



CITY COUNCIL AGENDA ITEM

December 2, 2011

To: The Honorable Mayor and City Council Members

From: John Szerlag, City Manager
Tom Darling, Interim Director of Financial and Administrative Services

Subject: Submittal of the 2011 Comprehensive Annual Financial Report (CAFR)

We are pleased to present the Comprehensive Annual Financial Report (CAFR) prepared by City staff and reviewed by the City's auditors, the Rehmann Robson Group, for the period ending June 30, 2011.

The auditors have issued an unqualified or "clean" opinion on the CAFR. This is the highest opinion that can be issued from an independent auditor.

Hard copies of the CAFR are attached to your agenda materials, and are available for public viewing at the City Clerk's Office, the Library and on the City's web site.

If you have any questions about the information contained within this document, please contact us.



City of
Troy
Michigan



Comprehensive Annual Financial Report

For the Year Ended June 30, 2011



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2011

CITY COUNCIL

Mayor

Louise E. Schilling

Mayor Pro Tem

Mary Kerwin

Council Members

Robin Beltramini

Wade Fleming

Martin F. Howrylak

Maureen M. McGinnis

Dane M. Slater

ADMINISTRATION

City Manager

John Szerlag

Assistant City Manager/Finance and Administration

John M. Lamerato

Financial Services Director

James A. Nash

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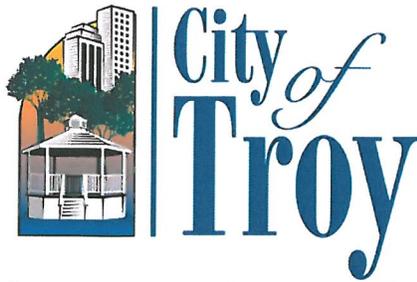
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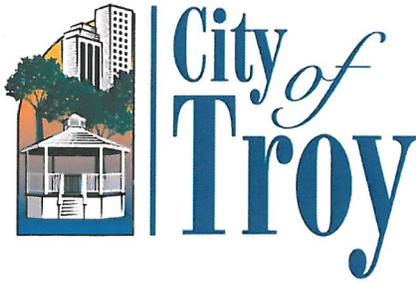
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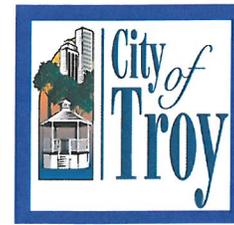
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500 W. Big Beaver
Troy, MI 48084
(248) 524-3300

The City of Tomorrow...



...Today

November 23, 2011

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, 2011 is hereby submitted. The report represents a comprehensive and detailed picture of our financial transactions during fiscal year 2010/11 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 Thomas E. Darling, Interim Director of Finance and Administration Services. Troy's staff is responsible for the accuracy of data and completeness and fairness of the presentation, including all disclosures.

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 reflected the downturn of the State and National economies to some degree. Our unemployment rate is well below the state and metro area average.

	<u>July 2011</u>
Troy	9.5%
Oakland County	10.9%
Metro Area*	12.5%
Michigan	11.0%
National	9.3%

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

The growth in taxable value has slowed and even turned negative in recent years indicative of the overall real estate market compared to the 1980s, 1990s and the highpoint in 2008. The taxable value for the 2011 levy (to fund the 2012 fiscal year) decreased 8.2% or \$395 million. This compares to the prior 2010 levy (that funded 2011 fiscal year) which decreased 11.3% or \$616 million. In Michigan, only the City of Detroit has a higher taxable value than the City of Troy. 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.

The City has expanded upon its budgeting practices by including five-year budget projections and the adoption of a three-year budget. Our approach to funding major capital projects is to accumulate funds over a number of years to avoid the issuance of debt. The City has adopted a policy to maintain our Unassigned General Fund Balance at 15% of General Fund Expenditures.

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

Multi-Modal Transit Center

This project will feature a multi-model center for high speed train, bus, cab and limousine service. Design and construction costs are fully funded through the Federal Rail Administration and the Michigan Department of Transportation. Please note that City Council is going to decide whether to proceed with this project or abandon it. Should City Council proceed with the project, the project is expected to be complete by October 2014 at a cost of approximately \$8.3 million.

Dialogue-Marketing, Inc.

Dialogue-Marketing, Inc., a provider of customer relationship management services, is planning to invest \$5.0 million to expand their call center and customized software development operations in Troy. The project is expected to create up to 230 direct new jobs.

Magna Steyr, L.L.C.

This operating unit of Magna International, plans to invest \$765 thousand to expand operations in Troy and create up to 200 direct new jobs.

Inteva Products, L.L.C.

This leading OEM world supplier (formerly Delphi Interiors & Closures) plans to invest \$4.9 million to expand and renovate its world headquarters and technical center in Troy. The project is expected to create up to 67 total jobs, including 35 directly at the company. The MEDC estimates the increased economic activity created by the project has the potential to create an additional 32 indirect jobs.

Meritor Heavy Vehicle Systems, L.L.C. – Arvin Meritor, Inc.

This global supplier of systems and components to commercial truck, industrial and aftermarket customers plans to invest more than \$23 million over five years in its technology center located in Troy. This project is expected to create 125 jobs at the company. The MEDC estimates the increased economic activity created by this program has the potential to create an additional 122 indirect jobs. This growth will augment more than 700 technical and professional employees at the company's headquarters.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining internal control 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 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 adequate internal control is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control 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 for the General Fund and fund level for special revenue funds.

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 complement 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 decreased by \$4.9 million or 8.9% from the prior year. Property taxes in the General Fund decreased by \$3.8 million or 10.5%.

State sources remained level from the prior year at approximately \$5.8 million. State shared revenue is the major source of revenue, which is a return to local governments of a portion of state sales tax and is not restricted to use.

Other revenues decreased by \$1.0 million or 37.9% due to a one time transfer from the Brownfield Redevelopment Authority in the prior year.

Total General Fund operating expenditures decreased by 8.4%. This reduction was achieved primarily through payroll and related benefit decreases through employee layoffs, wage concessions and early retirement incentive programs.

General Fund Balance

Fund balance of the General Fund increased by \$1.9 million to a balance of \$27,465,155. Of this amount, \$4,034,119 is nonspendable for such items as inventory and prepaid items; \$1,508,257 is restricted for budget stabilization, \$3,610,131 has been committed to the subsequent years budget and Volunteer Firefighters Incentive Reserve at \$2,610,131 and \$1,000,000, respectively, and \$5,953,000 has been assigned for insurance claims at \$3,753,000 and tax appeals at \$2,200,000. The \$12,359,648 remaining unassigned amount represents 23.0% of General Fund expenditures. This amount exceeds our 15% 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.

Local Street Fund – Gas and weight taxes as well as a transfer of funds from the Major Street Fund to 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.

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 remained level at \$14.1 million compared to prior year. Operating expenses also remained consistent with prior year at \$12.4 million. The economy and weather conditions can have a significant effect on our water consumption.

Sanitary Sewer Fund - Generated \$11.9 million in operating revenues as compared to \$10.4 million in the prior year due to an increase in sewage disposal fees. Operating expenses increased proportionally with revenues totaling \$10.4 million, compared to \$9.1 million 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 \$62,496 shows improvement compared to a net loss of \$116,174 last fiscal year. Operating revenues increased \$52,000 compared to prior year due to favorable weather conditions for this activity. Operating expenses remained level at \$566,000. 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 \$14,296. This amount compares to an increase of \$50,389 last fiscal year.

Sanctuary Lake Golf Course Fund - Ended the year with a decrease in net assets of \$582,841 compared to a \$664,226 decrease in net assets last fiscal year. Steps have been taken to increase play and continue to reduce the loss, with the hiring of Billy Casper Golf to manage and operate both golf courses.

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 and health care benefits of \$181 million compared to the beginning amount of \$152 million. As of December 31, 2010, the fund is 95.8% 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 employee's 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.

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	\$8.10*
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 2010 was 8.1000 and 2.5522, respectively.

**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, 2010.

This was the fourteenth 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.

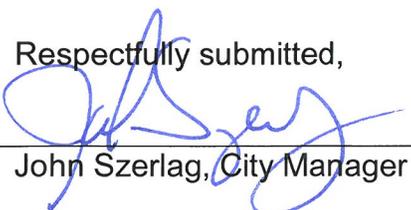
A certificate of achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City has also received the GFOA *Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR)*.

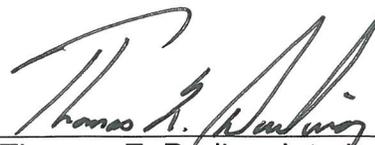
Acknowledgements

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,



John Szerlag, City Manager



Thomas E. Darling, Interim Director of
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, 2010

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.

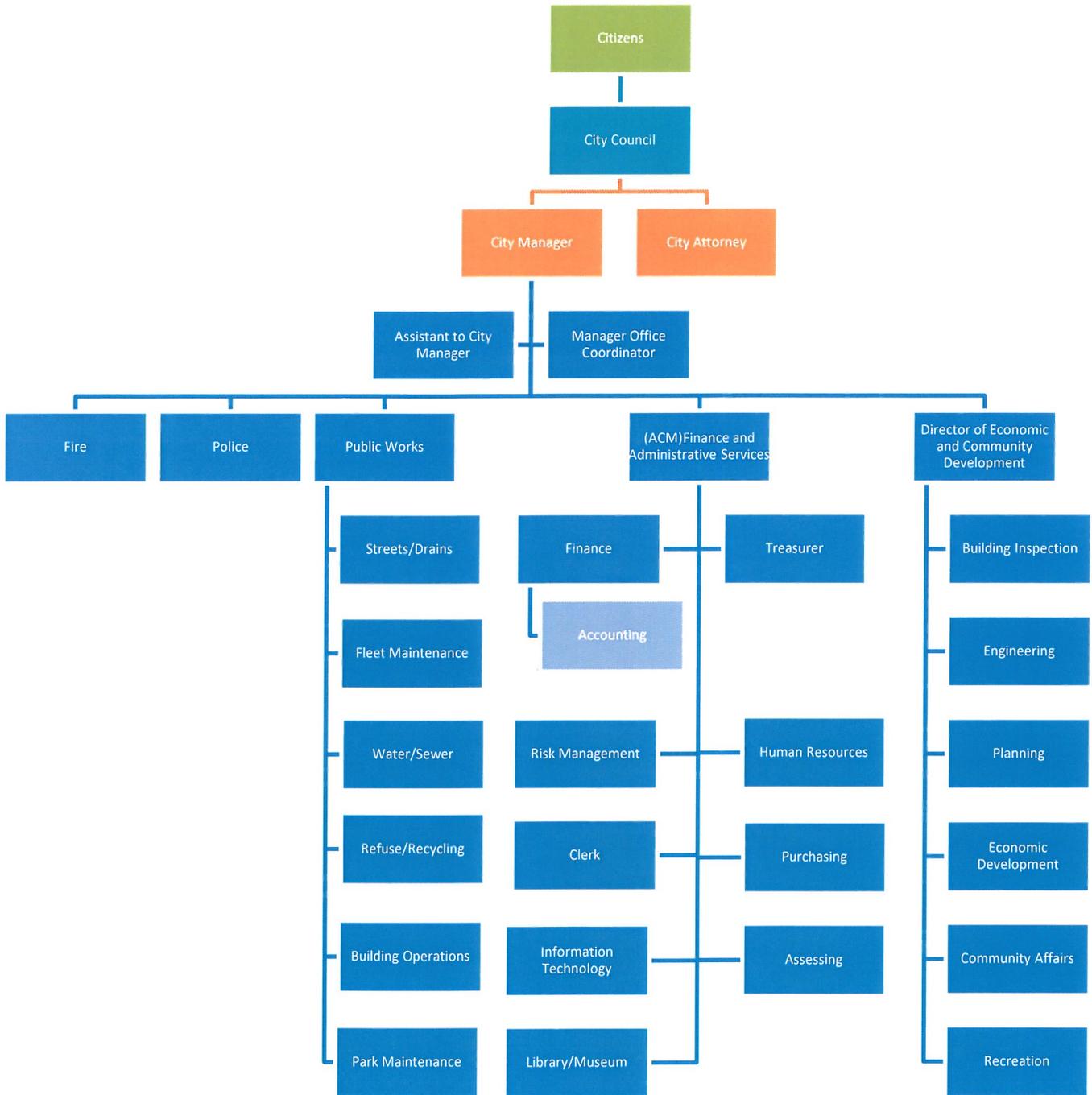


President

Executive Director

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2010/11 ORGANIZATION CHART



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**PRINCIPAL
OFFICIALS**

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

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

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INDEPENDENT AUDITORS' REPORT

December 1, 2011

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 aggregate 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, 2011, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Troy, Michigan*, as of June 30, 2011, 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 December 1, 2011, 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 presented on pages 3-10 and the Schedules of Funding Progress and Employer's Contributions on pages 70-72 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 required 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 black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

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, 2011. Please read it in conjunction with the transmittal letter and City's financial statements as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- The City's combined total net assets are reported as \$395.1 million for the fiscal year ended June 30, 2011, compared to \$391.0 last fiscal year.
- In the City's governmental activities, revenues generated \$72.2 million, while expenses totaled \$71.3 million.
- In the City's business-type activities, revenues generated \$29.1 million, while expenses totaled \$25.9 million.
- The total cost of all of the City's programs, including governmental activities and business-type activities was \$97.2 million, down \$3.2 million from last fiscal year, this compares to a \$4.3 million decrease last year.
- Total net assets increased \$4.1 million. Note that this is not cash or spendable resources of itself.

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 other required supplementary information that further explains and supports the information in the financial statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

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 service 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 operations.

THE CITY OF TROY AS A WHOLE

The City's combined total net assets for the fiscal year ended June 30, 2011 is \$395.1 million. Business-type activities comprise \$162.7 million and governmental activities make up \$232.4 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 \$83.5 million. \$38.4 million is the amount of unrestricted net assets reported for the City of Troy's governmental activities while \$45.1 is reported in the City's business-type 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, 2011 to the prior year.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current Assets	\$ 68.3	\$ 72.0	\$ 48.6	\$ 46.4	\$ 116.9	\$ 118.4
Capital Assets	202.4	201.5	127.9	127.6	330.3	329.1
Total Assets	\$ 270.7	\$ 273.5	\$ 176.5	\$ 174.0	\$ 447.2	\$ 447.5
Liabilities:						
Long-term Debt Outstanding	\$ 32.5	\$ 36.5	\$ 10.3	\$ 10.7	\$ 42.8	\$ 47.2
Other Liabilities	5.8	6.0	3.5	3.3	9.3	9.3
Total Liabilities	\$ 38.3	\$ 42.5	\$ 13.8	\$ 14.0	\$ 52.1	\$ 56.5
Net Assets:						
Invested in Capital Assets, Net of Debt	\$ 174.6	\$ 170.8	\$ 117.6	\$ 116.9	\$ 292.2	\$ 287.7
Restricted	19.4	26.3	-	-	19.4	26.3
Unrestricted	38.4	33.9	45.1	43.1	83.5	77.0
Total Net Assets	\$ 232.4	\$ 231.0	\$ 162.7	\$ 160.0	\$ 395.1	\$ 391.0

Total assets decreased by \$0.3 million during the year, made up of a decrease of \$2.8 million in governmental activities and an increase of \$2.5 million in business type activities. The decrease in governmental current assets was due primarily to the use of cash and investments to reduce debt obligations and purchase of capital assets.

Total liabilities decreased by \$4.4 million primarily due to the reduction in long-term debt through annual debt payments.

Net assets show an increase in investments in capital assets net of debt of \$4.5 million and unrestricted net assets increased by \$6.5 million. Restricted net assets decreased by \$6.9 million.

**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, 2011 to the prior year, in a condensed format:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program Revenues:						
Charges for Services	\$ 11.5	\$ 11.8	\$ 28.5	\$ 26.9	40.0	\$ 38.7
Operating Grants & Contributions	1.5	1.1	-	-	1.5	1.1
Capital Grants & Contributions	6.9	8.6	0.2	0.3	7.1	8.9
General Revenues:						
Property Taxes	46.0	50.7	-	-	46.0	50.7
State-shared Revenues	5.6	5.6	-	-	5.6	5.6
Interest Earnings	0.5	0.8	0.4	0.5	0.9	1.3
Other Revenue	0.2	1.4	-	-	0.2	1.4
Total Revenues	72.2	80.0	29.1	27.7	101.3	107.7
Program Expenses:						
General Government	10.1	10.5	-	-	10.1	10.5
Public Safety	30.8	31.3	-	-	30.8	31.3
Engineering & Public Services	14.8	15.0	-	-	14.8	15.0
Community & Economic Dev	1.0	1.5	-	-	1.0	1.5
Sanitation	4.1	4.0	-	-	4.1	4.0
Recreation and Culture	9.8	12.6	-	-	9.8	12.6
Interest Expense	0.7	0.6	-	-	0.7	0.6
Water	-	-	12.4	12.5	12.4	12.5
Sanitary Sewer	-	-	10.4	9.1	10.4	9.1
Golf Courses	-	-	2.5	2.7	2.5	2.7
Aquatic Center	-	-	0.6	0.6	0.6	0.6
Total Expenses	71.3	75.5	25.9	24.9	97.2	100.4
Inc in Net Assets before Transfers	0.9	4.5	3.2	2.8	4.1	7.3
Transfers	0.5	0.6	(0.5)	(0.6)	-	-
Increase in Net Assets	1.4	5.1	2.7	2.2	4.1	7.3
Net Assets - Beginning of Year	231.0	225.9	160.0	157.8	391.0	383.7
Net Assets - End of Year	\$ 232.4	\$ 231.0	\$ 162.7	\$ 160.0	\$ 395.1	\$ 391.0

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

GOVERNMENTAL ACTIVITIES

The City of Troy's total governmental revenue is reported at \$72.2 million, a decrease of \$7.8 million from the prior year. The decrease is attributable primarily to a reduction in property taxes.

Expenses decreased by \$4.2 million compared to last fiscal year. The net decrease of \$4.2 million is spread over several divisions, of which \$2.8 million is attributable to recreation and cultural activities.

During the year the City continued meeting the actuarial required contributions for the defined benefit pension system and the discretionary fire 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. Change in net assets for business-type activities increased by \$2.7 million. The Water and Sewer Fund increased by \$1.9 million and \$1.4 million respectively. The City's two golf courses recorded a net decrease in net assets of \$.6 million.

THE CITY OF TROY'S FUNDS

Analysis of the City of Troy's major funds begins following the government-wide financial statements as listed in the table of contents. 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 outside sources.

The City's General Fund balance increased by \$1.9 million to a balance of \$27.5 million. The increase was attributable to a one time transfer of excess Brownfield Redevelopment Authority tax increments and reduction in staff of on demand service departments and ten percent reduction in pay through the use of furlough days, employee concessions and early retirement incentives for several employee groups.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Fund balance in the Capital Projects Fund decreased by \$4.8 million due to the timing and completion of various projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, City Council amended the budget to take into account events during the year. These amendments from the original budget were minimal for both revenues and expenditures.

Overall actual revenues were in line with amended budget amounts showing a slight increase over budget of \$0.9 million or 1.8%. Expenses for the City were \$4.5 million or 7.8% under amended budget amounts due to a conservative spending policy, delays in filling vacant positions, staff reductions, reduction in benefit levels for new hires and 10% wage reductions in the form of furlough days, employee concessions and early retirement incentives for several employee groups.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2011, the City of Troy had \$330.4 million invested in a broad range of capital assets including land, buildings, police and fire equipment, water and sewer lines, roads, sidewalks, and other infrastructure, net of debt. The increase in capital assets during the year was attributable to the excess of additions in streets, drains and water/sewer systems over the recognition of depreciation.

The City of Troy's debt rating is excellent. The City maintains a AAA rating on unlimited tax general obligation bonds by Standard and Poor's. The City of Troy's bond indebtedness totaled \$42.8 million at June 30, 2011, a decrease of \$4.4 million from the prior year resulting from debt retirement payments.

Additional information about the City's capital assets and debt administration is presented in the notes to financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

CURRENT ECONOMIC EVENTS

The City of Troy's budget for 2012 calls for a tax rate of 9.49, a .09 mill increase from the current year. The general operating total tax rate has remained the same or lower since July 1, 1996. Property taxes make up approximately 65.5% of our General Fund budget. Because of the impact of Proposal A, State of Michigan budget woes, and a decrease in taxable values due to the drop in property values, the City of Troy budgeted to reduce its full-time work force by an additional 36 positions in 2011/12 through attrition and layoffs. The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or five percent.

The electors of Troy passed a charter amendment on November 4, 2008 freezing the existing operating rate unless voters approve an increase.

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 result in a reduction of taxable value. With conservative budget forecasting of revenues and realistic expenditure estimates, reduction of workforce, utilization of fund balance and employee concessions, we have a balanced budget.

State shared revenue payments are expected to decrease by an additional \$300,000 to \$5.3 million. 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 increase or decrease 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.

