CITY COUNCIL AGENDA ITEM

December 3, 2012

To: The Honorable Mayor and City Council Members

From: Brian Kischnick, City Manager
Tom Darling, Director of Financial Services

Subject: Submittal of the 2012 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, 2012.

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.

TD/bt\AGENDA ITEMS\2012\12.03.12 - Submittal of the 2012 CAFR

Rehmann

Rehmann Robson

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November 27, 2012

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, 2012, and have issued our report thereon dated November 27, 2012. 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 May 30, 2012, 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.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior

period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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 October 1, 2012.

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. As described in Note 1 to the financial statements, the City changed accounting policies related to deferred inflows, deferred outflows and net position by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 63, *Deferred Inflows, Outflows and Net Position* and GASB Statement No. 65, *Items Previously reported as Assets and Liabilities*. We noted no transactions entered into by the City 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.

- 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 postemployment 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. We did not identify any misstatements during our audit.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, Attachment A to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

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 November 27, 2012.

Management Consultations with Other Independent Accountants

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 governing body and management of the City of Troy, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rehmann Robson

CITY OF TROY, MICHIGAN

Attachment A - Upcoming Changes in Accounting Standards
For the June 30, 2012 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the City in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the City. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "pronouncements" tab. Questions on the applicability, timing, and implementation approach for any of these standards should be directed to your audit team.

GASB 66 ■ 2012 Technical Corrections (an Amendment to GASB 10 and GASB 62)
Effective 12/15/2013 (your FY 2014)

This standard was issued to eliminate conflicting guidance that resulted from the issuance of GASB 54 and GASB 62, which are both already effective. GASB 10 was amended to allow for risk financing activities to be accounted for in whichever fund type is most applicable (no longer limited to the general fund or an internal service fund). GASB 62 was amended to modify specific guidance related to (1) operating leases with scheduled rent increases, (2) purchase of loans at an amount other than the principal amount, and (3) service fees related to mortgages that are sold when the service rate varies significantly from the current (normal) service fees.

We do not expect GASB 66 to have any significant impact on the City at this time.

GASB 67 ■ Financial Reporting for Pension Plans
Effective 06/15/2014 (your FY 2014)

This standard establishes the requirements for pension plans administered by trusts to report on their operations, including setting new uniform requirements for actuarial valuations of the total pension liability, and reporting various 10-year trend data as required supplementary information. The financial statements of pension plans will not change substantially as a result of GASB 67, though the additional note disclosures and required supplementary information will be significant. Additionally, actuarially valuations conducted in accordance with GASB 67 will have to match the government's fiscal year, or be rolled forward to that date by the actuary.

GASB 68 ■ Accounting and Financial Reporting for Pensions
Effective 06/15/2015 (your FY 2015)

This standard establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability calculated in accordance with GASB 67 and the amount held in the pension trust fund. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

Attachment A - Upcoming Changes in Accounting Standards For the June 30, 2012 Audit

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan.

GASB 67 and 68 are only applicable to pension plans. However, the GASB has announced its intent to issue similar standards for other postemployment benefits (e.g., retiree healthcare) on a two year delay from these standards.

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

The City of Tomorrow... ...Today

November 27, 2012

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, 2012 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 over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of November 27, 2012, 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 acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

6. 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.

7. 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.

8. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

9. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

10. 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 City 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.

11. 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.

12. 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.

    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.

13. We have designated an individual with suitable skill, knowledge, or experience 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

14. 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.

15. 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.

16. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

17. 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.

18. The financial statements properly classify all funds and activities.

19. 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.

20. Components of net assets (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balances (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

21. Provisions for uncollectible receivables have been properly identified and recorded.

22. 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.

23. 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.

24. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

25. Deposits and investments are properly classified as to risk and are properly disclosed.

26. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

27. We have appropriately disclosed the City's regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.

28. We believe that the actuarial assumptions and methods used to measure pension (employee retirement system pension plan and incentive plan for volunteer firefighters) and OPEB (retiree health care trust fund plan) liabilities and costs for financial accounting purposes are appropriate in the circumstances.

29. 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.

30. With respect to the combining and individual fund financial statements, we acknowledge our responsibility for presenting the combining and individual fund financial statements in accordance with accounting principles generally accepted in the United States of America, and we believe the combining and individual fund financial statements, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining and individual fund financial statements have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

31. We have evaluated the City's ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.

32. 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, 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 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.

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 relevant to federal programs and related activities.

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 with the direct and material 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.

k. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material 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 from the end of the period covered by the compliance audit 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 compliance with the direct and material requirements, including information related to federal program financial reports and claims for advances and reimbursements.

p. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

q. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.

r. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.

s. 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.

t. 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.

u. We have charged costs to federal awards in accordance with applicable cost principles.

v. 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.

w. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

33. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. 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.

Tom Darling, Director of Financial Services

City of Troy
Michigan

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012

City of Troy, Michigan

Year Ended
June 30, 2012

Comprehensive Annual Financial Report

City Council

Mayor	**Janice Daniels**
Mayor Pro Tem	**Maureen McGinnis**
Council Members	**Jim Campbell**
	Wade Fleming
	Dave Henderson
	Dane Slater
	Doug Tietz

Prepared by:
The Department of Financial Services
City of Troy, Michigan

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CITY OF TROY, MICHIGAN

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INTRODUCTORY SECTION

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

The City of Tomorrow... ...Today

November 27, 2012

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, 2012 is hereby submitted. The report represents a comprehensive and detailed picture of our financial transactions during fiscal year 2011/12 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, CPA, Director of Financial 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/Nonmajor 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 slight uptick of the State and National economies to some degree. Our unemployment rate is well below the state and metro area average.

	June 2012
Troy	7.7%
Oakland County	8.8%
Metro Area*	10.2%
Michigan	9.2%
National	8.4%

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

The City continues to experience a decline in taxable values indicative of the overall real estate market compared to the 1980s, 1990s and the highpoint in 2008. The decline, however, has flattened compared to recent prior years. 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. For Michigan cities, Troy ranked third for the largest taxable values in the state. 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 Fund Balance of the General Fund 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

The $6.2 million Troy Multi-Modal Transit Facility will replace an outmoded Amtrak stop with an ADA compliant, safe and secure transportation center. The facility will strengthen mobility options through a centralized facility that will allow user access to intercity passenger rail service, regional bus routes, and taxi services. The facility will provide linkages to ground level intermodal facilities via ADA compliant sidewalks and a pedestrian bridge over the tracks to a new Amtrak platform on the west side of the tracks. The new facility will also provide a bus stop area sized to accommodate four full sized buses, a passenger drop off and pickup lane, and a taxi waiting area. Parking for all modes of travel will be provided in an improved parking area on the Troy side. The project broke ground in November of 2012 with completion scheduled for July of 2013.

Alternative Automotive Technologies (AAT)

AAT supplies contract manufacturing services to the automotive industry. The project includes the renovation of the former Saleen Motors and Stanley Door facility located at 1225 E. Maple Road. The 180,000 square foot facility will house approximately 48 employees initially, with a total of approximately 200 jobs expected in five years.

United Shore Financial Services (USFS)

USFS, a leading mortgage services company, will be moving its headquarters into 110,000 square feet of office space located at 1414 E. Maple Road. The company will add approximately 548 jobs initially, with a total of over 1,700 jobs expected in three years.

Plex Systems

Plex Systems Inc. is the developer of Plex Online, a Cloud ERP solution for the manufacturing enterprise. Plex is moving its headquarters to 900 Tower Drive. The new facility houses members of the management, marketing, sales, human resources, accounting and IT services groups — approximately 53-63 people. At 108,500 square feet, the new space can accommodate approximately 500 people.

Nexteer

Nexteer Automotive provides advanced steering and driveline solutions. The company opened its new customer service center in Troy. The 30,000 square foot facility will house at least 50 engineers to support the Big 3 automakers and customers worldwide. The Troy facility will allow Nexteer engineers to work on application engineering projects and to coordinate commodity strategies.

Secrest Wardle

Secrest Wardle specializes in defense litigation and counsel for insurance, municipal, and commercial clients. The firm recently consolidated its employees from two locations in Metro Detroit to its new headquarters at 2600 Troy Center. Secrest Wardle's 122 employees occupy a 47,868 square foot building in the heart of Troy's business and financial center.

Old Dominion

Old Dominion Freight Lines has redeveloped a formerly vacant industrial site at 1310 E. Big Beaver into a new transportation service center. The $6 million project includes a 23,500 square foot warehouse and 10,550 square foot maintenance facility on approximately 16 acres of land.

Mahindra Technical Center

Mahindra inaugurated its new Technical Center in Troy. This facility is the company's first technical center in the USA and will leverage Michigan's large automotive talent pool to provide design and consulting services for Mahindra's automotive customers in the region. This new facility will initially employ 25 engineers and has been designed to accommodate double that number in the future. The Technical Center is located at 1960 Technology Drive.

Fisher Dynamics Metal Forming

Fisher Dynamics Metal Forming is a paramount manufacturer of high strength, tight tolerance stampings, complex fine blankings and precision broachings. Fisher provides many types of safety-critical precision metal parts for many applications for customers located in North America, Europe, and Asia. The company has occupied a 77,000 square foot facility at 1625 W. Maple Road. The company will employ approximately 60 people at the 3.43 acre site.

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 function 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.

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 $2.3 million or 4.6% from the prior year. Of this decrease, property taxes in the General Fund accounted for $2.1 million, a decrease of 6.5% compared to the prior fiscal year.

State sources increased by $0.5 million to a total of $6.2 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.

Federal revenues decreased by $0.5 million due to a one-time block grant received in the prior year. This was offset by an increase in licenses and permits of $0.4 million generated primarily from renovation projects as opposed to new construction.

Total General Fund operating expenditures decreased by $7.9 million or 14.8%. 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 $6.4 million to a balance of $33.9 million. Of this amount, $3.6 million is nonspendable for such items as inventory and prepaid items; $1.5 million is restricted for budget stabilization, $1.5 million has been committed to the subsequent years budget and Volunteer Firefighters Incentive Reserve, and $3.7 million has been assigned for insurance claims and tax appeals. The $23.6 million remaining unassigned amount represents 51.6% 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.

Library Fund - This fund accounts for a special millage designed to fund operations and materials of the local city library.

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 increased by $1.8 million compared to the prior fiscal year to $15.9 million in total. Operating expenses also increased by $1.5 million compared to the prior fiscal year to $13.9 million in total. The economy and weather conditions can have a significant effect on our water consumption.

Sanitary Sewer Fund - Generated $13.2 million in operating revenues as compared to $11.9 million in the prior year due to an increase in sewage disposal fees. Operating expenses increased proportionally with revenues totaling $11.8 million, compared to $10.4 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 - The operating income of $9,500 shows improvement compared to an operating loss of $62,000 last fiscal year. Operating revenues increased $74,000 compared to prior year due to favorable weather conditions for this activity. Operating expenses remained level at $568,000.

Sylvan Glen Golf Course Fund - Ended the year with an increase in net position of $234,000. This amount compares to an increase of $14,000 last fiscal year.

Sanctuary Lake Golf Course Fund - Ended the year with a decrease in net position of $379,000 compared to a $583,000 decrease in net position last fiscal year. Steps continue to reduce the loss, including the contracting 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 position held in trust for pension and health care benefits of $176.4 million compared to the beginning amount of $180.9 million. As of December 31, 2011, the fund is 94.8% 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.

Purpose	Authority	Rate $1,000 of Taxable Value
General operating	City Charter	$8.10
Refuse collection and Disposal	Act 298, P.A. of Michigan 1917 as Amended Article IX, Section 56 of Michigan Constitution	$3.00
Library operations	Voter approved – 5 years	$0.70
Debt Service	City Charter	Amount necessary for debt payment

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, 2011.

This was the fifteenth 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.

Michael Culpepper
Acting City Manager

Thomas E. Darling, CPA, CPFIM
Director of Financial Services

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, 2011

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.

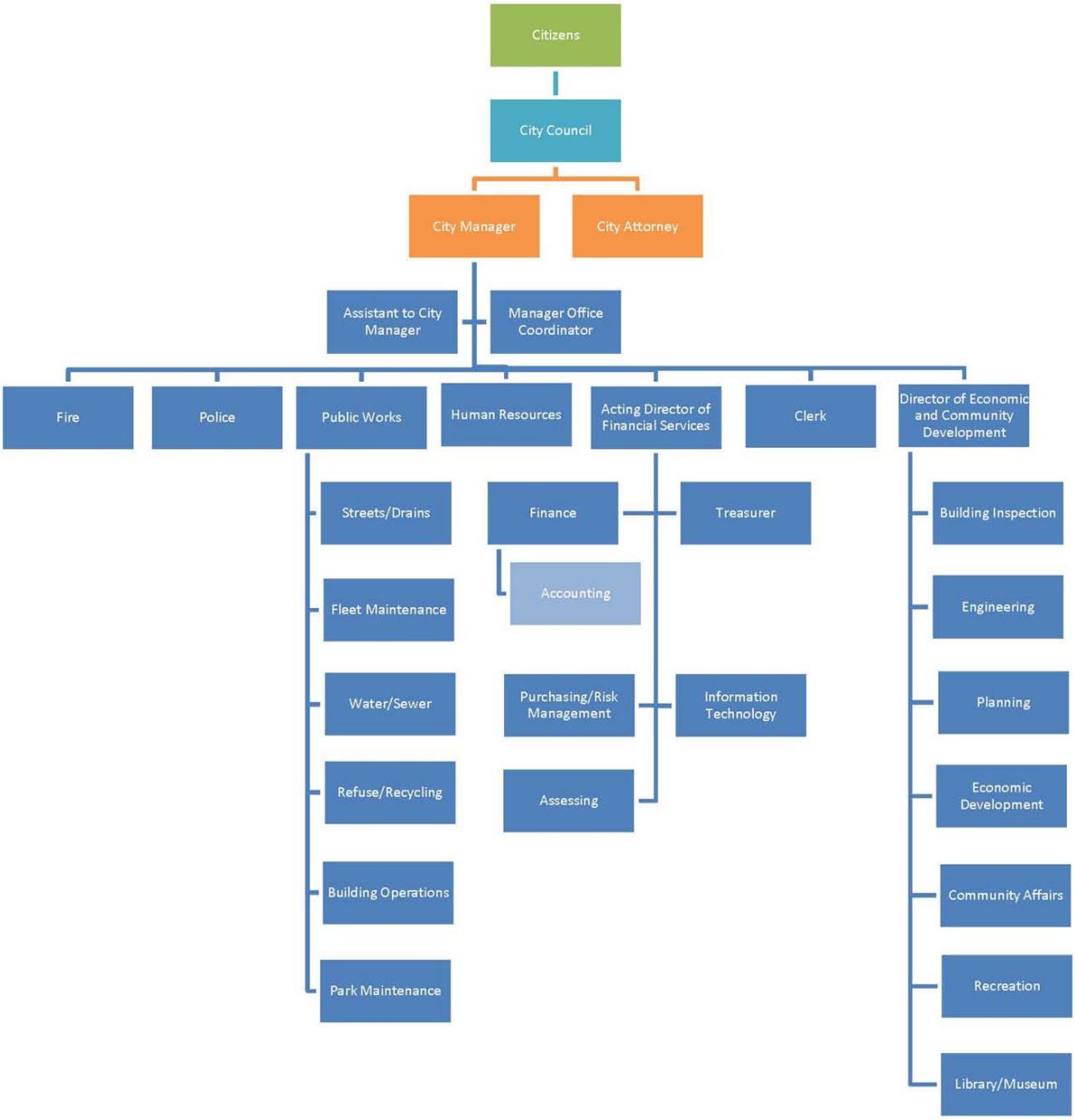
Linda C. Dawson

President

Jeffrey R. Esser

Executive Director

City of Troy Organizational Chart



PRINCIPAL OFFICIALS

Acting City Manager	**Michael Culpepper**
City Attorney	**Lori Grigg Bluhm**
Director of Financial Services	**Thomas E. Darling, CPA**
Director of Economic and Community Development	**Mark F. Miller**
City Assessor	**Leger A. Licari**
City Clerk	**Aileen Bittner**
City Engineer	**Steven J. Vandette**
City Treasurer	**Sandra L. Kasperek**
Community Affairs Director	**Cynthia Stewart**
Director of Building Operation	**Steven Pallotta**
Accounting Manager	**Lisa Burnham**
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	**Jeffery Biegler**
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

*General**

Permanent

- Cemetery Perpetual Care

Proprietary Funds

Enterprise

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

Internal Service

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

Fiduciary Funds

Pension and OPEB Trust

- Employees' Retirement System
- Discretionary Fire Incentive Reserve
- Retiree Health Care Trust

Agency

- Agency

Component Units

- Downtown Development Authority
- Brownfield Redevelopment Authority
- Local Development Financing Authority

*Major funds under GASB No. 34

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FINANCIAL SECTION

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Rehmann

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INDEPENDENT AUDITORS' REPORT

November 27, 2012

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Troy, Michigan. 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 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 previously 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, 2012, 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 Standard*s, we have also issued our report dated November 27, 2012, on our consideration of the City of Troy, Michigan's internal control over financial reporting and 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedules of Funding Progress and Employer Contributions for the pension and other postemployment benefit plans as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules 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 purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Rehmann Lohan

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Troy (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found as listed in the table of contents of this report.

Financial Highlights

- The City's assets exceeded its liabilities at the close of the most recent fiscal year by $405.6 million (*net position)* . Of this amount $96.1 million represents unrestricted net position which are economic (not total cash) resources which may be used to meet the City's ongoing obligations to residents and creditors.

- The City's total net position increased $10.6 million because of increased revenues while reducing the costs of governmental operations.

- In the City's governmental activities, revenues generated $72.5 million. This is an increase of approximately $0.5 million compared to the prior year. Expenses totaled $65.6 million. This is a reduction of $5.7 million compared to prior year amounts.

- In the City's business-type activities, revenues generated $32.8 million. This is an increase of approximately $3.7 million compared to the prior year. Expenses totaled $29.1 million. This was an increase of $3.2 million compared to prior year amounts.

- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $52.7 million, an increase of $5.9 million in comparison with the prior year. Approximately 44% of the amount ($23.3 million) is available for spending at the City's discretion (*unassigned fund balance*).

- At the end of the current fiscal year, unassigned fund balance for the general fund was $23.3 million, or approximately 50.9% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consists of three components. The first component, *Governmental-Wide* financial statements, includes two financial statements, the *Statement of Position* and the *Statement of Activities* , these 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 second component, Fund financial statements, includes financial statements of governmental funds, proprietary funds, and fiduciary funds which 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 third and final component of the City's basic financial statements include notes that explain and provide more detailed data about some of the information found in the *Government-Wide* and *Fund* financial statements. The basic financial statements are followed by a section of supplementary information that further explains and supports the information in the basic financial statements. Information in the supplementary section include 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

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 position 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 position 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 activities:

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.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate entities of the *Downtown Development Authority* , *Local Development Financing Authority* and the *Brownfield Redevelopment Authority* for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found as listed in the table of contents of this report.

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.

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.

Management's Discussion and Analysis

Fiduciary Funds – The City of Troy is trustee for its employee pension and other postemployment benefits 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 position and a statement of changes in fiduciary net position. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance operations.

Government-wide Overall Financial Analysis

Statements of net position

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $405.6 million, at the close of the most recent fiscal year.

The table on the following page shows the comparison of total assets, total liabilities, and total net position (in millions of dollars) in a condensed format as of June 30, 2012 to the prior year.

