O-02b

Rehmann

Rehmann Robson

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INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 26, 2014

To the Honorable Mayor
and City Council of the
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, 2014, and have issued our report thereon dated November 26, 2014. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 30, 2014, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been 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 respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated November 26, 2014. In addition, we noted certain other matters which are included in Attachment A to this letter.

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 in our meeting about planning matters on September 29, 2014.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements.

For the fiscal year ending June 30, 2014, the City implemented Statement of Governmental Accounting Standards (GASB Statement) No. 67, *Financial Reporting for Pension Plans*. This standard had no impact on beginning equity of the City, but provided for expanded disclosures on the City's pension plans in the footnotes and required supplementary information.

During the year, the City issued Series 2013 general obligation bonds in the amount of $14,945,000 to refund Troy Downtown Development Authority (TDDA) debt outstanding. In return the TDDA has pledged future incremental tax captures to reimburse the city for principal, interest and service fees incurred by the city in servicing this debt requirement. The notes to the financial statements contain a more complete description of this transaction. No matters have come to our attention that would require us, under professional standards, to inform you about the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting 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 pension and other postemployment benefits plans are based on historical trends and industry standards.

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

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

The schedule of adjustments passed is included with management's written representations in Attachment C to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in Attachment C to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

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.

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 B 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.

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 LLC

CITY OF TROY, MICHIGAN

Attachment A - Comments and Recommendations

For the June 30, 2014 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. Our consideration of the City's internal control over financial reporting is described in our report, dated November 26, 2014, issued in accordance with *Government Auditing Standards.* This memorandum does not affect that report or our report dated November 26, 2014, on the financial statements of the City of Troy, Michigan.

Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

OMB Circular A-133, §___.300, requires that a recipient of federal awards subject to a single audit "...identify, in its accounts, all Federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass through entity." In addition, the City is required to "...prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards in accordance with §___.310."

Upon reconciliation of the SEFA prepared by management to the underlying accounting records, we identified certain reimbursable expenses that were incurred in a prior year, but inappropriately excluded from the SEFA in that year. We recommend that all eligible expenses be reviewed each year by management prior to completion of the SEFA to ensure proper inclusion/exclusion, and that amounts reported agree to the underlying accounting records and requests for reimbursement.

Review of Bank Reconciliations

As part of our audit, we examined the bank reconciliations of the City's various accounts throughout the fiscal year. We noted that while many bank reconciliations showed evidence of a formal review and approval process, others did not. We recommend that each bank reconciliation be reviewed and approved by an individual other than the preparer, and that such review be evidenced by initialing and dating the reconciliation.

Review of General Journal Entries

During our audit, we noted that general journal entries are being reviewed at a high level each month indirectly during the normal monthly close process, however, we noted that individual journal entry review is not being consistently documented. We recommend that the reviewer initial and date the entries as evidence that the review is taking place.

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CITY OF TROY, MICHIGAN

Attachment B – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2014 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 "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

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 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.

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.

While GASB 68 is only applicable to pension plans, the GASB has released exposure drafts that would implement similar requirements for other postemployment benefits (e.g., retiree healthcare) within the next few years.

Attachment B – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2014 Audit

GASB 69 ■ Government Combinations and Disposals of Government Operations

Effective 12/15/2014 (your FY 2015)

This standard provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity.

Given the infrequent nature of these types of events, we do not expect this standard to have any impact on the City at this time.

GASB 71 ■ Pension Transition for Contributions Made Subsequent to the Measurement Date

Effective with the Implementation of GASB 68

This standard is an amendment to GASB 68, and seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year.

2 CFR 200 ■ Uniform Guidance for Federal Awards

Cost Principles Effective 12/26/2014; Single Audit Requirements Effective 12/26/2015 (your FY 2016)

The Office of Management and Budget (OMB) has consolidated seven separate circulars (including administrative requirements, cost principles, and audit requirements) into a single federal regulation. The new Uniform Guidance covers all aspects of federal grants from pre-award through the single audit. While much of the guidance was simply reorganized and recodified, there were also several substantive changes to the single audit thresholds. A single audit will now only be required if total expenditures of federal awards exceed $750,000 (up from $500,000). The OMB has indicated that further changes to the single audit will be announced in 2015.

In addition, the Uniform Guidance now explicitly requires grant recipients to have sound internal controls that are consistent with the COSO framework and documented procedures for grant administration. Rehmann is available to assist grant recipients in developing/documenting these policies and procedures in compliance with the new requirements.

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CITY OF TROY, MICHIGAN

Attachment C – Management Representations

For the June 30, 2014 Audit

The following pages contain the written representations that we requested from management.

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

The City of Tomorrow... ...Today

November 26, 2014

Rehmann Robson
1500 W. Big Beaver Rd, 2nd Floor
Troy, MI 48084

This representation letter is provided in connection with your audit of 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, as of and for the year ended June 30, 2014, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, and the budgetary comparison for the General Fund of the City in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 26, 2014:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 30, 2014, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
2. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. 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.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

9. With regard to items reported at fair value:
   a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
   b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
   c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
   d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
10. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
11. All funds and activities are properly classified.
12. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
13. All components of net position and fund balance classifications have been properly reported.
14. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
15. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
16. All interfund and intra-entity transactions and balances have been properly classified and reported.
17. Deposit and investment risks have been properly and fully disclosed.
18. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
19. All required supplementary information is measured and presented within the prescribed guidelines.
20. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Information Provided

21. We have provided you with:
    a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
    b. Additional information that you have requested from us for the purpose of the audit; and
    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
22. All transactions have been recorded in the accounting records and are reflected in the financial statements.
23. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
24. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
    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.

25. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
26. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
27. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
28. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
29. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
30. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
31. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
32. There are no:
    a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
    b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
33. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
34. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
35. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB-62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

36. With respect to the supplementary information accompanying the financial statements:
    a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
    b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
    c. The methods of measurement or presentation have not changed from those used in the prior period.
    d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

37. With respect to the required supplementary information accompanying the financial statements:
    a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
    b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
    c. The methods of measurement or presentation have not changed from those used in the prior period.
    d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

OMB Circular A-133

38. With respect to federal awards, we represent the following to you:
    a. We are responsible for understanding and complying with and have complied with the requirements of Circular A-133.
    b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with Circular A-133.
    c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with Circular A-133.
    d. The methods of measurement or presentation have not changed from those used in the prior period.
    e. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
    f. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
    g. When the schedule of expenditures of federal awards is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
    h. We have, in accordance with Circular A-133, identified in the schedule of expenditures of federal awards, 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, food commodities, direct appropriations, and other assistance.
    i. We are responsible for complying 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 federal program; and we have complied, in all material respects, with these requirements.
    j. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
    k. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide 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. Also, no changes have been made in the internal control system to the date of this letter that might

significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.

l. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
m. We have received no requests from a federal agency to audit one or more specific programs as a major program.
n. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
o. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and the U.S. Office of Management and Budget's, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
p. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
q. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
r. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
s. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
t. We 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.
u. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by Circular A-133, and we are responsible for preparing and implementing a correction action plan for each audit finding.
v. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
w. We have reviewed, approved, and taken responsibility for the financial statements and related notes.
x. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

Brian Kischnick, City Manager

Thomas Darling, Director of Financial Services

CITY OF TROY

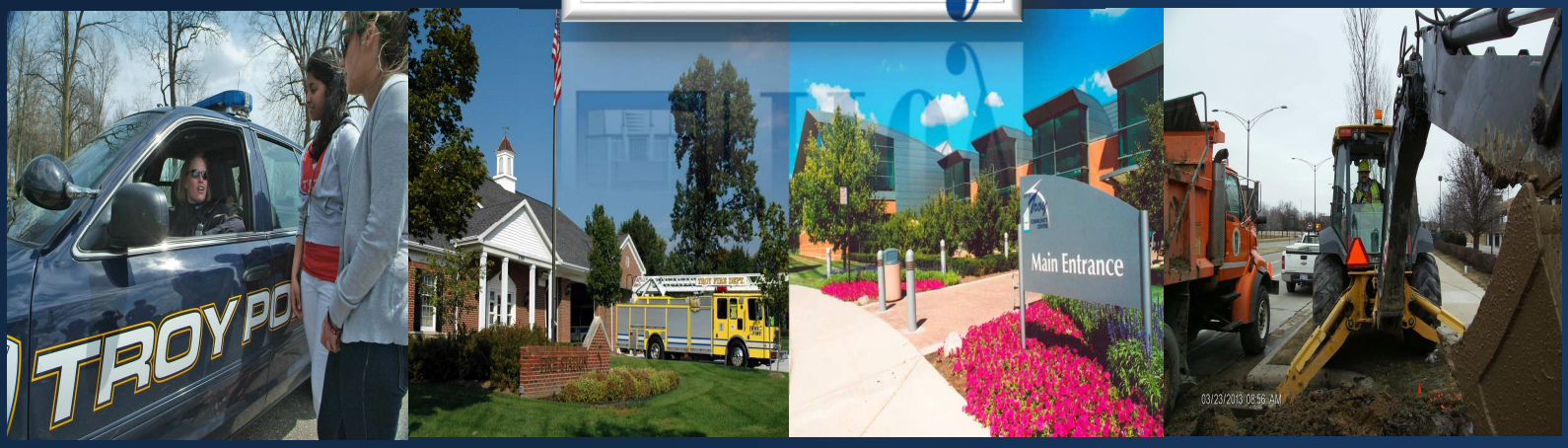
Schedule of Adjustments Passed (SOAP)

For the June 30, 2014 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Over(Under)Statement				
	Assets	Liabilities	Beginning Equity	Revenues	Expenses/ Expenditures
Governmental activities					
Net pension asset not recorded	$ (220,028)	$ -	$ -	$ -	$ 220,028
Misstatement as a percentage of total assets - governmental activities	-0.1%	0.0%	0.0%	0.0%	0.1%

City of Troy



Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

- Attract & Retain Quality Employees And Investigate Programs to Improve Morale
- Find a Solution To The DDA Bond Issue
- Improve Public Perception Of the City- Analyze Social Media Opportunities To Connect
- Support the Transit Center & Hold Promotional Events
- Strengthen Police/Fire Consider Putting Police Officers Back In Schools
- Redevelop Sites/ Office Space
- Promote Troy Find a Way To Convince Youth to Stay In Troy
- Evaluate Efficiencies Of Outsourcing Services And Consider Outsourcing Other Areas
- Re - Evaluate Vision 2020
- Improve Roads Examine Budget Allocation
- Develop 3-Year Budget Projections
- Increase Lines Of Communication With Troy Schools

500 W Big Beaver • Troy, MI 48084 • www.troymi.gov

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City of Troy, Michigan

Year Ended
June 30, 2014

Comprehensive Annual Financial Report

City Council

Mayor	**Dane Slater**
Mayor Pro Tem	**Dave Henderson**
Council Members	**Wade Fleming**
	Jim Campbell
	Doug Tietz
	Ed Pennington
	Ellen Hodorek

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

November 26, 2014

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, 2014 is hereby submitted. The report represents a comprehensive and detailed picture of our financial transactions during fiscal year 2013/14 and the financial condition of the various funds as of fiscal year end. This report was prepared by a team comprised of executive members, financial staff and department leaders of the City. 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 metro area, state and national average.

	June 2014
Troy	5.9%
Oakland County	6.8%
Metro Area*	7.1%
Michigan	6.7%
National	6.3%

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

The City reached the low point in taxable value in the 2013 fiscal year at $4.246 billion after Michigan Tax Tribunnel and Board of Review adjustments. The 2014 fiscal year remained flat compared to the 2013 fiscal year. While the City experienced an increase of 2.3% in the residential taxable value, it was offset by continued decreases in commercial and industrial values. For Michigan cities, Troy ranked fourth 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 adopts a three year budget that is nationally recognized. 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 a minimum 20% to 30% of General Fund Expenditures. Actual results outside these parameters requires a financial plan proposed by the city manager.

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 Transit Center opened to the public on October 14, 2014. The facility replaces an outmoded Amtrak stop with an ADA compliant, safe and secure transportation center. The facility strengthens mobility options through a centralized facility that allows user access to intercity passenger rail service, regional bus routes, and taxi services. The Troy Transit Center provides 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. A bus stop area sized to accommodate four full sized buses, a passenger drop off and pickup lane, and a taxi waiting area are nearby. A parking lot is provided.

S&P Data, LLC

After a thorough site selection process, S&P Data has located its first Michigan call center facility at 340 E. Big Beaver Road (formerly occupied by Flagstar operations). S&P Data is a provider of contact center solutions to Fortune 500 companies offering multiple channel support including phone, chat, e-mail and social media channels. The $4.4 million project is expected to create 421 jobs over three years.

Molina

Molina Healthcare is a FORTUNE 500, multi-state health care organization. Molina purchased the formerly vacant, 195,447 square foot office building located at 880 W. Long Lake Road in the North Troy Corporate Park area. Molina currently has 312 employees in Troy, but this new facility will add approximately 337 new employees in the next three years.

Unified Business Technologies

Unified Business Technologies - UBT, founded in Troy in 1997, provides manufacturing, engineering, IT, telecommunications, and professional services to federal, state and local government agencies and the private sector. The company has been awarded a new contract by the U.S. Army and plans to expand its operations in the City of Troy. The project will generate a total capital investment of $17.2 million and create 171 jobs. Troy was chosen over competing sites in Alabama, Texas, Kentucky and Tennessee. UBT is located at 315 Indusco Court.

NS International

NS International has moved into the old Magna location at 600 Wilshire Drive. NSI's Grand Opening took place on September 11, 2014. Approximately 175 employees work in the building with continued growth expected.

DMC Children's Hospital

The Groundbreaking Ceremony for the new out-patient facility, located at 350 W. Big Beaver, took place on September 18, 2014. The $42 million, 70,000 square foot project is expected to employ approximately 100 people.

Mahindra

Mahindra opened its new North American Technical Center at 1055 W. Square Lake Road. The former Hi-Lex Building had been vacant for several years. The 30,000 square foot facility houses approximately 50 employees with 100 employees expected.

Modern Dental Laboratory USA

Modern Dental is the world's largest producer of dental prosthetics and associated products from traditional dental restorations, to high precision custom made implant supported structures. Its new U.S. Digital Production Center is located at 500 Stephenson Highway - a 70,000 square foot building. Approximately 100 employees are expected to work at the facility.

AkzoNobel

AKzoNobel will be relocating its North American Automotive & Aerospace Coatings Vehicle Refinishes Headquarters from Georgia to its 1845 Maxwell Street location in Troy. The project is expected to add about 60 new jobs to the facility when it opens in the spring of 2015.

Toyoda Gosei

Toyoda Gosei will be expanding its North American Headquarters located at 1400 Stephenson Highway. The expansion will create approximately 51 jobs and will result in an investment of $7.9 million. The Troy facility focuses on sales, engineering and administration for its subsidiaries engaged in research and design, and manufacturing operations throughout North America.

MJR Troy Grand

This new 74,000 square foot theater complex consists of 16 state-of-the-art movie theaters with 3,200 seats. The project, located at 100 E. Maple Road, replaced a vacant Kmart department store. Approximately 70 new jobs were created.

Walsh College Expansion

Walsh College, located at 3838 Livernois, broke ground for its $15 million expansion and renovation on September 5, 2014. The project includes a 27,000 s.f. renovation and addition to the original campus. The addition will encompass distinct pavilions with a business-communication focused student success center, a student lounge, and a "one-stop" student services center. Construction is expected to take 18 months. Walsh's student body now totals more than 4,000.

Field & Stream Store

The Oakland Mall Circuit City store, located at 750 W. Fourteen Mile Road, has been demolished, and a new Field & Stream Specialty Store will be taking its place. The new 50,000 s.f. store will carry the best brands that meet the evolving needs of hunters, anglers and outdoorsmen. The store, expected to open in the spring of 2015, will be the first one built in Michigan.

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 controls are 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 controls are in place to ensure and document compliance with applicable laws and regulations related to these programs. These internal controls are subject to periodic evaluation by management and the **independent auditors** of the City.

As a part of the single audit process, the auditors considered the internal control structure to develop audit procedures over compliance that would have a direct and material effect on each major federal program and compliance with OMB Circular A-133, but not to issue an opinion on the effectiveness of internal controls over compliance.

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) are established at the functional level for the General Fund and fund level for special revenue funds.

General Government Functions

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

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 had a small increase compared to prior year, an increase of $711 thousand or 1.5%. However, property taxes, the General Fund's largest revenue source, remained flat at $29.6 million. Property taxes remained flat despite a small increase in residential taxable value of 2.3% due to continued declines in the commercial/industrial sectors. Increased revenues came in the form of additional license and permit revenues $175 thousand, state shared revenues $157 thousand and charges for services $229 thousand.

State sources totaled $6.5 million. State shared revenue is a major source of revenue, which is a return to local governments of a portion of state sales tax and is not restricted to use.

Total General Fund operating expenditures increased by $2.6 million or 5.5%. The increase was primarily in the area of roads and streets of $1.4 million due to increased road maintenance and snow and ice control, engineering of $275 thousand for contracted road engineering services, and building inspection of $385 thousand for increased building permit activity.

Other financing sources included additional transfers in of $2.3 million primarily from major and local street special revenue funds to reimburse the general fund for additional road and street maintenance. Transfers out increased $2.4 million primarily to the capital projects fund to finance the city's major road construction program "Troy Roads Rock".

General Fund Balance

Fund balance of the General Fund increased by $833 thousand to a balance of $37.6 million. Of this amount, $4.4 million is nonspendable for such items as inventory and prepaid items; $1.5 million is restricted for budget stabilization, $6.6 million has been committed to the subsequent years budget and Volunteer Firefighters Incentive Reserve, and $3.2 million has been assigned for insurance claims and tax appeals. The $21.9 million remaining unassigned amount represents 44.4% of General Fund expenditures. This amount exceeds the city's 20% to 30% target range but has been addressed in the city's subsequent three year budget.

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.

Transit Center Fund - This fund has been established to track costs of Transit Center operations that are reimbursable by the city's contract with Amtrak and other sponsorship revenues.

Drug Forfeiture Fund - This fund has been established to account for resources provided from court ordered forfeitures in which City police officers participate in local, state and federal drug enforcement operations and which such resources can only be appropriated for approved drug enforcement expenditures.

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 are down $887 thousand (5.5%) compared to the prior fiscal year to $15.1 million in total. This is directly due to the decrease in sale volumes from 538 thousand mcf (thousand cubic feet) to 455 thousand mcf. The drop in volume is attributable to prior year summer conditions coupled with a prolonged winter. Conversely, water operating expenses increased $1.1 million due to an increase the variable rate (rate per mcf consumed) from $10.80 to $11.93 (an increase of $1.13 per mcf or 10.5%) and an increase in fixed fees of $413 thousand or 10.5%. The net effect was a reduction in net position of $132 thousand for the fiscal year. The economy and weather conditions can have a significant effect on water consumption.

Sanitary Sewer Fund - Generated $12.5 million in operating revenues as compared to $13.0 million in the prior year (a decrease of $527 thousand or 4.1%). This decrease was due to a reduction in volume sales as noted in the Water Fund section above. Accordingly, operating expenses, prior to depreciation, decreased $675 thousand or 6.1%. Total operating costs were $12.9 million. The net effect was a reduction in net position of $153 thousand. These rates are reviewed annually during budget time to ensure proper funding for operations and maintenance and improvements to the system.

Aquatic Center - Operating revenues increased $51 thousand or 10.6% from the prior year to $532 thousand. Expenses decreased by $16 thousand to $526 thousand. Accordingly, the Center recognized operating income of $6 thousand for the 2014 fiscal year.

Sylvan Glen Golf Course Fund - Revenues decreased by $189 thousand compared to the prior fiscal year for a total of $985 thousand. This again is due to the prolonged winter and frigid ice that caused significant green damage resulting in temporary greens and decreased play until June 2014. Operating expenses increased $41 thousand or 3.9% compared to the prior year totaling $1.1 million. Accordingly, the Course experienced an operating loss of $106 thousand for the fiscal year.

Sanctuary Lake Golf Course Fund - Operating revenues increased by $44 thousand compared to the prior fiscal year for a total of $1.3 million. Part of the increase was due to the re-direction of golf play from Sylvan Glen that suffered green damage. Operating expenses increased $151 thousand compared to the prior fiscal year for a total slightly above $1.4 million. The course had an operating loss of $68 thousand before the cost of interest on debt of $328 thousand. 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 $211.5 million compared to the beginning amount of $189.5 million. As of December 31, 2013, the fund was 101.0% 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. The fund reported end-of-year net position held in trust for benefits of $5.4 million. As of December 31, 2013, the fund was 38.1% funded after taking into consideration new benefit levels.

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. The fund reported net position held for benefits of 46.1 million. As of December 31, 2012, the last reported actuary valuation, the fund was 59.2% funded.

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 and updated by GASB No. 61, 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 Per $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 "unmodified 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, 2013.

This was the seventeenth 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) and the GFOA *Distinguished Budget Presentation Award* for the city's three year budget.

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.