CITY OF TROY, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
Assets				
Cash and cash equivalents	\$ 30,054,776	\$ 37,365,836	\$ 67,420,612	\$ 10,465,039
Investments	27,070,812	5,482,095	32,552,907	-
Receivables (net)	6,317,518	8,643,486	14,961,004	91,945
Internal balances	3,438,608	(3,438,608)	-	-
Other assets	1,066,088	522,103	1,588,191	-
Postemployment benefits asset	281,188	-	281,188	-
Capital assets				
Assets not being depreciated	43,442,773	16,519,655	59,962,428	-
Assets being depreciated, net	158,997,617	111,393,339	270,390,956	-
Total assets	<u>270,669,380</u>	<u>176,487,906</u>	<u>447,157,286</u>	<u>10,556,984</u>
Liabilities				
Accounts payable	3,305,148	3,192,807	6,497,955	-
Accrued payroll	1,965,730	-	1,965,730	-
Accrued liabilities	262,340	242,805	505,145	165,365
Unearned revenue	186,793	86,721	273,514	-
Noncurrent liabilities				
Due within one year	5,051,513	400,000	5,451,513	2,215,000
Due in more than one year	27,518,656	9,900,000	37,418,656	19,815,000
Total liabilities	<u>38,290,180</u>	<u>13,822,333</u>	<u>52,112,513</u>	<u>22,195,365</u>
Net assets				
Invested in capital assets, net of related debt	174,656,911	117,612,994	292,269,905	-
Restricted for				
Debt service	2,586,721	-	2,586,721	-
Highways and streets	3,857,177	-	3,857,177	-
Capital projects	12,542,798	-	12,542,798	-
Perpetual care	222,655	-	222,655	-
Other purposes	83,897	-	83,897	-
Unrestricted (deficit)	38,429,041	45,052,579	83,481,620	(11,638,381)
Total net assets (deficit)	<u>\$ 232,379,200</u>	<u>\$ 162,665,573</u>	<u>\$ 395,044,773</u>	<u>\$ (11,638,381)</u>

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

CITY OF TROY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

<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>
Primary government					
Governmental activities					
General government	\$ 10,057,545	\$ 3,017,126	\$ (223)	\$ -	\$ (7,040,642)
Public safety	30,776,101	2,912,838	225,018	62,351	(27,575,894)
Public works	14,812,707	1,696,240	-	6,721,702	(6,394,765)
Sanitation	4,110,330	4,860	-	-	(4,105,470)
Community and economic development	1,030,929	-	665,515	89,922	(275,492)
Recreation and culture	9,865,320	3,850,470	584,640	21,677	(5,408,533)
Interest on long-term debt	665,356	-	-	-	(665,356)
Total governmental activities	71,318,288	11,481,534	1,474,950	6,895,652	(51,466,152)
Business-type activities					
Water	12,439,089	14,139,274	-	81,067	1,781,252
Sewer	10,400,332	11,917,175	-	140,494	1,657,337
Aquatic center	565,873	503,685	-	-	(62,188)
Sylvan Glen golf course	1,021,420	1,024,216	-	-	2,796
Sanctuary Lake golf course	1,523,616	940,775	-	-	(582,841)
Total business-type activities	25,950,330	28,525,125	-	221,561	2,796,356
Total primary government	\$ 97,268,618	\$40,006,659	\$ 1,474,950	\$ 7,117,213	\$ (48,669,796)
Component units					
Downtown development authority	\$ 2,187,039	\$ -	\$ -	\$ -	\$ (2,187,039)
Local development financing authority	160,004	-	-	-	(160,004)
Brownfield redevelopment authority	9,211	-	-	-	(9,211)
Total component units	\$ 2,356,254	\$ -	\$ -	\$ -	\$ (2,356,254)

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, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (51,466,152)	\$ 2,796,356	\$ (48,669,796)	\$ (2,356,254)
General revenues				
Property taxes	32,550,858	-	32,550,858	-
Property taxes for sanitary purposes	4,057,573	-	4,057,573	-
Property taxes for economic development	-	-	-	2,325,431
Property taxes for capital projects	7,137,343	-	7,137,343	-
Property taxes for debt service	2,321,601	-	2,321,601	-
State shared revenue, unrestricted	5,615,666	-	5,615,666	-
Grants and contributions not restricted to specific programs	8,652	-	8,652	-
Unrestricted investment earnings	537,935	384,561	922,496	65,370
Gain on sale of capital assets	123,038	-	123,038	-
Transfers - internal activities	492,020	(492,020)	-	-
Total general revenues and transfers	52,844,686	(107,459)	52,737,227	2,390,801
Change in net assets	1,378,534	2,688,897	4,067,431	34,547
Net assets (deficit), beginning of year	231,000,666	159,976,676	390,977,342	(11,672,928)
Net assets (deficit), end of year	\$ 232,379,200	\$ 162,665,573	\$ 395,044,773	\$ (11,638,381)

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

CITY OF TROY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 12,384	\$ 9,005,526	\$ 6,019,020	\$ 15,036,930
Investments	24,167,116	2,903,696	-	27,070,812
Receivables:				
Accounts receivable (net)	847,726	1,592,275	-	2,440,001
Taxes-delinquent	257,709	-	-	257,709
Special assessments	-	267,162	-	267,162
Due from other funds	3,318,614	-	-	3,318,614
Due from other governments	2,350,122	-	911,577	3,261,699
Inventory	255,019	-	-	255,019
Prepaid expenditures	460,486	-	-	460,486
Total assets	<u>\$ 31,669,176</u>	<u>\$ 13,768,659</u>	<u>\$ 6,930,597</u>	<u>\$ 52,368,432</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 1,784,424	\$ 1,133,673	\$ 180,147	\$ 3,098,244
Accrued payroll	1,965,730	-	-	1,965,730
Other liabilities	9,235	-	-	9,235
Deferred revenue	444,632	92,188	-	536,820
Total liabilities	<u>4,204,021</u>	<u>1,225,861</u>	<u>180,147</u>	<u>5,610,029</u>
Fund balances				
Nonspendable	4,034,119	-	-	4,034,119
Restricted	1,508,257	6,381,438	5,666,250	13,555,945
Committed	3,610,131	6,161,360	1,084,200	10,855,691
Assigned	5,953,000	-	-	5,953,000
Unassigned	12,359,648	-	-	12,359,648
Total fund balances	<u>27,465,155</u>	<u>12,542,798</u>	<u>6,750,450</u>	<u>46,758,403</u>
Total liabilities and fund balances	<u>\$ 31,669,176</u>	<u>\$ 13,768,659</u>	<u>\$ 6,930,597</u>	<u>\$ 52,368,432</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, 2011

Fund balances - total governmental funds	\$ 46,758,403
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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	43,432,525
Add: capital assets being depreciated	354,626,469
Deduct: accumulated depreciation	(198,747,937)

Contributions to Trust Funds in excess of actuarially required amounts create an asset that can be applied to future required contributions in the statement of net assets but are not financial resources and therefore are not reported in the funds.

Add: postemployment benefit asset	281,188
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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	350,027
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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

Add: net assets of governmental activities accounted for in the internal service funds.	14,542,491
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Add: due from business-type activities for internal service fund activities	119,994
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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	(253,106)
Deduct: bonds payable	(27,783,479)
Deduct: claims incurred but not reported	(947,375)

Net assets of governmental activities	<u>\$ 232,379,200</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, 2011

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 32,550,858	\$ 7,137,343	\$ 6,394,472	\$ 46,082,673
Licenses and permits	1,259,748	-	-	1,259,748
Intergovernmental				
Federal sources	531,619	1,491,214	148,800	2,171,633
State sources	5,776,780	-	4,727,605	10,504,385
Local sources	508,444	531,265	-	1,039,709
Charges for services	7,016,206	312,043	7,510	7,335,759
Fines and forfeitures	1,277,705	-	-	1,277,705
Investment earnings	225,715	144,482	60,702	430,899
Other	1,683,054	62,846	221,175	1,967,075
Total revenues	50,830,129	9,679,193	11,560,264	72,069,586
Expenditures				
Current				
General government	8,172,962	59,829	-	8,232,791
Public safety	29,899,440	-	-	29,899,440
Public works	6,555,525	-	-	6,555,525
Sanitation	-	-	4,109,985	4,109,985
Community development	-	-	148,800	148,800
Recreation and culture	9,067,491	-	-	9,067,491
Debt service				
Principal	-	196,586	2,300,000	2,496,586
Interest and fees	-	2,690	1,245,789	1,248,479
Capital outlay	-	14,244,384	-	14,244,384
Total expenditures	53,695,418	14,503,489	7,804,574	76,003,481
Revenues (under) over expenditures	(2,865,289)	(4,824,296)	3,755,690	(3,933,895)
Other financing sources (uses)				
Issuance of debt	-	-	9,110,000	9,110,000
Payments to escrow agents	-	-	(9,919,004)	(9,919,004)
Premium on debt issuance	-	-	947,639	947,639
Transfers in	4,781,563	1,000,000	3,447,677	9,229,240
Transfers out	-	(1,034,905)	(7,737,220)	(8,772,125)
Proceeds from sale of capital assets	-	61,373	-	61,373
Total other financing sources (uses)	4,781,563	26,468	(4,150,908)	657,123
Net change in fund balances	1,916,274	(4,797,828)	(395,218)	(3,276,772)
Fund balances, beginning of year (restated)	25,548,881	17,340,626	7,145,668	50,035,175
Fund balances, end of year	\$ 27,465,155	\$ 12,542,798	\$ 6,750,450	\$ 46,758,403

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, 2011

Net change in fund balances - total governmental funds	\$ (3,276,772)
--------------------------------------------------------	----------------

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

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

Add: capital outlay	14,244,383
Deduct: depreciation expense	(12,718,437)

Pension contributions in excess of actuarially determined amounts are reported as expenditures. However, these expenditures are not recognized until they are actuarially required in the statement of activities.

Add: net difference in postemployment benefit assets	281,188
------------------------------------------------------	---------

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	(94,858)
--------------------------------------------	----------

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	2,496,586
Deduct: proceeds from bond issuance for refunding	(9,110,000)
Add: proceeds transferred to bond agent for refunding	9,919,004

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	22,332
--------------------------------------------------------------------------	--------

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	(364,516)
Deduct: increase in accrued claims payable	(20,376)

Change in net assets of governmental activities	<u>\$ 1,378,534</u>
--------------------------------------------------------	----------------------------

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 32,622,500	\$ 32,622,500	\$ 32,550,858	\$ (71,642)
Licenses and permits	1,080,000	1,080,000	1,259,748	179,748
Intergovernmental				
Federal sources	12,000	112,000	531,619	419,619
State sources	5,248,100	5,248,100	5,776,780	528,680
Local sources	541,560	541,560	508,444	(33,116)
Charges for services	7,158,250	7,158,250	7,016,206	(142,044)
Fines and forfeitures	1,212,000	1,241,270	1,277,705	36,435
Investment earnings	305,000	255,000	225,715	(29,285)
Other	1,641,840	1,654,060	1,683,054	28,994
Total revenues	49,821,250	49,912,740	50,830,129	917,389
Expenditures				
General government				
Council and executive administration	3,548,978	3,548,977	3,199,444	349,533
Finance	2,825,836	3,175,836	3,064,514	111,322
Other	1,882,140	1,979,201	1,909,004	70,197
Total general government	8,256,954	8,704,014	8,172,962	531,052
Public safety				
Police	27,008,140	26,899,630	24,718,988	2,180,642
Fire	4,238,338	4,338,338	4,038,500	299,838
Building inspection	962,513	965,453	1,141,952	(176,499)
Total public safety	32,208,991	32,203,421	29,899,440	2,303,981
Public works				
Roads and streets	5,376,569	5,376,569	4,799,035	577,534
Engineering	1,951,997	1,951,997	1,756,490	195,507
Total public works	7,328,566	7,328,566	6,555,525	773,041
Culture and recreation				
Parks and recreation	7,524,747	7,524,747	6,779,136	745,611
Library and museum	2,478,241	2,478,241	2,288,355	189,886
Total culture and recreation	10,002,988	10,002,988	9,067,491	935,497
Total expenditures	57,797,500	58,238,990	53,695,418	4,543,572
Revenues over (under) expenditures	(7,976,250)	(8,326,250)	(2,865,289)	5,460,961
Other financing sources				
Transfers in	7,976,250	8,326,250	4,781,563	(3,544,687)
Net change in fund balances	(0)	(0)	1,916,274	1,916,274
Fund balance, beginning of year, restated	25,548,881	25,548,881	25,548,881	-
Fund balance, end of year	\$ 25,548,881	\$ 25,548,881	\$ 27,465,155	\$ 1,916,274

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

CITY OF TROY, MICHIGAN

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

JUNE 30, 2011

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Sanitary Sewer	Sanctuary	Nonmajor Enterprise Funds	Total	Internal Service Funds
			Lake Golf Course			
Assets						
Current assets						
Cash and cash equivalents	\$ 9,538,089	\$ 26,021,477	\$ -	\$ 1,806,270	\$ 37,365,836	\$ 15,017,846
Investments	5,482,095	-	-	-	5,482,095	-
Interest receivable	1,564	4,336	-	-	5,900	-
Accounts receivable						
Billed	2,220,119	7,666	257	16,597	2,244,639	90,947
Unbilled	3,148,319	2,707,145	-	-	5,855,464	-
Due from other funds	-	-	-	1,139,845	1,139,845	-
Inventories	387,055	50,692	31,667	25,536	494,950	350,583
Prepaid expenses	-	-	13,262	13,891	27,153	-
Total current assets	20,777,241	28,791,316	45,186	3,002,139	52,615,882	15,459,376
Noncurrent assets						
Contracts receivable	117,618	419,865	-	-	537,483	-
Capital assets not being depreciated	8,810,574	3,601,066	2,213,463	1,894,552	16,519,655	10,248
Capital assets being depreciated net of accumulated depreciation	68,633,672	32,747,959	7,794,749	2,216,959	111,393,339	3,119,085
Total capital assets, net of accumulated depreciation	77,444,246	36,349,025	10,008,212	4,111,511	127,912,994	3,129,333
Total noncurrent assets	77,561,864	36,768,890	10,008,212	4,111,511	128,450,477	3,129,333
Total assets	98,339,105	65,560,206	10,053,398	7,113,650	181,066,359	18,588,709
Liabilities						
Current liabilities						
Accounts payable	1,486,004	1,531,239	92,737	82,827	3,192,807	206,904
Due to other funds	-	-	4,134,127	324,332	4,458,459	-
Accrued liabilities	9,459	-	104,554	128,792	242,805	-
Compensated absences	-	-	-	-	-	2,025,941
Unearned revenue	86,721	-	-	-	86,721	-
Current portion of bonds payable	-	-	400,000	-	400,000	-
Total current liabilities	1,582,184	1,531,239	4,731,418	535,951	8,380,792	2,232,845
Noncurrent liabilities						
Compensated absences	-	-	-	-	-	1,813,373
Bonds payable	-	-	9,900,000	-	9,900,000	-
Total noncurrent liabilities	-	-	9,900,000	-	9,900,000	1,813,373
Total liabilities	1,582,184	1,531,239	14,631,418	535,951	18,280,792	4,046,218
Net assets						
Investment in capital assets, net of related debt	77,444,246	36,349,025	(291,788)	4,111,511	117,612,994	3,129,333
Unrestricted	19,312,675	27,679,942	(4,286,232)	2,466,188	45,172,573	11,413,158
Total net assets (deficit)	\$ 96,756,921	\$ 64,028,967	\$ (4,578,020)	\$ 6,577,699	162,785,567	\$ 14,542,491
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(119,994)	
Net assets of business type activities					\$ 162,665,573	

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, 2011

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Charges for services	\$ 13,517,973	\$ 11,917,175	\$ 895,932	\$ 1,128,613	\$ 27,459,693	\$ 7,025,106
Rental						
Golf course	-	-	38,558	183,183	221,741	-
Restaurant	-	-	6,285	87,720	94,005	-
Hydrant	2,000	-	-	-	2,000	-
Building	-	-	-	-	-	152,708
Equipment	-	-	-	-	-	2,924,654
Tap and connections fees	183,101	-	-	-	183,101	-
Penalties	417,244	-	-	-	417,244	-
Other services	18,956	-	-	128,385	147,341	-
Other services to city funds	-	-	-	-	-	686,745
Total operating revenues	14,139,274	11,917,175	940,775	1,527,901	28,525,125	10,789,213
Operating expenses						
Cost of sales and services	7,302,189	7,962,199	-	-	15,264,388	7,038,642
General and administrative	826,828	581,257	-	-	1,408,085	736,735
Operations	2,258,254	624,054	726,640	1,277,914	4,886,862	2,300,172
Depreciation	2,022,429	1,217,991	297,642	309,687	3,847,749	938,850
Total operating expenses	12,409,700	10,385,501	1,024,282	1,587,601	25,407,084	11,014,399
Operating income (loss)	1,729,574	1,531,674	(83,507)	(59,700)	3,118,041	(225,186)
Nonoperating revenues (expenses)						
Investment earnings	164,631	208,430	-	11,500	384,561	107,036
Interest expense	-	-	(499,334)	-	(499,334)	-
Gain on sale of capital assets	-	-	-	-	-	61,665
Total nonoperating revenues (expenses)	164,631	208,430	(499,334)	11,500	(114,773)	168,701
Income (loss) before contributions and transfers	1,894,205	1,740,104	(582,841)	(48,200)	3,003,268	(56,485)
Developer contributions	81,067	140,494	-	-	221,561	-
Transfers in	-	-	-	-	-	34,905
Transfers out	-	(492,020)	-	-	(492,020)	-
Change in net assets	1,975,272	1,388,578	(582,841)	(48,200)	2,732,809	(21,580)
Net assets (deficit), beginning of year	94,781,649	62,640,389	(3,995,179)	6,625,899		14,564,071
Net assets (deficit), end of year	\$ 96,756,921	\$ 64,028,967	\$ (4,578,020)	\$ 6,577,699		\$ 14,542,491
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(43,912)	
Change in net assets of business-type activities					\$ 2,688,897	

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, 2011

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Cash received from customers and others	\$ 13,760,813	\$ 11,630,114	\$ 1,585,139	\$ 1,528,305	\$ 28,504,371	\$ -
Cash received from interfund services	-	-	-	-	-	10,789,965
Cash payments to employees	(1,745,154)	(648,427)	(297,256)	(527,689)	(3,218,526)	(8,695,077)
Cash payments to suppliers for goods and services	(8,751,555)	(7,712,842)	(404,050)	(725,254)	(17,593,701)	(2,526,444)
Cash payments for interfund services	(360,130)	(176,462)	(9,999)	(35,007)	(581,598)	-
Net cash provided (used) by operating activities	2,903,974	3,092,383	873,834	240,355	7,110,546	(431,556)
Cash flows from noncapital financing activities						
Transfers from other funds	-	-	-	-	-	34,905
Transfers to other funds	-	(492,020)	-	-	(492,020)	-
Net cash provided (used) by noncapital financing activities	-	(492,020)	-	-	(492,020)	34,905
Cash flows from capital and related financing activities						
Purchase of capital assets	(3,239,422)	(584,688)	-	(85,152)	(3,909,262)	(353,542)
Proceeds from sale of capital assets	-	-	-	-	-	61,665
Bond principal payments	-	-	(400,000)	-	(400,000)	-
Bond note interest payments	-	-	(499,334)	-	(499,334)	-
Net cash used by capital and related financing activities	(3,239,422)	(584,688)	(899,334)	(85,152)	(4,808,596)	(291,877)
Cash flows from investing activities						
Proceeds from sale of investments	887,482	6,073,459	-	420,780	7,381,721	4,076,210
Purchases of investments	(2,675,062)	-	-	-	(2,675,062)	-
Investment earnings	165,090	209,412	-	11,578	386,080	73,739
Net cash provided by investing activities	(1,622,490)	6,282,871	-	432,358	5,092,739	4,149,949
Net increase (decrease) in cash and cash equivalents	(1,957,938)	8,298,546	(25,500)	587,561	6,902,669	3,461,421
Cash and cash equivalents, beginning of year	11,496,027	17,722,931	25,500	1,218,709	30,463,167	11,556,425
Cash and cash equivalents, end of year	\$ 9,538,089	\$ 26,021,477	\$ -	\$ 1,806,270	\$ 37,365,836	\$ 15,017,846

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, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities	
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Business-Type Activities	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ 1,729,574	\$ 1,531,674	\$ (83,507)	\$ (59,700)	\$ 3,118,041	\$ (225,186)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation	2,022,429	1,217,991	297,642	309,687	3,847,749	938,850
Changes in assets and liabilities:						
Accounts receivable	(410,054)	(311,452)	15,903	404	(705,199)	752
Inventories	155,242	(35,066)	(12,119)	(13,716)	94,341	(37,160)
Prepaid items	-	-	(13,262)	(13,891)	(27,153)	-
Contracts receivable	19,749	24,391	-	-	44,140	-
Accounts payable	(626,544)	664,845	(21,322)	(58,997)	(42,018)	(2,505)
Due to other funds	-	-	628,461	(52,224)	576,237	-
Accrued liabilities	1,734	-	62,038	128,792	192,564	(1,106,307)
Unearned revenue	11,844	-	-	-	11,844	-
Net cash provided by operating activities	\$ 2,903,974	\$ 3,092,383	\$ 873,834	\$ 240,355	\$ 7,110,546	\$ (431,556)
Noncash investing, capital, and financing activities						
Contributions of capital assets	\$ 81,067	\$ 140,494	\$ -	\$ -	\$ 221,561	\$ -

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

CITY OF TROY, MICHIGAN

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2011

	<u>Pension Trusts</u>	<u>Agency</u>
Assets		
Cash and cash equivalents	\$ 8,022,408	\$ 1,787,506
Interest receivable	203,556	-
Taxes receivable	-	945,910
Investments		
U.S. Government securities	15,483,604	-
Corporate bonds	16,458,682	-
Corporate equities, preferred	1,932,390	-
Corporate equities, common	104,354,242	-
Mutual funds	61,692,312	-
Municipal bonds	3,241,336	-
Total assets	<u><u>211,388,530</u></u>	<u><u>\$ 2,733,416</u></u>
Liabilities		
Accounts payable	22,940	\$ 36,020
Performance deposits	-	2,697,396
Total liabilities	<u><u>22,940</u></u>	<u><u>\$ 2,733,416</u></u>
Net assets		
Held in trust for pension benefits	152,332,621	
Held in trust for postemployment healthcare benefits	<u>59,032,969</u>	
Total net assets	<u><u>\$ 211,365,590</u></u>	

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

CITY OF TROY, MICHIGAN
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Pension Trusts
Additions	
Contributions	
Employer contributions	\$ 6,903,705
Employee contributions	1,285,812
Total contributions	8,189,517
Investment income	
Interest	2,030,935
Dividends	3,115,468
Net adjustment in fair value of investments	36,359,811
Total investment income	41,506,214
Total additions	49,695,731
Deductions	
Benefits	11,960,883
Administrative expenses	121,948
Total deductions	12,082,831
Net increase in plan net assets	37,612,900
Net assets held in trust, beginning of year for	
Pension benefits	119,011,331
Postemployment healthcare benefits	54,741,359
Total net assets held in trust, beginning of year	173,752,690
Net assets held in trust, end of year for	
Pension benefits	152,332,621
Postemployment healthcare benefits	59,032,969
Total net assets held in trust, end of year	\$ 211,365,590

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

CITY OF TROY, MICHIGAN
COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2011

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and cash equivalents	\$ 9,419,831	\$ 255,139	\$ 790,069	\$ 10,465,039
Receivables				
Taxes receivable	91,945	-	-	91,945
Total assets	9,511,776	255,139	790,069	10,556,984
Liabilities				
Interest payable	165,365	-	-	165,365
Noncurrent liabilities				
Due within one year	2,215,000	-	-	2,215,000
Due after one year	19,815,000	-	-	19,815,000
Total liabilities	22,195,365	-	-	22,195,365
Net assets (deficit)				
Unrestricted	(12,683,589)	255,139	790,069	(11,638,381)
Total net assets (deficit)	\$ (12,683,589)	\$ 255,139	\$ 790,069	\$ (11,638,381)

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, 2011

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Revenues				
Property taxes	\$ 2,124,678	\$ 196,186	\$ 4,567	\$ 2,325,431
Investment earnings	56,838	2,665	5,867	65,370
Total revenues	2,181,516	198,851	10,434	2,390,801
Expenses				
Economic development	1,128,968	160,004	9,211	1,298,183
Interest	1,058,071	-	-	1,058,071
Total expenses	2,187,039	160,004	9,211	2,356,254
Change in net assets	(5,523)	38,847	1,223	34,547
Net assets (deficit), beginning of year	(12,678,066)	216,292	788,846	(11,672,928)
Net assets (deficit), end of year	\$ (12,683,589)	\$ 255,139	\$ 790,069	\$ (11,638,381)

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

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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 meet 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. Financial statements for each of the individual component units are included in the supplemental information section as listed in the table of contents of this report. Separately issued audited financial statements are not available.