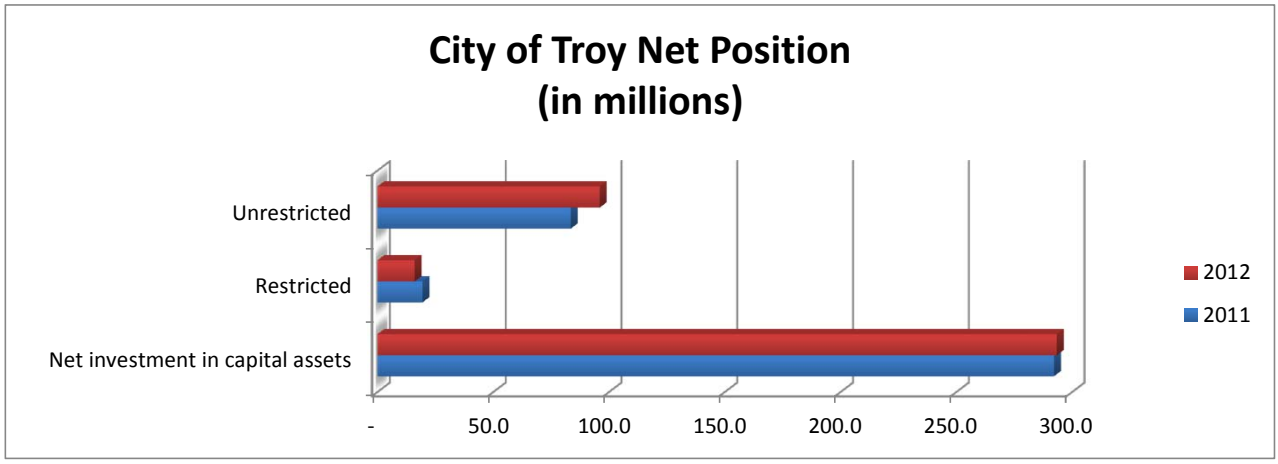
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	$ 73.8	$ 68.3	$ 52.5	$ 48.6	$ 126.3	$ 116.9
Capital assets	200.5	202.4	128.1	127.9	328.6	330.3
Total assets	**274.3**	**270.7**	**180.6**	**176.5**	**454.9**	**447.2**
Liabilities:						
Long-term debt outstanding	30.1	32.5	9.9	10.3	40.0	42.8
Other liabilities	4.3	5.8	5.0	3.5	9.3	9.3
Total liabilities	**34.4**	**38.3**	**14.9**	**13.8**	**49.3**	**52.1**
Net position:						
Net investment in capital assets	175.3	174.6	118.2	117.6	293.5	292.2
Restricted	16.1	19.4	-	-	16.1	19.4
Unrestricted	48.5	38.4	47.5	45.1	96.0	83.5
Total net position	**$ 239.9**	**$ 232.4**	**$ 165.7**	**$ 162.7**	**$ 405.6**	**$ 395.1**

By far, the largest portion of the City's net position (72.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its residents. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (6.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $96.0 million is unrestricted and may be used to meet the City's ongoing obligations to its residents and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Management's Discussion and Analysis



The City's overall net position increased $10.5 million from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Statements of activities

The following table shows the comparison of the change in net position (in millions of dollars) as of June 30, 2012 to the prior year, in a condensed format:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	$ 12.1	$ 11.5	$ 32.4	$ 28.5	$ 44.5	$ 40.0
Operating grants & contributions	0.9	1.5	-	-	0.9	1.5
Capital grants & contributions	6.7	6.9	0.2	0.2	6.9	7.1
General revenues:						
Property taxes	46.3	46.0	-	-	46.3	46.0
State-shared revenues	6.1	5.6	-	-	6.1	5.6
Interest earnings	0.2	0.5	0.2	0.4	0.4	0.9
Other revenue	0.2	0.2	-	-	0.2	0.2
Total revenues	**72.5**	**72.2**	**32.8**	**29.1**	**105.2**	**101.3**
Expenses:						
General government	9.7	10.1	-	-	9.7	10.1
Public safety	27.2	30.8	-	-	27.2	30.8
Public services & engineering	13.7	14.8	-	-	13.7	14.8
Sanitation	4.2	4.1	-	-	4.2	4.1
Community & economic development	0.9	1.0	-	-	0.9	1.0
Recreation and culture	8.8	9.8	-	-	8.8	9.8
Interest expense	1.1	0.7	-	-	1.1	0.7
Water	-	-	13.9	12.4	13.9	12.4
Sanitary sewer	-	-	11.8	10.4	11.8	10.4
Golf courses	-	-	2.9	2.5	2.9	2.5
Aquatic center	-	-	0.6	0.6	0.6	0.6
Total expenses	**65.6**	**71.3**	**29.1**	**25.9**	**94.7**	**97.2**

Management's Discussion and Analysis

Statements of activities (continued)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Increase in net position before transfers	$ 6.9	$ 0.9	$ 3.7	$ 3.2	$ 10.5	$ 4.1
Transfers	0.6	0.5	(0.6)	(0.5)	-	-
Increase in net position	**7.5**	**1.4**	**3.1**	**2.7**	**10.5**	**4.1**
Net position, beginning of year	232.4	231.0	162.7	160.0	395.1	391.0
Net position, end of year	**$ 239.9**	**$ 232.4**	**$ 165.7**	**$ 162.7**	**$ 405.6**	**$ 395.1**

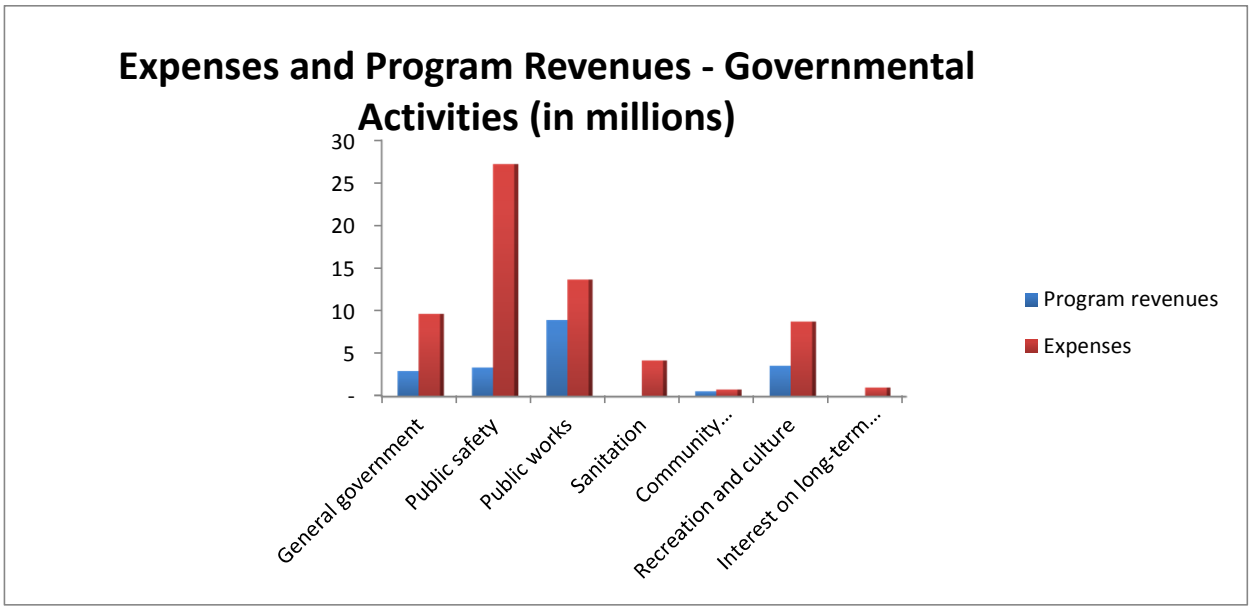
Governmental Activities

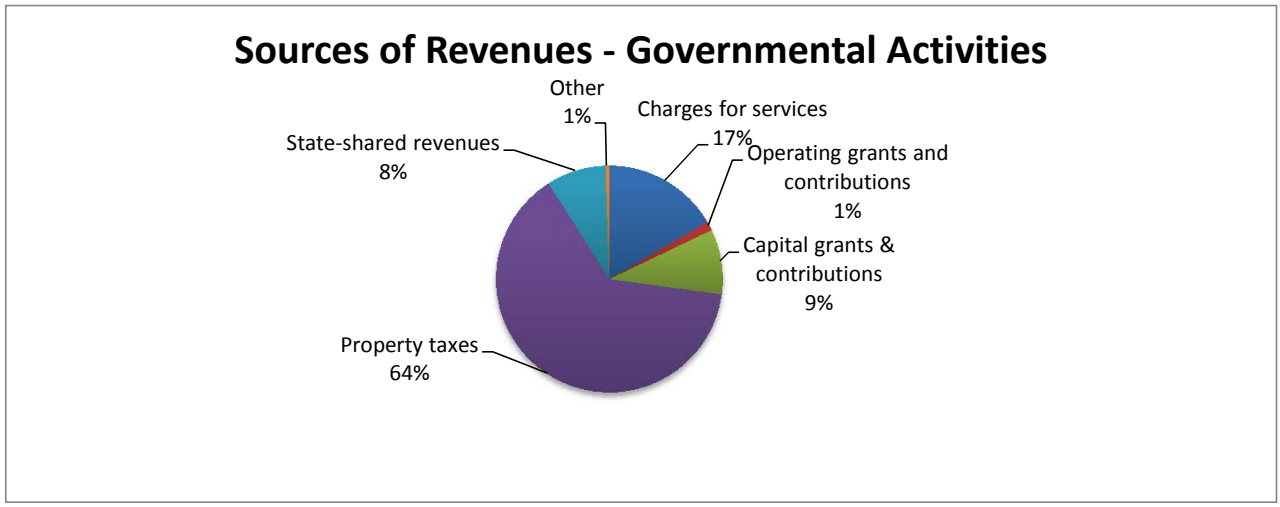
During the current fiscal year, net position for the City's governmental activities increased $7.5 million from the prior fiscal year.

Total governmental revenue is reported at $72.5 million, an increase of $0.3 million from the prior year. The increase is primarily attributable to an increase in charges for services and state shared revenues that are slightly offset by reductions in grants and investment earnings.

Total governmental expenses are reported at $65.6 million, a decrease of $5.7 million from the prior year. The decrease is primarily attributable to wage and benefit savings recognized from prior early retirement incentives and normal employee turnover in which the limited remaining positions available were not staffed until subsequent to the current fiscal year.

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.





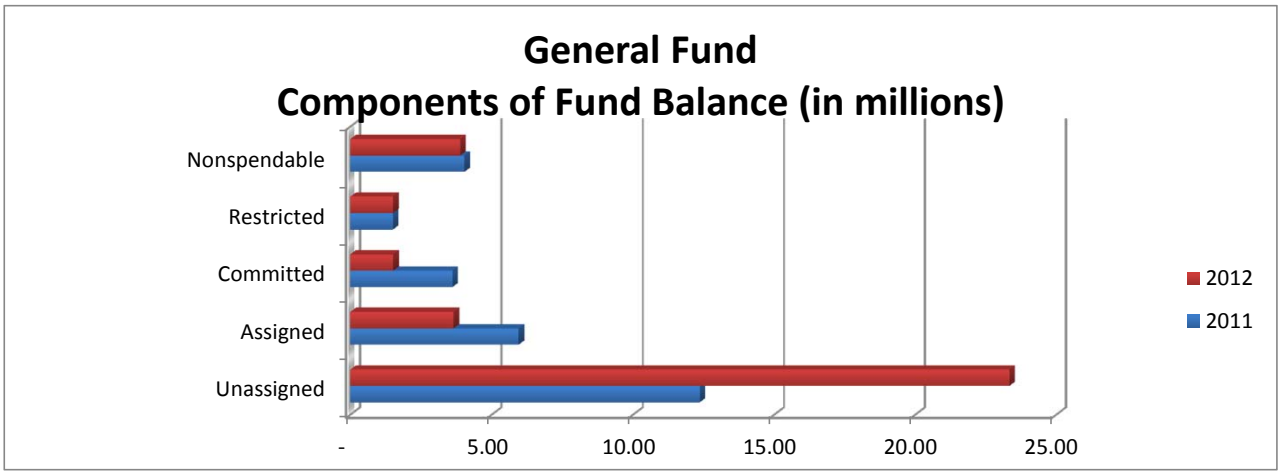
Business-type Activities

The City of Troy's business-type activities consist of water supply, sanitary sewer, aquatic center, and two municipal golf courses. Water and sanitary sewer services, classified as Major Funds, are provided to City residents through the Detroit water system and Oakland County sewerage treatment plants. Change in net position for business-type activities increased by $3.1 million. The Water and Sewer Fund increased by $2.2 million and $1.0 million respectively. This was primarily due to the increase in demand of approximately 17 mcf's from the prior year or 18%. The City's two golf courses recorded a net decrease in net position of $0.1 million primarily due to interest costs associated with debt financing.

Financial Analysis of Governmental Funds

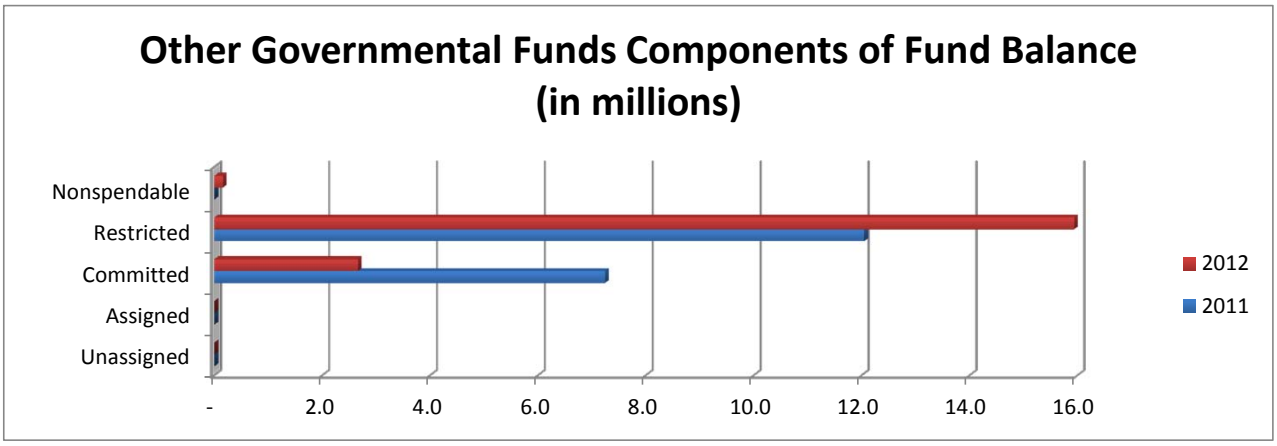
The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City Council or management.

The City's governmental funds reported combined fund balances of $52.7 million, an increase of $5.9 million compared to the prior year. Approximately 44% of this amount ($23.3 million) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes, 4) committed for particular purposes, or 5) assigned for particular purposes.



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $23.3 million, while total fund balance increased $6.4 million to $33.9 million. As a measure of the general funds liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 50.9% of total general fund expenditures, while total general fund balance represents approximately 74.1% of the same amount.

As mentioned, total general fund balance increased by $6.4 million in the current fiscal year. Total revenues decreased by approximately $2.3 million primarily due to a reduction in property tax revenues as a result of the continued decline in taxable property values. This was offset by a decrease in expenditures of $7.9 million primarily due to staff wage and benefit concessions, early retirement incentives, staff reductions and the delay of filling the remaining available open positions.



The capital projects fund, a major fund, had a decrease in fund balance of $1.2 million during the current year. This resulted in a total fund balance of $11.4 million at the close of the current fiscal year.

The decrease in fund balance of $1.2 million is primarily due to the decrease in tax revenues of $4.8 million as a result of continued declines in taxable values. This was offset by a reduction in capital outlay expenditures for equipment, vehicles and particularly infrastructure of $3.1 million.

Management's Discussion and Analysis

Financial Analysis of Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the water fund was $20.0 million and sewer fund $29.4 million at the end of the current fiscal year. The Water and Sewer Fund net positions increased by $2.2 million and $1.0 million respectively. This was primarily due to the increase in demand of approximately 17 mcf's from the prior year or 18%.

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 $2.0 million or 4.3%. The increase in revenues was due to a one time increase from state shared revenues of $0.9 million and increased charges for services from CATV franchise fees and engineering fees. Expenditures for the City were $10.0 million or 17.9% 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 2012, the City of Troy had $328.6 million invested in a broad range of capital assets including land, buildings, police and fire equipment, water and sewer lines, roads, sidewalks, and other infrastructure, net of debt. The decrease in capital assets compared to the prior year was attributable to a decrease in acquisition of new infrastructure items such as streets, drains and water/sewer systems under 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 $40.0 million at June 30, 2012, a decrease of $2.9 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.

Current Economic Events

The following economic factors currently affect the City and were considered in developing the 2012/2013 three year fiscal budget.

- The millage rate for the 2012/2013 fiscal year increase by 0.29 mils due to funding requirements for debt service and sanitation services. The increase in mils assists to offset the decrease in taxable values.
- General operating and capital improvement millage rates remained unchanged at 6.50 and 1.53 mils respectively.
- General fund property tax revenues are expected to decrease $0.3 million from current year amounts due to the decrease in taxable values.
- General fund expenditures are budgeted to decrease by $4.7 million (6.38%) from the current year budget due to reductions in staffing levels, employee wage concessions and delays in staff replacements.

- 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.

BASIC FINANCIAL STATEMENTS

CITY OF TROY, MICHIGAN

Statement of Net Position

June 30, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments	$ 63,321,850	$ 44,826,724	$ 108,148,574	$ 7,124,649
Receivables (net)	5,414,693	10,501,829	15,916,522	52,440
Internal balances	3,263,716	(3,263,716)	-	-
Other assets	1,032,934	500,719	1,533,653	-
Other postemployment benefits asset	762,129	-	762,129	-
Capital assets:				
Assets not being depreciated	51,392,009	17,427,800	68,819,809	-
Assets being depreciated, net	149,147,627	110,642,460	259,790,087	-
Total assets	**274,334,958**	**180,635,816**	**454,970,774**	**7,177,089**
Liabilities				
Accounts payable	2,750,927	4,534,601	7,285,528	26,421
Accrued payroll	545,481	-	545,481	-
Accrued liabilities	995,335	480,427	1,475,762	148,397
Noncurrent liabilities:				
Due within one year	5,158,818	400,000	5,558,818	2,365,000
Due in more than one year	24,969,017	9,500,000	34,469,017	17,450,000
Total liabilities	**34,419,578**	**14,915,028**	**49,334,606**	**19,989,818**
Net position				
Net investment in capital assets	175,292,324	118,170,260	293,462,584	-
Restricted for:				
Debt service	1,455,420	-	1,455,420	-
Highways and streets	4,664,088	-	4,664,088	-
Capital projects	8,945,328	-	8,945,328	-
Library services	752,924	-	752,924	-
Sanitation services	54,144	-	54,144	-
Perpetual care:				
Nonspendable	158,200	-	158,200	-
Spendable	66,835	-	66,835	-
Unrestricted (deficit)	48,526,117	47,550,528	96,076,645	(12,812,729)
Total net position (deficit)	**$ 239,915,380**	**$ 165,720,788**	**$ 405,636,168**	**$ (12,812,729)**

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

Statement of Activities

For the Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities					
General government	$ 9,677,191	$ 3,039,578	$ 149	$ -	$ (6,637,464)
Public safety	27,228,933	3,219,618	170,734	-	(23,838,581)
Public works	13,703,006	2,357,325	-	6,643,095	(4,702,586)
Sanitation	4,216,260	5,700	-	-	(4,210,560)
Community and economic development	854,593	-	568,649	79,329	(206,615)
Recreation and culture	8,812,144	3,444,462	172,641	753	(5,194,288)
Interest on long-term debt	1,101,675	-	-	-	(1,101,675)
Total governmental activities	**65,593,802**	**12,066,683**	**912,173**	**6,723,177**	**(45,891,769)**
Business-type activities					
Water	13,904,820	15,923,727	-	76,746	2,095,653
Sewer	11,767,038	13,177,412	-	73,857	1,484,231
Aquatic center	566,978	577,757	-	-	10,779
Sylvan Glen golf course	1,061,139	1,290,051	-	-	228,912
Sanctuary Lake golf course	1,821,384	1,442,755	-	-	(378,629)
Total business-type activities	**29,121,359**	**32,411,702**	**-**	**150,603**	**3,440,946**
Total primary government	**$ 94,715,161**	**$ 44,478,385**	**$ 912,173**	**$ 6,873,780**	**$ (42,450,823)**
Component units					
Downtown development authority	$ 1,944,086	$ -	$ -	$ -	$ (1,944,086)
Local development financing authority	292,298	-	-	-	(292,298)
Brownfield redevelopment authority	31,539	-	-	-	(31,539)
Total component units	**$ 2,267,923**	**$ -**	**$ -**	**$ -**	**$ (2,267,923)**

continued...