Brian Kischnick
City Manager

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Troy

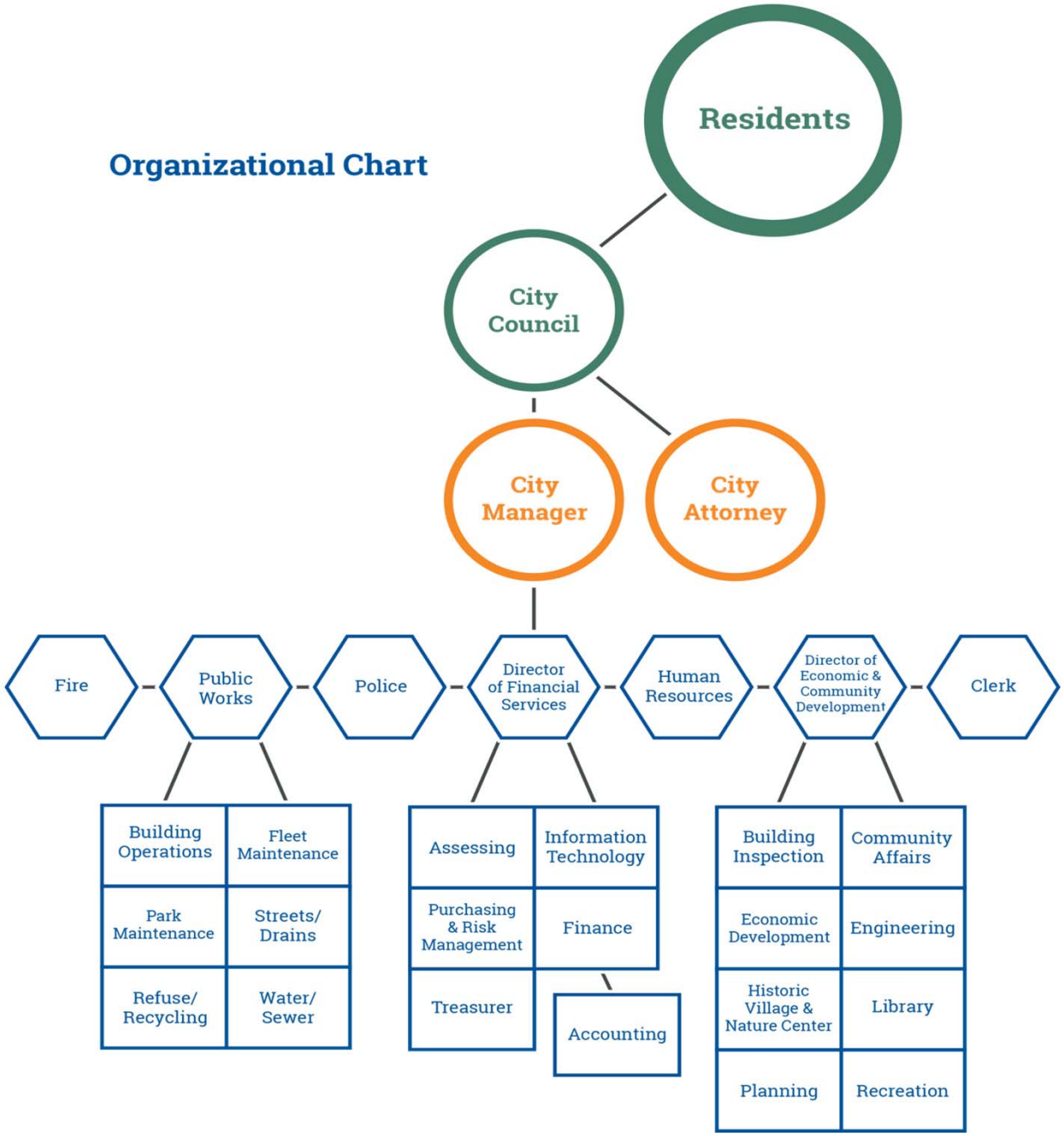
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF TROY, MICHIGAN



CITY OF TROY, MICHIGAN
PRINCIPAL OFFICIALS

Acting City Manager	**Brian Kischnick**
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	**Jeanette Menig**
Information Technology Director	**Gertrude M. Paraskevin**
Library Director	**Cathleen A. Russ**
Recreation Director	**Elaine Bo**
Planning Director	**Brent Savidant**
Police Chief	**Gary G. Mayer**
Public Works Director	**Timothy L. Richnak**
Purchasing Manager	**MaryBeth Murz**
Superintendent of Fleet Maintenance	**Samuel Lamerato**
Superintendent of Parks, Streets and Drains	**Kurt Bovensiep**
Superintendent of Water	**Richard W. Shepler**

CITY OF TROY, MICHIGAN

FUND ORGANIZATION CHART

Governmental Funds

- **General Fund***

Special Revenue Funds

- Major Streets
- Local Streets
- Refuse
- Transit Center
- Drug Forfeiture
- Library
- Community Development Block Grant

Debt Service Funds

- General Debt Service
- Proposal A
- Proposal B
- Proposal C
- Series 2013*

- **Capital Projects Fund***

Permanent Fund

- Cemetery Perpetual Care

Proprietary Funds

Enterprise Funds

- 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 Auth.

*Major funds under GASB No. 34

FINANCIAL SECTION

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Rehmann

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INDEPENDENT AUDITORS' REPORT

November 26, 2014

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows 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.

Implementation of GASB Statement No. 67

The City implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans,* in the current year. While there was no effect on the amounts reported in the financial statements themselves, there were substantial changes to the disclosures found in Note 13 to the financial statements, including the calculation of the City's net pension liability, which will be required to be recorded by the City in its next fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefit plans listed 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.

Other Information

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 and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 26, 2014, 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* in considering the City's internal control over financial reporting and compliance.

Rehmann Robson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Troy, Michigan (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, 2014. 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 $427.0 million (*net position).* Of this amount $114.6 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 revenues of $123.3 million were in excess of total expenses of $117.0 million resulting in an increase of net position in the amount of $6.3 million.

- The City's governmental activities incurred expenses of $85.3 million. These expenses were covered by program revenues totaling $38.2 million and general revenues (including taxes, state shared revenues and other non-restrictive grants and contributions) of $54.2 million resulting in an increase of net position of $7.1 million.

- Governmental activity expenses increased by $20.5 million due primarily to the recognition of assuming the refinance of DDA debt of $14.9 million. However this is offset by the recognition of DDA pledged revenues for the same amount in program revenues.

- The City's business-type activities incurred $31.7 million in expenses. These expenses were paid by program revenues, primarily in the form of user charges, of $30.6 million and other general revenues of $316 thousand. This resulted in a decrease of net position of $747 thousand.

- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $62.6 million, an increase of $4.1 million in comparison with the prior year. Approximately 35% of the amount ($21.9 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 $21.9 million, or approximately 44.4% 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.

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.

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 $427.0 million, at the close of the most recent fiscal year.

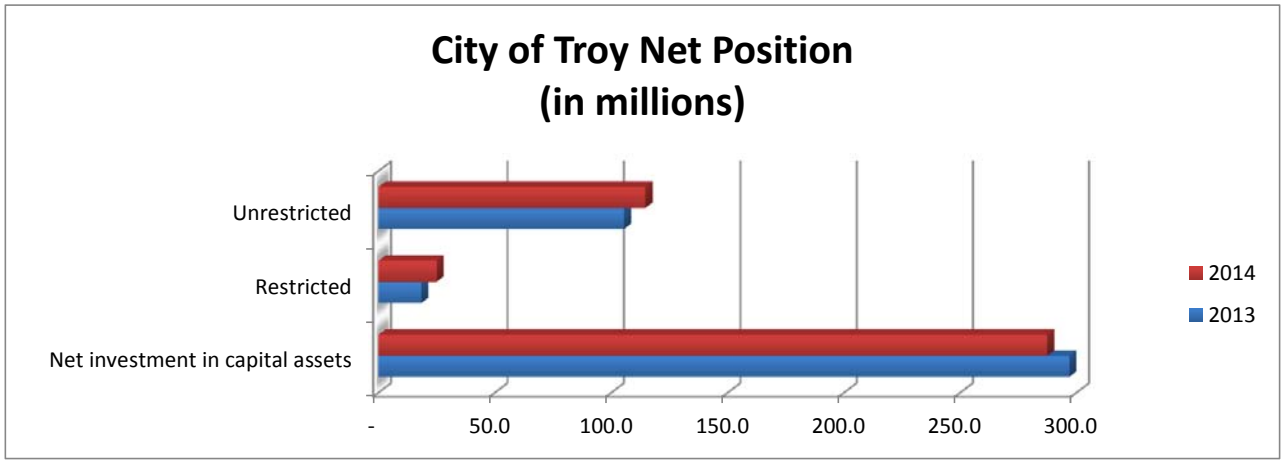
The table on the following page shows the comparison of total assets, total liabilities, and total net position (in millions of dollars) in a condensed format as of June 30, 2014 to the prior year.

	Governmental Activities		Business-type Activities		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Assets:						
Current and other assets	$ 101.6	$ 84.5	$ 54.1	$ 53.7	$ 155.7	$ 138.2
Capital assets	204.3	202.2	128.5	128.5	332.8	330.7
Total assets	**305.9**	**286.7**	**182.6**	**182.2**	**488.5**	**468.9**
Deferred outflows	**-**	**-**	**0.9**	**1.0**	**0.9**	**1.0**
Liabilities:						
Long-term debt outstanding	40.4	27.4	10.7	11.2	51.1	38.6
Other liabilities	6.0	7.0	5.3	3.7	11.3	10.6
Total liabilities	**46.4**	**34.4**	**16.0**	**14.8**	**62.4**	**49.2**
Net position:						
Net investment in capital assets	168.7	179.6	118.7	117.3	287.4	296.9
Restricted	25.0	18.4	-	-	25.0	18.4
Unrestricted	65.7	54.3	48.9	51.1	114.6	105.4
Total net position	**$ 259.4**	**$ 252.3**	**$ 167.6**	**$ 168.4**	**$ 427.0**	**$ 420.7**

By far, the largest portion of the City's net position (67.3%) 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 (5.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $114.6 million (26.8%) 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.



The City's overall net position increased $6.3 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, 2014 to the prior year, in a condensed format:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	$ 13.5	$ 12.5	$ 30.4	$ 31.9	$ 43.9	$ 44.4
Operating grants & contributions	0.8	1.2	-	-	0.8	1.2
Capital grants & contributions	23.8	10.4	0.3	0.6	24.1	11.0
General revenues:						
Property taxes	46.90	46.4	-	-	46.9	46.4
State-shared revenues	6.4	6.3	-	-	6.4	6.3
Interest earnings	0.4	0.2	0.3	0.1	0.7	0.3
Other revenue	0.6	0.2	-	-	0.6	0.2
Total revenues	**92.4**	**77.2**	**31.0**	**32.6**	**123.4**	**109.8**
Expenses:						
General government	9.8	8.5	-	-	9.8	8.5
Public safety	28.9	26.9	-	-	28.9	26.9
Public services & engineering	15.5	13.6	-	-	15.5	13.6
Sanitation	4.3	4.3	-	-	4.3	4.3
Community & economic development	16.3	1.4	-	-	16.3	1.4
Recreation and culture	9.4	9.1	-	-	9.4	9.1
Interest expense	1.1	1.0	-	-	1.1	1.0
Water	-	-	15.60	14.4	15.6	14.4
Sanitary sewer	-	-	12.9	12.2	12.9	12.2
Golf courses	-	-	2.8	2.7	2.8	2.7
Aquatic center	-	-	0.5	0.6	0.5	0.6
Total expenses	**85.3**	**64.8**	**31.8**	**29.9**	**117.1**	**94.7**

Statements of activities (continued)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Increase in net position before transfers	$ 7.1	$ 12.4	$ (0.8)	$ 2.7	$ 6.3	$ 15.1
Transfers	-	-	-	-	-	-
Increase in net position	**7.1**	**12.4**	**(0.8)**	**2.7**	**6.3**	**15.1**
Net position, beginning of year	252.3	239.9	168.4	165.7	420.7	405.6
Net position, end of year	**$ 259.4**	**$ 252.3**	**$ 167.6**	**$ 168.4**	**$ 427.0**	**$ 420.7**

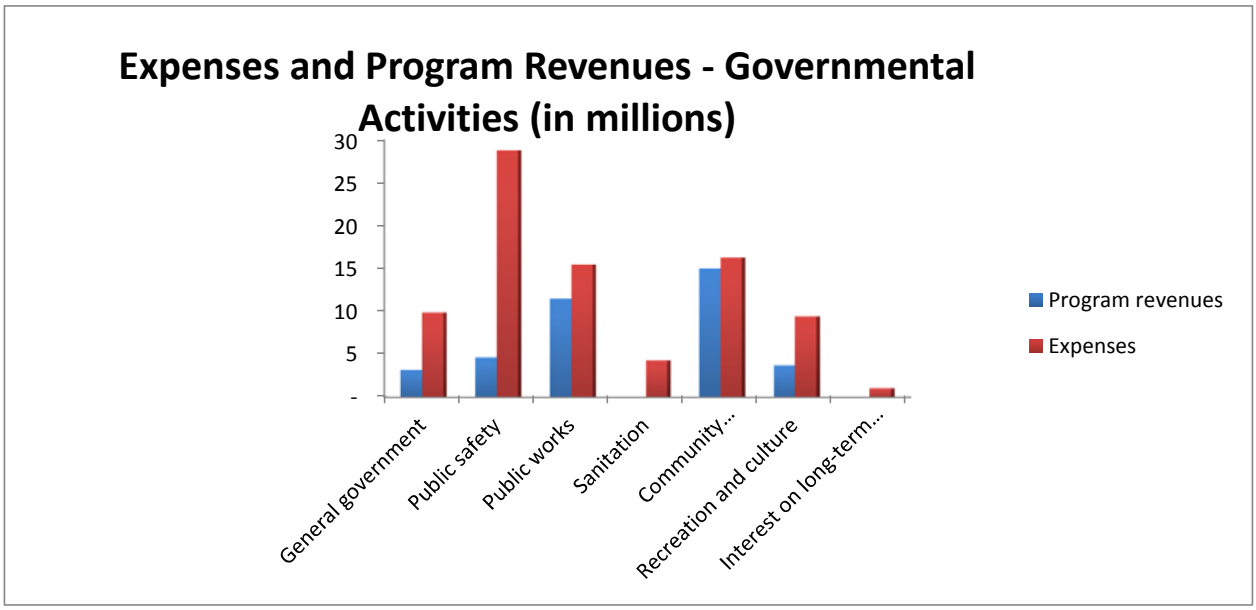
Governmental Activities

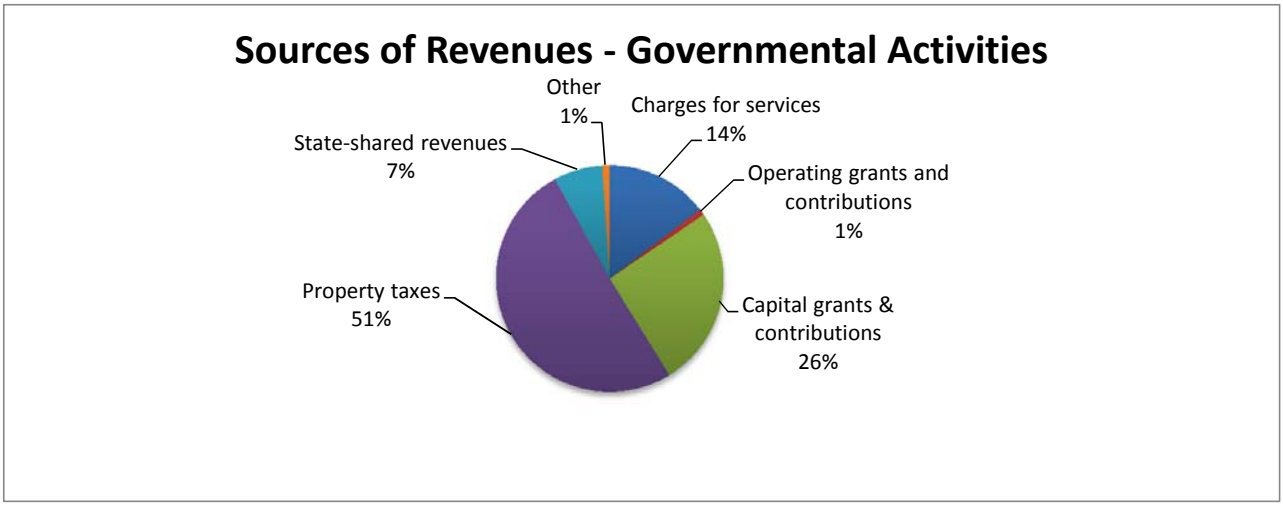
During the current fiscal year, net position for the City's governmental activities increased $7.1 million from the prior fiscal year.

Total governmental revenue is reported at $92.4 million, an increase of $15.2 million from the prior year. The increase is primarily attributable to DDA pledged tax captures ($14.9 million) to reimburse the city as principal and interest payments come due on city issued debt to refinance DDA debt obligations.

Total governmental expenses are reported at $85.3 million, an increase of $20.5 million from the prior year. As described above, the increase is primarily due to the issuance of debt to refinance DDA obligations.

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.





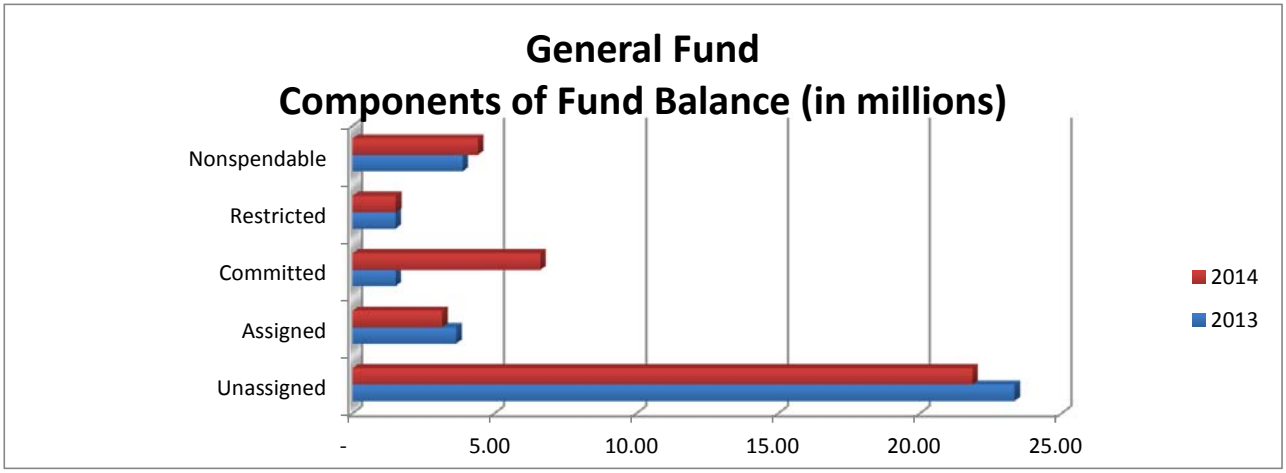
Business-type Activities

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 decreased by $0.8 million. The Water and Sewer Funds decreased by $132 thousand and $153 thousand respectively. This was primarily due to significant decreases in sale volumes of 15.4% coupled with purchase rate increases of 10.5% for water and 4.9% for sewer. The City's two golf courses recorded combined operating losses of $174 thousand and a decrease in net position of $498 thousand after nonoperating expenses for interest on debt of $328 thousand.

Financial Analysis of Governmental Funds

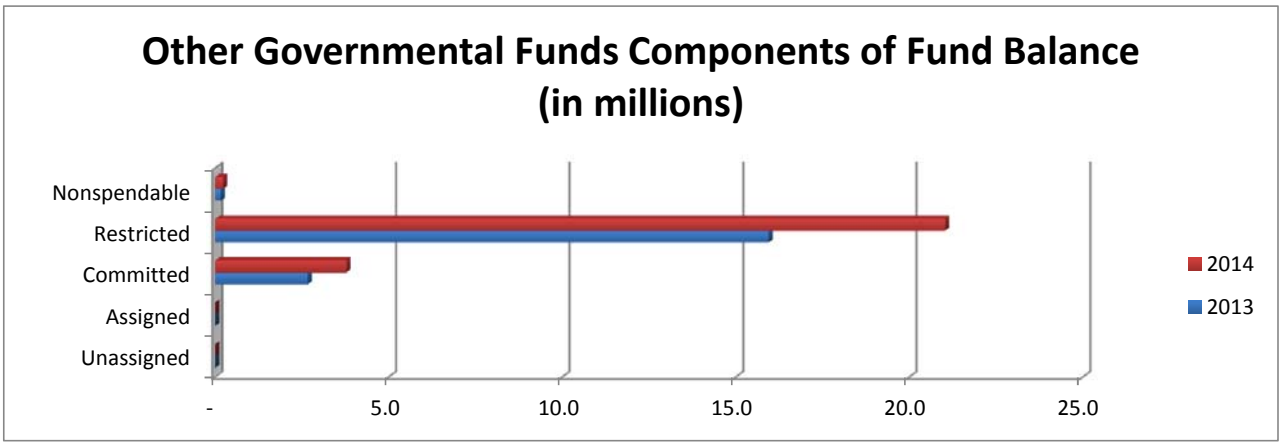
The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources 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 $62.6 million, an increase of $4.1 million compared to the prior year. Approximately 35.0% of this amount ($21.9 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 $21.9 million, while total fund balance increased $833 thousand to $37.6 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 44.4% of total general fund expenditures, while total general fund balance represents approximately 76.4% of the same amount.

