golf Course Fund has deficit net assets at June 30, 2006.

The Sanctuary Lake Golf Course completed its second year of operations with operating revenues of \$1,173,020 and operating expenses of \$1,175,642 plus the addition of interest expense on outstanding debt of \$554,888 resulting in a negative charge in net assets of \$557,510, compared to \$787,998 last fiscal year. Several reasons are attributable for the deficit:

- New Course
- Weather Conditions
- Economy

With the addition of league play, outings and marketing efforts we hope to reduce and even eliminate the deficit in the next several years.

The Downtown Development Authority (Component Unit) reflected a deficit net asset position of \$19,289,971. This deficit is attributable to recognizing this fund as a component unit and the corresponding outstanding long-term debt. This deficit will be lowered each year when tax increments are collected and debt payments are made.

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 17 - Restatement of Fund Balance / Net Assets**

	<b><u>Non-Major Governmental Funds</u></b>	
June 30, 2005 ending fund balance as originally stated	\$ 17,183,900	
Deduct from fund balance previously reported blended component units discretely presented for year ended June 30, 2006.		
Prior year ending fund balance for		
Downtown development authority operating fund	(6,532,383)	
Local development financing authority operating fund	<u>(14,193)</u>	
June 30, 2006 beginning fund balances as restated	<u>\$ 10,637,324</u>	
 <b>Government wide financial statements</b>		
	<b><u>Governmental Activities</u></b>	<b><u>Component Units</u></b>
June 30, 2005 ending net assets as originally stated	\$ 205,467,998	\$ (681,449)
Deduct from net assets previously reported blended component units discretely presented for year ended June 30, 2006.		
Prior year ending fund balance for:		
Downtown development authority operating fund	(6,532,383)	6,532,383
Downtown development authority debt service fund	(1,466,256)	1,466,256
Local development financing authority operating fund	(14,193)	14,193
Prior year governmental wide adjustments for:		
Add: Downtown development authority long-term debt	33,104,105	(33,104,105)
Deduct: Downtown development authority deferred revenue recognition adjustment	(526,306)	526,306
Add to net assets adjusted cost basis for land capital assets	<u>541,706</u>	<u>-</u>
June 30, 2006 beginning net assets as restated	<u>\$ 230,574,671</u>	<u>\$ (25,246,416)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**EMPLOYEE RETIREMENT SYSTEM AND INCENTIVE PLAN**

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# CITY OF TROY, MICHIGAN

## EMPLOYEE RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS (\$ amounts in thousands)

### PENSION ONLY

Actuarial Valuation Date December 31,	Actuarial Value of Assets# (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) - (a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll (b-a)/(c)
2000	\$ 123,956	\$ 99,740	\$ (24,216)	124.3%	\$ 15,441	(156.8)%
2001	123,699	97,140	(26,529)	127.3	14,566	(182.1)
2002	117,372	95,527	(21,845)	122.9	13,553	(161.2)
2003	126,738	103,558	(23,180)	122.4	13,053	(177.6)
2004	126,802	109,364	(17,438)	115.9	12,572	(138.7)
2005	128,790	113,260	(15,530)	113.7	12,100	(128.4)

### HEALTH ONLY

2000	\$ 18,446	\$ 21,794	\$ 3,348	84.6%	\$ 23,924	14.0%
2001	23,645	27,804	4,159	85.0	26,847	15.5
2002	31,003	31,263	260	99.2	28,480	.9
2003	32,815	37,000	4,186	88.7	31,790	13.2
2004	36,484	40,419	3,935	90.3	30,046	13.1
2005	37,190	43,554	6,364	85.4	29,937	21.3

Analysis of the dollar amounts of actuarial value of assets or actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the system's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

# CITY OF TROY, MICHIGAN

## EMPLOYEE RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS (\$ amounts in thousands)

<b>Fiscal Year Ended June 30,</b>	<b>Actuarial Valuation Date December 31,</b>	<b>Annual Required Contribution</b>	<b>Percent Contributed</b>
2001	1999	\$ 1,174	100.0
2002	2000	1,461	100.0
2003	2001	1,605	100.0
2004	2002	1,482	100.0
2005	2003	1,716	100.0
2006	2004	213	100.0

## CITY OF TROY, MICHIGAN

### INCENTIVE PLAN FOR VOLUNTEER FIREFIGHTERS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS (\$ amounts in thousands)

Actuarial Valuation Date <u>December 31,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL <u>(b) - (a)</u>	Funded Ratio <u>(a)/(b)</u>
2000*	\$ 5,107	\$ 8,160	\$ 3,051	62.6%
2002*	5,720	9,598	3,878	59.6
2003*	6,084	11,787	5,703	51.6
2004*	6,261	11,936	5,675	52.5
2005*	6,572	12,052	5,481	54.5

\* After changes in benefit provisions.

# CITY OF TROY, MICHIGAN

## INCENTIVE PLAN FOR VOLUNTEER FIREFIGHTERS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS (\$ amounts in thousands)

<u>Fiscal Year Ended June 30,</u>	<u>Actuarial Valuation Date December 31,</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2001	1999	\$ 360	100.0%
2002	2000	413	100.0
2003	2001	513	100.0
2004	2002	623	100.0
2005	2003	796	100.0
2006	2004	815	100.0

**COMBINING  
AND  
INDIVIDUAL FUND STATEMENTS**

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## GOVERNMENTAL FUNDS

### NONMAJOR SPECIAL REVENUE AND PERMANENT FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

#### Major Street Fund

This fund has been established to account for the state gas and weight taxes to be used for repairs, maintenance and construction of all streets classified as "major" within the City.

#### Local Street Fund

This fund has been established to account for the state gas and weight taxes to be used for repairs, maintenance and construction of all streets classified as "local" within the City.

#### Refuse Fund

This fund has been established to account for property tax revenues restricted for rubbish and garbage collection and service charges for recycling.

#### Community Development Block Grant

This fund accounts for grant revenues from the Department of Housing and Urban Development to be used for residential and other capital improvements.

#### Budget Stabilization Fund

This fund has been created for the following purposes: a) to cover a General Fund deficit; b) to prevent a reduction in the level of public services; and c) to cover expenses arising because of a natural disaster.

#### Permanent Fund

This Cemetery Perpetual Care Fund was established to invest the proceeds from the sale of burial plots and utilize their investment income in the operations of the City owned cemeteries.

## GOVERNMENTAL FUNDS

### NONMAJOR SPECIAL REVENUE AND PERMANENT FUNDS

Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for the payment.

#### General Debt Service Fund

This fund was created to account for bonded indebtedness on storm drains and voted general obligation bonds.

#### Proposal A Debt Service Fund

This fund was created to account for a voter approved bond issue in the amount of \$11,000,000 for various road improvements.

#### Proposal B Debt Service Fund

This fund was created to account for a voter approved bond issue in the amount of \$18,000,000 for various public safety and city hall facilities.

#### Proposal C Debt Service Fund

This fund was created to account for a voter approved bond issue in the amount of \$18,000,000 for the renovation and construction of a community center and park land acquisition.

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**City of Troy, Michigan**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2006**

	<u>Special Revenue</u>			
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Refuse</u>	<u>Community Development Block Grant</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,082,717	\$ 983,255	\$ 625,352	\$ -
Investments	386,435	350,936	223,196	-
Receivables:				
Interest receivable	5,894	5,352	3,404	-
Due from other governments	599,183	236,024	-	78,918
 Total assets	 <u>\$ 2,074,229</u>	 <u>\$ 1,575,567</u>	 <u>\$ 851,952</u>	 <u>\$ 78,918</u>
 <b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ 78,918
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,918</u>
 <b>Fund balance</b>				
Reserved				
Debt service	-	-	-	-
Unreserved	2,074,229	1,575,567	851,952	-
Total fund balances	<u>2,074,229</u>	<u>1,575,567</u>	<u>851,952</u>	<u>-</u>
 Total liabilities and fund balance	 <u>\$ 2,074,229</u>	 <u>\$ 1,575,567</u>	 <u>\$ 851,952</u>	 <u>\$ 78,918</u>

<u>Special Revenue</u>		<u>Permanent Fund</u>
<u>Budget Stabilization</u>	<u>Total Special Revenue</u>	<u>Cemetery Perpetual Care</u>
\$ 73,402	\$ 2,764,726	\$ 125,164
1,026,198	1,986,765	44,673
400	15,050	681
-	914,125	-
<u>\$ 1,100,000</u>	<u>\$ 5,680,666</u>	<u>\$ 170,518</u>
\$ -	\$ 78,918	\$ -
-	78,918	-
-	-	-
1,100,000	5,601,748	170,518
1,100,000	5,601,748	170,518
<u>\$ 1,100,000</u>	<u>\$ 5,680,666</u>	<u>\$ 170,518</u>

Continued.....

**City of Troy, Michigan**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Concluded)**  
**June 30, 2006**

	<u>Debt Service</u>			
	<u>General Debt Service</u>	<u>Proposal A Debt Service</u>	<u>Proposal B Debt Service</u>	<u>Proposal C Debt Service</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,506,060	\$ -	\$ -	\$ -
Investments	1,251,356	-	-	-
Receivables:				
Special assessments	51,713	-	-	-
Interest receivable	19,085	-	-	-
Due from other governments	-	-	-	-
 Total assets	 <u>\$ 4,828,214</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred revenue	51,713	-	-	-
Total liabilities	<u>51,713</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance:</b>				
Reserved				
Debt service	4,776,501	-	-	-
Unreserved	-	-	-	-
Total fund balances	<u>4,776,501</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities and fund balance	 <u>\$ 4,828,214</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

<b>Total Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 3,506,060	\$ 6,395,950
1,251,356	3,282,794
51,713	51,713
19,085	34,816
-	914,125
<u>\$ 4,828,214</u>	<u>\$ 10,679,398</u>
\$ -	\$ 78,918
51,713	51,713
<u>51,713</u>	<u>130,631</u>
4,776,501	4,776,501
-	5,772,266
<u>4,776,501</u>	<u>10,548,767</u>
<u>\$ 4,828,214</u>	<u>\$ 10,679,398</u>

**City of Troy, Michigan**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2006**

	<u>Special Revenue</u>			
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Refuse</u>	<u>Community Development Block Grant</u>
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 4,120,154	\$ -
Component unit contributions	-	-	-	-
Federal grants and reimbursements	-	-	-	79,067
State grants and reimbursements	3,628,794	1,429,411	-	-
Charges for services	-	-	44,765	-
Investment earnings	87,607	69,475	130,482	-
Other	-	-	-	-
Total revenues	<u>3,716,401</u>	<u>1,498,886</u>	<u>4,295,401</u>	<u>79,067</u>
<b>Expenditures</b>				
Current:				
Sanitation	-	-	4,367,093	-
Community development	-	-	-	79,067
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>4,367,093</u>	<u>79,067</u>
Revenues over (under) expenditures	<u>3,716,401</u>	<u>1,498,886</u>	<u>(71,692)</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	82,670	-	-
Transfers out	<u>(3,858,450)</u>	<u>(1,607,670)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,858,450)</u>	<u>(1,525,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(142,049)	(26,114)	(71,692)	-
Fund balances, beginning of year	<u>2,216,278</u>	<u>1,601,681</u>	<u>923,644</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 2,074,229</u>	<u>\$ 1,575,567</u>	<u>\$ 851,952</u>	<u>\$ -</u>

<u>Special Revenue</u>		<u>Permanent Fund</u>
<u>Budget Stabilization</u>	<u>Total Special Revenue</u>	<u>Cemetery Perpetual Care</u>
\$ -	\$ 4,120,154	\$ -
-	-	-
-	79,067	-
-	5,058,205	-
-	44,765	1,655
41,305	328,869	7,305
-	-	-
<u>41,305</u>	<u>9,631,060</u>	<u>8,960</u>
-	4,367,093	-
-	79,067	-
-	-	-
-	-	-
<u>-</u>	<u>4,446,160</u>	<u>-</u>
<u>41,305</u>	<u>5,184,900</u>	<u>8,960</u>
100,000	182,670	-
(41,305)	(5,507,425)	-
<u>58,695</u>	<u>(5,324,755)</u>	<u>-</u>
100,000	(139,855)	8,960
<u>1,000,000</u>	<u>5,741,603</u>	<u>161,558</u>
<u>\$ 1,100,000</u>	<u>\$ 5,601,748</u>	<u>\$ 170,518</u>

Continued...

