



City of  
**Troy**  
Michigan



*Comprehensive  
Annual  
Financial  
Report  
2007*

*for the year ended June 30, 2007*



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2007**

**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**

*Prepared by the Finance Department*

## Introductory Section



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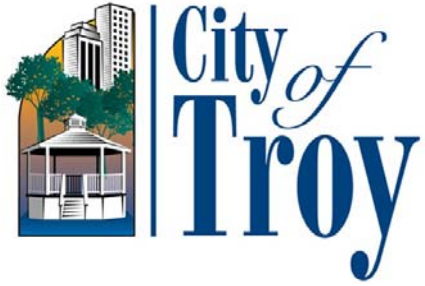
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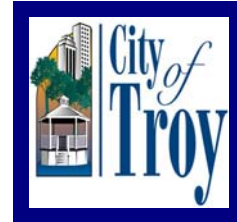
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November 19, 2007

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, 2007 is hereby submitted. The report represents a comprehensive and detailed picture of our financial transactions during fiscal year 2006/07 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. Troy's 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.

**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 and metro area average.

	<u>1990</u>	<u>2000</u>	<u>July 2007</u>
Troy	3.5%	1.6%	4.8%
Metro Area*	7.6%	4.3%	7.9%
Michigan	7.6%	3.6%	7.5%
National	5.5%	4.0%	4.7%

\*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, 2006, that value had grown to \$5,435,035,442, an increase of 85.4%. 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; WQGH AM 1670 was launched this spring, broadcasting news, programs, special events and other public service announcements produced by the City of Troy to promote happenings within the community. In the event of an emergency, WQGH will broadcast instructions on what precautions citizens should take to remain safe. WQGH 1670 is a great communications channel for us to reach the community.

## **Transit Center**

The City of Troy hired Wendell Duchscherer of Amherst, NY to begin developing the design plans for the Intermodal Transit Center. With the help from City staff, Wendell Duchscherer held a series of design charettes and forums with the community and the stakeholders in the project.

The community is keenly interested in the project and what it means to the surrounding area, as is evidenced by the current University of Michigan /Urban Land Institute study. The UM/ULI is focusing its annual study on the transit center, and the ability to create transit-oriented design (TOD) developments that compliment and promote the use of the center.

## **The Pavilions of Troy**

On October 15, 2007 City Council approved the planned unit development agreement for The Pavilions of Troy, which will include both residential and retail units, a premiere hotel, state-of-the-art fitness center, plazas, promenades, gathering spaces, public art and other amenities designed to create a true destination.

The Pavilions of Troy will be situated on the west corner of Big Beaver and Coolidge, on the 40-acre site of the former Kmart Headquarters. Consistent with the parameters established by the Big Beaver Corridor Study, the project will create a scale of urban intensity that defines the corridor, supports human activity, and is intended to blend seamlessly with its surroundings.

## **DEPARTMENT FEATURE - THE COMMUNITY AFFAIRS DEPARTMENT**

The Community Affairs Department is committed to providing information to the public. These efforts support Council-established Goal IV, "Effectively and professionally communicate internally and externally". A variety of methods are employed, including the quarterly newsletter *Troy Today*; the annual City calendar/financial report; the City website; cable television programs; public service announcements; the Popular Annual Financial Report (PAFR); brochures about City services; informational bulletins; Troy Community Guide including a City services directory; press releases; photos; and information packets for new residents.

In 2007 the City's website ([www.troymi.gov](http://www.troymi.gov)) underwent major redesign to better provide up-to-date and accurate information about the City. A new web project was launched in October that features a series of streaming videos created to promote public and private assets of the community, to highlight the advantages of living in and doing business in Troy at what is likely the first stop for anyone doing research on the City: the Internet. Videos are provided on business and industry, relocation and real estate, education, recreation and things to do, shopping and dining, tourism and accommodations, history, and health care and senior living.

This year the City of Troy partnered with the school district, chamber of commerce, and business leaders for a promotional event called *Live & Learn in Troy*. On a Sunday in October, Troy opened its doors to current and prospective residents who wanted to learn more about Troy's nationally recognized schools and City services, find homes in their price ranges, and receive special discounts from local businesses and restaurants supporting the initiative. Realtors had record numbers of people coming through the 200 open houses within Troy.

**DEPARTMENT FEATURE -  
THE COMMUNITY AFFAIRS DEPARTMENT, CONTINUED**

Cable television services are coordinated through Community Affairs. City Council meetings are aired live as well as taped and cablecast on a regular basis during each week (Wednesdays at 10 a.m., Thursdays at 7 p.m., Saturdays and Sundays at 4 p.m. and 10 p.m.). Videotapes of all City Council meetings are now available to check out at the Troy Public Library. Troy Downtown Development Authority, Board of Zoning Appeals, Planning Commission, Youth Council and Senior Citizens Advisory Committee meetings are also taped and cablecast each month. The Community Affairs Department produces the weekly community news update *Spotlight on Troy*. It features topics such as fire prevention; community policing; Parks and Recreation activities; recycling; and upcoming events. An upgrade to our cable bulletin board, which promotes City service messages, events and programs, enables us to broadcast our weekly news program every hour on the hour. We continue our ongoing *Talking History* series, which is a program of interviews of residents and business owners who have lived in Troy for many years.

This department coordinates special events throughout the year, including Martin Luther King Celebration of Freedom; 3<sup>rd</sup> grade student tours; holiday tree lighting, Veteran's Day and Memorial Day Ceremonies; and the Fire Fighters and Boards & Committees Appreciation Banquet. Community Affairs coordinates the photography of City services, events and activities year-round for use in various publications.

Community Affairs also coordinates the Citizens Academy, a nine-week class offering residents the chance to get an in-depth look at City services and departments. The Community Affairs Director serves as liaison to the Intergovernmental Cable Communications Authority (ICCA), as well as the Troy Daze Committee; Troy Activities Coordinating Team (TACT); MLK Day Committee with the Troy School District, the Cable Advisory Committee and Ethnic Issues Advisory Board.

**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% from the prior year. Property taxes in the General Fund increased by 1.3%.

State sources decreased for the fifth year in a row this year by \$208,659 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 down 10.3% due to a decrease in the issuance and value of building permits and right-of-way permits. Fines and forfeitures were up 25%. Charges for services revenue increased by 13.4% due primarily to increased utilization of the Community Center and cable franchise fees.

Investment income was up 86% due to the corresponding increase in interest rates.

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

Total General Fund operating expenditures increased by 2.8%. All bargaining units received contractual increases in wages this past year. Full-time employment was reduced by eight positions through attrition. The frequency of snow and ice removal events accounted for the large decrease in road and streets expenditures. The large increase in the transfer to Other Funds, accounts for an additional transfer to the Budget Stabilization Fund and Retiree Health Care Trust Fund.

### **General Fund Balance**

The fund balance of the General Fund decreased by \$2 million to a balance of \$24,865,587. Of the \$24,865,587 fund balance, \$695,992 is reserved for such items as inventory and prepaid items; \$9,171,895 is unreserved but designated for tax appeals, insurance claims and improvements and maintenance; \$3,210,280 is unreserved but designated for the 2007/08 budget; and \$1,000,000 is reserved for the Volunteer Firefighters Incentive Plan, leaving \$10,787,420 as unreserved and undesignated. The \$10,787,420 represents 17% of our 2007/08 General Fund budget. This amount is within our 10-17% 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 \$3,587,980 compared to \$3,628,794 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. Major activities in this fund include minor home chore program for seniors 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 \$14.7 million, resulting in a decrease of \$.9 million from last year. Operating expenses totaled \$13.9 million, an increase of \$.1 million from last fiscal year.

Sanitary Sewer Fund - Generated \$11.3 million in operating revenues compared to \$10.1 million last fiscal year. Operating expenses totaled \$9.7 million, the same as 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 \$192,611 compares to a net loss of \$155,374 last fiscal year. Operating revenues increased by \$9,032 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 \$111,507. This amount compares to an increase of \$25,796 last fiscal year.

Sanctuary Lake Golf Course Fund - Ended the year with a decrease in net assets of \$622,950 compared to a \$557,510 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 – 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 – Departments are charged 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 \$181,108,878 compared to the beginning amount of \$165,167,131. As of December 31, 2006, the fund is 110.8 % 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 and contractors' performance deposits.

## **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, 2007, the City had a number of debt issues outstanding. These issues included \$37,280,131 being serviced by Governmental Funds and \$11,600,000 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 2007 was 8.5016 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, 2006.

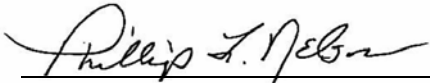
This was the tenth consecutive year that the City has achieved this prestigious award. In order to be awarded a certificate of achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable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

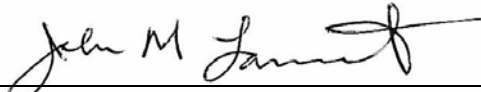
The timely preparation of the CAFR was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in preparation of this report.

Respectfully submitted,



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Phillip L. Nelson, City Manager



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John M. Lamerato, Assistant City Manager/  
Finance & Administration

# 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, 2006

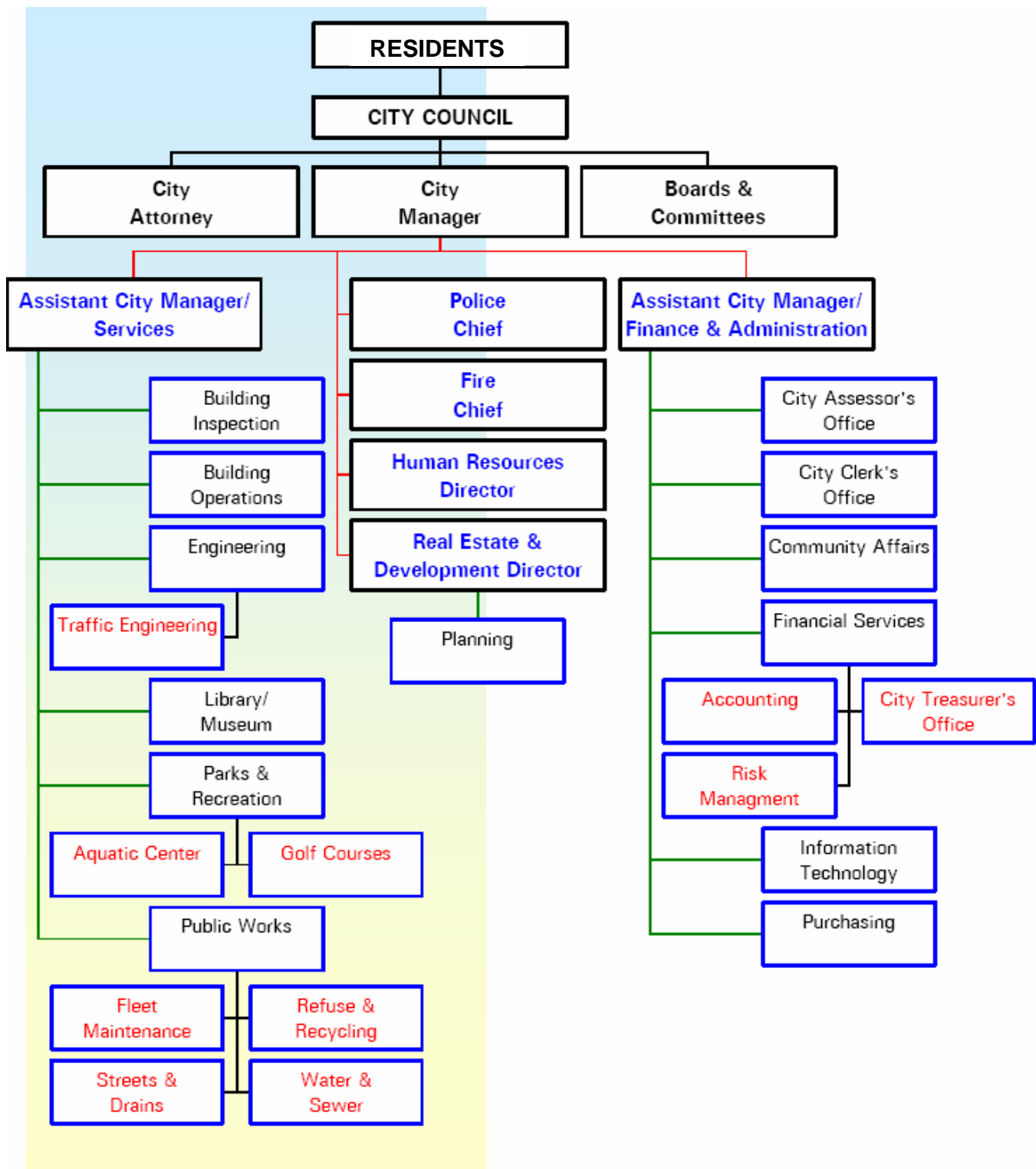
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

## 2006/07 Organizational Chart



**PRINCIPAL  
OFFICIALS**

City Manager	<b>PHILLIP L. NELSON</b>
City Attorney	<b>LORI GRIGG BLUHM</b>
Assistant City Manager/Finance & Administration	<b>JOHN M. LAMERATO</b>
Assistant City Manager/Real Estate & Development Director	<b>BRIAN P. MURPHY</b>
City Assessor	<b>LEGER A. LICARI</b>
City Clerk	<b>TONNI L. BARTHOLOMEW</b>
City Engineer	<b>STEVEN J. VANDETTE</b>
City Treasurer	<b>SANDRA L. KASPEREK</b>
Community Affairs Director	<b>CYNTHIA STEWART</b>
Director of Building/Zoning	<b>MARK S. STIMAC</b>
Director of Building Operations	<b>STEVEN PALLOTTA</b>
Financial Services Director	<b>JAMES A. NASH</b>
Fire Chief	<b>WILLIAM S. NELSON</b>
Human Resources Director	<b>PEGGY E. SEARS</b>
Information Technology Director	<b>GERTRUDE M. PARASKEVIN</b>
Library/Museum Director	<b>CATHLEEN A. RUSS</b>
Parks and Recreation Director	<b>CAROL K. ANDERSON</b>
Planning Director	<b>MARK F. MILLER</b>
Police Chief	<b>CHARLES T. CRAFT</b>
Public Works Director	<b>TIMOTHY L. RICHNAK</b>
Purchasing Director	<b>SUSAN A. LEIRSTEIN</b>
Risk Manager	<b>STEPHEN COOPERRIDER</b>
Superintendent of Fleet Maintenance	<b>SAMUEL LAMERATO</b>
Superintendent of Streets and Drains	<b>THOMAS ROSEWARNE</b>
Superintendent of Water	<b>RICHARD W. SHEPLER</b>

## 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\*

### Fiduciary Funds

#### Pension Trust

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

### Component Units

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

\*Major funds under GASB No. 34

#### General\*

#### Permanent

- Cemetery Perpetual Care

#### Internal Service

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

#### Agency

- Agency

Financial Section



**INDEPENDENT AUDITORS' REPORT**

November 14, 2007

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, 2007, 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.

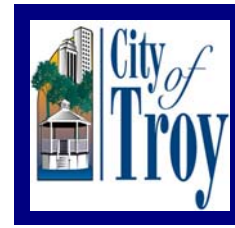
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Troy, Michigan*, as of June 30, 2007, 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 November 14, 2007, 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 67-70 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, 2007. Please read it in conjunction with the transmittal letter, which begins on page VII and the City's financial statements, which begin on page 11.

### FINANCIAL HIGHLIGHTS

- The City's combined total net assets are reported as \$370.3 million for the fiscal year ended June 30, 2007, compared to \$372.3 last fiscal year.
- In the City's governmental activities, revenues generated \$81.3 million, while expenses totaled \$87.9 million.
- In the City's business-type activities, revenues generated \$31.7 million, while expenses totaled \$27.1 million.
- The total cost of all of the City's programs, including governmental activities and business-type activities was \$115.0 million, up \$5.2 million from last fiscal year, this compares to a \$4 million increase last year.
- Total net assets decreased \$2.0 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, enterprise, 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, 2007 is \$370.3 million. Business-type activities comprise \$149.0 million and governmental activities make up \$221.3 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 \$76.5 million. \$33.4 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, 2007 to the prior year.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS, CONTINUED**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets:</b>						
Current Assets	\$ 83.3	\$ 84.3	\$ 43.5	\$ 42.6	\$ 126.8	\$ 126.9
Capital Assets	191.0	198.9	117.5	114.4	\$ 308.5	\$ 313.3
<b>Total Assets</b>	<b>\$ 274.3</b>	<b>\$ 283.2</b>	<b>\$ 161.0</b>	<b>\$ 157.0</b>	<b>\$ 435.3</b>	<b>\$ 440.2</b>
<b>Liabilities:</b>						
Long-term Debt Outstanding	\$ 43.4	\$ 44.6	\$ 11.6	\$ 11.8	\$ 55.0	\$ 56.4
Other Liabilities	9.6	11.3	0.4	0.2	10.0	11.5
<b>Total Liabilities</b>	<b>\$ 53.0</b>	<b>\$ 55.9</b>	<b>\$ 12.0</b>	<b>\$ 12.0</b>	<b>\$ 65.0</b>	<b>\$ 67.9</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Debt	\$ 153.8	\$ 159.8	\$ 105.9	\$ 102.6	\$ 259.7	\$ 262.4
Restricted	34.1	33.0	-	-	34.1	33.0
Unrestricted	33.4	34.5	43.1	42.4	76.5	76.9
<b>Total Net Assets</b>	<b>\$ 221.3</b>	<b>\$ 227.3</b>	<b>\$ 149.0</b>	<b>\$ 145.0</b>	<b>\$ 370.3</b>	<b>\$ 372.3</b>

Total assets decreased by \$4.9 million during the year, made up of a decrease of \$8.9 million in governmental activities and an increase of \$4.0 million in business type activities. The decrease in capital assets was due primarily to the recognition of depreciation of infrastructure net of additions.

Total liabilities decreased by \$2.9 million primarily due to the reduction in long-term debt through annual debt payments. Other liabilities decreased by \$1.5 million compared to the prior year.

Net assets show a decrease in investments in capital assets net of debt of \$2.7 million and unrestricted net assets decreased by \$.4 million. Restricted net assets increased by \$1.1 million due to the additional transfer of funds to the Budget Stabilization Fund.