As mentioned, total general fund balance increased by $883 thousand in the current fiscal year. Total revenues increased by $711 thousand but property taxes, the General Funds largest source of revenue, remained flat compared to the prior year at $29.6 million. Residential taxable value recognized a slight increase of 2.3% but was offset by continued declines in commercial/industrial taxable value. Expenditures increased by $2.6 million due to increased road maintenance and snow and ice control ($1.4 million), contracted road engineering costs ($275 thousand) and building inspection contracted fees ($385 thousand) for increased building permit activity.



The capital projects fund, a major fund, had an increase in fund balance of $2.5 million during the current year. This resulted in a total fund balance of $14.5 million at the close of the current fiscal year. It should be noted that $3.2 million of this amount is committed to future projects.

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 $18.5 million and sewer fund $32.8 million at the end of the current fiscal year. The Water and Sewer Fund net positions decreased by $132 thousand and $153 thousand respectively. This was primarily due to the decrease in sale volumes of 15.5% or 83 mcfs (thousand cubic feet) coupled with purchase rate increases ranging from 4.9% for sewer to 10.5% for water compared to the prior year.

General Fund Budgetary Highlights

Over the course of the year, City Council amended the budget to take into account events during the year. The amendments related to revenues and expenditures from the original budget were minimal and related primarily to increases in revenues for building permit fees and expenditures related to contracted building inspection services related to those fees. A more significant change was in the area of other financing sources and uses where the City Council approved a one time transfer from the General Fund to the Capital Projects Fund of $2.55 million for increased street repairs.

Revenues were $872 thousand or 1.8% above amended budget amounts. Contributing factors include charges for services over the amended budget by $772 thousand from community center passes ($233 thousand) and engineering fees ($425 thousand) and state sources from state shared revenues over the amended budget by $115 thousand.

Expenditures were $4.7 million under amended budget amounts. Expenditures by function under the amended budget include general government by $784 thousand from personal service ($192 thousand), tax refunds ($122 thousand), building utilities and maintenance ($160 thousand), contracted services ($144 thousand) and DDA transfers ($120 thousand). Public safety expenditures were under budget by $3.0 million from personal service costs ($2.6 million) and lawsuit liability claims ($166 thousand). Public works expenditures under budget by $303 thousand from contractual services ($226 thousand). Community development expenditures were under budget by $152 thousand due to personal services ($119 thousand). Culture and recreation under budget $480 thousand for personal services ($415 thousand).

Capital Asset and Debt Administration

At the end of 2014, the City of Troy had $332.8 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. The increase in capital assets of $2.1 million compared to the prior year was primarily attributable to the acquisition of new infrastructure items such as streets and the completion of the transit center over the recognition of depreciation.

The City of Troy’s debt rating is excellent. The City maintains a AAA rating on unlimited tax general obligation bonds by Standard and Poor’s. The City of Troy’s bond indebtedness totaled $51.1 million at June 30, 2014, an increase of $12.5 million from the prior year due to the refinancing of DDA obligations of $14.9 million less debt retirement payments.

Additional information about the City’s capital assets and debt administration is presented in the notes to financial statements titled "Capital Assets" and "Long-Term Liabilities", respectively.

Current Economic Events

The following economic factors currently affect the City and were considered in developing the 2014/2015 three year fiscal budget.

- The millage rate for the 2014/2015 fiscal year decreased by 0.02 mills due to funding requirements for refuse collection and disposal. The decrease in mills was considered appropriate in light of the financial position of the refuse fund.

- General operating and capital improvement millage rates remained unchanged at 6.50 and 1.53 mills respectively.

- General fund property tax revenues are expected to have a slight increase of approximately $249 thousand or 0.8%.

- General fund expenditures and transfers out are budgeted to increase by $5.9 million from the current year actuals due to wage rate increases (1%), elimination of mandatory furlough time off, increased costs of healthcare, nine additional positions primarily in police and public works, and transfers to capital to fund an enhanced street initiative "Troy Roads Rock" and improvements to firestation #4.

- The City purchases its water and sewer services from the City of Detroit and Oakland County respectively. Historically, we have passed along the full water and sewer rate increase or decrease to our customers. The 2014/2015 budget will not recognize an increase in sewer rates but will increase water rates by 2.14%. The City's rate structure is designed to provide water and sewer service to our residents 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

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CITY OF TROY, MICHIGAN

Statement of Net Position

June 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments	$ 74,947,564	$ 49,764,652	$ 124,712,216	$ 603,065
Receivables (net)	18,860,229	7,041,218	25,901,447	502,775
Internal balances	3,218,975	(3,218,975)	-	-
Other assets	1,683,582	561,143	2,244,725	-
Other postemployment benefits asset	2,881,139	-	2,881,139	-
Capital assets:				
Assets not being depreciated	42,303,983	18,935,773	61,239,756	-
Assets being depreciated, net	161,993,668	109,529,106	271,522,774	-
Total assets	**305,889,140**	**182,612,917**	**488,502,057**	**1,105,840**
Deferred outflows				
Deferred loss on debt refinancing	**-**	**918,882**	**918,882**	**-**
Liabilities				
Accounts payable	4,492,932	4,784,911	9,277,843	95,364
Accrued payroll	788,994	-	788,994	-
Accrued liabilities	737,030	485,093	1,222,123	116,427
Long-term debt:				
Due within one year	5,540,896	547,980	6,088,876	260,000
Due in more than one year	34,908,835	10,105,128	45,013,963	14,685,000
Total liabilities	**46,468,687**	**15,923,112**	**62,391,799**	**15,156,791**
Deferred inflows of resources				
Deferred gain on refunding	**-**	**-**	**-**	**471,755**
Net position				
Net investment in capital assets	168,722,287	118,730,653	287,452,940	-
Restricted for:				
Debt service	1,394,054	-	1,394,054	-
Capital projects	14,494,863	-	14,494,863	-
Highways and streets	6,316,940	-	6,316,940	-
Sanitation services	580,584	-	580,584	-
Library services	1,455,225	-	1,455,225	-
Other services	575,035	-	575,035	-
Perpetual care:				
Nonspendable	159,600	-	159,600	-
Spendable	48,668	-	48,668	-
Unrestricted (deficit)	65,673,197	48,878,034	114,551,231	(14,522,706)
Total net position (deficit)	**$ 259,420,453**	**$ 167,608,687**	**$ 427,029,140**	**$ (14,522,706)**

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

CITY OF TROY, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2014

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	$ 9,875,913	$ 3,241,183	$ -	$ -	$ (6,634,730)
Public safety	28,860,117	4,076,054	559,275	-	(24,224,788)
Public works	15,478,239	2,634,542	-	8,887,070	(3,956,627)
Sanitation	4,267,388	6,358	-	-	(4,261,030)
Community and economic development	16,303,702	-	84,778	14,945,000	(1,273,924)
Recreation and culture	9,432,683	3,536,383	191,299	-	(5,705,001)
Interest on long-term debt	1,065,510	-	-	-	(1,065,510)
Total governmental activities	**85,283,552**	**13,494,520**	**835,352**	**23,832,070**	**(47,121,610)**
Business-type activities					
Water	15,479,500	15,078,684	-	175,812	(225,004)
Sewer	12,864,584	12,451,888	-	86,425	(326,271)
Aquatic center	531,369	532,293	-	-	924
Sylvan Glen golf course	1,096,974	984,908	-	-	(112,066)
Sanctuary Lake golf course	1,735,921	1,335,433	-	-	(400,488)
Total business-type activities	**31,708,348**	**30,383,206**	**-**	**262,237**	**(1,062,905)**
Total primary government	**$116,991,900**	**$ 43,877,726**	**$ 835,352**	**$24,094,307**	**$(48,184,515)**
Component units					
Downtown development authority	$ 969,599	$ -	$ -	$ -	$ (969,599)
Local development financing authority	83,453	-	-	-	(83,453)
Brownfield redevelopment authority	7,035	-	-	-	(7,035)
Total component units	**$ 1,060,087**	**$ -**	**$ -**	**$ -**	**$ (1,060,087)**

continued...

Statement of Activities (Continued)

For the Year Ended June 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position				
Net (expense) revenue	$ (47,121,610)	$ (1,062,905)	$ (48,184,515)	$ (1,060,087)
General revenues				
Property taxes	29,591,708	-	29,591,708	-
Property taxes for sanitary purposes	4,647,626	-	4,647,626	-
Property taxes for economic development	-	-	-	471,057
Property taxes for library	2,982,973	-	2,982,973	-
Property taxes for capital projects	6,526,304	-	6,526,304	-
Property taxes for debt service	3,010,782	-	3,010,782	-
State shared revenue, unrestricted	6,435,145	-	6,435,145	-
Grants and contributions not restricted to specific programs	54,535	-	54,535	-
Unrestricted investment earnings	424,286	305,126	729,412	3,949
Gain on sale of capital assets	532,674	10,500	543,174	-
Total general revenues	54,206,033	315,626	54,521,659	475,006
Change in net position	**7,084,423**	**(747,279)**	**6,337,144**	**(585,081)**
Net position, beginning of year (deficit)	252,336,030	168,355,966	420,691,996	(13,937,625)
Net position, end of year (deficit)	**$ 259,420,453**	**$ 167,608,687**	**$ 427,029,140**	**$ (14,522,706)**

concluded.

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

CITY OF TROY, MICHIGAN

Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service Series 2013	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 33,563,506	$ -	$ 16,379,060	$ 9,732,223	$ 59,674,789
Receivables:					
Accounts receivable (net)	963,965	-	223,231	148,835	1,336,031
Taxes-delinquent	165,473	-	-	-	165,473
Special assessments	-	-	135,017	-	135,017
Interest and dividends	6,338	-	-	-	6,338
Due from component units	-	15,061,427	-	-	15,061,427
Due from other governments	1,176,330	-	-	874,637	2,050,967
Inventory	183,518	-	-	-	183,518
Prepaid expenditures	1,059,426	-	-	65,377	1,124,803
Advances to other funds	3,174,584	-	-	-	3,174,584
Total assets	**$ 40,293,140**	**$ 15,061,427**	**$ 16,737,308**	**$ 10,821,072**	**$ 82,912,947**
Liabilities					
Accounts payable	$ 1,654,702	$ -	$ 1,897,961	$ 290,966	$ 3,843,629
Accrued payroll	788,994	-	-	-	788,994
Other liabilities	91,198	-	344,484	-	435,682
Total liabilities	**2,534,894**	**-**	**2,242,445**	**290,966**	**5,068,305**
Deferred inflows of resources					
Unavailable revenue - property tax and long-term receivables	165,472	15,061,427	-	-	15,226,899
Fund balances					
Nonspendable	4,417,528	-	-	224,977	4,642,505
Restricted	1,534,139	-	11,282,163	9,741,829	22,558,131
Committed	6,622,968	-	3,212,700	563,300	10,398,968
Assigned	3,162,000	-	-	-	3,162,000
Unassigned	21,856,139	-	-	-	21,856,139
Total fund balances	**37,592,774**	**-**	**14,494,863**	**10,530,106**	**62,617,743**
Total liabilities, deferred inflows of resources and fund balances	**$ 40,293,140**	**$ 15,061,427**	**$ 16,737,308**	**$ 10,821,072**	**$ 82,912,947**

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, 2014

Fund balances - total governmental funds	**$ 62,617,743**
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	42,284,285
Add: capital assets being depreciated	393,849,812
Deduct: accumulated depreciation	(235,215,210)
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	2,881,139
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	15,226,899
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.	14,620,381
Add: due from business-type activities for internal service fund activities	44,391
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	(301,348)
Deduct: bonds payable and related premiums	(35,575,364)
Deduct: claims incurred but not reported	(1,012,275)
Net position of governmental activities	**$ 259,420,453**

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, 2014

	General	Debt Service Series 2013	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	$ 29,591,708	$ -	$ 6,526,304	$ 10,621,151	$ 46,739,163
Licenses and permits	2,429,459	-	-	-	2,429,459
Intergovernmental:					
Federal sources	8,300	-	3,122,722	58,778	3,189,800
State sources	6,549,289	-	-	5,689,131	12,238,420
Local sources	31,209	-	-	-	31,209
Charges for services	7,764,637	-	582,791	31,188	8,378,616
Fines and forfeitures	861,349	-	-	534,892	1,396,241
Investment earnings	200,776	-	91,473	56,376	348,625
Other	1,775,582	125	198,490	68,680	2,042,877
Total revenues	**49,212,309**	**125**	**10,521,780**	**17,060,196**	**76,794,410**
Expenditures					
Current:					
General government	6,583,538	-	37,754	-	6,621,292
Public safety	28,005,169	-	-	76,976	28,082,145
Public works	5,675,847	-	-	-	5,675,847
Sanitation	-	-	-	4,267,898	4,267,898
Community development	2,828,002	15,440,343	-	58,778	18,327,123
Recreation and culture	6,119,127	-	-	2,436,972	8,556,099
Debt service:					
Principal	-	-	211,746	2,480,000	2,691,746
Interest and fees	-	241,435	36,442	848,790	1,126,667
Capital outlay	-	-	13,725,931	-	13,725,931
Total expenditures	**49,211,683**	**15,681,778**	**14,011,873**	**10,169,414**	**89,074,748**
Revenues (under) over expenditures	**626**	**(15,681,653)**	**(3,490,093)**	**6,890,782**	**(12,280,338)**
Other financing sources (uses)					
Transfers in	4,382,042	-	5,996,751	3,363,365	13,742,158
Transfers out	(3,550,000)	-	(264,025)	(9,478,133)	(13,292,158)
Issuance of debt	-	14,945,000	-	-	14,945,000
Premium on issuance of debt	-	736,653	-	-	736,653
Proceeds from sale of capital assets	-	-	273,700	-	273,700
Total other financing sources (uses)	**832,042**	**15,681,653**	**6,006,426**	**(6,114,768)**	**16,405,353**
Net change in fund balances	**832,668**	**-**	**2,516,333**	**776,014**	**4,125,015**
Fund balances, beginning of year	36,760,106	-	11,978,530	9,754,092	58,492,728
Fund balances, end of year	**$ 37,592,774**	**$ -**	**$ 14,494,863**	**$ 10,530,106**	**$ 62,617,743**

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, 2014

Net change in fund balances - total governmental funds	**$ 4,125,015**
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	13,731,933
Deduct: depreciation expense	(12,232,438)
Deduct: net effect of various miscellaneous transactions involving capital assets (i.e. sales, etc.)	(3,140)
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.	
Deduct: net difference in other postemployment benefits asset	(227,734)
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.	
Add: net difference in deferred inflows for property taxes	20,230
Deduct: deferred inflow change for long-term receivable	(14,945,000)
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.	
Deduct: issuance of long-term debt	14,945,000
Add: principal payments on long-term liabilities	2,691,746
Deduct: premium from bond issuance	(736,653)
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.	
Deduct: net loss from governmental activities in the internal service funds	(375,709)
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 and amortization of bond premiums	61,157
Add: decrease in accrued claims payable	30,016
Change in net position of governmental activities	**$ 7,084,423**

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 29,663,000	$ 29,663,000	$ 29,591,708	$ (71,292)
Licenses and permits	2,104,900	2,534,900	2,429,459	(105,441)
Intergovernmental				
Federal sources	23,000	23,000	8,300	(14,700)
State sources	6,411,500	6,411,500	6,549,289	137,789
Local sources	20,000	25,000	31,209	6,209
Charges for services	6,992,300	6,992,300	7,764,637	772,337
Fines and forfeitures	797,800	797,800	861,349	63,549
Investment earnings	105,000	105,000	200,776	95,776
Other	1,787,600	1,787,600	1,775,582	(12,018)
Total revenues	**47,905,100**	**48,340,100**	**49,212,309**	**872,209**
Expenditures				
General government				
Council and executive administration	3,522,100	3,547,450	3,318,940	(228,510)
Finance	2,586,600	2,600,960	2,326,631	(274,329)
Other	1,219,100	1,219,100	937,967	(281,133)
Total general government	7,327,800	7,367,510	6,583,538	(783,972)
Public safety				
Police	24,113,900	24,307,110	21,248,638	(3,058,472)
Fire	4,757,100	4,770,160	4,601,041	(169,119)
Building inspection	1,617,600	1,944,260	2,155,490	211,230
Total public safety	30,488,600	31,021,530	28,005,169	(3,016,361)
Public works				
Roads and streets	5,759,300	5,978,350	5,675,847	(302,503)
Community Development				
Engineering	1,894,800	2,168,070	2,054,913	(113,157)
Planning	807,600	811,930	773,089	(38,841)
Total community development	2,702,400	2,980,000	2,828,002	(151,998)
Culture and recreation				
Parks	2,394,500	2,400,270	2,209,637	(190,633)
Recreation	3,952,500	3,957,940	3,669,418	(288,522)
Historic village and nature center	234,700	240,500	240,072	(428)
Total culture and recreation	6,581,700	6,598,710	6,119,127	(479,583)
Total expenditures	**52,859,800**	**53,946,100**	**49,211,683**	**(4,734,417)**

continued...

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
concluded...				
Revenues over (under) expenditures	**$ (4,954,700)**	**$ (5,606,000)**	**$ 626**	**$ 5,606,626**
Other financing sources (uses)				
Transfers in	4,183,400	4,383,400	4,382,042	(1,358)
Transfers out	(1,000,000)	(3,550,000)	(3,550,000)	-
Total other financing sources (uses)	**3,183,400**	**833,400**	**832,042**	**(1,358)**
Net change in fund balances	**(1,771,300)**	**(4,772,600)**	**832,668**	**5,605,268**
Fund balance, beginning of year	36,760,106	36,760,106	36,760,106	-
Fund balance, end of year	**$ 34,988,806**	**$ 31,987,506**	**$ 37,592,774**	**$ 5,605,268**

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

CITY OF TROY, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2014

	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	$ 16,754,944	$ 32,028,441	$ 517,318	$ 463,949	$ 49,764,652	$ 15,272,775
Interest receivable	554	2,098	-	-	2,652	-
Accounts receivable:						
Billed	2,492,037	3,524	29,408	7,388	2,532,357	104,976
Unbilled	2,228,637	1,782,909	-	-	4,011,546	-
Inventories	405,717	22,462	56,947	40,196	525,322	375,261
Prepaid expenses	-	-	19,156	16,665	35,821	-
Total current assets	21,881,889	33,839,434	622,829	528,198	56,872,350	15,753,012
Noncurrent assets:						
Contracts receivable	74,208	420,455	-	-	494,663	-
Advances to other funds	-	-	-	3,143,230	3,143,230	-
Capital assets not being depreciated	10,615,796	4,211,962	2,213,463	1,894,552	18,935,773	19,698
Capital assets being depreciated net of accumulated depreciation	71,624,692	28,889,304	7,228,330	1,786,780	109,529,106	3,359,066
Total noncurrent assets	82,314,696	33,521,721	9,441,793	6,824,562	132,102,772	3,378,764
Total assets	**104,196,585**	**67,361,155**	**10,064,622**	**7,352,760**	**188,975,122**	**19,131,776**
Deferred outflow of resources						
Deferred loss on debt refinancing	-	-	918,882	-	918,882	-
Liabilities						
Current liabilities:						
Accounts payable	3,260,600	1,470,527	10,243	15,091	4,756,461	649,303
Accrued liabilities	227,724	-	103,528	182,291	513,543	-
Compensated absences	-	-	-	-	-	2,171,699
Current portion of bonds and capital lease payable	-	-	498,990	48,990	547,980	-
Total current liabilities	3,488,324	1,470,527	612,761	246,372	5,817,984	2,821,002
Noncurrent liabilities:						
Compensated absences	-	-	-	-	-	1,690,393
Advances from other funds	-	-	6,137,512	180,302	6,317,814	-
Bonds and capital lease payable	-	-	9,967,332	137,796	10,105,128	-
Total noncurrent liabilities	-	-	16,104,844	318,098	16,422,942	1,690,393
Total liabilities	**3,488,324**	**1,470,527**	**16,717,605**	**564,470**	**22,240,926**	**4,511,395**
Net position						
Net investment in capital assets	82,240,488	33,101,266	(105,647)	3,494,546	118,730,653	3,378,764
Unrestricted (deficit)	18,467,773	32,789,362	(5,628,454)	3,293,744	48,922,425	11,241,617
Total net position (deficit)	**$ 100,708,261**	**$ 65,890,628**	**$ (5,734,101)**	**$ 6,788,290**	167,653,078	**$ 14,620,381**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(44,391)	
Net position of business type activities					**$167,608,687**	