Statement of Activities (Continued)

For the Year Ended June 30, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position				
Net (expense) revenue	$ (45,891,769)	$ 3,440,946	$ (42,450,823)	$ (2,267,923)
General revenues				
Property taxes	30,424,031	-	30,424,031	-
Property taxes for sanitary purposes	4,168,478	-	4,168,478	-
Property taxes for economic development	-	-	-	1,069,430
Property taxes for library	3,037,539	-	3,037,539	-
Property taxes for capital projects	6,645,570	-	6,645,570	-
Property taxes for debt service	2,020,285	-	2,020,285	-
State shared revenue, unrestricted	6,136,066	-	6,136,066	-
Grants and contributions not restricted to specific programs	33,400	-	33,400	-
Unrestricted investment earnings	245,077	210,585	455,662	24,145
Gain on sale of capital assets	121,187	-	121,187	-
Transfers - internal activities	596,316	(596,316)	-	-
Total general revenues and transfers	53,427,949	(385,731)	53,042,218	1,093,575
Change in net position	**7,536,180**	**3,055,215**	**10,591,395**	**(1,174,348)**
Net position, beginning of year (deficit)	232,379,200	162,665,573	395,044,773	(11,638,381)
Net position, end of year (deficit)	**$ 239,915,380**	**$ 165,720,788**	**$ 405,636,168**	**$ (12,812,729)**

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

CITY OF TROY, MICHIGAN

Balance Sheet

Governmental Funds
June 30, 2012

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 28,827,155	$ 11,995,804	$ 6,616,159	$ 47,439,118
Receivables:				
Accounts receivable (net)	704,133	846,321	133,828	1,684,282
Taxes-delinquent	195,731	-	-	195,731
Special assessments	-	212,989	-	212,989
Due from other governments	2,390,587	-	864,334	3,254,921
Inventory	280,001	-	-	280,001
Prepaid expenditures	430,101	-	-	430,101
Advances to other funds	3,174,584	-	-	3,174,584
Total assets	**$ 36,002,292**	**$ 13,055,114**	**$ 7,614,321**	**$ 56,671,727**
Liabilities				
Accounts payable	$ 1,220,703	$ 1,068,889	$ 210,095	$ 2,499,687
Accrued payroll	545,481	-	-	545,481
Other liabilities	129,193	625,274	6,051	760,518
Total liabilities	**1,895,377**	**1,694,163**	**216,146**	**3,805,686**
Deferred inflows of resources				
Unavailable revenue - property taxes	195,731	-	-	195,731
Fund balances				
Nonspendable	3,884,686	-	158,200	4,042,886
Restricted	1,514,118	8,945,328	6,993,411	17,452,857
Committed	1,517,000	2,415,623	246,564	4,179,187
Assigned	3,655,000	-	-	3,655,000
Unassigned	23,340,380	-	-	23,340,380
Total fund balances	**33,911,184**	**11,360,951**	**7,398,175**	**52,670,310**
Total liabilities, deferred inflows of resources and fund balances	**$ 36,002,292**	**$ 13,055,114**	**$ 7,614,321**	**$ 56,671,727**

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

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2012

Fund balances - total governmental funds	**$ 52,670,310**
Amounts reported for *governmental activities* in the statement of net position 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	51,381,761
Add: capital assets being depreciated	357,807,356
Deduct: accumulated depreciation	(211,198,726)
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 position but are not financial resources and therefore are not reported in the funds.	
Add: other postemployment benefits asset	762,129
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 inflows in the governmental funds, and thus are not included in fund balance.	
Add: deferred inflows	195,731
Internal service funds are used by management to charge the costs of certain equipment usage, public service department and retiree health care costs to individual governmental funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Add: net position of governmental activities accounted for in the internal service funds.	14,913,718
Add: due from business-type activities for internal service fund activities	89,132
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	(234,817)
Deduct: bonds payable	(25,247,312)
Deduct: claims incurred but not reported	(1,223,902)
Net position of governmental activities	**$ 239,915,380**

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

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds
For the Year Ended June 30, 2012

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	$ 30,424,031	$ 6,645,570	$ 9,380,598	$ 46,450,199
Licenses and permits	1,686,633	-	-	1,686,633
Intergovernmental:				
Federal sources	6,996	899,329	133,712	1,040,037
State sources	6,245,193	-	5,139,309	11,384,502
Local sources	296,444	318,086	-	614,530
Charges for services	7,040,013	583,216	36,975	7,660,204
Fines and forfeitures	1,054,672	-	100,327	1,154,999
Investment earnings	83,519	68,324	35,054	186,897
Other	1,661,312	407,492	261,791	2,330,595
Total revenues	**48,498,813**	**8,922,017**	**15,087,766**	**72,508,596**
Expenditures				
Current:				
General government	7,351,332	147,887	-	7,499,219
Public safety	26,644,367	-	-	26,644,367
Public works	5,840,492	-	-	5,840,492
Sanitation	-	-	4,216,324	4,216,324
Community development	-	-	133,712	133,712
Recreation and culture	5,925,715	-	2,135,100	8,060,815
Debt service:				
Principal	-	201,167	2,335,000	2,536,167
Interest and fees	-	74,775	1,045,189	1,119,964
Capital outlay	-	11,130,331	-	11,130,331
Total expenditures	**45,761,906**	**11,554,160**	**9,865,325**	**67,181,391**
Revenues (under) over expenditures	**2,736,907**	**(2,632,143)**	**5,222,441**	**5,327,205**
Other financing sources (uses)				
Transfers in	3,709,122	1,817,911	3,276,068	8,803,101
Transfers out	-	(367,615)	(7,850,785)	(8,218,400)
Total other financing sources (uses)	**3,709,122**	**1,450,296**	**(4,574,717)**	**584,701**
Net change in fund balances	**6,446,029**	**(1,181,847)**	**647,724**	**5,911,906**
Fund balances, beginning of year	27,465,155	12,542,798	6,750,451	46,758,404
Fund balances, end of year	**$ 33,911,184**	**$ 11,360,951**	**$ 7,398,175**	**$ 52,670,310**

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

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds	**$ 5,911,906**
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	11,130,331
Deduct: depreciation expense	(12,450,789)
Deduct: book basis of capital assets sold	(208)
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 other postemployment benefits asset	480,942
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 inflows to the following fiscal year.	
Deduct: net difference in deferred inflows	(154,296)
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 position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Add: principal payments on long-term liabilities	2,536,167
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	340,365
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	18,289
Deduct: increase in accrued claims payable	(276,527)
Change in net position of governmental activities	**$ 7,536,180**

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

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual
General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 30,163,000	$ 30,163,000	$ 30,424,031	$ 261,031
Licenses and permits	1,500,200	1,500,200	1,686,633	186,433
Intergovernmental				
Federal sources	12,000	32,000	6,996	(25,004)
State sources	5,302,300	5,302,300	6,245,193	942,893
Local sources	423,000	323,000	296,444	(26,556)
Charges for services	6,060,300	6,309,991	7,040,013	730,022
Fines and forfeitures	1,072,000	1,052,000	1,054,672	2,672
Investment earnings	255,000	255,000	83,519	(171,481)
Other	1,544,840	1,544,840	1,661,312	116,472
Total revenues	**46,332,640**	**46,482,331**	**48,498,813**	**2,016,482**
Expenditures				
General government				
Council and executive administration	3,262,352	3,262,352	2,835,496	(426,856)
Finance	2,732,875	3,282,875	2,909,703	(373,172)
Other	1,806,893	1,806,893	1,606,133	(200,760)
Total general government	7,802,120	8,352,120	7,351,332	(1,000,788)
Public safety				
Police	27,873,319	27,873,319	21,529,480	(6,343,839)
Fire	4,214,198	4,234,198	3,784,060	(450,138)
Building inspection	1,198,914	1,198,914	1,330,827	131,913
Total public safety	33,286,431	33,306,431	26,644,367	(6,662,064)
Public works				
Roads and streets	5,301,924	5,918,924	4,159,761	(1,759,163)
Engineering	1,949,125	1,949,125	1,680,731	(268,394)
Total public works	7,251,049	7,868,049	5,840,492	(2,027,557)
Culture and recreation				
Parks and recreation	6,081,412	6,139,412	5,850,805	(288,607)
Library	662,550	-	-	-
Historic village	72,960	72,960	74,910	1,950
Total culture and recreation	6,816,922	6,212,372	5,925,715	(286,657)
Total expenditures	**55,156,521**	**55,738,971**	**45,761,906**	**(9,977,065)**

continued...

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual
General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues over (under) expenditures	**(8,823,881)**	**(9,256,640)**	**2,736,907**	**11,993,547**
Other financing sources				
Transfers in	$ 8,823,881	$ 9,256,640	$ 3,709,122	$ (5,547,518)
Net change in fund balances	**(0)**	**(0)**	**6,446,029**	**6,446,029**
Fund balance, beginning of year	27,465,155	27,465,155	27,465,155	-
Fund balance, end of year	**$ 27,465,155**	**$ 27,465,155**	**$ 33,911,184**	**$ 6,446,029**

concluded...

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

Statement of Net Position

Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets						
Current assets:						
Cash and investments	$ 15,600,132	$ 27,595,556	$ 525,231	$ 1,105,805	$ 44,826,724	$ 15,882,732
Interest receivable	1,526	4,266	-	-	5,792	-
Accounts receivable:						
Billed	2,397,901	23,875	4,221	28,226	2,454,223	66,770
Unbilled	4,042,955	3,453,818	-	-	7,496,773	-
Inventories	398,850	35,187	37,948	28,659	500,644	322,832
Prepaid expenses	-	-	75	-	75	-
Total current assets	22,441,364	31,112,702	567,475	1,162,690	55,284,231	16,272,334
Noncurrent assets:						
Contracts receivable	102,810	442,231	-	-	545,041	-
Advances to other funds	-	-	-	2,178,230	2,178,230	-
Capital assets not being depreciated	9,399,863	3,919,922	2,213,463	1,894,552	17,427,800	10,248
Capital assets being depreciated net of accumulated depreciation	69,520,435	31,655,762	7,501,895	1,964,368	110,642,460	2,538,997
Total noncurrent assets	79,023,108	36,017,915	9,715,358	6,037,150	130,793,531	2,549,245
Total assets	**101,464,472**	**67,130,617**	**10,282,833**	**7,199,840**	**186,077,762**	**18,821,579**
Liabilities						
Current liabilities:						
Accounts payable	2,403,667	2,117,087	4,654	9,193	4,534,601	251,240
Accrued liabilities	128,856	-	162,320	189,251	480,427	-
Compensated absences	-	-	-	-	-	1,936,556
Current portion of bonds payable	-	-	400,000	-	400,000	-
Total current liabilities	2,532,523	2,117,087	566,974	198,444	5,415,028	2,187,796
Noncurrent liabilities:						
Compensated absences	-	-	-	-	-	1,720,065
Advances from other funds	-	-	5,172,512	180,302	5,352,814	-
Bonds payable	-	-	9,500,000	-	9,500,000	-
Total noncurrent liabilities	-	-	14,672,512	180,302	14,852,814	1,720,065
Total liabilities	**2,532,523**	**2,117,087**	**15,239,486**	**378,746**	**20,267,842**	**3,907,861**
Net position						
Net investment in capital assets	78,920,298	35,575,684	(184,642)	3,858,920	118,170,260	2,549,245
Unrestricted (deficit)	20,011,651	29,437,846	(4,772,011)	2,962,174	47,639,660	12,364,473
Total net position (deficit)	**$ 98,931,949**	**$ 65,013,530**	**$ (4,956,653)**	**$ 6,821,094**	165,809,920	**$ 14,913,718**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(89,132)	
Net position of business type activities					**$165,720,788**	

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

Statement of Revenue, Expenses and Changes in Fund Net Position

Proprietary Funds
For the Year Ended June 30, 2012

	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	$ 15,229,689	$ 13,177,412	$ 1,441,221	$ 1,463,515	$ 31,311,837	$ 6,323,625
Rental:						-
Golf course	-	-	1,534	209,462	210,996	-
Restaurant	-	-	-	67,200	67,200	-
Hydrant	4,000	-	-	-	4,000	-
Building	-	-	-	-	-	141,535
Equipment	-	-	-	-	-	3,011,827
Tap and connections fees	273,140	-	-	-	273,140	-
Penalties	371,662	-	-	-	371,662	-
Other services	45,236	-	-	127,631	172,867	-
Other services to city funds	-	-	-	-	-	877,021
Total operating revenues	**15,923,727**	**13,177,412**	**1,442,755**	**1,867,808**	**32,411,702**	**10,354,008**
Operating expenses						
Cost of sales and services	8,827,725	9,213,170	-	-	18,040,895	6,642,241
General and administrative	1,062,870	576,220	-	-	1,639,090	420,557
Operations	1,902,110	749,555	1,038,624	1,315,783	5,006,072	2,231,216
Depreciation	2,128,153	1,241,037	298,695	314,210	3,982,095	879,749
Total operating expenses	**13,920,858**	**11,779,982**	**1,337,319**	**1,629,993**	**28,668,152**	**10,173,763**
Operating income	**2,002,869**	**1,397,430**	**105,436**	**237,815**	**3,743,550**	**180,245**
Nonoperating revenues (expenses)						
Investment earnings	95,413	109,592	-	5,580	210,585	58,180
Interest expense	-	-	(484,069)	-	(484,069)	-
Gain on sale of capital assets	-	-	-	-	-	121,187
Total nonoperating revenues (expenses)	**95,413**	**109,592**	**(484,069)**	**5,580**	**(273,484)**	**179,367**
Income (loss) before contributions and transfers	2,098,282	1,507,022	(378,633)	243,395	3,470,066	359,612
Developer contributions	76,746	73,857	-	-	150,603	-
Transfers in	-	-	-	-	-	11,615
Transfers out	-	(596,316)	-	-	(596,316)	-
Change in net position	**2,175,028**	**984,563**	**(378,633)**	**243,395**	**3,024,353**	**371,227**
Net position (deficit), beginning of year	96,756,921	64,028,967	(4,578,020)	6,577,699		14,542,491
Net position (deficit), end of year	**$ 98,931,949**	**$ 65,013,530**	**$ (4,956,653)**	**$ 6,821,094**		**$ 14,913,718**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					30,862	
Change in net position of business-type activities					**$ 3,055,215**	

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

Statement of Cash Flows

Proprietary Funds
For the Year Ended June 30, 2012

	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	$ 14,779,396	$ 12,392,164	$ 1,438,791	$ 1,856,179	$ 30,466,530	$ -
Cash received from interfund services	-	-	-	-	-	10,354,008
Cash payments to employees	(1,930,695)	(653,952)	(396,308)	(631,089)	(3,612,044)	(6,561,606)
Cash payments to suppliers for goods and services	(8,432,468)	(9,000,146)	(659,116)	(652,032)	(18,743,762)	(2,843,014)
Cash payments for interfund services	(404,277)	(283,494)	(6,611)	(35,069)	(729,451)	-
Net cash provided by operating activities	**4,011,956**	**2,454,572**	**376,756**	**537,989**	**7,381,273**	**949,388**
Cash flows from noncapital financing activities						
Advances to other funds	-	-	-	(1,038,385)	(1,038,385)	-
Advances from other funds	-	-	1,038,385	-	1,038,385	-
Repayment of advances from other funds	-	-	-	(144,030)	(144,030)	-
Transfers from other funds	-	-	-	-	-	11,615
Transfers to other funds	-	(596,316)	-	-	(596,316)	-
Net cash provided (used) by noncapital financing activities	**-**	**(596,316)**	**1,038,385**	**(1,182,415)**	**(740,346)**	**11,615**
Cash flows from capital and related financing activities						
Purchase of capital assets	(3,527,459)	(393,839)	(5,841)	(61,619)	(3,988,758)	(299,661)
Proceeds from sale of capital assets	-	-	-	-	-	121,187
Bond principal payments	-	-	(400,000)	-	(400,000)	-
Bond note interest payments	-	-	(484,069)	-	(484,069)	-
Net cash (used) by capital and related financing activities	**(3,527,459)**	**(393,839)**	**(889,910)**	**(61,619)**	**(4,872,827)**	**(178,474)**
Cash flows from investing activities						
Proceeds from sale of investments	5,482,095	-	-	-	5,482,095	-
Investment earnings	95,451	109,662	-	5,580	210,693	82,357
Net cash provided by investing activities	**5,577,546**	**109,662**	**-**	**5,580**	**5,692,788**	**82,357**
Net increase (decrease) in cash and cash equivalents	**6,062,043**	**1,574,079**	**525,231**	**(700,465)**	**7,460,888**	**864,886**
Cash and cash equivalents, beginning of year	9,538,089	26,021,477	-	1,806,270	37,365,836	15,017,846
Cash and cash equivalents, end of year	**$ 15,600,132**	**$ 27,595,556**	**$ 525,231**	**$ 1,105,805**	**$ 44,826,724**	**$ 15,882,732**

continued...

Statement of Cash Flows

Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
Concluded….						
Reconciliation of operating income to net cash provided by operating activities						
Operating income	$ 2,002,869	$ 1,397,430	$ 105,436	$ 237,815	$ 3,743,550	$ 180,245
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation	2,128,153	1,241,037	298,695	314,210	3,982,095	879,749
Changes in assets and liabilities:						
Accounts receivable	(1,072,418)	(762,882)	(3,964)	(11,629)	(1,850,893)	-
Inventories	(11,795)	15,505	(6,281)	(3,123)	(5,694)	27,751
Prepaid items	-	-	13,187	13,891	27,078	-
Contracts receivable	14,808	(22,366)	-	-	(7,558)	-
Accounts payable	917,663	585,848	(88,083)	(73,634)	1,341,794	78,822
Accrued liabilities	119,397	-	57,766	60,459	237,622	(217,179)
Unearned revenue	(86,721)	-	-	-	(86,721)	-
Net cash provided by operating activities	**$ 4,011,956**	**$ 2,454,572**	**$ 376,756**	**$ 537,989**	**$ 7,381,273**	**$ 949,388**
Noncash investing, capital, and financing activities						
Contributions of capital assets	$ 76,746	$ 73,857	$ -	$ -	$ 150,603	$ -

concluded…

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

CITY OF TROY, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds
June 30, 2012

	Pension and OPEB Trusts	Agency
Assets		
Cash	$ 22,697,849	$ 1,824,410
Interest receivable	92,364	-
Taxes receivable	-	952,709
Investments:		
U.S. Government securities	14,243,176	-
Corporate bonds	9,325,864	-
Corporate equities, preferred	397,800	-
Corporate equities, common	101,628,434	-
Mutual funds	59,507,050	-
Municipal bonds	1,728,189	-
Total assets	**209,620,726**	**$ 2,777,119**
Liabilities		
Accounts payable	5,170	$ 16,253
Performance deposits	-	2,760,866
Total liabilities	**5,170**	**$ 2,777,119**
Net position		
Held in trust for pension benefits	151,403,894	
Held in trust for postemployment healthcare benefits	58,211,662	
Total net position	**$ 209,615,556**	

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

CITY OF TROY, MICHIGAN

Statement of Changes in Fiducuary Net Position

Fiduciary Funds
For the Year Ended June 30, 2012

	Pension and OPEB Trusts
Additions	
Contributions	
Employer contributions	$ 6,417,981
Employee contributions	9,094,494
Total contributions	15,512,475
Investment income	
Interest	2,841,799
Dividends	3,052,035
Net adjustment in fair value of investments	(7,402,251)
Total investment loss	(1,508,417)
Total additions	**14,004,058**
Deductions	
Benefits	15,626,761
Administrative expenses	127,329
Total deductions	**15,754,090**
Net (decrease) in net position	**(1,750,032)**
Net position held in trust, beginning of year for	
Pension benefits	152,332,619
Postemployment healthcare benefits	59,032,969
Total net position held in trust, beginning of year	211,365,588
Net position held in trust, end of year for	
Pension benefits	151,403,894
Postemployment healthcare benefits	58,211,662
Total net position held in trust, end of year	**$ 209,615,556**

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

Discretely Presented Component Units

Combining Statement of Net Position
June 30, 2012

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and investments	$ 6,271,827	$ 88,011	$ 764,811	$ 7,124,649
Receivables:				
Taxes receivable	52,440	-	-	52,440
Total assets	**6,324,267**	**88,011**	**764,811**	**7,177,089**
Liabilities				
Accounts payable	26,421	-	-	26,421
Interest payable	148,397	-	-	148,397
Noncurrent liabilities:				
Due within one year	2,365,000	-	-	2,365,000
Due after one year	17,450,000	-	-	17,450,000
Total liabilities	**19,989,818**	**-**	**-**	**19,989,818**
Net position (deficit)				
Unrestricted	$ (13,665,551)	$ 88,011	$ 764,811	$ (12,812,729)

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

Discretely Presented Component Units

Combining Statement of Activities
For the Year Ended June 30, 2012

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Revenues				
General:				
Property taxes	$ 941,770	$ 123,991	$ 3,669	$ 1,069,430
Unrestricted earnings	20,354	1,179	2,612	24,145
Total revenues	**962,124**	**125,170**	**6,281**	**1,093,575**
Expenses				
Economic development	970,824	292,298	31,539	1,294,661
Interest	973,262	-	-	973,262
Total expenses	**1,944,086**	**292,298**	**31,539**	**2,267,923**
Change in net position	**(981,962)**	**(167,128)**	**(25,258)**	**(1,174,348)**
Net position (deficit), beginning of year	(12,683,589)	255,139	790,069	(11,638,381)
Net position (deficit), end of year	**$ (13,665,551)**	**$ 88,011**	**$ 764,811**	**$ (12,812,729)**

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

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

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:

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities,* which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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 governments operations and so data from these units are combined with data of the primary government. The Troy Municipal Building Authority is included within the reporting entity as a blended component unit. The governing body of this authority is appointed by City Council. It's 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.