**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, 2007 to the prior year, in a condensed format:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues:						
Charges for Services	\$ 11.8	\$ 10.8	\$ 28.4	\$ 28.2	\$ 40.2	\$ 39.0
Operating Grants & Contributions	0.9	1.1	-	-	0.9	1.1
Capital Grants & Contributions	6.6	6.5	1.0	0.7	7.6	7.2
General Revenues:						
Property Taxes	50.5	49.5	-	-	50.5	49.5
State-shared Revenues	6.6	6.8	-	-	6.6	6.8
Interest Earnings	4.6	3.4	2.1	1.5	6.7	4.9
Other Revenue	0.3	0.7	0.2	0.2	0.5	0.9
<b>Total Revenues</b>	<b>\$ 81.3</b>	<b>\$ 78.8</b>	<b>\$ 31.7</b>	<b>\$ 30.6</b>	<b>\$ 113.0</b>	<b>\$ 109.4</b>
Program Expenses:						
General Government	\$ 15.1	\$ 11.7	\$ -	\$ -	\$ 15.1	\$ 11.7
Public Safety	30.4	28.7	-	-	30.4	28.7
Engineering & Public Services	20.9	18.4	-	-	20.9	18.4
Community & Economic Dev	0.2	2.1	-	-	0.2	2.1
Sanitation	4.5	4.4	-	-	4.5	4.4
Recreation and Culture	15.2	15.9	-	-	15.2	15.9
Interest Expense	1.6	1.7	-	-	1.6	1.7
Water	-	-	13.9	13.8	13.9	13.8
Sanitary Sewer	-	-	9.7	9.7	9.7	9.7
Golf Courses	-	-	2.8	2.8	2.8	2.8
Aquatic Center	-	-	0.7	0.6	0.7	0.6
<b>Total Expenses</b>	<b>\$ 87.9</b>	<b>\$ 82.9</b>	<b>\$ 27.1</b>	<b>\$ 26.9</b>	<b>\$ 115.0</b>	<b>\$ 109.8</b>
Inc in Net Assets before Transfers	\$ (6.6)	\$ (4.1)	\$ 4.6	\$ 3.7	\$ (2.0)	\$ (0.4)
Transfers	0.6	0.8	(0.6)	(0.8)	-	-
<b>Increase in Net Assets</b>	<b>(6.0)</b>	<b>(3.3)</b>	<b>4.0</b>	<b>2.9</b>	<b>(2.0)</b>	<b>(0.4)</b>
Net Assets - Beginning of Year	227.3	230.6	145.0	142.1	372.3	\$ 372.7
<b>Net Assets - End of Year</b>	<b>\$ 221.3</b>	<b>\$ 227.3</b>	<b>\$ 149.0</b>	<b>\$ 145.0</b>	<b>\$ 370.3</b>	<b>\$ 372.3</b>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

### **GOVERNMENTAL ACTIVITIES**

The City of Troy's total governmental revenue is reported at \$81.3 million, an increase of \$2.5 million from the prior year. This was primarily attributed to an increase in property taxes and interest earnings.

Expenses increased by \$5.0 million compared to last fiscal year. The net increase of \$5.0 million is spread over several divisions. The public safety division increased by \$1.7 million, the engineering and public services increased by \$2.5 million, due to the completion of capital projects, and an additional \$2.5 million contribution to the Retiree Health Care Trust Fund.

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 services and water purchase 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 \$4.0 million. The Water and Sewer Fund increased by \$2.2 million and \$2.6 million respectively. The City's two golf courses recorded a net decrease in net assets of \$.5 million.

### **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 decreased by \$2.0 million to a balance of \$24.9 million. The decrease was anticipated due to the \$2,500,000 transfer to the Retiree Health Care Trust Fund and the \$1,000,000 transfer to the Budget Stabilization Fund. During budget discussions City Council agreed with City management's recommendation to utilize Fund Balance to fund those transfers.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS, CONTINUED**

Fund balance in the Capital Projects Fund increased by \$.7 million due to the increased investment earnings.

**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 Federal Grants and Investment Earnings, and to provide additional funding for Fire Department activities. Revenue received for the fiscal year came in \$1.9 million over the budgeted amount. Charges for Services and Investment Earnings accounted for a majority of the excess.

Overall expenses for the City were 3.7% or \$2.4 million less than the budgeted amount due to a conservative spending policy, delays in filling vacant positions, reduction of eight full-time positions, and reduction in benefit levels for new hires.

**CAPITAL ASSET AND  
DEBT ADMINISTRATION**

At the end of 2007, the City of Troy had \$259.7 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 decrease in capital assets during the year was attributable to the recognition of depreciation of infrastructure in excess of additions. 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 \$48.9 million at June 30, 2007. 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 2008 calls for a decrease of .15 mills in the Refuse property tax rate. The total tax rate has remained the same or lower since July 1, 1996. Property taxes make up approximately 57% 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 most properties decreased in market value due to utilizing a one-year sales study versus two years, 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 \$208,659 this past year. When comparing this annual amount to the amount we received five years ago, we are receiving \$1.5 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, 2007**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 59,546,172	\$ 18,548,188	\$ 78,094,360	\$ 12,332,543
Investments	14,954,089	15,998,583	30,952,672	2,478,385
Receivables (net)	6,924,236	9,203,665	16,127,901	213,245
Internal balances	857,938	(857,938)	-	-
Due from component units	67,485	-	67,485	-
Other assets	932,956	622,981	1,555,937	-
Capital assets:				
Assets not being depreciated	38,475,648	19,336,561	57,812,209	-
Assets being depreciated, net	152,597,582	98,183,856	250,781,438	-
<b>Total assets</b>	<b>274,356,106</b>	<b>161,035,896</b>	<b>435,392,002</b>	<b>15,024,173</b>
<b>Liabilities</b>				
Accounts payable	7,195,771	199,198	7,394,969	-
Accrued payroll	2,010,165	-	2,010,165	-
Accrued liabilities	398,582	50,922	449,504	218,412
Due to primary government	-	-	-	67,485
Unearned revenue	803	122,953	123,756	-
Noncurrent liabilities:				
Due within one year	5,334,374	300,000	5,634,374	1,725,000
Due in more than one year	38,090,038	11,300,000	49,390,038	27,920,000
<b>Total liabilities</b>	<b>53,029,733</b>	<b>11,973,073</b>	<b>65,002,806</b>	<b>29,930,897</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt	153,793,099	105,920,417	259,713,516	-
Restricted for:				
Debt service	4,434,911	-	4,434,911	-
Highways and streets	3,533,298	-	3,533,298	-
Capital projects	23,123,173	-	23,123,173	-
Community and economic Perpetual care	185,742	-	185,742	-
Other purposes	2,842,149	-	2,842,149	-
Unrestricted	33,414,001	43,142,406	76,556,407	(14,906,724)
<b>Total net assets (deficit)</b>	<b>\$ 221,326,373</b>	<b>\$ 149,062,823</b>	<b>\$ 370,389,196</b>	<b>\$ (14,906,724)</b>

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

**City of Troy, Michigan**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

<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	\$ 15,101,536	\$ 2,245,026	\$ 18,500	\$ -	\$(12,838,010)
Public safety	30,436,286	3,059,322	329,629	298,287	(26,749,048)
Public works	20,864,379	1,927,982	-	6,199,236	(12,737,161)
Sanitation	4,529,666	2,275	-	-	(4,527,391)
Community and economic development	149,357	-	428,035	-	278,678
Recreation and culture	15,189,313	4,546,308	156,529	54,910	(10,431,566)
Interest on long-term debt	1,618,860	-	-	-	(1,618,860)
<b>Total governmental activities</b>	<b>87,889,397</b>	<b>11,780,913</b>	<b>932,693</b>	<b>6,552,433</b>	<b>(68,623,358)</b>
Business-type activities					
Water	13,951,978	14,652,417	-	569,010	1,269,449
Sewer	9,705,247	11,291,515	-	443,819	2,030,087
Aquatic center	688,236	322,111	-	-	(366,125)
Sylvan Glen golf course	1,085,421	1,125,895	-	-	40,474
Sanctuary Lake golf course	1,683,553	1,052,986	-	-	(630,567)
<b>Total business-type activities</b>	<b>27,114,435</b>	<b>28,444,924</b>	<b>-</b>	<b>1,012,829</b>	<b>2,343,318</b>
<b>Total primary government</b>	<b>\$ 115,003,832</b>	<b>\$ 40,225,837</b>	<b>\$ 932,693</b>	<b>\$ 7,565,262</b>	<b>\$(66,280,040)</b>
<b>Component units</b>					
Downtown development authority	\$ 1,721,991	\$ -	\$ 827,138	\$ -	\$ (894,853)
Local development financing authority	193,092	-	-	-	(193,092)
Brownfield redevelopment authority	11,120	-	-	-	(11,120)
<b>Total component units</b>	<b>\$ 1,926,203</b>	<b>\$ -</b>	<b>\$ 827,138</b>	<b>\$ -</b>	<b>\$ (1,099,065)</b>

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, 2007**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (68,623,358)	\$ 2,343,318	\$ (66,280,040)	\$ (1,099,065)
General revenues				
Property taxes	35,679,836	-	35,679,836	-
Property taxes for sanitary purposes	4,254,241	-	4,254,241	-
Property taxes for economic development	-	-	-	4,603,968
Property taxes for capital projects	8,200,947	-	8,200,947	-
Property taxes for debt service	2,353,192	-	2,353,192	-
State shared revenue, unrestricted	6,635,508	-	6,635,508	-
Grants and contributions not restricted to specific programs	175,543	215,292	390,835	-
Unrestricted investment earnings	4,588,419	2,104,233	6,692,652	709,494
Gain on sale of capital assets	118,565	-	118,565	-
Transfers - internal activities	643,040	(643,040)	-	-
 Total general revenues and transfers	 <u>62,649,291</u>	 <u>1,676,485</u>	 <u>64,325,776</u>	 <u>5,313,462</u>
 Change in net assets	 (5,974,067)	 4,019,803	 (1,954,264)	 4,214,397
 Net assets (deficit), beginning of year	 <u>227,300,440</u>	 <u>145,043,020</u>	 <u>372,343,460</u>	 <u>(19,121,121)</u>
 <b>Net assets (deficit), end of year</b>	 <u><u>\$ 221,326,373</u></u>	 <u><u>\$ 149,062,823</u></u>	 <u><u>\$ 370,389,196</u></u>	 <u><u>\$ (14,906,724)</u></u>

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

**City of Troy, Michigan**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 24,955,084	\$ 18,072,174	\$ 6,250,851	\$ 49,278,109
Investments	4,451,512	4,740,286	2,834,977	12,026,775
Receivables:				
Accounts receivable (net)	1,406,676	227,592	-	1,634,268
Taxes-delinquent	724,022	-	-	724,022
Special assessments	-	915,827	-	915,827
Interest and dividends	103,462	110,174	41,419	255,055
Due from other funds	903,377	-	1,047,073	1,950,450
Due from component units	67,485	-	-	67,485
Due from other government:	2,400,140	-	926,628	3,326,768
Inventory	265,160	-	-	265,160
Prepaid expenditures	430,832	-	-	430,832
	<u>\$ 35,707,750</u>	<u>\$ 24,066,053</u>	<u>\$ 11,100,948</u>	<u>\$ 70,874,751</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 7,007,395	\$ 188,376	\$ -	\$ 7,195,771
Accrued payroll	2,010,165	-	-	2,010,165
Due to other funds	1,047,073	-	104,848	1,151,921
Other liabilities	28,451	-	-	28,451
Deferred revenue	749,079	754,504	-	1,503,583
	<u>10,842,163</u>	<u>942,880</u>	<u>104,848</u>	<u>11,889,891</u>
<b>Fund balances</b>				
Reserved for:				
Debt service	-	-	4,434,911	4,434,911
Inventory and prepaid items	695,992	-	-	695,992
Project commitments	-	97,037	-	97,037
Unreserved, reported in				
General fund	24,169,595	-	-	24,169,595
Special revenue funds	-	-	6,375,447	6,375,447
Capital project funds	-	23,026,136	-	23,026,136
Permanent fund	-	-	185,742	185,742
	<u>24,865,587</u>	<u>23,123,173</u>	<u>10,996,100</u>	<u>58,984,860</u>
Total liabilities and fund balances	<u>\$ 35,707,750</u>	<u>\$ 24,066,053</u>	<u>\$ 11,100,948</u>	<u>\$ 70,874,751</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, 2007**

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Fund balances - total governmental funds	\$	58,984,860
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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		38,465,400
Add: capital assets being depreciated		300,110,472
Deduct: accumulated depreciation		(151,719,832)

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		1,502,780
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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.		12,556,334
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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		(370,131)
Deduct: bonds payable		(37,280,131)
Deduct: claims incurred but not reported		(923,379)

Net assets of governmental activities	\$	<u><u>221,326,373</u></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, 2007**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 35,679,836	\$ 8,200,947	\$ 6,816,128	\$ 50,696,911
Licenses and permits	1,491,958	-	-	1,491,958
Intergovernmental:				
Federal sources	198,102	237,772	116,091	551,965
State sources	6,800,243	-	5,004,966	11,805,209
Local sources	483,133	282,690	-	765,823
Charges for services	7,874,456	456,599	7,425	8,338,480
Fines and forfeitures	1,243,286	-	-	1,243,286
Investment earnings	1,538,997	1,694,501	709,457	3,942,955
Other	1,381,018	614,109	51,713	2,046,840
Total revenues	<u>56,691,029</u>	<u>11,486,618</u>	<u>12,705,780</u>	<u>80,883,427</u>
<b>Expenditures</b>				
Current:				
General government	9,118,399	-	-	9,118,399
Public safety	29,575,908	-	-	29,575,908
Public works	7,430,882	-	-	7,430,882
Sanitation	-	-	4,528,962	4,528,962
Community development	-	-	116,091	116,091
Recreation and culture	13,412,739	-	-	13,412,739
Debt service				
Principal	-	217,957	1,700,000	1,917,957
Interest and fees	-	96,654	1,542,756	1,639,410
Capital outlay	-	11,856,766	-	11,856,766
Total expenditures	<u>59,537,928</u>	<u>12,171,377</u>	<u>7,887,809</u>	<u>79,597,114</u>
Revenues over (under) expenditures	<u>(2,846,899)</u>	<u>(684,759)</u>	<u>4,817,971</u>	<u>1,286,313</u>
<b>Other financing sources (uses)</b>				
Transfers in	4,313,677	5,700,000	3,952,104	13,965,781
Transfers out	(3,500,000)	(5,150,000)	(8,322,741)	(16,972,741)
Issuance of debt	-	41,440	-	41,440
Proceeds from sale of capital assets	-	748,221	-	748,221
Total other financing sources (uses)	<u>813,677</u>	<u>1,339,661</u>	<u>(4,370,637)</u>	<u>(2,217,299)</u>
Net change in fund balances	<u>(2,033,222)</u>	<u>654,902</u>	<u>447,334</u>	<u>(930,986)</u>
Fund balances, beginning of year	<u>26,898,809</u>	<u>22,468,271</u>	<u>10,548,766</u>	<u>59,915,846</u>
<b>Fund balances, end of year</b>	<u><u>\$ 24,865,587</u></u>	<u><u>\$ 23,123,173</u></u>	<u><u>\$ 10,996,100</u></u>	<u><u>\$ 58,984,860</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, 2007**

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Net change in fund balances - total governmental funds	\$ (930,986)
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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	5,666,667
Deduct: depreciation expense	(12,536,023)
Deduct: book basis in capital assets sold	(812,847)

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.

Add: net difference in deferred revenue	50,833
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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	1,917,957
Deduct: proceeds from bond issuance	(41,440)

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 attributable to those funds are reported with governmental activities.

Add: net gain from governmental activities in the internal service funds	1,429,941
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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	20,550
Deduct: increase in accrued claims payable	(738,719)

Change in net assets of governmental activities	<u>\$ (5,974,067)</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 Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<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	\$ 35,473,690	\$ 35,473,690	\$ 35,679,836	\$ 206,146
Licenses and permits	2,059,000	2,059,000	1,491,958	(567,042)
Intergovernmental:				
Federal sources	21,500	261,500	198,102	(63,398)
State sources	6,778,000	6,778,000	6,800,243	22,243
Local sources	576,590	576,590	483,133	(93,457)
Charges for services	6,645,300	6,645,300	7,874,456	1,229,156
Fines and forfeitures	1,012,000	1,012,000	1,243,286	231,286
Investment earnings	700,000	760,000	1,538,997	778,997
Other	1,245,200	1,245,200	1,381,018	135,818
Total revenues	<u>54,511,280</u>	<u>54,811,280</u>	<u>56,691,029</u>	<u>1,879,749</u>
<b>Expenditures</b>				
General government:				
Council and executive administration	2,041,140	2,041,140	1,839,179	201,961
Finance	4,869,370	4,869,370	4,726,704	142,666
Other	2,807,150	2,807,150	2,552,516	254,634
Total general government	<u>9,717,660</u>	<u>9,717,660</u>	<u>9,118,399</u>	<u>599,261</u>
Public safety:				
Police	23,174,400	23,174,400	23,147,963	26,437
Fire	4,212,260	4,512,260	4,376,866	135,394
Building Inspection	2,169,250	2,169,250	2,051,079	118,171
Total public safety	<u>29,555,910</u>	<u>29,855,910</u>	<u>29,575,908</u>	<u>280,002</u>
Public works:				
Roads and streets	5,359,530	5,359,530	4,754,166	605,364
Engineering	3,096,890	3,096,890	2,676,716	420,174
Total public works	<u>8,456,420</u>	<u>8,456,420</u>	<u>7,430,882</u>	<u>1,025,538</u>
Culture and recreation:				
Parks and recreation	8,941,930	8,941,930	8,607,457	334,473
Library and museum	5,002,000	5,002,000	4,805,282	196,718
Total culture and recreation	<u>13,943,930</u>	<u>13,943,930</u>	<u>13,412,739</u>	<u>531,191</u>
Total expenditures	<u>61,673,920</u>	<u>61,973,920</u>	<u>59,537,928</u>	<u>2,435,992</u>
Revenues over (under) expenditures	<u>(7,162,640)</u>	<u>(7,162,640)</u>	<u>(2,846,899)</u>	<u>4,315,741</u>
<b>Other financing sources (uses)</b>				
Transfers in	4,278,280	4,278,280	4,313,677	35,397
Transfers out	(3,500,000)	(3,500,000)	(3,500,000)	-
Total other financing sources	<u>778,280</u>	<u>778,280</u>	<u>813,677</u>	<u>35,397</u>
Net change in fund balances	<u>(6,384,360)</u>	<u>(6,384,360)</u>	<u>(2,033,222)</u>	<u>4,351,138</u>
Fund balance, beginning of year	26,898,809	26,898,809	26,898,809	-
<b>Fund balance, end of year</b>	<u>\$ 20,514,449</u>	<u>\$ 20,514,449</u>	<u>\$ 24,865,587</u>	<u>\$ 4,351,138</u>