## City of Troy, Michigan

### Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds (Concluded) For the Year Ended June 30, 2006

	Debt Service			
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service
<b>Revenues</b>				
Property taxes	\$ 2,486,038	\$ -	\$ -	\$ -
Component unit contributions	265,363	-	-	-
Federal grants and reimbursements	-	-	-	-
State grants and reimbursements	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	228,519	-	-	-
Other	188,012	-	-	-
	<u>3,167,932</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
Sanitation	-	-	-	-
Community development	-	-	-	-
Debt service:				
Principal	175,000	325,000	675,000	350,000
Interest	133,262	463,688	641,920	361,724
	<u>308,262</u>	<u>788,688</u>	<u>1,316,920</u>	<u>711,724</u>
Total expenditures	<u>308,262</u>	<u>788,688</u>	<u>1,316,920</u>	<u>711,724</u>
Revenues over (under) expenditures	<u>2,859,670</u>	<u>(788,688)</u>	<u>(1,316,920)</u>	<u>(711,724)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	788,688	1,316,920	711,724
Transfers out	(2,817,332)	-	-	-
	<u>(2,817,332)</u>	<u>788,688</u>	<u>1,316,920</u>	<u>711,724</u>
Total other financing sources (uses)	<u>(2,817,332)</u>	<u>788,688</u>	<u>1,316,920</u>	<u>711,724</u>
Net change in fund balances	42,338	-	-	-
Fund balances, beginning of year	<u>4,734,163</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 4,776,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Total Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 2,486,038	\$ 6,606,192
265,363	265,363
-	79,067
-	5,058,205
-	46,420
228,519	564,693
188,012	188,012
<u>3,167,932</u>	<u>12,807,952</u>
-	4,367,093
-	79,067
1,525,000	1,525,000
1,600,594	1,600,594
<u>3,125,594</u>	<u>7,571,754</u>
<u>42,338</u>	<u>5,236,198</u>
2,817,332	3,000,002
(2,817,332)	(8,324,757)
<u>-</u>	<u>(5,324,755)</u>
42,338	(88,557)
<u>4,734,163</u>	<u>10,637,324</u>
<u>\$ 4,776,501</u>	<u>\$ 10,548,767</u>

**City of Troy, Michigan**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Major Streets Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
State grants and reimbursements	\$ 3,775,000	\$ 3,775,000	\$ 3,628,794	\$ (146,206)
Investment earnings	40,000	40,000	87,607	47,607
Total revenues	3,815,000	3,815,000	3,716,401	(98,599)
<b>Other financing sources (uses)</b>				
Transfers out	(3,858,450)	(3,858,450)	(3,858,450)	-
Net change in fund balances	(43,450)	(43,450)	(142,049)	(98,599)
Fund balance, beginning of year	2,216,278	2,216,278	2,216,278	-
<b>Fund balance, end of year</b>	<u><u>\$ 2,172,828</u></u>	<u><u>\$ 2,172,828</u></u>	<u><u>\$ 2,074,229</u></u>	<u><u>\$ (98,599)</u></u>

**City of Troy, Michigan**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Local Streets Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
State grants and reimbursements	\$ 1,500,000	\$ 1,500,000	\$ 1,429,411	\$ (70,589)
Investment earnings	25,000	25,000	69,475	44,475
Total revenues	<u>1,525,000</u>	<u>1,525,000</u>	<u>1,498,886</u>	<u>(26,114)</u>
<b>Other financing sources (uses)</b>				
Transfers in	82,670	82,670	82,670	-
Transfers out	<u>(1,607,670)</u>	<u>(1,607,670)</u>	<u>(1,607,670)</u>	-
Total other financing sources and (uses)	<u>(1,525,000)</u>	<u>(1,525,000)</u>	<u>(1,525,000)</u>	-
Net change in fund balances	-	-	(26,114)	(26,114)
Fund balance, beginning of year	<u>1,601,681</u>	<u>1,601,681</u>	<u>1,601,681</u>	-
<b>Fund balance, end of year</b>	<u><u>\$ 1,601,681</u></u>	<u><u>\$ 1,601,681</u></u>	<u><u>\$ 1,575,567</u></u>	<u><u>\$ (26,114)</u></u>

**City of Troy, Michigan**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Refuse Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 4,108,500	\$ 4,108,500	\$ 4,120,154	\$ 11,654
Charges for services	1,500	1,500	44,765	43,265
Investment earnings	70,000	70,000	130,482	60,482
Total revenues	4,180,000	4,180,000	4,295,401	115,401
<b>Expenditures</b>				
Sanitation	4,525,650	4,525,650	4,367,093	158,557
Net change in fund balances	(345,650)	(345,650)	(71,692)	273,958
Fund balance, beginning of year	923,644	923,644	923,644	-
<b>Fund balance, end of year</b>	<u>\$ 577,994</u>	<u>\$ 577,994</u>	<u>\$ 851,952</u>	<u>\$ 273,958</u>

**City of Troy, Michigan**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Community Development Block Grant**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Federal grants	\$ 185,000	\$ 185,000	\$ 79,067	\$ (105,933)
<b>Expenditures</b>				
Community development	<u>185,000</u>	<u>185,000</u>	<u>79,067</u>	<u>105,933</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**City of Troy, Michigan**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**Budget Stabilization Fund**  
**For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ 25,000	\$ 70,000	\$ 41,305	\$ (28,695)
Total revenues	<u>25,000</u>	<u>70,000</u>	<u>41,305</u>	<u>(28,695)</u>
<b>Other financing sources (uses)</b>				
Transfers in	100,000	100,000	100,000	-
Transfers out	<u>(25,000)</u>	<u>(70,000)</u>	<u>(41,305)</u>	<u>28,695</u>
Total other financing sources and (uses)	<u>75,000</u>	<u>30,000</u>	<u>58,695</u>	<u>28,695</u>
Net change in fund balances	100,000	100,000	100,000	-
Fund balance, beginning of year	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,100,000</u></u>	<u><u>\$ 1,100,000</u></u>	<u><u>\$ 1,100,000</u></u>	<u><u>\$ -</u></u>

## **NONMAJOR BUSINESS-TYPE FUNDS**

### **ENTERPRISE FUNDS**

Enterprise Funds are used to account for services provided to citizens financed primarily by user charges and operated in a manner similar to private business enterprises, where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, accountability or other purposes.

#### **Sylvan Glen Golf Course Fund**

This fund accounts for the operations of the Sylvan Glen Municipal Golf Course.

#### **Aquatic Center Fund**

The operation of the City's Aquatic Center is accounted for in this fund.

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**City of Troy, Michigan**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**June 30, 2006**

	<u>Sylvan Glen Golf Course</u>	<u>Aquatic Center</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 678,930	\$ -	\$ 678,930
Investments	242,051	-	242,051
Interest receivable	3,692	-	3,692
Accounts receivable	9,334	6,238	15,572
Due from other funds	1,139,845	-	1,139,845
Inventories	30,737	-	30,737
Total current assets	<u>2,104,589</u>	<u>6,238</u>	<u>2,110,827</u>
Noncurrent assets:			
Capital assets not being depreciated	2,321,350	-	2,321,350
Capital assets being depreciated net of accumulated depreciation	<u>493,590</u>	<u>2,181,310</u>	<u>2,674,900</u>
Total capital assets, net of accumulated depreciation	<u>2,814,940</u>	<u>2,181,310</u>	<u>4,996,250</u>
Total assets	<u>4,919,529</u>	<u>2,187,548</u>	<u>7,107,077</u>
<b>Liabilities</b>			
Current liabilities:			
Due to other funds	-	283,118	283,118
Total current liabilities	<u>-</u>	<u>283,118</u>	<u>283,118</u>
<b>Net Assets</b>			
Investment in capital assets	2,814,940	2,181,310	4,996,250
Unrestricted (deficit)	<u>2,104,589</u>	<u>(276,880)</u>	<u>1,827,709</u>
Total net assets	<u>\$ 4,919,529</u>	<u>\$ 1,904,430</u>	<u>\$ 6,823,959</u>

**City of Troy, Michigan**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2006**

	<u>Sylvan Glen Golf Course</u>	<u>Aquatic Center</u>	<u>Total</u>
<b>Operating revenues</b>			
Charges for services	\$ 720,519	\$ 445,498	\$ 1,166,017
Rental			
Golf course	192,926	-	192,926
Restaurant	79,620	-	79,620
Miscellaneous income	62,077	37,193	99,270
Total operating revenues	<u>1,055,142</u>	<u>482,691</u>	<u>1,537,833</u>
<b>Operating expenses</b>			
Operations and maintenance	956,549	482,605	1,439,154
Depreciation	153,876	155,460	309,336
Total operating expenses	<u>1,110,425</u>	<u>638,065</u>	<u>1,748,490</u>
Operating income (loss)	(55,283)	(155,374)	(210,657)
<b>Non-operating revenues (expenses)</b>			
Investment earnings	81,079	-	81,079
Change in net assets	25,796	(155,374)	(129,578)
Net assets, beginning of year	<u>4,893,733</u>	<u>2,059,804</u>	<u>6,953,537</u>
<b>Net assets, end of year</b>	<u>\$ 4,919,529</u>	<u>\$ 1,904,430</u>	<u>\$ 6,823,959</u>

**City of Troy, Michigan**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2006**

	<u>Sylvan Glen Golf Course</u>	<u>Aquatic Center</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 1,013,593	\$ 481,460	\$ 1,495,053
Cash payments to employees	(549,501)	(304,432)	(853,933)
Cash payments to suppliers for goods and services	(385,740)	(136,040)	(521,780)
Cash payments for interfund services	(25,643)	(21,288)	(46,931)
Net cash provided by operating activities	<u>52,709</u>	<u>19,700</u>	<u>72,409</u>
<b>Cash flows from non-capital financing activities</b>			
Advances to other funds	(438,540)	-	(438,540)
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	(444,091)	(19,700)	(463,791)
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments	721,856	-	721,856
Purchase of investments	(391,194)	-	(391,194)
Investment income	82,890	-	82,890
Net cash provided by investing activities	<u>413,552</u>	<u>-</u>	<u>413,552</u>
Net (decrease) in cash and cash equivalents	(416,370)	-	(416,370)
Cash and cash equivalents, beginning of year	<u>1,095,300</u>	<u>-</u>	<u>1,095,300</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 678,930</u>	<u>\$ -</u>	<u>\$ 678,930</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ (55,283)	\$ (155,374)	\$ (210,657)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	153,876	155,460	309,336
Changes in assets and liabilities:			
Accounts receivable	4,051	(1,231)	2,820
Inventory	(4,335)	-	(4,335)
Accrued liabilities	-	20,845	20,845
Unearned revenues	(45,600)	-	(45,600)
Total adjustments	<u>107,992</u>	<u>175,074</u>	<u>283,066</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 52,709</u>	<u>\$ 19,700</u>	<u>\$ 72,409</u>

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## INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the government, on a cost reimbursement basis.

### Compensated Absences Fund

The expenses of accumulated sick pay and vacation pay are recorded in this fund.

### Unemployment Compensation Fund

This fund accounts for the charges to other departments and the expenses to provide unemployment compensation insurance.

### Custodial Services Fund

This fund accounts for the custodial services provided to all City owned buildings.

### Information Technology Fund

This fund accounts for the charges to other departments and the expenses to provide computer services.

### Motor Equipment Fund

The rental charges of City-owned equipment to other City departments are accounted for in this fund.

### Workers' Compensation Fund

The Workers' Compensation Fund was established to account for pooled insurance expenses.