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, 2014

	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	$ 14,224,481	$ 12,451,888	$ 1,332,601	$ 1,115,567	$ 29,124,537	$ 6,436,355
Rental:						-
Golf course	-	-	2,832	187,284	190,116	-
Restaurant	-	-	-	67,200	67,200	-
Hydrant	3,100	-	-	-	3,100	-
Building	-	-	-	-	-	157,174
Equipment	-	-	-	-	-	3,291,417
Tap and connections fees	488,346	-	-	-	488,346	-
Penalties	342,131	-	-	-	342,131	-
Other services	20,626	-	-	147,150	167,776	-
Other services to city funds	-	-	-	-	-	503,092
Total operating revenues	**15,078,684**	**12,451,888**	**1,335,433**	**1,517,201**	**30,383,206**	**10,388,038**
Operating expenses						
Cost of sales and services	9,715,613	9,108,888	-	-	18,824,501	6,968,927
General and administrative	937,585	592,592	-	-	1,530,177	402,589
Operations	2,671,951	610,244	1,076,087	1,312,159	5,670,441	2,570,167
Depreciation	2,178,539	2,563,897	331,580	304,987	5,379,003	670,548
Total operating expenses	**15,503,688**	**12,875,621**	**1,407,667**	**1,617,146**	**31,404,122**	**10,612,231**
Operating income	**(425,004)**	**(423,733)**	**(72,234)**	**(99,945)**	**(1,020,916)**	**(224,193)**
Nonoperating revenues (expenses)						
Investment earnings	117,012	183,814	-	4,300	305,126	75,661
Interest expense	-	-	(328,254)	(6,118)	(334,372)	-
Gain on sale of capital assets	-	-	3,900	6,600	10,500	252,969
Total nonoperating revenues (expenses)	**117,012**	**183,814**	**(324,354)**	**4,782**	**(18,746)**	**328,630**
Income (loss) before contributions and transfers	(307,992)	(239,919)	(396,588)	(95,163)	(1,039,662)	104,437
Developer contributions	175,812	86,425	-	-	262,237	-
Transfers out	-	-	-	-	-	(450,000)
Change in net position	**(132,180)**	**(153,494)**	**(396,588)**	**(95,163)**	**(777,425)**	**(345,563)**
Net position (deficit), beginning of year	100,840,441	66,044,122	(5,337,513)	6,883,453		14,965,944
Net position (deficit), end of year	**$ 100,708,261**	**$ 65,890,628**	**$ (5,734,101)**	**$ 6,788,290**		**$ 14,620,381**
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					30,146	
Change in net position of business-type activities					**$ (747,279)**	

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

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

	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	$ 15,442,152	$ 12,538,846	$ 1,335,057	$ 1,527,929	$ 30,843,984	$ -
Cash received from interfund services	-	-	-	-	-	10,388,038
Cash payments to employees	(2,295,647)	(628,207)	(490,003)	(681,922)	(4,095,779)	(6,899,329)
Cash payments to suppliers for goods and services	(9,207,130)	(9,234,382)	(633,996)	(597,475)	(19,672,983)	(2,842,054)
Cash payments for interfund services	(433,102)	(227,053)	(3,881)	(20,685)	(684,721)	-
Net cash provided by operating activities	**3,506,273**	**2,449,204**	**207,177**	**227,847**	**6,390,501**	**646,655**
Cash flows from noncapital financing activities						
Advances to other funds	-	-	-	(680,000)	(680,000)	-
Advances from other funds	-	-	680,000	-	680,000	-
Transfers to other funds	-	-	-	-	-	(450,000)
Net cash provided (used) by noncapital financing activities	**-**	**-**	**680,000**	**(680,000)**	**-**	**(450,000)**
Cash flows from capital and related financing activities						
Purchase of capital assets	(4,082,906)	(787,720)	(110,022)	(129,222)	(5,109,870)	(1,235,084)
Proceeds from sale of capital assets	-	-	3,900	6,600	10,500	252,969
Capital lease payments	-	-	(47,592)	(47,592)	(95,184)	-
Bond principal payments	-	-	(400,000)	-	(400,000)	-
Bond note interest payments	-	-	(275,086)	(6,118)	(281,204)	-
Net cash (used) by capital and related financing activities	**(4,082,906)**	**(787,720)**	**(828,800)**	**(176,332)**	**(5,875,758)**	**(982,115)**
Cash flows from investing activities						
Investment earnings	117,386	185,280	-	4,300	306,966	27,037
Net increase (decrease) in cash and cash equivalents	**(459,247)**	**1,846,764**	**58,377**	**(624,185)**	**821,709**	**(758,423)**
Cash and cash equivalents, beginning of year	17,214,191	30,181,677	458,941	1,088,134	48,942,943	16,031,198
Cash and cash equivalents, end of year	**$ 16,754,944**	**$ 32,028,441**	**$ 517,318**	**$ 463,949**	**$ 49,764,652**	**$ 15,272,775**

continued...

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

	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	$ (425,004)	$ (423,733)	$ (72,234)	$ (99,945)	$ (1,020,916)	$ (224,193)
Adjustments to reconcile operating income to net cash provided by operating activities						
Depreciation	2,178,539	2,563,897	331,580	304,987	5,379,003	670,548
Changes in assets and liabilities:						
Accounts receivable	344,567	99,106	(376)	10,728	454,025	-
Inventories	6,175	6,523	(6,784)	1,133	7,047	(6,140)
Prepaid items	-	-	(15,182)	(12,631)	(27,813)	-
Contracts receivable	18,901	(12,148)	-	-	6,753	-
Accounts payable	2,210,137	625,378	9,915	11,087	2,856,517	(21,252)
Accrued liabilities	(827,042)	(409,819)	(39,742)	12,488	(1,264,115)	227,692
Net cash provided by operating activities	**$ 3,506,273**	**$ 2,449,204**	**$ 207,177**	**$ 227,847**	**$ 6,390,501**	**$ 646,655**
Noncash investing, capital, and financing activities						
Contributions of capital assets	$ 175,812	$ 86,425	$ -	$ -	$ 262,237	$ -

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, 2014

	Pension and OPEB Trusts	Agency
Assets		
Cash	$ 12,610,241	$ 2,920,054
Interest receivable	52,737	-
Due from other funds	21,646,472	920,256
Investments:		
U.S. Government securities and agencies	7,277,575	-
Corporate bonds	12,235,420	-
Corporate equities, preferred	871,763	-
Corporate equities, common	149,217,117	-
Mutual funds	80,489,637	-
Municipal bonds	191,788	-
Total assets	**284,592,750**	**$ 3,840,310**
Liabilities		
Accounts payable	52,696	$ 60,400
Due to other funds	21,646,472	-
Performance deposits	-	3,779,910
Total liabilities	**21,699,168**	**$ 3,840,310**
Net position		
Held in trust for pension benefits	195,180,171	
Held in trust for postemployment healthcare benefits	67,713,411	
Total net position	**$ 262,893,582**	

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, 2014

	Pension and OPEB Trusts
Additions	
Contributions	
Employer contributions	$ 7,548,625
Employee contributions	174,214
Total contributions	7,722,839
Investment income	
Interest	2,763,673
Dividends	3,943,349
Net adjustment in fair value of investments	34,813,302
Total investment income	41,520,324
Total additions	**49,243,163**
Deductions	
Benefits	17,035,184
Administrative expenses	284,743
Total deductions	**17,319,927**
Net increase in net position	**31,923,236**
Net position held in trust, beginning of year for	
Pension benefits	168,694,671
Postemployment healthcare benefits	62,275,675
Total net position held in trust, beginning of year	230,970,346
Net position held in trust, end of year for	
Pension benefits	195,180,171
Postemployment healthcare benefits	67,713,411
Total net position held in trust, end of year	**$ 262,893,582**

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

Discretely Presented Component Units

Combining Statement of Net Position

June 30, 2014

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and investments	$ 210,741	$ 117,998	$ 274,326	$ 603,065
Receivables:				
Taxes receivable	39,280	-	463,495	502,775
Total assets	**250,021**	**117,998**	**737,821**	**1,105,840**
Liabilities				
Accounts payable	93,861	1,503	-	95,364
Interest payable	116,427	-	-	116,427
Long-term debt:				
Due within one year	260,000	-	-	260,000
Due after one year	14,685,000	-	-	14,685,000
Total liabilities	**15,155,288**	**1,503**	**-**	**15,156,791**
Deferred inflows of resources				
Deferred gain on refunding	**471,755**	**-**	**-**	**471,755**
Net position (deficit)				
Restricted	**$ (15,377,022)**	**$ 116,495**	**$ 737,821**	**$ (14,522,706)**

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, 2014

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Revenues				
Property taxes	$ 283,875	$ 184,442	$ 2,740	$ 471,057
Investment earnings	653	724	2,572	3,949
Total revenues	**284,528**	**185,166**	**5,312**	**475,006**
Expenses				
Economic development	177,365	83,453	7,035	267,853
Interest	792,234	-	-	792,234
Total expenses	**969,599**	**83,453**	**7,035**	**1,060,087**
Revenues over (under) expenditures	(685,071)	101,713	(1,723)	(585,081)
Change in net position	**(685,071)**	**101,713**	**(1,723)**	**(585,081)**
Net position (deficit), beginning of year	(14,691,951)	14,782	739,544	(13,937,625)
Net position (deficit), end of year	**$ (15,377,022)**	**$ 116,495**	**$ 737,821**	**$ (14,522,706)**

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

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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

Discretely presented component units. Are 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.

Debt Service - Series 2013. This fund is used to account for proceeds received by the City from the Troy Downtown Development Authority (TDDA). The proceeds are to reimburse the City for principal and interest payments on City issued debt to refinance debt originally issued by the TDDA.

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 residents. 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.

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 $10,000 ($5,000 for federally funded projects) 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 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 loss from issuance 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. The City has one deferred outflow which represents the deferred loss from debt refinancing activities in business-type activities.

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 under the current fund balance policy adopted by resolution by City Council. 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 20% to 30% of annual expenditures. This is to provide stability and flexibility to respond to unexpected adversity and/or opportunities. The use of fund balance is appropriate as part of a financial plan and one-time expenditures. If unassigned fund balance falls below or grows above the established policy range, the City Manager will present a financial plan, typically as part of the fiscal budgeting process, to address the deficiency or surplus of unassigned fund balance.

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, 2013		$ (5,948,811)
Current year building permit revenue	$ 2,653,442	
Related expenses:		
Direct costs	2,155,490	
Estimated indirect costs (8%)	172,440	
Total construction code expenses	2,327,930	
Net surplus for the year ended June 30, 2014		325,512
Cumulative shortfall at June 30, 2014		$ (5,623,299)

Expenditures in Excess of Appropriations

For the year ended June 30, 2014, expenditures exceeded appropriations in the building inspection function (the legal level of budgetary control) by $211,230. 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.

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, 2014.

Cash and Investments	Deposits	Investments	Cash on Hand	Total
Government-wide				
Cash and equivalents	$ 49,973,462	$ 1,695,593	$ 14,825	$ 51,683,880
Investments	13,094,733	59,933,603	-	73,028,336
Fiduciary funds				
Cash and equivalents	15,530,295	-	-	15,530,295
Investments	-	250,283,300	-	250,283,300
Component units				
Cash and equivalents	603,065	-	-	603,065
Total	**$ 79,201,555**	**$311,912,496**	**$ 14,825**	**$ 391,128,876**

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, $73,252,418 of the City of Troy's bank deposits (certificates of deposit, checking, and cash) of $79,201,555 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.

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	$ 52,906,710	Over 10 years
Municipal bonds	4,963,302	5-10 years
Fiduciary funds		
US Government or agency bond/note	7,277,575	Over 10 years
Municipal bonds	191,788	Over 10 years
Corporate bonds	12,235,420	5-10 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	$ -	$ 235,544	$ 235,544
AA to AA-	56,295,012	8,215,125	64,510,137
A to A-	1,575,000	9,123,202	10,698,202
BBB to BBB-	-	1,981,212	1,981,212
BB to BB-	-	149,700	149,700
B to B-	-	-	-
CCC or below	-	-	-
Total	**$ 57,870,012**	**$ 19,704,783**	**$ 77,574,795**

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, 2014, are summarized as follows:

Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Governmental Activities			
Delinquent personal property taxes (net)	$ 165,473	$ -	$ 165,473
Billed accounts receivable	1,441,007	2,532,357	3,973,364
Unbilled accounts receivable	-	4,011,546	4,011,546
Contracts receivable	-	494,663	494,663
Special assessments	135,017	-	135,017
Due from U.S. Government	18,849	-	18,849
Due from State of Michigan	1,957,376	-	1,957,376
Due from Oakland County	74,742	-	74,742
Due from Downtown Development Authority	15,061,427	-	15,061,427
Accrued interest	6,338	2,652	8,990
Other receivables	-	-	-
Total	**$ 18,860,229**	**$ 7,041,218**	**$ 25,901,447**
Amounts not expected to be collected within one year	**$ 14,685,000**	**$ -**	**$ 14,685,000**

Component Units	Total Component Units
Downtown Development Authority delinquent personal property taxes (net)	$ 39,280
Brownfield Redevelopment Authority revolving loan fund	463,495
Total	**$ 502,775**

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	$ 962	$ -	$ -	$ 33,002,825
Museum artifacts	2,084,666	-	-	-	2,084,666
Construction in progress	16,202,414	6,426,865	(3,140)	(15,409,647)	7,216,492
	51,288,943	6,427,827	(3,140)	(15,409,647)	42,303,983
Capital assets, being depreciated:					
Infrastructure					
Major/county/local roads	188,206,826	2,453,653	-	8,505,461	199,165,940
Local donated roads	33,551,524	-	-	-	33,551,524
Sidewalks	32,036,130	674,790	-	-	32,710,920
Drains	5,066,521	151,027	-	740,864	5,958,412
Land improvements	7,890,365	161,519	-	962	8,052,846
Buildings and improvements	82,037,805	1,843,142	-	5,829,232	89,710,179
Miscellaneous equipment	5,514,469	888,485	(7,764)	197,058	6,592,248
Office equipment	3,129,342	19,091	-	127,733	3,276,166
Vehicles	19,533,397	1,714,904	(1,310,844)	8,337	19,945,794
Library books/audio visual	8,258,616	632,579	-	-	8,891,195
	385,224,995	8,539,190	(1,318,608)	15,409,647	407,855,224
Less accumulated depreciation for:					
Infrastructure					
Major/county/local roads	(92,290,963)	(6,486,474)	-	-	(98,777,437)
Local donated roads	(27,104,186)	(892,050)	-	-	(27,996,236)
Sidewalks	(27,790,706)	(288,590)	-	-	(28,079,296)
Drains	(387,434)	(113,830)	-	-	(501,264)
Land improvements	(6,472,701)	(258,323)	-	-	(6,731,024)
Buildings and improvements	(50,776,657)	(2,933,316)	-	-	(53,709,973)
Miscellaneous equipment	(5,031,544)	(179,407)	7,764	-	(5,203,187)
Office equipment	(2,547,963)	(143,654)	-	-	(2,691,617)
Vehicles	(15,132,182)	(1,059,678)	1,310,844	-	(14,881,016)
Library books/audio visual	(6,742,842)	(547,664)	-	-	(7,290,506)
	(234,277,178)	(12,902,986)	1,318,608	-	(245,861,556)
Total capital assets being depreciated, net	150,947,817	(4,363,796)	-	15,409,647	161,993,668
Governmental activities capital assets, net	**$202,236,760**	**$ 2,064,031**	**$ (3,140)**	**$ -**	**$204,297,651**

	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	13,513,933	4,244,495	-	(5,561,159)	12,197,269
	20,252,437	4,244,495	-	(5,561,159)	18,935,773
Capital assets, being depreciated:					
Water and sewer transmission and distribution system	168,679,906	759,204	-	5,561,159	175,000,269
Service connections	750,121	-	-	-	750,121
Land improvements	8,898,233	-	-	-	8,898,233
Buildings and improvements	7,378,777	-	-	-	7,378,777
Miscellaneous equipment	3,023,490	368,409	(98,586)	-	3,293,313
Vehicles	1,138,748	-	-	-	1,138,748
Furniture, fixtures and other	261,330	-	-	-	261,330
	190,130,605	1,127,613	(98,586)	5,561,159	196,720,791
Less accumulated depreciation for:					
Water and sewer transmission and distribution system	(70,066,059)	(4,665,476)	-	-	(74,731,535)
Service connections	(750,121)	-	-	-	(750,121)
Land improvements	(2,762,985)	(218,914)	-	-	(2,981,899)
Buildings and improvements	(4,810,181)	(273,575)	-	-	(5,083,756)
Miscellaneous equipment	(2,691,106)	(138,687)	98,585	-	(2,731,208)
Vehicles	(569,485)	(82,351)	-	-	(651,836)
Furniture, fixtures and other	(261,330)	-	-	-	(261,330)
	(81,911,267)	(5,379,003)	98,585	-	(87,191,685)
Total capital assets being depreciated, net	108,219,338	(4,251,390)	(1)	5,561,159	109,529,106
Business-type activities capital assets, net	**$128,471,775**	**$ (6,895)**	**$ (1)**	**$ -**	**$128,464,879**

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

Depreciation of governmental activities by function	
General government	$ 3,698,442
Public safety	599,931
Public works	7,808,635
Community and economic development	31,492
Recreation and culture	764,486
Total depreciation expense - governmental activities	**$ 12,902,986**

Depreciation of business-type activities by function	
Water	$ 2,178,539
Sanitary Sewer	2,563,897
Aquatic Center	159,759
Sylvan Glen Golf Course	145,228
Sanctuary Lake Golf Course	331,580
Total depreciation expense - business-type activities	**$ 5,379,003**

6. INTERFUND ADVANCES AND TRANSFERS

The amounts of interfund advances transfers are as follows as of June 30, 2014:

	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	-	6,137,512
Sylvan Glen Course Fund	3,143,230	-
Total	**$ 6,317,814**	**$ 6,317,814**

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, 2014:

	Transfers In			
Transfers out	General Fund	Capital Projects Fund	Nonmajor Governmental	Totals
General	$ -	$ 3,550,000	$ -	$ 3,550,000
Capital projects fund	-	-	264,025	264,025
Nonmajor governmental funds	3,932,042	2,446,751	3,099,340	9,478,133
Internal Service	450,000	-	-	450,000
Total	**$ 4,382,042**	**$ 5,996,751**	**$ 3,363,365**	**$ 13,742,158**

General Fund

Transfers to the Capital Projects Fund are for an accelerated road improvement strategy to enhance the city's infrastructure.

Capital Projects Fund

Transfers to nonmajor governmental funds are for debt service payments on MTF (Michigan Transportation Fund) bonds.

Nonmajor Governmental Funds

Major streets fund transfers to the general fund are for routine road maintenance in the amount of $2,149,404. Major streets fund transfers to the capital projects fund of $1,800,000 represents funding of road improvements. Major streets fund transfer to the local streets fund of $97,196 represents allowable redirection of state funding. Local streets fund transfer to the general fund are for routine road maintenance in the amount of $1,761,276. The Cemetery Care fund transfer to the general fund of $21,362 is for routine maintenance at the cemetery. Drug forfeiture fund transfers to capital projects fund of $8,000 represents reimbursement for qualified public safety expenditures. Library fund transfers to the capital projects fund of $638,751 represent book and other capital purchases. General debt service fund transfers to Proposal A, B, and C debt service funds in the amount of $3,002,144 are for principal and interest payments on outstanding debt.

Internal Service Fund

Transfer to the General Fund represents reimbursement for administrative services.

7. LEASE OBLIGATIONS

A. Operating Lease

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
2015	$ 33,771
2016	12,542
2017	2,402
2018	400
2019	-

Lease costs for the year ended June 30, 2014, were $41,957.