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

**City of Troy, Michigan**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2007**

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Sanctuary				Total	Internal Service Funds
	Water	Sewer	Lake Golf Course	Nonmajor Enterprise Funds		
<b>Assets</b>						
Current assets:						
Cash and cash equivalents:	\$ 2,503,975	\$ 15,244,727	\$ 500	\$ 798,986	\$ 18,548,188	\$ 10,268,063
Investments	10,949,658	4,821,356	-	227,569	15,998,583	2,927,314
Interest receivable	23,619	105,210	-	5,289	134,118	68,038
Accounts receivable						
Billed	2,219,370	-	19,104	15,593	2,254,067	258
Unbilled	3,527,907	2,707,960	-	-	6,235,867	-
Due from other funds	-	-	-	1,139,845	1,139,845	-
Inventories	555,278	28,370	19,725	19,608	622,981	236,964
Total current assets	<u>19,779,807</u>	<u>22,907,623</u>	<u>39,329</u>	<u>2,206,890</u>	<u>44,933,649</u>	<u>13,500,637</u>
Noncurrent assets:						
Contracts receivable	179,937	399,676	-	-	579,613	-
Capital assets not being depreciated	10,316,475	4,912,071	2,213,463	1,894,552	19,336,561	10,248
Capital assets being depreciated net of accumulated depreciation	58,289,248	27,902,350	9,018,594	2,973,664	98,183,856	4,206,942
Total capital assets, net of accumulated depreciation	<u>68,605,723</u>	<u>32,814,421</u>	<u>11,232,057</u>	<u>4,868,216</u>	<u>117,520,417</u>	<u>4,217,190</u>
Total noncurrent assets	<u>68,785,660</u>	<u>33,214,097</u>	<u>11,232,057</u>	<u>4,868,216</u>	<u>118,100,030</u>	<u>4,217,190</u>
Total assets	<u>88,565,467</u>	<u>56,121,720</u>	<u>11,271,386</u>	<u>7,075,106</u>	<u>163,033,679</u>	<u>17,717,827</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	169,198	30,000	-	-	199,198	-
Due to other funds	-	-	1,606,123	332,251	1,938,374	-
Accrued liabilities	5,550	-	45,372	-	50,922	-
Compensated absence:	-	-	-	-	-	2,920,031
Unearned revenue	122,953	-	-	-	122,953	-
Current portion of bonds payable	-	-	300,000	-	300,000	-
Total current liabilities	<u>297,701</u>	<u>30,000</u>	<u>1,951,495</u>	<u>332,251</u>	<u>2,611,447</u>	<u>2,920,031</u>
Noncurrent liabilities:						
Compensated absence:	-	-	-	-	-	2,300,871
Bonds payable	-	-	11,300,000	-	11,300,000	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>11,300,000</u>	<u>-</u>	<u>11,300,000</u>	<u>2,300,871</u>
Total liabilities	<u>297,701</u>	<u>30,000</u>	<u>13,251,495</u>	<u>332,251</u>	<u>13,911,447</u>	<u>5,220,902</u>
<b>Net Assets</b>						
Investment in capital assets, net of related debt	68,605,723	32,814,421	(367,943)	4,868,216	105,920,417	4,217,190
Unrestricted	19,662,043	23,277,299	(1,612,166)	1,874,639	43,201,815	8,279,735
Total net assets (deficit)	<u>\$ 88,267,766</u>	<u>\$ 56,091,720</u>	<u>\$ (1,980,109)</u>	<u>\$ 6,742,855</u>	<u>149,122,232</u>	<u>\$ 12,496,925</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund					(59,409)	
Net assets of business type activities					<u>\$ 149,062,823</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, 2007**

	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:	\$ 13,847,856	\$ 11,291,515	\$ 756,760	\$ 1,225,099	\$ 27,121,230	\$ 7,972,930
Rental:						-
Golf course	-	-	289,238	202,866	492,104	-
Restaurant	-	-	6,988	87,720	94,708	-
Hydrant	138,050	-	-	-	138,050	-
Building	-	-	-	-	-	176,090
Equipment	-	-	-	-	-	3,444,179
Tap and connections fee:	294,518	-	-	-	294,518	-
Penalties	356,733	-	-	-	356,733	-
Other services	56,539	-	4,280	102,054	162,873	-
Other services to city fund:	-	-	-	-	-	604,395
Total operating revenues	<u>14,693,696</u>	<u>11,291,515</u>	<u>1,057,266</u>	<u>1,617,739</u>	<u>28,660,216</u>	<u>12,197,594</u>
<b>Operating expenses</b>						
Cost of sales and service:	9,152,521	7,735,846	-	-	16,888,367	8,516,613
General and administrative	652,653	444,773	-	-	1,097,426	543,475
Operations	2,370,748	508,097	783,048	1,473,426	5,135,319	2,722,601
Depreciation	1,746,987	1,005,910	349,861	292,941	3,395,699	1,033,837
Total operating expenses:	<u>13,922,909</u>	<u>9,694,626</u>	<u>1,132,909</u>	<u>1,766,367</u>	<u>26,516,811</u>	<u>12,816,526</u>
Operating income (loss):	<u>770,787</u>	<u>1,596,889</u>	<u>(75,643)</u>	<u>(148,628)</u>	<u>2,143,405</u>	<u>(618,932)</u>
<b>Non-operating revenues (expenses)</b>						
Federal grants	-	17,081	-	-	17,081	-
Investment earnings:	849,671	1,187,038	-	67,524	2,104,233	645,464
Interest expense	-	-	(547,307)	-	(547,307)	-
Gain on sale of capital asset:	-	-	-	-	-	183,191
Other	-	-	-	-	-	19,901
Total non-operating revenues (expenses)	<u>849,671</u>	<u>1,204,119</u>	<u>(547,307)</u>	<u>67,524</u>	<u>1,574,007</u>	<u>848,556</u>
Income before contributions and transfer	<u>1,620,458</u>	<u>2,801,008</u>	<u>(622,950)</u>	<u>(81,104)</u>	<u>3,717,412</u>	<u>229,624</u>
Developer contribution:	569,010	426,738	-	-	995,748	-
Transfers in	-	-	-	-	-	1,150,000
Transfers out	-	(643,040)	-	-	(643,040)	-
Change in net assets	<u>2,189,468</u>	<u>2,584,706</u>	<u>(622,950)</u>	<u>(81,104)</u>	<u>4,070,120</u>	<u>1,379,624</u>
Net assets (deficit), beginning of year	<u>86,078,298</u>	<u>53,507,014</u>	<u>(1,357,159)</u>	<u>6,823,959</u>	<u>147,132,122</u>	<u>11,117,301</u>
<b>Net assets (deficit), end of year</b>	<u>\$ 88,267,766</u>	<u>\$ 56,091,720</u>	<u>\$ (1,980,109)</u>	<u>\$ 6,742,855</u>	<u>\$ 151,202,242</u>	<u>\$ 12,496,925</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund					(50,317)	
Change in net assets of business-type activities					<u>\$ 4,019,803</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, 2007**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanctuary Lake Golf Course</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Cash flows from operating activities</b>						
Cash received from customers and other	\$ 14,067,645	\$ 11,028,144	\$ 1,061,703	\$ 1,617,718	\$ 27,775,210	\$ -
Cash received from interfund services	-	-	-	-	-	12,197,411
Cash payments to employees	(1,783,867)	(755,319)	(440,400)	(831,267)	(3,810,853)	(8,151,366)
Cash payments to suppliers for goods and service	(10,115,709)	(7,759,503)	(317,073)	(532,165)	(18,724,450)	(3,741,697)
Cash payments for interfund service	(338,608)	(143,830)	(23,201)	(49,732)	(555,371)	-
Net cash provided by operating activities	<u>1,829,461</u>	<u>2,369,492</u>	<u>281,029</u>	<u>204,554</u>	<u>4,684,536</u>	<u>304,348</u>
<b>Cash flows from non-capital financing activities</b>						
Subsidy from federal grant	-	17,081	-	-	17,081	-
Advances to other fund:	-	-	-	-	-	1,150,000
Other	-	-	-	-	-	19,901
Transfers from other fund:	-	-	466,278	-	466,278	-
Transfers to other fund:	-	(643,040)	-	-	(643,040)	-
Net cash provided (used) by non-capital financing activities:	<u>-</u>	<u>(625,959)</u>	<u>466,278</u>	<u>-</u>	<u>(159,681)</u>	<u>1,169,901</u>
<b>Cash flows from capital and related financing activities</b>						
Purchase of capital asset:	(3,445,900)	(1,887,824)	-	(164,907)	(5,498,631)	(882,667)
Proceeds from sale of capital asset	-	-	-	-	-	183,191
Bond/note principal payment:	-	-	(200,000)	-	(200,000)	-
Bond/note interest payment:	-	-	(547,307)	-	(547,307)	-
Net cash (used) by capital and related financing activities:	<u>(3,445,900)</u>	<u>(1,887,824)</u>	<u>(747,307)</u>	<u>(164,907)</u>	<u>(6,245,938)</u>	<u>(699,476)</u>
<b>Cash flows from investing activities</b>						
Proceeds from sale of investment	5,228,373	2,015,545	-	319,598	7,563,516	4,311,892
Purchases of investment:	(5,288,390)	(1,493,658)	-	(305,116)	(7,087,164)	(4,136,511)
Investment earnings:	874,791	1,161,005	-	65,927	2,101,723	624,747
Net cash provided by investing activities	<u>814,774</u>	<u>1,682,892</u>	<u>-</u>	<u>80,409</u>	<u>2,578,075</u>	<u>800,128</u>
Net increase (decrease) in cash and cash equivalent	(801,665)	1,538,601	-	120,056	856,992	1,574,901
Cash and cash equivalents, beginning of year	<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>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 2,503,975</u></u>	<u><u>\$ 15,244,727</u></u>	<u><u>\$ 500</u></u>	<u><u>\$ 798,986</u></u>	<u><u>\$ 18,548,188</u></u>	<u><u>\$ 10,268,063</u></u>

Continued...

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

**City of Troy, Michigan**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**

	Business-type Activities - Enterprise Funds				Governmental	
	Water	Sewer	Sanctuary Lake Golf Course	Nonmajor Business-Type Activities	Total	Internal Service Funds
<b>Reconciliation of operating income (loss)</b>						
<b>to net cash provided by operating activities</b>						
Operating income (loss)	\$ 770,787	\$ 1,596,889	\$ (75,643)	\$ (148,628)	\$ 2,143,405	\$ (618,932)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	1,746,987	1,005,910	349,861	292,941	3,395,699	1,033,837
Changes in assets and liabilities:						
Accounts receivable	(751,343)	(198,746)	4,437	(21)	(945,673)	(183)
Inventories	(97,186)	5,861	4,071	11,129	(76,125)	(45,960)
Contracts receivable	26,048	(64,625)	-	-	(38,577)	-
Accounts payable	41,724	24,203	-	-	65,927	-
Due to other funds	-	-	-	-	-	-
Accrued liabilities	(6,800)	-	(1,697)	49,133	40,636	-
Compensated absence:	-	-	-	-	-	(64,414)
Unearned revenue	99,244	-	-	-	99,244	-
<b>Net cash provided by operating activities</b>	<u>\$ 1,829,461</u>	<u>\$ 2,369,492</u>	<u>\$ 281,029</u>	<u>\$ 204,554</u>	<u>\$ 4,684,536</u>	<u>\$ 304,348</u>
<b>Noncash investing, capital, and financing activities:</b>						
Contributions of capital asset:	<u>\$ 569,010</u>	<u>\$ 426,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 995,748</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, 2007**

	<b>Pension Trusts</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,076,961	\$ 2,631,582
Interest receivable	523,582	13,569
Taxes receivable	-	743,726
Investments:		
U.S. Government securities	20,741,848	-
Corporate bonds	38,428,525	-
Corporate equities, preferred	2,557,200	-
Corporate equities, common	92,497,613	-
Mutual funds	34,860,976	-
Other investments	227,476	583,827
Total assets	193,914,181	\$ 3,972,704
<b>LIABILITIES</b>		
Liabilities		
Accounts payable	-	\$ 665
Performance deposits	-	3,972,039
Total liabilities	-	\$ 3,972,704
<b>NET ASSETS</b>		
Held in trust for pension benefits	142,185,695	
Held in trust for postemployment healthcare benefits	51,728,486	
Total net assets	\$ 193,914,181	

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, 2007**

	<b>Pension Trusts</b>
<b>Additions</b>	
Contributions	
Employer contributions	\$ 3,167,467
Employee contributions	313,385
Total contributions	3,480,852
Investment income	
Interest	2,857,397
Dividends	2,612,988
Net appreciation in fair value	18,410,343
Total investment earnings	23,880,728
Transfers in	2,500,000
<b>Total additions</b>	<b>29,861,580</b>
<b>Deductions</b>	
Benefits	7,798,629
Refunds of contributions	5,516
Administrative expenses	41,612
<b>Total deductions</b>	<b>7,845,757</b>
Net increase in plan net assets	22,015,823
Net assets held in trust, beginning of year for:	
Pension benefits	131,192,342
Postemployment healthcare benefits	40,706,016
Total net assets held in trust, beginning of year	171,898,358
Net assets held in trust for:	
Pension benefits	142,185,695
Postemployment healthcare benefits	51,728,486
Total net assets held in trust, end of year	\$ 193,914,181

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

**City of Troy, Michigan**  
**Component Units**  
**Combining Statement of Net Assets**  
**June 30, 2007**

	<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	\$ 11,438,499	\$ 95,095	\$ 798,949	\$ 12,332,543
Investments	2,223,502	27,111	227,772	2,478,385
Receivables:				
Taxes receivable	155,642	-	-	155,642
Interest receivable	51,679	630	5,294	57,603
Total assets	<u>13,869,322</u>	<u>122,836</u>	<u>1,032,015</u>	<u>15,024,173</u>
<b>Liabilities</b>				
Due to primary government	67,485	-	-	67,485
Interest payable	218,412	-	-	218,412
Noncurrent liabilities:				
Due within one year	1,725,000	-	-	1,725,000
Due after one year	27,920,000	-	-	27,920,000
Total liabilities	<u>29,930,897</u>	<u>-</u>	<u>-</u>	<u>29,930,897</u>
<b>Net assets (deficit)</b>				
Unrestricted	<u>(16,061,575)</u>	<u>122,836</u>	<u>1,032,015</u>	<u>(14,906,724)</u>
<b>Total net assets (deficit)</b>	<u><u>\$ (16,061,575)</u></u>	<u><u>\$ 122,836</u></u>	<u><u>\$ 1,032,015</u></u>	<u><u>\$ (14,906,724)</u></u>

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

**City of Troy, Michigan**  
**Component Units**  
**Combining Statement of Activities**  
**For the Year Ended June 30, 2007**

	<b>Downtown Development Authority</b>	<b>Local Development Financing Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Total</b>
<b>Revenues</b>				
Program:				
Intergovernmental	\$ 827,138	\$ -	\$ -	\$ 827,138
General:				
Property taxes	3,458,262	248,244	897,462	4,603,968
Investment earnings	664,987	7,562	36,945	709,494
Total revenues	<u>4,950,387</u>	<u>255,806</u>	<u>934,407</u>	<u>6,140,600</u>
<b>Expenses</b>				
Economic development	361,196	193,092	11,060	565,348
Interest	1,360,795	-	-	1,360,795
Other	-	-	60	60
Total expenses	<u>1,721,991</u>	<u>193,092</u>	<u>11,120</u>	<u>1,926,203</u>
Change in net assets	3,228,396	62,714	923,287	4,214,397
Net assets (deficit), beginning of year	<u>(19,289,971)</u>	<u>60,122</u>	<u>108,728</u>	<u>(19,121,121)</u>
<b>Net assets (deficit), end of year</b>	<u><u>\$ (16,061,575)</u></u>	<u><u>\$ 122,836</u></u>	<u><u>\$ 1,032,015</u></u>	<u><u>\$ (14,906,724)</u></u>

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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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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, 2007

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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, 2007

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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, 2007

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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. The City has one permanent fund for cemetery perpetual care.

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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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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 operates six Internal Service Funds. The Unemployment and Worker's Compensation Funds account for insurance costs provided to and charged to other departments. The Compensated Absences Fund accounts for the accrual of sick and vacation by all departments. The Information Technology Fund provides computer services, training and equipment to all departments on a cost reimbursement basis. The Motor Equipment Fund rents vehicles and equipment to departments on a cost reimbursement basis. The Custodial Services Fund to provide such services to all funds 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, 2007

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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. Agency Fund activity includes tax collections for other taxing jurisdictions in which the City collects taxes for and contractors performance deposits.

#### **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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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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.

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.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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2. The budgets must be balanced.
3. The budgets must be amended when necessary.
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, 2007

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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, 2007, are recorded as prepaid items.

### **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-

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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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, 2007, was \$2,367,315.

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.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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### **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, 2007

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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, 2006		\$ (2,723,251)
Current year building permit revenue	\$ 1,399,077	
Related expenses:		
Direct costs	2,059,374	
Estimated indirect costs	<u>164,750</u>	
Total construction code expenses	<u>2,224,124</u>	
Net shortfall for the year ended June 30, 2007		<u>(825,047)</u>
Cumulative shortfall at June 30, 2007		<u>\$ (3,548,298)</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, 2007

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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, 2007

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

<u>Investment</u>	<u>Fair Value</u>	<u>Average Maturity</u>
Government-wide		
US Government or agency bond/note	\$19,772,525	270 days
Pooled investments	11,180,147	120 days
Employees' Retirement System		
Corporate Bonds	38,428,525	3.25 years
US Government or agency bond/note	15,579,651	5 years
Discretionary Fire Incentive Reserve		
US Government or agency bond/note	5,162,197	5 years
Other	107,007	120 days
Retiree Health Care Trust Fund		
Other	120,469	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>Fair Value</u>	<u>Rating</u>	<u>Organization</u>
<b>General Employees' Retirement System</b>			
Corporate Bonds	\$ 5,614,013	AAA	S&P
Corporate Bonds	10,078,022	AA to AA-	S&P
Corporate Bonds	11,157,994	A to A-	S&P
Corporate Bonds	6,121,073	BBB to BBB-	S&P
Corporate Bonds	2,847,874	BB to BB-	S&P
Corporate Bonds	2,260,561	B to B-	S&P
Corporate Bonds	348,988	Not Rated	
<b>Total</b>	<u>\$38,428,525</u>		

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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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, \$66,074,161 of the City of Troy's bank deposits (certificates 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, 2007

### Note 4 - Receivables

Receivables, which includes amounts due from other governments at June 30, 2007, are summarized as follows:

	<b>Governments</b>	<b>Other</b>
Major Governmental Funds		
General Fund		
Due from Oakland County	\$ 217,112	\$ -
Due from State of Michigan	2,183,028	-
Invoices and advances	-	1,406,676
	2,400,140	1,406,676
Capital Projects Fund		
Billed Accounts Receivable	-	227,592
Total Major Governmental Funds	\$ 2,400,140	\$ 1,634,268
Nonmajor Governmental Funds		
Community Development Block Grant Fund		
Due from Federal Government	104,848	-
Major Streets Fund		
Due from State of Michigan	589,109	-
Local Streets Fund		
Due from State of Michigan	232,671	-
Total Nonmajor Governmental Funds	926,628	-
Total Governmental Funds	\$ 3,326,768	\$ 1,634,268
Major Business-Type Activities		
Water Fund		
Billed accounts receivable	\$ -	\$ 2,219,370
Unbilled accounts receivable	-	3,527,907
	-	5,747,277
Sanitary Sewer Fund		
Unbilled accounts receivable	-	2,707,960
	-	2,707,960
Sanctuary Lake Golf Course Fund		
Billed accounts receivable	-	19,104
Total Major Business-Type Activities Funds	\$ -	\$ 8,474,341
Nonmajor Business-Type Activities		
Acquatic Center Fund		
Billed accounts receivable	\$ -	\$ 10,911
Sylvan Glen Golf Course Fund		
Billed accounts receivable	-	4,682
Total Nonmajor Business-Type Activities	-	15,593
Total Business-Type Activities	\$ -	\$ 8,489,934
Governmental Activities - Internal Service Fund		
Motor Equipment Fund		
Billed accounts receivable	\$ -	\$ 258
Total	\$ 3,326,768	\$ 10,124,460