**City of Troy, Michigan**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2006**

	<u>Compensated Absences</u>	<u>Unemployment Compensation</u>	<u>Custodial Services</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 4,000,239	\$ 195,665	\$ 99,949
Investments	1,427,734	69,835	35,673
Interest receivable	21,775	1,065	544
Accounts receivable	-	-	-
Inventory	-	-	-
Total current assets	<u>5,449,748</u>	<u>266,565</u>	<u>136,166</u>
Noncurrent assets:			
Capital assets not being depreciated	-	-	-
Capital assets being depreciated net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>5,449,748</u>	<u>266,565</u>	<u>136,166</u>
<b>Liabilities</b>			
Current liabilities:			
Due to other funds	-	-	-
Compensated absences	<u>3,004,789</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>3,004,789</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities			
Compensated absences	<u>2,279,624</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>5,284,413</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>			
Investment in capital assets	-	-	-
Unrestricted	<u>165,335</u>	<u>266,565</u>	<u>136,166</u>
Total net assets	<u>\$ 165,335</u>	<u>\$ 266,565</u>	<u>\$ 136,166</u>

<u>Information Technology</u>	<u>Motor Equipment</u>	<u>Worker's Compensation</u>	<u>Total</u>
\$ -	\$ 3,032,159	\$ 1,365,150	\$ 8,693,162
-	1,082,215	487,239	3,102,696
-	16,505	7,431	47,320
-	- 75	-	75
-	191,004	-	191,004
-	4,321,958	1,859,820	12,034,257
-	10,248	-	10,248
175,721	4,182,391	-	4,358,112
175,721	4,192,639	-	4,368,360
175,721	8,514,597	1,859,820	16,402,617
903	-	-	903
-	-	-	3,004,789
903	-	-	3,005,692
-	-	-	2,279,624
903	-	-	5,285,316
175,721	4,192,639	-	4,368,360
(903)	4,321,958	1,859,820	6,748,941
<u>\$ 174,818</u>	<u>\$ 8,514,597</u>	<u>\$ 1,859,820</u>	<u>\$ 11,117,301</u>

**City of Troy, Michigan**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended June 30, 2006**

	<u>Compensated Absences</u>	<u>Unemployment Compensation</u>	<u>Custodial Services</u>
<b>Operating revenues</b>			
Charges for services	\$ 4,323,289	\$ -	\$ 1,782,566
Equipment rental	-	-	-
Building rental	-	-	-
Other	-	50,462	-
Total operating revenues	<u>4,323,289</u>	<u>50,462</u>	<u>1,782,566</u>
<b>Operating expenses</b>			
Cost of services	4,404,826	79,233	1,718,697
Motor vehicle and garage expenses			
Administration	-	-	-
Operations	-	-	-
Depreciation	-	-	-
Total operating expenses	<u>4,404,826</u>	<u>79,233</u>	<u>1,718,697</u>
Operating income (loss)	<u>(81,537)</u>	<u>(28,771)</u>	<u>63,869</u>
<b>Non-operating revenues</b>			
Investment earnings	205,923	12,266	2,749
Gain on sale of capital assets	-	-	-
Total non-operating revenues	<u>205,923</u>	<u>12,266</u>	<u>2,749</u>
Change in net assets	124,386	(16,505)	66,618
Net assets, beginning of year	<u>40,949</u>	<u>283,070</u>	<u>69,548</u>
<b>Net assets, end of year</b>	<u><u>\$ 165,335</u></u>	<u><u>\$ 266,565</u></u>	<u><u>\$ 136,166</u></u>

<u>Information Technology</u>	<u>Motor Equipment</u>	<u>Worker's Compensation</u>	<u>Total</u>
\$ 1,430,493	\$ -	\$ 318,933	\$ 7,855,281
-	3,492,236	-	3,492,236
-	195,787	-	195,787
-	295,290	179,856	525,608
<u>1,430,493</u>	<u>3,983,313</u>	<u>498,789</u>	<u>12,068,912</u>
1,403,234	-	552,459	8,158,449
-	525,097	-	525,097
-	2,494,945	-	2,494,945
27,087	1,015,044	-	1,042,131
<u>1,430,321</u>	<u>4,035,086</u>	<u>552,459</u>	<u>12,220,622</u>
<u>172</u>	<u>(51,773)</u>	<u>(53,670)</u>	<u>(151,710)</u>
1,735	187,759	78,733	489,165
-	243,699	-	243,699
<u>1,735</u>	<u>431,458</u>	<u>78,733</u>	<u>732,864</u>
1,907	379,685	25,063	581,154
<u>172,911</u>	<u>8,134,912</u>	<u>1,834,757</u>	<u>10,536,147</u>
<u>\$ 174,818</u>	<u>\$ 8,514,597</u>	<u>\$ 1,859,820</u>	<u>\$ 11,117,301</u>

**City of Troy, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2006**

	<u>Compensated Absences</u>	<u>Unemployment Compensation</u>	<u>Custodial Services</u>
<b>Cash flows from operating activities</b>			
Cash received from interfund services	\$ 4,323,289	\$ 50,462	\$ 1,782,566
Cash payments to employees	(4,396,817)	-	(990,883)
Cash payments to suppliers for goods and services	-	(79,233)	(727,814)
Net cash provided (used) by operating activities	<u>(73,528)</u>	<u>(28,771)</u>	<u>63,869</u>
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	-	-	-
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments	2,473,449	237,807	658,487
Purchase of investments	(1,338,250)	(171,204)	(660,638)
Investment income	197,927	11,934	2,385
Net cash provided by investing activities	<u>1,333,126</u>	<u>78,537</u>	<u>234</u>
Net increase (decrease) in cash and cash equivalents	1,259,598	49,766	64,103
Cash and cash equivalents, beginning of year	<u>2,740,641</u>	<u>145,899</u>	<u>35,846</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 4,000,239</u></u>	<u><u>\$ 195,665</u></u>	<u><u>\$ 99,949</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	<u>\$ (81,537)</u>	<u>\$ (28,771)</u>	<u>\$ 63,869</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
Accounts receivable	-	-	-
Inventory	-	-	-
Accrued liabilities	8,009	-	-
Total adjustments	<u>8,009</u>	<u>-</u>	<u>-</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (73,528)</u></u>	<u><u>\$ (28,771)</u></u>	<u><u>\$ 63,869</u></u>

<u>Information Technology</u>	<u>Motor Equipment</u>	<u>Worker's Compensation</u>	<u>Total</u>
\$ 1,430,493	\$ 3,993,423	\$ 498,789	\$ 12,079,022
(824,992)	(1,409,147)	-	(7,621,839)
(577,339)	(1,638,807)	(552,459)	(3,575,652)
<u>28,162</u>	<u>945,469</u>	<u>(53,670)</u>	<u>881,531</u>
<u>(197,247)</u>	<u>(1,154,762)</u>	<u>-</u>	<u>(1,352,009)</u>
988,382	1,689,028	1,068,854	7,116,007
(907,720)	(769,804)	(671,752)	(4,519,368)
2,169	182,014	76,057	472,486
<u>82,831</u>	<u>1,101,238</u>	<u>473,159</u>	<u>3,069,125</u>
(86,254)	891,945	419,489	2,598,647
<u>86,254</u>	<u>2,140,214</u>	<u>945,661</u>	<u>6,094,515</u>
<u>\$ -</u>	<u>\$ 3,032,159</u>	<u>\$ 1,365,150</u>	<u>\$ 8,693,162</u>
<u>\$ 172</u>	<u>\$ (51,773)</u>	<u>\$ (53,670)</u>	<u>\$ (151,710)</u>
27,087	1,015,044	-	1,042,131
-	10,110	-	10,110
-	(27,912)	-	(27,912)
903	-	-	8,912
<u>27,990</u>	<u>997,242</u>	<u>-</u>	<u>1,033,241</u>
<u>\$ 28,162</u>	<u>\$ 945,469</u>	<u>\$ (53,670)</u>	<u>\$ 881,531</u>

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## FIDUCIARY FUNDS

Trust Funds are used to account for the assets held by the City in a Trustee capacity. Agency Funds are used to account for assets held by the City as an agent for individuals, organizations or other governments.

### Employees' Retirement Fund

This fund is used to account for the accumulation of resources for pension benefit payments to qualified general and public safety employees.

### Discretionary Fire Incentive Reserve Fund

This fund is used to account for the accumulation of resources for incentive payments to qualified volunteer firefighters.

### Retiree Health Care Trust Fund

This fund was established to provide for medical benefits to employees during retirement.

### Agency Fund

This fund is used to account for taxes collected on behalf of other governmental units.

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**City of Troy, Michigan**  
**Combining Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

	<b>Pension Trust Funds</b>			<b>Total Pension Trust Funds</b>
	<b>Employees' Retirement System</b>	<b>Discretionary Fire Incentive Reserve Fund</b>	<b>Retiree Health Care Trust Fund</b>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,934,261	\$ 76,416	\$ 1,344,363	\$ 7,355,040
Interest receivable	452,289	10,015	7,318	469,622
Investments				
U.S. Government securities	8,520,277	4,805,850	-	13,326,127
Corporate bonds	35,729,176	-	-	35,729,176
Corporate equities, preferred	2,095,000	-	-	2,095,000
Corporate equities, common	89,320,511	-	-	89,320,511
Mutual funds	23,115,617	-	-	23,115,617
Other investments	-	7,446	479,819	487,265
Total assets	<u>165,167,131</u>	<u>4,899,727</u>	<u>1,831,500</u>	<u>171,898,358</u>
<b>NET ASSETS</b>				
Held in trust for pension benefits	126,292,615	4,899,727	-	131,192,342
Held in trust for postemployment healthcare benefits	<u>38,874,516</u>	<u>-</u>	<u>1,831,500</u>	<u>40,706,016</u>
Total net assets	<u>\$ 165,167,131</u>	<u>\$ 4,899,727</u>	<u>\$ 1,831,500</u>	<u>\$ 171,898,358</u>

**City of Troy, Michigan**  
**Combining Statement of Changes**  
**in Fund Net Assets - Fiduciary Funds**  
**For the Year Ended June 30, 2006**

	<b>Pension Trust Funds</b>			<b>Total</b>
	<b>Employees' Retirement System</b>	<b>Discretionary Fire Incentive Reserve Fund</b>	<b>Retiree Health Care Trust Fund</b>	
<b>Additions</b>				
Contributions				
Employer contributions	\$ 212,555	\$ 815,000	\$ 1,800,883	\$ 2,828,438
Employee contributions	305,015	-	-	305,015
Total contributions	<u>517,570</u>	<u>815,000</u>	<u>1,800,883</u>	<u>3,133,453</u>
Investment income				
Interest	2,102,757	259,163	30,617	2,392,537
Dividends	3,241,937	-	-	3,241,937
Net adjustment in fair value of investments	4,834,667	(166,267)	-	4,668,400
Total investment earnings	<u>10,179,361</u>	<u>92,896</u>	<u>30,617</u>	<u>10,302,874</u>
<b>Total additions</b>	<u>10,696,931</u>	<u>907,896</u>	<u>1,831,500</u>	<u>13,436,327</u>
<b>Deductions</b>				
Benefits	6,711,921	1,553,696	-	8,265,617
Refunds of contributions	57,875	-	-	57,875
Administrative expenses	23,150	6,200	-	29,350
<b>Total deductions</b>	<u>6,792,946</u>	<u>1,559,896</u>	<u>-</u>	<u>8,352,842</u>
Net increase (decrease) in plan net assets	<u>3,903,985</u>	<u>(652,000)</u>	<u>1,831,500</u>	<u>5,083,485</u>
Net assets held in trust, beginning of year for:				
Pension benefits	124,073,322	5,551,727	-	129,625,049
Postemployment healthcare benefits	37,189,824	-	-	37,189,824
Total net assets held in trust, beginning of year	<u>161,263,146</u>	<u>5,551,727</u>	<u>-</u>	<u>166,814,873</u>
Net assets held in trust, end of year for:				
Pension benefits	126,292,615	4,899,727	-	131,192,342
Postemployment healthcare benefits	38,874,516	-	1,831,500	40,706,016
Total net assets held in trust, end of year	<u>\$ 165,167,131</u>	<u>\$ 4,899,727</u>	<u>\$ 1,831,500</u>	<u>\$ 171,898,358</u>

**City of Troy, Michigan**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended June 30, 2006**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,023,603	\$ 217,037,011	\$(216,556,842)	\$ 2,503,772
Investments	1,138,324	1,065,060	(1,586,889)	616,495
Taxes receivable	490,878	225,001,084	(224,877,163)	614,799
Interest receivable	6,120	9,403	(6,120)	9,403
Total assets	<u>\$ 3,658,925</u>	<u>\$ 443,112,558</u>	<u>\$(443,027,014)</u>	<u>\$ 3,744,469</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 3,149	\$ -	\$ 3,149
Performance deposits	3,658,925	2,090,016	(2,007,621)	3,741,320
Total liabilities	<u>\$ 3,658,925</u>	<u>\$ 2,093,165</u>	<u>\$ (2,007,621)</u>	<u>\$ 3,744,469</u>

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## COMPONENT UNITS

### Downtown Development Authority Fund

This fund represents an authority established for the purpose of providing for the construction and financing of necessary improvements to prevent further deterioration of the development area while preserving and promoting economic growth for the benefit of all taxing units within and benefited by the development area.

### Local Development Financing Authority

This fund was established to encourage local development in order to prevent conditions of unemployment and to promote economic growth.

### Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority provides assistance for the redevelopment of abandoned, idled, or underutilized industrial or commercial properties which are complicated by real or perceived environmental contamination.

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## City of Troy, Michigan

### Downtown Development Authority Statement of Net Assets and Governmental Funds Balance Sheet June 30, 2006

	<b>Operating</b>	<b>Debt Service</b>	<b>Total</b>	<b>Adjustments</b>	<b>Net Assets</b>
<b>Assets</b>					
Cash and cash equivalents	\$6,308,627	\$3,493,408	\$ 9,802,035	\$ -	\$ 9,802,035
Investments	2,251,626	-	2,251,626	-	2,251,626
Receivables:					
Taxes receivable	213,589	-	213,589	-	213,589
Interest receivable	34,341	-	34,341	-	34,341
<b>Total assets</b>	<b>\$8,808,183</b>	<b>\$3,493,408</b>	<b>\$12,301,591</b>	-	12,301,591
<b>Liabilities</b>					
Due to primary government	\$ -	\$ 67,485	\$ 67,485	-	67,485
Interest payable	-	-	-	229,077	229,077
Deferred revenue	213,589	-	213,589	(213,589)	-
Noncurrent liabilities:					
Due within one year	-	-	-	1,650,000	1,650,000
Due after one year	-	-	-	29,645,000	29,645,000
<b>Total liabilities</b>	213,589	67,485	281,074	31,310,488	31,591,562
<b>Fund balance</b>					
Reserved					
Debt service	-	3,425,923	3,425,923	(3,425,923)	-
Unreserved	8,594,594	-	8,594,594	(8,594,594)	-
<b>Total fund balances</b>	8,594,594	3,425,923	12,020,517	(12,020,517)	-
<b>Total liabilities and fund balance</b>	<b>\$8,808,183</b>	<b>\$3,493,408</b>	<b>\$12,301,591</b>		
<b>Net (deficit)</b>					
Unrestricted				(19,289,971)	(19,289,971)
<b>Total net deficit</b>				<b>\$ (19,289,971)</b>	<b>\$ (19,289,971)</b>

**City of Troy, Michigan**  
**Downtown Development Authority**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2006**

---

Fund balances - total governmental funds	\$	12,020,517
--	----	------------

Amounts reported for governmental activities in the statement of net assets are different because:

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred revenues		213,589
------------------------	--	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: accrued interest payable		(229,077)
Deduct: bonds payable - current portion		(1,650,000)
Deduct: bonds payable - long-term portion		(29,645,000)
		(29,645,000)

<b>Net assets of governmental activities</b>	<b>\$</b>	<b>(19,289,971)</b>
--	-----------	---------------------

**City of Troy, Michigan**  
**Downtown Development Authority**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the Year Ended June 30, 2006**

	<u>Operating</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Net Assets</u>
<b>Revenues</b>					
Property taxes	\$3,649,601	\$ -	\$ 3,649,601	\$ (312,717)	\$ 3,336,884
Intergovernmental	1,986,686	1,932,208	3,918,894		3,918,894
Investment earnings	403,070	104,459	507,529	-	507,529
Total revenues	<u>6,039,357</u>	<u>2,036,667</u>	<u>8,076,024</u>	<u>(312,717)</u>	<u>7,763,307</u>
<b>Expenditures/expenses</b>					
Economic development	1,052,681	-	1,052,681	-	1,052,681
Debt service:					
Principal	-	1,570,000	1,570,000	(1,570,000)	-
Interest	-	1,431,465	1,431,465	(10,028)	1,421,437
Total expenditures/expenses	<u>1,052,681</u>	<u>3,001,465</u>	<u>4,054,146</u>	<u>(1,580,028)</u>	<u>2,474,118</u>
Revenues over (under) expenditures	<u>4,986,676</u>	<u>(964,798)</u>	<u>4,021,878</u>	<u>1,267,311</u>	<u>5,289,189</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	2,924,466	2,924,466	-	2,924,466
Transfers out	(2,924,466)	-	(2,924,466)	-	(2,924,466)
Total other financing sources and (uses)	<u>(2,924,466)</u>	<u>2,924,466</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances/ net assets	2,062,210	1,959,668	4,021,878	1,267,311	5,289,189
Fund balance/net assets (deficit), beginning of year	<u>6,532,384</u>	<u>1,466,255</u>	<u>7,998,639</u>	<u>(32,577,799)</u>	<u>(24,579,160)</u>
<b>Fund balance/net assets (deficit), end of year</b>	<b><u>\$8,594,594</u></b>	<b><u>\$3,425,923</u></b>	<b><u>\$12,020,517</u></b>	<b><u>\$(31,310,488)</u></b>	<b><u>\$(19,289,971)</u></b>

**City of Troy, Michigan**  
**Downtown Development Authority**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2006**

---

Net change in fund balances - total governmental funds \$ 4,021,878

Amounts reported for *governmental activities* in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct: net difference in deferred revenue (312,717)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities 1,570,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest expense 10,028

**Change in net assets of governmental activities \$ 5,289,189**

# City of Troy, Michigan

## Local Development Financing Authority Statement of Net Assets and Governmental Funds Balance Sheet June 30, 2006

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	<u>Operating</u>	<u>Adjustments</u>	<u>Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 44,131	\$ -	\$ 44,131
Investments	15,751	-	15,751
Interest receivable	240	-	240
Total assets	<u>\$ 60,122</u>	<u>-</u>	<u>60,122</u>
<b>Fund balance</b>			
Unreserved	<u>60,122</u>	<u>(60,122)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 60,122</u>		
<b>Net assets</b>			
Unrestricted		<u>60,122</u>	<u>60,122</u>
Total net assets		<u>\$ 60,122</u>	<u>\$ 60,122</u>

**City of Troy, Michigan**  
**Local Development Financing Authority**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the Year Ended June 30, 2006**

	<u>Operating</u>	<u>Adjustments</u>	<u>Net Assets</u>
<b>Revenues</b>			
Property taxes	\$ 212,602	\$ -	\$ 212,602
Investment earnings	<u>4,519</u>	<u>-</u>	<u>4,519</u>
Total revenues	217,121	-	217,121
<b>Expenditures/expenses</b>			
Economic development	<u>171,192</u>	<u>-</u>	<u>171,192</u>
Net change in fund balances/net assets	45,929	-	45,929
Fund balance/net assets, beginning of year	<u>14,193</u>	<u>-</u>	<u>14,193</u>
<b>Fund balance/net assets, end of year</b>	<u><u>\$ 60,122</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 60,122</u></u>

**City of Troy, Michigan**  
**Brownfield Redevelopment Authority**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**June 30, 2006**

	<u>Operating</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash	\$ 79,809	\$ -	\$ 79,809
Investments	28,485	-	28,485
Taxes receivable	674	-	674
Interest receivable	434	-	434
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u><u>\$ 109,402</u></u>	<u>          </u>	<u>109,402</u>
<b>Liabilities</b>			
Deferred/unearned revenue	\$ 674	-	674
<b>Fund balance</b>			
Undesignated	108,728	(108,728)	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balance	<u><u>\$ 109,402</u></u>	<u>          </u>	<u>          </u>
<b>Net Assets</b>			
Unrestricted		108,728	108,728
		<u>          </u>	<u>          </u>
Total net assets		<u><u>\$ 108,728</u></u>	<u><u>\$ 108,728</u></u>

**City of Troy, Michigan**  
**Brownfield Redevelopment Authority**  
**Statement of Activities and**  
**Governmental Fund Revenues, Expenditures, and**  
**Changes in Fund Balance**  
**For the Year Ended June 30, 2006**

	<u>Operating</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Property taxes	\$ 811,018	\$ -	\$ 811,018
Investment earnings	5,695	-	5,695
Total revenues	<u>816,713</u>	<u>-</u>	<u>816,713</u>
<b>Expenditures/expenses</b>			
Community and economic development	10,988	-	10,988
Interest	15,548	-	15,548
Total expenditures/expenses	<u>26,536</u>	<u>-</u>	<u>26,536</u>
Net change in fund balance/net assets	790,177	-	790,177
Fund balance/net assets, beginning of year	<u>(681,449)</u>	<u>-</u>	<u>(681,449)</u>
<b>Fund balance/net assets, end of year</b>	<u><b>\$ 108,728</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 108,728</b></u>

## STATISTICAL SECTION

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# CITY OF TROY, MICHIGAN

## STATISTICAL SECTION

JUNE 30, 2006

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This part of the City of Troy's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	104
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	110
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	114
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	119
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	121
<b>Continuing Disclosure</b>	
Information contained herein complies with Rule 15c2-12, a federal regulation promulgated by the Securities and Exchange Commission, designed to improve disclosure practices in the municipal bond market.	127

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in the fiscal year ended 6/30/03; schedules presenting government-wide information include information beginning in that year.

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# CITY OF TROY, MICHIGAN

## NET ASSETS BY COMPONENT LAST FOUR FISCAL YEARS (Accrual Basis of Accounting)

	Fiscal Year Ended			
	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>6/30/2006</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 82,829,398	\$ 116,110,302	\$ 122,746,020	\$ 159,749,955
Restricted	29,507,113	1,810,587	50,227,946	33,017,038
Unrestricted	62,117,445	81,355,650	32,494,032	34,533,448
Total governmental activities net assets	<u>\$ 174,453,956</u>	<u>\$ 199,276,539</u>	<u>\$ 205,467,998</u>	<u>\$ 227,300,441</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 99,905,946	\$ 100,797,007	\$ 102,045,725	\$ 102,621,738
Restricted	6,604,596	7,306,405	-	-
Unrestricted	33,631,643	33,240,135	40,036,148	42,421,282
Total business-type activities net assets	<u>\$ 140,142,185</u>	<u>\$ 141,343,547</u>	<u>\$ 142,081,873</u>	<u>\$ 145,043,020</u>
Primary government				
Invested in capital assets, net of related debt	\$ 182,735,344	\$ 216,907,309	\$ 224,791,745	\$ 262,371,693
Restricted	36,111,709	9,116,992	50,227,946	33,017,038
Unrestricted	95,749,088	114,595,785	72,530,180	76,954,730
Total primary government net assets	<u>\$ 314,596,141</u>	<u>\$ 340,620,086</u>	<u>\$ 347,549,871</u>	<u>\$ 372,343,461</u>

# CITY OF TROY, MICHIGAN

## CHANGES IN NET ASSETS LAST FOUR FISCAL YEARS (Accrual Basis of Accounting)

	Fiscal Year Ended			
	6/30/2003	6/30/2004	6/30/2005	6/30/2006
<b>Expenses</b>				
Governmental activities:				
General government	\$ 11,714,618	\$ 13,685,948	\$ 12,047,579	\$ 11,734,897
Public safety	25,687,463	13,434,097	27,736,351	28,703,542
Public works	15,966,498	16,274,728	16,475,289	18,372,828
Sanitation	4,198,140	4,432,201	4,433,033	4,367,093
Community and economic development	624,141	601,017	519,845	2,058,782
Recreation and culture	12,274,918	13,579,188	16,059,077	15,924,318
Interest on long-term debt	3,133,028	4,410,719	3,222,419	1,686,805
Total governmental activities expenses	<u>\$ 73,598,806</u>	<u>\$ 66,417,898</u>	<u>\$ 80,493,593</u>	<u>\$ 82,848,265</u>
Business-type activities:				
Water	\$ 10,222,511	\$ 10,630,027	\$ 13,307,382	\$ 13,839,024
Sanitary sewer	8,778,461	10,168,039	8,980,641	9,682,048
Aquatic center	487,423	544,125	561,096	638,837
Sylvan Glen Golf course	1,297,943	1,207,337	1,106,041	1,109,119
Sanctuary Lake Golf course	-	47,076	1,751,721	1,730,874
Total business-type activities expenses	<u>\$ 20,786,338</u>	<u>\$ 22,596,604</u>	<u>\$ 25,706,881</u>	<u>\$ 26,999,902</u>
Total primary government expenses	<u>\$ 94,385,144</u>	<u>\$ 89,014,502</u>	<u>\$ 106,200,474</u>	<u>\$ 109,848,167</u>
<b>Program revenues</b>				
Charges for services:				
General government	\$ 1,386,043	\$ 1,225,998	\$ 3,213,382	\$ 2,101,074
Public safety	2,592,616	2,930,182	2,694,665	2,925,740
Public works	2,985,883	2,757,644	1,380,977	1,361,164
Sanitation	206,373	154,047	1,410	44,765
Recreation and culture	2,959,532	4,081,620	4,080,652	4,338,069
Operating grants and contributions	675,691	517,704	491,224	1,079,243
Capital grants and contributions	10,723,477	13,463,732	9,469,923	6,527,476
Total governmental activities program revenues	<u>\$ 21,529,615</u>	<u>\$ 25,130,927</u>	<u>\$ 21,332,233</u>	<u>\$ 18,377,531</u>
Business-type activities:				
Charges for services:				
Water	\$ 11,155,393	\$ 10,897,059	\$ 13,518,168	\$ 15,595,766
Sanitary sewer	8,973,121	9,710,263	9,623,410	10,114,977
Aquatic center	417,245	370,256	278,125	310,428
Sylvan Glen Golf course	1,295,874	1,242,938	1,198,744	1,055,142
Sanctuary Lake Golf course	-	81,190	962,132	1,173,020
Capital grants and contributions	-	-	633,491	727,343
Total business-type activities program revenues	<u>\$ 21,841,633</u>	<u>\$ 22,301,706</u>	<u>\$ 26,214,070</u>	<u>\$ 28,976,676</u>
Total primary government program revenues	<u>\$ 43,371,248</u>	<u>\$ 47,432,633</u>	<u>\$ 47,546,303</u>	<u>\$ 47,354,207</u>