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.

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.

Basis of Presentation - Government-Wide Financial Statements

The statement of net position 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 position 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 position and changes in fiduciary net position.

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

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

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

Governmental Funds

The City reports the following major and nonmajor governmental funds:

Major Governmental 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 Project 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.

Proprietary Funds

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds, Aquatic Center, golf course funds and the City's internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Proprietary funds focus on limitations on the use of net position, 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.

The City reports the following major enterprise 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.

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

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 workers' 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.

Fiduciary Funds

Pension and Other Postemployment Benefits Trust Funds

Pension Funds are used to account for assets held by the City in a trustee capacity for the benefit of retirees and their beneficiaries. These include the employees' retirement system trust fund, the retiree health care trust fund and the discretionary fire incentive reserve fund. These funds are accounted for in essentially the same manner as proprietary funds, since capital maintenance is critical. They accumulate resources for benefits to qualified employees and volunteers during retirement.

Trust and Agency Fund

The trust and agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results from operations. Fund activity includes tax collections for other taxing jurisdictions for which the City collets taxes and contractors performance deposits.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

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

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

Notes to Financial Statements

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 the trust and agency fund are accounted for using the *full 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, 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 position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Budgetary 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.
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).

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balances

Cash and Investments

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool along with any individual fund investments are displayed on the statements of net position or balance sheet as "cash and investments".

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date of three months or less at the date acquired by the City.

Investments are stated at fair value. For fair value, securities traded on a national exchange are valued at the last reported sales price.

The investment policy adopted by the Troy City Council, in accordance with Public Act 201 of 1943, as amended, authorizes investments in all of the investment vehicles noted above with the provision that authorized depositories shall be designated by the Troy City Council.

The pension and retiree health care trust funds are authorized by Michigan Public Acts 314 of 1965, Public Act 485 of 1996 and Public Act 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.

Inventories and Prepaid Items

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".

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

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 and infrastructure acquired prior to fiscal year ended June 30, 1980 is not reported in capital assets.

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

Assets Classification	Estimated Useful Life
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. These amounts along with the associated benefit costs are fully accrued in the compensated absences fund. Departments are charged by the internal service fund when the benefits are earned and a liability incurred.

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 position. 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 outflows and amortized over the term of the related debt.

Deferred Outflows/Inflows of Resources

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.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenditure/expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue,* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source: delinquent personal property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as *restricted - net position* and *unrestricted - net position* in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider *restricted - net position* to have been depleted before *unrestricted - net position* is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for particular purpose from both restricted and unrestricted resources (i.e. committed, assigned and unassigned). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

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. The City Manager is authorized to assign fund balance as authorized under the current financial policies. Unassigned fund balance is the residual classification for the general fund.

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.

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, 2011		$ (6,707,216)
Current year building permit revenue	$ 1,707,554	
Related expenses:		
Direct costs	1,331,547	
Estimated indirect costs	106,524	
Total construction code expenses	1,438,071	
Net surplus for the year ended June 30, 2012		269,483
Cumulative shortfall at June 30, 2012		$ (6,437,733)

Expenditures in Excess of Appropriations

For the year ended June 30, 2012, expenditures exceeded appropriations in the building inspection and historic village functions (the legal level of budgetary control) by $131,913 and $1,950 respectively. Although the building inspection overspending is a direct result of contractor fees generated by the increase in permit revenues received by the city, it is nevertheless considered a budgetary violation.

3. DEPOSITS AND INVESTMENTS

Statutory Authority

State statutes authorize the City to make limited investments of non-pension surplus funds authorized by Michigan 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.

b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase. Not more than fifty percent of any fund may be invested in commercial paper at any time.

d. Bankers acceptances of United States banks.

e. Obligations of the State of Michigan or any of its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

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.

The investment policy adopted by the Troy City Council, is in accordance with Public Act 20 of 1943, as amended. The provisions of the act and the City's investment policy include a statement of purpose, scope, objectives, delegation of authority to make investments, safekeeping and custody, prudence, and authorizes investments in all of the above investment vehicles with the following provision: Authorized Depositories shall be designated by the Troy City Council.

The pension and retiree health care trust funds are also authorized by Public Acts 314 of 1965, as amended, Public Act 485 of 1996 and Public Act 149 of 1999 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.

Summary of Deposit and Investment Balances

The following is a reconciliation of deposit and investment balances segregated by cash and cash equivalents and investments as of June 30, 2012.

Cash and Investments	Deposits	Investments	Cash on Hand	Total
Government-wide				
Cash and equivalents	$ 67,099,751	$ 3,211,112	$ 15,000	$ 70,325,863
Investments	3,702,621	34,120,090		37,822,711
Fiduciary funds				
Cash and equivalents	24,522,259	-		24,522,259
Investments	-	186,830,513		186,830,513
Component units				
Cash and equivalents	7,124,649			7,124,649
Total	**$102,449,280**	**$224,161,715**	**$ 15,000**	**$326,625,995**

Deposit and Investment Risk

Deposits

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, $59,512,217 of the City of Troy's bank deposits (certificates of deposit, checking, and cash) of $104,503,471 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.

Notes to Financial Statements

Investments

Interest Rate Risk. Interest rate risk is the risk that the value of fixed income 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.

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

Investment	Fair Value	Average Maturity
Government-wide		
US Government or agency bond/note	$ 26,221,176	Over 10 years
Municipal bonds	9,417,286	Over 10 years
Fiduciary funds		
US Government or agency bond/note	14,243,176	Over 10 years
Municipal bonds	1,728,189	9.2 years
Corporate bonds	9,325,864	Over 10 years

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 fixed income securities are as follows:

	Primary Government	Fiduciary Funds	Total
AAA	$ 126,330	$ 1,670,324	$ 1,796,654
AA to AA-	28,162,348	14,128,760	42,291,108
A to A-	7,349,784	5,590,026	12,939,810
BBB to BBB-	-	2,050,714	2,050,714
BB to BB-	-	385,700	385,700
B to B-	-	990,815	990,815
CCC or below	-	480,890	480,890
Total	**$ 35,638,462**	**$ 25,297,229**	**$ 60,935,691**

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.

4. RECEIVABLES

Receivables, which include amounts due from other governments at June 30, 2012, are summarized as follows:

Primary Government	
Governmental Activities	
Delinquent personal property taxes (net)	$ 195,731
Billed accounts receivable	769,963
Special assessments	212,989
Due from Oakland County	280,564
Due from State of Michigan	3,249,378
Due from U.S. Government	415,505
Other receivables	290,563
Total governmental activities	5,414,693
Business-type Activities	
Billed accounts receivable	2,423,083
Unbilled accounts receivable	7,496,773
Contracts receivable	549,651
Other receivables	32,322
Total business-type activities	10,501,829
Total primary government	**$ 15,916,522**
Component Units	
Downtown Development Authority	
Delinquent personal property taxes (net)	$ 52,440

5. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	$ 33,001,863	$ -	$ -	$ -	$ 33,001,863
Museum artifacts	2,084,666	-	-	-	2,084,666
Construction in progress	8,356,244	8,795,567	-	(846,331)	16,305,480
	43,442,773	8,795,567	-	(846,331)	51,392,009
Capital assets, being depreciated:					
Infrastructure					
Major/county/local roads	176,555,958	388,351	-	-	176,944,309
Local donated roads	33,551,524	-	-	-	33,551,524
Sidewalks	31,007,284	-	-	-	31,007,284
Drains	5,053,734	12,787	-	-	5,066,521
Land improvements	7,502,960	4,963	-	-	7,507,923
Buildings and improvements	80,933,199	238,867	-	846,331	82,018,397
Miscellaneous equipment	5,200,374	203,335	-	-	5,403,709
Office equipment	2,992,322	119,620	-	-	3,111,942
Vehicles	17,747,711	1,234,487	(463,433)	-	18,518,765
Library books/audio visual	7,266,171	432,015	-	-	7,698,186
	367,811,237	2,634,425	(463,433)	846,331	370,828,560
Less accumulated depreciation for:					
Infrastructure					
Major/county/local roads	(79,798,924)	(6,316,647)	-	-	(86,115,571)
Local donated roads	(24,837,180)	(1,212,567)	-	-	(26,049,747)
Sidewalks	(27,316,410)	(237,148)	-	-	(27,553,558)
Drains	(167,285)	(109,947)	-	-	(277,232)
Land improvements	(5,943,779)	(272,858)	-	-	(6,216,637)
Buildings and improvements	(44,849,427)	(2,958,656)	-	-	(47,808,083)
Miscellaneous equipment	(4,330,896)	(352,265)	-	-	(4,683,161)
Office equipment	(2,256,107)	(143,117)	-	-	(2,399,224)
Vehicles	(13,648,367)	(1,231,736)	463,225	-	(14,416,878)
Library books/audio visual	(5,665,245)	(495,597)	-	-	(6,160,842)
	(208,813,620)	(13,330,538)	463,225	-	(221,680,933)
Total capital assets being depreciated, net	158,997,617	(10,696,113)	(208)	846,331	149,147,627
Governmental activities capital assets, net	**$202,440,390**	**$ (1,900,546)**	**$ (208)**	**$ -**	**$200,539,636**

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Land	$ 6,738,504	$ -	$ -	$ -	$ 6,738,504
Construction in progress	9,781,151	3,913,290	-	(3,005,145)	10,689,296
	16,519,655	3,913,290	-	(3,005,145)	17,427,800
Capital assets, being depreciated:					
Water and sewer transmission and distribution system	164,513,851	148,549	-	3,005,145	167,667,545
Service connections	750,121	-	-	-	750,121
Land improvements	8,898,232	-	-	-	8,898,232
Buildings and improvements	7,351,442	27,335	-	-	7,378,777
Miscellaneous equipment	2,913,717	16,330	-	-	2,930,047
Vehicles	605,016	33,857	-	-	638,873
Furniture, fixtures and other	261,330	-	-	-	261,330
	185,293,709	226,071	-	3,005,145	188,524,925
Less accumulated depreciation for:					
Water and sewer transmission and distribution system	(63,419,453)	(3,369,191)	-	-	(66,788,644)
Service connections	(750,121)	-	-	-	(750,121)
Land improvements	(2,313,438)	(223,763)	-	-	(2,537,201)
Buildings and improvements	(4,234,794)	(285,726)	-	-	(4,520,520)
Miscellaneous equipment	(2,443,439)	(59,427)	-	-	(2,502,866)
Vehicles	(477,795)	(43,988)	-	-	(521,783)
Furniture, fixtures and other	(261,330)	-	-	-	(261,330)
	(73,900,370)	(3,982,095)	-	-	(77,882,465)
Total capital assets being depreciated, net	111,393,339	(3,756,024)	-	3,005,145	110,642,460
Business-type activities capital assets, net	**$127,912,994**	**$ 157,266**	**$ -**	**$ -**	**$128,070,260**

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

Depreciation of governmental activities by function	
General government	$ 3,912,786
Public safety	653,702
Public works	7,919,043
Community and economic development	32,292
Recreation and culture	812,715
Total depreciation expense - governmental activities	**$ 13,330,538**

Depreciation of business-type activities by function	
Water	$ 2,128,153
Sanitary Sewer	1,241,037
Aquatic Center	167,213
Sylvan Glen Golf Course	146,997
Sanctuary Lake Golf Course	298,695
Total depreciation expense - business-type activities	**$ 3,982,095**

6. INTERFUND ADVANCES AND TRANSFERS

The amounts of interfund advances transfers are as follows as of June 30, 2012:

	Advanced to Other Funds	Advanced from Other Funds
General Fund	$ 3,174,584	$ -
Enterprise Funds		
Aquatic Center Fund	-	180,302
Sanctuary Lake Golf Course Fund	-	5,172,512
Sylvan Glen Course Fund	2,178,230	-
Total	**$ 5,352,814**	**$ 5,352,814**

Advances represent cash flow assistance from mainly the general fund and sylvan glenn golf course to meet operating and/or debt service requirements of the sanctuary lake golf course and aquatic center. The aquatic center is expected to continue to decrease the interfund advance, however, the advance to sanctuary lake golf course is not expected to be reduced in the subsequent year.

Interfund transfers reported in the fund statements are as follows as of June 30, 2012:

	Transfers In				
Transfers Out	General Fund	Capital Projects Fund	Nonmajor Governmental	Internal Service Funds	Totals
Capital projects fund	$ 356,000	$ -	$ -	$ 11,615	$ 367,615
Nonmajor governmental funds	2,756,806	1,817,911	3,276,068	-	7,850,785
Sewer Fund	596,316	-	-	-	596,316
Total	**$ 3,709,122**	**$ 1,817,911**	**$ 3,276,068**	**$ 11,615**	**$ 8,814,716**

Nonmajor Governmental Funds

Major streets fund transfers to the general fund are for routine road maintenance in the amount of $1,857,806. Major streets fund transfers to the capital projects fund of $1,350,000 represents funding of road improvements. Major streets fund transfer to the local streets fund of $224,080 represents allowable redirection of state funding. Local streets fund transfer to the general fund are for routine road maintenance in the amount of $930,101. Library fund transfers to the capital projects fund of $467,911 represent book and other capital purchases. General debt service fund transfers to Proposal A, B, and C debt service funds in the amount of $3,051,988 are for principal and interest payments on outstanding debt.

Capital Projects Fund

Transfers to general fund represent reimbursement for special assessment expenditures. Transfers to internal service funds represent reimbursements for capital expenses incurred for information technology.

Sewer Fund

Transfers to the general fund represent reimbursements for storm sewer operating expenditures.

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 Ended June 30,	Amount
2013	$ 42,732
2014	37,923
2015	31,581

Lease costs for the year ended June 30, 2012, were $47,228.

8. LONG-TERM LIABILITIES

Primary Government

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2012:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities					
General obligation bonds					
Proposal A - streets	$ 7,405,000	$ -	$ (555,000)	$ 6,850,000	$ 625,000
Proposal B - public safety	10,945,000	-	(1,060,000)	9,885,000	1,035,000
Proposal C - community ctr.	5,895,000	-	(520,000)	5,375,000	535,000
County contract bonds					
Public drains	2,863,479	-	(201,167)	2,662,312	206,776
MTF Street bonds	675,000	-	(200,000)	475,000	225,000
Total debt obligations	**27,783,479**	**-**	**(2,536,167)**	**25,247,312**	**2,626,776**
Accrued compensated absences	3,839,315	3,456,390	(3,639,084)	3,656,621	1,936,556
Estimated self-insurance claims	947,375	4,092,611	(3,816,084)	1,223,902	595,486
Total governmental activities	**$ 32,570,169**	**$ 7,549,001**	**$ (9,991,335)**	**$ 30,127,835**	**$ 5,158,818**
Business-type Activities					
General obligation bonds					
Golf course series 2002	$ 10,300,000	$ -	$ (400,000)	$ 9,900,000	$ 400,000

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

Notes to Financial Statements

Debt issues outstanding are as follows:

	Maturity Date	Original Issue	Interest Rate	Amount Outstanding
Primary Government				
Governmental Activities				
General obligation bonds				
Proposal A - streets/streetscape				
2008 Refunding of series 2000	2021	$ 3,505,000	3.0-4.0%	$ 2,695,000
2010 Refunding of series 2001	2021	4,515,000	2.0-5.0%	4,155,000
Proposal B - public safety/city hall				
2010 Refunding of series 2001	2021	835,000	2.0-5.0%	775,000
2010 Refunding of series 2003	2021	9,110,000	2.0-5.0%	9,110,000
Proposal C - community center				
2010 Refunding of series 2001	2021	5,910,000	2.0-5.0%	5,375,000
County drain bond contracts				
GWK Series 2000A	2022	457,372	2.50%	256,824
GWK Series 2001C	2024	2,102,682	2.50%	1,383,626
GWK Series 2001D	2024	81,089	2.50%	36,776
GWK Series 2005	2026	41,440	1.63%	28,562
GWK Series 2007	2024	318,728	2.55%	283,683
GWK Series 2007G	2028	46,242	1.63%	37,529
GWK Series 2008H	2029	196,953	2.50%	172,916
North Arm Series 1998	2021	926,972	2.25%	462,396
MTF street bond	2014	5,600,000	4.75-5.45%	475,000
Total governmental activities		**$ 33,646,478**		**$ 25,247,312**
Business-type Activities				
General obligation bonds				
Golf course series 2002	2028	$ 12,000,000	3.25-5.0%	$ 9,900,000

Notes to Financial Statements

The annual debt requirements to maturity for all long-term debts outstanding as of June 30, 2012, exclusive of earned but unpaid sick pay and insurance claims are as follows:

Primary Government					
Year Ending	Governmental Activities		Business-type Activities		
June 30,	Principal	Interest	Principal	Interest	Total
2013	$ 2,626,776	$ 947,892	$ 400,000	$ 468,597	$ 4,443,265
2014	2,691,746	848,556	400,000	451,247	4,391,549
2015	2,572,182	739,672	450,000	431,248	4,193,102
2016	2,662,716	639,864	500,000	408,998	4,211,578
2017	2,718,788	531,341	500,000	386,748	4,136,877
2018	2,649,269	427,666	500,000	364,248	3,941,183
2019	2,834,959	315,284	600,000	339,123	4,089,366
2020	2,876,159	192,185	600,000	310,999	3,979,343
2021	3,010,977	74,254	600,000	282,124	3,967,355
2022	201,424	15,665	600,000	252,500	1,069,589
2023	164,082	10,127	700,000	220,000	1,094,209
2024	166,837	5,752	700,000	185,000	1,057,589
2025	16,111	1,320	800,000	147,500	964,931
2026	16,477	960	800,000	107,500	924,937
2027	14,551	590	850,000	66,250	931,391
2028	14,531	250	900,000	22,500	937,281
2029	9,727	-	-	-	9,727
Total	**$ 25,247,312**	**$ 4,751,378**	**$ 9,900,000**	**$ 4,444,582**	**$ 44,343,272**

It is the intent of the City that all payments relating to primary government 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.

Component Units

The following is a summary of long-term liability transactions of the City's component units for the year ended June 30, 2012:

Component Units Downtown Development Auth.	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds					
Big Beaver - Series 2001	$ 7,825,000	$ -	$ (805,000)	$ 7,020,000	$ 850,000
2001 Refunding	5,405,000	-	(560,000)	4,845,000	590,000
Community Ctr-2002	5,725,000	-	(600,000)	5,125,000	625,000
Community Ctr (Jr.)-2003	3,075,000	-	(250,000)	2,825,000	300,000
Total component units	**$ 22,030,000**	**$ -**	**$ (2,215,000)**	**$ 19,815,000**	**$ 2,365,000**

General obligation bonds are backed by the full faith and credit of the component unit and not the primary government.

Component unit debt issues outstanding are as follows:

Component Units Downtown Development Authority	Maturity Date	Original Issue	Interest Rate	Amount Outstanding
General obligation bonds				
Big Beaver series 2001	2019	$ 14,255,000	4.0-5.5%	$ 7,020,000
2001 Refunding series 1995	2019	9,745,000	4.0-5.5%	4,845,000
Community center series 2002	2019	9,700,000	2.05-5.0%	5,125,000
Community center (jr. lein) series 2003	2019	4,025,000	2.5-4.25%	2,825,000
Total component units		**$ 37,725,000**		**$ 19,815,000**

The annual debt requirements to maturity for all component unit long-term debts outstanding as of June 30, 2012 are as follows:

Component Units Downtown Development Authority			
Year Ending June 30,	Principal	Interest	Total
2013	$ 2,365,000	$ 888,601	$ 3,253,601
2014	2,490,000	772,869	3,262,869
2015	2,650,000	648,951	3,298,951
2016	2,815,000	515,813	3,330,813
2017	3,005,000	376,638	3,381,638
2018	3,175,000	231,600	3,406,600
2019	3,315,000	78,450	3,393,450
	$ 19,815,000	**$ 3,512,922**	**$ 23,327,922**

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/Defeased Debt

The City has had no advance refundings during the fiscal year. Prior years advance refundings have exercised the callable components of the respective original issuance. Accordingly, there are no amounts defeased at the end of the fiscal year.

9. NET POSITION/FUND BALANCE CLASSIFICATIONS

Net Position

Net position has 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.