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### Note 5 - Capital Assets

The capital asset activity of the primary government's governmental and business-type activities is as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 30,807,861	\$ 192,596	\$ 812,847	\$ 30,187,610
Museum artifacts	2,082,845	-	-	2,082,845
Construction-in-progress	5,452,061	1,214,752	461,620	6,205,193
<b>Total capital assets, not being depreciated</b>	<b>\$ 38,342,767</b>	<b>\$ 1,407,348</b>	<b>\$ 1,274,467</b>	<b>\$ 38,475,648</b>
Capital assets, being depreciated:				
Infrastructure-major/county/local roads	\$ 135,359,042	\$ 1,316,691	\$ -	\$ 136,675,733
Infrastructure-local donated roads	32,766,626	-	-	32,766,626
Infrastructure-sidewalks	28,635,529	89,962	-	28,725,491
Infrastructure-drains	926,972	-	-	926,972
Land improvements	5,715,046	789,537	151,137	6,353,446
Buildings and improvements	77,087,191	441,711	-	77,528,902
Miscellaneous equipment	3,445,887	550,266	28,763	3,967,390
Computer equipment	557,537	73,950	197,283	434,204
Office furniture	1,150,313	3,600	-	1,153,913
Office equipment	239,559	-	-	239,559
Computer software	396,396	-	-	396,396
Vehicles	17,443,102	1,731,965	1,154,505	18,020,562
Library books/audio visual	6,295,135	707,456	406,252	6,596,339
<b>Total capital assets being depreciated</b>	<b>\$ 310,018,335</b>	<b>\$ 5,705,138</b>	<b>\$ 1,937,940</b>	<b>\$ 313,785,533</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure-major/county/local roads	\$ 52,542,331	\$ 5,252,278	\$ -	\$ 57,794,609
Infrastructure-local donated roads	18,389,700	1,306,886	-	19,696,586
Infrastructure-sidewalks	21,947,273	1,207,821	-	23,155,094
Infrastructure-drains	37,078	18,539	-	55,617
Land improvements	4,668,841	326,664	151,137	4,844,368
Buildings and improvements	30,252,726	2,960,178	-	33,212,904
Miscellaneous equipment	2,947,166	270,954	28,763	3,189,357
Computer equipment	316,101	61,574	104,145	273,530
Office furniture	1,022,741	58,139	-	1,080,880
Office equipment	203,868	8,441	-	212,309
Computer software	124,910	68,065	-	192,975
Vehicles	12,145,972	1,334,219	1,146,111	12,334,080
Library books/Audio Visual	4,855,792	696,102	406,252	5,145,642
<b>Total accumulated depreciation</b>	<b>\$ 149,454,499</b>	<b>\$ 13,569,860</b>	<b>\$ 1,836,408</b>	<b>\$ 161,187,951</b>
<b>Total capital assets, being depreciated, net</b>	<b>\$ 160,563,836</b>	<b>\$ (7,864,722)</b>	<b>\$ 101,532</b>	<b>\$ 152,597,582</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 198,906,603</b>	<b>\$ (6,457,374)</b>	<b>\$ 1,375,999</b>	<b>\$ 191,073,230</b>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### Note 5 – Capital Assets - Continued

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 6,738,504	\$ -	\$ -	\$ 6,738,504
Construction-in-progress	7,852,537	5,278,736	533,216	12,598,057
<b>Total capital assets, not being depreciated</b>	<b>\$ 14,591,041</b>	<b>\$ 5,278,736</b>	<b>\$ 533,216</b>	<b>\$ 19,336,561</b>
Capital assets, being depreciated:				
Water and sewer transmission and distribution system	\$ 138,401,739	\$ 1,102,165	\$ -	\$ 139,503,904
Service connections	750,121	-	-	750,121
Land improvements	8,326,392	483,556	-	8,809,948
Buildings and improvements	7,172,107	-	-	7,172,107
Miscellaneous equipment	2,385,216	154,547	-	2,539,763
Motor vehicles	417,414	8,590	-	426,004
Furniture, fixtures and other	261,330	-	-	261,330
<b>Total capital assets being depreciated</b>	<b>\$ 157,714,319</b>	<b>\$ 1,748,858</b>	<b>\$ -</b>	<b>\$ 159,463,177</b>
Less accumulated depreciation for:				
Water and sewer transmission and distribution system	\$ 50,973,714	\$ 2,690,801	\$ -	\$ 53,664,515
Service connections	750,121	-	-	750,121
Land improvements	1,132,928	219,222	-	1,352,150
Buildings and improvements	2,831,536	272,488	-	3,104,024
Miscellaneous equipment	1,667,662	161,901	-	1,829,563
Motor vehicles	267,150	50,267	-	317,417
Furniture, fixtures and other	260,511	1,020	-	261,531
<b>Total accumulated depreciation</b>	<b>\$ 57,883,622</b>	<b>\$ 3,395,699</b>	<b>\$ -</b>	<b>\$ 61,279,321</b>
<b>Total capital assets, being depreciated, net</b>	<b>\$ 99,830,697</b>	<b>\$ (1,646,841)</b>	<b>\$ -</b>	<b>\$ 98,183,856</b>
<b>Total business-type activities capital assets, net</b>	<b>\$ 114,421,738</b>	<b>\$ 3,631,895</b>	<b>\$ 533,216</b>	<b>\$ 117,520,417</b>

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 5 – Capital Assets – Continued**

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

<b>Governmental activities:</b>	
General government	\$ 4,076,265
Public safety	563,513
Public works	7,834,498
Community and economic development	22,657
Recreation and culture	<u>1,072,927</u>
<b>Total depreciation expense - governmental activities</b>	<b><u><u>\$ 13,569,860</u></u></b>
<b>Business-type activities:</b>	
Water	\$ 1,746,987
Sewer	1,005,910
Aquatic Center	148,151
Sylvan Glen Golf Course	144,790
Sanctuary Lake Golf Course	<u>349,861</u>
<b>Total depreciation expense - business-type activities</b>	<b><u><u>\$ 3,395,699</u></u></b>

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

The amounts of interfund receivables, payables and transfers are as follows as of June 30, 2007:

	<b><u>Due from Other Funds</u></b>	<b><u>Due to Other Funds</u></b>
General Fund	\$ 903,377	\$ 1,047,073
Special Revenue Funds		
Community Development Block Grant Fund	-	104,848
Budget Stabilization Fund	1,047,073	-
Enterprise Funds		
Aquatic Center Fund	-	332,251
Sanctuary Lake Golf Course Fund	-	1,606,123
Sylvan Glen Golf Course Fund	<u>1,139,845</u>	<u>-</u>
	<b><u><u>\$ 3,090,295</u></u></b>	<b><u><u>\$ 3,090,295</u></u></b>

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

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 provides 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, 2007:

<b>Fund Transferred from</b>	<b>Fund Transferred to</b>	<b>Amount</b>
General Fund	Nonmajor Governmental Funds Pension Trust Fund	\$ 1,000,000 <u>2,500,000</u>
		3,500,000
Nonmajor Governmental Funds	General Fund Nonmajor Governmental Funds Capital Projects Fund	3,670,637 2,952,104 <u>1,700,000</u>
		8,322,741
Capital Projects Fund	Internal Service Fund Capital Projects Fund	1,150,000 <u>4,000,000</u>
		5,150,000
Sewer Fund	General Fund	<u>643,040</u>
Total		<u>\$ 17,615,781</u>

**Nonmajor Governmental Funds**

Major Streets Fund transfer to General Fund for routine road maintenance in the amount of \$2,014,780. Major Streets Fund transfer to Capital Projects Fund of \$1,700,000 representing funding of road improvements. Local Streets Fund transfer to General Fund for routine road maintenance in the amount of \$1,580,460. General Debt Service Fund transfer to Proposal A, B and C Debt Service Funds in the amount of \$2,941,644 for principle and interest payments on outstanding debt.

**Capital Projects Fund**

Transfer to Information Technology Fund for computer purchases.

**CITY OF TROY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**Sewer Fund**

Transfer to General Fund for storm sewer operating expenditures.

**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**

2008	\$ 167,072
2009	\$ 164,890
2010	\$ 164,890

Lease costs for the year ended June 30, 2007, are \$178,219.

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Note 8 - Long-Term Debt**

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2007:

	<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 IBNR</u>	<u>Street Bonds</u>	<u>Enterprise</u>	<u>Internal Service</u>		<u>Downtown Development Authority</u>
							<u>Construction</u>
Long-term debt payable at July 1, 2006	\$ 50,000	\$ 37,741,308	\$ 1,550,000	\$ 11,800,000	\$ 5,284,413	\$ 56,425,721	\$ 31,295,000
Addition of new debt	-	4,306,219	-	-	4,564,361	8,870,580	-
Long-term debt retired	<u>(50,000)</u>	<u>(5,219,017)</u>	<u>(175,000)</u>	<u>(200,000)</u>	<u>(4,627,872)</u>	<u>(10,271,889)</u>	<u>(1,650,000)</u>
Total long-term debt payable at June 30, 2007	<u>\$ -</u>	<u>\$ 36,828,510</u>	<u>\$ 1,375,000</u>	<u>\$ 11,600,000</u>	<u>\$ 5,220,902</u>	<u>\$ 55,024,412</u>	<u>\$ 29,645,000</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### Governmental Activities

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due</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	\$ 3,750,000	\$ (100,000)	\$ 3,650,000	\$ 150,000
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	6,100,000	(250,000)	5,850,000	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	1,750,000	(250,000)	1,500,000	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	1,085,000	(25,000)	1,060,000	40,000
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	77,891	(3,452)	74,439	3,325

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### Governmental Activities - Continued

	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>	<u>Due</u>
	<u>July 1, 2006</u>	<u>(Deductions)</u>	<u>June 30, 2007</u>	<u>Within</u>
				<u>One Year</u>
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	\$ 8,370,000	\$ (400,000)	\$ 7,970,000	\$ 425,000
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	723,908	(41,080)	682,828	42,082
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	1,935,900	(86,461)	1,849,439	88,635
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	1,550,000	(175,000)	1,375,000	175,000
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	13,000,000	(500,000)	12,500,000	500,000

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### Governmental Activities - Continued

	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>	<u>Due</u>
	<u>July 1, 2006</u>	<u>(Deductions)</u>	<u>June 30, 2007</u>	<u>Within</u>
				<u>One Year</u>
George W. Kuhn Drain District Drain Bonds dated 9/25/05, Series 2005 original issuance amount \$41,440; bearing interest at 1.625%; principal due in annual installments of \$1,790 to \$2,430 through April 1, 2026	\$ -	\$ 41,440	\$ -	\$ -
	-	(1,791)	39,649	1,791
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	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	383,062	(19,825)	363,237	20,208
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	146,317	(6,395)	139,922	7,035
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>234,570</u>	<u>(8,953)</u>	<u>225,617</u>	<u>9,593</u>
Total Long-Term Debt	<u>\$39,156,648</u>	<u>\$(1,876,517)</u>	<u>\$37,280,131</u>	<u>\$1,962,669</u>
Other Long-Term Obligations				
Compensated Absences	\$ 5,284,413	\$ 4,564,361	\$ -	\$ -
	-	(4,627,872)	5,220,902	2,920,031

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

### Governmental Activities - Continued

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Incurred but not reported insurance claims	\$ 184,660	\$ 4,264,779	\$ -	\$ -
	<u>-</u>	<u>(3,526,060)</u>	<u>923,379</u>	<u>451,674</u>
Total Governmental Activities	<u>\$44,625,721</u>	<u>\$(1,201,309)</u>	<u>\$43,424,412</u>	<u>\$5,334,374</u>

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

### Business-Type Activities

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	<u>\$11,800,000</u>	<u>\$ (200,000)</u>	<u>\$11,600,000</u>	<u>\$ 300,000</u>
Total Business-Type Activities	<u>\$11,800,000</u>	<u>\$ (200,000)</u>	<u>\$11,600,000</u>	<u>\$ 300,000</u>
Total Governmental and Business-type Activities	<u>\$56,425,721</u>	<u>\$(1,401,309)</u>	<u>\$55,024,412</u>	<u>\$5,634,374</u>

### Component Units

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	\$11,335,000	\$ (640,000)	\$ 10,695,000	\$ 670,000
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**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**Component Units- Continued**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
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	\$ 8,450,000	\$ (500,000)	\$ 7,950,000	\$ 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	3,850,000	(100,000)	3,750,000	125,000
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>7,660,000</u>	<u>(410,000)</u>	<u>7,250,000</u>	<u>430,000</u>
Total Downtown Development Authority	<u>\$31,295,000</u>	<u>\$(1,650,000)</u>	<u>\$29,645,000</u>	<u>\$1,725,000</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, 2007

The annual debt requirements to maturity for all long-term debts outstanding as of June 30, 2007, exclusive of earned but unpaid sick pay and insurance claims are as follows:

Government Activities				Business Type Activities			Component Units		
General Obligation Debt									
Year Ending June 30,	Serviced by Government Fund Types	Street Bonds	Amount of Annual Interest	Proprietary Fund Types	Amount of Annual Interest	Total	Downtown Development Authority	Amount of Annual Interest	Total
2008	\$ 1,787,669	\$ 175,000	\$ 1,517,408	\$ 300,000	\$ 539,032	\$ 4,319,109	\$ 1,725,000	\$1,306,899	\$ 3,031,899
2009	1,976,485	175,000	1,445,844	300,000	527,895	4,425,224	1,850,000	1,242,886	3,092,886
2010	2,056,067	175,000	1,890,716	300,000	516,195	4,937,978	1,975,000	1,166,842	3,141,842
2011	2,265,779	175,000	1,266,637	400,000	501,945	4,609,361	2,065,000	1,079,374	3,144,374
2012	2,325,491	200,000	1,167,920	400,000	485,446	4,578,857	2,215,000	989,480	3,204,480
2013	2,435,713	225,000	1,066,128	400,000	468,597	4,595,438	2,365,000	888,602	3,253,602
2014	2,500,680	250,000	957,196	400,000	451,247	4,559,123	2,490,000	772,871	3,262,871
2015	2,630,980	-	839,111	450,000	431,248	4,351,339	2,650,000	648,953	3,298,953
2016	2,746,381	-	727,242	500,000	408,998	4,382,621	2,815,000	515,814	3,330,814
2017	2,807,449	-	609,184	500,000	386,748	4,303,381	3,005,000	376,638	3,381,638
2018	2,748,184	-	488,236	500,000	364,248	4,100,668	3,175,000	231,600	3,406,600
2019	2,953,740	-	362,053	600,000	339,123	4,254,916	3,315,000	78,450	3,393,450
2020	3,010,064	-	228,584	600,000	310,999	4,149,647	-	-	-
2021	3,149,877	-	89,056	600,000	282,124	4,121,057	-	-	-
2022	190,823	-	14,400	600,000	252,500	1,057,723	-	-	-
2023	153,480	-	8,821	700,000	220,000	1,082,301	-	-	-
2024	157,315	-	4,510	700,000	185,000	1,046,825	-	-	-
2025	7,418	-	128	800,000	147,500	955,046	-	-	-
2026	1,536	-	-	800,000	107,500	909,036	-	-	-
2027	-	-	-	850,000	66,250	916,250	-	-	-
2028	-	-	-	900,000	22,500	922,500	-	-	-
<b>Total</b>	<b>\$35,905,131</b>	<b>\$ 1,375,000</b>	<b>\$ 12,683,174</b>	<b>\$11,600,000</b>	<b>\$7,015,095</b>	<b>\$68,578,400</b>	<b>\$ 29,645,000</b>	<b>\$9,298,409</b>	<b>\$ 38,943,409</b>

### 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.

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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### 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 \$695,992 representing the portion of the fund balance that is not available for other future expenditures.

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

The fund balance of \$4,434,911 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	\$ 97,037

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

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**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><u>General</u></b>	<b><u>Capital Projects</u></b>	<b><u>Nonmajor</u></b>	<b><u>Permanent</u></b>
Designated For:				
Improvement and maintenance	\$ 4,929,067	\$ -	\$ -	\$ 185,742
Insurance claims	3,342,828	-	-	-
Volunteer Firefighters Incentive Reserve	1,000,000	-	-	-
Snow and ice control	-	-	700,000	-
Subsequent years budgets	3,210,280	13,119,560	131,090	-
Tax appeals	900,000	-	-	-
Total designated	\$ 13,382,175	\$ 13,119,560	\$ 831,090	\$ 185,742
Undesignated	\$ 10,787,420	\$ 9,906,576	\$ 5,544,357	\$ -
Total unreserved fund balance	\$ 24,169,595	\$ 23,026,136	\$ 6,375,447	\$ 185,742

**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, 2007

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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, 2007.

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 \$19,153,167 (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, 2007.

### **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

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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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 2006-2007 levy was \$5,435,442. The City's operating tax rate was 6.50 mills for the same year with additional millages of .50, 1.60 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 defined benefit 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, 2007. The City's total payroll for the year ended June 30, 2007, was \$36,163,425. Included in this total was \$11,766,969 and \$20,276,827 of covered payroll for the employee retirement system and the employee defined contribution plan, respectively. \$4,119,629 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, 2007

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<u>Group</u>	<u>December 31, 2006</u>
Retirees and beneficiaries currently receiving benefits	217
Vested terminated employees	17
Active employees:	
Fully vested	139
Nonvested	22

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, 2007 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, 2007, contributions totaling \$585,971 (\$272,586 employer and \$313,385 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2005, which was net of the amortization of assets in excess of unfunded actuarial accrued liability. Employer and employee contributions were based on 2.3 percent and 2.7 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, 2007 was determined using an individual entry age funding method. At December 31, 2006, the benefit payment amount was

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

\$560 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 regardless of age. The City's contribution to the plan for the year ended June 30, 2007, was \$790,000. 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, 2006</u>
Retirees and beneficiaries currently receiving benefits	70
Vested terminated employees	25
Active employees:	
Fully vested	76
Nonvested	83

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>
2005	2003	\$ 117	100.0%	None
2006	2004	213	100.0	None
2007	2005	273	100.0	None

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

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

<b>Fiscal Year Ended June 30,</b>	<b>Actuarial Valuation Date December 31,</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2005	2003	\$ 796	100.0%	None
2006	2004	815	100.0	None
2007	2005	790	100.0	None

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	\$ 3,255,770	\$ 398,624
Interest receivable	507,660	13,122
Investments		
U.S. Government securities	15,579,651	5,162,197
Corporate bonds	38,428,525	-
Corporate equities, preferred	2,557,200	-
Corporate equities, common	92,497,613	-
Mutual funds	28,282,459	-
Other investments	-	107,007
Total assets	<u>181,108,878</u>	<u>5,680,950</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	136,504,745	5,680,950
Held in trust for postemployment healthcare benefits	44,604,133	-
Total net assets	<u>\$ 181,108,878</u>	<u>\$ 5,680,950</u>

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

**Statement of Changes in Fund Net Assets**

	<b>Employees' Retirement System</b>	<b>Discretionary Fire Incentive Reserve Fund</b>
	<u>                    </u>	<u>                    </u>
<b>Additions</b>		
Contributions		
Employer contributions	\$ 272,586	\$ 790,000
Employee contributions	313,385	-
Total contributions	<u>585,971</u>	<u>790,000</u>
Investment income		
Interest	2,464,916	283,027
Dividends	2,578,488	-
Net adjustment in fair value of investments	17,799,865	66,460
Total investment earnings	<u>22,843,269</u>	<u>349,487</u>
<b>Total additions</b>	<u>23,429,240</u>	<u>1,139,487</u>
<b>Deductions</b>		
Benefits	7,444,465	354,164
Refunds of contributions	5,516	-
Administrative expenses	37,512	4,100
<b>Total deductions</b>	<u>7,487,493</u>	<u>358,264</u>
Net increase in plan net assets	<u>15,941,747</u>	<u>781,223</u>
Net assets held in trust, beginning of year for:		
Pension benefits	126,292,615	4,899,727
Postemployment healthcare benefits	38,874,516	-
Total net assets held in trust, beginning of year	<u>165,167,131</u>	<u>4,899,727</u>
Net assets held in trust, end of year for:		
Pension benefits	136,504,745	5,680,950
Postemployment healthcare benefits	44,604,133	-
Total net assets held in trust, end of year	<u>\$ 181,108,878</u>	<u>\$ 5,680,950</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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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 DCP 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, 2007 was 314.