# CITY OF TROY, MICHIGAN

## CHANGES IN NET ASSETS LAST FOUR FISCAL YEARS (Accrual Basis of Accounting)

(Continued)

	Fiscal Year Ended			
	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>6/30/2006</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (52,069,191)	\$ (41,286,971)	\$ (59,161,360)	\$ (64,470,734)
Business-type activities	1,055,295	(294,898)	507,189	1,976,774
Total primary government net expense	<u>\$ (51,013,896)</u>	<u>\$ (41,581,869)</u>	<u>\$ (58,654,171)</u>	<u>\$ (62,493,960)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Property taxes	\$ 49,702,131	\$ 54,685,430	\$ 50,570,501	\$ 49,497,560
State-shared revenues	7,618,966	7,101,729	6,906,372	6,844,167
Grants and contributions not restricted to specific programs	1,500	50	61,890	24,905
Interest and investment earnings	1,859,698	1,459,262	2,508,127	3,436,837
Miscellaneous	438,545	2,063,083	107,486	634,535
Transfers	850,200	-	830,140	758,500
Total governmental activities	<u>\$ 60,471,040</u>	<u>\$ 65,309,554</u>	<u>\$ 60,984,516</u>	<u>\$ 61,196,504</u>
Business-type activities:				
Grants and contributions not restricted to specific programs	\$ -	\$ -	\$ 196,561	\$ 212,213
Interest and investment earnings	649,413	365,794	910,557	1,530,660
Miscellaneous	1,752,533	1,130,466	-	-
Transfers	(850,200)	-	(830,140)	(758,500)
Total business-type activities	<u>\$ 1,551,746</u>	<u>\$ 1,496,260</u>	<u>\$ 276,978</u>	<u>\$ 984,373</u>
Total primary government	<u>\$ 62,022,786</u>	<u>\$ 66,805,814</u>	<u>\$ 61,261,494</u>	<u>\$ 62,180,877</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 8,401,849	\$ 24,022,583	\$ 1,823,156	\$ (3,274,230)
Business-type activities	2,607,041	1,201,362	784,167	2,961,147
Total primary government	<u>\$ 11,008,890</u>	<u>\$ 25,223,945</u>	<u>\$ 2,607,323</u>	<u>\$ (313,083)</u>

# CITY OF TROY, MICHIGAN

## FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

	For Fiscal Year Ended									
	<u>6/30/1997</u>	<u>6/30/1998</u>	<u>6/30/1999</u>	<u>6/30/2000</u>	<u>6/30/2001</u>	<u>6/30/2002</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>6/30/2006</u>
General Fund										
Reserved	\$ 2,850,854	\$ 1,463,558	\$ 1,387,895	\$ 1,926,331	\$ 3,177,624	\$ 3,383,974	\$ 3,524,927	\$ 3,597,139	\$ 708,988	\$ 618,143
Unreserved	8,603,158	13,016,144	16,482,576	19,285,439	20,200,272	18,576,135	17,901,803	16,855,616	23,098,204	26,280,666
Total general fund	<u>\$ 11,454,012</u>	<u>\$ 14,479,702</u>	<u>\$ 17,870,471</u>	<u>\$ 21,211,770</u>	<u>\$ 23,377,896</u>	<u>\$ 21,960,109</u>	<u>\$ 21,426,730</u>	<u>\$ 20,452,755</u>	<u>\$ 23,807,192</u>	<u>\$ 26,898,809</u>
All other Governmental Funds										
Reserved	\$ 40,286,484	\$ 42,047,753	\$ 45,779,128	\$ 33,401,335	\$ 37,052,869	\$ 33,599,918	\$ 34,669,982	\$ 16,788,859	\$ 11,218,690	\$ 8,671,081
Unreserved, reported in:										
Special revenue funds	2,812,238	3,986,812	5,266,846	5,967,365	\$ 8,677,209	\$ 5,453,780	\$ 5,166,988	\$ 6,597,268	\$ 12,288,180	\$ 5,601,748
Capital projects funds	8,559,772	8,101,308	5,735,923	8,220,976	11,421,852	10,136,827	24,099,059	27,090,374	26,559,518	18,573,691
Debt service funds	-	-	-	-	-	-	-	613,290	-	-
Permanent fund	-	-	-	-	-	-	-	-	161,558	170,518
Total all other governmental funds	<u>\$ 51,658,494</u>	<u>\$ 54,135,873</u>	<u>\$ 56,781,897</u>	<u>\$ 47,589,676</u>	<u>\$ 57,151,930</u>	<u>\$ 49,190,525</u>	<u>\$ 63,936,029</u>	<u>\$ 51,089,791</u>	<u>\$ 50,227,946</u>	<u>\$ 33,017,038</u>

# CITY OF TROY, MICHIGAN

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Modified Accrual Basis of Accounting)

	Fiscal Year									
	6/30/1997	6/30/1998	6/30/1999	6/30/2000	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006
<b>Revenues</b>										
Property taxes	\$ 34,826,853	\$ 38,372,719	\$ 40,335,494	\$ 42,772,221	\$ 45,093,163	\$ 47,720,109	\$ 49,445,596	\$ 49,729,110	\$ 51,455,237	\$ 49,877,171
Licenses and permits	1,722,198	1,679,479	2,254,763	2,221,451	2,048,206	1,522,133	1,449,003	1,649,985	1,607,445	1,662,592
Intergovernmental - federal	221,418	194,107	418,053	205,639	307,050	569,310	437,061	415,609	2,928,690	961,366
Intergovernmental - state	10,070,393	11,150,210	11,883,491	15,460,750	13,012,679	17,169,346	15,946,030	19,579,823	12,944,756	12,073,497
Intergovernmental - local	85,781	100,202	99,781	107,585	118,646	159,268	142,450	241,418	165,154	891,705
Charges for services	4,103,707	2,329,584	2,856,612	3,009,779	3,996,793	3,667,536	5,870,215	6,310,960	8,594,731	7,895,033
Fines and forfeits	556,706	782,345	806,743	856,035	1,061,310	1,171,749	896,833	960,250	973,527	994,373
Investment income	4,791,007	5,121,407	4,428,158	5,140,688	5,406,554	2,687,564	1,664,399	1,198,874	2,213,067	2,947,672
Other	6,613,528	2,990,334	3,133,423	4,558,264	2,614,718	3,999,601	4,798,868	5,497,512	2,817,781	1,601,059
<b>Total revenues</b>	<b>\$ 62,991,591</b>	<b>\$ 62,720,387</b>	<b>\$ 66,216,518</b>	<b>\$ 74,312,412</b>	<b>\$ 73,659,119</b>	<b>\$ 78,666,616</b>	<b>\$ 80,650,455</b>	<b>\$ 85,583,541</b>	<b>\$ 83,700,388</b>	<b>\$ 78,904,468</b>
<b>Expenditures</b>										
General government	\$ 5,213,126	\$ 5,365,312	\$ 6,371,802	\$ 6,520,286	\$ 7,134,820	\$ 7,605,215	\$ 8,217,477	\$ 8,657,335	\$ 8,978,687	\$ 9,002,076
Public safety	19,945,705	20,824,076	21,591,628	21,609,992	22,787,828	24,721,059	25,229,356	26,313,278	27,203,034	27,973,275
Roads and Streets	2,929,284	2,790,409	3,119,250	2,955,145	3,458,730	3,321,820	3,822,154	3,944,998	5,074,870	4,755,184
Other Public Works	3,428,877	2,832,966	2,742,275	3,015,089	3,359,645	3,808,488	3,708,860	3,500,055	2,780,643	2,835,772
Sanitation	3,957,455	3,396,282	3,516,686	3,523,772	3,477,389	3,671,275	4,198,140	4,432,201	4,432,841	4,367,093
Community & Economic Dev.	442,325	487,866	780,067	782,293	397,874	675,157	576,366	553,242	474,591	2,011,275
Recreation and culture	6,724,813	7,280,595	8,070,484	8,403,068	8,991,175	10,287,719	11,893,754	12,524,550	13,263,560	13,376,722
Other	3,276,370	-	-	-	-	-	-	-	-	-
Capital outlay	11,456,688	10,612,465	10,581,256	35,102,539	22,422,333	56,099,017	42,801,620	22,194,876	14,791,534	18,994,837
Debt service										
Principal	2,614,123	2,771,780	2,249,282	2,314,514	2,969,940	9,589,460	4,081,284	12,872,500	3,109,955	1,736,712
Interest and other charges	1,993,878	1,772,501	1,671,996	1,507,936	2,162,127	3,229,735	3,133,028	4,410,719	3,246,210	1,702,856
<b>Total expenditures</b>	<b>\$ 61,982,644</b>	<b>\$ 58,134,252</b>	<b>\$ 60,694,726</b>	<b>\$ 85,734,634</b>	<b>\$ 77,161,861</b>	<b>\$ 123,008,945</b>	<b>\$ 107,662,039</b>	<b>\$ 99,403,754</b>	<b>\$ 83,355,925</b>	<b>\$ 86,755,802</b>
Excess of revenues over (under) expenditures	\$ 1,008,947	\$ 4,586,135	\$ 5,521,792	\$ (11,422,222)	\$ (3,502,742)	\$ (44,342,329)	\$ (27,011,584)	\$ (13,820,213)	\$ 344,463	\$ (7,851,334)
<b>Other Financing Sources (Uses)</b>										
Proceeds from long-term debt	\$ -	\$ -	\$ -	\$ 5,571,300	\$ 14,860,761	\$ 34,181,247	\$ 40,225,000	\$ -	\$ -	\$ 81,089
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	74,985	905,292
Transfers in	6,580,665	7,286,807	8,109,657	8,524,878	11,612,967	19,623,039	23,611,663	22,746,919	16,529,331	12,767,350
Transfers out	(6,530,665)	(6,886,807)	(7,594,656)	(8,524,878)	(10,862,367)	(18,841,149)	(22,761,463)	(22,746,919)	(15,699,191)	(12,008,850)
<b>Total other financing sources (uses)</b>	<b>\$ 50,000</b>	<b>\$ 400,000</b>	<b>\$ 515,001</b>	<b>\$ 5,571,300</b>	<b>\$ 15,611,361</b>	<b>\$ 34,963,137</b>	<b>\$ 41,075,200</b>	<b>\$ -</b>	<b>\$ 905,125</b>	<b>\$ 1,744,881</b>
<b>Net change in fund balances</b>	<b>\$ 1,058,947</b>	<b>\$ 4,986,135</b>	<b>\$ 6,036,793</b>	<b>\$ (5,850,922)</b>	<b>\$ 12,108,619</b>	<b>\$ (9,379,192)</b>	<b>\$ 14,063,616</b>	<b>\$ (13,820,213)</b>	<b>\$ 1,249,588</b>	<b>\$ (6,106,453)</b>
Debt service as a percentage of noncapital expenditures	9.1%	9.6%	7.8%	7.5%	9.4%	19.2%	11.1%	22.4%	9.3%	5.1%