Notes to Financial Statements

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

	General Fund	Capital Projects Fund	Nonmajor Funds	Total
Nonspendable				
Inventory & prepaids	$ 710,102	$ -	$ -	$ 710,102
Permanent fund corpus	-	-	158,200	158,200
Advance to Sanctuary Lake golf course	2,994,282	-	-	2,994,282
Advance to Aquatic Center	180,302	-	-	180,302
Total nonspendable	**3,884,686**	**-**	**158,200**	**4,042,886**
Restricted				
Special revenue funding source restrictions	-	-	5,537,991	5,537,991
Debt funding source restrictions	-	-	1,455,420	1,455,420
Budget stabilization	1,514,118	-	-	1,514,118
Capital improvements	-	8,945,328	-	8,945,328
Total restricted	**1,514,118**	**8,945,328**	**6,993,411**	**17,452,857**
Committed				
Volunteer Firefighters Incentive Reserve	1,000,000	-	-	1,000,000
Subsequent years budgets	517,000	2,415,623	246,564	3,179,187
Total committed	**1,517,000**	**2,415,623**	**246,564**	**4,179,187**
Assigned				
Insurance claims	3,000,000	-	-	3,000,000
Tax appeals	655,000	-	-	655,000
Total assigned	**3,655,000**	**-**	**-**	**3,655,000**
Unassigned	**23,340,380**	**-**	**-**	**23,340,380**
Total fund balances	**$ 33,911,184**	**$ 11,360,951**	**$ 7,398,175**	**$ 52,670,310**

10. RISK MANAGEMENT

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

The City accounts for transactions related to these risks in accordance with GASB No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which states that a liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss 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, 2012.

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

Year Ending June 30,	Beginning Balance	Additions	Deductions	Ending Balance
2011	$ 926,999	$ 5,610,540	$ (5,590,164)	$ 947,375
2012	947,375	4,092,611	(3,816,084)	1,223,902

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

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.

Tax Appeals to the Michigan Tax Tribunal

The City has several outstanding property tax assessment appeals totaling approximately $170,344,389 (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, 2012.

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 2011-2012 levy was $4,333,141,674. The City's operating tax rate was 6.50 mills for the same year with additional mills of .96, .70, 1.53 and .50 levied to fund refuse removal and disposal, library operations, capital outlay expenditures and debt service obligations, 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.

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:

Group	December 31, 2011
Retirees and beneficiaries currently receiving benefits	322
Vested terminated employees	11
Active employees	70

Notes to Financial Statements

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, 2012 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, 2012, contributions totaling $11,289,970 ($2,195,476 employer and $9,094,494 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2010, which was net of the amortization of assets in excess of unfunded actuarial accrued liability. Employer and employee contributions were based on 26.6 percent and 1.5 to 4.0 percent, respectively, of covered payroll in the amount of $7,094,490 for the year then ended. All contributions pertain to the pension plan only.

Significant actuarial assumptions are (a) a 6.5% investment return compounded annually, (b) salary increases of 3.5% per year compounded annually (c) additional projected salary increases of 0.0%-2.5% attributable to seniority/merit, and (d) no cost of living adjustments 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)				
Fiscal Years Ended June 30,	Actuarial Valuation Date December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	2008	$ 1,361	100%	$ -
2011	2009	2,484	100%	-
2012	2010	2,195	100%	-

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Plan was 95 percent funded. The actuarial accrued liability for benefits was $153,564,000, and the actuarial value of assets was $145,523,000, resulting in an unfunded actuarial accrued liability (UAAL) of $8,041,000. The covered payroll (annual payroll for active employee covered by the Plan) was $5,428,000 and the ratio for the UAAL to the covered payroll was 148.1%.

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. Because the system uses the aggregate cost method which does not identify or separately amortize unfunded actuarial accrued liabilities, funded status and funding progress are reported 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.

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, 2012 was determined using an individual entry age funding method. At January 1, 2012, 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, 2012, was $873,354. 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.

Group	December 31, 2011
Retirees and beneficiaries currently receiving benefits	79
Vested terminated employees	26
Active employees	146

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)				
Fiscal Years Ended June 30,	Actuarial Valuation Date December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	2008	$ 864	100%	$ -
2011	2010	874	100%	-
2012	2011	873	100%	-

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the Plan was 47 percent funded. The actuarial accrued liability for benefits was $13,476,000, and the actuarial value of assets was $6,357,000, resulting in an unfunded actuarial accrued liability (UAAL) of $7,119,000.

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.

Notes to Financial Statements

	Statements of Fiduciary Net Position		
	Employee Retirement System	Discretionary Fire Incentive Reserve Fund	Total
Assets			
Cash	$ 16,845,997	$ -	$ 16,845,997
Interest receivable	92,364	-	92,364
Investments, at fair value:			
U.S. Government securities	9,904,150	4,339,026	14,243,176
Corporate bonds	9,325,864	-	9,325,864
Corporate equities, preferred	397,800	-	397,800
Corporate equities, common	101,628,434	-	101,628,434
Mutual funds	36,522,970	960,911	37,483,881
Municipal bonds	1,671,394	56,795	1,728,189
Total assets	**176,388,973**	**5,356,732**	**181,745,705**
Liabilities			
Accounts payable	5,170	-	5,170
Net position			
Held in trust for:			
Pension benefits	146,047,162	5,356,732	151,403,894
Postemployment healthcare benefits	30,336,641	-	30,336,641
Total net position	**$176,383,803**	**$ 5,356,732**	**$181,740,535**

Notes to Financial Statements

	Statements of Changes in Fiduciary Net Position		
	Employee Retirement System	Discretionary Fire Incentive Reserve Fund	Total
Additions			
Contributions:			
Employer	$ 2,195,476	$ 873,354	$ 3,068,830
Plan members	9,094,494	-	9,094,494
Total contributions	11,289,970	873,354	12,163,324
Investment income:			
Interest	2,336,597	238,316	2,574,913
Dividends	3,052,035	-	3,052,035
Net adjustment in fair value of investments	(6,857,965)	36	(6,857,929)
Total investment income (loss)	(1,469,333)	238,352	(1,230,981)
Total additions	**9,820,637**	**1,111,706**	**10,932,343**
Deductions			
Benefit payments	14,229,015	1,397,746	15,626,761
Administrative expenses	107,789	19,540	127,329
Total deductions	14,336,804	1,417,286	15,754,090
Change in net position	**(4,516,167)**	**(305,580)**	**(4,821,747)**
Net position held in trust, beginning of year for:			
Pension benefits	146,670,307	5,662,312	152,332,619
Postemployment healthcare benefits	34,229,663	-	34,229,663
Total net position held in trust, beginning of year	180,899,970	5,662,312	186,562,282
Net position held in trust, end of year for:			
Pension benefits	146,047,162	5,356,732	151,403,894
Postemployment healthcare benefits	30,336,641	-	30,336,641
Total net position held in trust, end of year	**$176,383,803**	**$ 5,356,732**	**$181,740,535**

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, 2012 was 254.

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, 2012, was $15,913,982. The required contributions, which matched those actually made, were $715,875 by employees and $1,732,681 by the City, representing 4.5 percent and 10.9 percent of covered payroll, respectively.

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 $3,349,151 represented the required contribution of $2,787,081 or 13.81% of covered payroll totaling $20,181,615. During the current year, healthcare benefits paid for 335 retirees totaled $3,893,023, 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, 2012, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2010. 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.

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

Annual required contribution	$ 2,787,081
Interest on net OPEB asset - 6.5%	(18,277)
Adjustment to annual required contribution	21,373
Annual OPEB cost (expense)	2,790,177
Contributions made	(3,271,118)
(Increase) in net OPEB asset	(480,941)
Net OPEB (asset), beginning of year	(281,188)
Net OPEB (asset), end of year	**$ (762,129)**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows (dollar amounts in thousands):

Three-Year Trend Information			
Fiscal Year Ended June 30,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
2010	$ 3,698	103%	$ 52
2011	3,546	100%	(281)
2012	2,790	117%	(762)

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% and projected salary increases of 3.5%-8.0%. An annual healthcare cost trend of 8.25% was used in fiscal year 2012 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.

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.

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the Plan was 67 percent funded. The actuarial accrued liability for benefits was $89,952,000, and the actuarial value of assets was $60,360,000, resulting in an unfunded actuarial accrued liability (UAAL) of $29,592,000. The covered payroll (annual payroll for active employee covered by the Plan) was $25,951,000 and the ratio for the UAAL to the covered payroll was 114%.

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 Position

	Care Trust Fund
Assets	
Cash	$ 5,851,852
Investments, at fair value:	
Mutual funds	22,023,169
Total assets	**27,875,021**
Net position	
Held in trust for postemployment healthcare benefits	$ 27,875,021

Statement of Changes in Fund Net Position

	Care Trust Fund
Additions	
Contributions:	
Employer	$ 3,349,151
Investment income:	
Interest	266,886
Net adjustment in fair value of investments	(544,322)
Total investment loss	(277,436)
Total additions	**3,071,715**
Deductions	
Benefit payments	-
Change in net position	**3,071,715**
Net position held in trust, beginning of year for:	
Postemployment healthcare benefits	24,803,306
Net position held in trust, end of year for:	
Postemployment healthcare benefits	**$ 27,875,021**

16. DEFICIT NET POSITION

The Sanctuary Lake golf course fund has a net position deficit of $4,956,653 at June 30, 2012.

The Sanctuary Lake golf course completed its seventh year of operations with operating income of $105,436 including depreciation expense of $298,695. Nonoperating expenses including interest expense of $484,069 resulted in a decrease change in net position of $378,633. This compares to a decrease change in net position of $582,841 last fiscal year. Cash flows from operations were positive in the amount of $376,756. As such, the deficit is a result of operating income insufficient to meet the debt funding requirements. The fund has incurred advances from primarily the general fund and sylvan glenn golf course fund to meet its cash debt financing requirements.

The City turned over operations and management of both the sanctuary lake and sylvan glen golf 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) reported a net position deficit of $13,665,551 compared to $12,683,589 last fiscal year. This deficit is attributable to recognizing outstanding long-term debt to be financed with future tax increment revenues from the district.

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.

18. SUBSEQUENT EVENTS

On September 6, 2012, the City advance refunded the golf course series 2002 general obligation bonds. The City issued $9,655,000 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 will be considered to be defeased and the liability will be removed from long-term debt in the subsequent year. This advance refunding was undertaken to reduce total debt service payments over the next fifteen years by $965,191 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of $879,368.

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Employee Retirement System

Schedule of Funding Progress
Employee Retirement System Trust Fund
(amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2006	$ 132,168	$ 119,299	$ (9,755)	107.9%	$ 11,472	-19.1%
12/31/2007	132,917	123,162	(2,111)	101.7%	11,046	64.4%
12/31/2008	128,249	126,138	7,054	94.9%	10,953	55.6%
12/31/2009	132,465	139,519	5,832	95.8%	10,483	65.1%
12/31/2010	133,400	139,232	5,832	95.8%	8,959	65.1%
12/31/2011	145,523	153,564	8,041	94.8%	5,428	148.1%

Schedule of Employer Contributions
Employee Retirement System Trust Fund
(amounts in thousands)

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2007	$ 273	100.0%
2008	273	100.0%
2009	428	100.0%
2010	1,361	100.0%
2011	2,484	100.0%
2012	2,195	100.0%

Required Supplementary Information

Incentive Plan for Volunteer Firefighters

Schedule of Funding Progress
Discretionary Fire Incentive Reserve Fund
(amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)
12/31/2006*	$ 6,007	$ 11,932	$ 5,925	50.3%
12/31/2007*	6,413	13,240	6,827	48.4%
12/31/2008*	6,273	13,038	6,765	48.1%
12/31/2009	5,325	12,625	7,300	42.2%
12/31/2010	5,710	12,925	7,215	44.2%
12/31/2011	6,357	13,476	7,119	47.2%

* After changes in benefit provisions

Schedule of Employer Contributions
Discretionary Fire Incentive Reserve Fund
(amounts in thousands)

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2007	$ 790	100.0%
2008	800	100.0%
2009	885	100.0%
2010	864	100.0%
2011	874	100.0%
2012	873	100.0%

Required Supplementary Information

Other Postemployment Benefits

Schedule of Funding Progress
Retiree Health Care Trust Fund
(amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2006	$ 43,983	$ 78,901	$ 34,918	55.7%	$ 31,038	112.5%
12/31/2008	38,094	91,966	53,872	41.4%	31,168	172.8%
12/31/2010	60,360	89,952	29,592	67.1%	25,951	114.0%

* Actuarial valuations on the Retiree Health Care Trust Fund are required on a bi-annual basis

Schedule of Employer Contributions
Retiree Health Care Trust Fund
(amounts in thousands)

Year Ended December 31,	Annual Required Contributions	Percentage Contributed
2008	$ 2,923	100.0%
2009	3,759	97.1%
2010	3,698	102.9%
2011	3,209	100.0%
2012	2,787	117.4%

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

SPECIAL REVENUE FUNDS:

Major Streets Fund - Accumulates resources from state funding sources for the maintenance and construction of the City's major streets system.

Local Streets Fund - Accumulates resources from state funding sources for the maintenance and construction of the City's local streets system.

Refuse Fund - Accumulates resources from a dedicated tax millage for sanitation collection and disposal services.

Library Fund - Accumulates resources from a dedicated tax millage for providing public library services to the community.

Community Development Block Grant - Accumulates resources for the administration of federal funded projects designed to address a wide-range of community needs in low income areas.

PERMANENT FUND

Cemetery Perpetual Care - Accumulates resources from plot and burial fees for the perpetual care of cemetery grounds.

DEBT SERVICE FUNDS

Debt Service Funds - Accumulate resources from a dedicated tax millage for the debt service financing requirements of major voter approved capital projects.

NONMAJOR ENTERPRISE FUNDS

Sylvan Glen Golf Course - Accumulates resources from user fees to the operation and maintenance of a municipal golf course.

Aquatic Center - Accumulates resources from user fees for the operation and maintenance of the City's municipal water park.

continued…

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES (concluded)

INTERNAL SERVICE FUNDS

Compensated Absences Fund - Accumulates resources from interdepartmental charges for funding employee earned vacation and sick pay benefits.

Unemployment Compensation Fund - Accumulates resources from interdepartmental charges for City unemployment insurance premiums and obligations.

Custodial Services Fund - Accumulates resources from interdepartmental charges for the custodial services to city buildings.

Information Technology Fund - Accumulates resources from interdepartmental charges for the maintenance and improvements of the City's computer and software requirements.

Motor Equipment Fund - Accumulates resources from interdepartmental charges for the maintenance and capital investment of City owned vehicles.

Worker's Compensation Fund - Accumulates resources from interdepartmental charges for insurance premium and City obligations for worker's compensation claims.

Combining Balance Sheet

Nonmajor Governmental Funds
June 30, 2012

	Special Revenue						Permanent Fund
	Major Streets	Local Streets	Refuse	Library	Community Development Block Grant	Total Special Revenue	Cemetery Perpetual Care
Assets							
Cash and investments	$ 1,979,446	$ 1,933,262	$ 246,182	$ 638,817	$ (39,110)	$ 4,758,597	$ 225,035
Accounts receivable	-	-	883	132,945	-	133,828	-
Due from other governments	592,880	232,344	-	-	39,110	864,334	-
Total assets	**$ 2,572,326**	**$ 2,165,606**	**$ 247,065**	**$ 771,762**	**$ -**	**$ 5,756,759**	**$ 225,035**
Liabilities							
Accounts payable	$ -	$ -	$ 186,870	$ 18,838	$ -	$ 205,708	$ -
Other liabilities	-	-	6,051	-	-	6,051	-
Total liabilities	**-**	**-**	**192,921**	**18,838**	**-**	**211,759**	**-**
Fund balance							
Nonspendable	-	-	-	-	-	-	158,200
Restricted	2,572,326	2,091,762	54,144	752,924	-	5,471,156	66,835
Committed	-	73,844	-	-	-	73,844	-
Total fund balances	**2,572,326**	**2,165,606**	**54,144**	**752,924**	**-**	**5,545,000**	**225,035**
Total liabilities and fund balance	**$ 2,572,326**	**$ 2,165,606**	**$ 247,065**	**$ 771,762**	**$ -**	**$ 5,756,759**	**$ 225,035**

continued...

Combining Balance Sheet

Nonmajor Governmental Funds (Concluded)
June 30, 2012

	Debt Service					
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service	Total Debt Service	Total Nonmajor Governmental Funds
Assets						
Cash and investments	$ 1,632,527	$ -	$ -	$ -	$ 1,632,527	$ 6,616,159
Accounts receivable	-	-	-	-	-	133,828
Due from other governments	-	-	-	-	-	864,334
Total assets	**$ 1,632,527**	**$ -**	**$ -**	**$ -**	**$ 1,632,527**	**$ 7,614,321**
Liabilities						
Accounts payable	$ 4,387	$ -	$ -	$ -	$ 4,387	$ 210,095
Other liabilities	-	-	-	-	-	6,051
Total liabilities	**4,387**	**-**	**-**	**-**	**4,387**	**216,146**
Fund balance						
Nonspendable	-	-	-	-	-	158,200
Restricted	1,455,420	-	-	-	1,455,420	6,993,411
Committed	172,720	-	-	-	172,720	246,564
Total fund balances	**1,628,140**	**-**	**-**	**-**	**1,628,140**	**7,398,175**
Total liabilities and fund balance	**$ 1,632,527**	**$ -**	**$ -**	**$ -**	**$ 1,632,527**	**$ 7,614,321**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue						Permanent Fund
	Major Streets	Local Streets	Refuse	Library	Community Development Block Grant	Total Special Revenue	Cemetery Perpetual Care
Revenues							
Property taxes	$ -	$ -	$ 4,168,478	$ 3,037,539	$ -	$ 7,206,017	$ -
Federal grants and reimbursements	-	-	-	-	133,712	133,712	-
State grants and reimbursements	3,572,892	1,402,776	-	163,641	-	5,139,309	-
Charges for services	-	-	5,700	29,625	-	35,325	1,650
Fines and forfeitures	-	-	-	100,327	-	100,327	-
Investment earnings	7,455	4,438	12,393	-	-	24,286	730
Other	-	-	-	24,803	-	24,803	-
Total revenues	**3,580,347**	**1,407,214**	**4,186,571**	**3,355,935**	**133,712**	**12,663,779**	**2,380**
Expenditures							
Current:							
Sanitation	-	-	4,216,324	-	-	4,216,324	-
Community development	-	-	-	-	133,712	133,712	-
Recreation and culture	-	-	-	2,135,100	-	2,135,100	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	**-**	**-**	**4,216,324**	**2,135,100**	**133,712**	**6,485,136**	**-**
Revenues over (under) expenditures	3,580,347	1,407,214	(29,753)	1,220,835	-	6,178,643	2,380
Other financing sources (uses)							
Transfers in	-	224,080	-	-	-	224,080	-
Transfers out	(3,410,644)	(920,242)	-	(467,911)	-	(4,798,797)	-
Total other financing (uses) sources	**(3,410,644)**	**(696,162)**	**-**	**(467,911)**	**-**	**(4,574,717)**	**-**
Net change in fund balances	**169,703**	**711,052**	**(29,753)**	**752,924**	**-**	**1,603,926**	**2,380**
Fund balances, beginning of year	2,402,623	1,454,554	83,897	-	-	3,941,074	222,655
Fund balances, end of year	**$ 2,572,326**	**$ 2,165,606**	**$ 54,144**	**$ 752,924**	**$ -**	**$ 5,545,000**	**$ 225,035**

continued...