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, 2007, was \$20,276,827, and the City's total payroll was \$36,163,425. The required contributions, which matched those actually made, were \$880,767 by employees and \$2,340,948 by the City, representing 4.3 percent and 11.5 percent of covered payroll, respectively.

**CITY OF TROY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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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 full-time 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 \$2,104,882 was attributable to healthcare benefits. This contribution represented 6.6 percent of total covered payroll during the current year. During the current year, healthcare benefits paid for 270 retirees totaled \$1,724,440, 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.

**Statement of Net Assets**

	<b>Retiree Health Care Trust Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 422,567
Interest receivable	2,800
Investments	
Mutual funds	6,578,517
Other investments	120,469
Total assets	<u>7,124,353</u>
<b>NET ASSETS</b>	
Held in trust for postemployment healthcare benefits	<u>7,124,353</u>
Total net assets	<u>\$ 7,124,353</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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### Statement of Changes in Fund Net Assets

	<b>Retiree Health Care Trust Fund</b>
<b>Additions</b>	
Contributions	
Employer contributions	\$ 2,104,881
Total contributions	<u>2,104,881</u>
Investment income	
Dividends	34,500
Interest	109,454
Net adjustment in fair value of investments	<u>544,018</u>
Total investment earnings	<u>687,972</u>
Other revenue	
Transfers In	<u>2,500,000</u>
<b>Total additions</b>	<u>5,292,853</u>
<b>Deductions</b>	
Benefits	-
<b>Total deductions</b>	<u>-</u>
Net increase (decrease) in plan net assets	<u>5,292,853</u>
Net assets held in trust, beginning of year for:	
Postemployment healthcare benefits	<u>1,831,500</u>
Total net assets held in trust, beginning of year	<u>1,831,500</u>
Net assets held in trust, end of year for:	
Postemployment healthcare benefits	<u>7,124,353</u>
Total net assets held in trust, end of year	<u>\$ 7,124,353</u>

# CITY OF TROY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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### Note 16 - Deficit Net Assets

The Sanctuary Lake Golf Course Fund has deficit net assets at June 30, 2007.

The Sanctuary Lake Golf Course completed its third year of operations with operating revenues of \$1,057,226 and operating expenses of \$1,132,909 plus the addition of interest expense on outstanding debt of \$547,307 resulting in a negative charge in net assets of \$622,950, compared to \$557,510 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 \$16,061,575 compared to \$19,289,971 last fiscal year. 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.

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

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

**PENSION ONLY**

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>	Active Member Covered Payroll <u>(c)</u>	Unfunded AAL as a Percentage of Active Member Covered Payroll <u>(b-a)/(c)</u>
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)
2006	132,168	119,299	(12,869)	110.8	11,472	(112.2)

**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
2006	*	*	*	*	*	*

\* - not available

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.

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

Fiscal Year Ended June 30,	Actuarial Valuation Date December 31,	Annual Required Contribution	Percent Contributed
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
2007	2005	273	100.0

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>
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
2006*	6,007	11,932	5,925	50.3

\* After changes in benefit provisions.

**INCENTIVE PLAN FOR VOLUNTEER FIREFIGHTERS**  
**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>
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
2007	2005	790	100.0

**COMBINING AND INDIVIDUAL FUND STATEMENTS**

**City of Troy, Michigan**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2007**

	Special Revenue						Permanent Fund
	Major Streets	Local Streets	Refuse	Community Development Block Grant	Budget Stabilization	Total Special Revenue	Cemetery Perpetual Care
<b>Assets</b>							
Cash and cash equivalents	\$ 1,116,534	\$ 982,627	\$ 574,545	\$ -	\$ -	\$ 2,673,706	\$ 143,795
Investments	318,312	280,136	163,797	-	1,052,927	1,815,172	40,994
Receivables:							
Interest receivable	7,398	6,511	3,807	-	-	17,716	953
Due from other funds	-	-	-	-	1,047,073	1,047,073	-
Due from other governments	589,109	232,671	-	104,848	-	926,628	-
<b>Total assets</b>	<b>\$ 2,031,353</b>	<b>\$ 1,501,945</b>	<b>\$ 742,149</b>	<b>\$ 104,848</b>	<b>\$ 2,100,000</b>	<b>\$ 6,480,295</b>	<b>\$ 185,742</b>
<b>Liabilities</b>							
Due to other funds	\$ -	\$ -	\$ -	\$ 104,848	\$ -	\$ 104,848	\$ -
<b>Fund balance:</b>							
Reserved							
Debt service	-	-	-	-	-	-	-
Unreserved							
Designated							
Snow and ice removal	300,000	400,000	-	-	-	700,000	-
Subsequent years budget	131,090	-	-	-	-	131,090	-
Undesignated	1,600,263	1,101,945	742,149	-	2,100,000	5,544,357	185,742
<b>Total fund balances</b>	<b>2,031,353</b>	<b>1,501,945</b>	<b>742,149</b>	<b>-</b>	<b>2,100,000</b>	<b>6,375,447</b>	<b>185,742</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,031,353</b>	<b>\$ 1,501,945</b>	<b>\$ 742,149</b>	<b>\$ 104,848</b>	<b>\$ 2,100,000</b>	<b>\$ 6,480,295</b>	<b>\$ 185,742</b>

Continued

**City of Troy, Michigan**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds (Concluded)**  
**June 30, 2007**

	Debt Service				Total Debt Service	Total Nonmajor Governmental Funds
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service		
<b>Assets</b>						
Cash and cash equivalents	\$ 3,433,350	\$ -	\$ -	\$ -	\$ 3,433,350	\$ 6,250,851
Investments	978,811	-	-	-	978,811	2,834,977
Receivables:						
Interest receivable	22,750	-	-	-	22,750	41,419
Due from other funds	-	-	-	-	-	1,047,073
Due from other governments	-	-	-	-	-	926,628
<b>Total assets</b>	<b>\$ 4,434,911</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,434,911</b>	<b>\$ 11,100,948</b>
<b>Liabilities</b>						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,848
<b>Fund balance:</b>						
Reserved						
Debt service	4,434,911	-	-	-	4,434,911	4,434,911
Unreserved						
Designated						
Snow and ice removal	-	-	-	-	-	700,000
Subsequent years budget	-	-	-	-	-	131,090
Undesignated	-	-	-	-	-	5,730,099
<b>Total fund balances</b>	<b>4,434,911</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,434,911</b>	<b>10,996,100</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,434,911</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,434,911</b>	<b>\$ 11,100,948</b>

**City of Troy, Michigan**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2007**

	Special Revenue					Total	Permanent
	Major Streets	Local Streets	Refuse	Community Development Block Grant	Budget Stabilization	Special Revenue	Cemetery Perpetual Care Fund
<b>Revenues</b>							
Property taxes	\$ -	\$ -	\$ 4,254,241	\$ -	\$ -	\$ 4,254,241	\$ -
Federal grants and reimbursements	-	-	-	116,091	-	116,091	-
State grants and reimbursements	3,587,980	1,416,986	-	-	-	5,004,966	-
Charges for services	-	-	2,275	-	-	2,275	5,150
Investment earnings	94,384	79,392	162,643	-	75,397	411,816	10,074
Other	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>3,682,364</b>	<b>1,496,378</b>	<b>4,419,159</b>	<b>116,091</b>	<b>75,397</b>	<b>9,789,389</b>	<b>15,224</b>
<b>Expenditures</b>							
Current:							
Sanitation	-	-	4,528,962	-	-	4,528,962	-
Community development	-	-	-	116,091	-	116,091	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>4,528,962</b>	<b>116,091</b>	<b>-</b>	<b>4,645,053</b>	<b>-</b>
<b>Revenues over (under) expenditures</b>	<b>3,682,364</b>	<b>1,496,378</b>	<b>(109,803)</b>	<b>-</b>	<b>75,397</b>	<b>5,144,336</b>	<b>15,224</b>
<b>Other financing sources (uses)</b>							
Transfers in	-	10,460	-	-	1,000,000	1,010,460	-
Transfers out	(3,725,240)	(1,580,460)	-	-	(75,397)	(5,381,097)	-
<b>Total other financing sources (uses)</b>	<b>(3,725,240)</b>	<b>(1,570,000)</b>	<b>-</b>	<b>-</b>	<b>924,603</b>	<b>(4,370,637)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(42,876)</b>	<b>(73,622)</b>	<b>(109,803)</b>	<b>-</b>	<b>1,000,000</b>	<b>773,699</b>	<b>15,224</b>
Fund balances, beginning of year	2,074,229	1,575,567	851,952	-	1,100,000	5,601,748	170,518
<b>Fund balances, end of year</b>	<b>\$ 2,031,353</b>	<b>\$ 1,501,945</b>	<b>\$ 742,149</b>	<b>\$ -</b>	<b>\$ 2,100,000</b>	<b>\$ 6,375,447</b>	<b>\$ 185,742</b>

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, 2007**

	Debt Service				Total Debt Service	Total Nonmajor Governmental Funds
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service		
<b>Revenues</b>						
Property taxes	\$ 2,561,887	\$ -	\$ -	\$ -	\$ 2,561,887	\$ 6,816,128
Federal grants and reimbursements	-	-	-	-	-	116,091
State grants and reimbursements	-	-	-	-	-	5,004,966
Charges for services	-	-	-	-	-	7,425
Investment earnings	287,567	-	-	-	287,567	709,457
Other	51,713	-	-	-	51,713	51,713
<b>Total revenues</b>	<b>2,901,167</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,901,167</b>	<b>12,705,780</b>
<b>Expenditures</b>						
Current:						
Sanitation	-	-	-	-	-	4,528,962
Community development	-	-	-	-	-	116,091
Debt service:						
Principal	175,000	350,000	775,000	400,000	1,700,000	1,700,000
Interest	126,112	450,969	618,951	346,724	1,542,756	1,542,756
<b>Total expenditures</b>	<b>301,112</b>	<b>800,969</b>	<b>1,393,951</b>	<b>746,724</b>	<b>3,242,756</b>	<b>7,887,809</b>
<b>Revenues over (under) expenditures</b>	<b>2,600,055</b>	<b>(800,969)</b>	<b>(1,393,951)</b>	<b>(746,724)</b>	<b>(341,589)</b>	<b>4,817,971</b>
<b>Other financing sources (uses)</b>						
Transfers in	-	800,969	1,393,951	746,724	2,941,644	3,952,104
Transfers out	(2,941,644)	-	-	-	(2,941,644)	(8,322,741)
<b>Total other financing sources (uses)</b>	<b>(2,941,644)</b>	<b>800,969</b>	<b>1,393,951</b>	<b>746,724</b>	<b>-</b>	<b>(4,370,637)</b>
<b>Net change in fund balances</b>	<b>(341,589)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(341,589)</b>	<b>447,334</b>
Fund balances, beginning of year	4,776,500	-	-	-	4,776,500	10,548,766
<b>Fund balances, end of year</b>	<b>\$ 4,434,911</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,434,911</b>	<b>\$ 10,996,100</b>

**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, 2007**

	<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	\$ 3,520,000	\$ 3,520,000	\$ 3,587,980	\$ 67,980
Investment earnings	80,000	80,000	94,384	14,384
Total revenues	3,600,000	3,600,000	3,682,364	82,364
<b>Other financing (uses)</b>				
Transfers out	(3,725,240)	(3,725,240)	(3,725,240)	-
Net change in fund balances	(125,240)	(125,240)	(42,876)	82,364
Fund balance, beginning of year	2,074,229	2,074,229	2,074,229	-
<b>Fund balance, end of year</b>	<u>\$ 1,948,989</u>	<u>\$ 1,948,989</u>	<u>\$ 2,031,353</u>	<u>\$ 82,364</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, 2007**

	<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	\$ 1,510,000	\$ 1,510,000	\$ 1,416,986	\$ (93,014)
Investment earnings	60,000	60,000	79,392	19,392
Total revenues	<u>1,570,000</u>	<u>1,570,000</u>	<u>1,496,378</u>	<u>(73,622)</u>
<b>Other financing sources (uses)</b>				
Transfers in	10,460	10,460	10,460	-
Transfers out	(1,580,460)	(1,580,460)	(1,580,460)	-
Total other financing (uses)	<u>(1,570,000)</u>	<u>(1,570,000)</u>	<u>(1,570,000)</u>	<u>-</u>
Net change in fund balances	-	-	(73,622)	(73,622)
Fund balance, beginning of year	<u>1,575,567</u>	<u>1,575,567</u>	<u>1,575,567</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 1,575,567</u></u>	<u><u>\$ 1,575,567</u></u>	<u><u>\$ 1,501,945</u></u>	<u><u>\$ (73,622)</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 4,248,000	\$ 4,248,000	\$ 4,254,241	\$ 6,241
Charges for services	1,500	1,500	2,275	775
Investment earnings	100,000	135,000	162,643	27,643
Total revenues	4,349,500	4,384,500	4,419,159	34,659
<b>Expenditures</b>				
Sanitation	4,531,830	4,566,830	4,528,962	37,868
Net change in fund balances	(182,330)	(182,330)	(109,803)	72,527
Fund balance, beginning of year	851,952	851,952	851,952	-
<b>Fund balance, end of year</b>	<u>\$ 669,622</u>	<u>\$ 669,622</u>	<u>\$ 742,149</u>	<u>\$ 72,527</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, 2007**

	<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	\$ 253,820	\$ 253,820	\$ 116,091	\$ (137,729)
<b>Expenditures</b>				
Community development	<u>253,820</u>	<u>253,820</u>	<u>116,091</u>	<u>137,729</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, 2007**

	<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	\$ 40,000	\$ 100,000	\$ 75,397	\$ (24,603)
Total revenues	40,000	100,000	75,397	(24,603)
<b>Other financing sources (uses)</b>				
Transfers in	1,000,000	1,000,000	1,000,000	-
Transfers out	(40,000)	(100,000)	(75,397)	24,603
Total other financing sources and (uses)	960,000	900,000	924,603	24,603
Net change in fund balances	1,000,000	1,000,000	1,000,000	-
Fund balance, beginning of year	1,100,000	1,100,000	1,100,000	-
<b>Fund balance, end of year</b>	<b>\$ 2,100,000</b>	<b>\$ 2,100,000</b>	<b>\$ 2,100,000</b>	<b>\$ -</b>

**City of Troy, Michigan**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**June 30, 2007**

	<u>Sylvan Glen Golf Course</u>	<u>Aquatic Center</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 798,986	\$ -	\$ 798,986
Investments	227,569	-	227,569
Interest receivable	5,289	-	5,289
Accounts receivable	4,682	10,911	15,593
Due from other funds	1,139,845	-	1,139,845
Inventories	19,608	-	19,608
Total current assets	<u>2,195,979</u>	<u>10,911</u>	<u>2,206,890</u>
Noncurrent assets:			
Capital assets not being depreciated	1,894,552	-	1,894,552
Capital assets being depreciated, net of accumulated depreciator	<u>940,505</u>	<u>2,033,159</u>	<u>2,973,664</u>
Total capital assets, net of accumulated depreciation	<u>2,835,057</u>	<u>2,033,159</u>	<u>4,868,216</u>
Total assets	<u>5,031,036</u>	<u>2,044,070</u>	<u>7,075,106</u>
<b>Liabilities</b>			
Current liabilities:			
Due to other funds	<u>-</u>	<u>332,251</u>	<u>332,251</u>
Total liabilities	<u>-</u>	<u>332,251</u>	<u>332,251</u>
<b>Net Assets</b>			
Investment in capital assets	2,835,057	2,033,159	4,868,216
Unrestricted (deficit)	<u>2,195,979</u>	<u>(321,340)</u>	<u>1,874,639</u>
Total net assets	<u>\$ 5,031,036</u>	<u>\$ 1,711,819</u>	<u>\$ 6,742,855</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, 2007**

	<u>Sylvan Glen Golf Course</u>	<u>Aquatic Center</u>	<u>Total</u>
<b>Operating revenues</b>			
Charges for services	\$ 762,630	\$ 462,469	\$ 1,225,099
Rental			
Golf course	202,866	-	202,866
Restaurant	87,720	-	87,720
Miscellaneous income	72,800	29,254	102,054
Total operating revenues	<u>1,126,016</u>	<u>491,723</u>	<u>1,617,739</u>
<b>Operating expenses</b>			
Operations and maintenance	937,243	536,183	1,473,426
Depreciation	144,790	148,151	292,941
Total operating expenses	<u>1,082,033</u>	<u>684,334</u>	<u>1,766,367</u>
Operating income (loss)	43,983	(192,611)	(148,628)
<b>Non-operating revenues</b>			
Investment earnings	67,524	-	67,524
Change in net assets	111,507	(192,611)	(81,104)
Net assets, beginning of year	<u>4,919,529</u>	<u>1,904,430</u>	<u>6,823,959</u>
<b>Net assets, end of year</b>	<u><u>\$ 5,031,036</u></u>	<u><u>\$ 1,711,819</u></u>	<u><u>\$ 6,742,855</u></u>

**City of Troy, Michigan**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2007**

	<u>Sylvan Glen Golf Course</u>	<u>Aquatic Center</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 1,130,668	\$ 487,050	\$ 1,617,718
Cash payments to employees	(512,037)	(319,230)	(831,267)
Cash payments to suppliers for goods and services	(387,771)	(144,394)	(532,165)
Cash payments for interfund services	(26,306)	(23,426)	(49,732)
Net cash provided by operating activities	<u>204,554</u>	<u>-</u>	<u>204,554</u>
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	<u>(164,907)</u>	<u>-</u>	<u>(164,907)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments	319,598	-	319,598
Purchase of investments	(305,116)	-	(305,116)
Investment income	<u>65,927</u>	<u>-</u>	<u>65,927</u>
Net cash provided by investing activities	<u>80,409</u>	<u>-</u>	<u>80,409</u>
Net increase in cash and cash equivalents	120,056	-	120,056
Cash and cash equivalents, beginning of year	<u>678,930</u>	<u>-</u>	<u>678,930</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 798,986</u>	<u>\$ -</u>	<u>\$ 798,986</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	<u>\$ 43,983</u>	<u>\$ (192,611)</u>	<u>\$ (148,628)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	144,790	148,151	292,941
Changes in assets and liabilities:			
Accounts receivable	4,652	(4,673)	(21)
Inventory	11,129	-	11,129
Accrued liabilities	<u>-</u>	<u>49,133</u>	<u>49,133</u>
Total adjustments	<u>160,571</u>	<u>192,611</u>	<u>353,182</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 204,554</u>	<u>\$ -</u>	<u>\$ 204,554</u>