# CITY OF TROY, MICHIGAN

## GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE LAST TEN FISCAL YEARS

### Governmental Funds

<b>Fiscal Year Ended June 30</b>	<b>General</b>	<b>Refuse</b>	<b>Capital</b>	<b>General Debt Service</b>	<b>Total All Property Taxes</b>
1997	\$ 22,146,604	\$ 3,766,529	\$ 4,469,686	\$ 3,183,628	\$ 33,566,447
1998	23,037,653	3,578,633	5,718,254	3,392,447	35,726,987
1999	24,130,403	3,607,699	7,249,139	2,278,911	37,266,152
2000	25,073,487	3,565,556	6,460,426	4,102,123	39,201,592
2001	27,295,287	3,707,365	6,871,070	3,393,679	41,267,401
2002	29,085,526	3,636,077	7,506,099	3,548,012	43,775,714
2003	30,399,278	3,800,177	7,417,214	3,710,450	45,327,119
2004	30,985,387	3,886,714	7,586,118	3,512,091	45,970,310
2005	32,300,414	4,010,718	9,036,196	2,418,718	47,766,046
2006	35,229,232	4,120,154	8,041,747	2,486,038	49,877,171

# CITY OF TROY, MICHIGAN

## PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percentage of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Ratio of Total Tax Collections To Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes To Total Tax Levy</u>
1997	\$ 33,511,137	\$ 32,630,061	97.37%	\$ 766,644	99.66%	\$ 151,636	.45%
1998	34,834,939	33,978,096	97.54	737,431	99.66	136,266	.39
1999	36,316,680	35,645,833	98.15	732,372	100.17	120,514	.33
2000	37,904,870	37,391,650	98.65	736,580	100.59	146,773	.38
2001	39,434,080	38,848,160	98.51	693,813	100.27	256,858	.65
2002	41,803,788	41,016,410	98.12	632,486	99.63	308,641	.74
2003	43,497,146	42,574,532	97.88	582,323	99.22	491,213	1.13
2004	44,251,910	43,440,583	98.17	672,473	99.68	296,928	.67
2005	45,666,420	44,814,456	98.13	637,527	99.53	214,437	.47
2006	46,913,799	45,924,486	97.89	726,792	99.44	65,394	.14

# CITY OF TROY, MICHIGAN

## PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS (PER \$1,000 OF ASSESSED VALUATION)

<u>Overlapping Governments</u>								
<u>Fiscal Year Ended June 30</u>	<u>City of Troy</u>	<u>Troy School District</u>	<u>Oakland County</u>	<u>Oakland County Community College</u>	<u>Intermediate School District</u>	<u>SMART</u>	<u>State Education</u>	<u>Total</u>
1997 H	9.48	12.11	4.85	1.65	2.13	0.33	6.00	36.55
1997 NH	9.48	21.25	4.85	1.65	2.13	0.33	6.00	45.69
1998 N	9.48	12.41	4.82	1.65	2.13	0.33	6.00	36.82
1998 NH	9.48	21.64	4.82	1.65	2.13	0.33	6.00	46.05
1999 H	9.48	11.71	4.66	1.65	2.12	0.33	6.00	35.95
1999 NH	9.48	21.62	4.66	1.65	2.12	0.33	6.00	45.86
2000 H	9.48	11.36	4.65	1.63	2.10	0.33	6.00	35.55
2000 NH	9.48	21.61	4.65	1.63	2.10	0.33	6.00	45.80
2001 H	9.48	10.71	4.65	1.61	2.08	0.32	6.00	34.85
2001 NH	9.48	21.32	4.65	1.61	2.08	0.32	6.00	45.46
2002 H	9.48	10.06	4.64	1.60	3.46	0.32	6.00	35.56
2002 NH	9.48	21.13	4.64	1.60	3.46	0.32	6.00	46.63
2003 H	9.45	9.73	4.65	1.61	3.42	0.60	6.00	35.46
2003 NH	9.45	21.14	4.65	1.61	3.42	0.60	6.00	46.87
2004 H	9.45	9.43	4.65	1.60	3.40	0.60	5.00	34.13
2004 NH	9.45	21.14	4.65	1.60	3.40	0.60	5.00	45.84
2005 H	9.45	10.16	4.65	1.60	3.38	0.60	6.00	35.84
2005 NH	9.45	22.13	4.65	1.59	3.38	0.60	6.00	47.80
2006 H	9.45	9.87	4.65	1.58	3.37	0.60	6.00	35.52
2006 NH	9.45	22.13	4.65	1.58	3.37	0.60	6.00	47.78

H - Homestead  
NH - Non-Homestead

# CITY OF TROY, MICHIGAN

## ASSESSED VALUE AND TAXABLE VALUE OF PROPERTY LAST TEN FISCAL YEARS (IN THOUSANDS OF DOLLARS)

<u>Fiscal Year Ended June 30,</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Personal Property</u>	<u>Total Taxable Value</u>	<u>Total Direct Tax Rate</u>	<u>Assessed Value</u>	<u>Taxable Value as a Percentage of Assessed Value</u>
1997	\$ 1,803,528,199	\$ 848,404,150	\$ 399,188,000	\$ 522,531,950	\$ 3,573,652,298	9.48	\$ 3,672,996,870	97.30%
1998	1,897,712,177	893,495,360	404,623,590	579,417,710	3,775,248,837	9.48	3,954,663,960	95.46
1999	2,005,462,063	962,610,510	411,725,710	626,129,990	4,005,928,273	9.48	4,284,960,814	93.49
2000	2,095,364,383	1,004,504,303	417,195,414	666,496,353	4,183,560,453	9.48	4,696,926,183	89.07
2001	2,200,049,920	1,099,760,450	430,191,020	643,070,690	4,373,072,080	9.48	5,218,597,300	83.80
2002	2,341,626,570	1,239,570,810	455,491,350	649,562,212	4,686,250,942	9.48	5,652,563,942	82.90
2003	2,482,897,070	1,275,459,080	483,319,960	619,964,538	4,861,640,648	9.45	5,955,697,398	81.63
2004	2,592,381,651	1,333,873,080	467,772,010	584,236,696	4,978,263,437	9.45	6,188,084,256	80.45
2005	2,738,916,540	1,329,545,890	490,202,370	536,093,423	5,094,758,223	9.45	6,337,222,973	80.39
2006	2,892,925,590	1,369,954,040	497,974,250	503,497,670	5,264,351,550	9.45	6,526,074,330	80.67

**Source:** City of Troy Assessing records

**Note:** The estimated assessed value is calculated using a 24-month sales study updated annually.

Proposal "A", as passed by the citizens of Michigan, took effect in 1994. This Proposal created two new categories for tax and assessment purposes (taxable value and capped value). Assessed value was unchanged by the Proposal, and remains at 50% of the market value of a property.

Taxable value is the amount upon which millage rate (taxes) are now levied. Taxable value is defined as the lesser of assessed value or capped value.

Capped value is calculated by taking the previous year's taxable value, minus any losses in value, multiplied by the inflation rate or 5% (whichever is less) plus any new construction.

This Proposal also mandated that the taxable value and assessed value were to be equal for the year following a transfer of ownership (as defined by the statutes), and then the capping process would begin anew.

The taxable and assessed valuation of taxable property is determined as of December 31st of each year.

# CITY OF TROY, MICHIGAN

## TOP TEN PRINCIPAL TAX PAYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	6/30/1997			6/30/2006		
	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value
Bellemead of Michigan	\$58,382,110	1	1.63%			
WRC Properties	55,650,340	2	1.56%			
K-Mart	55,448,120	3	1.55%	\$39,103,450	4	0.74%
E. D. S.	41,932,420	4	1.17%			
Nykel Management	40,581,250	5	1.14%	56,361,080	2	1.07%
Frankel Forbes/Cohen	36,868,390	6	1.03%	62,372,530	1	1.18%
Detroit Edison	32,812,730	7	0.92%	33,882,660	5	0.64%
Standard Federal Corporation	29,369,730	8	0.82%			
Kirco Development	27,012,710	9	0.76%			
Rockwell International	24,097,930	10	0.68%			
Liberty Property Limited				43,507,780	3	0.83%
Riggs & Co. (Kirco Dev.)				28,079,400	8	0.53%
888 W. Big Beaver Assoc.				32,532,870	7	0.62%
Oakland Mall, L.L.C.				28,047,750	9	0.53%
Kelly Services & Properties				33,786,950	6	0.64%
Lasalle Bank (Standard Federal Corp.)				27,759,750	10	0.53%

## CITY OF TROY, MICHIGAN

### RATIO OF NET GENERAL BONDED DEBT TO TAXABLE VALUE AND NET BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxable Value	Estimated Population	Gross Bonded Debt Outstanding	Debt Service Fund Balance	Debt Payable from Other than General Resources	Net Bonded Debt	Percent of Net Bonded Debt to Taxable Value	Net Bonded Debt Per Capita
1997	\$3,573,652,298	72,884	\$ 39,197,404	\$ 4,673,823	\$ 28,746,903	\$ 5,776,678	0.16 %	79.26
1998	3,775,248,837	72,884	34,996,940	6,012,696	26,879,600	2,104,644	0.06	28.88
1999	4,005,628,273	72,884	30,749,852	6,918,142	23,831,710	-	-	-
2000	4,183,560,453	72,884	32,103,273	9,895,404	22,207,869	-	-	-
2001	4,373,072,080	80,959	42,997,925	11,017,036	31,980,889	-	-	-
2002	4,686,250,942	80,959	66,394,521	14,071,780	52,322,741	-	-	-
2003	4,861,640,648	80,959	101,768,658	14,940,365	86,828,293	-	-	-
2004	4,978,263,437	80,959	88,868,315	6,243,395	82,624,920	-	-	-
2005	5,094,758,223	80,959	85,677,271	6,200,419	79,476,852	-	-	-
2006	5,264,351,550	80,959	50,956,648	4,776,501	46,177,147	-	-	-

**CITY OF TROY, MICHIGAN**

**RATIO OF ANNUAL  
DEBT SERVICE EXPENDITURES  
FOR GENERAL OBLIGATION BONDED DEBT  
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended June 30</b>	<b>Principal</b>	<b>Interest and Fiscal Charges</b>	<b>Total Debt Service</b>	<b>Total General Governmental Expenditures</b>	<b>Ratio of Debt Service to General Government Expenditures</b>
1997	\$ 2,444,985	\$ 546,210	\$ 2,991,195	\$ 47,249,586	6.33%
1998	2,333,160	356,737	2,689,897	47,521,787	5.66
1999	2,164,789	441,361	2,606,150	50,113,470	5.20
2000	1,623,759	274,387	1,898,146	50,632,095	3.75
2001	1,525,782	200,706	1,726,488	54,739,528	3.15
2002	1,549,651	1,229,717	2,779,368	66,909,928	4.15
2003	1,600,863	1,606,965	3,207,828	65,367,274	4.91
2004	11,512,500	2,831,219	14,343,719	77,303,538	18.56
2005	1,579,955	1,753,162	3,333,117	68,279,944	4.88
2006	1,525,000	1,600,594	3,125,594	65,514,169	4.77

Includes General, Special Revenue and Debt Service Funds.

# CITY OF TROY, MICHIGAN

## COMPUTATION OF DIRECT AND OVERLAPPING DEBT JUNE 30, 2006

<u>Jurisdiction</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percent Applicable to Troy</u>	<u>Amount Applicable to Troy</u>
City of Troy	\$ 45,905,000	100.00%	\$ 45,905,000
Avondale School District	101,308,250	17.30	17,526,327
Birmingham School District	237,100,000	4.42	10,479,820
Bloomfield Hills School District	19,200,000	2.06	395,520
Lamphere School District	24,265,000	13.31	3,229,672
Royal Oak School District	91,439,000	3.23	2,953,480
Troy School District	159,355,000	100.00	159,355,000
Warren School District	152,642,000	8.51	12,989,834
 Oakland County	 113,000,096	 8.94	 10,102,209
Oakland Intermediate School District	9,215,000	8.37	771,296
Macomb Intermediate School District	2,500,000	1.21	30,250
Oakland County Community College	<u>10,050,000</u>	9.00	<u>904,500</u>
Total overlapping debt	<u>920,074,346</u>		<u>218,737,908</u>
Total direct and overlapping debt	<u>\$ 965,979,346</u>		<u>\$264,642,908</u>

Source: Municipal Advisory Council of Michigan; Detroit, Michigan.