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds (Concluded)
For the Year Ended June 30, 2012

	Debt Service					
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service	Total Debt Service	Total Nonmajor Governmental Funds
Revenues						
Property taxes	$ 2,174,581	$ -	$ -	$ -	$ 2,174,581	$ 9,380,598
Federal grants and reimbursements	-	-	-	-	-	133,712
State grants and reimbursements	-	-	-	-	-	5,139,309
Charges for services	-	-	-	-	-	36,975
Fines and forfeitures	-	-	-	-	-	100,327
Investment earnings	10,038	-	-	-	10,038	35,054
Other	236,988	-	-	-	236,988	261,791
Total revenues	**2,421,607**	**-**	**-**	**-**	**2,421,607**	**15,087,766**
Expenditures						
Current:						
Sanitation	-	-	-	-	-	4,216,324
Community development	-	-	-	-	-	133,712
Recreation and culture	-	-	-	-	-	2,135,100
Debt service:						
Principal	200,000	555,000	1,060,000	520,000	2,335,000	2,335,000
Interest	128,201	278,663	411,825	226,500	1,045,189	1,045,189
Total expenditures	**328,201**	**833,663**	**1,471,825**	**746,500**	**3,380,189**	**9,865,325**
Revenues over (under) expenditures	2,093,406	(833,663)	(1,471,825)	(746,500)	(958,582)	5,222,441
Other financing sources (uses)						
Transfers in	-	833,663	1,471,825	746,500	3,051,988	3,276,068
Transfers out	(3,051,988)	-	-	-	(3,051,988)	(7,850,785)
Total other financing sources (uses)	**(3,051,988)**	**833,663**	**1,471,825**	**746,500**	**-**	**(4,574,717)**
Net change in fund balances	**(958,582)**	**-**	**-**	**-**	**(958,582)**	**647,724**
Fund balances, beginning of year	2,586,722	-	-	-	2,586,722	6,750,451
Fund balances, end of year	**$ 1,628,140**	**$ -**	**$ -**	**$ -**	**$ 1,628,140**	**$ 7,398,175**

CITY OF TROY, MICHIGAN

Schedule of Revenue, Expenditures and Change in Fund Balance

Budget and Actual - Major Streets Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants and reimbursements	$ 3,050,000	$ 3,050,000	$ 3,572,892	$ 522,892
Investment earnings	16,930	16,930	7,455	(9,475)
Total revenues	**3,066,930**	**3,066,930**	**3,580,347**	**513,417**
Other financing (uses)				
Transfers out	(3,066,930)	(3,066,930)	(3,410,644)	343,714
Net change in fund balance	**-**	**-**	**169,703**	**169,703**
Fund balance, beginning of year	2,402,623	2,402,623	2,402,623	-
Fund balance, end of year	**$ 2,402,623**	**$ 2,402,623**	**$ 2,572,326**	**$ 169,703**

CITY OF TROY, MICHIGAN

Schedule of Revenue, Expenditures and Change in Fund Balance

Budget and Actual - Local Streets Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants and reimbursements	$ 1,300,000	$ 1,300,000	$ 1,402,776	$ 102,776
Investment earnings	8,000	8,000	4,438	(3,562)
Total revenues	**1,308,000**	**1,308,000**	**1,407,214**	**99,214**
Other financing sources (uses)				
Transfers in	224,080	224,080	224,080	-
Transfers out	(1,662,080)	(1,662,080)	(920,242)	(741,838)
Total other financing (uses)	**(1,438,000)**	**(1,438,000)**	**(696,162)**	**(741,838)**
Net change in fund balance	**(130,000)**	**(130,000)**	**711,052**	**841,052**
Fund balance, beginning of year	1,454,554	1,454,554	1,454,554	-
Fund balance, end of year	**$ 1,324,554**	**$ 1,324,554**	**$ 2,165,606**	**$ 841,052**

CITY OF TROY, MICHIGAN

Schedule of Revenue, Expenditures and Change in Fund Balance

Budget and Actual - Refuse Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 4,140,180	$ 4,140,180	$ 4,168,478	$ 28,298
Charges for services	4,500	4,500	5,700	1,200
Investment earnings	8,000	8,000	12,393	4,393
Total revenues	4,152,680	4,152,680	4,186,571	33,891
Expenditures				
Sanitation	4,152,680	4,152,680	4,216,324	63,644
Net change in fund balance	**-**	**-**	**(29,753)**	**(29,753)**
Fund balance, beginning of year	83,897	83,897	83,897	-
Fund balance, end of year	**$ 83,897**	**$ 83,897**	**$ 54,144**	**$ (29,753)**

CITY OF TROY, MICHIGAN

Schedule of Revenue, Expenditures and Change in Fund Balance

Budget and Actual - Library Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 3,060,593	$ 3,060,593	$ 3,037,539	$ (23,054)
State grants and reimbursements	114,631	114,631	163,641	49,010
Charges for services	33,950	33,950	29,625	(4,325)
Fines and forfeitures	105,000	105,000	100,327	(4,673)
Other	16,900	16,900	24,803	7,903
Total revenues	**3,331,074**	**3,331,074**	**3,355,935**	**24,861**
Expenditures				
Recreation and culture	2,973,495	2,415,995	2,135,100	(280,895)
Revenues over expenditures	357,579	915,079	1,220,835	305,756
Other financing (uses)				
Transfers out	-	(557,500)	(467,911)	(89,589)
Net change in fund balance	**357,579**	**357,579**	**752,924**	**395,345**
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	**$ 357,579**	**$ 357,579**	**$ 752,924**	**$ 395,345**

CITY OF TROY, MICHIGAN

Schedule of Revenue, Expenditures and Change in Fund Balance

Budget and Actual - Community Development Block Grant
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal grants and reimbursements	$ 173,970	$ 173,970	$ 133,712	$ (40,258)
Expenditures				
Community development	173,970	173,970	133,712	(40,258)
Net change in fund balance	**-**	**-**	**-**	**-**
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	**$ -**	**$ -**	**$ -**	**$ -**

CITY OF TROY, MICHIGAN

Combining Statement of Net Position

Nonmajor Enterprise Funds
June 30, 2012

	Sylvan Glen Golf Course	Aquatic Center	Total
Assets			
Current assets:			
Cash and investments	$ 1,105,805	$ -	$ 1,105,805
Accounts receivable	7,701	20,525	28,226
Inventories	28,659	-	28,659
Total current assets	1,142,165	20,525	1,162,690
Noncurrent assets:			
Advances to other funds	2,178,230	-	2,178,230
Capital assets not being depreciated	1,894,552	-	1,894,552
Capital assets being depreciated (net)	518,056	1,446,312	1,964,368
Total noncurrent assets	4,590,838	1,446,312	6,037,150
Total assets	**5,733,003**	**1,466,837**	**7,199,840**
Liabilities			
Current liabilities:			
Accounts payable	22	9,171	9,193
Other liabilities	189,251	-	189,251
Total current liabilities	189,273	9,171	198,444
Noncurrent liabilities:			
Advances from other funds	-	180,302	180,302
Total liabilities	**189,273**	**189,473**	**378,746**
Net position			
Investment in capital assets	2,412,608	1,446,312	3,858,920
Unrestricted (deficit)	3,131,122	(168,948)	2,962,174
Total net position	**$ 5,543,730**	**$ 1,277,364**	**$ 6,821,094**

CITY OF TROY, MICHIGAN

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Enterprise Funds
For the Year Ended June 30, 2012

	Sylvan Glen Golf Course	Aquatic Center	Total
Operating revenues			
Charges for services	$ 922,189	$ 541,326	$ 1,463,515
Rental:			
Golf course	209,462	-	209,462
Restaurant	67,200	-	67,200
Other services	91,200	36,431	127,631
Total operating revenues	**1,290,051**	**577,757**	**1,867,808**
Operating expenses			
Operations	914,762	401,021	1,315,783
Depreciation	146,997	167,213	314,210
Total operating expenses	**1,061,759**	**568,234**	**1,629,993**
Operating income	**228,292**	**9,523**	**237,815**
Nonoperating revenues			
Investment earnings	5,580	-	5,580
Change in net position	**233,872**	**9,523**	**243,395**
Net position, beginning of year	5,309,858	1,267,841	6,577,699
Net position, end of year	**$ 5,543,730**	**$ 1,277,364**	**$ 6,821,094**

CITY OF TROY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds
For the Year Ended June 30, 2012

	Sylvan Glen Golf Course	Aquatic Center	Total
Cash flows from operating activities			
Cash received from customers	$ 1,292,164	$ 564,015	$ 1,856,179
Cash payments to employees	(374,335)	(256,754)	(631,089)
Cash payments to suppliers for goods and services	(536,882)	(115,150)	(652,032)
Cash payments for interfund services	(8,482)	(26,587)	(35,069)
Net cash provided by operating activities	**372,465**	**165,524**	**537,989**
Cash flows (used) by noncapital financing activities			
Advances to other funds	(1,038,385)	-	(1,038,385)
Repayment of advances from other funds	-	(144,030)	(144,030)
Net cash (used) by noncapital financing activities	**(1,038,385)**	**(144,030)**	**(1,182,415)**
Cash flows (used) by capital and related financing activities			
Purchase of capital assets	(40,125)	(21,494)	(61,619)
Cash flows from investing activities			
Investment income	5,580	-	5,580
Net (decrease) in cash and investments	**(700,465)**	**-**	**(700,465)**
Cash and investments, beginning of year	1,806,270	-	1,806,270
Cash and investments, end of year	**$ 1,105,805**	**$ -**	**$ 1,105,805**
Reconciliation of operating income to net cash provided by operating activities			
Operating income	$ 228,292	$ 9,523	$ 237,815
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	146,997	167,213	314,210
Changes in assets and liabilities:			
Accounts receivable	2,113	(13,742)	(11,629)
Inventories	(3,123)	-	(3,123)
Prepaid expenses	13,891	-	13,891
Accounts payable	(76,164)	2,530	(73,634)
Other liabilities	60,459	-	60,459
Total adjustments	**144,173**	**156,001**	**300,174**
Net cash provided by operating activities	**$ 372,465**	**$ 165,524**	**$ 537,989**

CITY OF TROY, MICHIGAN

Combining Statement of Net Position

Internal Service Funds
June 30, 2012

	Compensated Absences	Unemployment Compensation	Custodial Services
Assets			
Current assets:			
Cash and investments	$ 4,663,422	$ 195,912	$ 443,575
Accounts receivable	-	-	21
Inventory	-	-	-
Total current assets	4,663,422	195,912	443,596
Noncurrent assets:			
Capital assets not being depreciated	-	-	-
Capital assets being depreciated net of accumulated depreciation	-	-	-
Total capital assets, net of accumulated depreciation	-	-	-
Total assets	**4,663,422**	**195,912**	**443,596**
Liabilities			
Current liabilities:			
Accounts payable	-	103,431	584
Compensated absences	1,936,556	-	-
Total current liabilities	1,936,556	103,431	584
Noncurrent liabilities:			
Compensated absences	1,720,065	-	-
Total liabilities	**3,656,621**	**103,431**	**584**
Net position			
Investment in capital assets	-	-	-
Unrestricted	1,006,801	92,481	443,012
Total net position	**$ 1,006,801**	**$ 92,481**	**$ 443,012**

Combining Statement of Net Position

Internal Service Funds
June 30, 2012

	Information Technology	Motor Equipment	Workers' Compensation	Total
Assets				
Current assets:				
Cash and investments	$ 1,397,733	$ 6,784,134	$ 2,397,956	$ 15,882,732
Accounts receivable	12,775	53,974	-	66,770
Inventories	-	322,832	-	322,832
Total current assets	1,410,508	7,160,940	2,397,956	16,272,334
Noncurrent assets:				
Capital assets not being depreciated	-	10,248	-	10,248
Capital assets being depreciated net of accumulated depreciation	493,768	2,045,229	-	2,538,997
Total capital assets, net of accumulated depreciation	493,768	2,055,477	-	2,549,245
Total assets	**1,904,276**	**9,216,417**	**2,397,956**	**18,821,579**
Liabilities				
Current liabilities:				
Accounts payable	36,038	111,187	-	251,240
Compensated absences	-	-	-	1,936,556
Total current liabilities	36,038	111,187	-	2,187,796
Noncurrent liabilities:				
Compensated absences	-	-	-	1,720,065
Total liabilities	**36,038**	**111,187**	**-**	**3,907,861**
Net position				
Investment in capital assets	493,768	2,055,477	-	2,549,245
Unrestricted	1,374,470	7,049,753	2,397,956	12,364,473
Total net position	**$ 1,868,238**	**$ 9,105,230**	**$ 2,397,956**	**$ 14,913,718**

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds
For the Year Ended June 30, 2012

	Compensated Absences	Unemployment Compensation	Custodial Services
Operating revenues			
Charges for services	$ 3,613,791	$ -	$ 965,528
Building rental	-	-	-
Equipment rental	-	-	-
Other	-	364,054	-
Total operating revenues	**3,613,791**	**364,054**	**965,528**
Operating expenses			
Cost of services	3,639,084	448,872	782,927
Motor vehicle and garage expenses			
Administration	-	-	-
Operations	-	-	-
Depreciation	-	-	-
Total operating expenses	**3,639,084**	**448,872**	**782,927**
Operating income (loss)	(25,293)	(84,818)	182,601
Nonoperating revenues			
Investment earnings	25,293	567	770
Gain on sale of capital assets	-	-	-
Total nonoperating revenues	25,293	567	770
Income (loss) before transfers	-	(84,251)	183,371
Transfers in	-	-	-
Change in net position	**-**	**(84,251)**	**183,371**
Net position, beginning of year	1,006,801	176,732	259,641
Net position, end of year	**$ 1,006,801**	**$ 92,481**	**$ 443,012**

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Internal Service Funds
For the Year Ended June 30, 2012

	Information Technology	Motor Equipment	Workers' Compensation	Total
Operating revenues				
Charges for services	$ 1,553,645	$ 20,674	$ 169,987	$ 6,323,625
Building rental	-	141,535	-	141,535
Equipment rental	-	3,011,827	-	3,011,827
Other	-	354,319	158,648	877,021
Total operating revenues	**1,553,645**	**3,528,355**	**328,635**	**10,354,008**
Operating expenses				
Cost of services	1,435,009	-	336,349	6,642,241
Motor vehicle and garage expenses				
Administration	-	420,557	-	420,557
Operations	-	2,231,216	-	2,231,216
Depreciation	64,321	815,428	-	879,749
Total operating expenses	**1,499,330**	**3,467,201**	**336,349**	**10,173,763**
Operating income (loss)	54,315	61,154	(7,714)	180,245
Nonoperating revenues				
Investment earnings	4,537	19,299	7,714	58,180
Gain on sale of capital assets	-	121,187	-	121,187
Total nonoperating revenues	4,537	140,486	7,714	179,367
Income (loss) before transfers	58,852	201,640	-	359,612
Transfers in	11,615	-	-	11,615
Change in net position	**70,467**	**201,640**	**-**	**371,227**
Net position, beginning of year	1,797,771	8,903,590	2,397,956	14,542,491
Net position, end of year	**$ 1,868,238**	**$ 9,105,230**	**$ 2,397,956**	**$ 14,913,718**

CITY OF TROY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds
For the Year Ended June 30, 2012

	Compensated Absences	Unemployment Compensation	Custodial Services
Cash flows from operating activities			
Cash received from interfund services	$ 3,613,791	$ 364,054	$ 965,528
Cash payments to employees	(3,821,777)	-	(685,650)
Cash payments to suppliers for goods and services	-	(366,243)	(101,084)
Net cash provided (used) by operating activities	**(207,986)**	**(2,189)**	**178,794**
Cash flows from noncapital financing activities			
Transfers from other funds	-	-	-
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			
Investment income	25,293	567	749
Net increase (decrease) in cash and investments	**(182,693)**	**(1,622)**	**179,543**
Cash and investments, beginning of year	4,846,115	197,534	264,032
Cash and investments, end of year	**$ 4,663,422**	**$ 195,912**	**$ 443,575**
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ (25,293)	$ (84,818)	$ 182,601
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
Inventories	-	-	-
Accounts payable	-	82,629	(3,807)
Accrued liabilities	(182,693)	-	-
Net cash provided (used) by operating activities	**$ (207,986)**	**$ (2,189)**	**$ 178,794**

CITY OF TROY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds
For the Year Ended June 30, 2012

	Information Technology	Motor Equipment	Workers' Compensation	Total
Cash flows from operating activities				
Cash received from interfund services	$ 1,553,645	$ 3,528,355	$ 328,635	$ 10,354,008
Cash payments to employees	(873,182)	(1,180,997)	-	(6,561,606)
Cash payments to suppliers for goods and services	(533,408)	(1,505,930)	(336,349)	(2,843,014)
Net cash provided (used) by operating activities	**147,055**	**841,428**	**(7,714)**	**949,388**
Cash flows from noncapital financing activities				
Transfers from other funds	11,615	-	-	11,615
Cash flows from capital and related financing activities				
Purchase of capital assets	(119,619)	(180,042)	-	(299,661)
Proceeds from sale of capital assets	-	121,187	-	121,187
Net cash used by capital and related financing activities	**(119,619)**	**(58,855)**	**-**	**(178,474)**
Cash flows from investing activities				
Investment income	22,524	25,510	7,714	82,357
Net increase in cash and investments	**61,575**	**808,083**	**-**	**864,886**
Cash and investments, beginning of year	1,336,158	5,976,051	2,397,956	15,017,846
Cash and investments, end of year	**$1,397,733**	**$6,784,134**	**$2,397,956**	**$15,882,732**
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$ 54,315	$ 61,154	$ (7,714)	$ 180,245
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	64,321	815,428	-	879,749
Changes in assets and liabilities:				
Inventories	-	27,751	-	27,751
Accounts payable	-	-	-	78,822
Accrued liabilities	28,419	(62,905)	-	(217,179)
Net cash provided (used) by operating activities	**$ 147,055**	**$ 841,428**	**$ (7,714)**	**$ 949,388**

Combining Statement of Net Position

Fiduciary Funds
June 30, 2012

	Pension and Other Employee Benefit Trust Funds			
	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund	Retiree Health Care Trust Fund	Total Pension and OPEB Trust Funds
Assets				
Cash	$ 16,845,997	$ -	$ 5,851,852	$ 22,697,849
Interest receivable	92,364	-	-	92,364
Investments				
U.S. government securities	9,904,150	4,339,026	-	14,243,176
Corporate bonds	9,325,864	-	-	9,325,864
Corporate equities, preferred	397,800	-	-	397,800
Corporate equities, common	101,628,434	-	-	101,628,434
Mutual funds	36,522,970	960,911	22,023,169	59,507,050
Municipal bonds	1,671,394	56,795	-	1,728,189
Total assets	**176,388,973**	**5,356,732**	**27,875,021**	**209,620,726**
Liabilities				
Accounts payable	5,170	-	-	5,170
Net position				
Held in trust for pension benefits	146,047,162	5,356,732	-	151,403,894
Held in trust for postemployment healthcare benefits	30,336,641	-	27,875,021	58,211,662
Total net position	**$ 176,383,803**	**$ 5,356,732**	**$ 27,875,021**	**$ 209,615,556**

Combining Statement of Changes in Net Position

Fiduciary Funds
For the Year Ended June 30, 2012

	Pension and Other Employee Benefit Trust Funds			
	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund	Retiree Health Care Trust Fund	Total Pension and OPEB Trust Funds
Additions				
Contributions				
Employer contributions	$ 2,195,476	$ 873,354	$ 3,349,151	$ 6,417,981
Employee contributions	9,094,494	-	-	9,094,494
Total contributions	11,289,970	873,354	3,349,151	15,512,475
Investment income				
Interest	2,336,597	238,316	266,886	2,841,799
Dividends	3,052,035	-	-	3,052,035
Net adjustment in fair value of investments	(6,857,965)	36	(544,322)	(7,402,251)
Total investment earnings	(1,469,333)	238,352	(277,436)	(1,508,417)
Total additions	**9,820,637**	**1,111,706**	**3,071,715**	**14,004,058**
Deductions				
Benefits	14,229,015	1,397,746	-	15,626,761
Administrative expenses	107,789	19,540	-	127,329
Total deductions	**14,336,804**	**1,417,286**	**-**	**15,754,090**
Change in net position	**(4,516,167)**	**(305,580)**	**3,071,715**	**(1,750,032)**
Net position held in trust, beginning of year for				
Pension benefits	146,670,307	5,662,312	-	152,332,619
Postemployment healthcare benefits	34,229,663	-	24,803,306	59,032,969
Total net position held in trust, beginning of year	180,899,970	5,662,312	24,803,306	211,365,588
Net position held in trust, end of year for				
Pension benefits	146,047,162	5,356,732	-	151,403,894
Postemployment healthcare benefits	30,336,641	-	27,875,021	58,211,662
Total net position held in trust, end of year	**$ 176,383,803**	**$ 5,356,732**	**$ 27,875,021**	**$ 209,615,556**

CITY OF TROY, MICHIGAN

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund
For the Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and investments	$ 1,787,506	$ 198,322,054	$ (198,285,150)	$ 1,824,410
Taxes receivable	945,910	179,452,465	(179,445,666)	952,709
Total assets	**$ 2,733,416**	**$ 377,774,519**	**$ (377,730,816)**	**$ 2,777,119**
Liabilities				
Accounts payable	$ 36,020	$ 196,943,441	$ (196,963,208)	$ 16,253
Performance deposits	2,697,396	1,097,710	(1,034,240)	2,760,866
Total liabilities	**$ 2,733,416**	**$ 198,041,151**	**$ (197,997,448)**	**$ 2,777,119**

CITY OF TROY, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet

Downtown Development Authority
June 30, 2012

	Operating	Debt Service	Total	Adjustments	Net Position
Assets					
Cash and investments	$ 3,060,436	$ 3,211,391	$ 6,271,827	$ -	$ 6,271,827
Receivables					
Taxes receivable	52,440	-	52,440	-	52,440
Total assets	**$ 3,112,876**	**$ 3,211,391**	**$ 6,324,267**	**-**	**6,324,267**
Liabilities					
Accounts payable	$ 26,421	$ -	$ 26,421	-	26,421
Interest payable	-	-	-	148,397	148,397
Noncurrent liabilities					
Due within one year	-	-	-	2,365,000	2,365,000
Due after one year	-	-	-	17,450,000	17,450,000
Total liabilities	**26,421**	**-**	**26,421**	**19,963,397**	**19,989,818**
Deferred inflows of resources					
Unavailable property taxes	52,440	-	52,440	(52,440)	-
Fund balance					
Restricted					
Debt service	-	3,211,391	3,211,391	(3,211,391)	-
Operations	3,034,015	-	3,034,015	(3,034,015)	-
Total fund balances	**3,034,015**	**3,211,391**	**6,245,406**	**(6,245,406)**	**-**
Total liabilities, deferred inflows of resources and fund balances	**$ 3,112,876**	**$ 3,211,391**	**$ 6,324,267**		
Net position (deficit)					
Unrestricted				(13,665,551)	(13,665,551)
Total net position (deficit)				**$(13,665,551)**	**$(13,665,551)**