**City of Troy, Michigan**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2007**

	<u>Compensated Absences</u>	<u>Unemployment Compensation</u>	<u>Custodial Services</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 4,186,770	\$ 180,727	\$ 112,998
Investments	1,193,603	51,523	32,215
Interest receivable	27,742	1,198	749
Accounts receivable	-	-	-
Inventory	-	-	-
Total current assets	<u>5,408,115</u>	<u>233,448</u>	<u>145,962</u>
Noncurrent assets:			
Capital assets not being depreciated	-	-	-
Capital assets being depreciated net of accumulated depreciator	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net of accumulated depreciator	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>5,408,115</u>	<u>233,448</u>	<u>145,962</u>
<b>Liabilities</b>			
Current liabilities:			
Compensated absences	2,920,031	-	-
Noncurrent liabilities			
Compensated absences	<u>2,300,871</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>5,220,902</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>			
Investment in capital assets	-	-	-
Unrestricted	<u>187,213</u>	<u>233,448</u>	<u>145,962</u>
Total net assets	<u>\$ 187,213</u>	<u>\$ 233,448</u>	<u>\$ 145,962</u>

**City of Troy, Michigan**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2007**

	<u>Information Technology</u>	<u>Motor Equipment</u>	<u>Worker's Compensation</u>	<u>Total</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 858,764	\$ 3,384,637	\$ 1,544,167	\$ 10,268,063
Investments	244,824	964,924	440,225	2,927,314
Interest receivable	5,690	22,427	10,232	68,038
Accounts receivable	-	258	-	258
Inventory	-	236,964	-	236,964
Total current assets	<u>1,109,278</u>	<u>4,609,210</u>	<u>1,994,624</u>	<u>13,500,637</u>
Noncurrent assets:				
Capital assets not being depreciated	-	10,248	-	10,248
Capital assets being depreciated net of accumulated depreciator	<u>80,061</u>	<u>4,126,881</u>	<u>-</u>	<u>4,206,942</u>
Total capital assets, net of accumulated depreciator	<u>80,061</u>	<u>4,137,129</u>	<u>-</u>	<u>4,217,190</u>
Total assets	<u>1,189,339</u>	<u>8,746,339</u>	<u>1,994,624</u>	<u>17,717,827</u>
<b>Liabilities</b>				
Current liabilities:				
Compensated absences	-	-	-	2,920,031
Noncurrent liabilities				
Compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,300,871</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,220,902</u>
<b>Net Assets</b>				
Investment in capital assets	80,061	4,137,129	-	4,217,190
Unrestricted	<u>1,109,278</u>	<u>4,609,210</u>	<u>1,994,624</u>	<u>8,279,735</u>
Total net assets	<u>\$ 1,189,339</u>	<u>\$ 8,746,339</u>	<u>\$ 1,994,624</u>	<u>\$ 12,496,925</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, 2007**

	<u>Compensated Absences</u>	<u>Unemployment Compensation</u>	<u>Custodial Services</u>
<b>Operating revenues</b>			
Charges for services	\$ 4,380,952	\$ -	\$ 1,804,172
Equipment rental	-	-	-
Building rental	-	-	-
Other	-	52,019	-
Total operating revenues	<u>4,380,952</u>	<u>52,019</u>	<u>1,804,172</u>
<b>Operating expenses</b>			
Cost of services	4,627,871	99,519	1,798,260
Motor vehicle and garage expenses			
Administration	-	-	-
Operations	-	-	-
Depreciation	-	-	-
Total operating expenses	<u>4,627,871</u>	<u>99,519</u>	<u>1,798,260</u>
Operating income (loss)	<u>(246,919)</u>	<u>(47,500)</u>	<u>5,912</u>
<b>Non-operating revenues</b>			
Investment earnings	268,797	14,383	3,884
Gain on sale of capital assets	-	-	-
Other	-	-	-
Total non-operating revenues	<u>268,797</u>	<u>14,383</u>	<u>3,884</u>
Income before transfers	21,878	(33,117)	9,796
Transfers in	-	-	-
Change in net assets	21,878	(33,117)	9,796
Net assets, beginning of year	<u>165,335</u>	<u>266,565</u>	<u>136,166</u>
<b>Net assets, end of year</b>	<u>\$ 187,213</u>	<u>\$ 233,448</u>	<u>\$ 145,962</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, 2007**

	<u>Information Technology</u>	<u>Motor Equipment</u>	<u>Worker's Compensation</u>	<u>Total</u>
<b>Operating revenues</b>				
Charges for services	\$ 1,515,678	\$ -	\$ 272,128	\$7,972,930
Equipment rental	-	3,444,179	-	3,444,179
Building rental	-	176,090	-	176,090
Other	-	429,601	122,775	604,395
Total operating revenues	<u>1,515,678</u>	<u>4,049,870</u>	<u>394,903</u>	<u>12,197,594</u>
<b>Operating expenses</b>				
Cost of services	1,625,514	-	365,449	8,516,613
Motor vehicle and garage expenses				
Administration	-	543,475	-	543,475
Operations	-	2,722,601	-	2,722,601
Depreciation	28,135	1,005,702	-	1,033,837
Total operating expenses	<u>1,653,649</u>	<u>4,271,778</u>	<u>365,449</u>	<u>12,816,526</u>
Operating income (loss)	<u>(137,971)</u>	<u>(221,908)</u>	<u>29,454</u>	<u>(618,932)</u>
<b>Non-operating revenues</b>				
Investment earnings	2,492	250,558	105,350	645,464
Gain on sale of capital assets	-	183,191	-	183,191
Other	-	19,901	-	19,901
Total non-operating revenues	<u>2,492</u>	<u>453,650</u>	<u>105,350</u>	<u>848,556</u>
Income before transfers	(135,479)	231,742	134,804	229,624
Transfers in	<u>1,150,000</u>	<u>-</u>	<u>-</u>	<u>1,150,000</u>
Change in net assets	1,014,521	231,742	134,804	1,379,624
Net assets, beginning of year	<u>174,818</u>	<u>8,514,597</u>	<u>1,859,820</u>	<u>11,117,301</u>
<b>Net assets, end of year</b>	<u><u>\$ 1,189,339</u></u>	<u><u>\$ 8,746,339</u></u>	<u><u>\$ 1,994,624</u></u>	<u><u>\$ 12,496,925</u></u>

**City of Troy, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2007**

	<u>Compensated Absences</u>	<u>Unemployment Compensation</u>	<u>Custodial Services</u>
<b>Cash flows from operating activities</b>			
Cash received from interfund services	\$ 4,380,952	\$ 52,019	\$ 1,804,172
Cash payments to employees	(4,691,382)	-	(1,067,406)
Cash payments to suppliers for goods and services	-	(99,519)	(730,854)
Net cash provided (used) by operating activities	<u>(310,430)</u>	<u>(47,500)</u>	<u>5,912</u>
<b>Cash flows from non-capital financing activities</b>			
Other	-	-	-
Transfers from other funds	-	-	-
Net cash provided by non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments	1,569,551	218,767	745,348
Purchase of investments	(1,335,420)	(200,455)	(741,890)
Investment income	262,830	14,250	3,679
Net cash provided by investing activities	<u>496,961</u>	<u>32,562</u>	<u>7,137</u>
Net increase (decrease) in cash and cash equivalents	186,531	(14,938)	13,049
Cash and cash equivalents, beginning of year	<u>4,000,239</u>	<u>195,665</u>	<u>99,949</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 4,186,770</u>	<u>\$ 180,727</u>	<u>\$ 112,998</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ (246,919)	\$ (47,500)	\$ 5,912
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	(63,511)	-	-
Total adjustments	<u>(63,511)</u>	<u>-</u>	<u>-</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (310,430)</u>	<u>\$ (47,500)</u>	<u>\$ 5,912</u>

**City of Troy, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2007**

	<u>Information Technology</u>	<u>Motor Equipment</u>	<u>Worker's Compensation</u>	<u>Total</u>
<b>Cash flows from operating activities</b>				
Cash received from interfund services	\$ 1,515,678	\$ 4,049,687	\$ 394,903	\$12,197,411
Cash payments to employees	(860,472)	(1,532,106)	-	(8,151,366)
Cash payments to suppliers for goods and services	(765,945)	(1,779,930)	(365,449)	(3,741,697)
Net cash provided (used) by operating activities	<u>(110,739)</u>	<u>737,651</u>	<u>29,454</u>	<u>304,348</u>
<b>Cash flows from non-capital financing activities</b>				
Other	-	19,901	-	19,901
Transfers from other funds	1,150,000	-	-	1,150,000
Net cash provided by non-capital financing activities	<u>1,150,000</u>	<u>19,901</u>	<u>-</u>	<u>1,169,901</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	67,525	(950,192)	-	(882,667)
Proceeds from sale of capital assets	-	183,191	-	183,191
Net cash provided (used) by capital and related financing activities	<u>67,525</u>	<u>(767,001)</u>	<u>-</u>	<u>(699,476)</u>
<b>Cash flows from investing activities</b>				
Proceeds from sale of investments	776,086	717,902	284,238	4,311,892
Purchase of investments	(1,020,910)	(600,611)	(237,225)	(4,136,511)
Investment income	(3,198)	244,636	102,550	624,747
Net cash provided by investing activities	<u>(248,022)</u>	<u>361,927</u>	<u>149,563</u>	<u>800,128</u>
Net increase (decrease) in cash and cash equivalents	858,764	352,478	179,017	1,574,901
Cash and cash equivalents, beginning of year	-	3,032,159	1,365,150	8,693,162
<b>Cash and cash equivalents, end of year</b>	<u>\$ 858,764</u>	<u>\$ 3,384,637</u>	<u>\$ 1,544,167</u>	<u>\$10,268,063</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ (137,971)	\$ (221,908)	\$ 29,454	\$ (618,932)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	28,135	1,005,702	-	1,033,837
Changes in assets and liabilities:				
Accounts receivable	-	(183)	-	(183)
Inventory	-	(45,960)	-	(45,960)
Accrued liabilities	(903)	-	-	(64,414)
Total adjustments	<u>27,232</u>	<u>959,559</u>	<u>-</u>	<u>923,280</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (110,739)</u>	<u>\$ 737,651</u>	<u>\$ 29,454</u>	<u>\$ 304,348</u>

**City of Troy, Michigan**  
**Combining Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2007**

	<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	\$ 3,255,770	\$ 398,624	\$ 422,567	\$ 4,076,961
Interest receivable	507,660	13,122	2,800	523,582
Investments				
U.S. Government securities	15,579,651	5,162,197	-	20,741,848
Corporate bonds	38,428,525	-	-	38,428,525
Corporate equities, preferred	2,557,200	-	-	2,557,200
Corporate equities, common	92,497,613	-	-	92,497,613
Mutual funds	28,282,459	-	6,578,517	34,860,976
Other investments	-	107,007	120,469	227,476
<b>Total assets</b>	<b>181,108,878</b>	<b>5,680,950</b>	<b>7,124,353</b>	<b>193,914,181</b>
<b>NET ASSETS</b>				
Held in trust for pension benefits	136,504,745	5,680,950	-	142,185,695
Held in trust for postemployment healthcare benefits	44,604,133	-	7,124,353	51,728,486
<b>Total net assets</b>	<b>\$ 181,108,878</b>	<b>\$ 5,680,950</b>	<b>\$ 7,124,353</b>	<b>\$ 193,914,181</b>

**City of Troy, Michigan**  
**Combining Statement of Changes**  
**in Fund Net Assets - Fiduciary Funds**  
**For the Year Ended June 30, 2007**

	<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	\$ 272,586	\$ 790,000	\$ 2,104,881	\$ 3,167,467
Employee contributions	313,385	-	-	313,385
Total contributions	<u>585,971</u>	<u>790,000</u>	<u>2,104,881</u>	<u>3,480,852</u>
Investment income				
Interest	2,464,916	283,027	109,454	2,857,397
Dividends	2,578,488	-	34,500	2,612,988
Net adjustment in fair value of investments	17,799,865	66,460	544,018	18,410,343
Total investment earnings	<u>22,843,269</u>	<u>349,487</u>	<u>687,972</u>	<u>23,880,728</u>
Transfers in	-	-	2,500,000	2,500,000
<b>Total additions</b>	<u>23,429,240</u>	<u>1,139,487</u>	<u>5,292,853</u>	<u>29,861,580</u>
<b>Deductions</b>				
Benefits	7,444,465	354,164	-	7,798,629
Refunds of contributions	5,516	-	-	5,516
Administrative expenses	37,512	4,100	-	41,612
<b>Total deductions</b>	<u>7,487,493</u>	<u>358,264</u>	<u>-</u>	<u>7,845,757</u>
Net increase in plan net assets	<u>15,941,747</u>	<u>781,223</u>	<u>5,292,853</u>	<u>22,015,823</u>
Net assets held in trust, beginning 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, beginning of year	<u>165,167,131</u>	<u>4,899,727</u>	<u>1,831,500</u>	<u>171,898,358</u>
Net assets held in trust, end of year for:				
Pension benefits	136,504,745	5,680,950	-	142,185,695
Postemployment healthcare benefits	44,604,133	-	7,124,353	51,728,486
Total net assets held in trust, end of year	<u>\$181,108,878</u>	<u>\$ 5,680,950</u>	<u>\$ 7,124,353</u>	<u>\$193,914,181</u>

**City of Troy, Michigan**  
**Statement of Changes in Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended June 30, 2007**

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance End of Year</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,503,772	\$220,617,587	\$(220,489,777)	\$ 2,631,582
Investments	616,495	1,681,764	(1,714,432)	583,827
Taxes receivable	614,799	229,393,678	(229,264,751)	743,726
Interest receivable	9,403	13,569	(9,403)	13,569
Total assets	<u>\$ 3,744,469</u>	<u>\$451,706,598</u>	<u>\$(451,478,363)</u>	<u>\$ 3,972,704</u>
<b>Liabilities</b>				
Accounts payable	\$ 3,149	\$220,746,146	\$(220,748,630)	\$ 665
Performance deposits	3,741,320	2,631,367	(2,400,648)	3,972,039
Total liabilities	<u>\$ 3,744,469</u>	<u>\$223,377,513</u>	<u>\$(223,149,278)</u>	<u>\$ 3,972,704</u>

**City of Troy, Michigan**  
**Downtown Development Authority**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**June 30, 2007**

	<u>Operating</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Net Assets</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 7,799,318	\$ 3,639,181	\$ 11,438,499	\$ -	\$ 11,438,499
Investments	2,223,502	-	2,223,502	-	2,223,502
Receivables:					
Taxes receivable	155,642	-	155,642	-	155,642
Interest receivable	51,679	-	51,679	-	51,679
<b>Total assets</b>	<b><u>\$ 10,230,141</u></b>	<b><u>\$ 3,639,181</u></b>	<b><u>\$ 13,869,322</u></b>	<b><u>-</u></b>	<b><u>13,869,322</u></b>
<b>Liabilities</b>					
Due to primary government	\$ -	\$ 67,485	\$ 67,485	-	67,485
Interest payable	-	-	-	218,412	218,412
Deferred revenue	155,641	-	155,641	(155,641)	-
Noncurrent liabilities:					
Due within one year	-	-	-	1,725,000	1,725,000
Due after one year	-	-	-	27,920,000	27,920,000
<b>Total liabilities</b>	<b><u>155,641</u></b>	<b><u>67,485</u></b>	<b><u>223,126</u></b>	<b><u>29,707,771</u></b>	<b><u>29,930,897</u></b>
<b>Fund balance</b>					
Reserved					
Debt service	-	3,571,696	3,571,696	(3,571,696)	-
Unreserved	10,074,500	-	10,074,500	(10,074,500)	-
<b>Total fund balances</b>	<b><u>10,074,500</u></b>	<b><u>3,571,696</u></b>	<b><u>13,646,196</u></b>	<b><u>(13,646,196)</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 10,230,141</u></b>	<b><u>\$ 3,639,181</u></b>	<b><u>\$ 13,869,322</u></b>		
<b>Net (deficit)</b>					
Unrestricted				(16,061,575)	(16,061,575)
<b>Total net deficit</b>				<b><u>\$ (16,061,575)</u></b>	<b><u>\$ (16,061,575)</u></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, 2007**

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Fund balances - total governmental funds	\$	13,646,196
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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		155,641
------------------------	--	---------

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		(218,412)
Deduct: bonds payable - current portion		(1,725,000)
Deduct: bonds payable - long-term portion		(27,920,000)

<b>Net assets of governmental activities:</b>	<b>\$</b>	<b>(16,061,575)</b>
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**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, 2007**

	<u>Operating</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Net Assets</u>
<b>Revenues</b>					
Property taxes	\$ 3,516,210	\$ -	\$ 3,516,210	\$ (57,948)	\$ 3,458,262
Intergovernmental	827,138	-	827,138		827,138
Investment earnings	519,214	145,773	664,987	-	664,987
Total revenues	<u>4,862,562</u>	<u>145,773</u>	<u>5,008,335</u>	<u>(57,948)</u>	<u>4,950,387</u>
<b>Expenditures/expenses</b>					
Economic development	361,196	-	361,196	-	361,196
Debt service:					
Principal	-	1,650,000	1,650,000	(1,650,000)	-
Interest	-	1,371,460	1,371,460	(10,665)	1,360,795
Total expenditures/expenses	<u>361,196</u>	<u>3,021,460</u>	<u>3,382,656</u>	<u>(1,660,665)</u>	<u>1,721,991</u>
Revenues over (under) expenditures	<u>4,501,366</u>	<u>(2,875,687)</u>	<u>1,625,679</u>	<u>1,602,717</u>	<u>3,228,396</u>
<b>Other financing sources (uses)</b>					
Transfers in	-	3,021,460	3,021,460	-	3,021,460
Transfers out	(3,021,460)	-	(3,021,460)	-	(3,021,460)
Total other financing sources and (uses)	<u>(3,021,460)</u>	<u>3,021,460</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances/ net assets	1,479,906	145,773	1,625,679	1,602,717	3,228,396
Fund balance/net assets (deficit), beginning of year	<u>8,594,594</u>	<u>3,425,923</u>	<u>12,020,517</u>	<u>(31,310,488)</u>	<u>(19,289,971)</u>
<b>Fund balance/net assets (deficit), end of year</b>	<b><u>\$ 10,074,500</u></b>	<b><u>\$ 3,571,696</u></b>	<b><u>\$ 13,646,196</u></b>	<b><u>\$ (29,707,771)</u></b>	<b><u>\$ (16,061,575)</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, 2007**

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Net change in fund balances - total governmental funds \$ 1,625,679

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 (57,948)

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 1,650,000

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 10,665

**Change in net assets of governmental activities** \$ 3,228,396

**City of Troy, Michigan**  
**Local Development Financing Authority**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**June 30, 2007**