B. Capital Lease

The City entered into a lease agreement as lessee for financing the acquisition of golf carts for both Sylvan Glenn and Sanctuary Lake Golf Courses in March 2013. The equipment was valued at $499,876 with a five (5) year useful life. This year, $49,988 was included in depreciation expense. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

Year Ended June 30,	Amount
2015	$ 107,650
2016	107,650
2017	107,650
2018	71,766
Total minimum lease payments	394,716
Less: amount representing interest	(21,144)
Present value of minimum lease payments	**$ 373,572**

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, 2014:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities					
General obligation bonds					
Proposal A - streets	$ 6,225,000	$ -	$ (645,000)	$ 5,580,000	$ 740,000
Proposal B - public safety	8,850,000	-	(1,025,000)	7,825,000	1,025,000
Proposal C - community ctr.	4,840,000	-	(560,000)	4,280,000	590,000
City Refunding - Series 2013 DDA	-	14,945,000	-	14,945,000	260,000
Public drains	2,455,536	-	(211,746)	2,243,790	217,182
MTF Street bonds	250,000	-	(250,000)	-	-
Total debt obligations	**22,620,536**	**14,945,000**	**(2,691,746)**	**34,873,790**	**2,832,182**
Unamortized premiums/(discounts)	-	736,653	(35,079)	701,574	-
Accrued compensated absences	3,761,835	3,851,050	(3,750,793)	3,862,092	2,171,699
Estimated self-insurance claims	1,042,291	6,155,026	(6,185,042)	1,012,275	537,015
Total governmental activities	**$ 27,424,662**	**$ 25,687,729**	**$ (12,662,660)**	**$ 40,449,731**	**$ 5,540,896**
Business-type Activities					
General obligation bonds					
Golf course series 2002	$ 850,000	$ -	$ (400,000)	$ 450,000	$ 450,000
Golf course series 2012	9,655,000	-	-	9,655,000	-
Capital lease					
Golf cart lease-Sanctuary Lake	234,378	-	(47,592)	186,786	48,990
Golf cart lease-Sylvan Glenn	234,378	-	(47,592)	186,786	48,990
Unamortized premiums/(discounts)	187,003	-	(12,467)	174,536	-
Total business-type activities	**$ 11,160,759**	**$ -**	**$ (507,651)**	**$ 10,653,108**	**$ 547,980**

Notes to Financial Statements

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

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%	$ 2,180,000
2010 Refunding of series 2001	2021	4,515,000	2.0-5.0%	3,400,000
Proposal B - public safety/city hall				
2010 Refunding of series 2001	2021	835,000	2.0-5.0%	635,000
2010 Refunding of series 2003	2021	9,110,000	2.0-5.0%	7,190,000
Proposal C - community center				
2010 Refunding of series 2001	2021	5,910,000	2.0-5.0%	4,280,000
Series 2013 - DDA Refunding	2034	14,945,000	2.0-5.25%	14,945,000
County drain bond contracts				
GWK Series 2000A	2022	457,372	2.50%	210,396
GWK Series 2001C	2024	2,102,682	2.50%	1,180,520
GWK Series 2001D	2024	81,089	2.50%	31,276
GWK Series 2005	2026	41,440	1.63%	24,924
GWK Series 2007	2024	318,728	2.55%	240,197
GWK Series 2007G	2028	46,242	1.63%	33,371
GWK Series 2008H	2029	196,953	2.50%	155,896
North Arm Series 1998	2021	926,972	2.25%	367,210
MTF street bond	2014	5,600,000	4.75-5.45%	-
Total governmental activities		**$ 48,591,478**		**$ 34,873,790**
Business-type Activities				
General obligation bonds				
Golf course series 2002	2015	$ 12,000,000	3.25-5.0%	$ 450,000
Gol course series 2012	2028	9,655,000	1.5-3.0%	9,655,000
Total business-type activities		**$ 21,655,000**	3.25-5.0%	**$ 10,105,000**

Notes to Financial Statements

The annual debt requirements to maturity for all long-term debts outstanding as of June 30, 2014, exclusive of earned but unpaid sick pay, insurance claims, capital leases and premiums are as follows:

Primary Government					
Year Ending	Governmental Activities		Business-type Activities		
June 30,	Principal	Interest	Principal	Interest	Total
2015	$ 2,832,182	$ 1,438,235	$ 450,000	$ 250,475	$ 4,970,892
2016	2,922,716	1,330,627	645,000	234,388	5,132,731
2017	2,978,788	1,213,004	635,000	220,025	5,046,817
2018	2,909,269	1,098,929	630,000	201,050	4,839,248
2019	3,094,959	978,747	725,000	184,350	4,983,056
2020	3,136,159	846,548	715,000	169,950	4,867,657
2021	3,385,977	712,742	700,000	155,800	4,954,519
2022	641,424	633,778	685,000	140,238	2,100,440
2023	664,082	604,740	770,000	122,050	2,160,872
2024	766,837	572,865	755,000	102,988	2,197,690
2025	761,111	538,533	840,000	83,050	2,222,694
2026	916,477	500,773	820,000	62,300	2,299,550
2027	989,551	453,529	850,000	39,300	2,332,380
2028	1,264,531	403,813	885,000	13,275	2,566,619
2029	1,259,727	352,781	-	-	1,612,508
2030	1,250,000	294,188	-	-	1,544,188
2031	1,275,000	227,906	-	-	1,502,906
2032	1,275,000	160,969	-	-	1,435,969
2033	1,275,000	94,031	-	-	1,369,031
2034	1,275,000	30,273	-	-	1,305,273
Total	**$ 34,873,790**	**$ 12,487,011**	**$ 10,105,000**	**$ 1,979,239**	**$ 59,445,040**

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, 2014:

Component Units Downtown Development Auth.	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds					
Big Beaver - Series 2001	$ 6,170,000	$ -	$ (6,170,000)	$ -	$ -
2001 Refunding	4,255,000	-	(4,255,000)	-	-
Community Ctr-2002	4,500,000	-	(4,500,000)	-	-
Community Ctr (Jr.)-2003	2,525,000	-	(2,525,000)	-	-
Obligated tax captures					
City G.O. bonds - Series 2013	-	14,945,000	-	14,945,000	260,000
Total component units	**$ 17,450,000**	**$ 14,945,000**	**$ (17,450,000)**	**$ 14,945,000**	**$ 260,000**

Notes to Financial Statements

The Troy Downtown Development Authority (TDDA) has pledged future tax captures to reimburse the city for principal and interest payments for debt issued by the city in the Series 2013 general obligation bonds to refinance TDDA general obligation debt.

Component unit debt issues outstanding are as follows:

Component Units Downtown Development Authority	Maturity Date	Original Issue	Interest Rate	Amount Outstanding
Obligated tax capture:				
City issued Series 2013 DDA refinancing debt	2034	$ 14,945,000	2.0-5.25%	$ 14,945,000

The annual debt requirements to maturity for all component unit long-term obligations as of June 30, 2014 are as follows:

Component Units Downtown Development Authority			
Year Ending June 30,	Principal	Interest	Total
2015	$ 260,000	$ 698,563	$ 958,563
2016	260,000	690,763	950,763
2017	260,000	681,663	941,663
2018	260,000	671,263	931,263
2019	260,000	663,463	923,463
2020	260,000	654,363	914,363
2021	375,000	638,488	1,013,488
2022	440,000	618,113	1,058,113
2023	500,000	594,613	1,094,613
2024	600,000	567,113	1,167,113
2025	745,000	537,213	1,282,213
2026	900,000	499,813	1,399,813
2027	975,000	452,939	1,427,939
2028	1,250,000	403,563	1,653,563
2029	1,250,000	352,781	1,602,781
2030	1,250,000	294,188	1,544,188
2031	1,275,000	227,906	1,502,906
2032	1,275,000	160,969	1,435,969
2033	1,275,000	94,031	1,369,031
2034	1,275,000	30,273	1,305,273
	$ 14,945,000	**$ 9,532,081**	**$ 24,477,081**

Advance Refunding/Defeased Debt

During the 2014 fiscal year, the City issued Series 2013 general obligation bonds in the amount of $14,945,000 to refund Troy Downtown Development Authority (TDDA) debt outstanding including $6,170,000 of 2001 Big Beaver bonds, $4,255,000 of 2001 refunding bonds, $4,500,000 of 2002 Community Center Facilities bonds and $2,525,000 of 2003 Community Center Facilities bonds. In return, the TDDA has pledged future incremental tax captures to reimburse the city for principal, interest and service fees incurred by the city in servicing this debt requirement. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. This refunding along with a restructure of the TDDA district was designed to assure sufficient cash flows to meet debt requirements. The refunding resulted in a cash savings of $4,812,028 and an economic gain of $2,012,261. The bonds were called on November 1, 2013. Accordingly, no defeased bond are outstanding at year-end.

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	$ 1,242,944	$ -	$ 65,377	$ 1,308,321
Permanent fund corpus	-	-	159,600	159,600
Advance to Sanctuary Lake golf course	2,994,282	-	-	2,994,282
Advance to Aquatic Center	180,302	-	-	180,302
Total nonspendable	**4,417,528**	**-**	**224,977**	**4,642,505**
Restricted				
Special revenue funding source restrictions				
Highways and streets	-	-	6,223,940	6,223,940
Sanitation	-	-	580,584	580,584
Library	-	-	1,073,448	1,073,448
Other	-	-	571,703	571,703
Debt funding source restrictions	-	-	1,292,154	1,292,154
Budget stabilization	1,534,139	-	-	1,534,139
Capital improvements	-	11,282,163	-	11,282,163
Total restricted	**1,534,139**	**11,282,163**	**9,741,829**	**22,558,131**
Committed				
Volunteer Firefighters Incentive Reserve	1,000,000	-	-	1,000,000
Subsequent years budgets	5,622,968	3,212,700	563,300	9,398,968
Total committed	**6,622,968**	**3,212,700**	**563,300**	**10,398,968**
Assigned				
Insurance claims	3,000,000	-	-	3,000,000
Tax appeals	162,000	-	-	162,000
Total assigned	**3,162,000**	**-**	**-**	**3,162,000**
Unassigned	**21,856,139**	**-**	**-**	**21,856,139**
Total fund balances	**$ 37,592,774**	**$ 14,494,863**	**$ 10,530,106**	**$ 62,617,743**

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, 2014.

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

Year Ending June 30,	Beginning Balance	Additions	Deductions	Ending Balance
2012	$ 947,375	$ 4,092,611	$ (3,816,084)	$ 1,223,902
2013	1,223,902	4,748,286	(4,929,897)	1,042,291
2014	1,042,291	6,155,026	(6,185,042)	1,012,275

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 $87,309,240 in contended 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, 2014.

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 2013-2014 levy was $4,246,632,886. The City's operating tax rate was 6.50 mills for the same year with additional mills of 1.09 for refuse removal and disposal, 0.70 for library operations, 0.7 for debt service, and 1.53 for capital preservation and improvements.

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. EMPLOYEE RETIREMENT SYSTEM AND PLAN

Summary of Significant Accounting Polices

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.

Method used to value investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Plan Description

Plan Administration. The City of Troy Employee Retirement System (TERS), under the authorization of the City Code chapter 10, administers the city's employee pension plan covering all full-time general and public safety employees of the city. 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.

Management of the pension plan is vested in the TERS Board, which consists of seven voting members and one non-voting ex-officio member. Two of the voting members are designated by their position which includes the City Manager and City Director of Financial Services. Three of the voting members are elected by plan members. One voting member of City Council as selected by the Council and one voting citizen, who is an elector of the city and who is not a member of the system and who is not a member of City Council as appointed by City Council. Of the five employee members, two must be members of the defined benefit plan.

Plan Membership. At December 31, 2013 pension plan membership consisted of the following:

Group	Members
Retirees and beneficiaries currently receiving benefits	325
Vested terminated employees	10
Active employees	58
Total members	**393**

The defined benefit pension plan is closed to new members.

Benefits Provided. The pension plan provides retirement, disability and death benefits.

General plan members. Retirement benefits are calculated as 2.25% of the average of the member's best 3-year eligible wages over the last ten years times the member's years, and fractions thereof, of service. Members between the ages of 50 and 62 will receive an additional benefit equal to the amount if the calculation used a multiplier .25% greater. A member who has 27 or more years of service may retire on or after attainment of age 50. A member who has 25 years of service may retire on or after attainment of age 55. Members of the Troy Fire Staff Officers Association may retire at any age with 25 years of service.

General plan members are eligible for non-duty disability benefits after 10 years of service (AFSCME and MAP members 5 years of service) and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and shall not be less than the amount it would be if they had attained 10 years of credited service.

General plan member widows and dependent children are eligible for non-duty death benefits if the member has 10 or more years of credited service. Benefits are calculated as if the member retired the preceding day of death using the pension calculation above. Duty death benefits are calculated in the same manner as non-duty death benefits with the exception that pension benefits cannot be less than 25% of the members final average compensation. Duty death benefits for members of the Troy Fire Staff Officers Association cannot be less than 50% of the members final average compensation.

Public safety members which includes Troy Police Officers Association and Troy Command Officers Association. Retirement benefits are calculated as 2.8% for the first 25 years and 1% per year thereafter of the average of the member's best 3-year eligible wages over the last ten years times the member's years, and fractions thereof, of service. The pension benefit is capped at 75% of final average compensation. A member may retire at any age with 25 or more years of service.

Public safety members are eligible for non-duty disability benefits after 5 years of service and for duty-related disability benefits upon hire. Non-duty disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and shall not be less than the amount it would be if they had attained 10 years of credited service. Duty disability benefits shall not be less than two-thirds of final average compensation during the period they are in receipt of worker's compensation.

Public safety members widows and dependent children are eligible for non-duty death benefits if the member has 10 or more years of credited service. Benefits are calculated as if the member retired the preceding day of death using the pension calculation above. Duty death benefits are calculated in the same manner as non-duty death benefits with the exception that pension benefits cannot be less than 50% of the members final average compensation.

Contributions. Employee contributions for classified and exempt employees is 5% of eligible wages. Members of collective bargaining groups contribution are directed by contract. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended June 30, 2014, the average active member contribution rate was 3.4% of eligible wages, and the City's average contribution rate was 36.6% of annual eligible wages.

Investments

Investment allocation policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TERS Board by a majority vote of its members. It is the policy of the TERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board adopted asset allocation policy as of June 30, 2014.

Asset Class	Target Allocation
Global equities	59%
(Domestic 40% and International 19%)	
Fixed income	29%
Real estate	7%
Cash	5%
Total	100%

Rate of return. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 22.23%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The long-term rate of return is estimated at 6.5%

Employer Disclosures (*Under GASB Statement 27*)

For the year ended June 30, 2014, contributions totaling $2,041,687 ($1,867,473 employer and $174,214 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2011, which was net of the amortization of assets in excess of unfunded actuarial accrued liability. Employer and employee contributions were based on 37.3 percent and 1.5 to 4.0 percent, respectively, of covered payroll. 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
2012	2010	$ 2,195	100%	$ -
2013	2011	1,884	100%	-
2014	2011	1,846	100%	-

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Plan was 101.0 percent funded. The actuarial accrued liability for benefits was $153,416,000, and the actuarial value of assets was $155,001,000, resulting in an unfunded actuarial accrued asset (UAAA) of $1,585,000. The covered payroll (annual payroll for active employee covered by the Plan) was $4,769,000 and the ratio for the UAAA to the covered payroll was 33.2%.

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.

Net Pension Liability of the City (*Under GASB Statement 67*)

Total pension liability	$153,182,875
Plan fiduciary net position	189,828,679
Net pension liability (asset)	$ (36,645,804)
Plan fiduciary net position as a % of the total liability	123.92%

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2013 with a measurement and reporting date of June 30, 2014. The following actuarial assumptions were applied to all periods included in the measurement:

Actuarial cost method	Entry-age
Remaining amortization period	N/A
Inflation	3.5%
Salary increases (including inflation)	3.5% to 7.5%
Investment rate of return	6.5%
Mortality rates	RP-2000 combined health mortality tables

Single discount rate. A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on investments of 6.5%. The projection of cash flows used to determine this single discount rate assumed that member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on the Retirement System's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability, calculated using a single discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a single discount rate that is 1-percentag-point lower or 1-percentage-point higher:

	1% Decrease 5.5%	Current Discount Rate 6.5%	1% Increase 7.5%
City net pension liability	$ (20,518,932)	$ (36,646,726)	$ (50,343,520)

VOLUNTEER FIREFIGHTER INCENTIVE PLAN

Summary of Significant Accounting Polices

The volunteer firefighter incentive plan financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. No volunteer firefighter contributions are required. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method used to value investments. Investments are reported at fair value.

Plan Description

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, 2014 was determined using an individual entry age funding method. Management of the plan resides with the City Manager.

Plan Membership. At December 31, 2013 volunteer firefighter incentive plan membership consisted of the following:

Group	Members
Volunteers and beneficiaries currently receiving benefits	80
Deferred volunteers	27
Active volunteers	140
Total members	**247**

Benefits provided. At July 1, 2013, the benefit payment 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 volunteer service or any age with 30 years or more of volunteer service.

The City Council has established by resolution increases to the benefit payment amount per year as follows:

Fiscal Year Beginning July 1,	Benefit Amount Per Year of Service
2014	$642
2015	681
2016	724
2017	769

Contributions. The City makes contributions to the plan through actuarially determined and recommended amounts by an independent actuary. Funding is established through City Council resolution during the budget process. The City's contribution to the plan for the year ended June 30, 2014 was $1,078,500. The volunteer firefighters are not paid any remuneration for their service.

Investments

Investment policy. 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 under Michigan Public Act 20 of 1943 and detailed in the notes to financial statements titled "*Deposits and Investments*". The target allocation used in the plan was as follows:

Asset Class	Target Allocation
Global equities	59%
(Domestic 40% and International 19%)	
Fixed income	29%
Real estate	7%
Cash	5%
Total	100%

Rate of return. For the year ended June 30, 2014, the annual money-weighted rate of return on volunteer firefighter incentive plan investments, net of investment expenses was 4.79%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The long-term estimated rate of return is 6.5%

Volunteer Firefighter Plan Sponsor Disclosures *(Under GASB Statement 27)*

Significant actuarial assumptions used include a 6.5 % 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
2012	2010	$ 873	100%	$ -
2013	2011	868	100%	-
2014	2011	858	126%	-

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the Plan was 38.1 % funded. The actuarial accrued liability for benefits was $16,129,000, and the actuarial value of assets was $6,150,000, resulting in an unfunded actuarial accrued liability (UAAL) of $9,979,000.

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.

Net Volunteer Firefighter Incentive Plan Liability of the City *(Under GASB Statement 67)*

Total pension liability	$ 16,387,367
Plan fiduciary net position	5,351,492
Net pension liability	$ 11,035,875
Plan fiduciary net position as a % of the total liability	32.66%

Actuarial assumptions. The total plan liability was determined by an actuarial valuation as of December 31, 2013 with a measurement and reporting date of June 30, 2014. The following actuarial assumptions were applied to all periods included in the measurement.

Actuarial cost method	Entry age
Remaining amortization period	25 years
Inflation	N/A
Investment rate of return	6.5%
Mortality rates	RP-2000 combined health mortality tables

Single discount rate. A single discount rate of 6.41% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on investments of 6.5% and a municipal bond rate of 4.290%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2066. As a result, the long-term expected rate of return on plan investments was applied to projected benefit payments through the year 2066, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability, calculated using a single discount rate of 6.41%, as well as what the net pension liability would be if it were calculated using a single discount rate that is 1-percentag-point lower or 1-percentage-point higher:

	1% Decrease 5.5%	Current Discount Rate 6.5%	1% Increase 7.5%
City net VFIP plan liability	$ 13,623,636	$ 11,035,875	$ 8,929,855

Statements of Fiduciary Net Position

	Employees' Retirement System				
	Pension	Healthcare	Total Employees' Retirement	Discretionary Fire Incentive Reserve Fund	Total
Assets					
Cash	$ 6,423,591	$ -	$ 6,423,591	$ 2,980,502	$ 9,404,093
Interest receivable	52,737	-	52,737	-	52,737
Due from other funds	-	21,646,472	21,646,472	-	21,646,472
Investments, at fair value:					
U.S. Government securities	4,960,726	-	4,960,726	2,316,849	7,277,575
Corporate bonds	5,397,109	-	5,397,109	-	5,397,109
Corporate equities, prfd.	871,763	-	871,763	-	871,763
Corporate equities, common	132,688,136	-	132,688,136	-	132,688,136
Mutual funds	60,996,138	-	60,996,138	-	60,996,138
Municipal bonds	136,147	-	136,147	55,641	191,788
Total assets	211,526,347	21,646,472	**233,172,819**	**5,352,992**	**238,525,811**
Liabilities					
Accounts payable	51,196	-	51,196	1,500	52,696
Due to other funds	21,646,472	-	21,646,472	-	21,646,472
Total liabilities	21,697,668	-	21,697,668	1,500	21,699,168
Net position					
Held in trust for:					
Pension benefits	189,828,679	-	189,828,679	5,351,492	195,180,171
Postemployment healthcare	-	21,646,472	21,646,472	-	21,646,472
Total net position	**$189,828,679**	**$ 21,646,472**	**$211,475,151**	**$ 5,351,492**	**$216,826,643**

Statements of Changes in Fiduciary Net Position

	Employees' Retirement System				
	Pension	Healthcare	Total Employees' Retirement	Discretionary Fire Incentive Reserve Fund	Total
Additions					
Contributions:					
Employer	$ 1,867,473	$ -	$ 1,867,473	$ 1,078,500	$ 2,945,973
Plan members	174,214	-	174,214	-	174,214
Total contributions	2,041,687	-	2,041,687	1,078,500	3,120,187
Investment income:					
Interest	654,571	119,386	773,957	198,185	972,142
Dividends	3,943,349	-	3,943,349	-	3,943,349
Net adjustment in fair value	31,070,071	-	31,070,071	88,478	31,158,549
Total investment income	35,667,991	119,386	35,787,377	286,663	36,074,040
Total additions	37,709,678	119,386	**37,829,064**	**1,365,163**	**39,194,227**
Deductions					
Benefit payments	10,955,507	4,700,286	15,655,793	1,379,391	17,035,184
Administrative expenses	242,023	-	242,023	12,420	254,443
Total deductions	11,197,530	4,700,286	15,897,816	1,391,811	17,289,627
Change in net position	**26,512,148**	**(4,580,900)**	**21,931,248**	**(26,648)**	**21,904,600**
Net position held in trust, beginning					
Pension benefits	163,316,531	-	163,316,531	5,378,140	168,694,671
Retiree healthcare benefits	-	26,227,372	26,227,372	-	26,227,372
Total held in trust, beginning	163,316,531	26,227,372	189,543,903	5,378,140	194,922,043
Net position held in trust, ending					
Pension benefits	189,828,679	-	189,828,679	5,351,492	195,180,171
Retiree healthcare benefits	-	21,646,472	21,646,472	-	21,646,472
Total held in trust, ending	**$189,828,679**	**$ 21,646,472**	**211,475,151**	**$ 5,351,492**	**$216,826,643**

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, 2014 was 248.