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 Downtown Development Authority may participate in projects for private development as long as it is for a public purpose. The Authority's governing body, which consists of thirteen individuals, is selected by the City Council. In addition, the City Council sets the annual budget.

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.

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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. The Authority's governing body, which consists of five individuals, is selected by the City Council. In addition, the City Council sets the annual budget.

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. There have been no assets, liabilities, equity (beginning or ending) or financial transactions during the year ended June 30th. Accordingly, this blended component unit is not represented for financial reporting purposes.

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

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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.

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 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 inter-fund 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.

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Governmental Funds

The City reports the following major and nonmajor governmental funds:

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

CITY OF TROY, MICHIGAN

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principal operating revenues of the water and sewer funds, Aquatic Center, golf course funds and the City's internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary funds focus on limitations on the use of net assets, rather than on the source of those assets.

The following proprietary funds are reported:

Enterprise Funds

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

Internal Service Funds

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

The City 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 provides 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

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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 and retiree health care 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 for which the City collects taxes 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

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 and retiree health care 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 and retiree health care 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.

Budget Information

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

1. Budgets must be adopted for the general fund and special revenue funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 1st. 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).

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 restricted fund balances since they do not constitute expenditures or liabilities.

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 non-pension 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 and retiree health care 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 expenditures when the inventory item is consumed. Inventories are equally offset by a nonspendable fund balance designation 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, 2011, 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-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.

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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, 2011, was \$1,110,794.

All other compensated absences which are currently due are also accrued in the compensated absences fund since it has been earned by the employee as of the statement of net assets date. The compensated absences fund also includes compensatory holiday and sick pay.

Long-Term Obligations

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

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 Equity

Governmental funds report *nonspendable* fund balance for amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid expenditures) or (b) legally or contractually required to be maintained intact (i.e. corpus of permanent funds). *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports *assigned fund balance* for amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

When the government incurs expenditures for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

The City has established a policy to maintain a minimum unassigned fund balance for the General Fund at a level of 15% of annual expenditures. This is to provide sufficient cash flow for City operations and minimize the potential for short term tax anticipation borrowing. The City has not currently established a policy to reinstate unassigned fund balance should the amount fall below target levels.

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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.

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

Shortfall at July 1, 2010		\$ (6,659,862)
Current year building permit revenue	<u>\$1,192,329</u>	
Related expenses:		
Direct costs	1,147,855	
Estimated indirect costs	<u>91,828</u>	
Total construction code expenses	<u>1,239,683</u>	
Net shortfall for the year ended June 30, 2011		<u>(47,354)</u>
Cumulative shortfall at June 30, 2011		<u>\$ (6,707,216)</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

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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.
- 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 and retiree health care 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, 2011

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	\$22,020,381	Over 10 years
Municipal bonds	5,021,639	Over 10 years
Employees' Retirement System		
US Government or agency bond/note	10,752,503	1,095 days
Municipal bonds	3,241,336	350 days
Corporate bonds	16,458,682	1,059 days
Discretionary Fire Incentive Reserve		
US Government or agency bond/note	4,572,123	912 days
Retiree Health Care Trust Fund		
Mutual funds only	N/A	N/A

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 are as follows:

	<u>AAA</u>	<u>AA to AA-</u>	<u>A to A-</u>	<u>BBB to BBB-</u>	<u>BB to BB-</u>	<u>B to B-</u>	<u>Not Rated</u>	<u>Total</u>
Government-wide								
US Government or agency	\$ 22,020,381	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,020,381
Municipal bonds	-	3,476,639	795,000	-	-	-	750,000	5,021,639
Employees' Retirement System								
US Government or agency	10,752,503	-	-	-	-	-	-	10,752,503
Municipal bonds	-	1,726,806	-	292,161	-	-	1,222,369	3,241,336
Corporate bonds	-	502,105	9,921,035	2,779,583	229,946	2,581,026	444,987	16,458,682
Discretionary Fire Incentive Reserve								
US Government or agency	4,572,123	-	-	-	-	-	-	4,572,123
Total	<u>\$ 37,345,007</u>	<u>\$ 5,705,550</u>	<u>\$ 10,716,035</u>	<u>\$ 3,071,744</u>	<u>\$ 229,946</u>	<u>\$ 2,581,026</u>	<u>\$ 2,417,356</u>	<u>\$ 62,066,664</u>

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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, \$50,447,347 of the City of Troy's bank deposits (certificates of deposit, checking, and cash) of \$53,850,923 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 five percent limit on the amount the City may invest in any one issuer.

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Note 4 - Receivables

Receivables, which include amounts due from other governments at June 30, 2011, are summarized as follows:

Primary Government

Governmental Activities

Delinquent personal property taxes (net)	\$ 257,709
Billed accounts receivable	2,265,635
Special assessments	267,162
Due from Oakland County	144,392
Due from State of Michigan	2,573,632
Due from U.S. Government	394,875
Other receivables	414,113

Total governmental activities 6,317,518

Business-Type Activities

Billed accounts receivable	2,244,639
Unbilled accounts receivable	5,855,464
Contracts receivable	537,483
Other receivables	15,394

Total business-type activities 8,652,980

Total primary government \$ 14,970,498

Component Units

Downtown Development Authority

Delinquent personal property taxes (net)	<u><u>\$ 91,945</u></u>
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CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,849,182	\$ 1,152,682	\$ -	\$ 33,001,864
Museum artifacts	2,084,666	-	-	2,084,666
Construction-in-progress	8,533,229	7,053,266	7,230,252	8,356,243
Total capital assets, not being depreciated	42,467,077	8,205,948	7,230,252	43,442,773
Capital assets, being depreciated:				
Infrastucture-major/county/local roads	168,168,651	8,387,307	-	176,555,958
Infrastucture-local donated roads	33,551,524	-	-	33,551,524
Infrastucture-sidewalks	30,499,101	508,183	-	31,007,284
Infrastucture-drains	1,853,098	3,200,636	-	5,053,734
Land improvements	7,188,038	314,922	-	7,502,960
Buildings and improvements	80,645,984	287,215	-	80,933,199
Miscellaneous equipment	4,999,958	200,417	-	5,200,375
Office equipment	2,887,836	104,486	-	2,992,322
Vehicles	18,656,284	322,285	1,230,857	17,747,712
Library books/audio visual	6,969,393	296,778	-	7,266,171
Total capital assets being depreciated	355,419,867	13,622,229	1,230,857	367,811,239
Less accumulated depreciation for:				
Infrastucture-major/county/local roads	73,699,750	6,099,173	-	79,798,923
Infrastucture-local donated roads	23,546,157	1,291,022	-	24,837,179
Infrastucture-sidewalks	26,634,276	682,134	-	27,316,410
Infrastucture-drains	114,096	53,189	-	167,285
Land improvements	5,656,332	287,448	-	5,943,780
Buildings and improvements	41,911,132	2,938,296	-	44,849,428
Miscellaneous equipment	3,944,017	386,879	-	4,330,896
Office equipment	2,066,592	189,515	-	2,256,107
Vehicles	13,585,836	1,293,390	1,230,857	13,648,369
Library books/audio visual	5,229,004	436,241	-	5,665,245
Total accumulated depreciation	196,387,192	13,657,287	1,230,857	208,813,622
Total capital assets, being depreciated, net	159,032,675	(35,058)	-	158,997,617
Governmental activities capital assets, net	\$ 201,499,752	\$ 8,170,890	\$ 7,230,252	\$ 202,440,390

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Note 5 - Capital Assets - Continued

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 6,738,504	\$ -	\$ -	\$ 6,738,504
Construction-in-progress	11,823,082	3,453,582	5,495,513	9,781,151
Total capital assets, not being depreciated	18,561,586	3,453,582	5,495,513	16,519,655
Capital assets, being depreciated:				
Water and sewer transmission and distribution system	158,595,628	5,918,223	-	164,513,851
Service connections	750,121	-	-	750,121
Land improvements	8,898,232	-	-	8,898,232
Buildings and improvements	7,319,908	31,534	-	7,351,442
Miscellaneous equipment	2,738,123	175,594	-	2,913,717
Motor vehicles	557,613	47,403	-	605,016
Furniture, fixtures and other	261,330	-	-	261,330
Total capital assets being depreciated	179,120,955	6,172,754	-	185,293,709
Less accumulated depreciation for:				
Water and sewer transmission and distribution system	60,252,660	3,166,793	-	63,419,453
Service connections	750,121	-	-	750,121
Land improvements	2,089,675	223,763	-	2,313,438
Buildings and improvements	3,952,007	282,787	-	4,234,794
Miscellaneous equipment	2,302,123	141,316	-	2,443,439
Motor vehicles	444,705	33,090	-	477,795
Furniture, fixtures and other	261,330	-	-	261,330
Total accumulated depreciation	70,052,621	3,847,749	-	73,900,370
Total capital assets, being depreciated, net	109,068,334	2,325,005	-	111,393,339
Total business-type activities capital assets, net	\$ 127,629,920	\$ 5,778,587	\$ 5,495,513	\$ 127,912,994

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Note 5 - Capital Assets - Continued

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

Governmental activities:

General government	\$ 3,902,481
Public safety	769,153
Public works	8,171,335
Community and economic development	17,790
Recreation and culture	<u>796,528</u>

Total depreciation expense - governmental activities **\$ 13,657,287**

Business-type activities:

Water	\$ 2,022,429
Sanitary Sewer	1,217,991
Aquatic Center	164,102
Sylvan Glen Golf Course	145,585
Sanctuary Lake Golf Course	<u>297,642</u>

Total depreciation expense - business-type activities **\$ 3,847,749**

Note 6 - Interfund Receivables, Payables and Transfers

The amounts of interfund receivables, payables and transfers are as follows as of June 30, 2011:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 3,318,614	\$ -
Enterprise Funds		
Aquatic Center Fund	-	324,332
Sanctuary Lake Golf Course Fund	-	4,134,127
Sylvan Glen Golf Course Fund	<u>1,139,845</u>	<u>-</u>
	<u><u>\$ 4,458,459</u></u>	<u><u>\$ 4,458,459</u></u>

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

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

fund and General Fund provide 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, 2011:

<u>Fund Transferred from</u>	<u>Fund Transferred to</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 3,289,543
	Nonmajor Governmental Funds	3,447,677
	Capital Projects Fund	<u>1,000,000</u>
		7,737,220
Capital Projects Fund	General Fund	1,000,000
	Internal Service Funds	<u>34,905</u>
		1,034,905
Sewer Fund	General Fund	<u>492,020</u>
Total		<u>\$ 9,264,145</u>

Nonmajor Governmental Funds

Major streets fund transfer to general fund for routine road maintenance in the amount of \$1,830,794. Major streets fund transfer to capital projects fund of \$1,000,000 representing funding of road improvements. Major streets transfer to local streets of \$332,750 representing allowable redirection of state funding. Local streets fund transfer to general fund for routine road maintenance in the amount of \$1,458,749. General debt service fund transfer to Proposal A, B, and C debt service funds in the amount of \$3,114,927 for principal and interest payments on outstanding debt.

Capital Projects Fund

Transfer to general fund per budget amendment for items that fell under the threshold to be considered capital purchases.

Sewer Fund

Transfer to general fund for storm sewer operating expenditures.

CITY OF TROY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

2012	\$41,131
2013	36,370
2014	32,739

Lease costs for the year ended June 30, 2011, were \$116,751.

Note 8 - Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2011:

	Storm Drains and IBNR	Street Bonds	Enterprise	Internal Service	Total Long-Term Debt	Downtown Development Authority Construction
Long-term debt/liabilities payable at July 1, 2010	\$ 30,747,061	\$ 850,000	\$ 10,700,000	\$ 4,951,077	\$ 47,248,138	\$ 24,095,000
Addition of new debt	14,720,540	-	-	1,606,941	16,327,481	-
Long-term debt retired	<u>(17,411,747)</u>	<u>(175,000)</u>	<u>(400,000)</u>	<u>(2,718,703)</u>	<u>(20,705,450)</u>	<u>(2,065,000)</u>
Total long-term debt/liabilities payable at June 30, 2011	<u>\$ 28,055,854</u>	<u>\$ 675,000</u>	<u>\$ 10,300,000</u>	<u>\$ 3,839,315</u>	<u>\$ 42,870,169</u>	<u>\$ 22,030,000</u>

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Governmental Activities

	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>	<u>Due</u>
	<u>July 1, 2010</u>	<u>(Deductions)</u>	<u>June 30, 2011</u>	<u>Within</u>
				<u>One Year</u>
George W. Kuhn Drain District Bonds, Series 2007G dated 9/20/07; original issue amount \$46,242; bearing interest at 1.625%; principal due in annual installments of \$1,949 to \$2,599 through April 1, 2028	\$ 41,687	\$ (2,079)	\$ 39,608	\$ 2,079
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; refunded	325,000	(325,000)	-	-
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	500,000	(500,000)	-	-
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; refunded	55,000	(55,000)	-	-
George W. Kuhn Drain District Drain Bonds, Series 2001D dated 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	42,020	(2,686)	39,334	2,558

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Governmental Activities – Continued

	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>	<u>Due</u>
	<u>July 1, 2010</u>	<u>(Deductions)</u>	<u>June 30, 2011</u>	<u>Within</u>
				<u>One Year</u>
George W. Kuhn Drain District Drain Bonds, Series 2008H dated 9/22/08; original issuance amount \$135,137; bearing interest at 2.50%; principal due in annual installments of \$7,638 to \$12,473 through April 1, 2024	\$ 189,157	\$ (8,056)	\$ 181,101	\$ 8,185
Refunding Bonds, Recreation; dated 3/31/10; original issuance amount \$5,910,000; bearing interest at 2.0% to 5/0%; principal due in annual installments of \$15,000 to \$665,000 through October 1, 2020	5,910,000	(15,000)	5,895,000	520,000
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; refunded	500,000	(500,000)	-	-
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	553,575	(45,089)	508,486	46,090
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	1,576,884	(95,414)	1,481,470	97,844
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, 2014	850,000	(175,000)	675,000	200,000

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Governmental Activities - Continued

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
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; refunded	\$11,000,000	\$(10,000,000)\$	1,000,000	\$1,000,000
Refunding Bonds, Public Safety Facilities and City Hall, dated 10/18/10; original issuance amount \$9,110,000; bearing interest at 2.0% to 5.0%; principal due in annual installments of \$965,000 to \$1,060,000 through October 1, 2020		- 9,110,000	9,110,000	-
Refunding Bonds, Streets, dated 3/31/10; original issuance amount \$4,515,000; bearing interest at 2.0% to 5.0%; principal due in annual installments of \$15,000 to \$575,000 through October 1, 2020	4,515,000	(15,000)	4,500,000	345,000
George W. Kuhn Drain District Refunding Drain Bonds, Series 2007, dated 8/01/07; original issuance amount \$318,728; bearing interest at 2.55%; principal due in annual installments of \$1,663 to \$29,033 through April 1, 2024	302,357	(9,337)	293,020	9,337
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	32,200	(1,819)	30,381	1,819
Refunding Bonds, dated 2/29/08; original issuance amount \$3,505,000; bearing interest at 3.00% to 4.00%; principal due in annual installments of \$165,000 to \$365,000 through October 1, 2020	3,120,000	(215,000)	2,905,000	210,000

CITY OF TROY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Governmental Activities - Continued

	<u>Balance</u>	<u>Additions</u>	<u>Balance</u>	<u>Due</u>
	<u>July 1, 2010</u>	<u>(Deductions)</u>	<u>June 30, 2011</u>	<u>Within</u>
				<u>One Year</u>
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	\$ 301,078	\$ (21,871)	\$ 279,207	\$ 22,383
Refunding bonds (Public Safety), dated 3/31/10; original issuance amount \$835,000; bearing interest at 2.0% to 5.0%; principal due in annual installments of \$60,000 to \$105,000 through October 1, 2020	835,000	-	835,000	60,000
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>21,104</u>	<u>(10,232)</u>	<u>10,872</u>	<u>10,872</u>
Total Long-term Debt	<u>30,670,062</u>	<u>(2,886,583)</u>	<u>27,783,479</u>	<u>2,536,167</u>
Other Long-term Obligations				
Compensated Absences	4,951,077	1,606,941	-	-
	-	(2,718,703)	3,839,315	2,025,941
Incurred but not reported insurance claims	926,999	5,610,540	-	-
	<u>-</u>	<u>(5,590,164)</u>	<u>947,375</u>	<u>489,405</u>
Total Governmental Activities	<u>\$ 36,548,138</u>	<u>\$(3,977,969)</u>	<u>\$ 32,570,169</u>	<u>\$5,051,513</u>

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

CITY OF TROY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Business-Type Activities

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Municipal Building Authority Golf Course Bonds serviced by the Golf Course Fund, dated 7/1/02; original issuance amount \$12,000,000; bearing interest at 3.25% to 5.00%; principal due in annual installments of \$200,000 to \$900,000 through December 1, 2027	\$ 10,700,000	\$ (400,000)	\$ 10,300,000	\$ 400,000
Total Governmental and Business-type Activities	<u>\$ 47,248,138</u>	<u>\$(4,377,969)</u>	<u>\$ 42,870,169</u>	<u>\$5,451,513</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	\$ 8,595,000	\$ (770,000)	\$ 7,825,000	\$ 805,000
2002 Downtown Development Authority Community Center Facilities Bonds serviced by the Downtown Development Authority Fund, dated 9/1/02; original issuance amount \$9,700,000; bearing interest at 2.05% to 5.00%; principal due in annual installments of \$400,000 to \$850,000 through May 1, 2018	6,325,000	(600,000)	5,725,000	600,000
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	3,275,000	(200,000)	3,075,000	250,000

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Component Units – Continued

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Downtown Development Authority Refunding Bonds, dated 7/19/01; original issuance amount \$9,745,000; bearing interest at 4.00% to 5.50%; principal due in annual installments of \$380,000 to \$800,000 through November 1, 2018	\$ 5,900,000	\$ (495,000)	\$ 5,405,000	\$ 560,000
Total Downtown Development Authority	<u>\$ 24,095,000</u>	<u>\$(2,065,000)</u>	<u>\$22,030,000</u>	<u>\$2,215,000</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.