	<u>Operating</u>	<u>Adjustments</u>	<u>Net Assets</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 95,095	\$ -	\$ 95,095
Investments	27,111	-	27,111
Interest receivable	630	-	630
Total assets	<u><u>\$ 122,836</u></u>	<u>-</u>	<u>122,836</u>
<b>Fund balance</b>			
Unreserved	<u>\$ 122,836</u>	<u>(122,836)</u>	<u>-</u>
Total fund balances	<u><u>\$ 122,836</u></u>	<u>(122,836)</u>	<u>-</u>
<b>Net assets</b>			
Unrestricted		<u>122,836</u>	<u>122,836</u>
Total net assets		<u><u>\$ 122,836</u></u>	<u><u>\$ 122,836</u></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, 2007**

	<u>Operating</u>	<u>Adjustments</u>	<u>Net Assets</u>
<b>Revenues</b>			
Property taxes	\$ 248,244	\$ -	\$ 248,244
Investment earnings	<u>7,562</u>	<u>-</u>	<u>7,562</u>
Total revenues	255,806	-	255,806
<b>Expenditures/expenses</b>			
Economic development	<u>193,092</u>	<u>-</u>	<u>193,092</u>
Net change in fund balances/net assets	62,714	-	62,714
Fund balance/net assets, beginning of year	<u>60,122</u>	<u>-</u>	<u>60,122</u>
<b>Fund balance/net assets, end of year</b>	<b><u><u>\$ 122,836</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ 122,836</u></u></b>

**City of Troy, Michigan**  
**Brownfield Redevelopment Authority**  
**Statement of Net Assets and**  
**Governmental Fund Balance Sheet**  
**June 30, 2007**

	<u>Operating</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>Assets</b>			
Cash	\$ 798,949	\$ -	\$ 798,949
Investments	227,772	-	227,772
Interest receivable	5,294	-	5,294
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u><b>\$ 1,032,015</b></u>	<u>-</u>	<u>1,032,015</u>
 <b>Fund balance</b>			
Undesignated	\$ 1,032,015	(1,032,015)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balance	<u><b>\$ 1,032,015</b></u>		
 <b>Net Assets</b>			
Unrestricted		1,032,015	1,032,015
		<u>                    </u>	<u>                    </u>
<b>Total net assets</b>		<u><b>\$ 1,032,015</b></u>	<u><b>\$ 1,032,015</b></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, 2007**

	<u>Operating</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues</b>			
Property taxes	\$ 897,462	\$ -	\$ 897,462
Investment earnings	36,945	-	36,945
Total revenues	<u>934,407</u>	<u>-</u>	<u>934,407</u>
<b>Expenditures/expenses</b>			
Community and economic development	11,060	-	11,060
Other	60	-	60
Total expenditures/expenses	<u>11,120</u>	<u>-</u>	<u>11,120</u>
Net change in fund balance/net assets	923,287	-	923,287
Fund balance/net assets, beginning of year	<u>108,728</u>	<u>-</u>	<u>108,728</u>
<b>Fund balance/net assets, end of year</b>	<b><u><u>\$ 1,032,015</u></u></b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$1,032,015</u></u></b>

**STATISTICAL SECTION**

# CITY OF TROY, MICHIGAN

## STATISTICAL SECTION

JUNE 30, 2007

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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.

### **Contents**

### **Page**

#### **Financial Trends**

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

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#### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

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#### **Debt Capacity**

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.

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#### **Demographic and Economic Information**

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

115

#### **Operating Information**

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.

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#### **Continuing Disclosure**

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.

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**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.

# CITY OF TROY, MICHIGAN

## NET ASSETS BY COMPONENT LAST FIVE 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>	<u>6/30/2007</u>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 82,829,398	\$ 116,110,302	\$ 122,746,020	\$ 159,749,955	\$ 153,793,099
Restricted	29,507,113	1,810,587	50,227,946	33,017,038	34,119,273
Unrestricted	<u>62,117,445</u>	<u>81,355,650</u>	<u>32,494,032</u>	<u>34,533,448</u>	<u>33,414,001</u>
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>	<u>\$ 221,326,373</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 99,905,946	\$ 100,797,007	\$ 102,045,725	\$ 102,621,738	\$ 105,920,417
Restricted	6,604,596	7,306,405	-	-	-
Unrestricted	<u>33,631,643</u>	<u>33,240,135</u>	<u>40,036,148</u>	<u>42,421,282</u>	<u>43,142,406</u>
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>	<u>\$ 149,062,823</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 182,735,344	\$ 216,907,309	\$ 224,791,745	\$ 262,371,693	\$ 259,713,516
Restricted	36,111,709	9,116,992	50,227,946	33,017,038	34,119,273
Unrestricted	<u>95,749,088</u>	<u>114,595,785</u>	<u>72,530,180</u>	<u>76,954,730</u>	<u>76,556,407</u>
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>	<u>\$ 370,389,196</u>

# CITY OF TROY, MICHIGAN

## CHANGES IN NET ASSETS LAST FIVE 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>	<u>6/30/2007</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 11,714,618	\$ 13,685,948	\$ 12,047,579	\$ 11,734,897	\$ 12,601,536
Public safety	25,687,463	13,434,097	27,736,351	28,703,542	30,436,286
Public works	15,966,498	16,274,728	16,475,289	18,372,828	20,864,379
Sanitation	4,198,140	4,432,201	4,433,033	4,367,093	4,529,666
Community and economic development	624,141	601,017	519,845	2,058,782	149,357
Recreation and culture	12,274,918	13,579,188	16,059,077	15,924,318	15,189,313
Interest on long-term debt	3,133,028	4,410,719	3,222,419	1,686,805	1,618,860
Total governmental activities expenses	<u>\$ 73,598,806</u>	<u>\$ 66,417,898</u>	<u>\$ 80,493,593</u>	<u>\$ 82,848,265</u>	<u>\$ 85,389,397</u>
Business-type activities:					
Water	\$ 10,222,511	\$ 10,630,027	\$ 13,307,382	\$ 13,839,024	\$ 13,951,978
Sanitary sewer	8,778,461	10,168,039	8,980,641	9,682,048	9,705,247
Aquatic center	487,423	544,125	561,096	638,837	688,236
Sylvan Glen Golf course	1,297,943	1,207,337	1,106,041	1,109,119	1,085,421
Sanctuary Lake Golf course	-	47,076	1,751,721	1,730,874	1,683,553
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>	<u>\$ 27,114,435</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>	<u>\$ 112,503,832</u>
<b>Program revenues</b>					
Charges for services:					
General government	\$ 1,386,043	\$ 1,225,998	\$ 3,213,382	\$ 2,101,074	\$ 2,245,026
Public safety	2,592,616	2,930,182	2,694,665	2,925,740	3,059,322
Public works	2,985,883	2,757,644	1,380,977	1,361,164	1,927,982
Sanitation	206,373	154,047	1,410	44,765	2,275
Recreation and culture	2,959,532	4,081,620	4,080,652	4,338,069	4,546,308
Operating grants and contributions	675,691	517,704	491,224	1,079,243	932,693
Capital grants and contributions	10,723,477	13,463,732	9,469,923	6,527,476	6,552,433
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>	<u>\$ 19,266,039</u>
Business-type activities:					
Charges for services:					
Water	\$ 11,155,393	\$ 10,897,059	\$ 13,518,168	\$ 15,595,766	\$ 14,652,417
Sanitary sewer	8,973,121	9,710,263	9,623,410	10,114,977	11,291,515
Aquatic center	417,245	370,256	278,125	310,428	322,111
Sylvan Glen Golf course	1,295,874	1,242,938	1,198,744	1,055,142	1,125,895
Sanctuary Lake Golf course	-	81,190	962,132	1,173,020	1,052,986
Capital grants and contributions	-	-	633,491	727,343	1,012,829
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>	<u>\$ 29,457,753</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>	<u>\$ 48,723,792</u>

# CITY OF TROY, MICHIGAN

## CHANGES IN NET ASSETS LAST FIVE 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>	<u>6/30/2007</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (52,069,191)	\$ (41,286,971)	\$ (59,161,360)	\$ (64,470,734)	\$ (66,123,358)
Business-type activities	1,055,295	(294,898)	507,189	1,976,774	2,343,318
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>	<u>\$ (63,780,040)</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	\$ 50,488,216
State-shared revenues	7,618,966	7,101,729	6,906,372	6,844,167	6,635,508
Grants and contributions not restricted to specific programs	1,500	50	61,890	24,905	175,543
Interest and investment earnings	1,859,698	1,459,262	2,508,127	3,436,837	4,588,419
Miscellaneous	438,545	2,063,083	107,486	634,535	118,565
Transfers	850,200	-	830,140	758,500	(1,856,960)
Total governmental activities	<u>\$ 60,471,040</u>	<u>\$ 65,309,554</u>	<u>\$ 60,984,516</u>	<u>\$ 61,196,504</u>	<u>\$ 60,149,291</u>
Business-type activities:					
Grants and contributions not restricted to specific programs	\$ -	\$ -	\$ 196,561	\$ 212,213	\$ 215,292
Interest and investment earnings	649,413	365,794	910,557	1,530,660	2,104,233
Miscellaneous	1,752,533	1,130,466	-	-	-
Transfers	(850,200)	-	(830,140)	(758,500)	(643,040)
Total business-type activities	<u>\$ 1,551,746</u>	<u>\$ 1,496,260</u>	<u>\$ 276,978</u>	<u>\$ 984,373</u>	<u>\$ 1,676,485</u>
Total primary government	<u>\$ 62,022,786</u>	<u>\$ 66,805,814</u>	<u>\$ 61,261,494</u>	<u>\$ 62,180,877</u>	<u>\$ 61,825,776</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 8,401,849	\$ 24,022,583	\$ 1,823,156	\$ (3,274,230)	\$ (5,974,067)
Business-type activities	2,607,041	1,201,362	784,167	2,961,147	4,019,803
Total primary government	<u>\$ 11,008,890</u>	<u>\$ 25,223,945</u>	<u>\$ 2,607,323</u>	<u>\$ (313,083)</u>	<u>\$ (1,954,264)</u>

# CITY OF TROY, MICHIGAN

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

		For Fiscal Year Ended									
		<u>6/30/1998</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>	<u>6/30/2007</u>
General Fund											
Reserved		\$ 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	\$ 695,992
Unreserved		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	24,169,595
Total general fund		<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>	<u>\$ 24,865,587</u>
All other Governmental Funds											
Reserved		\$ 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	\$ 4,531,948
Unreserved, reported in:											
	Special revenue funds	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	\$ 6,375,447
	Capital projects funds	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	23,026,136
	Debt service funds	-	-	-	-	-	613,290	-	-	-	-
	Permanent fund	-	-	-	-	-	-	161,558	170,518	185,742	-
Total all other governmental funds		<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>	<u>\$ 34,119,273</u>

# CITY OF TROY, MICHIGAN

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

	Fiscal Year									
	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	6/30/2007
<b>Revenues</b>										
Property taxes	\$ 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	\$ 50,696,911
Licenses and permits	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	1,491,958
Intergovernmental - federal	194,107	418,053	205,639	307,050	569,310	437,061	415,609	2,928,690	961,366	551,965
Intergovernmental - state	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	11,805,209
Intergovernmental - local	100,202	99,781	107,585	118,646	159,268	142,450	241,418	165,154	891,705	765,823
Charges for services	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	8,338,480
Fines and forfeits	782,345	806,743	836,035	1,061,310	1,171,749	896,833	960,250	973,527	994,373	1,243,286
Investment income	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	3,942,955
Other	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	2,046,840
<b>Total revenues</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>\$ 80,883,427</b>
<b>Expenditures</b>										
General government	\$ 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	\$ 9,118,399
Public safety	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	29,575,908
Roads and Streets	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	4,754,166
Other Public Works	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	2,676,716
Sanitation	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	4,528,962
Community & Economic Dev.	487,866	780,067	782,293	397,874	675,157	576,366	553,242	474,591	2,011,275	116,091
Recreation and culture	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	13,412,739
Capital outlay	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	11,856,766
Debt service										
Principal	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	1,917,957
Interest and other charges	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	1,639,410
<b>Total expenditures</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>	<b>\$ 79,597,114</b>
Excess of revenues over (under) expenditures	\$ 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)	\$ 1,286,313
<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	\$ 41,440
Proceeds from sale of capital assets	-	-	-	-	-	-	74,985	905,292	748,221	-
Transfers in	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	13,965,781
Transfers out	(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)	(16,972,741)
<b>Total other financing sources (uses)</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>\$ (2,217,299)</b>
<b>Net change in fund balances</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>	<b>\$ (930,986)</b>
Debt service as a percentage of noncapital expenditures	9.6%	7.8%	7.5%	9.4%	19.2%	11.1%	22.4%	9.3%	5.1%	5.3%

# CITY OF TROY, MICHIGAN

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

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<b>Fiscal Year Ended June 30</b>	<b>Governmental Funds</b>				<b>Total All Property Taxes</b>
	<b>General</b>	<b>Refuse</b>	<b>Capital</b>	<b>General Debt Service</b>	
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
2007	35,679,836	4,254,241	8,200,947	2,561,887	50,696,911

# CITY OF TROY, MICHIGAN

## PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percentage of Current Taxes Collected</b>	<b>Delinquent Tax Collections</b>	<b>Total Tax Collections To Date</b>	<b>Ratio of Total Tax Collections To Total Tax Levy</b>	<b>Outstanding Delinquent Taxes</b>	<b>Ratio of Delinquent Taxes To Total Tax Levy</b>
1998	\$ 34,834,939	\$ 33,978,096	97.54%	\$ 737,431	\$ 34,715,527	99.66%	\$ 136,266	.39%
1999	36,316,680	35,645,833	98.15	732,372	36,378,205	100.17	120,514	.33
2000	37,904,870	37,391,650	98.65	736,580	38,128,230	100.59	146,773	.38
2001	39,434,080	38,848,160	98.51	693,813	39,541,973	100.27	256,858	.65
2002	41,803,788	41,016,410	98.12	632,486	41,648,896	99.63	308,641	.74
2003	43,497,146	42,574,532	97.88	582,323	43,156,855	99.22	491,213	1.13
2004	44,251,910	43,440,583	98.17	672,473	44,113,056	99.68	296,928	.67
2005	45,666,420	44,814,456	98.13	637,527	45,451,983	99.53	214,437	.47
2006	46,913,799	45,924,486	97.89	726,792	46,651,278	99.44	65,394	.14
2007	48,338,412	47,306,612	97.87	923,002	48,229,614	99.78	108,773	.23

**CITY OF TROY, MICHIGAN**

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

Overlapping Governments

<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 Distirct</u>	<u>SMART</u>	<u>State Education</u>	<u>Total</u>
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
2007 H	9.43	9.87	4.65	1.58	3.37	0.59	6.00	35.49
2007 NH	9.43	22.13	4.65	1.58	3.37	0.59	6.00	47.75

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>
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
2007	3,076,070,702	1,376,175,120	502,914,670	479,874,950	5,435,035,442	9.43	6,608,804,750	82.23

**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

<b>Taxpayer</b>	<b>6/30/1998</b>			<b>6/30/2007</b>		
	<b>Taxable Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Value</b>	<b>Taxable Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Value</b>
Frankel Forbes/Cohen	\$ 54,710,920	1	1.45%	\$ 64,659,870	1	1.19%
K-Mart	50,749,240	2	1.34%			
Bellemead of Michigan	46,794,310	3	1.24%			
E. D. S.	41,854,480	4	1.11%			
Nykel Management	41,362,570	5	1.10%	40,726,630	3	0.75%
Liberty Property Limited	38,144,250	6	1.01%	44,522,510	2	0.82%
Detroit Edison	33,944,270	7	0.90%	33,492,740	4	0.62%
Oakland Mall, L.L.C.	31,026,600	8	0.82%	29,151,420	8	0.54%
Standard Federal Corporation	29,038,410	9	0.77%			
WRC Properties	28,632,180	10	0.76%			
Riggs & Co. (Kirco Dev.)				29,623,050	7	0.55%
888 W. Big Beaver Assoc.				33,211,240	5	0.61%
Kelly Services & Properties				32,362,130	6	0.60%
Lasalle Bank (Standard Federal Corp.)				27,965,270	9	0.51%
Teachers Insurance				27,812,420	10	0.51%

# CITY OF TROY, MICHIGAN

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30,</u>	<u>Taxable Value</u>	<u>Estimated Population</u>	<u>Gross Bonded Debt Outstanding</u>	<u>Debt Service Fund Balance</u>	<u>Debt Payable from Other than General Resources</u>	<u>Net Bonded Debt</u>	<u>Percent of Net Bonded Debt to Taxable Value</u>	<u>Net Bonded Debt Per Capita</u>
1998	\$ 3,775,248,837	72,884	\$ 18,191,940	\$ 5,857,516	\$ 10,074,600	\$ 2,259,824	0.1 %	\$ 31.01
1999	4,005,628,273	72,884	14,444,852	6,757,645	7,687,207	-	-	-
2000	4,183,560,453	72,884	16,353,273	9,895,404	6,457,869	-	-	-
2001	4,373,072,080	80,959	27,862,925	11,017,036	10,025,000	6,820,889	0.2	84.25
2002	4,686,250,942	80,959	43,464,521	12,716,625	7,250,000	23,497,896	0.5	290.24
2003	4,861,640,648	80,959	66,038,658	13,543,103	4,925,000	47,570,555	1.0	587.59
2004	4,978,263,437	80,959	54,498,315	4,820,818	14,000,000	35,677,497	0.7	440.69
2005	5,094,758,223	80,959	52,812,271	4,734,163	13,725,000	34,353,108	0.7	424.33
2006	5,264,351,550	80,959	50,956,648	4,776,501	13,350,000	32,830,147	0.6	405.52
2007	5,435,035,442	80,959	48,880,131	4,434,911	12,975,000	31,470,220	0.6	388.72

## CITY OF TROY, MICHIGAN

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

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Government Expenditures</u>
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
2007	1,700,000	1,542,756	3,242,756	67,425,737	4.81

Includes General, Special Revenue and Debt Service Funds.