# CITY OF TROY, MICHIGAN

## COMPUTATION OF LEGAL DEBT MARGIN JUNE 30, 2006

Assessed Valuation at December 31, 2004 \$ 6,526,074,330

	<u>Annual Net Debt</u>	<u>Percentage of State Equalized Valuation</u>	<u>Legal Margin</u>	
			<u>Amount</u>	<u>Legal Debt Margin</u>
General obligation debt	\$ 48,855,000	10%	\$ 652,607,433	\$ 606,752,433
Emergency bonds	-	3/8	24,472,779	24,472,779
Special assessment bonds	<u>50,000</u>	12	<u>783,128,920</u>	<u>783,078,920</u>
Total debt	<u>\$ 45,905,000</u>		<u>\$ 1,460,209,132</u>	<u>\$ 1,414,304,132</u>

The statutory debt limits of net bonded indebtedness incurred for all public purposes shall not at any one time exceed 10% of the assessed valuation of taxable property in the City (\$6,526,074,330), except that this limit may be exceeded by 3/8ths of 1% in case of fire, flood or other calamity. This limitation does not include bonds issued in anticipation of the payment of special assessments, nor bonds issued pursuant to court order for sewage or garbage disposal systems.

The Michigan State Bond Act provides that the total debt in special assessment bonds, which would require that the City pledge its faith and credit, shall not exceed 12% of the assessed valuation of taxable property of the City, nor shall such bonds be issued in any calendar year in excess of 3% unless voted.

# CITY OF TROY, MICHIGAN

## PLEDGED REVENUE COVERAGE LAST TEN FISCAL YEARS

Building Authority bonds					
Debt Service					
Fiscal Year Ended	Collections	Principal	Interest	Total	Coverage (1)
1997	\$ -	\$ -	\$ -	\$ -	%
1998	-	-	-	-	-
1999	-	-	-	-	-
2000	-	-	-	-	-
2001	-	-	-	-	-
2002	-	-	-	-	-
2003	-	-	511,294	511,294	0.000%
2004	-	-	557,770	557,770	0.000%
2005	962,132	-	557,770	557,770	1.725%
2006	1,173,020	200,000	554,520	754,520	1.555%

Michigan Transportation Fund Bonds					
Debt Service					
Fiscal Year Ended	Collections (2)	Principal	Interest	Total	Coverage
1997	\$ -	\$ -	\$ -	\$ -	%
1998	-	-	-	-	-
1999	-	-	-	-	-
2000	-	-	-	-	-
2001	2,206,234	1,100,000	342,238	1,442,238	1.530%
2002	2,389,260	1,200,000	221,538	1,421,538	1.681%
2003	2,433,431	1,300,000	164,538	1,464,538	1.662%
2004	2,627,194	125,000	103,438	228,438	11.501%
2005	2,548,178	150,000	97,438	247,438	10.298%
2006	2,529,103	175,000	90,088	265,088	9.541%

Special Assessment Bonds					
Debt Service					
Fiscal Year Ended	Collections	Principal	Interest	Total	Coverage (3)
1997	\$ 89,223	\$ 65,000	\$ 24,223	\$ 89,223	1.000%
1998	70,518	50,000	20,518	70,518	1.000%
1999	47,903	30,000	17,903	47,903	1.000%
2000	41,081	25,000	16,081	41,081	1.000%
2001	39,413	25,000	14,413	39,413	1.000%
2002	37,738	25,000	12,738	37,738	1.000%
2003	36,056	25,000	11,056	36,056	1.000%
2004	34,369	25,000	9,369	34,369	1.000%
2005	32,675	25,000	7,675	32,675	1.000%
2006	55,125	50,000	5,125	55,125	1.000%

(1) Capitalized Interest 2003, 2004.

(2) Fifty percent of state gas and weight taxes can be used for debt payments.

(3) Customers may choose to make special assessment payments up-front to avoid paying interest to the City, which creates uneven payment streams over the life of the assessment.

# CITY OF TROY, MICHIGAN

## DEMOGRAPHIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population (1)	Number of Households	Median Household Effective Buying Income (3)	School Enrollment (4)	Median Age	Unemployment Rate (%) (5)
1997	82,560	29,896	*	12,064	37.0	1.6
1998	83,787	30,274	59,601	12,050	37.3	1.9
1999	84,549	30,434	60,004	12,066	*	1.6
2000	85,124	30,721	61,806	12,079	37.0	1.6
2001	80,959 (2)	30,872	65,642	12,101	38.1	2.3
2002	84,531	31,371	70,342	12,043	38.1	3.2
2003	84,841	31,504	65,625	12,092	38.1	3.2
2004	85,956	31,944	62,862	12,059	38.1	3.2
2005	86,740	32,281	64,630	12,005	38.0	4.7
2006	87,159	32,431	*	12,131	38.1	4.9

Source:

(1) Estimates provided by City Planning Department

(2) U.S. Bureau of the Census

(3) "Survey of Buying Power" by Sales and Marketing Management, New York, N.Y.  
and published annually

(4) Troy School District

(5) Michigan Department of Career Development

\* Information not available.

\*\* Change in the calculation method.

# CITY OF TROY, MICHIGAN

## PRINCIPAL EMPLOYERS BY INDUSTRY CURRENT AND PREVIOUS TWO YEARS\*

Industry	2003			2004			2005		
	Number of Parcels	Rank	Percent of Total Parcels	Number of Parcels	Rank	Percent of Total Parcels	Number of Parcels	Rank	Percent of Total Parcels
Industrial, Light Manufacturing	640	1	41.21%	636	1	40.80%	638	1	40.56%
Office	261	2	16.81	266	2	17.06	268	2	17.04
Retail Store (Mall, Plaza, Market, Whse, Discount)	136	3	8.76	137	3	8.79	140	3	8.90
Engineering	84	4	5.41	85	4	5.45	84	4	5.34
Apartments	66	5	4.25	66	5	4.23	65	6	4.13
Medical Office	64	6	4.12	63	7	4.04	72	5	4.58
Restaurant & Fast Food	64	7	4.12	64	6	4.11	64	7	4.07
Warehouse (Storage, Distribution, Transit)	54	8	3.48	54	8	3.46	54	8	3.43
Service (Station, Garage, Booth, Convenience)	52	9	3.35	52	9	3.34	52	9	3.31
Loft (Multi Tenant Industrial)	39	10	2.51	39	10	2.50	39	10	2.48
Bank	24	11	1.55	24	11	1.54	24	11	1.53
Auto Dealership	15	12	0.97	15	12	0.96	16	12	1.02
All other	54		3.48	58		3.72	57		3.62
Total commercial/industrial parcels	<u>1,553</u>		<u>100.00%</u>	<u>1,559</u>		<u>100.00%</u>	<u>1,573</u>		<u>100.00%</u>

\* Information was not compiled prior to the 2003 assessment roll

# CITY OF TROY, MICHIGAN

## OPERATION INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b><u>Building Inspection</u></b>										
Permits issued	2,245	2,091	2,196	2,190	1,946	1,938	1,867	2,110	2,136	1,927
Plans reviewed	1,445	1,287	1,450	1,051	1,450	1,029	1,053	1,200	1,716	1,600
<b><u>Executive Administration</u></b>										
City Manager's Office										
GFOA awards/submittals	1	2	3	3	3	3	3	3	3	3
City Attorney's Office										
District court appearances	5,070	4,975	5,414	5,559	5,071	5,953	4,910	6,484	6,425	N/A
<b><u>Engineering</u></b>										
Engineering										
Soil erosion inspections	N/A	750	1,100	348	400	500	900	2,500	2,983	2,700
Machine traffic counts	N/A	192	165	165	162	140	138	140	128	125
<b><u>Finance</u></b>										
Accounting/Risk Management										
Payroll checks processed	N/A	19,092	21,797	22,544	24,675	22,811	23,224	23,250	23,851	23,800
Invoices issued	N/A	2,491	1,950	2,002	2,234	2,259	2,193	2,300	1,651	1,800
Liability claims processed	N/A	66	219	194	181	161	162	161	139	129
Insurance certificates approved	N/A	206	223	236	278	287	307	400	357	323
Assessing										
Residential appraisals	1,000	1,100	1,232	1,200	1,500	1,200	1,500	1,200	1,200	1,600
Reinspections	1,700	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,250
City Clerk's Office										
Dog licenses issued	5,496	5,544	5,352	5,351	6,500	5,256	5,013	5,020	2,330	1,690
Registered voters	55,484	56,063	56,734	56,024	55,329	54,712	54,273	54,122	54,188	53,792
Human Resources										
Applications processed	N/A	1,069	615	1,007	1,550	1,552	1,340	1,350	1,156	1,500
Job postings	39	84	51	66	52	50	44	50	44	50
Labor contracts settled	N/A	N/A	N/A	N/A	3	2	2	1	1	4
Purchasing										
Value of goods/services purchased	N/A	\$24.0 mil	\$24.0 mil	\$24.0 mil	\$27.0 mil	\$23.6 mil	\$24.4 mil	\$29.0 mil	\$26.3 mil	\$29.0 mil
% of awards without dispute	N/A	100%	100%	100%	100%	100%	100%	100%	100%	100%
City Treasurer's Office										
Tax bills processed	59,664	61,327	61,851	62,687	63,241	63,086	64,000	64,000	65,480	66,220
Water bills processed	93,014	93,628	96,076	101,128	98,476	98,747	N/A	N/A	104,771	106,369
Community Affairs										
New resident packets distributed	N/A	N/A	N/A	N/A	N/A	761	770	760	775	775
Press releases sent	N/A	N/A	N/A	N/A	N/A	315	330	340	412	440

# CITY OF TROY, MICHIGAN

## OPERATION INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b><u>Fire</u></b>										
Fire Department responses	1,260	1,270	1,336	1,333	1,347	1,182	1,204	1,358	1,188	1,500
Inspections performed	1,934	1,853	2,183	2,093	2,093	1,974	2,465	2,000	2,196	2,000
<b><u>Other General Government</u></b>										
Building Operations										
Requests for service	2,500	2,850	2,975	3,478	3,478	3,478	6,200	11,472	14,472	16,750
Planning										
Site plan reviews	25	38	37	43	24	31	33	30	19	25
Special use requests	11	8	13	7	8	7	7	9	6	17
<b><u>Parks &amp; Recreation</u></b>										
ROW trees trimmed	3,200	3,200	2,400	3,000	1,160	3,000	3,200	1,000	1,000	116
Nature Center program attendance	4,025	5,013	4,308	4,034	3,176	3,176	4,660	4,090	4,995	4,765
<b><u>Police</u></b>										
Part I Crimes	3,395	2,998	2,411	2,387	2,316	2,061	2,107	1,979	2,044	N/A
Hours of alcohol enforcement	660	2,860	2,870	2,176	2,901	2,840	2,318	2,400	2,175	2,700
<b><u>Public Works</u></b>										
Streets & Drains Division										
Requests for service	1,093	969	1,197	1,172	1,151	905	870	1,100	1,293	744
Traffic signs repaired/replaced	2,244	2,906	2,161	2,262	1,761	1,825	1,650	1,800	1,650	1,680
Water & Sewer Division										
Requests for service	5,619	3,540	2,841	2,048	2,414	2,653	2,414	2,650	2,650	2,637
Sanitary sewers cleaned in feet	1,120,455	1,071,589	867,390	661,683	1,079,417	1,918,932	1,671,089	1,670,000	1,670,000	2,067,000
Fleet Maintenance										
Work orders	5,233	5,180	5,126	4,593	4,593	3,098	3,849	4,000	4,137	4,050
Vehicle tires replaced	571	472	524	489	489	403	355	400	791	600
Refuse/Resource Recovery										
Tons of refuse collected	43,520	46,392	46,536	48,460	49,524	48,793	49,263	54,000	48,308	54,500
Tons of compost collected	3,361	3,593	3,533	3,953	4,957	4,989	6,303	6,500	7,804	9,984
<b><u>Information Technology</u></b>										
Help desk requests	N/A	731	639	1,293	1,049	1,250	1,407	1,400	1,620	1,800
<b><u>Golf Course</u></b>										
Sylvan Glen rounds of golf	64,695	66,856	67,074	63,362	57,115	55,982	53,410	55,560	51,060	50,820
Sanctuary Lake rounds of golf	-	-	-	-	-	-	-	4,010	18,463	35,401
<b><u>Aquatic Center</u></b>										
Admissions	26,589	49,284	45,148	44,825	48,664	53,140	38,578	48,000	55,348	50,240