The annual debt requirements to maturity for all long-term debts outstanding as of June 30, 2011, exclusive of earned but unpaid sick pay and insurance claims are as follows:

Year Ending June	<u>Government Activities</u>		<u>Business Type Activities</u>			<u>Component Units</u>		
	<u>Serviced by</u> <u>Government</u> <u>Fund Types</u>	<u>Amount of</u> <u>Annual</u> <u>Interest</u>	<u>Proprietary</u> <u>Fund Types</u>	<u>Amount of</u> <u>Annual</u> <u>Interest</u>	<u>Total</u>	<u>Downtown</u> <u>Development</u> <u>Authority</u>	<u>Amount of</u> <u>Annual</u> <u>Interest</u>	
2012	\$ 2,336,167	\$ 200,000	\$ 1,027,301	\$ 400,000	\$ 485,446	\$ 4,448,914	\$ 2,215,000	\$ 989,480
2013	2,401,776	225,000	947,891	400,000	468,597	4,443,264	2,365,000	888,600
2014	2,441,746	250,000	848,556	400,000	451,247	4,391,549	2,490,000	772,869
2015	2,572,182	-	739,671	450,000	431,248	4,193,101	2,650,000	648,950
2016	2,662,716	-	639,864	500,000	408,998	4,211,578	2,815,000	515,813
2017	2,718,788	-	531,341	500,000	386,748	4,136,877	3,005,000	376,638
2018	2,649,269	-	427,666	500,000	364,248	3,941,183	3,175,000	231,600
2019	2,834,959	-	315,285	600,000	339,123	4,089,367	3,315,000	78,450
2020	2,876,159	-	192,184	600,000	310,999	3,979,342	-	-
2021	3,010,977	-	74,254	600,000	282,124	3,967,355	-	-
2022	201,424	-	15,666	600,000	252,500	1,069,590	-	-
2023	164,082	-	10,127	700,000	220,000	1,094,209	-	-
2024	166,839	-	5,753	700,000	185,000	1,057,592	-	-
2025	16,111	-	1,320	800,000	147,500	964,931	-	-
2026	16,478	-	959	800,000	107,500	924,937	-	-
2027	14,550	-	590	850,000	66,250	931,390	-	-
2028	24,256	-	250	900,000	22,500	947,006	-	-
Total	\$27,108,479	\$ 675,000	\$ 5,778,678	\$10,300,000	\$4,930,028	\$48,792,185	\$ 22,030,000	\$4,502,400

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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.

Advance Refunding

During 2011, the government advance refunded a general obligation bond issue. The government issued \$9,110,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$621,840 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$555,195.

Note 9 - Net Assets/Fund Balance Classifications

Net Assets

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, and (c) capital assets net of any outstanding debt.

Restricted for Pension and Other Employee 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.

Fund Balance

As noted in Note 1 – “*Summary of Significant Accounting Policies*”, The City classifies fund balance by level of constraints imposed on resources by either external or internal factors or the form in which the resources exist.

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

The following is a summary of these constraints on fund balances:

	General	Capital Projects	Nonmajor
Nonspendable:			
Inventory & prepaids	\$ 715,505	\$ -	\$ -
Due from Sanctuary Lake golf course	2,994,282		
Due from Aquatic Center	324,332		
Total non-spendable	4,034,119	-	-
Restricted:			
Special revenue funding source restrictions			3,811,074
Debt funding source restrictions	-	-	1,632,521
Permanent fund source restrictions	-	-	222,655
Budget stabilization	1,508,257	-	-
Capital Improvements	-	6,381,438	-
Total restricted	1,508,257	6,381,438	5,666,250
Committed:			
Volunteer Firefighters Incentive Reserve	1,000,000	-	-
Subsequent years budgets	2,610,131	6,161,360	1,084,200
Total committed	3,610,131	6,161,360	1,084,200
Assigned:			
Insurance Claims	3,753,000	-	-
Tax appeals	2,200,000	-	-
Total assigned	5,953,000	-	-
Unassigned			
	12,359,648	-	-
Total fund balances	\$ 27,465,155	\$ 12,542,798	\$ 6,750,450

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

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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 can be reasonably estimated.

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, 2011.

The following are the changes in *Incurred But Not Reported* (IBNR) estimates:

Fiscal Year	Beginning			Ending
Ending June 30,	Balance	Additions	Deductions	Balance
2010	\$ 738,622	\$ 5,056,858	\$ (4,868,481)	\$ 926,999
2011	926,999	5,610,540	(5,590,164)	947,375

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 counsel, 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 \$217,987,637 (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, 2011.

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Note 12 - Property Taxes

Property taxes are recorded on the modified accrual basis of accounting and are levied, and become a lien on July 1st on the taxable valuation of the property located within its boundaries as of the preceding December 31st. Taxable value is determined by the prior year's taxable value plus 5% or the Consumer Price Index whichever is less, starting with the 1994 state equalized value as the base taxable value. Assessed values are equalized by the State, to closely approximate fifty percent of estimated current market value. The final taxable value of real and personal property subject to property tax within the City for the fiscal 2010-2011 levy was \$4,843,613,012. The City's operating tax rate was 6.50 mills for the same year with additional mills of .50, 1.53 and .87 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 1st to September 1st. Any real property taxes not paid by March 1st, 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 assigned 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 employee retirement plans 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 the average expected active future working life time. 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, 2011

<u>Group</u>	<u>December 31, 2010</u>
Retirees and beneficiaries currently receiving benefits	265
Vested terminated employees	11
Active employees	115

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, 2011 were determined using the aggregate cost method. Unfunded actuarial liabilities were amortized as a level percent of payroll on an open basis over the expected future service and pay for service of active members.

For the year ended June 30, 2011, contributions totaling \$3,770,248 (\$2,484,436 employer and \$1,285,812 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2009, which was net of the amortization of assets in excess of unfunded actuarial accrued liability. Employer and employee contributions were based on 26.0 percent and 1.5 to 4.0 percent, respectively, of covered payroll in the amount of \$9,450,505 for the year then ended. All contributions pertain to the pension plan only.

Significant actuarial assumptions are (a) a 6.5 percent investment return, (b) salary increases of 3.5–7.5 percent per year compounded annually, attributable to inflation and additional salary increases ranging from 0.0%-2.5% per year 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.

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>
2009	2007	\$ 428	100.0%	None
2010	2008	1,361	100.0	None
2011	2009	2,484	100.0	None

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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, 2011 was determined using an individual entry age funding method. At January 1, 2011, the benefit payment amount was \$605 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, 2011, was \$873,691. 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 over 25 years.

<u>Group</u>	<u>December 31, 2009</u>
Retirees and beneficiaries currently receiving benefits	79
Vested terminated employees	27
Active employees	137

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.

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

<u>Fiscal Year Ended June 30,</u>	<u>Actuarial Valuation Date December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	2007	\$ 885	100.0%	None
2010	2008	864	100.0	None
2011	2009	874	100.0	None

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

The Employee Retirement System Pension System (ERS) uses the aggregate actuarial cost method. Because this method does not indentify or separately amortize unfunded actuarial accrued liabilities, funded status and funding progress is presented using the entry age actuarial cost method and the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

The funded status of the ERS and the Incentive Plan for Volunteer Firefighters (IPVF) as of December 31, 2010, the most recent actuarial valuation date, is as follows (dollar amount in thousands).

Actuarial Valuation December 31, 2009	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) – (a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll (b-a)/(c)
ERSPB	\$ 133,400	\$ 139,232	\$ 5,832	95.8 %	\$ 8,959	65.1%
IPVF	5,710	12,925	7,215	44.2	N/A	N/A

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. The plans do not issue a separate financial report.

CITY OF TROY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Statement of Net Assets

	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund
ASSETS		
Cash and cash equivalents	\$ 5,496,179	\$ 34,140
Interest receivable	194,415	9,141
Investments		
U.S. Government securities	10,752,503	4,731,101
Corporate bonds	16,458,682	-
Corporate equities, preferred	1,932,390	-
Corporate equities, common	104,354,242	-
Mutual funds	38,470,515	910,580
Municipal bonds	3,241,336	
Total assets	180,900,262	5,684,962
LIABILITIES		
Accounts payable	290	22,650
NET ASSETS		
Held in trust for pension benefits	146,670,309	5,662,312
Held in trust for postemployment healthcare benefits	34,229,663	-
Total net assets	\$ 180,899,972	\$ 5,662,312

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Statement of Changes in Fund Net Assets

	<u>Employees' Retirement System</u>	<u>Discretionary Fire Incentive Reserve Fund</u>
Additions		
Contributions		
Employer contributions	\$ 2,484,436	\$ 873,691
Employee contributions	1,285,812	-
Total contributions	3,770,248	873,691
Investment income		
Interest	1,792,008	225,623
Dividends	2,752,363	-
Net adjustment in fair value of investments	32,406,285	236,971
Total investment earnings	36,950,656	462,594
Total additions	40,720,904	1,336,285
Deductions		
Benefits	11,300,869	660,014
Administrative expenses	99,848	22,100
Total deductions	11,400,717	682,114
Net increase in plan net assets	29,320,187	654,171
Net assets held in trust, beginning of year for:		
Pension benefits	114,003,190	5,008,141
Postemployment healthcare benefits	37,576,595	-
Total net assets held in trust, beginning of year	151,579,785	5,008,141
Net assets held in trust, end of year for:		
Pension benefits	146,670,309	5,662,312
Postemployment healthcare benefits	34,229,663	-
Total net assets held in trust, end of year	\$ 180,899,972	\$ 5,662,312

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

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, 2011 was 279.

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 6 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, 2011, was \$17,729,192. The required contributions, which matched those actually made, were \$795,690 by employees and \$1,977,892 by the City, representing 4.5 percent and 11.2 percent of covered payroll, respectively.

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Note 15 - Retiree Health Care Trust Fund

Plan Description

The City provides certain healthcare benefits for retired employees in accordance with the bargaining group 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 employer's contribution of \$3,545,578 represented the required contribution of \$3,208,843 or 12.88% of covered payroll totaling \$24,913,381, \$55,546 of prior year Other Postemployment Benefit Obligations and \$281,188 which will be used to offset future required contributions. During the current year, healthcare benefits paid for 264 retirees totaled \$3,346,932, which was paid out of the Employees Retirement System. It should be noted that although healthcare benefits are paid out of another fund, they do not qualify as required contributions, as healthcare assets in the Employees Retirement System are considered when actuarially determining required contributions. Future payments will be made by the Employees Retirement System until the reserves that have accumulated there are exhausted.

This is a single employee defined benefit plan administered by the City. The Plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Funding Policy

For current employees not covered by the Retiree Health Savings Account Plan, the City includes retirees and their spouses in its healthcare plan, with no contribution required by participants if they retire with 25 or more years of service. If under 25 years of service, the City contributes 4% per year of service, or \$400 per month, whichever is greater.

Funding Progress

For the year ended June 30, 2011, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

The valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution	\$ 3,208,843
Amount contributed	<u>(3,545,578)</u>
Decrease in OPEB obligation	(336,735)
Net OPEB obligation, beginning of year (adj.)	<u>55,547</u>
Net OPEB (asset), end of year	<u>\$ (281,188)</u>

The net OPEB obligation at beginning of year has been adjusted to reflect discounted interest at 6.5% or \$3,390.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows (dollar amounts in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2009	\$ 3,759	97.1%	\$ 157
June 30, 2010	3,698	102.9	52
June 30, 2011	3,546	100.0	(281)

Actuarial Methods and Assumptions

In the December 31, 2010 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include an assumed rate of return of 6.5%. An annual healthcare cost trend of 9% was used in fiscal year 2011 decreasing to 3.5% by 2020. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percent of payroll on a closed basis. The remaining amortization period as of December 31, 2010 was 28 years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of the benefit costs between the employer and plan members to that point.

CITY OF TROY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Valuation December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) – (a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll (b-a)/(c)
2008	\$ 38,094	\$ 91,966	\$ 53,872	41.4%	\$ 31,168	172.8%
2010	60,360	89,952	29,592	67.1	25,951	114.0

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Statement of Net Assets

	Retiree Health Care Trust Fund
ASSETS	
Cash and cash equivalents	\$ 2,492,089
Investments	
Mutual funds	22,311,217
Total assets	<u>24,803,306</u>
NET ASSETS	
Held in trust for postemployment healthcare benefits	24,803,306
Total net assets	<u><u>\$ 24,803,306</u></u>

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Statement of Changes in Fund Net Assets

	Retiree Health Care Trust Fund
Additions	
Contributions	
Employer contributions	<u>\$ 3,545,578</u>
Investment income	
Interest	13,304
Dividends	363,105
Net adjustment in fair value of investments	<u>3,716,555</u>
Total investment earnings	<u>4,092,964</u>
Total additions	7,638,542
Deductions	
Benefits	<u>-</u>
Net increase in plan net assets	<u>7,638,542</u>
Net assets held in trust, beginning of year for:	
Postemployment healthcare benefits	<u>17,164,764</u>
Net assets held in trust, end of year for:	
Postemployment healthcare benefits	<u>\$ 24,803,306</u>

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011

Note 16 - Deficit Net Assets

The Sanctuary Lake golf course fund has deficit net assets of \$4,578,020 at June 30, 2011.

The Sanctuary Lake golf course completed its sixth year of operations with an operating loss of \$83,507 including depreciation expense of \$297,642. This resulted in a decrease change in net assets of \$582,841 which included \$499,334 in interest expense, compared to a decrease change in net assets of \$664,226 last fiscal year. Cash flows from operations were positive in the amount of \$873,834. Several reasons are attributable for the deficit:

- Economy
- Weather conditions

The City turned over operations and management of both courses on June 15, 2010 to Billy Casper Golf with a strategic plan of eliminating the deficit in the next few years.

The Downtown Development Authority (component unit) reflected a deficit net asset position of \$12,683,589 compared to \$12,678,066 last fiscal year. This deficit is attributable to recognizing outstanding long-term debt.

Note 17 - Budget Stabilization Fund

The City has established a budget stabilization fund by adopting a City ordinance in accordance with PA 30 of 1978 - MCL 144.441. The City Council may appropriate all or part of a surplus in the General Fund to the Budget Stabilization Fund. The amount in the Budget Stabilization Fund shall not exceed 15% of the City's most recent General Fund budget as originally adopted or 15% of the average of the City's five most recent General Fund budgets, as amended, whichever is less. Appropriations from the Budget Stabilization Fund may be used to cover any General Fund deficit, prevent a reduction in the level of services when revenues are not being collected in a sufficient manner or when the subsequent year budget indicates a shortfall, and to cover expenses arising from a natural disaster unless federal or state funds are received to offset the appropriation. In accordance with *Governmental Accounting Standards Board (GASB) Statement number 54*, the Budget Stabilization Fund has been included as part of the General Fund for reporting purposes. Any residual fund balance is reported as restricted in the General Fund.

CITY OF TROY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 17 - Restatement of Beginning Fund Balance

The City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement Number 54 – “*Fund Balance Reporting and Governmental Fund Type Definitions*”. Accordingly the City has combined the previously reported Budget Stabilization special revenue fund as a component of the General Fund. The results of this combination to beginning fund balance is as follows:

	General Fund	Nonmajor Governmental Funds
Ending fund balance, as previously reported	\$ 23,741,886	\$ 8,952,663
Reclassification of budget stabilization fund	1,806,995	(1,806,995)
Beginning fund balance, restated	<u>\$ 25,548,881</u>	<u>\$ 7,145,668</u>

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REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE RETIREMENT SYSTEM AND INCENTIVE PLAN AND
RETIREE HEALTH CARE FUND

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**EMPLOYEE RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS
(\$ amounts in thousands)**

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) - (a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll (b-a)/(c)
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)
2007	132,917	123,162	(9,755)	107.9	11,046	(88.3)
2008	128,249	126,138	(2,111)	101.7	10,953	(19.3)
2009	132,465	139,519	7,054	94.9	10,483	(67.3)
2010	133,400	139,232	5,832	95.8	8,959	65.1

Healthcare net assets of the Employees Retirement System are resources restricted for retiree health care benefits and are not segregated for actuarial purposes. Subsequently the City has established a Retiree Health Care Trust Fund in which resources are contributed and an actuarial valuation has been determined.

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. As a general rule, a larger percent indicates a healthier financial position. 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. As a general rule, a smaller percent indicates a healthier plan.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
(\$ amounts in thousands)**

Fiscal Year Ended June 30,	Actuarial Valuation Date December 31,	Annual Required Contribution	Percent Contributed
2006	2004	\$ 213	100.0%
2007	2005	273	100.0
2008	2006	273	100.0
2009	2007	428	100.0
2010	2008	1,361	100.0
2011	2009	2,484	100.0

INCENTIVE PLAN FOR VOLUNTEER FIREFIGHTERS
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
(\$ amounts in thousands)

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) – (a)	Funded Ratio (a)/(b)
2005*	\$ 6,572	\$ 12,052	\$ 5,481	54.5 %
2006*	6,007	11,932	5,925	50.3
2007*	6,413	13,240	6,827	48.4
2008*	6,273	13,038	6,765	48.1
2009	5,325	12,625	7,300	42.2
2010	5,710	12,925	7,215	44.2

* After changes in benefit provisions.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(\$ amounts in thousands)

Fiscal Year Ended June 30,	Actuarial Valuation Date December 31,	Annual Required Contribution	Percent Contributed
2006	2004	\$ 815	100.0 %
2007	2005	790	100.0
2008	2006	800	100.0
2009	2007	885	100.0
2010	2008	864	100.0
2011	2009	874	100.0

OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS
(\$ amounts in thousands)

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) - (a)	Funded Ratio (a)/(b)	Active Member Covered Payroll ©	Unfunded AAL as a Percentage of Active Member Covered Payroll (b-a)/©
2006	\$ 43,983	\$ 78,901	\$ 34,918	55.7%	\$ 31,038	112.5%
2007	*	*	*	*	*	*
2008	38,094	91,966	53,872	41.4	31,168	172.8
2009	*	*	*	*	*	*
2010	60,360	89,952	29,592	67.1	25,951	114.0

* Not available

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(\$ amounts in thousands)

FISCAL YEAR ENDED JUNE 30	ACTUARIAL VALUATION DATE DECEMBER 31	ANNUAL REQUIRED CONTRIBUTION	PERCENT CONTRIBUTED
2008	2006	\$ 2,923	100.0%
2009	2006	3,759	97.1
2010	2008	3,698	102.9
2011	2008	3,209	100.0

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COMBINING AND INDIVIDUAL FUND STATEMENTS

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CITY OF TROY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	Special Revenue					Permanent Fund
	Major Streets	Local Streets	Refuse	Community Development Block Grant	Total Special Revenue	Cemetery Perpetual Care
Assets						
Cash and cash equivalents	\$ 1,856,306	\$ 1,238,094	\$ 241,089	\$ (135,953)	\$ 3,199,536	\$ 222,655
Due from other governments	546,317	216,460	-	148,800	911,577	-
Total assets	\$ 2,402,623	\$ 1,454,554	\$ 241,089	\$ 12,847	\$ 4,111,113	\$ 222,655
Liabilities						
Accounts payable	\$ -	\$ -	\$ 157,192	\$ 12,847	\$ 170,039	\$ -
Fund balance						
Restricted	2,402,623	1,324,554	83,897	-	3,811,074	222,655
Committed	-	130,000	-	-	130,000	-
Total fund balances	2,402,623	1,454,554	83,897	-	3,941,074	222,655
Total liabilities and fund balance	\$ 2,402,623	\$ 1,454,554	\$ 241,089	\$ 12,847	\$ 4,111,113	\$ 222,655

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CITY OF TROY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONCLUDED)

JUNE 30, 2011

	Debt Service				Total Debt Service	Total Nonmajor Governmental Funds
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service		
Assets						
Cash and cash equivalents	\$ 2,596,829	\$ -	\$ -	\$ -	\$ 2,596,829	\$ 6,019,020
Due from other governments	-	-	-	-	-	911,577
Total assets	\$ 2,596,829	\$ -	\$ -	\$ -	\$ 2,596,829	\$ 6,930,597
Liabilities						
Accounts payable	\$ 10,108	\$ -	\$ -	\$ -	\$ 10,108	\$ 180,147
Fund balance						
Restricted	1,632,521	-	-	-	1,632,521	5,666,250
Committed	954,200	-	-	-	954,200	1,084,200
Total fund balances	2,586,721	-	-	-	2,586,721	6,750,450
Total liabilities and fund balance	\$ 2,596,829	\$ -	\$ -	\$ -	\$ 2,596,829	\$ 6,930,597

CITY OF TROY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue				Total Special Revenue	Permanent Fund
	Major Streets	Local Streets	Refuse	Community Development Block Grant		Cemetery Perpetual Care
Revenues						
Property taxes	\$ -	\$ -	\$ 4,057,573	\$ -	\$ 4,057,573	\$ -
Federal grants and reimbursements	-	-	-	148,800	148,800	-
State grants and reimbursements	3,386,023	1,341,582	-	-	4,727,605	-
Charges for services	-	-	4,860	-	4,860	2,650
Investment earnings	19,518	7,131	10,210	-	36,859	1,638
Other	-	-	-	-	-	-
Total revenues	3,405,541	1,348,713	4,072,643	148,800	8,975,697	4,288
Expenditures						
Current						
Sanitation	-	-	4,109,985	-	4,109,985	-
Community development	-	-	-	148,800	148,800	-
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	-	-	4,109,985	148,800	4,258,785	-
Revenues over (under) expenditures	3,405,541	1,348,713	(37,342)	-	4,716,912	4,288
Other financing sources (uses)						
Issuance of debt	-	-	-	-	-	-
Payments to escrow agents	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-
Transfers in	-	332,750	-	-	332,750	-
Transfers out	(3,163,544)	(1,458,749)	-	-	(4,622,293)	-
Total other financing (uses) sources	(3,163,544)	(1,125,999)	-	-	(4,289,543)	-
Net change in fund balances	241,997	222,714	(37,342)	-	427,369	4,288
Fund balances, beginning of year (restated)	2,160,626	1,231,840	121,239	-	3,513,705	218,367
Fund balances, end of year	\$ 2,402,623	\$ 1,454,554	\$ 83,897	\$ -	\$ 3,941,074	\$ 222,655