# CITY OF TROY, MICHIGAN

## COMPUTATION OF DIRECT AND OVERLAPPING DEBT JUNE 30, 2007

<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	\$ 31,470,220	100.00%	\$ 31,470,220
Avondale School District	95,887,066	17.11	16,406,277
Birmingham School District	226,525,000	4.38	9,921,795
Bloomfield Hills School District	17,465,000	2.05	358,033
Lamphere School District	22,640,000	12.81	2,900,184
Royal Oak School District	86,189,000	2.94	2,533,957
Troy School District	160,660,000	100.00	160,660,000
Warren School District	145,124,000	8.32	12,074,317
Oakland County	106,286,871	8.74	9,289,473
Oakland Intermediate School District	55,185,000	8.18	4,514,133
Macomb Intermediate School District	2,000,000	1.18	23,600
Oakland County Community College	<u>8,995,000</u>	8.80	<u>791,560</u>
Total overlapping debt	<u>926,956,937</u>		<u>219,473,329</u>
Total direct and overlapping debt	<u><u>\$ 958,427,157</u></u>		<u><u>\$ 250,943,549</u></u>

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

# CITY OF TROY, MICHIGAN

## COMPUTATION OF LEGAL DEBT MARGIN JUNE 30, 2007

Assessed Valuation at December 31, 2005 \$ 6,608,804,750

	<u>Annual Net Debt</u>	<u>Legal Margin</u>		
		<u>Percentage of State Equalized Valuation</u>	<u>Amount</u>	<u>Legal Debt Margin</u>
General obligation debt	\$ 44,130,000	10%	\$ 660,880,475	\$ 616,750,475
Emergency bonds	-	3/8	24,452,578	24,452,578
Special assessment bonds	<u>-</u>	12	<u>793,056,570</u>	<u>793,056,570</u>
Total debt	<u><u>\$ 44,130,000</u></u>		<u><u>\$ 1,478,389,623</u></u>	<u><u>\$ 1,434,259,623</u></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 (\$6,608,804,750), 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

<b>Building Authority bonds</b>					
<b>Debt Service</b>					
<b>Fiscal Year</b>					
<b>Ended</b>	<b>Collections</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage (1)</b>
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%
2007	1,057,265	200,000	547,307	747,307	1.415%

<b>Michigan Transportation Fund Bonds</b>					
<b>Debt Service</b>					
<b>Fiscal Year</b>					
<b>Ended</b>	<b>Collections (2)</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
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%
2007	2,502,483	175,000	81,338	256,338	9.762%

<b>Special Assessment Bonds</b>					
<b>Debt Service</b>					
<b>Fiscal Year</b>					
<b>Ended</b>	<b>Collections</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage (3)</b>
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%
2007	51,713	50,000	1,713	51,713	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)	Unemployment Rate (%) (6)	Median Age (6)	Personal (6) Income (000's)	Education Age 25 or Older					
								High School	Bachelor Degree	Graduate or Professional Degree			
1998	83,787	30,274	\$ 59,601	12,050	1.9	37.3	\$ *	* %	* %	* %	* %	* %	
1999	84,549	30,434	60,004	12,066	1.6	*	*	*	*	*	*	*	
2000	85,124	30,721	61,806	12,079	1.6	37.0	36	83	28	22			
2001	80,959 (2)	30,872	65,642	12,101	2.3	38.1	*	*	*	*	*	*	
2002	84,531	31,371	70,342	12,043	3.2	38.1	*	*	*	*	*	*	
2003	84,841	31,504	65,625	12,092	3.2	38.1	*	*	*	*	*	*	
2004	85,956	31,944	62,862	12,059	3.2	38.1	*	*	*	*	*	*	
2005	86,740	32,281	64,630	12,005	4.7	38.0	36	*	*	*	*	*	
2006	87,159	32,431	*	12,131	4.9	38.1	39	*	*	*	*	*	
2007	87,594	32,596	*	12,192	4.8	41.7	43	*	*	*	*	*	

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
- (6) U.S. Census 2006 American Community Survey
- \* Information not available.
- \*\* Change in the calculation method.

# CITY OF TROY, MICHIGAN

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

Industry	2004			2005			2006			2007		
	Number of Parcels	Rank	Percent of Total Parcels	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	636	1	40.80%	638	1	40.56%	654	1	41.24%	647	1	40.90%
Office	266	2	17.06	268	2	17.04	267	2	16.83	266	2	16.81
Retail Store (Mall, Plaza, Market, Whse, Discount)	137	3	8.79	140	3	8.90	143	3	9.02	144	3	9.10
Engineering	85	4	5.45	84	4	5.34	86	4	5.42	83	4	5.25
Apartments	66	5	4.23	65	6	4.13	75	6	4.73	76	6	4.80
Medical Office	63	7	4.04	72	5	4.58	66	5	4.16	65	5	4.11
Restaurant & Fast Food	64	6	4.11	64	7	4.07	62	7	3.91	61	7	3.86
Warehouse (Storage, Distribution, Transit)	54	8	3.46	54	8	3.43	56	8	3.53	55	8	3.48
Service (Station, Garage, Booth, Convenience)	52	9	3.34	52	9	3.31	39	10	2.46	42	9	2.65
Loft (Multi Tenant Industrial)	39	10	2.50	39	10	2.48	42	9	2.65	41	10	2.59
Bank	24	11	1.54	24	11	1.53	24	11	1.51	28	11	1.77
Auto Dealership	15	12	0.96	16	12	1.02	16	12	1.01	17	12	1.08
All other	58		3.72	57		3.62	56		3.53	57		3.60
Total commercial/industrial parcels	<u>1,559</u>		<u>100.00%</u>	<u>1,573</u>		<u>100.00%</u>	<u>1,586</u>		<u>100.00%</u>	<u>1,582</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									
	<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>2007</u>
<b><u>Building Inspection</u></b>										
Permits issued	2,091	2,196	2,190	1,946	1,938	1,867	2,110	2,136	1,927	1,696
Plans reviewed	1,287	1,450	1,051	1,450	1,029	1,053	1,200	1,716	1,600	1,059
<b><u>Executive Administration</u></b>										
City Manager's Office										
GFOA awards/submittals	2	3	3	3	3	3	3	3	3	3
City Attorney's Office										
District court appearances	4,975	5,414	5,559	5,071	5,953	4,910	6,484	6,425	6,531	N/A
<b><u>Engineering</u></b>										
Engineering										
Soil erosion inspections	750	1,100	348	400	500	900	2,500	2,983	4,570	4,001
Machine traffic counts	192	165	165	162	140	138	140	128	125	136
<b><u>Finance</u></b>										
Accounting/Risk Management										
Payroll checks processed	19,092	21,797	22,544	24,675	22,811	23,224	23,250	23,851	23,800	24,116
Invoices issued	2,491	1,950	2,002	2,234	2,259	2,193	2,300	1,651	1,800	2,200
Liability claims processed	66	219	194	181	161	162	161	139	129	102
Insurance certificates approved	206	223	236	278	287	307	400	357	323	525
Assessing										
Residential appraisals	1,100	1,232	1,200	1,500	1,200	1,500	1,200	1,200	1,600	1,500
Reinspections	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,250	1,000
City Clerk's Office										
Dog licenses issued	5,544	5,352	5,351	6,500	5,256	5,013	5,020	2,330	1,690	2,043
Registered voters	56,063	56,734	56,024	55,329	54,712	54,273	54,122	54,188	53,792	54,355
Human Resources										
Applications processed	1,069	615	1,007	1,550	1,552	1,340	1,350	1,156	1,500	1,117
Job postings	84	51	66	52	50	44	50	44	50	45
Labor contracts settled	N/A	N/A	N/A	3	2	2	1	1	4	0
Purchasing										
Value of goods/services purchased	\$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	\$30.0 mil
% of awards without dispute	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
City Treasurer's Office										
Tax bills processed	61,327	61,851	62,687	63,241	63,086	64,000	64,000	65,480	66,220	65,740
Water bills processed	93,628	96,076	101,128	98,476	98,747	N/A	N/A	104,771	106,369	102,000
Community Affairs										
New resident packets distributed	N/A	N/A	N/A	N/A	761	770	760	775	775	950
Press releases sent	N/A	N/A	N/A	N/A	315	330	340	412	440	450

# CITY OF TROY, MICHIGAN

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

	Fiscal Year Ended June 30									
	<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>2007</u>
<b><u>Fire</u></b>										
Fire Department responses	1,270	1,336	1,333	1,347	1,182	1,204	1,358	1,188	1,475	1,338
Inspections performed	1,853	2,183	2,093	2,093	1,974	2,465	2,000	2,196	2,000	2,210
<b><u>Other General Government</u></b>										
Building Operations										
Requests for service	2,850	2,975	3,478	3,478	3,478	6,200	11,472	14,472	16,750	18,900
Planning										
Site plan reviews	38	37	43	27	31	33	18	19	21	14
Special use requests	8	13	7	8	7	7	7	6	10	22
<b><u>Parks &amp; Recreation</u></b>										
ROW trees trimmed	3,200	2,400	3,000	1,160	3,000	3,200	1,000	1,000	116	3,215
Nature Center program attendance	5,013	4,308	4,034	3,176	3,176	4,660	4,090	4,995	4,765	4,890
<b><u>Police</u></b>										
Part I Crimes	2,998	2,411	2,387	2,316	2,061	2,107	1,979	2,044	2,088	1,890
Operate while impaired	569	448	469	469	442	306	431	453	448	520
<b><u>Public Works</u></b>										
Streets & Drains Division										
Requests for service	969	1,197	1,172	1,151	905	870	1,100	1,293	744	860
Traffic signs repaired/replaced	2,906	2,161	2,262	1,761	1,825	1,650	1,800	1,650	1,680	1,250
Water & Sewer Division										
Requests for service	3,540	2,841	2,048	2,414	2,653	2,414	2,650	2,650	2,637	2,244
Sanitary sewers cleaned in feet	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	1,610,795
Fleet Maintenance										
Work orders	5,180	5,126	4,593	4,593	3,098	3,849	4,000	4,137	4,050	4,072
Vehicle tires replaced	472	524	489	489	403	355	400	791	600	648
Refuse/Resource Recovery										
Tons of refuse collected	46,392	46,536	48,460	49,524	48,793	49,263	54,000	48,308	54,500	44,637
Tons of compost collected	3,593	3,533	3,953	4,957	4,989	6,303	6,500	7,804	9,984	7,917
<b><u>Information Technology</u></b>										
Help desk requests	731	639	1,293	1,049	1,250	1,407	1,400	1,620	1,800	2,062
<b><u>Golf Course</u></b>										
Sylvan Glen rounds of golf	66,856	67,074	63,362	57,115	55,982	53,410	55,560	51,060	50,820	45,032
Sanctuary Lake rounds of golf	-	-	-	-	-	-	4,010	18,463	25,833	23,729
<b><u>Aquatic Center</u></b>										
Admissions	49,284	45,148	44,825	48,664	53,140	38,578	48,000	55,348	50,240	54,519

# CITY OF TROY, MICHIGAN

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

<u>Function/Program</u>	<u>Fiscal Year</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>2007</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	357.5	362.2	362.2	362.2	366	370	371	410	423	437
Miles of unimproved	9.9	9.9	9.9	9.9	7	7.4	6.5	4.9	4.9	4.8
<u>Sewers</u>										
Miles of combination storm/sanitary	2.27	2.27	2.27	2.3	2	10	10	10	10	10
Miles of sanitary	300.8	300.8	300.8	374.5	377	382.5	384.7	386	384	386
Miles of storm	235.6	240.3	240.3	273.9	278	366	397	488	510	542
<u>Street Lights</u>										
Detroit Edison owned	707	712	712	712	712	579	577	577	564	564
City owned	1,057	1,119	1,119	1,119	1,122	1,669	1,707	1,707	1,558	1,558
<u>Water</u>										
Annual distribution in million cubic feet	553.3	679.3	679.7	564.9	574.6	641	643	595	663	614
Miles of watermains	490.2	490.2	490.2	532.8	536	538.8	543.5	547	536	538
Number of hydrants	5,498	5,498	5,498	5,442	5,467	5,492	5,561	5,610	5,759	5,782
<u>Parks and Recreation</u>										
Number of developed parks	14	14	14	14	14	14	14	14	14	14
Acres of public parks	900	832	832	832	896	735	735	735	735	880
Number of tennis courts	44	44	18	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	2	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

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
2006 - 2007	1,696	permits	113,160,162	estimated value

# CITY OF TROY, MICHIGAN

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

<u>Function/Program</u>	<u>Full and Part Time Employees as of June 30</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>2007</u>	
	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>
<b><u>Building Inspection</u></b>																				
Building Inspection	20	2	20	2	21	1	21	1	22	0	22	0	22	0	22	0	21	2	21	2
<b><u>Executive Administration</u></b>																				
City Manager's Office	6	0	6	0	6	0	6	0	6	0	6	0	6	0	6	0	6	0	5	0
City Attorney's Office	7	2	7	1	7	2	7	2	7	2	8	1	8	1	8	1	8	1	8	1
<b><u>Engineering</u></b>																				
Engineering	22	3	22	6	22	7	23	7	23	7	23	7	23	7	23	7	23	6	23	6
<b><u>Finance</u></b>																				
Accounting/Risk Management	14	0	9	0	11	0	11	0	11	0	11	0	11	0	10.5	0	10.5	0	10.5	0
Assessing	11	0	10	0	10	0	10	0	10	0	10	0	10	0	8	2	8	2	8	2
City Clerk's Office	6	0	5	1	5	1	6	1	6	1	6	2	7	2	6	2	6	2	6	2
Human Resources	5.5	2	6	1	5	1	4	1	4	1	4	1	4	1	4	1	4	1	4	1
Purchasing	2	1	2	1	3	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	5	0	5	0	5	0	5	0	4.5	0	4.5	0	4.5	0
Community Affairs	0	0	3	3	4	3	4	4	3	6	3	6	3	8	3	9	3	6	3	6
<b><u>Fire</u></b>																				
Fire	11	2	11	2	12	2	12	2	14	2	14	2	14	2	14	2	14	2	14	2
<b><u>Library/Museum</u></b>																				
Library	17	68	16	80	17	79	17	80	20	66	20	85	20	86	20	88	20	88	17	98
Museum	2	5	0	0	0	0	0	0	3	4	3	5	3	5	2	9	2	9	2	9
<b><u>Other General Government</u></b>																				
Real Estate & Development	6	3	6	0	6	0	5	1	5	1	5	1	5	1	5	1	5	1	4	1
Building Operations	9	1	9	2	10	2	10	2	11	2	12	2	12	2	12	2	12	2	12	2
Planning	6	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0
<b><u>Police</u></b>																				
Police	195	8	194	9	193	11	194	11	194	11	194	13	194	13	194	13	194	13	193	14

# 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																			
	<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>2007</u>	
	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>
<b><u>Parks &amp; Recreation</u></b>																				
Parks & Recreation	29.66	297	32	20	33	20	34	20	34	43	35	116	35	128	35	128	35	128	34	128
<b><u>Public Works</u></b>																				
Streets & Drains Division	30	15	29	15	29	15	32.5	18	34.5	18	34.5	19	34.5	19	34.5	19	32.5	18	31.5	18
Water & Sewer Division	29	6	33.5	7	37.5	7	35	6	35	6	35	6	35	6	35	6	35	6	34	7
Fleet Maintenance	18	2	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	9	0
<b><u>Golf Course</u></b>																				
Golf course	4	19	4	19	4	20	4	20	4	35	4	37	3	36	5	54	5	72	5	72
<b><u>Aquatic Center</u></b>																				
Aquatic center	0.34	64	0	0	0	0	0	0	0	0	0	74	0	74	0	74	0	74	0	74
<b><u>Total Employees</u></b>	<b><u>458</u></b>	<b><u>501</u></b>	<b><u>460</u></b>	<b><u>172</u></b>	<b><u>474</u></b>	<b><u>175</u></b>	<b><u>476</u></b>	<b><u>180</u></b>	<b><u>487</u></b>	<b><u>209</u></b>	<b><u>491</u></b>	<b><u>381</u></b>	<b><u>491</u></b>	<b><u>395</u></b>	<b><u>488</u></b>	<b><u>422</u></b>	<b><u>485</u></b>	<b><u>437</u></b>	<b><u>476</u></b>	<b><u>449</u></b>

## CITY OF TROY, MICHIGAN

### STATE SHARED REVENUES LAST TEN FISCAL YEARS

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<u>Fiscal Year Ended June 30</u>	<u>State Shared Revenue</u>
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
2007	6,635,508

### GAS AND WEIGHT TAXES LAST TEN FISCAL YEARS

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<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>	
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
2007	3,587,980	1,416,986	5,004,966

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	6/30/2009	80
Michigan Association of Police - Clerical, Police Services Aides	6/30/2007	60
Troy Command Officers Association - Command Police Officers	6/30/2008	33
Troy Police Officers Association - Police Officers	6/30/2008	100
Troy Firestaff Officers Association - Fire Career Professionals	6/30/2009	11

**SINGLE AUDIT SECTION**



# REHMANN ROBSON

*Certified Public Accountants*

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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***

November 14, 2007

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 discreetly 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, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting

principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **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*.

We noted certain matters that we reported to management of the City in a separate letter dated November 14, 2007.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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, flowing style.



**REHMANN ROBSON**

*Certified Public Accountants*

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

November 14, 2007

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

**Compliance**

We have audited the compliance of the **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, 2007. 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's** 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, 2007.

## **Internal Control Over Compliance**

The management of the City of Troy, Michigan 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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 cursive script that reads "Lehmann Johnson".

**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>U.S. Cooperative Forestry Assistance Act of 1978:</b>		
Pass through Michigan Department of Natural Resources Emerald Ash Borer Tree Planting Grant 05-034	10.664	\$ 20,000
<b>U.S. Department of Homeland Security:</b>		
<b>Federal Emergency Management Agency Grant</b>		
Assistance to Firefighters Grant Program	97.044	196,613
<b>U.S. Department of Housing and Urban Development:</b>		
Pass through Oakland County, Michigan <i>Community Development Block Grant</i>	14.218	116,091
<b>U.S. Department of Justice:</b>		
<i>Bulletproof Vest Grant</i>	16.607	650
Pass through Michigan Department of Community Health <i>Internet Crimes Against Children</i>	16.543	14,947
Total U.S. Department of Justice		<u>15,597</u>
<b>U.S. Department of Transportation:</b>		
Pass through Michigan State Department of Transportation <i>Highway Planning &amp; Construction</i>		
HH3263	20.205	1,306
HH2221	20.205	12,507
RR5218	20.205	14,023
YY259	20.205	63,218
RR5240	20.205	7,477
RR4527	20.205	27,032
RR4528	20.205	56,511
RR3172	20.205	1,708
RR5451	20.205	18,393
Total U.S. Department of Transportation		<u>202,175</u>
<b>U.S. Department of Transportation Highway Safety Funds:</b>		
Pass through Michigan Office of Highway Safety Planning <i>Youth Alcohol Enforcement Grant AL-07-26</i>	20.601	1,489
<b>U.S. Environmental Protection Agency:</b>		
Pass through Wayne County, Michigan <i>Rouge River Sanitary Sewer Overflow Grant</i>	66.606	17,081
<b>Total Expenditures of Federal Awards</b>		<b><u>\$ 569,046</u></b>

# THE CITY OF TROY, MICHIGAN

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2007

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### 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the 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.

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**THE CITY OF TROY, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2007**

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal Control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	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)?	No
Identification of major programs:	97.044 Assistance to Firefighters Grant Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

## SECTION II – FINANCIAL STATEMENT FINDINGS

### Finding 2007-1 – Reconciliation of Fund Equity and Long Term Debt

**Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

**Condition:** The City had certain net asset and long term debt accounts that have not been reconciled to the underlying supporting documentation.

**Cause:** This condition was caused by the City's internal controls over the timely review and reconciliation of these accounts.

**Effect:** As a result of this condition, the City may have potentially overstated or understated fund equity and/or long term debt in an amount that is more than inconsequential to the financial statements.

**View of Responsible Officials:** In accordance with generally accepted accounting principles (GAAP), the City prepares financial statements at both the fund level as well as a government-wide level. Our JD Edwards financial management system software dates back to 1997 and does not fully support the reporting requirements of current GAAP. Consequently some manual adjustments are made to the fund level financial statements in order to develop the required government-wide statements.

We are currently in the process of acquiring new financial system software which will be fully compliant with current GAAP.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

## SECTION IV – PRIOR YEAR FINDINGS

None noted