# CITY OF TROY, MICHIGAN

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Fire</u>										
Stations	6	6	6	6	6	6	6	6	6	6
<u>Police</u>										
Stations	1	1	1	1	1	1	1	1	1	1
<u>Streets</u>										
Miles of improved	354.7	357.5	362.2	362.2	362.2	366	370	371	410	423
Miles of unimproved	12.7	9.9	9.9	9.9	9.9	7	7.4	6.5	4.9	4.9
<u>Sewers</u>										
Miles of combination storm/sanitary	2.27	2.27	2.27	2.27	2.3	2	10	10	10	10
Miles of sanitary	300.8	300.8	300.8	300.8	374.5	377	382.5	384.7	386	384
Miles of storm	235.6	235.6	240.3	240.3	273.9	278	366	397	488	510
<u>Street Lights</u>										
Detroit Edison owned	707	707	712	712	712	712	579	577	577	564
City owned	1,057	1,057	1,119	1,119	1,119	1,122	1,669	1,707	1707	1558
<u>Water</u>										
Annual distribution in million cubic feet	612.7	553.3	679.3	679.7	564.9	574.6	641	643	595	663
Miles of watermains	490.2	490.2	490.2	490.2	532.8	536	538.8	543.5	547	536
Number of hydrants	5,498	5,498	5,498	5,498	5,442	5,467	5,492	5,561	5,610	5,759
<u>Parks and Recreation</u>										
Number of developed parks	14	14	14	14	14	14	14	14	14	14
Acres of public parks	900	900	832	832	832	896	735	735	735	735
Number of tennis courts	44	44	44	18	18	18	18	18	18	18
Outdoor education center/farm	1	1	1	1	1	1	1	1	1	1
18-hole golf course	1	1	1	1	1	1	1	2	2	2
Community center	1	1	1	1	1	1	1	1	1	1
Aquatic center	1	1	1	1	1	1	1	1	1	1

# CITY OF TROY, MICHIGAN

## BUILDING CONSTRUCTION LAST TEN FISCAL YEARS

1996 - 1997	2,245	permits	\$173,458,968 estimated value
1997 - 1998	2,091	permits	190,550,736 estimated value
1998 - 1999	2,196	permits	260,729,204 estimated value
1999 - 2000	2,190	permits	255,604,926 estimated value
2000 - 2001	1,946	permits	230,713,492 estimated value
2001 - 2002	1,938	permits	143,908,032 estimated value
2002 - 2003	1,867	permits	141,941,808 estimated value
2003 - 2004	2,110	permits	140,823,926 estimated value
2004 - 2005	2,136	permits	143,697,564 estimated value
2005 - 2006	1,927	permits	114,459,317 estimated value

# CITY OF TROY, MICHIGAN

## FULL AND PART-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Full and Part Time Employees as of June 30																			
	1997		1998		1999		2000		2001		2002		2003		2004		2005		2006	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
<b><u>Building Inspection</u></b>																				
Building Inspection	20	2	20	2	20	2	21	1	21	1	22	0	22	0	22	0	22	0	21	2
<b><u>Executive Administration</u></b>																				
City Manager's Office	5	0	6	0	6	0	6	0	6	0	6	0	6	0	6	0	6	0	6	0
City Attorney's Office	7	1	7	2	7	1	7	2	7	2	7	2	8	1	8	1	8	1	8	1
<b><u>Engineering</u></b>																				
Engineering	21	3	22	3	22	6	22	7	23	7	23	7	23	7	23	7	23	7	23	6
<b><u>Finance</u></b>																				
Accounting/Risk Management	13.5	1	14	0	9	0	11	0	11	0	11	0	11	0	11	0	10.5	0	10.5	0
Assessing	11	0	11	0	10	0	10	0	10	0	10	0	10	0	10	0	8	2	8	2
City Clerk's Office	4	0	6	0	5	1	5	1	6	1	6	1	6	2	7	2	6	2	6	2
Human Resources	5	2	5.5	2	6	1	5	1	4	1	4	1	4	1	4	1	4	1	4	1
Purchasing	2	1	2	1	2	1	3	1	3	1	3	1	3	1	3	1	3	1	3	1
City Treasurer's Office	6	0	6	0	6	0	6	0	5	0	5	0	5	0	5	0	4.5	0	4.5	0
Community Affairs	0	0	0	0	3	3	4	3	4	4	3	6	3	6	3	6	3	6	3	6
<b><u>Fire</u></b>																				
Fire	11	2	11	2	11	2	12	2	12	2	14	2	14	2	14	2	14	2	14	2
<b><u>Library/Museum</u></b>																				
Library	17	68	17	68	16	80	17	79	17	80	20	66	20	85	20	86	20	88	20	88
Museum	2	5	2	5	0	0	0	0	0	0	3	4	3	5	3	5	2	9	2	9
<b><u>Other General Government</u></b>																				
Real Estate & Development	6	3	6	3	6	0	6	0	5	1	5	1	5	1	5	1	5	1	5	1
Building Operations	9	1	9	1	9	2	10	2	10	2	11	2	12	2	12	2	12	2	12	2
Planning	5	0	6	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0
<b><u>Police</u></b>																				
Police	192	8	195	8	194	9	193	11	194	11	194	11	194	13	194	13	194	13	194	13

# CITY OF TROY, MICHIGAN

## FULL AND PART-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

	Full and Part Time Employees as of June 30																			
	1997		1998		1999		2000		2001		2002		2003		2004		2005		2006	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
<b><u>Parks &amp; Recreation</u></b>																				
Parks & Recreation	29.66	292	29.66	297	32	20	33	20	34	20	34	43	35	116	35	128	35	128	35	128
<b><u>Public Works</u></b>																				
Streets & Drains Division	30	15	30	15	29	15	29	15	32.5	18	34.5	18	34.5	19	34.5	19	34.5	19	32.5	18
Water & Sewer Division	27	7	29	6	33.5	7	37.5	7	35	6	35	6	35	6	35	6	35	6	35	6
Fleet Maintenance	17	3	18	2	18	2	18	2	18	2	18	2	18	2	18	2	18	2	18	2
Refuse/Resource Recovery	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1
<b><u>Information Technology</u></b>																				
Information technology					5	0	8	0	8	0	8	0	9	0	9	0	9	0	9	0
<b><u>Golf Course</u></b>																				
Golf course	4	19	4	19	4	19	4	20	4	20	4	35	4	37	3	36	5	54	5	72
<b><u>Aquatic Center</u></b>																				
Aquatic center	0.34	64	0.34	64	0	0	0	0	0	0	0	0	0	74	0	74	0	74	0	74
<b><u>Total Employees</u></b>	<u>446</u>	<u>498</u>	<u>458</u>	<u>501</u>	<u>460</u>	<u>172</u>	<u>474</u>	<u>175</u>	<u>476</u>	<u>180</u>	<u>487</u>	<u>209</u>	<u>491</u>	<u>381</u>	<u>491</u>	<u>393</u>	<u>488</u>	<u>419</u>	<u>485</u>	<u>437</u>

# CITY OF TROY, MICHIGAN

## STATE SHARED REVENUES LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>State Shared Revenue</u>
1997	\$ 6,544,395
1998	6,744,855
1999	7,221,013
2000	7,426,315
2001	8,129,105
2002	8,348,727
2003	7,618,966
2004	7,101,729
2005	6,906,372
2006	6,844,167

## GAS AND WEIGHT TAXES LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>Type of Street</u>		<u>Total Gas and Weight Tax (Act 51) Receipts</u>
	<u>Major Road</u>	<u>Local Road</u>	
1997	\$ 2,362,924	\$ 954,666	\$ 3,317,590
1998	3,056,139	1,154,748	4,210,887
1999	2,996,940	1,208,558	4,205,498
2000	3,144,944	1,282,803	4,427,747
2001	3,129,740	1,282,727	4,412,467
2002	3,415,410	1,363,109	4,778,519
2003	3,479,968	1,386,893	4,866,861
2004	3,751,867	1,502,521	5,254,388
2005	3,647,503	1,448,852	5,096,355
2006	3,628,794	1,429,411	5,058,205

Source: City of Troy

# CITY OF TROY, MICHIGAN

## LABOR AGREEMENTS

<u>Name</u>	<u>Expiration Date</u>	<u>Number of Employees Covered</u>
American Federation of State, County, and Municipal Employees, AFSCME - Public Works Employees	6/30/09	83
Michigan Association of Police - Clerical, Police Services Aides	6/30/07	64
Troy Command Officers Association - Command Police Officers	6/30/08	36
Troy Police Officers Association - Police Officers	6/30/08	98
Troy Firestaff Officers Association - Fire Career Professionals	6/30/09	12

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**SINGLE AUDIT SECTION**

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**INDEPENDENT AUDITORS' 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**

September 29, 2006

To the Honorable Mayor and City Council  
City of Troy, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Troy, Michigan* (the "City") as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2006. 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 the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the *City of Troy, Michigan* in a separate letter dated September 29, 2006.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 City Council and management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive style with a large, prominent initial 'L'.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

September 29, 2006

To the Honorable Mayor and City Council  
City of Troy, Michigan

**Compliance**

We have audited the compliance of *City of Troy, Michigan* (the "City") 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, 2006. The City's major federal programs are identified in the summary of auditors' 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 the *City of Troy, Michigan*' management. Our responsibility is to express an opinion on the City'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 the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City 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, 2006.

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

**City of Troy, Michigan**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2006**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>National Endowment for the Humanities:</b>		
<i>Museum Assessment Program</i>	45.302	\$ 1,850
<b>U.S. Department of Housing and Urban Development:</b>		
Pass through Oakland County, Michigan <i>Community Development Block Grant</i>	14.218	79,067
<b>U.S. Department of Justice:</b>		
<i>Bulletproof Vest Grant</i>	16.607	1,692
Pass through Michigan Department of Community Health <i>BYRNE/Local Law Enforcement Block Grant</i>	16.592	10,000
Total U.S. Department of Justice		<u>11,692</u>
<b>U.S. Department of Homeland Security:</b>		
<b>Office for Domestic Preparedness</b>		
Pass through Michigan Department of State Police <i>Public Assistance Grants</i>		
<i>2003 SHSGP Part II Training Grant</i>	97.004	722
<i>2003 SHSGP Part II Training Grant</i>	97.004	297,258
<i>2003 SHSGP Part II Training Grant</i>	97.004	22,753
<i>2005 Buffer Zone Protection Program Grant</i>	97.078	49,924
<b>Federal Emergency Management Agency Grant</b>		
Assistance to Firefighters Grant Program	97.044	91,392
Total U.S. Department of Homeland Security		<u>462,049</u>
<b>U.S. Cooperative Forestry Assistance Act of 1978:</b>		
Pass through Michigan Department of Natural Resources <i>Emerald Ash Borer Tree Planting Grant 05-034</i>	10.664	20,000
<b>U.S. Department of Transportation:</b>		
Pass through Michigan State Department of Transportation <i>Highway Planning &amp; Construction</i>		
HH3263	20.205	20,198
HH2221	20.205	19,720
RR3308	20.205	33,436
YY259	20.205	192,979
RR4527	20.205	5,534
RR4528	20.205	76,044
RR3172	20.205	18,484
Total U.S. Department of Transportation		<u>366,395</u>
<b>U.S. Environmental Protection Agency:</b>		
Pass through Wayne County, Michigan <i>Rouge River Detention Pond Retrofit Grant</i>	66.606	2,163
<i>Rouge River Sanitary Sewer Overflow Grant</i>	66.606	91,556
Total U.S. Environmental Protection Agency		<u>93,719</u>
<b>Total Expenditures of Federal Awards</b>		<b><u>\$ 1,034,772</u></b>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of *City of Troy, Michigan* (the "City") 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 financial statements.

**2. RECONCILIATION**

The following reconciles total federal revenues per the financial statements to total federal expenditures per the Schedule of Expenditures of Federal Awards.

Federal revenues per financial statements	\$1,055,247
Less:	
FY2005 revenue included in FY2006 Financial Statements-	
Emerald Ash Borer Tree Planting Grant	(20,000)
National Endowment for the Humanities – Museum Assessment	(475)
Total federal expenditures per Schedule of Expenditures of Federal Awards	<u>\$1,034,772</u>

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

    Material weakness(es) identified?                           yes     X   no

    Reportable condition(s) identified  
    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 programs:

    Material weakness(es) identified?                           yes     X   no

    Reportable condition(s) identified  
    not considered to be material weaknesses?              yes     X   none reported

Type of auditors' report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?                              yes     X   no

Identification of major programs:  
    State Homeland Security Grant Program  
    Part II Training Grant CFDA No. 97.004

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

Auditee qualified as low-risk auditee?                 X   yes          no

**CITY OF TROY, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**SECTION IV – PRIOR YEAR FINDINGS**

None.

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