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 8 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, 2014, was $17,278,442. The required contributions, which matched those actually made, were $793,719 by employees and $1,831,545 by the City, representing 4.6 percent and 10.6 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. There are 303 members from the ranks of the City's full-time employees that 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 was $4,465,378, or 24.51% of covered payroll totaling $18,215,095. The annual required contribution was $4,652,135. During the current year, healthcare benefits paid for 324 retirees totaled $4,700,286, 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. Beginning July 1, 2014 AFSCME, MAP, TFOA and TCSA members will accrue 3% per year of service up to a maximum of 90% of covered health insurance premiums.

Funding Progress

For the year ended June 30, 2014, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2012. 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	$ 4,652,135
Interest on net OPEB asset - 6.5%	(202,077)
Actuary adjust. to annual required contribution (12.8%)	243,054
Annual OPEB cost (expense)	4,693,112
Contributions made	(4,465,378)
Decrease/(Increase) in net OPEB asset	227,734
Net OPEB (asset), beginning of year	(3,108,873)
Net OPEB (asset), end of year	**$ (2,881,139)**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 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)
2012	$ 2,790	117%	$ (762)
2013	2,444	196%	(3,109)
2014	4,693	95%	(2,881)

Actuarial Methods and Assumptions

In the December 31, 2012 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 9.0% was used in fiscal year 2013 decreasing to 3.5% by 2022. 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, 2012 was 26 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, 2012, the most recent actuarial valuation date, the Plan was 59 percent funded. The actuarial accrued liability for benefits was $100,064,000, and the actuarial value of assets was $59,131,000, resulting in an unfunded actuarial accrued liability (UAAL) of $40,932,000. The covered payroll (annual payroll for active employee covered by the Plan) was $19,194,000 and the ratio for the UAAL to the covered payroll was 213.2%.

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

	Retiree Health Care Trust Fund
Assets	
Cash	$ 3,206,148
Investments, at fair value:	
Corporate bonds	6,838,311
Corporate equities	16,528,981
Mutual funds	19,493,499
Municipal bonds	-
Total assets	**46,066,939**
Net position	
Held in trust for postemployment healthcare benefits	**$ 46,066,939**

Statement of Changes in Fund Net Position

	Retiree Health Care Trust Fund
Additions	
Contributions:	
Employer	$ 4,602,652
Investment income:	
Interest	1,791,531
Net adjustment in fair value of investments	3,654,753
Total investment income	5,446,284
Total additions	**10,048,936**
Deductions	
Administrative expenses	30,300
Change in net position	**10,018,636**
Net position held in trust, beginning of year for:	
Postemployment healthcare benefits	36,048,303
Net position held in trust, end of year for:	
Postemployment healthcare benefits	**$ 46,066,939**

16. DEFICIT NET POSITION

The Sanctuary Lake golf course fund has a net position deficit of $5,734,101 at June 30, 2014.

The Sanctuary Lake golf course completed its ninth year of operations with an operating loss of $68,334 including depreciation expense of $331,580. Nonoperating expenses including interest expense of $328,254 resulted in a decrease change in net position of $396,588. This compares to a decrease change in net position of $380,860 last fiscal year. Cash flows from operations were positive in the amount of $211,077. 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 Glen 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 $14,905,267 compared to $14,691,951 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 SIGNIFICANT COMMITMENTS

As of June 30, 2014, the City had $1,316,174 in construction commitments for various projects including street improvements outstanding. The commitments will be satisfied using millage proceeds, fund balance and grant funding.

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Employee Retirement System

Required Supplemental Information (*Under GASB Statement 27)*

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)
12/31/2008	$ 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%
12/31/2012	147,568	153,045	5,477	96.4%	5,069	108.0%
12/31/2013	155,001	153,416	(1,585)	101.0%	4,769	-33.2%

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

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2009	$ 428	100.0%
2010	1,361	100.0%
2011	2,484	100.0%
2012	2,195	100.0%
2013	1,884	100.0%
2014	1,867	101.0%

Required Supplementary Information

Employee Retirement System

Required Supplemental Information (*Under GASB Statement 67)*

Fiscal Year Ending June 30	2014
Total Pension Liability	
Service cost	$ 985,140
Interest on total pension liability	9,635,941
Benefit changes	-
Difference between expected and actual returns	286,868
Assumption changes	-
Benefit payments	(10,955,507)
Refunds	-
Net change in total pension liability	**(47,558)**
Beginning total pension liability	153,230,433
Ending total pension liability (a)	**$ 153,182,875**
Plan Fiduciary Net Position	
Employer contributions	$ 1,867,473
Employee contributions	174,214
Pension plan net investment income	35,667,991
Benefit payments	(10,955,507)
Administrative expense	(242,023)
Net change in plan fiduciary net position	**26,512,148**
Beginning plan fiduciary net position	163,316,531
Ending plan fiduciary net position (b)	**$ 189,828,679**
Net pension liability (a)-(b)	**$ (36,645,804)**
Plan fiduciary net position as a percentage of total pension liability	**123.92%**
Covered employee payroll	$ 4,768,908
Net pension liability as a percentage of covered employee payroll	**-768.43%**

Schedule of the Net Pension Liability Multiyear (*Prospective Ten Years***)**

Fiscal Year Ending June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2012	$ 153,304,399	$ 146,047,162	$ 7,257,237	95.3%	$ 5,427,637	133.7%
2013	153,230,433	163,316,531	(10,086,098)	106.6%	5,069,499	-199.0%
2014	153,182,874	189,829,600	(36,646,726)	123.9%	4,768,908	-768.5%

Schedule of Contributions Multiyear (*Prospective Ten Years***)**

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2012	$ 2,157,379	$ 2,195,477	$ (38,098)	$ 5,427,637	40.4%
2013	1,883,530	1,883,530	-	5,069,499	37.2%
2014	1,845,880	1,867,473	(21,593)	4,768,908	39.2%

Required Supplementary Information

Employee Retirement System

Notes to Schedule of Contributions

Valuation Date:	June 30, 2014
Notes	Actuarially determined contribution rates are calculated as of December 31st which is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	5-year smooted market
Inflation	3.5%; No explicit price inflation assumption is used in this valuation
Salary increases	3.5% to 7.5% including inflation
Investment rate of return	6.50%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. First used for the 1973 valuation; Classified, Exempt, Command Officers first used for the 1981 valuation; Non-Classified/Exempt General members first used for the 1986 valuation.
Mortality	RP-2000 Combined Healthy Mortality Tables, for healthy males and females, and the RP-2000 Disabled Mortality Table for impaired males and females.
Benefit changes	None

Schedule of Investment Returns Multiyear *(Prospective Ten Years)*

Fiscal Year Ending June 30	Annual Return
2012	-1.1%
2013	18.2%
2014	22.2%

Required Supplementary Information

Incentive Plan for Volunteer Firefighters

Required Supplemental Information (*Under GASB Statement 27)*

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)
12/31/2008*	$ 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%
12/31/2012	5,983	13,115	7,132	45.6%
12/31/2013*&	6,150	16,129	9,979	38.1%

* After changes in benefit provisions
& After changes in actuarial assumptions

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

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2009	$ 885	100.0%
2010	864	100.0%
2011	874	100.0%
2012	873	100.0%
2013	868	100.0%
2014	858	126.0%

Required Supplementary Information

Incentive Plan for Volunteer Firefighters

Required Supplemental Information (*Under GASB Statement 67)*

Schedule of Changes in Net Plan Liability and Related Ratios Multiyear (*Prospective Ten Years*)

Fiscal Year Ending June 30	2014
Total Pension Liability	
Service cost	$ 447,479
Interest on total pension liability	819,211
Benefit changes	1,727,859
Difference between expected and actual returns	-
Assumption changes	1,703,002
Benefit payments	(1,379,391)
Refunds	-
Net change in total pension liability	**3,318,160**
Beginning total pension liability	13,069,207
Ending total pension liability (a)	**$ 16,387,367**
Plan Fiduciary Net Position	
Employer contributions	$ 1,078,500
Pension plan net investment income	286,663
Benefit payments	(1,379,391)
Administrative expense	(12,420)
Net change in plan fiduciary net position	(26,648)
Beginning plan fiduciary net position	5,378,140
Ending plan fiduciary net position (b)	**$ 5,351,492**
Net pension liability (a)-(b)	**$ 11,035,875**
Plan fiduciary net position as a percentage of total pension liability	**32.66%**
Covered employee payroll	N/A
Net pension liability as a percentage of covered employee payroll	N/A

Schedule of the Net Pension Liability Multiyear (*Prospective Ten Years*)

Fiscal Year Ending June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	$ 16,387,367	$ 5,351,492	$ 11,035,875	32.7%	N/A	N/A

Schedule of Contributions Multiyear (*Prospective Ten Years*)

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	$ 858,472	$ 1,078,500	$ (220,028)	N/A	N/A

Required Supplementary Information

Incentive Plan for Volunteer Firefighters

Notes to Schedule of Contributions

Valuation Date:	December 31, 2013
Notes	Actuarially determined contribution rates are calculated as of December 31st which is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	25 years
Asset valuation method	4-year smooted market
Investment rate of return	6.50%
Retirement age	Age and experienced-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Mortality Table projected to 2017 using scale BB.

Benefit changes

Effective July 1,	Amount Per of Service
2014	$642
2015	681
2016	724
2017	769
thereafter	1% per year

Schedule of Investment Returns Multiyear (*Prospective Ten Years*)

Fiscal Year Ending June 30	Annual Return
2014	4.8%

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)
12/31/2008	$ 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%
12/31/2012	59,131	100,064	40,932	59.1%	19,194	213.2%

* 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
2012	$ 3,773	117.4%
2013	3,855	126.9%
2014	4,465	100.0%

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.

Transit Center Fund - Accumulates resources from Amtrak and sponsorships for the operations, maintenance and capital needs of the Transit Center.

Drug Forfeiture Fund - Accumulates resources from a federal and state drug forfeiture court rulings which can only be expended on specific supplies and services that support drug enforcement.

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.

CITY OF TROY, MICHIGAN

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue							
	Major Streets	Local Streets	Refuse	Transit Center	Drug Forfeiture	Library	Community Development Block Grant	Total Special Revenue
Assets								
Cash and investments	$ 2,813,468	$ 2,647,684	$ 747,087	$ 21,000	$ 575,956	$ 1,340,951	$ (16,995)	$ 8,129,151
Accounts receivable	-	-	1,629	-	-	147,206	-	148,835
Due from other governments	614,575	241,213	-	-	-	-	18,849	874,637
Prepaid expenditures	-	-	-	-	-	65,377	-	65,377
Total assets	**$ 3,428,043**	**$ 2,888,897**	**$ 748,716**	**$ 21,000**	**$ 575,956**	**$1,553,534**	**$ 1,854**	**$ 9,218,000**
Liabilities								
Accounts payable	$ -	$ -	$ 168,132	$ -	$ 21,921	$ 98,309	$ 1,854	$ 290,216
Fund balance								
Nonspendable	-	-	-	-	-	65,377	-	65,377
Restricted	3,335,043	2,888,897	580,584	21,000	502,035	1,073,448	-	8,401,007
Committed	93,000	-	-	-	52,000	316,400	-	461,400
Total fund balances	**3,428,043**	**2,888,897**	**580,584**	**21,000**	**554,035**	**1,455,225**	**-**	**8,927,784**
Total liabilities and fund balance	**$ 3,428,043**	**$ 2,888,897**	**$ 748,716**	**$ 21,000**	**$ 575,956**	**$1,553,534**	**$ 1,854**	**$ 9,218,000**

Combining Balance Sheet

Nonmajor Governmental Funds (Concluded)

June 30, 2014

	Debt Service					Permanent Fund	
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service	Total Debt Service	Cemetery Perpetual Care	Total Nonmajor Governmental Funds
Assets							
Cash and investments	$ 1,394,054	$ 750	$ -	$ -	$ 1,394,804	$ 208,268	$ 9,732,223
Accounts receivable	-	-	-	-	-	-	148,835
Due from other governments	-	-	-	-	-	-	874,637
Prepaid expenditures	-	-	-	-	-	-	65,377
Total assets	**$ 1,394,054**	**$ 750**	**$ -**	**$ -**	**$ 1,394,804**	**$ 208,268**	**$ 10,821,072**
Liabilities							
Accounts payable	$ -	$ 750	$ -	$ -	$ 750	$ -	$ 290,966
Fund balance							
Nonspendable	-	-	-	-	-	159,600	224,977
Restricted	1,292,154	-	-	-	1,292,154	48,668	9,741,829
Committed	101,900	-	-	-	101,900	-	563,300
Total fund balances	**1,394,054**	**-**	**-**	**-**	**1,394,054**	**208,268**	**10,530,106**
Total liabilities and fund balance	**$ 1,394,054**	**$ 750**	**$ -**	**$ -**	**$ 1,394,804**	**$ 208,268**	**$ 10,821,072**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2014

	Special Revenue							
	Major Streets	Local Streets	Refuse	Transit Center	Drug Forfeiture	Library	Community Development Block Grant	Total Special Revenue
Revenues								
Property taxes	$ -	$ -	$ 4,647,626	$ -	$ -	$ 2,982,973	$ -	$ 7,630,599
Federal grants	-	-	-	-	-	-	58,778	58,778
State grants	3,963,956	1,555,266	-	-	-	169,909	-	5,689,131
Charges for services	-	-	6,358	-	-	24,030	-	30,388
Fines and forfeitures	-	-	-	-	420,487	114,405	-	534,892
Investment earnings	18,804	15,744	11,629	-	-	-	-	46,177
Other	-	-	-	21,000	-	47,680	-	68,680
Total revenues	**3,982,760**	**1,571,010**	**4,665,613**	**21,000**	**420,487**	**3,338,997**	**58,778**	**14,058,645**
Expenditures								
Current:								
Public safety	-	-	-	-	76,976	-	-	76,976
Sanitation	-	-	4,267,898	-	-	-	-	4,267,898
Community development	-	-	-	-	-	-	58,778	58,778
Recreation and culture	-	-	-	-	-	2,436,972	-	2,436,972
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	**-**	**-**	**4,267,898**	**-**	**76,976**	**2,436,972**	**58,778**	**6,840,624**
Revenues over (under) expenditures	**3,982,760**	**1,571,010**	**397,715**	**21,000**	**343,511**	**902,025**	**-**	**7,218,021**
Other financing sources (uses)								
Transfers in	-	97,196	-	-	-	-	-	97,196
Transfers out	(4,046,600)	(1,761,276)	-	-	(8,000)	(638,751)	-	(6,454,627)
Total other financing (uses) sources	**(4,046,600)**	**(1,664,080)**	**-**	**-**	**(8,000)**	**(638,751)**	**-**	**(6,357,431)**
Net change in fund balances	**(63,840)**	**(93,070)**	**397,715**	**21,000**	**335,511**	**263,274**	**-**	**860,590**
Fund balances, beginning of year	3,491,883	2,981,967	182,869	-	218,524	1,191,951	-	8,067,194
Fund balances, end of year	**$ 3,428,043**	**$ 2,888,897**	**$ 580,584**	**$ 21,000**	**$ 554,035**	**$ 1,455,225**	**$ -**	**$ 8,927,784**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds (Concluded)

For the Year Ended June 30, 2014

	Debt Service					Permanent Fund	
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service	Total Debt Service	Cemetery Perpetual Care	Total Nonmajor Governmental Funds
Revenues							
Property taxes	$ 2,990,552	$ -	$ -	$ -	$ 2,990,552	$ -	$ 10,621,151
Federal grants	-	-	-	-	-	-	58,778
State grants	-	-	-	-	-	-	5,689,131
Charges for services	-	-	-	-	-	800	31,188
Fines and forfeitures	-	-	-	-	-	-	534,892
Investment earnings	9,030	-	-	-	9,030	1,169	56,376
Other	-	-	-	-	-	-	68,680
Total revenues	**2,999,582**	**-**	**-**	**-**	**2,999,582**	**1,969**	**17,060,196**
Expenditures							
Current:							
Public safety	-	-	-	-	-	-	76,976
Sanitation	-	-	-	-	-	-	4,267,898
Community development	-	-	-	-	-	-	58,778
Recreation and culture	-	-	-	-	-	-	2,436,972
Debt service:							
Principal	250,000	645,000	1,025,000	560,000	2,480,000	-	2,480,000
Interest	76,646	236,019	350,225	185,900	848,790	-	848,790
Total expenditures	**326,646**	**881,019**	**1,375,225**	**745,900**	**3,328,790**	**-**	**10,092,438**
Revenues over (under) expenditures	**2,672,936**	**(881,019)**	**(1,375,225)**	**(745,900)**	**(329,208)**	**1,969**	**6,967,758**
Other financing sources (uses)							
Transfers in	264,025	881,019	1,375,225	745,900	3,266,169	-	3,363,365
Transfers out	(3,002,144)	-	-	-	(3,002,144)	(21,362)	(9,478,133)
Total other financing (uses) sources	**(2,738,119)**	**881,019**	**1,375,225**	**745,900**	**264,025**	**(21,362)**	**(6,114,768)**
Net change in fund balances	**(65,183)**	**-**	**-**	**-**	**(65,183)**	**(19,393)**	**852,990**
Fund balances, beginning of year	1,459,237	-	-	-	1,459,237	227,661	9,754,092
Fund balances, end of year	**$ 1,394,054**	**$ -**	**$ -**	**$ -**	**$ 1,394,054**	**$ 208,268**	**$ 10,607,082**

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants and reimbursements	$ 3,500,000	$ 3,500,000	$ 3,963,956	$ 463,956
Investment earnings	9,000	9,000	18,804	9,804
Total revenues	**3,509,000**	**3,509,000**	**3,982,760**	**473,760**
Other financing (uses)				
Transfers out	(4,046,600)	(4,046,600)	(4,046,600)	-
Net change in fund balance	**(537,600)**	**(537,600)**	**(63,840)**	**473,760**
Fund balance, beginning of year	3,491,883	3,491,883	3,491,883	-
Fund balance, end of year	**$ 2,954,283**	**$ 2,954,283**	**$ 3,428,043**	**$ 473,760**

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
State grants and reimbursements	$ 1,380,000	$ 1,380,000	$ 1,555,266	$ 175,266
Investment earnings	8,000	8,000	15,744	7,744
Total revenues	**1,388,000**	**1,388,000**	**1,571,010**	**183,010**
Other financing sources (uses)				
Transfers in	300,000	300,000	97,196	(202,804)
Transfers out	(1,705,900)	(1,905,900)	(1,761,276)	(144,624)
Total other financing (uses)	**(1,405,900)**	**(1,605,900)**	**(1,664,080)**	**58,180**
Net change in fund balance	**(17,900)**	**(217,900)**	**(93,070)**	**124,830**
Fund balance, beginning of year	2,981,967	2,981,967	2,981,967	-
Fund balance, end of year	**$ 2,964,067**	**$ 2,764,067**	**$ 2,888,897**	**$ 124,830**

CITY OF TROY, MICHIGAN

Schedule of Revenue, Expenditures and Change in Fund Balance

Budget and Actual - Refuse Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 4,600,000	$ 4,600,000	$ 4,647,626	$ 47,626
Charges for services	6,000	6,000	6,358	358
Investment earnings	8,000	8,000	11,629	3,629
Total revenues	4,614,000	4,614,000	4,665,613	51,613
Expenditures				
Sanitation	4,490,500	4,491,240	4,267,898	(223,342)
Net change in fund balance	**123,500**	**122,760**	**397,715**	**274,955**
Fund balance, beginning of year	182,869	182,869	182,869	-
Fund balance, end of year	**$ 306,369**	**$ 305,629**	**$ 580,584**	**$ 274,955**

CITY OF TROY, MICHIGAN

Schedule of Revenue, Expenditures and Change in Fund Balance

Budget and Actual - Transit Center

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Sponsorships	$ -	$ -	$ 21,000	$ 21,000
Net change in fund balance	**-**	**-**	**21,000**	**21,000**
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	**$ -**	**$ -**	**$ 21,000**	**$ 21,000**

CITY OF TROY, MICHIGAN

Schedule of Revenue, Expenditures and Change in Fund Balance

Budget and Actual - Drug Forfeiture

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Fines and forfeitures	$ 119,900	$ 355,500	$ 420,487	$ 64,987
Expenditures				
Public safety	52,000	77,000	76,976	(24)
Revenues over expenditures	67,900	278,500	343,511	65,011
Other financing (uses)				
Transfers out	(10,000)	(10,000)	(8,000)	2,000
Net change in fund balance	**57,900**	**268,500**	**335,511**	**67,011**
Fund balance, beginning of year	218,524	218,524	218,524	-
Fund balance, end of year	**$ 276,424**	**$ 487,024**	**$ 554,035**	**$ 67,011**