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
Downtown Development Authority
June 30, 2012

Fund balances - total governmental funds	**$ 6,245,406**
Amounts reported for *governmental activities* in the statement of net position 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 inflows in the governmental funds, and thus are not included in fund balance.	
Add: deferred inflows	52,440
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	(148,397)
Deduct: bonds payable - current portion	(2,365,000)
Deduct: bonds payable - long-term portion	(17,450,000)
Net position of governmental activities	**$(13,665,551)**

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances
Downtown Development Authority
For the Year Ended June 30, 2012

	Operating	Debt Service	Total	Adjustments	Net Position
Revenues					
Property taxes	$ 981,276	$ -	$ 981,276	$ (39,506)	$ 941,770
Investment earnings	16,887	3,467	20,354	-	20,354
Total revenues	**998,163**	**3,467**	**1,001,630**	**(39,506)**	**962,124**
Expenditures/expenses					
Economic development	970,824	-	970,824	-	970,824
Debt service:					
Principal	-	2,215,000	2,215,000	(2,215,000)	-
Interest	-	990,230	990,230	(16,968)	973,262
Total expenditures/expenses	**970,824**	**3,205,230**	**4,176,054**	**(2,231,968)**	**1,944,086**
Revenues over (under) expenditures	27,339	(3,201,763)	(3,174,424)	2,192,462	(981,962)
Other financing sources (uses)					
Transfers in	-	3,205,230	3,205,230	-	3,205,230
Transfers out	(3,205,230)	-	(3,205,230)	-	(3,205,230)
Total other financing sources (uses)	**(3,205,230)**	**3,205,230**	**-**	**-**	**-**
Net change in fund balances/ net position	**(3,177,891)**	**3,467**	**(3,174,424)**	**2,192,462**	**(981,962)**
Fund balance/net position (deficit), beginning of year	6,211,906	3,207,924	9,419,830	(22,103,419)	(12,683,589)
Fund balance/net position (deficit), end of year	**$ 3,034,015**	**$ 3,211,391**	**$ 6,245,406**	**$ (19,910,957)**	**$ (13,665,551)**

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
Downtown Development Authority
For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds	**$ (3,174,424)**
Amounts reported for *governmental activities* in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred inflows to the following fiscal year.	
Deduct: net difference in deferred inflows	(39,506)
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 position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Add: principal payments on long-term liabilities	2,215,000
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	16,968
Change in net position of governmental activities	**$ (981,962)**

CITY OF TROY, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet

Local Development Financing Authority
June 30, 2012

	Operating	Adjustments	Net Assets
Assets			
Cash and investments	$ 88,011	$ -	$ 88,011
Fund balance			
Restricted	$ 88,011	(88,011)	-
Net position			
Unrestricted		88,011	88,011
Total net position		**$ 88,011**	**$ 88,011**

CITY OF TROY, MICHIGAN

Statement of Activities and Governmental Fund Revenues, Expenditures and Change in Fund Balance

Local Development Financing Authority
For the Year Ended June 30, 2012

	Operating	Adjustments	Statement of Activities
Revenues			
Property taxes	$ 123,991	$ -	$ 123,991
Investment earnings	1,179	-	1,179
Total revenues	**125,170**	**-**	**125,170**
Expenditures/expenses			
Economic development	292,298	-	292,298
Net change in fund balance/net position	**(167,128)**	**-**	**(167,128)**
Fund balance/net position, beginning of year	255,139	-	255,139
Fund balance/net position, end of year	**$ 88,011**	**$ -**	**$ 88,011**

CITY OF TROY, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet

Brownfield Redevelopment Authority
June 30, 2012

	Operating	Adjustments	Statement of Net Position
Assets			
Cash and investments	$ 764,811	$ -	$ 764,811
Fund balance			
Restricted	$ 764,811	(764,811)	-
Net Position			
Unrestricted		764,811	764,811
Total net position		**$ 764,811**	**$ 764,811**

Statement of Activities and Governmental Fund Revenues, Expenditures and Change in Fund Balance

Brownfield Redevelopment Authority
For the Year Ended June 30, 2012

	Operating	Adjustments	Statement of Activities
Revenues			
Property taxes	$ 3,669	$ -	$ 3,669
Investment earnings	2,612	-	2,612
Total revenues	**6,281**	**-**	**6,281**
Expenditures/expenses			
Community and economic development	31,539	-	31,539
Net change in fund balance/net position	**(25,258)**	**-**	**(25,258)**
Fund balance/net position, beginning of year	790,069	-	790,069
Fund balance/net position, end of year	**$ 764,811**	**$ -**	**$ 764,811**

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STATISTICAL SECTION

CITY OF TROY, MICHIGAN

Statistical Section Table of Contents

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents		Page
Financial Trends	These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	118 - 123
Revenue Capacity	These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	124 - 127
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.	128 - 133
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.	134 - 135
Operating Information	These schedules contain serve 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.	136 - 142
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.	143 - 144

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year. The City implemented GASB Statement No. 34 in the fiscal year ended June 30, 2003; schedules presenting government-wide information include data beginning in that year.

Net Position by Component

(Accrual Basis of Accounting)

	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Investment in capital assets	$ 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	$175,292,324
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	16,096,939
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	48,526,117
Total governmental activities net position	$174,453,956	$199,276,539	$205,467,998	$227,300,441	$221,326,373	$223,971,110	$225,942,234	$231,000,666	$232,379,200	$239,915,380
Business-type activities										
Investment in capital assets	$ 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	$118,170,260
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	47,550,528
Total business-type activities net position	$140,142,185	$141,343,547	$142,081,873	$145,043,020	$149,062,823	$154,149,320	$156,019,045	$159,976,676	$162,665,573	$165,720,788
Primary government										
Investment in capital assets	$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	$293,462,584
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	16,096,939
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	96,076,645
Total primary government net position	$314,596,141	$340,620,086	$347,549,871	$372,343,461	$370,389,196	$378,120,430	$381,961,279	$390,977,342	$395,044,773	$405,636,168

Changes in Net Position
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	$ 10,057,545	$ 9,677,191
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	27,228,933
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	13,703,006
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	4,216,260
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	854,593
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	8,812,144
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	1,101,675
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	$ 65,593,802
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	$ 13,904,820
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	11,767,038
Aquatic center	487,423	544,125	561,096	638,837	688,236	592,653	597,942	561,343	565,873	566,978
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	1,061,139
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	1,821,384
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	$ 29,121,359
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	$ 94,715,161
Program revenues										
Governmental activities:										
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	$ 3,039,578
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	3,219,618
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	2,357,325
Sanitation	206,373	154,047	1,410	44,765	2,275	3,510	6,993	4,796	4,860	5,700
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	3,444,462
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	912,173
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	6,723,177
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	$ 19,702,033

continued...

Changes in Net Position
(Accrual Basis of Accounting)

(Continued)	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	$ 15,923,727
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	13,177,412
Aquatic center	417,245	370,256	278,125	310,428	322,111	438,432	486,671	451,670	503,685	577,757
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	1,290,051
Sanctuary Lake Golf course	-	81,190	962,132	1,173,020	1,052,986	985,503	923,692	968,687	940,775	1,442,755
Capital grants and contributions	-	-	633,491	727,343	1,012,829	643,394	1,025,250	299,239	221,561	150,603
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	$ 32,562,305
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	$ 52,264,338
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)	$ (45,891,769)
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	3,440,946
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)	$ (42,450,823)
General Revenues and Other Changes in Net Position										
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	$ 46,295,903
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	6,136,066
Grants & contrib. not restricted	1,500	50	61,890	24,905	175,543	37,398	103,151	1,207,291	8,652	33,400
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	245,077
Miscellaneous	438,545	2,063,083	107,486	634,535	118,565	179,109	131,037	163,134	123,038	121,187
Transfers	850,200	-	830,140	758,500	(1,856,960)	682,140	704,200	627,160	492,020	596,316
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	$ 53,427,949
Business-type activities:										
Grants & contrib. not restricted	$ -	$ -	$ 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	210,585
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)	(596,316)
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)	$ (385,731)
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	$ 53,042,218
Change in Net Position										
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	$ 7,536,180
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	3,055,215
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	$ 10,591,395

Fund Balances, Governmental Funds

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	For Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Non-spendable	$ 3,524,927	$ 3,597,139	$ 708,988	$ 618,143	$ 695,992	$ 617,505	$ 623,544	$ 447,720	$ 4,034,119	$ 3,884,686
Restricted	-	-	-	-	-	-	-	-	1,508,257	1,514,118
Committed	-	-	-	-	-	-	-	3,400,000	3,610,131	1,517,000
Assigned	-	-	-	-	-	-	-	9,171,895	5,953,000	3,655,000
Unassigned	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	23,340,380
Total general fund	$ 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	$ 33,911,184
All other Governmental Funds										
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 158,200
Restricted	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	15,938,739
Committed	-	-	-	-	-	-	-	89,400	7,245,560	2,662,187
Assigned	-	-	-	-	-	-	-	17,909,784	-	-
Total all other governmental funds	$ 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	$ 18,759,126

Changes in Fund Balances, Governmental Funds

Last Ten Years
(Modified Accrual Basis of Accounting)

	For Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Property taxes	$ 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	$ 46,450,199
Licenses and permits	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	1,686,633
Intergovernmental - federal	437,061	415,609	2,928,690	961,366	551,965	1,279,824	4,884,314	3,185,364	2,171,633	1,040,037
Intergovernmental - state	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	11,384,502
Intergovernmental - local	142,450	241,418	165,154	891,705	765,823	758,058	465,212	908,398	1,039,709	614,530
Charges for services	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	7,660,204
Fines and forfeits	896,833	960,250	973,527	994,373	1,243,286	1,483,784	1,054,161	1,226,729	1,277,705	1,154,999
Investment income	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	186,897
Other	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	2,330,595
Total revenues	$ 80,650,455	$ 85,583,541	$ 83,700,388	$ 78,904,468	$ 80,883,427	$ 80,993,861	$ 81,453,768	$ 79,899,632	$ 72,069,586	$ 72,508,596
Expenditures										
General government	$ 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	$ 7,499,219
Public safety	25,229,356	26,313,278	27,203,034	27,973,275	29,575,908	30,764,667	31,042,277	30,902,648	29,899,440	26,644,367
Roads and Streets	3,822,154	3,944,998	5,074,870	4,755,184	4,754,166	5,600,748	5,687,378	4,844,712	4,799,035	4,159,761
Other Public Works	3,708,860	3,500,055	2,780,643	2,835,772	2,676,716	2,676,845	2,525,114	2,043,464	1,756,490	1,680,731
Sanitation	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	4,216,324
Community & Economic Dev.	576,366	553,242	474,591	2,011,275	116,091	115,981	195,216	127,522	148,800	133,712
Recreation and culture	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	8,060,815
Capital outlay	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	11,130,331
Debt service										
Principal	4,081,284	12,872,500	3,109,955	1,736,712	1,917,957	1,968,296	2,225,309	2,304,692	2,496,586	2,536,167
Interest and other charges	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	1,119,964
Total expenditures	$ 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	$ 67,181,391
Excess of revenues over (under) expenditures	$ (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)	$ 5,327,205
Other financing sources (uses)										
Issuance of debt	$ 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	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	8,803,101
Transfers out	(22,761,463)	(22,746,919)	(15,699,191)	(12,008,850)	(16,972,741)	(11,578,093)	(10,442,591)	(9,934,593)	(8,772,125)	(8,218,400)
Total other financing sources (uses)	$ 41,075,200	$ -	$ 905,125	$ 1,744,881	$ (2,217,299)	$ 633,202	$ 936,109	$ 567,415	$ 657,123	$ 584,701
Net change in fund balances	$ 14,063,616	$ (13,820,213)	$ 1,249,588	$ (6,106,453)	$ (930,986)	$ (799,474)	$ (4,883,319)	$ (2,984,202)	$ (3,276,772)	$ 5,911,906
Debt service as a percentage of noncapital expenditures	11.1%	22.4%	9.3%	5.1%	5.3%	4.9%	5.3%	5.5%	6.1%	6.5%

CITY OF TROY, MICHIGAN

General Governmental Tax Revenue by Source

Last Ten Fiscal Years

	Governmental Funds					
Fiscal Year Ended June 30	General	Refuse	Library	Capital	General Debt Service	Total All Property Taxes
2003	$ 30,399,278	$ 3,800,177	$ -	$ 7,417,214	$ 3,710,450	$ 45,327,119
2004	30,985,387	3,886,714	-	7,586,118	3,512,091	45,970,310
2005	32,300,414	4,010,718	-	9,036,196	2,418,718	47,766,046
2006	35,229,232	4,120,154	-	8,041,747	2,486,038	49,877,171
2007	35,679,836	4,254,241	-	8,200,947	2,561,887	50,696,911
2008	36,667,821	3,563,759	-	8,385,316	2,653,860	51,270,756
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	2,321,601	46,067,375
2012	30,424,031	4,168,478	3,037,539	6,645,570	2,020,285	46,295,903

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 Taxes Collected	Delinquent Tax Collections	Total Tax Collections To Date	Percentage of Total Tax Collections To Total Tax Levy	Outstanding Delinquent Taxes	Percentage of Delinquent Taxes To Total Tax Levy
2003	$ 43,497,146	$ 42,574,532	97.88%	$ 582,323	$ 43,156,855	99.22%	$ 491,213	1.13%
2004	44,251,910	43,440,583	98.17%	672,473	44,113,056	99.69%	296,928	0.67%
2005	45,666,420	44,814,456	98.13%	637,527	45,451,983	99.53%	214,437	0.47%
2006	46,913,799	45,924,486	97.89%	726,792	46,651,278	99.44%	65,394	0.14%
2007	48,338,412	47,306,612	97.87%	923,002	48,229,614	99.77%	108,773	0.23%
2008	48,667,887	47,589,455	97.78%	1,037,838	48,627,293	99.92%	107,492	0.22%
2009	48,676,220	47,420,544	97.42%	771,027	48,191,571	99.00%	120,221	0.25%
2010	48,273,658	47,388,992	98.17%	766,850	48,155,842	99.76%	116,780	0.24%
2011	43,852,179	42,664,592	97.29%	1,095,386	43,759,978	99.79%	92,200	0.21%
2012	44,257,157	43,064,206	97.30%	1,108,768	44,172,974	99.81%	84,183	0.19%

Property Tax Rates

Direct and Overlapping Governments
Last Ten Fiscal Years
(Per $1,000 of Assessed Valuation)

	City of Troy						Overlapping Governments							
Fiscal Year Ended June 30	General	Capital	Refuse	Debt	Library	Total	Troy School District	Oakland County	Oakland County Community College	Intermediate School District	SMART	State Education	Zoo	Total
2003 H	6.25	1.62	0.83	0.75	-	9.45	9.73	4.65	1.61	3.42	0.60	6.00	*	35.46
2003 NH	6.25	1.62	0.83	0.75	-	9.45	21.14	4.65	1.61	3.42	0.60	6.00	*	46.87
2004 H	6.25	1.62	0.83	0.75	-	9.45	9.43	4.65	1.60	3.40	0.60	5.00	*	34.13
2004 NH	6.25	1.62	0.83	0.75	-	9.45	21.14	4.65	1.60	3.40	0.60	5.00	*	45.84
2005 H	6.25	1.87	0.83	0.50	-	9.45	10.16	4.65	1.60	3.38	0.60	6.00	*	35.84
2005 NH	6.25	1.87	0.83	0.50	-	9.45	22.13	4.65	1.59	3.38	0.60	6.00	*	47.80
2006 H	6.50	1.62	0.83	0.50	-	9.45	9.87	4.65	1.58	3.37	0.60	6.00	*	35.52
2006 NH	6.50	1.62	0.83	0.50	-	9.45	22.13	4.65	1.58	3.37	0.60	6.00	*	47.78
2007 H	6.50	1.60	0.83	0.50	-	9.43	9.87	4.65	1.58	3.37	0.59	6.00	*	35.49
2007 NH	6.50	1.60	0.83	0.50	-	9.43	22.13	4.65	1.58	3.37	0.59	6.00	*	47.75
2008 H	6.50	1.60	0.68	0.50	-	9.28	9.42	4.65	1.58	3.37	0.59	6.00	*	34.89
2008 NH	6.50	1.60	0.68	0.50	-	9.28	22.13	4.65	1.58	3.37	0.59	6.00	*	47.60
2009 H	6.50	1.60	0.68	0.50	-	9.28	8.72	4.65	1.58	3.37	0.59	6.00	0.10	34.29
2009 NH	6.50	1.60	0.68	0.50	-	9.28	22.10	4.65	1.58	3.37	0.59	6.00	0.10	47.67
2010 H	6.50	1.53	0.75	0.50	-	9.28	8.77	4.65	1.58	3.37	0.59	6.00	0.10	34.34
2010 NH	6.50	1.53	0.75	0.50	-	9.28	22.10	4.65	1.58	3.37	0.59	6.00	0.10	47.67
2011 H	6.50	1.53	0.87	0.50	-	9.40	9.74	4.65	1.58	3.37	0.59	6.00	0.10	35.43
2011 NH	6.50	1.53	0.87	0.50	-	9.40	22.73	4.65	1.58	3.37	0.59	6.00	0.10	48.42
2012 H	6.50	1.53	0.96	0.50	0.70	10.19	10.16	4.65	1.58	3.37	0.59	6.00	0.10	36.64
2012 NH	6.50	1.53	0.96	0.50	0.70	10.19	22.73	4.65	1.58	3.37	0.59	6.00	0.10	49.21

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

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
12/31/2001	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	82.24%
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%
12/31/2011	7/01/2012	6/30/2013	2,643,043,570	973,996,760	300,554,800	395,096,920	4,312,692,050	10.48	4,410,108,900	97.79%

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.

Top Ten Principal Taxpayers

Current Year and Nine Years Ago

	Fiscal Year Ended 6/30/2003			Fiscal Year Ended 6/30/2012			
Taxpayer	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxpayer
Frankel Forbes Cohen	$ 58,814,340	1	1.21%	$ 56,391,100	1	1.27%	*Frankel Forbes Cohen*
Gale & Wentworth	54,511,860	2	1.12%	38,663,160	2	0.87%	Emmes Asset Mngt
Nykel Management	53,855,480	3	1.11%	30,282,490	3	0.68%	*Detroit Edison*
K Mart	48,847,480	4	1.00%	27,143,990	4	0.61%	*Nykel Management*
Liberty Property L.P.	46,208,450	5	0.95%	26,385,150	5	0.59%	Nemer Troy Place
Detroit Edison	41,429,220	6	0.85%	24,257,180	6	0.55%	*Urban Cal - Oakland Mall*
888 W Big Beaver Assoc	38,944,890	7	0.80%	24,202,140	7	0.54%	CC Troy Assoc. I & II
Oakland Mall, L.L.C.	25,879,330	8	0.53%	23,749,190	8	0.53%	Osprey-Troy Place
Teachers Insurance & Annuity	25,872,200	9	0.53%	22,465,880	9	0.50%	*888 W Big Beaver Assoc*
Standard Federal Bank (Bank of Am.)	25,550,320	10	0.53%	20,690,820	10	0.47%	*Bank of America*
Total Top Ten	**$ 419,913,570**			**$ 294,231,100**			**Total Top Ten**
Total % of City T/V			**8.64%**			**6.61%**	**Total % of City T/V**
Total City T/V	**$ 4,861,640,648**			**$ 4,448,750,160**			**Total City T/V**

*Underlined & Italic appear in both years.

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

	Governmental Activities	Business-Type Activities			
Fiscal Year Ended June 30,	General Obligation & County Issued Bonds	Business Type Activities Bonds	Total Outstanding Debt	Percentage of Personal Income	Debt Per Capita
2003	$ 53,238,658	$ 12,800,000	$ 66,038,658	2.16%	$ 151
2004	42,498,315	12,000,000	54,498,315	1.76%	140
2005	40,812,271	12,000,000	52,812,271	1.69%	138
2006	39,156,648	11,800,000	50,956,648	1.62%	135
2007	37,280,131	11,600,000	48,880,131	1.55%	132
2008	35,333,976	11,300,000	46,633,976	1.47%	128
2009	33,290,046	11,000,000	44,290,046	1.29%	135
2010	30,670,062	10,700,000	41,370,062	1.21%	132
2011	27,783,479	10,300,000	38,083,479	1.14%	127
2012	25,247,312	9,900,000	35,147,312	1.04%	121

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

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
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%
2012	2,335,000	1,045,189	3,380,189	55,627,231	6.08%

Includes General, Special Revenue and Debt Service Funds.