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, 2011

	Debt Service				Total Debt Service	Total Nonmajor Governmental Funds
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service		
Revenues						
Property taxes	\$ 2,336,899	\$ -	\$ -	\$ -	\$ 2,336,899	\$ 6,394,472
Federal grants and reimbursements	-	-	-	-	-	148,800
State grants and reimbursements	-	-	-	-	-	4,727,605
Charges for services	-	-	-	-	-	7,510
Investment earnings	22,205	-	-	-	22,205	60,702
Other	221,175	-	-	-	221,175	221,175
Total revenues	2,580,279	-	-	-	2,580,279	11,560,264
Expenditures						
Current						
Sanitation	-	-	-	-	-	4,109,985
Community development	-	-	-	-	-	148,800
Debt service						
Principal	175,000	555,000	1,055,000	515,000	2,300,000	2,300,000
Interest	117,227	295,771	590,159	242,632	1,245,789	1,245,789
Total expenditures	292,227	850,771	1,645,159	757,632	3,545,789	7,804,574
Revenues over (under) expenditures	2,288,052	(850,771)	(1,645,159)	(757,632)	(965,510)	3,755,690
Other financing sources (uses)						
Issuance of debt	-	-	9,110,000	-	9,110,000	9,110,000
Payments to escrow agents	-	-	(9,919,004)	-	(9,919,004)	(9,919,004)
Premium on debt issuance	-	-	947,639	-	947,639	947,639
Transfers in	-	850,771	1,506,524	757,632	3,114,927	3,447,677
Transfers out	(3,114,927)	-	-	-	(3,114,927)	(7,737,220)
Total other financing sources (uses)	(3,114,927)	850,771	1,645,159	757,632	138,635	(4,150,908)
Net change in fund balances	(826,875)	-	-	-	(826,875)	(395,218)
Fund balances, beginning of year (restated)	3,413,596	-	-	-	3,413,596	7,145,668
Fund balances, end of year	\$ 2,586,721	\$ -	\$ -	\$ -	\$ 2,586,721	\$ 6,750,450

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State grants and reimbursements	\$ 3,262,000	\$ 3,262,000	\$ 3,386,023	\$ 124,023
Investment earnings	20,000	20,000	19,518	(482)
Total revenues	3,282,000	3,282,000	3,405,541	123,541
Other financing (uses)				
Transfers out	(3,282,000)	(3,282,000)	(3,163,544)	118,456
Net change in fund balances	-	-	241,997	241,997
Fund balance, beginning of year	2,160,626	2,160,626	2,160,626	-
Fund balance, end of year	\$ 2,160,626	\$ 2,160,626	\$ 2,402,623	\$ 241,997

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
State grants and reimbursements	\$ 1,292,000	\$ 1,292,000	\$ 1,341,582	\$ 49,582
Investment earnings	12,000	12,000	7,131	(4,869)
Total revenues	<u>1,304,000</u>	<u>1,304,000</u>	<u>1,348,713</u>	<u>44,713</u>
Other financing sources (uses)				
Transfers in	422,150	332,750	332,750	-
Transfers out	(1,726,150)	(1,726,150)	(1,458,749)	267,401
Total other financing (uses)	<u>(1,304,000)</u>	<u>(1,393,400)</u>	<u>(1,125,999)</u>	<u>267,401</u>
Net change in fund balances	-	(89,400)	222,714	312,114
Fund balance, beginning of year	<u>1,231,840</u>	<u>1,231,840</u>	<u>1,231,840</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,231,840</u></u>	<u><u>\$ 1,142,440</u></u>	<u><u>\$ 1,454,554</u></u>	<u><u>\$ 312,114</u></u>

CITY OF TROY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
REFUSE FUND**

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 4,092,000	\$ 4,092,000	\$ 4,057,573	\$ (34,427)
Charges for services	4,500	4,500	4,860	360
Investment earnings	24,450	24,450	10,210	(14,240)
Total revenues	4,120,950	4,120,950	4,072,643	(48,307)
Expenditures				
Sanitation	4,120,950	4,120,950	4,109,985	10,965
Net change in fund balances	-	-	(37,342)	(37,342)
Fund balance, beginning of year	121,239	121,239	121,239	-
Fund balance (deficit), end of year	\$ 121,239	\$ 121,239	\$ 83,897	\$ (37,342)

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal grants	\$ 260,600	\$ 460,480	\$ 148,800	\$ (311,680)
Expenditures				
Community development	260,600	460,480	148,800	311,680
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TROY, MICHIGAN

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS**

JUNE 30, 2011

	<u>Sylvan Glen Golf Course</u>	<u>Aquatic Center</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 1,806,270	\$ -	\$ 1,806,270
Accounts receivable	9,814	6,783	16,597
Due from other funds	1,139,845	-	1,139,845
Inventories	25,536	-	25,536
Prepaid expenses	13,891	-	13,891
Total current assets	<u>2,995,356</u>	<u>6,783</u>	<u>3,002,139</u>
Noncurrent assets			
Capital assets not being depreciated	1,894,552	-	1,894,552
Capital assets being depreciated, net of accumulated depreciation	624,928	1,592,031	2,216,959
Total capital assets, net of accumulated depreciation	<u>2,519,480</u>	<u>1,592,031</u>	<u>4,111,511</u>
Total assets	<u>5,514,836</u>	<u>1,598,814</u>	<u>7,113,650</u>
Liabilities			
Current liabilities			
Accounts payable	76,186	6,641	82,827
Due to other funds	-	324,332	324,332
Other liabilities	128,792	-	128,792
Total liabilities	<u>204,978</u>	<u>330,973</u>	<u>535,951</u>
Net assets			
Investment in capital assets	2,519,480	1,592,031	4,111,511
Unrestricted (deficit)	2,790,378	(324,190)	2,466,188
Total net assets	<u>\$ 5,309,858</u>	<u>\$ 1,267,841</u>	<u>\$ 6,577,699</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, 2011

	<u>Sylvan Glen Golf Course</u>	<u>Aquatic Center</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 662,113	\$ 466,500	\$ 1,128,613
Rental			
Golf course	183,183	-	183,183
Restaurant	87,720	-	87,720
Miscellaneous income	91,200	37,185	128,385
Total operating revenues	<u>1,024,216</u>	<u>503,685</u>	<u>1,527,901</u>
Operating expenses			
Operations and maintenance	875,835	402,079	1,277,914
Depreciation	145,585	164,102	309,687
Total operating expenses	<u>1,021,420</u>	<u>566,181</u>	<u>1,587,601</u>
Operating income (loss)	2,796	(62,496)	(59,700)
Nonoperating revenues			
Investment earnings	11,500	-	11,500
Change in net assets	14,296	(62,496)	(48,200)
Net assets, beginning of year	5,295,562	1,330,337	6,625,899
Net assets, end of year	<u>\$ 5,309,858</u>	<u>\$ 1,267,841</u>	<u>\$ 6,577,699</u>

CITY OF TROY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Sylvan Glen Golf Course	Aquatic Center	Total
Cash flows from operating activities			
Cash received from customers	\$ 1,026,115	\$ 502,190	\$ 1,528,305
Cash payments to employees	(272,597)	(255,092)	(527,689)
Cash payments to suppliers for goods and services	(538,287)	(186,967)	(725,254)
Cash payments for interfund services	(12,625)	(22,382)	(35,007)
Net cash provided by operating activities	202,606	37,749	240,355
Cash flows used by capital and related financing activities			
Purchase of capital assets	(47,403)	(37,749)	(85,152)
Cash flows from investing activities			
Proceeds from sale of investments	420,780	-	420,780
Investment income	11,578	-	11,578
Net cash provided by investing activities	432,358	-	432,358
Net increase in cash and cash equivalents	587,561	-	587,561
Cash and cash equivalents, beginning of year	1,218,709	-	1,218,709
Cash and cash equivalents, end of year	\$ 1,806,270	\$ -	\$ 1,806,270
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 2,796	\$ (62,496)	\$ (59,700)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	145,585	164,102	309,687
Changes in assets and liabilities:			
Accounts receivable	1,899	(1,495)	404
Inventories	(13,716)	-	(13,716)
Prepaid expenses	(13,891)	-	(13,891)
Accounts payable	(48,859)	(10,138)	(58,997)
Due to other funds	-	(52,224)	(52,224)
Other liabilities	128,792	-	128,792
Total adjustments	199,810	100,245	300,055
Net cash provided by operating activities	\$ 202,606	\$ 37,749	\$ 240,355

CITY OF TROY, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

JUNE 30, 2011

	<u>Compensated Absences</u>	<u>Unemployment Compensation</u>	<u>Custodial Services</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 4,846,115	\$ 197,534	\$ 264,032
Accounts receivable	-	-	-
Inventory	-	-	-
Total current assets	<u>4,846,115</u>	<u>197,534</u>	<u>264,032</u>
Noncurrent assets			
Capital assets not being depreciated	-	-	-
Capital assets being depreciated net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>4,846,115</u>	<u>197,534</u>	<u>264,032</u>
Liabilities			
Current liabilities			
Accounts payable	-	20,802	4,391
Compensated absences	<u>2,025,941</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>2,025,941</u>	<u>20,802</u>	<u>4,391</u>
Noncurrent liabilities			
Compensated absences	<u>1,813,373</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,839,314</u>	<u>20,802</u>	<u>4,391</u>
Net assets			
Investment in capital assets	-	-	-
Unrestricted	<u>1,006,801</u>	<u>176,732</u>	<u>259,641</u>
Total net assets	<u><u>\$ 1,006,801</u></u>	<u><u>\$ 176,732</u></u>	<u><u>\$ 259,641</u></u>

CITY OF TROY, MICHIGAN

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS**

JUNE 30, 2011

	<u>Information Technology</u>	<u>Motor Equipment</u>	<u>Worker's Compensation</u>	<u>Total</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 1,336,158	\$ 5,976,051	\$ 2,397,956	\$ 15,017,846
Accounts receivable	30,762	60,185	-	90,947
Inventory	-	350,583	-	350,583
Total current assets	1,366,920	6,386,819	2,397,956	15,459,376
Noncurrent assets				
Capital assets not being depreciated	-	10,248	-	10,248
Capital assets being depreciated net of accumulated depreciation	438,470	2,680,615	-	3,119,085
Total capital assets, net of accumulated depreciation	438,470	2,690,863	-	3,129,333
Total assets	1,805,390	9,077,682	2,397,956	18,588,709
Liabilities				
Current liabilities				
Accounts payable	7,619	174,092	-	206,904
Compensated absences	-	-	-	2,025,941
Total current liabilities	7,619	174,092	-	2,232,845
Noncurrent liabilities				
Compensated absences	-	-	-	1,813,373
Total liabilities	7,619	174,092	-	4,046,218
Net assets				
Investment in capital assets	438,470	2,690,863	-	3,129,333
Unrestricted	1,359,301	6,212,727	2,397,956	11,413,158
Total net assets	\$ 1,797,771	\$ 8,903,590	\$ 2,397,956	\$ 14,542,491

CITY OF TROY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Compensated Absences</u>	<u>Unemployment Compensation</u>	<u>Custodial Services</u>
Operating revenues			
Charges for services	\$ 4,117,038	\$ -	\$ 1,137,961
Equipment rental	-	-	-
Building rental	-	-	-
Other	-	156,425	-
Total operating revenues	<u>4,117,038</u>	<u>156,425</u>	<u>1,137,961</u>
Operating expenses			
Cost of services	4,072,417	213,303	1,215,097
Motor vehicle and garage expenses			
Administration	-	-	-
Operations	-	-	-
Depreciation	-	-	-
Total operating expenses	<u>4,072,417</u>	<u>213,303</u>	<u>1,215,097</u>
Operating income (loss)	<u>44,621</u>	<u>(56,878)</u>	<u>(77,136)</u>
Nonoperating revenues			
Investment earnings	36,266	1,976	1,625
Gain on sale of capital assets	-	-	-
Total nonoperating revenues	<u>36,266</u>	<u>1,976</u>	<u>1,625</u>
Income (loss) before transfers	<u>80,887</u>	<u>(54,902)</u>	<u>(75,511)</u>
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>80,887</u>	<u>(54,902)</u>	<u>(75,511)</u>
Net assets, beginning of year	<u>925,914</u>	<u>231,634</u>	<u>335,152</u>
Net assets, end of year	<u><u>\$ 1,006,801</u></u>	<u><u>\$ 176,732</u></u>	<u><u>\$ 259,641</u></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, 2011

	<u>Information Technology</u>	<u>Motor Equipment</u>	<u>Worker's Compensation</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 1,365,821	\$ 79,528	\$ 324,758	\$ 7,025,106
Equipment rental	-	2,924,654	-	2,924,654
Building rental	-	152,708	-	152,708
Other	-	450,783	79,537	686,745
Total operating revenues	<u>1,365,821</u>	<u>3,607,673</u>	<u>404,295</u>	<u>10,789,213</u>
Operating expenses				
Cost of services	1,332,036	-	205,789	7,038,642
Motor vehicle and garage expenses				
Administration	-	736,735	-	736,735
Operations	-	2,300,172	-	2,300,172
Depreciation	62,983	875,867	-	938,850
Total operating expenses	<u>1,395,019</u>	<u>3,912,774</u>	<u>205,789</u>	<u>11,014,399</u>
Operating income (loss)	<u>(29,198)</u>	<u>(305,101)</u>	<u>198,506</u>	<u>(225,186)</u>
Nonoperating revenues				
Investment earnings	8,909	41,296	16,964	107,036
Gain on sale of capital assets	-	61,665	-	61,665
Total nonoperating revenues	<u>8,909</u>	<u>102,961</u>	<u>16,964</u>	<u>168,701</u>
Income (loss) before transfers	<u>(20,289)</u>	<u>(202,140)</u>	<u>215,470</u>	<u>(56,485)</u>
Transfers in	<u>34,905</u>	<u>-</u>	<u>-</u>	<u>34,905</u>
Change in net assets	<u>14,616</u>	<u>(202,140)</u>	<u>215,470</u>	<u>(21,580)</u>
Net assets, beginning of year	<u>1,783,155</u>	<u>9,105,730</u>	<u>2,182,486</u>	<u>14,564,071</u>
Net assets, end of year	<u><u>\$ 1,797,771</u></u>	<u><u>\$ 8,903,590</u></u>	<u><u>\$ 2,397,956</u></u>	<u><u>\$ 14,542,491</u></u>

CITY OF TROY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Compensated Absences</u>	<u>Unemployment Compensation</u>	<u>Custodial Services</u>
Cash flows from operating activities			
Cash received from interfund services	\$ 4,117,321	\$ 156,437	\$ 1,137,977
Cash payments to employees	(5,184,180)	-	(1,078,566)
Cash payments to suppliers for goods and services	-	(218,975)	(133,364)
Net cash provided (used) by operating activities	<u>(1,066,859)</u>	<u>(62,538)</u>	<u>(73,953)</u>
Cash flows from noncapital			
Transfers from other funds	-	-	-
Net cash provided by noncapital financing activities	-	-	-
Cash flows from capital and related financing activities			
Purchase of capital assets	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash used by capital and related financing activities	-	-	-
Cash flows from investing activities			
Proceeds from sale of investments	1,532,344	67,298	87,705
Investment income	36,266	1,976	1,625
Net cash provided by investing activities	<u>1,568,610</u>	<u>69,274</u>	<u>89,330</u>
Net increase in cash and cash equivalents	501,751	6,736	15,377
Cash and cash equivalents, beginning of year	4,344,364	190,798	248,655
Cash and cash equivalents, end of year	<u>\$ 4,846,115</u>	<u>\$ 197,534</u>	<u>\$ 264,032</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 44,621	\$ (56,878)	\$ (77,136)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
Accounts receivable	283	12	16
Inventory	-	-	-
Accounts payable	-	(5,672)	3,167
Accrued liabilities	(1,111,763)	-	-
Total adjustments	<u>(1,111,480)</u>	<u>(5,660)</u>	<u>3,183</u>
Net cash provided (used) by operating activities	<u>\$ (1,066,859)</u>	<u>\$ (62,538)</u>	<u>\$ (73,953)</u>

CITY OF TROY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Information Technology	Motor Equipment	Worker's Compensation	Total
Cash flows from operating activities				
Cash received from interfund services	\$ 1,365,886	\$ 3,607,944	\$ 404,400	\$ 10,789,965
Cash payments to employees	(960,923)	(1,471,408)	-	(8,695,077)
Cash payments to suppliers for goods and services	(402,439)	(1,565,877)	(205,789)	(2,526,444)
Net cash provided (used) by operating activities	2,524	570,659	198,611	(431,556)
Cash flows from noncapital financing activities				
Transfers from other funds	34,905	-	-	34,905
Net cash provided by noncapital financing activities	34,905	-	-	34,905
Cash flows from capital and related financing activities				
Purchase of capital assets	(34,905)	(318,637)	-	(353,542)
Proceeds from sale of capital assets	-	61,665	-	61,665
Net cash used by capital and related financing activities	(34,905)	(256,972)	-	(291,877)
Cash flows from investing activities				
Proceeds from sale of investments	353,442	1,466,368	569,053	4,076,210
Investment income	(21,853)	38,761	16,964	73,739
Net cash provided by investing activities	331,589	1,505,129	586,017	4,149,949
Net increase in cash and cash equivalents	334,113	1,818,816	784,628	3,461,421
Cash and cash equivalents, beginning of year	1,002,045	4,157,235	1,613,328	11,556,425
Cash and cash equivalents, end of year	\$ 1,336,158	\$ 5,976,051	\$ 2,397,956	\$ 15,017,846
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (29,198)	\$ (305,101)	\$ 198,506	\$ (225,186)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	62,983	875,867	-	938,850
Changes in assets and liabilities:				
Accounts receivable	65	271	105	752
Inventory	-	(37,160)	-	(37,160)
Accounts payable	-	-	-	(2,505)
Accrued liabilities	(31,326)	36,782	-	(1,106,307)
Total adjustments	31,722	875,760	105	(206,370)
Net cash provided (used) by operating activities	\$ 2,524	\$ 570,659	\$ 198,611	\$ (431,556)

CITY OF TROY, MICHIGAN

**COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS**

JUNE 30, 2011

	Pension and Other Employee Benefit Trust Funds			Total Pension Trust Funds
	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund	Retiree Health Care Trust Fund	
Assets				
Cash and cash equivalents	\$ 5,496,179	\$ 34,140	\$ 2,492,089	\$ 8,022,408
Interest receivable	194,415	9,141	-	203,556
Investments				
U.S. Government securities	10,752,503	4,731,101	-	15,483,604
Corporate bonds	16,458,682	-	-	16,458,682
Corporate equities, preferred	1,932,390	-	-	1,932,390
Corporate equities, common	104,354,242	-	-	104,354,242
Mutual funds	38,470,515	910,580	22,311,217	61,692,312
Municipal bonds	3,241,336	-	-	3,241,336
Total assets	180,900,262	5,684,962	24,803,306	211,388,530
Liabilities				
Accounts payable	290	22,650	-	22,940
Net assets				
Held in trust for pension benefits	146,670,309	5,662,312	-	152,332,621
Held in trust for postemployment healthcare benefits	34,229,663	-	24,803,306	59,032,969
Total net assets	\$ 180,899,972	\$ 5,662,312	\$ 24,803,306	\$ 211,365,590

CITY OF TROY, MICHIGAN
COMBINING STATEMENT OF CHANGES
IN FUND NET ASSETS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Pension and Other Employee Benefit Trust Funds			Total
	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund	Retiree Health Care Trust Fund	
Additions				
Contributions				
Employer contributions	\$ 2,484,436	\$ 873,691	\$ 3,545,578	\$ 6,903,705
Employee contributions	1,285,812	-	-	1,285,812
Total contributions	3,770,248	873,691	3,545,578	8,189,517
Investment income				
Interest	1,792,008	225,623	13,304	2,030,935
Dividends	2,752,363	-	363,105	3,115,468
Net adjustment in fair value of investments	32,406,285	236,971	3,716,555	36,359,811
Total investment earnings	36,950,656	462,594	4,092,964	41,506,214
Total additions	40,720,904	1,336,285	7,638,542	49,695,731
Deductions				
Benefits	11,300,869	660,014	-	11,960,883
Administrative expenses	99,848	22,100	-	121,948
Total deductions	11,400,717	682,114	-	12,082,831
Net increase in plan net assets	29,320,187	654,171	7,638,542	37,612,900
Net assets held in trust, beginning of year for				
Pension benefits	114,003,190	5,008,141	-	119,011,331
Postemployment healthcare benefits	37,576,595	-	17,164,764	54,741,359
Total net assets held in trust, beginning of year	151,579,785	5,008,141	17,164,764	173,752,690
Net assets held in trust, end of year for				
Pension benefits	146,670,309	5,662,312	-	152,332,621
Postemployment healthcare benefits	34,229,663	-	24,803,306	59,032,969
Total net assets held in trust, end of year	\$ 180,899,972	\$ 5,662,312	\$ 24,803,306	\$ 211,365,590

CITY OF TROY, MICHIGAN
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND

FOR THE YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and cash equivalents	\$ 1,768,159	\$ 206,439,279	\$ (206,419,932)	\$ 1,787,506
Investments	25,676	-	(25,676)	-
Taxes receivable	901,571	208,055,787	(208,011,448)	945,910
Interest receivable	4	-	(4)	-
Total assets	<u>\$ 2,695,410</u>	<u>\$ 414,495,066</u>	<u>\$ (414,457,060)</u>	<u>\$ 2,733,416</u>
Liabilities				
Accounts payable	\$ 6,450	\$ 193,138,574	\$ (193,109,004)	\$ 36,020
Performance deposits	2,688,960	529,035	(520,599)	2,697,396
Total liabilities	<u>\$ 2,695,410</u>	<u>\$ 193,667,609</u>	<u>\$ (193,629,603)</u>	<u>\$ 2,733,416</u>