CITY OF TROY, MICHIGAN

Schedule of Revenue, Expenditures and Change in Fund Balance

Budget and Actual - Library Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	$ 2,956,000	$ 2,956,000	$ 2,982,973	$ 26,973
State grants and reimbursements	115,000	115,000	169,909	54,909
Charges for services	24,250	24,250	24,030	(220)
Fines and forfeitures	100,000	100,000	114,405	14,405
Other	15,750	40,750	47,680	6,930
Total revenues	**3,211,000**	**3,236,000**	**3,338,997**	**102,997**
Expenditures				
Recreation and culture	2,631,000	2,639,990	2,436,972	(203,018)
Revenues over expenditures	580,000	596,010	902,025	306,015
Other financing (uses)				
Transfers out	(580,000)	(622,000)	(638,751)	16,751
Net change in fund balance	**-**	**(25,990)**	**263,274**	**289,264**
Fund balance, beginning of year	1,191,951	1,191,951	1,191,951	-
Fund balance, end of year	**$ 1,191,951**	**$ 1,165,961**	**$ 1,455,225**	**$ 289,264**

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Federal grants and reimbursements	$ 731,100	$ 731,100	$ 58,778	$ (672,322)
Expenditures				
Community development	731,100	731,100	58,778	(672,322)
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, 2014

	Sylvan Glen Golf Course	Aquatic Center	Total
Assets			
Current assets:			
Cash and investments	$ 241,402	$ 222,547	$ 463,949
Accounts receivable	-	7,388	7,388
Inventories	40,196	-	40,196
Prepaid expenses	16,665	-	16,665
Total current assets	298,263	229,935	528,198
Noncurrent assets:			
Advances to other funds	3,143,230	-	3,143,230
Capital assets not being depreciated	1,894,552	-	1,894,552
Capital assets being depreciated (net)	598,719	1,188,061	1,786,780
Total noncurrent assets	5,636,501	1,188,061	6,824,562
Total assets	**5,934,764**	**1,417,996**	**7,352,760**
Liabilities			
Current liabilities:			
Accounts payable	-	15,091	15,091
Other liabilities	182,291	-	182,291
Current portion of capital lease	48,990	-	48,990
Total current liabilities	231,281	15,091	246,372
Noncurrent liabilities:			
Advances from other funds	-	180,302	180,302
Capital lease	137,796	-	137,796
Total noncurrent liabilities	137,796	180,302	318,098
Total liabilities	**369,077**	**195,393**	**564,470**
Net position			
Investment in capital assets	2,306,485	1,188,061	3,494,546
Unrestricted	3,259,202	34,542	3,293,744
Total net position	**$ 5,565,687**	**$ 1,222,603**	**$ 6,788,290**

CITY OF TROY, MICHIGAN

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

Nonmajor Enterprise Funds

For the Year Ended June 30, 2014

	Sylvan Glen Golf Course	Aquatic Center	Total
Operating revenues			
Charges for services	$ 639,224	$ 476,343	$ 1,115,567
Rental:			
Golf course	187,284	-	187,284
Restaurant	67,200	-	67,200
Other services	91,200	55,950	147,150
Total operating revenues	**984,908**	**532,293**	**1,517,201**
Operating expenses			
Operations	945,628	366,531	1,312,159
Depreciation	145,228	159,759	304,987
Total operating expenses	**1,090,856**	**526,290**	**1,617,146**
Operating income	**(105,948)**	**6,003**	**(99,945)**
Nonoperating revenues (expenses)			
Investment earnings	4,300	-	4,300
Interest expense	(6,118)	-	(6,118)
Gain on sale of capital assets	6,600	-	6,600
Total non-operating revenues (expenses)	**4,782**	**-**	**4,782**
Change in net position	**(101,166)**	**6,003**	**(95,163)**
Net position, beginning of year	5,666,853	1,216,600	6,883,453
Net position, end of year	**$ 5,565,687**	**$ 1,222,603**	**$ 6,788,290**

CITY OF TROY, MICHIGAN

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Year Ended June 30, 2014

	Sylvan Glen Golf Course	Aquatic Center	Total
Cash flows from operating activities			
Cash received from customers	$ 993,986	$ 533,943	$ 1,527,929
Cash payments to employees	(455,916)	(226,006)	(681,922)
Cash payments to suppliers for goods and services	(483,298)	(114,177)	(597,475)
Cash payments for interfund services	(3,822)	(16,863)	(20,685)
Net cash provided by operating activities	**50,950**	**176,897**	**227,847**
Cash flows (used) by noncapital financing activities			
Advances to other funds	(680,000)	-	(680,000)
Cash flows (used) by capital and related financing activities			
Purchase of capital assets	(110,023)	(19,199)	(129,222)
Proceeds from sale of capital assets	6,600	-	6,600
Principal on capital lease	(47,592)	-	(47,592)
Interest on capital lease	(6,118)	-	(6,118)
Net cash used by capital and related financing activities	(157,133)	(19,199)	(176,332)
Cash flows from investing activities			
Investment income	4,300	-	4,300
Net (decrease) in cash and investments	**(781,883)**	**157,698**	**(624,185)**
Cash and investments, beginning of year	1,023,285	64,849	1,088,134
Cash and investments, end of year	**$ 241,402**	**$ 222,547**	**$ 463,949**
Reconciliation of operating income to net cash provided by operating activities			
Operating income	$ (105,948)	$ 6,003	$ (99,945)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	145,228	159,759	304,987
Changes in assets and liabilities:			
Accounts receivable	9,078	1,650	10,728
Inventories	1,133	-	1,133
Prepaid expenses	(12,631)	-	(12,631)
Accounts payable	(4)	11,091	11,087
Other liabilities	14,094	(1,606)	12,488
Total adjustments	**156,898**	**170,894**	**327,792**
Net cash provided by operating activities	**$ 50,950**	**$ 176,897**	**$ 227,847**

Combining Statement of Net Position

Internal Service Funds

June 30, 2014

	Compensated Absences	Unemployment Compensation	Custodial Services
Assets			
Current assets:			
Cash and investments	$ 4,862,092	$ 40,495	$ 604,182
Accounts receivable	-	-	-
Inventory	-	-	-
Total current assets	4,862,092	40,495	604,182
Noncurrent assets:			
Capital assets not being depreciated	-	-	-
Capital assets being depreciated net of accumulated depreciation	-	-	-
Total capital assets, net of accumulated depreciation	-	-	-
Total assets	**4,862,092**	**40,495**	**604,182**
Liabilities			
Current liabilities:			
Accounts payable	-	495	4,182
Compensated absences	2,171,699	-	-
Total current liabilities	2,171,699	495	4,182
Noncurrent liabilities:			
Compensated absences	1,690,393	-	-
Total liabilities	**3,862,092**	**495**	**4,182**
Net position			
Investment in capital assets	-	-	-
Unrestricted	1,000,000	40,000	600,000
Total net position	**$ 1,000,000**	**$ 40,000**	**$ 600,000**

Combining Statement of Net Position

Internal Service Funds

June 30, 2014

	Information Technology	Motor Equipment	Workers' Compensation	Total
Assets				
Current assets:				
Cash and investments	$ 961,238	$ 6,804,768	$ 2,000,000	$ 15,272,775
Accounts receivable	30,235	74,741	-	104,976
Inventories	-	375,261	-	375,261
Total current assets	991,473	7,254,770	2,000,000	15,753,012
Noncurrent assets:				
Capital assets not being depreciated	-	19,698	-	19,698
Capital assets being depreciated net of accumulated depreciation	495,643	2,863,423	-	3,359,066
Total capital assets, net of accumulated depreciation	495,643	2,883,121	-	3,378,764
Total assets	**1,487,116**	**10,137,891**	**2,000,000**	**19,131,776**
Liabilities				
Current liabilities:				
Accounts payable	36,886	607,740	-	649,303
Compensated absences	-	-	-	2,171,699
Total current liabilities	36,886	607,740	-	2,821,002
Noncurrent liabilities:				
Compensated absences	-	-	-	1,690,393
Total liabilities	**36,886**	**607,740**	**-**	**4,511,395**
Net position				
Investment in capital assets	495,643	2,883,121	-	3,378,764
Unrestricted	954,587	6,647,030	2,000,000	11,241,617
Total net position	**$ 1,450,230**	**$ 9,530,151**	**$ 2,000,000**	**$ 14,620,381**

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

Internal Service Funds

For the Year Ended June 30, 2014

	Compensated Absences	Unemployment Compensation	Custodial Services
Operating revenues			
Charges for services	$ 3,823,779	$ -	$ 877,800
Building rental	-	-	-
Equipment rental	-	-	-
Other	-	91,428	-
Total operating revenues	**3,823,779**	**91,428**	**877,800**
Operating expenses			
Cost of services	3,851,049	151,597	879,975
Motor vehicle and garage expenses			
Administration	-	-	-
Operations	-	-	-
Depreciation	-	-	-
Total operating expenses	**3,851,049**	**151,597**	**879,975**
Operating income (loss)	(27,270)	(60,169)	(2,175)
Nonoperating revenues			
Investment earnings	20,319	170	2,650
Gain on sale of capital assets	-	-	-
Total nonoperating revenues	**20,319**	**170**	**2,650**
Income (loss) before transfers	(6,951)	(59,999)	475
Transfers out	-	-	-
Change in net position	**(6,951)**	**(59,999)**	**475**
Net position, beginning of year	1,006,951	99,999	599,525
Net position, end of year	**$ 1,000,000**	**$ 40,000**	**$ 600,000**

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

Internal Service Funds

For the Year Ended June 30, 2014

	Information Technology	Motor Equipment	Workers' Compensation	Total
Operating revenues				
Charges for services	$ 1,509,585	$ 55,991	$ 169,200	$ 6,436,355
Building rental	-	157,174	-	157,174
Equipment rental	-	3,291,417	-	3,291,417
Other	-	397,136	14,528	503,092
Total operating revenues	**1,509,585**	**3,901,718**	**183,728**	**10,388,038**
Operating expenses				
Cost of services	1,708,928	-	377,378	6,968,927
Motor vehicle and garage expenses				
Administration	-	402,589	-	402,589
Operations	-	2,570,167	-	2,570,167
Depreciation	69,752	600,796	-	670,548
Total operating expenses	**1,778,680**	**3,573,552**	**377,378**	**10,612,231**
Operating income (loss)	(269,095)	328,166	(193,650)	(224,193)
Nonoperating revenues				
Investment earnings	4,361	36,511	11,650	75,661
Gain on sale of capital assets	-	252,969	-	252,969
Total nonoperating revenues	**4,361**	**289,480**	**11,650**	**328,630**
Income (loss) before transfers	(264,734)	617,646	(182,000)	104,437
Transfers out	-	(450,000)	-	(450,000)
Change in net position	**(264,734)**	**167,646**	**(182,000)**	**(345,563)**
Net position, beginning of year	1,714,964	9,362,505	2,182,000	14,965,944
Net position, end of year	**$ 1,450,230**	**$ 9,530,151**	**$ 2,000,000**	**$ 14,620,381**

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2014

	Compensated Absences	Unemployment Compensation	Custodial Services
Cash flows from operating activities			
Cash received from interfund services	$ 3,823,779	$ 91,428	$ 877,800
Cash payments to employees	(3,750,792)	-	(757,931)
Cash payments to suppliers for goods and services	-	(175,015)	(120,173)
Net cash provided (used) by operating activities	**72,987**	**(83,587)**	**(304)**
Cash flows from noncapital financing activities			
Transfers (to) 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	20,319	170	2,650
Net cash provided by investing activities	20,319	170	2,650
Net increase (decrease) in cash and investments	**93,306**	**(83,417)**	**2,346**
Cash and investments, beginning of year	4,768,786	123,912	601,836
Cash and investments, end of year	**$ 4,862,092**	**$ 40,495**	**$ 604,182**
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ (27,270)	$ (60,169)	$ (2,175)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
Inventories	-	-	-
Accounts payable	-	(23,418)	2,166
Accrued liabilities	100,257	-	(295)
Net cash provided (used) by operating activities	**$ 72,987**	**$ (83,587)**	**$ (304)**

CITY OF TROY, MICHIGAN

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2014

	Information Technology	Motor Equipment	Workers' Compensation	Total
Cash flows from operating activities				
Cash received from interfund services	$ 1,509,585	$ 3,901,718	$ 183,728	$ 10,388,038
Cash payments to employees	(1,100,710)	(1,289,896)	-	(6,899,329)
Cash payments to suppliers for goods and services	(693,487)	(1,476,001)	(377,378)	(2,842,054)
Net cash provided (used) by operating activities	**(284,612)**	**1,135,821**	**(193,650)**	**646,655**
Cash flows from noncapital financing activities				
Transfers (to) other funds	-	(450,000)	-	(450,000)
Cash flows from capital and related financing activities				
Purchase of capital assets	(19,090)	(1,215,994)	-	(1,235,084)
Proceeds from sale of capital assets	-	252,969	-	252,969
Net cash used by capital and related financing activities	**(19,090)**	**(963,025)**	**-**	**(982,115)**
Cash flows from investing activities				
Investment income	(2,680)	(5,072)	11,650	27,037
Net cash provided by investing activities	(2,680)	(5,072)	11,650	27,037
Net increase in cash and investments	**(306,382)**	**(282,276)**	**(182,000)**	**(758,423)**
Cash and investments, beginning of year	1,267,620	7,087,044	2,182,000	16,031,198
Cash and investments, end of year	**$ 961,238**	**$ 6,804,768**	**$ 2,000,000**	**$ 15,272,775**
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$ (269,095)	$ 328,166	$ (193,650)	$ (224,193)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	69,752	600,796	-	670,548
Changes in assets and liabilities:				
Inventories	-	(6,140)	-	(6,140)
Accounts payable	-	-	-	(21,252)
Accrued liabilities	(85,269)	212,999	-	227,692
Net cash provided (used) by operating activities	**$ (284,612)**	**$ 1,135,821**	**$ (193,650)**	**$ 646,655**

CITY OF TROY, MICHIGAN

Combining Statement of Net Position

Fiduciary Funds

June 30, 2014

	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
	Pension	Health Care	Total			
Assets						
Cash	$ 6,423,591	$ -	$ 6,423,591	$ 2,980,502	$ 3,206,148	$ 12,610,241
Interest receivable	52,737	-	52,737	-	-	52,737
Due from other funds	-	21,646,472	21,646,472	-	-	21,646,472
Investments						
U.S. government securities	4,960,726	-	4,960,726	2,316,849	-	7,277,575
Corporate bonds	5,397,109	-	5,397,109	-	6,838,311	12,235,420
Corporate equities, preferred	871,763	-	871,763	-	-	871,763
Corporate equities, common	132,688,136	-	132,688,136	-	16,528,981	149,217,117
Mutual funds	60,996,138	-	60,996,138	-	19,493,499	80,489,637
Municipal bonds	136,147	-	136,147	55,641	-	191,788
Total assets	**211,526,347**	**21,646,472**	**233,172,819**	**5,352,992**	**46,066,939**	**284,592,750**
Liabilities						
Accounts payable	51,196	-	51,196	1,500	-	52,696
Due to other funds	21,646,472	-	21,646,472	-	-	21,646,472
Total liabilities	21,697,668	-	21,697,668	1,500	-	21,699,168
Net position						
Held in trust for pension benefits	189,828,679	-	189,828,679	5,351,492	-	195,180,171
Held in trust for postemployment healthcare benefits	-	21,646,472	21,646,472	-	46,066,939	67,713,411
Total net position	**$189,828,679**	**$21,646,472**	**$211,475,151**	**$ 5,351,492**	**$46,066,939**	**$262,893,582**

CITY OF TROY, MICHIGAN

Combining Statement of Changes in Net Position

Fiduciary Funds

For the Year Ended June 30, 2014

	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
	Pension	Health Care	Total			
Additions						
Contributions						
Employer contributions	$ 1,867,473	$ -	$ 1,867,473	$ 1,078,500	$ 4,602,652	$ 7,548,625
Employee contributions	174,214	-	174,214	-	-	174,214
Total contributions	2,041,687	-	2,041,687	1,078,500	4,602,652	7,722,839
Investment income						
Interest	654,571	119,386	773,957	198,185	1,791,531	2,763,673
Dividends	3,943,349	-	3,943,349	-	-	3,943,349
Net adjustment in fair value	31,070,071	-	31,070,071	88,478	3,654,753	34,813,302
Total investment earnings	35,667,991	119,386	35,787,377	286,663	5,446,284	41,520,324
Total additions	**37,709,678**	**119,386**	**37,829,064**	**1,365,163**	**10,048,936**	**49,243,163**
Deductions						
Benefits	10,955,507	4,700,286	15,655,793	1,379,391	-	17,035,184
Administrative expenses	242,023	-	242,023	12,420	30,300	284,743
Total deductions	**11,197,530**	**4,700,286**	**15,897,816**	**1,391,811**	**30,300**	**17,319,927**
Change in net position	**26,512,148**	**(4,580,900)**	**21,931,248**	**(26,648)**	**10,018,636**	**31,923,236**
Net position held in trust, beg. of year for						
Pension benefits	163,316,531	-	163,316,531	5,378,140	-	168,694,671
Postemployment healthcare benefits	-	26,227,372	26,227,372	-	36,048,303	62,275,675
Total net position held in trust, beginning of year	163,316,531	26,227,372	189,543,903	5,378,140	36,048,303	230,970,346
Net position held in trust, end of year for						
Pension benefits	189,828,679	-	189,828,679	5,351,492	-	195,180,171
Postemployment healthcare benefits	-	21,646,472	21,646,472	-	46,066,939	67,713,411
Total net position held in trust, end of year	**$189,828,679**	**$21,646,472**	**$211,475,151**	**$ 5,351,492**	**$46,066,939**	**$262,893,582**

CITY OF TROY, MICHIGAN

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and investments	$ 2,638,967	$ 182,172,842	$ (181,891,755)	$ 2,920,054
Taxes receivable	969,933	185,851,718	(185,901,395)	920,256
Total assets	**$ 3,608,900**	**$ 368,024,560**	**$ (367,793,150)**	**$ 3,840,310**
Liabilities				
Accounts payable	$ 28,290	$ 186,482,769	$ (186,450,659)	$ 60,400
Performance deposits	3,580,610	1,835,239	(1,635,939)	3,779,910
Total liabilities	**$ 3,608,900**	**$ 188,318,008**	**$ (188,086,598)**	**$ 3,840,310**

CITY OF TROY, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet

Downtown Development Authority

June 30, 2014

	Operating	Debt Service	Total	Adjustments	Net Position
Assets					
Cash and investments	$ 210,741	$ -	$ 210,741	$ -	$ 210,741
Receivables					
Taxes receivable	39,280	-	39,280	-	39,280
Total assets	**$ 250,021**	**$ -**	**$ 250,021**	**-**	**250,021**
Liabilities					
Accounts payable	$ 93,861	$ -	$ 93,861	-	93,861
Interest payable	-	-	-	116,427	116,427
Noncurrent liabilities					
Due within one year	-	-	-	260,000	260,000
Due after one year	-	-	-	14,685,000	14,685,000
Total liabilities	**93,861**	**-**	**93,861**	**15,061,427**	**15,155,288**
Deferred inflows of resources					
Unavailable property taxes	39,279	-	39,279	(39,279)	-
Deferred gain on refunding	-	-	-	471,755	471,755
Total deferred inflows of resources	**39,279**	**-**	**39,279**	**432,476**	**471,755**
Fund balance					
Restricted					
Debt service	-	-	-	-	-
Operations	116,881	-	116,881	(116,881)	-
Total fund balances	**116,881**	**-**	**116,881**	**(116,881)**	**-**
Total liabilities, deferred inflows of resources and fund balances	**$ 250,021**	**$ -**	**$ 250,021**		
Net position (deficit)					
Restricted				(15,377,022)	(15,377,022)
Total net position (deficit)				**$(15,377,022)**	**$(15,377,022)**

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
Downtown Development Authority
June 30, 2014

Fund balances - total governmental funds	**$ 116,881**
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	39,279
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	(116,427)
Deduct: deferred gain on refunding	(471,755)
Deduct: debt reimbursement payable - current portion	(260,000)
Deduct: debt reimbursement payable - long-term portion	(14,685,000)
Net position of governmental activities	**$(15,377,022)**

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances

Downtown Development Authority

For the Year Ended June 30, 2014

	Operating	Debt Service	Total	Adjustments	Net Position
Revenues					
Property taxes	$ 291,837	$ -	$ 291,837	$ (7,962)	$ 283,875
Investment earnings	653	-	653	-	653
Total revenues	**292,490**	**-**	**292,490**	**(7,962)**	**284,528**
Expenditures/expenses					
Economic development	177,365	-	177,365	-	177,365
Debt service:					
Interest	-	412,221	412,221	380,013	792,234
Total expenditures/expenses	**177,365**	**412,221**	**589,586**	**380,013**	**969,599**
Revenues over (under) expenditures	115,125	(412,221)	(297,096)	(387,975)	(685,071)
Other financing sources (uses)					
Transfers in	2,255	499	2,754	(2,754)	-
Transfers out	(499)	(2,255)	(2,754)	2,754	-
Proceeds from Primary Government	-	15,440,343	15,440,343	(15,440,343)	-
Payments to Escrow Agent	-	(17,866,244)	(17,866,244)	17,866,244	-
Total other financing sources (uses)	**1,756**	**(2,427,657)**	**(2,425,901)**	**2,425,901**	**-**
Net change in fund balances/ net position	**116,881**	**(2,839,878)**	**(2,722,997)**	**2,037,926**	**(685,071)**
Fund balance/net position (deficit), beginning of year	-	2,839,878	2,839,878	(17,531,829)	(14,691,951)
Fund balance/net position (deficit), end of year	**$ 116,881**	**$ -**	**$ 116,881**	**$ (15,493,903)**	**$ (15,377,022)**