CITY OF TROY, MICHIGAN

Computation of Direct and Overlapping Debt

June 30, 2012

Jurisdiction	Net General Bonded Debt Outstanding	Percentage Applicable to Troy	Amount Applicable to Troy
City of Troy	$ 35,147,312	100.00%	$ 35,147,312
Avondale School District	105,873,363	18.66%	19,755,970
Birmingham School District	205,270,000	3.84%	7,882,368
Bloomfield Hills School District	7,140,000	2.09%	149,226
Lamphere School District	13,515,000	14.01%	1,893,452
Royal Oak School District	66,995,000	2.23%	1,493,989
Troy School District	103,580,000	100.00%	103,580,000
Warren School District	167,315,000	8.05%	13,468,858
Oakland County	94,258,060	8.73%	8,228,729
Oakland Intermediate School District	61,705,000	8.19%	5,053,640
Macomb Intermediate School District	-	1.09%	-
Oakland County Community College	4,435,000	8.79%	389,837
Total overlapping debt	830,086,423		161,896,066
Total direct and overlapping debt	$ 865,233,735		$ 197,043,378

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

CITY OF TROY, MICHIGAN

Computation of Legal Debt Margin

June 30, 2012

Assessed Valuation at December 31, 2010 $ 4,540,412,680

		Legal Margin		
	Annual Net Debt	Percentage of State Equalized Valuation	Amount	Legal Debt Margin
General obligation debt	$ 32,010,000	10.0%	$ 454,041,268	$ 422,031,268
Emergency bonds	-	37.5%	1,702,654,755	1,702,654,755
Special assessment bonds	-	12.0%	544,849,522	544,849,522
Total debt	$ 32,010,000		$ 2,701,545,545	$ 2,669,535,545

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 ($4,540,412,680), 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.

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year				
	2003	2004	2005	2006	2007
Debt Limit	$ 595,569,740	$ 618,808,426	$ 633,722,297	$ 652,607,433	$ 660,880,475
Total net debt applicable to limit	(58,875,000)	(48,680,000)	(47,405,000)	(45,855,000)	(44,130,000)
Legal debt margin	$ 536,694,740	$ 570,128,426	$ 586,317,297	$ 606,752,433	$ 616,750,475
Total net debt applicable to the limit as a percentage of debt limit	9.89%	7.87%	7.48%	7.03%	6.68%

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt Limit	$ 642,265,981	$ 622,709,405	$ 583,886,924	$ 498,851,831	$ 454,041,268
Total net debt applicable to limit	(42,220,000)	(40,050,000)	(37,460,000)	(34,545,000)	(32,010,000)
Legal debt margin	$ 600,045,981	$ 582,659,405	$ 546,426,924	$ 464,306,831	$ 422,031,268
Total net debt applicable to the limit as a percentage of debt limit	6.57%	6.43%	6.42%	6.92%	7.05%

Pledged Revenue Coverage

Last Ten Fiscal Years

Building Authority bonds

Fiscal Year Ended	Collections	Debt Service: Principal	Debt Service: Interest	Debt Service: Total	Coverage (1)
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%
2012	1,442,755	400,000	485,446	885,446	163%

Michigan Transportation Fund Bonds

Fiscal Year Ended	Collections (2)	Debt Service: Principal	Debt Service: Interest	Debt Service: Total	Coverage
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%
2012	2,487,834	200,000	36,713	236,713	1051%

Special Assessment Bonds

Fiscal Year Ended	Collections	Debt Service: Principal	Debt Service: Interest	Debt Service: Total	Coverage (3)
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
2012	-	-	-	-	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)	Median Age (1)	Number of Households(1)	Average Household Size	Income Per Capita	Income Per Household	Personal Income (millions)	Unemployment Rate (%)(2)	Education Age 25 or Older: High School(1)	Education Age 25 or Older: Bachelor Degree(1)	Education Age 25 or Older: Graduate or Professional Degree
2003	84,841	38.1	31,504	2.69	$36,000	96,840	3,054	3.2	67	50	22
2004	85,956	38.1	31,944	2.69	36,000	96,840	3,094	3.2	67	50	22
2005	86,740	38.1	32,281	2.69	36,000	96,840	3,123	4.7	67	50	22
2006	87,159	38.1	32,431	2.69	36,000	96,840	3,138	4.9	67	50	22
2007	87,594	38.1	32,596	2.69	36,000	96,840	3,153	4.8	67	50	22
2008	87,956	38.1	32,802	2.69	36,000	96,840	3,166	5.6	67	50	22
2009	81,490	38.1	33,368	2.69	42,000	112,980	3,423	9.4	67	50	22
2010	81,235	38.1	30,723	2.69	42,000	112,980	3,412	11.9	67	50	22
2011	80,980	41.8	32,907	2.63	41,200	108,356	3,336	9.5	73	57	27
2012	82,071	41.8	32,998	2.61 (4)	41,200	107,532	3,381	7.7	73	57	27

Source:

(1) U.S. Census - 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.

Principal Employers by Industry

Current and Previous Four Years

Industry	2008			2009			2010			2011			2012		
	Number of Parcels	Rank	Percent of Total Parcels	Number of Parcels	Rank	Percent of Total Parcels	Number of Parcels	Rank	Percent of Total Parcels	Number of Parcels	Rank	Percent of Total Parcels	Number of Parcels	Rank	Percent of Total Parcels
Industrial, Light Manufacturing	638	1	39.68%	676	1	41.83%	630	1	38.99%	630	1	38.82%	643	1	39.62%
Office	266	2	16.54%	267	2	16.52%	268	2	16.58%	262	2	16.14%	261	2	16.08%
Retail Store (Mall, Plaza, Market, Whse, Discount	149	3	9.27%	149	3	9.22%	128	3	7.92%	149	3	9.18%	150	3	9.24%
Medical Office	76	6	4.73%	85	4	5.26%	80	4	4.95%	85	4	5.24%	85	4	5.24%
Engineering	79	5	4.91%	78	5	4.83%	76	5	4.70%	79	5	4.87%	66	7	4.07%
Restaurant & Fast Food	61	8	3.79%	66	6	4.08%	66	6	4.08%	66	6	4.07%	66	7	4.07%
Apartments	64	7	3.98%	64	7	3.96%	62	7	3.84%	66	6	4.07%	67	6	4.13%
Service (Station, Garage, Booth, Convenience)	56	9	3.48%	47	8	2.91%	56	9	3.47%	51	8	3.14%	58	8	3.57%
Loft (Multi Tenant Industrial)	42	11	2.61%	44	9	2.72%	42	11	2.60%	41	9	2.53%	41	10	2.53%
Bank	28	12	1.74%	29	10	1.79%	28	12	1.73%	29	10	1.79%	30	11	1.85%
Auto Dealership	17	13	1.06%	17	11	1.05%	17	13	1.05%	17	11	1.05%	17	12	1.05%
Warehouse (Storage, Distribution, Transit)	50	10	3.11%	17	12	1.05%	55	10	3.40%	56	7	3.45%	57	9	3.51%
All other	82	4	5.10%	77	13	4.78%	74	8	4.58%	85	4	5.24%	82	5	5.05%
Total commercial/industrial parcels	1,608		100.00%	1,616		100.00%	1,582		97.90%	1,616		99.57%	1,623		100.00%

CITY OF TROY, MICHIGAN

Operation Indicators by Function/Program

Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Building Inspection										
Permits issued	1,867	2,110	2,136	1,927	1,696	1,588	1,251	1,185	940	1,699
Plans reviewed	1,053	1,200	1,716	1,600	1,059	920	685	719	908	1,842
Executive Administration										
City Manager's Office										
GFOA awards/submittals	3	3	3	3	3	3	3	3	2	2
City Attorney's Office										
District court appearances	4,910	6,484	6,425	6,531	6,368	6,706	6,840	6,091	6,492	6,612
Engineering										
Engineering										
Soil erosion inspections	900	2,500	2,983	4,570	4,001	1,422	1,626	979	863	772
Machine traffic counts	138	140	128	125	136	136	146	125	93	68
Finance										
Accounting/Risk Management										
Payroll checks processed	23,224	23,250	23,851	23,800	24,116	27,717	27,346	23,147	22,891	23,091
Invoices issued	2,193	120	1,651	1,800	2,200	2,000	3,597	8,354	9,649	10,027
Liability claims processed	162	161	139	129	114	143	140	85	84	57
Insurance certificates approved	307	400	357	350	386	379	370	364	331	328
Assessing										
Residential appraisals	1,500	1,200	1,200	1,600	1,500	1,273	1,439	863	750	500
Reinspections	1,500	1,500	1,500	1,250	1,000	800	1,000	600	500	500
City Clerk's Office										
Dog licenses issued (1)	5,013	5,020	2,330	1,690	2,043	1,870	2,250	2,573	1,843[A]	(A)
Registered voters	54,273	54,122	54,188	53,792	54,355	56,774	55,989	56,572	55,301	57,470
Human Resources										
Applications processed	1,340	1,248	1,156	1,500	1,117	1,762	1,015	365	110	1,566
Job postings	44	50	44	50	45	39	37	10	11	30
Labor contracts settled	2	1	1	4	0	1	1	1	6	0

Operation Indicators by Function/Program

Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Finance (continued)										
Purchasing										
Value of goods/services purchased	$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	$34.2 mil
% of awards without dispute	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
City Treasurer's Office										
Tax bills processed	64,000	64,000	65,480	66,220	65,740	66,907	65,798	65,770	65,687	65,900
Water bills processed	N/A	N/A	104,771	106,369	102,000	104,784	104,777	104,807	99,566	101,055
Community Affairs										
New resident packets distributed	770	760	775	775	950	830	855	910	943	912
Press releases sent	330	340	412	440	450	465	475	482	487	474
[A] Data through April 2011 at which time Oakland County assumed animal control responsibility										
Fire										
Fire Department responses	1,204	1,358	1,188	1,475	1,338	1,154	889	853	1,022	1,090
Inspections performed	2,465	2,000	2,196	2,000	2,210	2,440	2,768	2,543	2,347	2,013
Other General Government										
Building Operations										
Requests for service	6,200	11,472	14,472	16,750	18,900	19,200	18,922	17,280	16,801	12,500
Planning										
Site plan reviews	33	18	19	21	14	21	9	14	13	8
Special use requests	7	7	6	10	22	13	15	9	8	7
Parks & Recreation										
ROW trees trimmed	3,200	1,000	1,000	1,160	3,215	1,968	2,894	3,168	2,457	2,262
Nature Center program attendance	4,660	4,090	4,995	4,765	4,890	5,089	5,400	5,658	4,150	5,078
Police										
Part 1 Crimes	2,107	1,979	2,044	2,088	1,890	2,021	1,944	1,837	1,842	1,865
Operate while impaired	306	431	453	448	520	503	477	396	464	399

CITY OF TROY, MICHIGAN

Operation Indicators by Function/Program

Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Works										
Streets & Drains Division										
Requests for service	870	1,100	1,293	744	860	1,602	1,258	1,004	1,188	1,149
Traffic signs repaired/replaced	1,650	1,800	1,650	1,680	1,250	1,123	1,046	1,230	1,042	(B)
Water & Sewer Division										
Requests for service	2,414	2,650	2,650	2,637	2,244	2,147	2,844	2,902	3,379	3,366
Sanitary sewers cleaned in feet	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	2,100,000
Fleet Maintenance										
Work orders	3,849	4,000	4,137	4,050	4,072	4,000	3,848	3,507	3,217	2,839
Vehicle tires replaced	355	400	791	600	648	594	604	608	520	566
Refuse/Resource Recovery										
Tons of refuse collected	49,263	54,000	48,308	54,500	44,637	35,313	32,951	27,412	27,230	29,816
Tons of compost collected	6,303	6,500	7,804	9,984	7,917	10,753	10,620	12,313	9,690	10,689
Information Technology										
Help desk requests	1,407	1,400	1,620	1,800	2,062	2,136	2,075	2,392	2,498	2,485
Golf Course										
Sylvan Glen rounds of golf	53,410	55,560	51,060	50,820	45,032	42,451	43,892	41,719	40,852	47,293
Sanctuary Lake rounds of golf	-	4,010	18,463	25,833	23,729	23,664	24,710	24,757	27,236	33,485
Aquatic Center										
Admissions	38,578	48,000	55,348	50,240	54,519	53,521	48,146	47,738	51,000	54,260

(B) Data no longer maintained

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fire										
Stations	6	6	6	6	6	6	6	6	6	6
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Streets										
Miles of improved	370	371	410	423	437	443	443	443	443	435
Miles of unimproved	7.4	6.5	4.9	4.9	4.8	4	4	4	4	4
Sewers										
Miles of combination storm/sanitary	10	10	10	10	10	10	10	10	10	10
Miles of sanitary	382.5	384.7	386	384	386	394.5	397	398	398	391
Miles of storm	366	397	488	510	542	543	545	545	545	589
Street Lights										
Detroit Edison owned poles	579	577	577	564	564	582	582	580	562	561
City owned poles	1,669	1,707	1,707	1,558	1,558	956	956	956	997	1,242
Water										
Annual distribution in million cubic feet	641	643	595	663	614	561	494	449	485	530
Miles of watermains	538.8	543.5	547	536	538	539	540	540	540	537
Number of hydrants	5,492	5,561	5,610	5,759	5,782	5,830	5,850	5,854	5,870	5,863
Parks and Recreation										
Number of developed parks	14	14	14	14	14	14	14	14	14	14
Acres of public parks	735	735	735	735	880	880	1,000	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	2	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

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
2011 - 2012	1,699	permits		98,609,054	estimated value

CITY OF TROY, MICHIGAN

Full and Part-Time City Government Employees By Function/Program

Last Ten Fiscal Years

Function/Program	2003		2004		2005		2006		2007		2008		2009		2010		2011		2012	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
Building Inspection																				
Building Inspection	22	0	22	0	22	0	21	2	21	2	21	2	21	2	17	2	0	0	0	0
Executive Administration																				
City Manager's Office	6	0	6	0	6	0	6	0	5	0	4.5	0	4.5	0	4.5	0	4	4	7	6
City Attorney's Office	8	1	8	1	8	1	8	1	8	1	8	1	8	1	8	1	6	1	7	1
City Clerk's Office	6	2	7	2	6	2	6	2	6	2	6	2	6	2	5	2	3	2	4	2
Human Resources	4	1	4	1	4	1	4	1	4	1	4	1	4	1	4	1	2	1	2	1
Community Affairs	3	6	3	3	3	9	3	6	3	6	3	6	3	6	1	6	0	0	0	0
Engineering																				
Engineering	23	7	23	7	23	7	23	6	23	6	22	6	21	6	16	5	12	3	10	4
Finance																				
Accounting/Risk Management	11	0	11	0	10.5	0	10.5	0	10.5	0	10.5	0	10.5	0	9.5	0	4	1	4	3
Assessing	10	0	10	0	8	2	8	2	8	2	8	2	8	2	8	1	6	1	6	1
Purchasing	3	1	3	1	3	1	3	1	3	1	3	1	3	1	3	1	2	0	0	1
City Treasurer's Office	5	0	5	0	4.5	0	4.5	0	4.5	0	4.5	0	3.5	0	3.5	0	3	0	4	0
Fire																				
Fire	14	2	14	2	14	2	14	2	14	2	14	2	13	2	13	2	10	6	11	6
Library/Museum																				
Library	20	85	20	86	20	88	20	88	17	98	16	98	16	96	15	93	5	61	6	68
Museum	3	5	3	5	2	9	2	9	2	9	2	9	2	9	2	9	0	0	0	0

Continued.....

CITY OF TROY, MICHIGAN

Full and Part-Time City Government Employees By Function/Program

Last Ten Fiscal Years

	2003		2004		2005		2006		2007		2008		2009		2010		2011		2012	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
Concluded....																				
Other General Government																				
Real Estate & Development	5	1	5	1	5	1	5	1	4	1	3.5	0	3.5	0	3.5	0	0	0	0	0
Building Operations	12	2	12	2	12	2	12	2	12	2	12	2	12	2	11	2	6	0	6	3
Planning	5	0	5	0	5	0	5	0	5	0	5	0	5	0	3	0	4	2	4	2
Police																				
Police	194	13	194	13	194	13	194	13	193	14	192	18	192	18	188	18	153	22	140	32
Parks & Recreation																				
Parks & Recreation	35	116	35	128	35	128	35	128	34	212	34	206	32	206	32	181	15	155	12	190
Public Works																				
Streets & Drains Division	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	20.5	11
Water & Sewer Division	35	6	35	6	35	6	35	6	34	7	34	7	34	7	34	7	31	0	31	6
Fleet Maintenance	18	2	18	2	18	2	18	2	18	2	18	2	18	2	18	2	11	2	11	4
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	0.5	0	0.5	0
Information Technology																				
Information technology	9	0	9	0	9	0	9	0	9	0	9	0	9	2	9	2	8	1	8	1
Golf Course																				
Golf course	4	37	3	36	5	54	5	72	5	72	5	71	5	71	5	54	0	0	0	0
Aquatic Center																				
Aquatic center	0	74	0	74	0	74	0	74	0	74	0	74	0	88	0	88	0	50	0	37
Total Employees	**491**	**381**	**491**	**390**	**488**	**422**	**485**	**437**	**476**	**533**	**472**	**529**	**467**	**543**	**443**	**496**	**310**	**314**	**294**	**379**

CITY OF TROY, MICHIGAN

State Shared Revenues

Last Ten Fiscal Years

Fiscal Year Ended June 30	State Shared Revenue
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
2012	6,136,066

Gas and Weight Taxes

Last Ten Fiscal Years

Fiscal Year Ended June 30	Type of Street		Total Gas and Weight Tax (Act 51) Receipts
	Major Road	Local Road	
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
2012	3,572,892	1,402,776	4,975,668

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	56
Michigan Association of Police - Clerical, Police Services Aides	6/30/2013	42
Troy Command Officers Association - Command Police Officers	6/30/2014	22
Troy Police Officers Association - Police Officers	6/30/2015	73
Troy Firestaff Officers Association - Fire Career Professionals	6/30/2014	9
Troy Communication Supervisors Association - Civilian Communications Supervisors	6/30/2013	8

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SINGLE AUDIT

CITY OF TROY, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.218	OAK	172170	$ 133,712
U.S. Department of Justice				
Bulletproof Vest Grant	16.607	Direct	N/A	6,996
U.S. Department of Transportation				
Highway Planning & Construction				
HH6088	20.205	MDOT	09-5747	25,808
JJ0910	20.205	MDOT	09-5747	11,709
Total Highway Planning & Construction				37,517
Troy Multi Modal Transit Facility				
ARRA - Contract # 2011-0231, Project # 113143, Agenda: CAB	20.319	MDOT	20110276	350,587
Total U.S. Department of Transportation				388,104
U.S. Department of Energy Labor & Economic Growth				
ARRA Energy Efficiency and Conservation Grant	81.128	Direct	N/A	511,225
Total Expenditures of Federal Awards				**$ 1,040,037**

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

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 (the "City") under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (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 position or cash flows of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments,* 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 prior years. Pass-through entity identifying numbers are presented where available.

3. PASS-THROUGH AGENCIES

The County receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDOT	Michigan Department of Transportation
OAK	County of Oakland, Michigan

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

November 27, 2012

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 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, 2012, which collectively comprise the basic financial statements of the City, and have issued our report thereon dated November 27, 2012. 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

Management of the City of Troy, Michigan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Troy, Michigan'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 of Troy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Troy, Michigan'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 defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the City Council, 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.

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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

November 27, 2012

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

Compliance

We have audited the *City of Troy, Michigan's* compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City of Troy, Michigan's major federal programs for the year ended June 30, 2012. The City of Troy, Michigan'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 of Troy, Michigan'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 of Troy, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Troy, Michigan's compliance with those requirements.

In our opinion, the City of Troy, Michigan 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, 2012.

Internal Control Over Compliance

Management of the City of Troy, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Troy, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 of Troy, Michigan'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 weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, 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. However, it is a matter of public record, and its distribution is not limited.

Rehmann Lohan

CITY OF TROY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) 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 deficiency(ies) identified?		yes	X	none reported
Type of auditors' report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?		yes	X	no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants
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?	X	yes		no

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2012

Finding 2011-1 – Reporting - Immaterial Noncompliance - CFDA # 81.128 - Energy Efficiency and Conservation Grant

At year-end 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. This finding was corrected.

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