CITY OF TROY, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2011

	<u>Operating</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Net Assets</u>
Assets					
Cash and cash equivalents	\$ 6,211,907	\$ 3,207,924	\$ 9,419,831	\$ -	\$ 9,419,831
Receivables					
Taxes receivable	91,945	-	91,945	-	91,945
Total assets	<u>\$ 6,303,852</u>	<u>\$ 3,207,924</u>	<u>\$ 9,511,776</u>	<u>-</u>	<u>9,511,776</u>
Liabilities					
Interest payable	\$ -	\$ -	\$ -	165,365	165,365
Deferred revenue	91,946	-	91,946	(91,946)	-
Noncurrent liabilities					
Due within one year	-	-	-	2,215,000	2,215,000
Due after one year	-	-	-	19,815,000	19,815,000
Total liabilities	<u>91,946</u>	<u>-</u>	<u>91,946</u>	<u>22,103,419</u>	<u>22,195,365</u>
Fund balance					
Restricted					
Debt service	-	3,207,924	3,207,924	(3,207,924)	-
Operations	6,211,906	-	6,211,906	(6,211,906)	-
Total fund balances	<u>6,211,906</u>	<u>3,207,924</u>	<u>9,419,830</u>	<u>(9,419,830)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 6,303,852</u>	<u>\$ 3,207,924</u>	<u>\$ 9,511,776</u>		
Net (deficit)					
Unrestricted				(12,683,589)	(12,683,589)
Total net deficit				<u>\$ (12,683,589)</u>	<u>\$ (12,683,589)</u>

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, 2011

Fund balances - total governmental funds	\$	9,419,830
------------------------------------------	----	-----------

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		91,946
------------------------	--	--------

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	(165,365)
Deduct: bonds payable - current portion	(2,215,000)
Deduct: bonds payable - long-term portion	(19,815,000)

Net assets of governmental activities	\$	(12,683,589)
----------------------------------------------	-----------	---------------------

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, 2011

	<u>Operating</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Net Assets</u>
Revenues					
Property taxes	\$ 2,110,801	\$ -	\$ 2,110,801	\$ 13,877	\$ 2,124,678
Investment earnings	53,357	3,481	56,838	-	56,838
Total revenues	2,164,158	3,481	2,167,639	13,877	2,181,516
Expenditures/expenses					
Economic development	1,128,968	-	1,128,968	-	1,128,968
Debt service:					
Principal	-	2,065,000	2,065,000	(2,065,000)	-
Interest	-	1,080,122	1,080,122	(22,051)	1,058,071
Total expenditures/expenses	1,128,968	3,145,122	4,274,090	(2,087,051)	2,187,039
Revenues over (under) expenditures	1,035,190	(3,141,641)	(2,106,451)	2,100,928	(5,523)
Other financing sources (uses)					
Transfers in	-	2,627,249	2,627,249	-	2,627,249
Transfers out	(2,627,249)	-	(2,627,249)	-	(2,627,249)
Total other financing sources and (uses)	(2,627,249)	2,627,249	-	-	-
Net change in fund balances/ net assets	(1,592,059)	(514,392)	(2,106,451)	2,100,928	(5,523)
Fund balance/net assets (deficit), beginning of year	7,803,965	3,722,316	11,526,281	(24,204,347)	(12,678,066)
Fund balance/net assets (deficit), end of year	\$ 6,211,906	\$ 3,207,924	\$ 9,419,830	\$ (22,103,419)	\$ (12,683,589)

CITY OF TROY, MICHIGAN

**DOWNTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$ (2,106,451)
--------------------------------------------------------	----------------

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

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	2,065,000
--------------------------------------------------	-----------

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	<u>22,051</u>
-------------------------------------------	---------------

Change in net assets of governmental activities	<u><u>\$ (5,523)</u></u>
--------------------------------------------------------	---------------------------------

CITY OF TROY, MICHIGAN

**LOCAL DEVELOPMENT FINANCING AUTHORITY
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET**

JUNE 30, 2011

	<u>Operating</u>	<u>Adjustments</u>	<u>Net Assets</u>
Assets			
Cash and cash equivalents	<u>\$ 255,139</u>	\$ -	\$ 255,139
Fund balance			
Restricted	<u>\$ 255,139</u>	<u>(255,139)</u>	<u>-</u>
Net assets			
Unrestricted		<u>255,139</u>	<u>255,139</u>
Total net assets		<u>\$ 255,139</u>	<u>\$ 255,139</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, 2011

	<u>Operating</u>	<u>Adjustments</u>	<u>Net Assets</u>
Revenues			
Property taxes	\$ 196,186	\$ -	\$ 196,186
Investment earnings	<u>2,665</u>	<u>-</u>	<u>2,665</u>
Total revenues	198,851	-	198,851
Expenditures/expenses			
Economic development	<u>160,004</u>	<u>-</u>	<u>160,004</u>
Net change in fund balances/net assets	38,847	-	38,847
Fund balance/net assets, beginning of year	<u>216,292</u>	<u>-</u>	<u>216,292</u>
Fund balance/net assets, end of year	<u>\$ 255,139</u>	<u>\$ -</u>	<u>\$ 255,139</u>

CITY OF TROY, MICHIGAN

**BROWNFIELD REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET**

JUNE 30, 2011

	<u>Operating</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash	<u>\$ 790,069</u>	\$ -	\$ 790,069
Fund balance			
Restricted	<u>\$ 790,069</u>	<u>(790,069)</u>	<u>-</u>
Net Assets			
Unrestricted		<u>790,069</u>	<u>790,069</u>
Total net assets		<u>\$ 790,069</u>	<u>\$ 790,069</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, 2011

	<u>Operating</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property taxes	\$ 4,567	\$ -	\$ 4,567
Investment earnings	5,867	-	5,867
Total revenues	10,434	-	10,434
Expenditures/expenses			
Community and economic development	9,211	-	9,211
Net change in fund balance/net assets	1,223	-	1,223
Fund balance/net assets, beginning of year	788,846	-	788,846
Fund balance/net assets, end of year	<u>\$ 790,069</u>	<u>\$ -</u>	<u>\$ 790,069</u>

STATISTICAL SECTION

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CITY OF TROY, MICHIGAN

STATISTICAL SECTION
JUNE 30, 2011

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.

<u>Contents</u>	<u>Page</u>
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.	101
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	107
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.	111
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.	117
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.	119
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.	125

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 (Accrual Basis of Accounting)

	Fiscal Year Ended June 30								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Invested in capital assets, net of related debt	\$ 82,829,398	\$ 116,110,302	\$ 122,746,020	\$ 159,749,955	\$ 153,793,099	\$ 157,447,608	\$ 164,045,115	\$ 170,829,690	\$ 174,656,911
Restricted	29,507,113	1,810,587	50,227,946	33,017,038	34,119,273	34,552,624	31,704,901	26,293,289	19,293,248
Unrestricted	62,117,445	81,355,650	32,494,032	34,533,448	33,414,001	31,970,878	30,192,218	33,877,687	38,429,041
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>	<u>\$ 223,971,110</u>	<u>\$ 225,942,234</u>	<u>\$ 231,000,666</u>	<u>\$ 232,379,200</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ 99,905,946	\$ 100,797,007	\$ 102,045,725	\$ 102,621,738	\$ 105,920,417	\$ 107,889,998	\$ 111,070,571	\$ 116,929,920	\$ 117,612,994
Restricted	6,604,596	7,306,405	-	-	-	-	-	-	-
Unrestricted	33,631,643	33,240,135	40,036,148	42,421,282	43,142,406	46,259,322	44,948,474	43,046,756	45,052,579
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>	<u>\$ 154,149,320</u>	<u>\$ 156,019,045</u>	<u>\$ 159,976,676</u>	<u>\$ 162,665,573</u>
Primary government									
Invested in capital assets, net of related debt	\$ 182,735,344	\$ 216,907,309	\$ 224,791,745	\$ 262,371,693	\$ 259,713,516	\$ 265,337,606	\$ 275,115,686	\$ 287,759,610	\$ 292,269,905
Restricted	36,111,709	9,116,992	50,227,946	33,017,038	34,119,273	34,552,624	31,704,901	26,293,289	19,293,248
Unrestricted	95,749,088	114,595,785	72,530,180	76,954,730	76,556,407	78,230,200	75,140,692	76,924,443	83,481,620
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>	<u>\$ 378,120,430</u>	<u>\$ 381,961,279</u>	<u>\$ 390,977,342</u>	<u>\$ 395,044,773</u>

CITY OF TROY, MICHIGAN

CHANGES IN NET ASSETS (Accrual Basis of Accounting)

	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Expenses										
Governmental activities:										
General government	\$ 11,714,618	\$ 13,685,948	\$ 12,047,579	\$ 11,734,897	\$ 12,601,536	\$ 9,719,442	\$ 10,093,396	\$ 10,480,528	\$ 10,557,545	
Public safety	25,687,463	13,434,097	27,736,351	28,703,542	30,436,286	31,450,783	31,597,944	31,300,208	30,776,101	
Public works	15,966,498	16,274,728	16,475,289	18,372,828	20,864,379	16,064,613	15,869,334	15,000,517	14,812,707	
Sanitation	4,198,140	4,432,201	4,433,033	4,367,093	4,529,666	3,893,842	3,961,658	3,994,706	4,110,330	
Community and economic development	624,141	601,017	519,845	2,058,782	149,357	2,013,127	1,838,697	1,460,081	1,030,929	
Recreation and culture	12,274,918	13,579,188	16,059,077	15,924,318	15,189,313	14,209,839	14,872,286	12,573,922	9,865,320	
Interest on long-term debt	3,133,028	4,410,719	3,222,419	1,686,805	1,618,860	1,572,470	1,440,456	650,484	665,356	
Total governmental activities expenses	\$ 73,598,806	\$ 66,417,898	\$ 80,493,593	\$ 82,848,265	\$ 85,389,397	\$ 78,924,116	\$ 79,673,771	\$ 75,460,446	\$ 71,318,288	
Business-type activities:										
Water	\$ 10,222,511	\$ 10,630,027	\$ 13,307,382	\$ 13,839,024	\$ 13,951,978	\$ 13,808,288	\$ 12,704,768	\$ 12,474,578	\$ 12,439,089	
Sanitary sewer	8,778,461	10,168,039	8,980,641	9,682,048	9,705,247	9,576,883	9,046,402	9,145,016	10,400,332	
Aquatic center	487,423	544,125	561,096	638,837	688,236	592,653	597,942	561,343	565,873	
Sylvan Glen Golf course	1,297,943	1,207,337	1,106,041	1,109,119	1,085,421	1,110,038	1,098,361	1,087,120	1,021,420	
Sanctuary Lake Golf course	-	47,076	1,751,721	1,730,874	1,683,553	1,624,625	1,634,836	1,632,244	1,523,616	
Total business-type activities expenses	\$ 20,786,338	\$ 22,596,604	\$ 25,706,881	\$ 26,999,902	\$ 27,114,435	\$ 26,712,487	\$ 25,082,309	\$ 24,900,301	\$ 25,950,330	
Total primary government expenses	\$ 94,385,144	\$ 89,014,502	\$ 106,200,474	\$ 109,848,167	\$ 112,503,832	\$ 105,636,603	\$ 104,756,080	\$ 100,360,747	\$ 97,268,618	
Program revenues										
Charges for services:										
General government	\$ 1,386,043	\$ 1,225,998	\$ 3,213,382	\$ 2,101,074	\$ 2,245,026	\$ 2,391,745	\$ 2,277,395	\$ 2,792,387	\$ 3,017,126	
Public safety	2,592,616	2,930,182	2,694,665	2,925,740	3,059,322	3,132,235	2,579,487	2,606,050	2,912,838	
Public works	2,985,883	2,757,644	1,380,977	1,361,164	1,927,982	1,613,717	1,579,964	1,912,056	1,696,240	
Sanitation	206,373	154,047	1,410	44,765	2,275	3,510	6,993	4,796	4,860	
Recreation and culture	2,959,532	4,081,620	4,080,652	4,338,069	4,546,308	4,617,520	4,398,056	4,484,145	3,850,470	
Operating grants and contributions	675,691	517,704	491,224	1,079,243	932,693	979,113	967,159	1,057,307	1,474,950	
Capital grants and contributions	10,723,477	13,463,732	9,469,923	6,527,476	6,552,433	6,870,969	9,963,345	8,590,800	6,895,652	
Total governmental activities program revenues	\$ 21,529,615	\$ 25,130,927	\$ 21,332,233	\$ 18,377,531	\$ 19,266,039	\$ 19,608,809	\$ 21,772,399	\$ 21,447,541	\$ 19,852,136	

CITY OF TROY, MICHIGAN

CHANGES IN NET ASSETS (Accrual Basis of Accounting)

(Continued)	Fiscal Year Ended June 30								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business-type activities:									
Charges for services:									
Water	\$ 11,155,393	\$ 10,897,059	\$ 13,518,168	\$ 15,595,766	\$ 14,652,417	\$ 15,684,590	\$ 13,227,113	\$ 13,968,516	\$ 14,139,274
Sanitary sewer	8,973,121	9,710,263	9,623,410	10,114,977	11,291,515	11,612,763	9,750,202	10,372,640	11,917,175
Aquatic center	417,245	370,256	278,125	310,428	322,111	438,432	486,671	451,670	503,685
Sylvan Glen Golf course	1,295,874	1,242,938	1,198,744	1,055,142	1,125,895	1,137,679	1,178,497	1,128,192	1,024,216
Sanctuary Lake Golf course	-	81,190	962,132	1,173,020	1,052,986	985,503	923,692	968,687	940,775
Capital grants and contributions	-	-	633,491	727,343	1,012,829	643,394	1,025,250	299,239	221,561
Total business-type activities program revenues	\$ 21,841,633	\$ 22,301,706	\$ 26,214,070	\$ 28,976,676	\$ 29,457,753	\$ 30,502,361	\$ 26,591,425	\$ 27,188,944	\$ 28,746,686
Total primary government program revenues	\$ 43,371,248	\$ 47,432,633	\$ 47,546,303	\$ 47,354,207	\$ 48,723,792	\$ 50,111,170	\$ 48,363,824	\$ 48,636,485	\$ 48,598,822
Net (Expense)/Revenue									
Governmental activities	\$ (52,069,191)	\$ (41,286,971)	\$ (59,161,360)	\$ (64,470,734)	\$ (66,123,358)	\$ (59,315,307)	\$ (57,901,372)	\$ (54,012,905)	\$ (51,466,152)
Business-type activities	1,055,295	(294,898)	507,189	1,976,774	2,343,318	3,789,874	1,509,116	2,288,643	2,796,356
Total primary government net expense	\$ (51,013,896)	\$ (41,581,869)	\$ (58,654,171)	\$ (62,493,960)	\$ (63,780,040)	\$ (55,525,433)	\$ (56,392,256)	\$ (51,724,262)	\$ (48,669,796)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes	\$ 49,702,131	\$ 54,685,430	\$ 50,570,501	\$ 49,497,560	\$ 50,488,216	\$ 51,002,080	\$ 51,041,101	\$ 50,673,061	\$ 46,067,375
State-shared revenues	7,618,966	7,101,729	6,906,372	6,844,167	6,635,508	6,633,938	6,313,999	5,615,666	5,615,666
Grants & contrib. not restricted to specific programs	1,500	50	61,890	24,905	175,543	37,398	103,151	1,207,291	8,652
Interest and investment earnings	1,859,698	1,459,262	2,508,127	3,436,837	4,588,419	3,425,379	1,861,698	785,025	537,935
Miscellaneous	438,545	2,063,083	107,486	634,535	118,565	179,109	131,037	163,134	123,038
Transfers	850,200	-	830,140	758,500	(1,856,960)	682,140	704,200	627,160	492,020
Total governmental activities	\$ 60,471,040	\$ 65,309,554	\$ 60,984,516	\$ 61,196,504	\$ 60,149,291	\$ 61,960,044	\$ 60,155,186	\$ 59,071,337	\$ 52,844,686
Business-type activities:									
Grants & contrib. Not restricted to specific programs	\$ -	\$ -	\$ 196,561	\$ 212,213	\$ 215,292	\$ 14,882	\$ 616	\$ 301	\$ -
Interest and investment earnings	649,413	365,794	910,557	1,530,660	2,104,233	1,963,881	1,064,193	487,698	384,561
Miscellaneous	1,752,533	1,130,466	-	-	-	-	-	4,800	-
Transfers	(850,200)	-	(830,140)	(758,500)	(643,040)	(682,140)	(704,200)	(627,160)	(492,020)
Total business-type activities	\$ 1,551,746	\$ 1,496,260	\$ 276,978	\$ 984,373	\$ 1,676,485	\$ 1,296,623	\$ 360,609	\$ (134,361)	\$ (107,459)
Total primary government	\$ 62,022,786	\$ 66,805,814	\$ 61,261,494	\$ 62,180,877	\$ 61,825,776	\$ 63,256,667	\$ 60,515,795	\$ 58,936,976	\$ 52,737,227
Change in Net Assets									
Governmental activities	\$ 8,401,849	\$ 24,022,583	\$ 1,823,156	\$ (3,274,230)	\$ (5,974,067)	\$ 2,644,737	\$ 2,253,814	\$ 5,058,432	\$ 1,378,534
Business-type activities	2,607,041	1,201,362	784,167	2,961,147	4,019,803	5,086,497	1,869,725	2,154,282	2,688,897
Total primary government	\$ 11,008,890	\$ 25,223,945	\$ 2,607,323	\$ (313,083)	\$ (1,954,264)	\$ 7,731,234	\$ 4,123,539	\$ 7,212,714	\$ 4,067,431

CITY OF TROY, MICHIGAN

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

	For Fiscal Year Ended June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund	\$ 3,383,974	\$ 3,524,927	\$ 3,597,139	\$ 708,988	\$ 618,143	\$ 695,992	\$ 617,505	\$ 623,544	\$ 447,720	\$ 4,034,119
Non-spendable	-	-	-	-	-	-	-	-	-	1,508,257
Restricted	-	-	-	-	-	-	-	-	-	3,610,131
Committed	-	-	-	-	-	-	-	-	3,400,000	9,171,895
Assigned	-	-	-	-	-	-	-	-	-	5,953,000
Unassigned	18,576,135	17,901,803	16,855,616	23,098,204	26,280,666	24,169,595	23,015,257	20,690,932	10,722,271	12,359,648
Total general fund	\$ 21,960,109	\$ 21,426,730	\$ 20,452,755	\$ 23,807,192	\$ 26,898,809	\$ 24,865,587	\$ 23,632,762	\$ 21,314,476	\$ 23,741,886	\$ 27,465,155
All other Governmental Funds										
Restricted	\$ 49,190,525	\$ 63,936,029	\$ 51,089,791	\$ 50,227,946	\$ 33,017,038	\$ 34,119,273	\$ 34,552,624	\$ 31,704,901	\$ 8,294,105	\$ 12,047,688
Committed	-	-	-	-	-	-	-	-	89,400	7,245,560
Assigned	-	-	-	-	-	-	-	-	17,909,784	-
Total all other governmental funds	\$ 49,190,525	\$ 63,936,029	\$ 51,089,791	\$ 50,227,946	\$ 33,017,038	\$ 34,119,273	\$ 34,552,624	\$ 31,704,901	\$ 26,293,289	\$ 19,293,248

CITY OF TROY, MICHIGAN

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

	For Fiscal Year Ended June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Property taxes	\$ 47,720,109	\$ 49,445,596	\$ 49,729,110	\$ 51,455,237	\$ 49,877,171	\$ 50,696,911	\$ 51,270,756	\$ 51,092,129	\$ 50,828,551	\$ 46,082,673
Licenses and permits	1,522,133	1,449,003	1,649,985	1,607,445	1,662,592	1,491,958	1,393,635	1,237,191	1,113,809	1,259,748
Intergovernmental - federal	569,310	437,061	415,609	2,928,690	961,366	551,965	1,279,824	4,884,314	3,185,364	2,171,633
Intergovernmental - state	17,169,346	15,946,030	19,579,823	12,944,756	12,073,497	11,805,209	11,990,426	11,345,811	10,494,294	10,504,385
Intergovernmental - local	159,268	142,450	241,418	165,154	891,705	765,823	738,058	465,212	908,398	1,039,709
Charges for services	3,667,536	5,870,215	6,310,960	8,594,731	7,895,033	8,338,480	8,109,915	7,782,945	8,151,713	7,335,759
Fines and forfeits	1,171,749	896,833	960,250	973,527	994,373	1,243,286	1,483,784	1,054,161	1,226,729	1,277,705
Investment income	2,687,564	1,664,399	1,198,874	2,213,067	2,947,672	3,942,955	2,782,486	1,592,062	643,073	430,899
Other	3,995,601	4,798,868	5,497,512	2,817,781	1,601,059	2,046,840	1,924,977	1,999,943	3,347,701	1,967,075
Total revenues	\$ 78,666,616	\$ 80,630,455	\$ 85,383,541	\$ 83,700,388	\$ 78,904,468	\$ 80,883,427	\$ 80,993,861	\$ 81,453,768	\$ 79,899,632	\$ 72,069,586
Expenditures										
General government	\$ 7,605,215	\$ 8,217,477	\$ 8,657,335	\$ 8,978,687	\$ 9,002,076	\$ 9,118,399	\$ 9,181,757	\$ 9,167,749	\$ 8,562,924	\$ 8,232,791
Public safety	24,721,059	25,229,556	26,313,278	27,203,034	27,973,275	29,575,908	30,764,667	31,042,277	30,902,648	29,899,440
Roads and Streets	3,321,820	3,822,154	3,944,998	5,074,870	4,755,184	4,754,166	5,600,748	5,687,378	4,844,712	4,289,543
Other Public Works	3,808,488	3,708,860	3,500,055	2,780,643	2,835,772	2,676,716	2,676,845	2,525,114	2,043,464	2,265,982
Sanitation	3,671,275	4,198,140	4,432,201	4,432,841	4,367,093	4,528,962	3,892,487	3,961,794	3,996,065	4,109,985
Community & Economic Dev.	675,157	576,366	553,242	474,591	2,011,275	116,091	115,981	193,216	127,522	148,800
Recreation and culture	10,287,719	11,893,754	12,524,550	13,263,560	13,376,722	13,412,739	14,431,267	13,830,413	12,231,424	9,067,491
Capital outlay	56,099,017	42,801,620	22,194,876	14,791,534	18,994,837	11,856,766	12,322,730	17,176,377	17,062,105	14,244,384
Debt service										
Principal	9,589,460	4,081,284	12,872,500	3,109,955	1,736,712	1,917,957	1,968,296	2,223,309	2,304,692	2,496,586
Interest and other charges	3,229,735	3,133,028	4,410,719	3,246,210	1,702,856	1,639,410	1,471,759	1,461,569	1,375,693	1,248,479
Total expenditures	\$ 123,008,945	\$ 107,662,039	\$ 99,403,754	\$ 83,355,925	\$ 86,755,802	\$ 79,597,114	\$ 82,426,537	\$ 87,273,196	\$ 83,451,249	\$ 76,003,481
Excess of revenues over (under) expenditures	\$ (44,342,329)	\$ (27,011,584)	\$ (13,820,213)	\$ 344,463	\$ (7,851,334)	\$ 1,286,313	\$ (1,432,676)	\$ (5,819,428)	\$ (3,551,617)	\$ (3,933,895)
Other Financing Sources (Uses)										
Issuance of debt	\$ 34,181,247	\$ 40,225,000	\$ -	\$ -	\$ 81,089	\$ 41,440	\$ 3,505,000	\$ 181,379	\$ 11,321,816	\$ 9,110,000
Proceeds from sale of capital assets	-	-	-	74,985	905,292	748,221	47,902	131,205	-	61,373
Payments to escrow agents	-	-	-	-	-	-	(3,601,840)	-	(11,261,350)	(9,919,004)
Premium on Debt Issuance	-	-	-	-	-	-	-	-	-	947,639
Transfers in	19,623,039	23,611,663	22,746,919	16,529,331	12,767,350	13,965,781	12,260,233	11,066,116	10,441,542	9,229,240
Transfers out	(18,841,149)	(22,761,463)	(22,746,919)	(15,699,191)	(12,008,850)	(16,972,741)	(11,578,093)	(10,442,591)	(9,954,593)	(8,772,125)
Total other financing sources (uses)	\$ 34,963,137	\$ 41,075,200	\$ -	\$ 905,125	\$ 1,744,881	\$ (2,217,299)	\$ 633,202	\$ 936,109	\$ 567,415	\$ 657,123
Net change in fund balances	\$ (9,379,192)	\$ 14,063,616	\$ (13,820,213)	\$ 1,249,588	\$ (6,106,453)	\$ (930,986)	\$ (799,474)	\$ (4,885,319)	\$ (2,984,202)	\$ (3,276,772)
Debt service as a percentage of noncapital expenditures	19.2%	11.1%	22.4%	9.3%	5.1%	5.3%	4.9%	5.3%	5.5%	6.1%

CITY OF TROY, MICHIGAN

GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Governmental Funds					Total All Property Taxes
	General	Refuse	Capital	General Debt Service		
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		45,970,416
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		49,877,280
2007	35,679,836	4,254,241	8,200,947	2,561,887		50,696,911
2008	36,667,821	3,563,759	8,385,316	2,653,860		51,270,868
2009	36,487,455	3,564,456	8,386,956	2,653,262		51,092,129
2010	36,362,516	3,900,932	7,957,902	2,607,201		50,828,551
2011	32,550,858	4,057,573	7,137,343	2,336,899		46,082,673

CITY OF TROY, MICHIGAN

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Total Tax Levy	Current Tax Collections	Percentage of Current		Delinquent Tax Collections	Total Tax Collections To Date	Percentage of Total Tax		Outstanding Delinquent Taxes	Percentage of Delinquent Taxes	
			Taxes Collected	Tax Collections			To Total Tax Levy	To Total Tax Levy		To Total Tax Levy	To Total Tax Levy
2002	\$ 41,803,788	\$ 41,016,410	98.12%	\$ 632,486	\$ 41,648,896	\$ 308,641	99.63%	0.74%			
2003	43,497,146	42,574,532	97.88%	582,323	43,156,855	491,213	99.22%	1.13%			
2004	44,251,910	43,440,583	98.17%	672,473	44,113,056	296,928	99.69%	0.67%			
2005	45,666,420	44,814,456	98.13%	637,527	45,451,983	214,437	99.53%	0.47%			
2006	46,913,799	45,924,486	97.89%	726,792	46,651,278	65,394	99.44%	0.14%			
2007	48,338,412	47,306,612	97.87%	923,002	48,229,614	108,773	99.77%	0.23%			
2008	48,667,887	47,589,455	97.78%	1,037,838	48,627,293	107,492	99.92%	0.22%			
2009	48,676,220	47,420,544	97.42%	771,027	48,191,571	120,221	99.00%	0.25%			
2010	48,273,658	47,388,992	98.17%	766,850	48,155,842	116,780	99.76%	0.24%			
2011	43,852,179	42,664,592	97.29%	1,095,386	43,759,978	92,200	99.79%	0.21%			

CITY OF TROY, MICHIGAN

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

Overlapping Governments

Fiscal Year Ended June 30	City of Troy			Troy School District	Oakland County	Oakland		SMART	State Education	Zoo	Total
	General	Capital	Refuse			Community College	Intermediate School District				
2002 H	\$ 6.25	\$ 1.65	\$ 0.83	\$ 10.06	\$ 4.64	\$ 1.60	\$ 3.46	\$ 0.32	\$ 6.00	*	\$ 35.56
2002 NH	6.25	1.65	0.83	21.13	4.64	1.60	3.46	0.32	6.00	*	46.63
2003 H	6.25	1.62	0.83	9.73	4.65	1.61	3.42	0.60	6.00	*	35.46
2003 NH	6.25	1.62	0.83	21.14	4.65	1.61	3.42	0.60	6.00	*	46.87
2004 H	6.25	1.62	0.83	9.43	4.65	1.60	3.40	0.60	5.00	*	34.13
2004 NH	6.25	1.62	0.83	21.14	4.65	1.60	3.40	0.60	5.00	*	45.84
2005 H	6.25	1.87	0.83	10.16	4.65	1.60	3.38	0.60	6.00	*	35.84
2005 NH	6.25	1.87	0.83	22.13	4.65	1.59	3.38	0.60	6.00	*	47.80
2006 H	6.50	1.62	0.83	9.87	4.65	1.58	3.37	0.60	6.00	*	35.52
2006 NH	6.50	1.62	0.83	22.13	4.65	1.58	3.37	0.60	6.00	*	47.78
2007 H	6.50	1.60	0.83	9.87	4.65	1.58	3.37	0.59	6.00	*	35.49
2007 NH	6.50	1.60	0.83	22.13	4.65	1.58	3.37	0.59	6.00	*	47.75
2008 H	6.50	1.60	0.68	9.42	4.65	1.58	3.37	0.59	6.00	*	34.89
2008 NH	6.50	1.60	0.68	22.13	4.65	1.58	3.37	0.59	6.00	*	47.60
2009 H	6.50	1.60	0.68	8.72	4.65	1.58	3.37	0.59	6.00	0.10	34.29
2009 NH	6.50	1.60	0.68	22.10	4.65	1.58	3.37	0.59	6.00	0.10	47.67
2010 H	6.50	1.53	0.75	8.77	4.65	1.58	3.37	0.59	6.00	0.10	34.34
2010 NH	6.50	1.53	0.75	22.10	4.65	1.58	3.37	0.59	6.00	0.10	47.67
2011 H	6.50	1.53	0.87	9.74	4.65	1.58	3.37	0.59	6.00	0.10	35.43
2011 NH	6.50	1.53	0.87	22.73	4.65	1.58	3.37	0.59	6.00	0.10	48.42

H - Homestead
NH - Non-Homestead
* - Not Applicable

CITY OF TROY, MICHIGAN

ASSESSED VALUE AND TAXABLE VALUE OF PROPERTY LAST TEN FISCAL YEARS

Assessment Date	Levy Date	Fiscal Year Ended	Residential Property	Commercial Property	Industrial Property	Personal Property	Total Taxable Value	Total Direct Tax Rate	Assessed Value	Taxable Value as a Percentage of Assessed Value
12/31/2000	7/01/2001	6/30/2002	\$ 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%
12/31/2001	7/01/2002	6/30/2003	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%
12/31/2002	7/01/2003	6/30/2004	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%
12/31/2003	7/01/2004	6/30/2005	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%
12/31/2004	7/01/2005	6/30/2006	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%
12/31/2005	7/01/2006	6/30/2007	3,076,070,702	1,376,175,120	502,914,670	479,874,950	5,435,035,442	9.43	6,608,804,750	86.24%
12/31/2006	7/01/2007	6/30/2008	3,187,596,017	1,388,201,850	510,504,920	464,213,650	5,550,516,437	9.28	6,422,659,810	86.42%
12/31/2007	7/01/2008	6/30/2009	3,196,824,810	1,399,118,520	509,100,180	457,552,500	5,562,596,010	9.28	6,227,094,050	89.33%
12/31/2008	7/01/2009	6/30/2010	3,134,086,995	1,370,377,371	507,215,340	448,100,230	5,459,779,936	9.28	5,838,889,239	93.51%
12/31/2009	7/01/2010	6/30/2011	2,788,952,055	1,207,199,537	439,470,690	407,990,730	4,843,613,012	9.40	4,988,518,313	97.10%
12/31/2010	7/01/2011	6/30/2012	2,631,131,230	1,192,065,320	241,468,720	384,084,890	4,448,750,160	9.49	4,540,412,680	97.98%

Source: City of Troy Assessing records

Note: The estimated assessed value is calculated using a 12-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 TAXPAYERS CURRENT YEAR AND TEN YEARS AGO

Fiscal Year Ended 6/30/2002		Fiscal Year Ended 6/30/2011					
Taxpayer	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxpayer
Gale & Wentworth	\$ 58,932,510	1	1.26%	\$ 62,780,180	1	1.30%	<u>Frankel Forbes Cohen</u>
<u>Frankel Forbes Cohen</u>	58,776,560	2	1.25%	41,207,320	2	0.85%	Emmes Asset Mngt
<u>Nykel Management</u>	53,855,480	3	1.15%	29,800,130	3	0.62%	<u>Nykel Management</u>
WRC Properties	46,965,090	4	1.00%	28,326,390	4	0.58%	Troy Industrial
K Mart	46,290,090	5	0.99%	27,992,000	5	0.58%	Nemer Troy Place
<u>Detroit Edison</u>	44,301,330	6	0.95%	27,557,700	6	0.57%	<u>Detroit Edison</u>
Liberty Property L.P.	41,769,980	7	0.89%	27,381,260	7	0.57%	Osprey-Troy Place
Flagstar Bank	38,629,980	8	0.82%	26,348,660	8	0.54%	Urban Cal
Riggs & Co.	29,067,770	9	0.62%	26,332,930	9	0.54%	888 W Big Beaver Assoc
Sheffield Office, L.P.	28,274,960	10	0.60%	24,467,460	10	0.51%	Bank of America
Total Top Ten	\$ 446,863,750			\$ 322,194,030			Total Top Ten
Total % of City T/V			9.54%			6.65%	Total % of City T/V
Total City T/V	\$ 4,686,250,942			\$ 4,843,613,012			Total City T/V

*Underlined & Italic appear in both years.

CITY OF TROY, MICHIGAN

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	General Activities					Business Type Activities				Total Net Bonded Debt Per Capita
	Taxable Value	Estimated Population	General Obligation & County Issued Bonds	Debt Service Fund Balance	Net Total	Percent of Net Bonded Debt to Taxable Value	Net Bonded Debt Per Capita	Business Type Activities Bonds	Net Bonded Debt Per Capita	
2002	\$ 4,686,250,942	80,959	\$ 41,864,521	\$ 12,716,625	\$ 29,147,896	0.6%	\$ 360.03	\$ 1,600,000	\$ 19.76	\$ 379.80
2003	4,861,640,648	80,959	53,238,658	13,543,103	39,695,555	0.8%	490.32	12,800,000	158.10	648.42
2004	4,978,263,437	80,959	42,498,315	4,820,818	37,677,497	0.8%	465.39	12,000,000	148.22	613.61
2005	5,094,758,223	80,959	40,812,271	4,734,163	36,078,108	0.7%	445.63	12,000,000	148.22	593.86
2006	5,264,351,550	80,959	39,156,648	4,776,501	34,380,147	0.7%	424.66	11,800,000	145.75	570.41
2007	5,435,035,442	80,959	37,280,131	4,434,911	32,845,220	0.6%	405.70	11,600,000	143.28	548.98
2008	5,550,516,437	80,959	35,333,976	4,318,695	31,015,281	0.6%	383.10	11,300,000	139.58	522.68
2009	5,562,596,010	80,959	33,290,046	3,889,540	29,400,506	0.5%	363.15	11,000,000	135.87	499.02
2010	5,459,779,936	80,959	30,670,062	3,413,596	27,256,466	0.5%	336.67	10,700,000	132.17	468.84
2011	4,843,613,012	80,959	27,783,479	2,586,721	25,196,758	0.5%	311.23	10,300,000	127.22	438.45

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF TROY, MICHIGAN

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

Fiscal Year Ended June 30	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures	Percentage of Debt Service to General Government Expenditures
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%
2008	1,790,000	1,388,255	3,178,255	69,842,007	4.55%
2009	2,045,000	1,377,508	3,422,508	69,832,449	4.90%
2010	2,065,000	1,292,143	3,357,143	66,065,902	5.08%
2011	2,300,000	1,245,789	3,545,789	61,499,991	5.77%

Includes General, Special Revenue and Debt Service Funds.

CITY OF TROY, MICHIGAN

COMPUTATION OF DIRECT AND OVERLAPPING DEBT JUNE 30, 2011

<u>Jurisdiction</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage Applicable to Troy</u>	<u>Amount Applicable to Troy</u>
City of Troy	\$ 25,196,758	100.00%	\$ 25,196,758
Avondale School District	110,444,455	18.66%	20,608,935
Birmingham School District	212,830,000	3.84%	8,172,672
Bloomfield Hills School District	9,530,000	2.09%	199,177
Lamphere School District	15,460,000	14.01%	2,165,946
Royal Oak School District	72,845,000	2.23%	1,624,444
Troy School District	116,040,000	100.00%	116,040,000
Warren School District	195,415,000	8.05%	15,730,908
Oakland County	97,306,733	8.73%	8,494,878
Oakland Intermediate School District	62,379,412	8.19%	5,108,874
Macomb Intermediate School District	-	1.09%	-
Oakland County Community College	<u>5,075,000</u>	8.79%	<u>446,093</u>
Total overlapping debt	<u>897,325,600</u>		<u>178,591,925</u>
Total direct and overlapping debt	<u><u>\$ 922,522,358</u></u>		<u><u>\$ 203,788,683</u></u>

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

CITY OF TROY, MICHIGAN

COMPUTATION OF LEGAL DEBT MARGIN JUNE 30, 2011

Assessed Valuation at December 31, 2009 \$ 4,988,518,313

	<u>Annual Net Debt</u>	<u>Percentage of State Equalized Valuation</u>	<u>Legal Margin</u>	
			<u>Amount</u>	<u>Legal Debt Margin</u>
General obligation debt	\$ 34,545,000	10.0%	\$ 498,851,831	\$ 464,306,831
Emergency bonds	-	37.5%	1,870,694,367	1,870,694,367
Special assessment bonds	<u>-</u>	12.0%	<u>598,622,198</u>	<u>598,622,198</u>
Total debt	<u>\$ 34,545,000</u>		<u>\$ 2,968,168,396</u>	<u>\$ 2,933,623,396</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 (\$4,988,518,313), 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

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS

	Fiscal Year				
	2002	2003	2004	2005	2006
Debt Limit	\$ 565,256,394	\$ 595,569,740	\$ 618,808,426	\$ 633,722,297	\$ 652,607,433
Total net debt applicable to limit	(33,840,000)	(58,875,000)	(48,680,000)	(47,405,000)	(45,855,000)
Legal debt margin	<u>\$ 531,416,394</u>	<u>\$ 536,694,740</u>	<u>\$ 570,128,426</u>	<u>\$ 586,317,297</u>	<u>\$ 606,752,433</u>
Total net debt applicable to the limit as a percentage of debt limit	5.99%	9.89%	7.87%	7.48%	7.03%

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt Limit	\$ 660,880,475	\$ 642,265,981	\$ 622,709,405	\$ 583,886,924	\$ 498,851,831
Total net debt applicable to limit	(44,130,000)	(42,220,000)	(40,050,000)	(37,460,000)	(34,545,000)
Legal debt margin	<u>\$ 616,750,475</u>	<u>\$ 600,045,981</u>	<u>\$ 582,659,405</u>	<u>\$ 546,426,924</u>	<u>\$ 464,306,831</u>
Total net debt applicable to the limit as a percentage of debt limit	6.68%	6.57%	6.43%	6.42%	6.92%

CITY OF TROY, MICHIGAN

PLEGGED REVENUE COVERAGE LAST TEN FISCAL YEARS

Building Authority bonds					
Debt Service					
Fiscal Year Ended	Collections	Principal	Interest	Total	Coverage (1)
2002	\$ -	\$ -	\$ -	\$ -	N/A
2003	-	-	511,294	511,294	0%
2004	-	-	557,770	557,770	0%
2005	962,132	-	557,770	557,770	172%
2006	1,173,020	200,000	554,520	754,520	155%
2007	1,057,265	200,000	547,307	747,307	141%
2008	985,813	300,000	539,038	839,038	117%
2009	923,908	300,000	526,950	826,950	112%
2010	974,051	300,000	515,200	815,200	119%
2011	940,775	400,000	501,945	901,945	104%

Michigan Transportation Fund Bonds					
Debt Service					
Fiscal Year Ended	Collections (2)	Principal	Interest	Total	Coverage
2002	\$ 2,389,260	\$ 1,200,000	\$ 221,538	\$ 1,421,538	168%
2003	2,433,431	1,300,000	164,538	1,464,538	166%
2004	2,627,194	125,000	103,438	228,438	1150%
2005	2,548,178	150,000	97,438	247,438	1030%
2006	2,529,103	175,000	90,088	265,088	954%
2007	2,502,483	175,000	81,338	256,338	976%
2008	2,461,676	175,000	72,588	247,588	994%
2009	2,371,142	175,000	63,838	238,838	993%
2010	2,329,592	175,000	54,913	229,913	1013%
2011	2,363,803	175,000	45,900	220,900	1070%

Special Assessment Bonds					
Debt Service					
Fiscal Year Ended	Collections	Principal	Interest	Total	Coverage (3)
2002	\$ 37,738	\$ 25,000	\$ 12,738	\$ 37,738	100%
2003	36,056	25,000	11,056	36,056	100%
2004	34,369	25,000	9,369	34,369	100%
2005	32,675	25,000	7,675	32,675	100%
2006	55,125	50,000	5,125	55,125	100%
2007	51,713	50,000	1,713	51,713	100%
2008	-	-	-	-	N/A
2009	-	-	-	-	N/A
2010	-	-	-	-	N/A
2011	-	-	-	-	N/A

(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 (4)	Number of Households(1)	Median Household Effective Buying Income (1)	School Enrollment (3)	Unemployment Rate (%)(2)	Median Age (1)	Personal Income (000's)(1)	Education Age 25 or Older			
								High School(1)	Bachelor Degree(1)	Graduate or Professional Degree	
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	*	*	*	*	%
2006	87,159	32,431	*	12,131	4.9	38.1	*	*	*	*	%
2007	87,594	32,596	*	12,192	4.8	41.7	43	*	*	*	%
2008	87,956	32,802	*	12,165	5.6	37.0	*	*	*	*	%
2009	81,490	** 33,568	** 89,840	** 12,069	9.4	** 41.1	** 42	** 86	** 27	**	**
2010	80,084	** 33,176	*	12,045	11.9	41.1	*	83	28	*	*
2011	80,980	33,368	89,840	12,106	9.5	41.1	*	95	56	25	

Source:

- (1) U.S. Census 2006-2008 American Community Survey
- (2) U.S. Department of Commerce, Bureau of Labor Statistics
- (3) Troy School District
- (4) Southeast Michigan Council of Governments (SEMCOG)

* Information not available.
 ** Change in the calculation method.

CITY OF TROY, MICHIGAN

PRINCIPAL EMPLOYERS BY INDUSTRY CURRENT AND PREVIOUS FOUR YEARS

Industry	2007			2008			2009			2010			2011		
	Number of Parcels	Rank	Percent of Total Parcels												
Industrial, Light Manufacturing	647	1	40.90%	638	1	39.68%	676	1	41.83%	630	1	39.82%	630	1	38.99%
Office	266	2	16.81%	266	2	16.54%	267	2	16.52%	268	2	16.94%	262	2	16.21%
Retail Store (Mall, Plaza, Market, Whse, Discount)	144	3	9.10%	149	3	9.27%	149	3	9.22%	128	3	8.09%	149	3	9.22%
Medical Office	76	5	4.80%	76	6	4.73%	85	4	5.26%	80	4	5.06%	85	4	5.26%
Engineering	83	4	5.25%	79	5	4.91%	78	5	4.83%	76	5	4.80%	79	5	4.89%
Restaurant & Fast Food	61	7	3.86%	61	8	3.79%	66	6	4.08%	66	6	4.17%	66	6	4.08%
Apartments	65	6	4.11%	64	7	3.98%	64	7	3.96%	62	7	3.92%	66	6	4.08%
Service (Station, Garage, Booth, Convenience)	42	10	2.65%	56	9	3.48%	47	8	2.91%	56	9	3.54%	51	8	3.16%
Loft (Multi Tenant Industrial)	41	11	2.59%	42	11	2.61%	44	9	2.72%	42	11	2.65%	41	9	2.54%
Bank	28	12	1.77%	28	12	1.74%	29	10	1.79%	28	12	1.77%	29	10	1.79%
Auto Dealership	17	13	1.07%	17	13	1.06%	17	11	1.05%	17	13	1.07%	17	11	1.05%
Warehouse (Storage, Distribution, Transit)	55	9	3.48%	50	10	3.11%	17	12	1.05%	55	10	3.48%	56	7	3.47%
All other	57	8	3.61%	82	4	5.10%	77	13	4.78%	74	8	4.68%	85	4	5.26%
Total commercial/industrial parcels	1,582		100.00%	1,608		100.00%	1,616		100.00%	1,582		100.00%	1,616		100.00%

CITY OF TROY, MICHIGAN

OPERATION INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Building Inspection										
Permits issued	1,938	1,867	2,110	2,136	1,927	1,696	1,588	1,251	1,185	940
Plans reviewed	1,029	1,053	1,200	1,716	1,600	1,059	920	685	719	908
Executive Administration										
City Manager's Office	3	3	3	3	3	3	3	3	3	3
GFOA awards/submittals										
City Attorney's Office										
District court appearances	5,953	4,910	6,484	6,425	6,531	6,368	6,706	6,840	6,091	6,492
Engineering										
Engineering										
Soil erosion inspections	500	900	2,500	2,983	4,570	4,001	1,422	1,626	979	863
Machine traffic counts	140	138	140	128	125	136	136	146	125	93
Finance										
Accounting/Risk Management										
Payroll checks processed	22,811	23,224	23,250	23,851	23,800	24,116	27,717	27,346	23,147	22,891
Invoices issued	2,259	2,193	120	1,651	1,800	2,200	2,000	3,597	8,354	9,649
Liability claims processed	161	162	161	139	129	114	143	140	85	84
Insurance certificates approved	287	307	400	357	350	386	379	370	364	331
Assessing										
Residential appraisals	1,200	1,500	1,200	1,200	1,600	1,500	1,273	1,439	863	750
Reinspections	1,500	1,500	1,500	1,500	1,250	1,000	800	1,000	600	500
City Clerk's Office										
Dog licenses issued (1)	5,256	5,013	5,020	2,330	1,690	2,043	1,870	2,250	2,573	1,843 ^A
Registered voters	54,712	54,273	54,122	54,188	53,792	54,355	56,774	55,989	56,572	55,301
Human Resources										
Applications processed	1,552	1,340	1,248	1,156	1,500	1,117	1,762	1,015	365	110
Job postings	50	44	50	44	50	45	39	37	10	11
Labor contracts settled	2	2	1	1	4	0	1	1	1	6
Purchasing										
Value of goods/services purchased	\$23.6 mil	\$24.4 mil	\$29.0 mil	\$26.3 mil	\$29.0 mil	\$30.4 mil	\$29.6 mil	\$33.8 mil	\$31.7 mil	\$33.3 mil
% of awards without dispute	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
City Treasurer's Office										
Tax bills processed	63,086	64,000	64,000	65,480	66,220	65,740	66,907	65,798	65,770	65,687
Water bills processed	98,747	N/A	N/A	104,771	106,369	102,000	104,784	104,777	104,807	99,566
Community Affairs										
New resident packets distributed	761	770	760	775	775	950	830	855	910	943
Press releases sent	315	330	340	412	440	450	465	475	482	487

^A Data through April 2011 at which time Oakland County assumed animal control responsibility

CITY OF TROY, MICHIGAN

OPERATION INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Fire</u>										
Fire Department responses	1,182	1,204	1,358	1,188	1,475	1,338	1,154	889	853	1,022
Inspections performed	1,974	2,465	2,000	2,196	2,000	2,210	2,440	2,768	2,543	2,347
<u>Other General Government</u>										
Building Operations										
Requests for service	3,478	6,200	11,472	14,472	16,750	18,900	19,200	18,922	17,280	16,801
Planning										
Site plan reviews	31	33	18	19	21	14	21	9	14	13
Special use requests	7	7	7	6	10	22	13	15	9	8
<u>Parks & Recreation</u>										
ROW trees trimmed	3,000	3,200	1,000	1,000	1,160	3,215	1,968	2,894	3,168	2,457
Nature Center program attendance	3,176	4,660	4,090	4,995	4,765	4,890	5,089	5,400	5,658	4,150
<u>Police</u>										
Part 1 Crimes	2,061	2,107	1,979	2,044	2,088	1,890	2,021	1,944	1,837	1,842
Operate while impaired	442	306	431	453	448	520	503	477	396	464
<u>Public Works</u>										
Streets & Drains Division										
Requests for service	905	870	1,100	1,293	744	860	1,602	1,258	1,004	1,188
Traffic signs repaired/replaced	1,825	1,650	1,800	1,650	1,680	1,250	1,123	1,046	1,230	1,042
Water & Sewer Division										
Requests for service	2,653	2,414	2,650	2,650	2,637	2,244	2,147	2,844	2,902	3,379
Sanitary sewers cleaned in feet	1,918,932	1,671,089	1,670,000	1,670,000	2,067,000	1,610,795	2,100,000	2,100,000	1,785,000	1,307,000
Fleet Maintenance										
Work orders	3,098	3,849	4,000	4,137	4,050	4,072	4,000	3,848	3,507	3,217
Vehicle tires replaced	403	355	400	791	600	648	594	604	608	520
Refuse/Resource Recovery										
Tons of refuse collected	48,793	49,263	54,000	48,308	54,500	44,637	35,313	32,951	27,412	27,230
Tons of compost collected	4,989	6,303	6,500	7,804	9,984	7,917	10,753	10,620	12,313	9,690
<u>Information Technology</u>										
Help desk requests	1,250	1,407	1,400	1,620	1,800	2,062	2,136	2,075	2,392	2,498
<u>Golf Course</u>										
Sylvan Glen rounds of golf	55,982	53,410	55,560	51,060	50,820	45,032	42,451	43,892	41,719	40,852
Sanctuary Lake rounds of golf	-	-	4,010	18,463	25,833	23,729	23,664	24,710	24,757	27,236
<u>Aquatic Center</u>										
Admissions	53,140	38,578	48,000	55,348	50,240	54,519	53,521	48,146	47,738	51,000

CITY OF TROY, MICHIGAN

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year Ended June 30									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<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	366	370	371	410	423	437	443	443	443	443
Miles of unimproved	7	7.4	6.5	4.9	4.9	4.8	4	4	4	4
<u>Sewers</u>										
Miles of combination storm/sanitary	2	10	10	10	10	10	10	10	10	10
Miles of sanitary	377	382.5	384.7	386	384	386	394.5	397	398	398
Miles of storm	278	366	397	488	510	542	543	545	545	545
<u>Street Lights</u>										
Detroit Edison owned poles	712	579	577	577	564	564	582	582	580	562
City owned poles	1,122	1,669	1,707	1,707	1,558	1,558	956	956	956	997
<u>Water</u>										
Annual distribution in million cubic feet	574.6	641	643	595	663	614	561	494	449	485
Miles of watermains	536	538.8	543.5	547	536	538	539	540	540	540
Number of hydrants	5,467	5,492	5,561	5,610	5,759	5,782	5,830	5,850	5,854	5,870
<u>Parks and Recreation</u>										
Number of developed parks	14	14	14	14	14	14	14	14	14	14
Acres of public parks	896	735	735	735	735	880	880	1,000	1,000	1,000
Number of tennis courts	18	18	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	2	2	2	2	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

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
2007 - 2008	1,588	permits	103,420,413	estimated value
2008 - 2009	1,251	permits	99,128,945	estimated value
2009 - 2010	1,185	permits	56,329,455	estimated value
2010 - 2011	940	permits	81,414,322	estimated value

CITY OF TROY, MICHIGAN

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

Function/Program	2002		2003		2004		2005		2006		2007		2008		2009		2010		2011	
	Full Time	Part Time																		
Building Inspection	22	0	22	0	22	0	22	0	21	2	21	2	21	2	21	2	17	2	0	0
Executive Administration	6	0	6	0	6	0	6	0	6	0	5	0	4.5	0	4.5	0	4.5	0	4	4
City Manager's Office	7	2	8	1	8	1	8	1	8	1	8	1	8	1	8	1	8	1	6	1
City Attorney's Office	6	1	6	2	6	2	6	2	6	2	6	2	6	2	6	2	5	2	3	2
City Clerk's Office	4	1	4	1	4	1	4	1	4	1	4	1	4	1	4	1	4	1	4	1
Human Resources	3	6	3	6	3	3	9	3	3	6	3	6	3	6	3	6	1	6	0	0
Community Affairs																				
Engineering	23	109	23	7	23	7	23	7	23	6	23	6	22	6	21	6	16	5	12	3
Engineering																				
Finance	11	0	11	0	11	0	10.5	0	10.5	0	10.5	0	10.5	0	10.5	0	9.5	0	4	1
Accounting/Risk Management	10	0	10	0	10	0	8	2	8	2	8	2	8	2	8	2	8	1	6	1
Assessing	3	1	3	1	3	1	3	1	3	1	3	1	3	1	3	1	3	1	2	0
Purchasing	5	0	5	0	5	0	4.5	0	4.5	0	4.5	0	4.5	0	4.5	0	3.5	0	3	0
City Treasurer's Office																				
Fire	14	2	14	2	14	2	14	2	14	2	14	2	14	2	13	2	13	2	10	6
Fire																				
Library/Museum	20	66	20	85	20	86	20	88	20	88	17	98	16	98	16	96	15	93	5	61
Library	3	4	3	5	3	5	2	9	2	9	2	9	2	9	2	9	2	9	0	0
Museum																				
Other General Government	5	1	5	1	5	1	5	1	5	1	4	1	3.5	0	3.5	0	3.5	0	0	0
Real Estate & Development	11	2	12	2	12	2	12	2	12	2	12	2	12	2	12	2	11	2	6	0
Building Operations	5	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0	3	0	4	2
Planning																				
Police	194	11	194	13	194	13	194	13	194	13	193	14	192	18	192	18	188	18	153	22
Police																				

CITY OF TROY, MICHIGAN

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

	2002		2003		2004		2005		2006		2007		2008		2009		2010		2011		
	Full Time	Part Time																			
<u>Parks & Recreation</u>																					
Parks & Recreation	34	43	35	116	35	128	35	128	35	128	34	212	34	206	32	206	32	181	15	155	
<u>Public Works</u>																					
Streets & Drains Division	34.5	18	34.5	19	34.5	19	34.5	19	32.5	18	31.5	18	31.5	18	31.5	18	28.5	18	24.5	2	
Water & Sewer Division	35	6	35	6	35	6	35	6	35	6	34	7	34	7	34	7	34	7	31	0	
Fleet Maintenance	18	2	18	2	18	2	18	2	18	2	18	2	18	2	18	2	18	2	11	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	0.5	0	
<u>Information Technology</u>																					
Information technology	8	0	9	0	9	0	9	0	9	0	9	0	9	0	9	2	9	2	8	1	
<u>Golf Course</u>																					
Golf course	4	35	4	37	3	36	5	54	5	72	5	72	5	71	5	71	5	54	0	0	
<u>Aquatic Center</u>																					
Aquatic center	0	0	0	74	0	74	0	74	0	74	0	74	0	74	0	88	0	88	0	50	
<u>Total Employees</u>	<u>487</u>	<u>311</u>	<u>491</u>	<u>381</u>	<u>491</u>	<u>390</u>	<u>488</u>	<u>422</u>	<u>485</u>	<u>437</u>	<u>476</u>	<u>533</u>	<u>472</u>	<u>529</u>	<u>467</u>	<u>543</u>	<u>443</u>	<u>496</u>	<u>310</u>	<u>314</u>	

CITY OF TROY, MICHIGAN

STATE SHARED REVENUES LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>State Shared Revenue</u>
2002	\$ 8,348,727
2003	7,618,966
2004	7,101,729
2005	6,906,372
2006	6,844,167
2007	6,635,508
2008	6,633,938
2009	6,313,999
2010	5,615,666
2011	5,615,666

GAS AND WEIGHT TAXES LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>Type of Street</u>		<u>Total Gas and Weight Tax (Act 51) Receipts</u>
	<u>Major Road</u>	<u>Local Road</u>	
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
2008	3,529,518	1,393,834	4,923,352
2009	3,396,979	1,345,306	4,742,285
2010	3,337,309	1,321,874	4,659,183
2011	3,386,023	1,341,582	4,727,605

Source: City of Troy

CITY OF TROY, MICHIGAN

LABOR AGREEMENTS

Name	Expiration Date	Number of Employees Covered
American Federation of State, County, and Municipal Employees, AFSCME - Public Works Employees	6/30/2013	66
Michigan Association of Police - Clerical, Police Services Aides	6/30/2013	41
Troy Command Officers Association - Command Police Officers	6/30/2014	17
Troy Police Officers Association - Police Officers	6/30/2015	94
Troy Firestaff Officers Association - Fire Career Professionals	6/30/2014	8
Troy Communication Supervisors Association - Civilian Communications Supervisors	6/30/2013	9

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SINGLE AUDIT ACT COMPLIANCE

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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***

December 1, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Troy, Michigan* (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 1, 2011. 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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*.

In addition, we noted certain matters that we reported to management of the City of Troy in a separate letter dated December 1, 2011.

This report is intended solely for the information and use of the City Council, 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 cursive script that reads "Lehmann Johnson".

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

December 1, 2011

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 could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance

of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

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

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

City of Troy, Michigan
Note to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Pass through Oakland County, Michigan <i>Community Development Block Grant</i>	14.218	\$ 148,800
U.S. Department of Justice:		
<i>Bulletproof Vest Grant</i>	16.607	13,756
JAG - Contract No. 2009-SB-B9-1863	16.804	5,134
Total U.S. Department of Justice		<u>18,890</u>
U.S. Department of Transportation:		
Pass through Michigan State Department of Transportation <i>Highway Planning & Construction</i>		
HH6088	20.205	611,715
RR5240	20.205	577,930
HH6240	20.205	177,448
RR6189	20.205	664
RR3172	20.205	122,684
RR5451	20.205	773
Total Highway Planning and Construction		<u>1,491,214</u>
U.S. Department of Transportation Highway Safety Funds:		
Pass through Michigan Office of Highway Safety Planning <i>MACP Award PT-09-70</i>	20.600	15,000
Total U.S. Department of Transportaion		<u>1,506,214</u>
U.S. Department of Energy Labor & Economic Growth:		
<i>AARA Energy Efficiency and Conservation Grant</i>	81.128	394,875
U.S. Department of Homeland Security:		
<i>FEMA-Assistance to Firefighter's Grant</i>	97.044	102,854
Total Expenditures of Federal Awards		<u><u>\$ 2,171,633</u></u>

The accompanying notes are an integral part of this schedule.

THE CITY OF TROY, MICHIGAN

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Troy, Michigan under programs of the federal government for the year ended June 30, 2011. 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*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-133, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in the prior years. Pass-through entity identifying numbers are presented where available.

* * * * *

THE CITY OF TROY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: *Unqualified*

Internal control over financial reporting:
 Material weakness(es) identified? _____yes X no

Significant deficiencies identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ yes X no

Significant deficiencies identified? _____ yes X none reported

Type of auditor’s 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)? X yes _____ no

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning & Construction
81.128	Energy Efficiency and Conservation Block Grant Program

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

Auditee qualified as low-risk auditee? Yes

THE CITY OF TROY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. Department of Energy, Labor & Economic Growth

Energy Efficiency and Conservation Grant CFDA #81.128

2011-1 - Reporting – Immaterial Noncompliance

Criteria: According to the grant agreement between the City of Troy and the U.S. Department of Energy, Labor & Economic Growth, Federal Financial Reports, Progress Reports and ARRA Section 1512 reports are required to be submitted each quarter to the U.S. Department of Energy within 75 days after quarter-end.

Condition: There were four instances where the City submitted their reports late to the U.S. Department of Energy. One instance was with the Federal Financial Report, two instances were with the Progress Reports and one instance was with the ARRA Section 1512 reports.

Cause: The City had a change in the personnel of who was responsible for submitting the reports and they were unaware of the timing of which these reports were required to be submitted to the U.S. Department of Energy.

Effect: As a result of this condition, the City did not fully comply with the reporting requirements of the grant.

Recommendation:

We recommend that the City carefully review each grant agreement and compliance supplement (where applicable) to determine the applicable compliance requirements, and develop internal controls to ensure they are met.

**View of
Responsible**

Officials: The City will continue to work towards developing and maintaining internal controls over compliance to ensure that they are in compliance with all federal program requirements going forward.

THE CITY OF TROY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

SECTION IV – PRIOR YEAR FINDINGS

None noted

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**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
UNDER SAS NO. 114**

December 1, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Troy, Michigan* (the “City”) for the year ended June 30, 2011, and have issued our report thereon dated December 1, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated February 23, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City’s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City’s compliance with those

requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on September 26, 2011.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. Other than the adoption of GASB Statement No. 54, which is described in Note 1 of the financial statements, no other new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

To the Honorable Mayor and Members of City Council
City of Troy, Michigan
December 1, 2011
Page 3

- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.
- The assumptions used in the actuarial valuations of the employee retirement system pension plan, incentive plan for volunteer firefighters and the retiree health care trust fund plan (other post-employment benefits) are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated December 1, 2011.

Management Consultations with Other Independent Accountants

To the Honorable Mayor and Members of City Council
City of Troy, Michigan
December 1, 2011
Page 4

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Entity’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

CITY OF TROY

Attachment A - Consideration of Internal Control Over Financial Reporting

For the Year Ended June 30, 2011

In planning and performing our audit of the financial statements of the City of Troy (the "City") as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the 's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Other Matters

Review and Approval of Journal Entries

Currently, there is no procedure in place at the City for reviewing and approving journal entries which are being made by the accountants. Each accountant has the access to post entries into the general ledger without adequate review and approval over the journal entry. We recommend that the City implement procedures to ensure that journal entries are being reviewed and approved prior to posting into the general ledger.

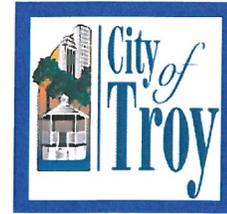
Cash Management

During the fiscal year 2011, the City did not request the reimbursement of funds for expenditures related to the Highway Planning and Construction grants with the Michigan Department of Transportation. By waiting to request all funds after year-end, the City lost out on potential interest revenue which would have been received by having more cash in the bank. All requests for reimbursement were done in October 2011, subsequent to year-end. We recommend that the City request reimbursement of funds throughout the year as expenses are incurred.

* * * * *

500 W. Big Beaver
Troy, MI 48084
(248) 524-3300

The City of Tomorrow...



...Today

December 1, 2011

Rehmann Robson
P.O. Box 2025
Saginaw, MI 48605

We are providing this letter in connection with your audit of the financial statements of the *City of Troy, Michigan* as of June 30, 2011 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Troy, Michigan* and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of December 1, 2011, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We have made available to you all—
 - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Minutes of the meetings of City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We are in agreement with the adjusting journal entries you have proposed, and they have been posted.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives and whether related recommendations have been implemented.
11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
12. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
 - b. Guarantees, whether written or oral, under which the is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
15. There are no—

- a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles (*GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*).
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles (*GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*).
 - d. Restrictions, commitments, or assignments of fund equity that were not properly authorized and approved.
16. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
 17. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
 18. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 19. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
 20. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
 21. The financial statements properly classify all funds and activities.
 22. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
 23. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
 24. Provisions for uncollectible receivables have been properly identified and recorded.
 25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

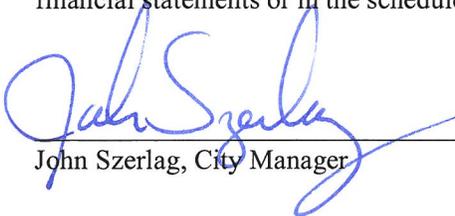
26. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
27. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
28. Deposits and investment securities are properly classified as to risk, and investments are properly valued.
29. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
30. We acknowledge our responsibility for the required supplementary information (RSI). The required supplementary information is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
31. With respect to federal award programs:
 - a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133, and have identified and disclosed in the schedule, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
 - c. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
 - d. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
 - e. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133.
 - f. We are responsible for understanding and complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts

and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.

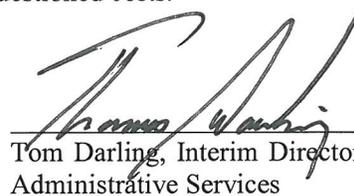
- g. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.
- h. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to major federal programs.
- i. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- j. We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
- k. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the applicable compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken up to the date of the auditor's report.
- m. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- n. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- o. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

- p. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- q. We have charged costs to federal awards in accordance with applicable cost principles.
- r. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- s. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- t. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
- u. We are responsible for preparing and implementing a corrective action plan for each audit finding.

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.



John Szerlag, City Manager



Tom Darling, Interim Director of Financial and Administrative Services