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, 2014

Net change in fund balances - total governmental funds	**$ (2,722,997)**
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	(7,962)
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.	
Deduct: payments to escrow agent	17,866,244
Pledged revenues to the primary government to reimburse principal and interest payments are not reported in fund financial statements as they do not represent a current financial source, but are considered revenue in the statement of activities.	
Deduct: pledged revenues	(15,440,343)
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.	
Deduct: increase in accrued interest expense	(380,013)
Change in net position of governmental activities	**$ (685,071)**

CITY OF TROY, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet

Local Development Financing Authority

June 30, 2014

	Operating	Adjustments	Net Assets
Assets			
Cash and investments	$ 117,998	$ -	$ 117,998
Liabilities			
Accounts payable	$ 1,503	-	1,503
Fund balance			
Restricted	116,495	(116,495)	-
Total liabilities and fund balance	$ 117,998		
Net position			
Restricted		116,495	116,495
Total net position		**$ 116,495**	**$ 116,495**

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

Local Development Financing Authority

For the Year Ended June 30, 2014

	Operating	Adjustments	Statement of Activities
Revenues			
Property taxes	$ 184,442	$ -	$ 184,442
Investment earnings	724	-	724
Total revenues	**185,166**	**-**	**185,166**
Expenditures/expenses			
Economic development	83,453	-	83,453
Net change in fund balance/net position	**101,713**	**-**	**101,713**
Fund balance/net position, beginning of year	14,782	-	14,782
Fund balance/net position, end of year	**$ 116,495**	**$ -**	**$ 116,495**

CITY OF TROY, MICHIGAN

Statement of Net Position and Governmental Funds Balance Sheet

Brownfield Redevelopment Authority

June 30, 2014

	Operating	Adjustments	Statement of Net Position
Assets			
Cash and investments	$ 274,326	$ -	$ 274,326
Revolving loans receivable	463,495	-	463,495
Total assets	$ 737,821	-	737,821
Deferred inflows of resources			
Unavailable revenue - loans receivable	$ 463,495	(463,495)	-
Fund balance			
Restricted	274,326	(274,326)	-
Total liabilities, deferred inflows and fund balance	$ 737,821		
Net Position			
Restricted		737,821	737,821
Total net position		**$ 737,821**	**$ 737,821**

Reconciliation:
Fund Balance for Governmental Fund
to Net Position of Governmental Activities

Fund balance - governmental fund	**$ 274,326**
Amounts reported for governmental activities in statement of net position are different 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.	463,495
Net position of government activities	**$ 737,821**

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

Brownfield Redevelopment Authority
For the Year Ended June 30, 2014

	Operating	Adjustments	Statement of Activities
Revenues			
Property taxes	$ 2,740	$ -	$ 2,740
Investment earnings	2,572	-	2,572
Total revenues	**5,312**	**-**	**5,312**
Expenditures/expenses			
Community and economic development	470,530	(463,495)	7,035
Net change in fund balance/net position	**(465,218)**	**463,495**	**(1,723)**
Fund balance/net position, beginning of year	739,544	-	739,544
Fund balance/net position, end of year	**$ 274,326**	**$ 463,495**	**$ 737,821**

Reconciliation:
Net Changes in Fund Balance of Governmental Fund to Change in Net Position of Statement of Activities

Net change in fund balance - governmental activities	**$ (465,218)**
Amount reported for governmental activities in statement of activities are different because:	
Revolving loan disbursements are a reduction of current financial resources in changes in fund balance, but are not recognized as a reduction in net position in the statement of activities.	463,495
Change in net position of governmental activities	**$ (1,723)**

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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.	135
Revenue Capacity	These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	141
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.	145
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.	151
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.	153
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.	160

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

CITY OF TROY, MICHIGAN

Net Position by Component
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Investment in capital assets	$122,746,020	$159,749,955	$153,793,099	$157,447,608	$164,045,115	$170,829,690	$174,656,911	$175,292,324	$179,616,224	$168,722,287
Restricted	50,227,946	33,017,038	34,119,273	34,552,624	31,704,901	26,293,289	19,293,248	16,096,939	18,414,931	25,024,969
Unrestricted	32,494,032	34,533,448	33,414,001	31,970,878	30,192,218	33,877,687	38,429,041	48,526,117	54,304,874	65,673,197
Total governmental activities net position	$205,467,998	$227,300,441	$221,326,373	$223,971,110	$225,942,234	$231,000,666	$232,379,200	$239,915,380	$252,336,029	$259,420,453
Business-type activities										
Investment in capital assets	$102,045,725	$102,621,738	$105,920,417	$107,889,998	$111,070,571	$116,929,920	$117,612,994	$118,170,260	$117,311,016	$118,730,653
Unrestricted	40,036,148	42,421,282	43,142,406	46,259,322	44,948,474	43,046,756	45,052,579	47,550,528	51,044,950	48,878,034
Total business-type activities net position	$142,081,873	$145,043,020	$149,062,823	$154,149,320	$156,019,045	$159,976,676	$162,665,573	$165,720,788	$168,355,966	$167,608,687
Primary government										
Investment in capital assets	$224,791,745	$262,371,693	$259,713,516	$265,337,606	$275,115,686	$287,759,610	$292,269,905	$293,462,584	$296,927,240	$287,452,940
Restricted	50,227,946	33,017,038	34,119,273	34,552,624	31,704,901	26,293,289	19,293,248	16,096,939	18,414,931	25,024,969
Unrestricted	72,530,180	76,954,730	76,556,407	78,230,200	75,140,692	76,924,443	83,481,620	96,076,645	105,349,824	114,551,231
Total primary government net position	$347,549,871	$372,343,461	$370,389,196	$378,120,430	$381,961,279	$390,977,342	$395,044,773	$405,636,168	$420,691,995	$427,029,140

CITY OF TROY, MICHIGAN

Changes in Net Position
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	$ 12,047,579	$ 11,734,897	$ 12,601,536	$ 9,719,442	$ 10,093,396	$ 10,480,528	$ 10,057,545	$ 9,677,191	$ 8,459,810	$ 9,875,913
Public safety	27,736,351	28,703,542	30,436,286	31,450,783	31,597,944	31,300,208	30,776,101	27,228,933	26,878,737	28,860,117
Public works	16,475,289	18,372,828	20,864,379	16,064,613	15,869,334	15,000,517	14,812,707	13,703,006	13,626,846	15,478,239
Sanitation	4,433,033	4,367,093	4,529,666	3,893,842	3,961,658	3,994,706	4,110,330	4,216,260	4,331,500	4,267,388
Community and economic development	519,845	2,058,782	149,357	2,013,127	1,838,697	1,460,081	1,030,929	854,593	1,366,075	16,303,702
Recreation and culture	16,059,077	15,924,318	15,189,313	14,209,839	14,872,286	12,573,922	9,865,320	8,812,144	9,145,272	9,432,683
Interest on long-term debt	3,222,419	1,686,805	1,618,860	1,572,470	1,440,456	650,484	665,356	1,101,675	1,019,021	1,065,510
Total governmental activities expenses	$ 80,493,593	$ 82,848,265	$ 85,389,397	$ 78,924,116	$ 79,673,771	$ 75,460,446	$ 71,318,288	$ 65,593,802	$ 64,827,261	$ 85,283,552
Business-type activities:										
Water	$ 13,307,382	$ 13,839,024	$ 13,951,978	$ 13,808,288	$ 12,704,768	$ 12,474,578	$ 12,439,089	$ 13,904,820	$ 14,434,204	$ 15,479,500
Sanitary sewer	8,980,641	9,682,048	9,705,247	9,576,883	9,046,402	9,145,016	10,400,332	11,767,038	12,215,434	12,864,584
Aquatic center	561,096	638,837	688,236	592,653	597,942	561,343	565,873	566,978	543,834	531,369
Sylvan Glen Golf course	1,106,041	1,109,119	1,085,421	1,110,038	1,098,361	1,087,120	1,021,420	1,061,139	1,052,043	1,096,974
Sanctuary Lake Golf course	1,751,721	1,730,874	1,683,553	1,624,625	1,634,836	1,632,244	1,523,616	1,821,384	1,676,239	1,735,921
Total business-type activities expenses	$ 25,706,881	$ 26,999,902	$ 27,114,435	$ 26,712,487	$ 25,082,309	$ 24,900,301	$ 25,950,330	$ 29,121,359	$ 29,921,754	$ 31,708,348
Total primary government expenses	$106,200,474	$109,848,167	$112,503,832	$105,636,603	$104,756,080	$100,360,747	$ 97,268,618	$ 94,715,161	$ 94,749,015	$116,991,900
Program revenues										
Governmental activities:										
Charges for services:										
General government	$ 3,213,382	$ 2,101,074	$ 2,245,026	$ 2,391,745	$ 2,277,395	$ 2,792,387	$ 3,017,126	$ 3,039,578	$ 3,114,515	$ 3,241,183
Public safety	2,694,665	2,925,740	3,059,322	3,132,235	2,579,487	2,606,050	2,912,838	3,219,618	3,545,823	4,076,054
Public works	1,380,977	1,361,164	1,927,982	1,613,717	1,579,964	1,912,056	1,696,240	2,357,325	2,223,031	2,634,542
Sanitation	1,410	44,765	2,275	3,510	6,993	4,796	4,860	5,700	6,012	6,358
Recreation and culture	4,080,652	4,338,069	4,546,308	4,617,520	4,398,056	4,484,145	3,850,470	3,444,462	3,651,142	3,536,383
Operating grants and contributions	491,224	1,079,243	932,693	979,113	967,159	1,057,307	1,474,950	912,173	1,196,458	835,352
Capital grants and contributions	9,469,923	6,527,476	6,552,433	6,870,969	9,963,345	8,590,800	6,895,652	6,723,177	10,435,694	23,832,070
Total governmental activities program revenues	$ 21,332,233	$ 18,377,531	$ 19,266,039	$ 19,608,809	$ 21,772,399	$ 21,447,541	$ 19,852,136	$ 19,702,033	$ 24,172,675	$ 38,161,942

continued...

(Continued)	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services:										
Water	$ 13,518,168	$ 15,595,766	$ 14,652,417	$ 15,684,590	$ 13,227,113	$ 13,968,516	$ 14,139,274	$ 15,923,727	$ 15,965,202	$ 15,078,684
Sanitary sewer	9,623,410	10,114,977	11,291,515	11,612,763	9,750,202	10,372,640	11,917,175	13,177,412	12,978,863	12,451,888
Aquatic center	278,125	310,428	322,111	438,432	486,671	451,670	503,685	577,757	481,424	532,293
Sylvan Glen Golf course	1,198,744	1,055,142	1,125,895	1,137,679	1,178,497	1,128,192	1,024,216	1,290,051	1,173,838	984,908
Sanctuary Lake Golf course	962,132	1,173,020	1,052,986	985,503	923,692	968,687	940,775	1,442,755	1,295,277	1,335,433
Capital grants and contributions	633,491	727,343	1,012,829	643,394	1,025,250	299,239	221,561	150,603	528,416	262,237
Total business-type activities program revenues	$ 26,214,070	$ 28,976,676	$ 29,457,753	$ 30,502,361	$ 26,591,425	$ 27,188,944	$ 28,746,686	$ 32,562,305	$ 32,423,020	$ 30,645,443
Total primary government program revenues	$ 47,546,303	$ 47,354,207	$ 48,723,792	$ 50,111,170	$ 48,363,824	$ 48,636,485	$ 48,598,822	$ 52,264,338	$ 56,595,695	$ 68,807,385
Net (Expense)/Revenue										
Governmental activities	$ (59,161,360)	$ (64,470,734)	$ (66,123,358)	$ (59,315,307)	$ (57,901,372)	$ (54,012,905)	$ (51,466,152)	$ (45,891,769)	$ (40,654,586)	$ (47,121,610)
Business-type activities	507,189	1,976,774	2,343,318	3,789,874	1,509,116	2,288,643	2,796,356	3,440,946	2,501,266	(1,062,905)
Total primary government net expense	$ (58,654,171)	$ (62,493,960)	$ (63,780,040)	$ (55,525,433)	$ (56,392,256)	$ (51,724,262)	$ (48,669,796)	$ (42,450,823)	$ (38,153,320)	$ (48,184,515)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	$ 50,570,501	$ 49,497,560	$ 50,488,216	$ 51,002,080	$ 51,041,101	$ 50,673,061	$ 46,067,375	$ 46,295,903	$ 46,419,615	$ 46,759,393
State-shared revenues	6,906,372	6,844,167	6,635,508	6,633,938	6,313,999	5,615,666	5,615,666	6,136,066	6,279,381	6,435,145
Grants & contrib. not restricted	61,890	24,905	175,543	37,398	103,151	1,207,291	8,652	33,400	50,485	54,535
Interest and investment earnings	2,508,127	3,436,837	4,588,419	3,425,379	1,861,698	785,025	537,935	245,077	185,302	424,286
Miscellaneous	107,486	634,535	118,565	179,109	131,037	163,134	123,038	121,187	140,452	532,674
Transfers	830,140	758,500	(1,856,960)	682,140	704,200	627,160	492,020	596,316	-	-
Total governmental activities	$ 60,984,516	$ 61,196,504	$ 60,149,291	$ 61,960,044	$ 60,155,186	$ 59,071,337	$ 52,844,686	$ 53,427,949	$ 53,075,235	$ 54,206,033
Business-type activities:										
Grants & contrib. not restricted	$ 196,561	$ 212,213	$ 215,292	$ 14,882	$ 616	$ 301	$ -	$ -	$ -	$ -
Interest and investment earnings	910,557	1,530,660	2,104,233	1,963,881	1,064,193	487,698	384,561	210,585	133,912	305,126
Miscellaneous	-	-	-	-	-	4,800	-	-	-	10,500
Transfers	(830,140)	(758,500)	(643,040)	(682,140)	(704,200)	(627,160)	(492,020)	(596,316)	-	-
Total business-type activities	$ 276,978	$ 984,373	$ 1,676,485	$ 1,296,623	$ 360,609	$ (134,361)	$ (107,459)	$ (385,731)	$ 133,912	$ 315,626
Total primary government	$ 61,261,494	$ 62,180,877	$ 61,825,776	$ 63,256,667	$ 60,515,795	$ 58,936,976	$ 52,737,227	$ 53,042,218	$ 53,209,147	$ 54,521,659
Change in Net Position										
Governmental activities	$ 1,823,156	$ (3,274,230)	$ (5,974,067)	$ 2,644,737	$ 2,253,814	$ 5,058,432	$ 1,378,534	$ 7,536,180	$ 12,420,649	$ 7,084,423
Business-type activities	784,167	2,961,147	4,019,803	5,086,497	1,869,725	2,154,282	2,688,897	3,055,215	2,635,178	(747,279)
Total primary government	$ 2,607,323	$ (313,083)	$ (1,954,264)	$ 7,731,234	$ 4,123,539	$ 7,212,714	$ 4,067,431	$ 10,591,395	$ 15,055,827	$ 6,337,144

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	For Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Non-spendable	$ 708,988	$ 618,143	$ 695,992	$ 617,505	$ 623,544	$ 447,720	$ 4,034,119	$ 3,884,686	$ 4,369,038	$ 4,417,528
Restricted	-	-	-	-	-	-	1,508,257	1,514,118	1,525,598	1,534,139
Committed	-	-	-	-	-	3,400,000	3,610,131	1,517,000	2,771,300	6,622,968
Assigned	-	-	-	-	-	9,171,895	5,953,000	3,655,000	3,148,000	3,162,000
Unassigned	23,098,204	26,280,666	24,169,595	23,015,257	20,690,932	10,722,271	12,359,648	23,340,380	24,946,170	21,856,139
Total general fund	$ 23,807,192	$ 26,898,809	$ 24,865,587	$ 23,632,762	$ 21,314,476	$ 23,741,886	$ 27,465,155	$ 33,911,184	$ 36,760,106	$ 37,592,774
All other Governmental Funds										
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 158,200	$ 160,579	$ 224,977
Restricted	50,227,946	33,017,038	34,119,273	34,552,624	31,704,901	8,294,105	12,047,688	15,938,739	18,472,876	21,023,992
Committed	-	-	-	-	-	89,400	7,245,560	2,662,187	3,099,166	3,776,000
Assigned	-	-	-	-	-	17,909,784	-	-	-	-
Total all other governmental funds	$ 50,227,946	$ 33,017,038	$ 34,119,273	$ 34,552,624	$ 31,704,901	$ 26,293,289	$ 19,293,248	$ 18,759,126	$ 21,732,621	$ 25,024,969

CITY OF TROY, MICHIGAN

Changes in Fund Balances, Governmental Funds

Last Ten Years

(Modified Accrual Basis of Accounting)

	For Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Property taxes	$ 51,455,237	$ 49,877,171	$ 50,696,911	$ 51,270,756	$ 51,092,129	$ 50,828,551	$ 46,082,673	$ 46,450,199	$ 46,470,104	$ 46,739,163
Licenses and permits	1,607,445	1,662,592	1,491,958	1,393,635	1,237,191	1,113,809	1,259,748	1,686,633	2,254,775	2,429,459
Intergovernmental - federal	2,928,690	961,366	551,965	1,279,824	4,884,314	3,185,364	2,171,633	1,040,037	5,119,153	3,189,800
Intergovernmental - state	12,944,756	12,073,497	11,805,209	11,990,426	11,345,811	10,494,294	10,504,385	11,384,502	11,673,045	12,238,420
Intergovernmental - local	165,154	891,705	765,823	758,058	465,212	908,398	1,039,709	614,530	786,068	31,209
Charges for services	8,594,731	7,895,033	8,338,480	8,109,915	7,782,945	8,151,713	7,335,759	7,660,204	7,760,295	8,378,616
Fines and forfeits	973,527	994,373	1,243,286	1,483,784	1,054,161	1,226,729	1,277,705	1,154,999	902,183	1,396,241
Investment income	2,213,067	2,947,672	3,942,955	2,782,486	1,592,062	643,073	430,899	186,897	154,351	348,625
Other	2,817,781	1,601,059	2,046,840	1,924,977	1,999,943	3,347,701	1,967,075	2,330,595	2,007,022	2,042,877
Total revenues	83,700,388	78,904,468	80,883,427	80,993,861	81,453,768	79,899,632	72,069,586	72,508,596	77,126,996	76,794,410
Expenditures										
General government	8,978,687	9,002,076	9,118,399	9,181,757	9,167,749	8,562,924	8,232,791	7,499,219	7,409,887	6,621,292
Public safety	27,203,034	27,973,275	29,575,908	30,764,667	31,042,277	30,902,648	29,899,440	26,644,367	27,371,783	28,082,145
Roads and Streets	5,074,870	4,755,184	4,754,166	5,600,748	5,687,378	4,844,712	4,799,035	4,159,761	4,257,865	5,675,847
Other Public Works	2,780,643	2,835,772	2,676,716	2,676,845	2,525,114	2,043,464	1,756,490	1,680,731	1,779,928	-
Sanitation	4,432,841	4,367,093	4,528,962	3,892,487	3,961,794	3,996,065	4,109,985	4,216,324	4,331,560	4,267,898
Community & Economic Dev.	474,591	2,011,275	116,091	115,981	195,216	127,522	148,800	133,712	621,439	18,327,123
Recreation and culture	13,263,560	13,376,722	13,412,739	14,431,267	13,830,413	12,231,424	9,067,491	8,060,815	8,243,322	8,556,099
Capital outlay	14,791,534	18,994,837	11,856,766	12,322,730	17,176,377	17,062,105	14,244,384	11,130,331	13,670,400	13,725,931
Debt service										
Principal	3,109,955	1,736,712	1,917,957	1,968,296	2,225,309	2,304,692	2,496,586	2,536,167	2,626,776	2,691,746
Interest and other charges	3,246,210	1,702,856	1,639,410	1,471,759	1,461,569	1,375,693	1,248,479	1,119,964	1,042,839	1,126,667
Total expenditures	83,355,925	86,755,802	79,597,114	82,426,537	87,273,196	83,451,249	76,003,481	67,181,391	71,355,799	89,074,748
Excess of revenues over (under) expenditures	344,463	(7,851,334)	1,286,313	(1,432,676)	(5,819,428)	(3,551,617)	(3,933,895)	5,327,205	5,771,197	(12,280,338)
Other financing sources (uses)										
Issuance of debt	-	81,089	41,440	3,505,000	181,379	11,321,816	9,110,000	-	-	14,945,000
Proceeds from sale of capital assets	74,985	905,292	748,221	47,902	131,205	-	61,373	-	51,220	273,700
Payments to escrow agents	-	-	-	(3,601,840)	-	(11,261,350)	(9,919,004)	-	-	-
Premium on Debt Issuance	-	-	-	-	-	-	947,639	-	-	-
Transfers in	16,529,331	12,767,350	13,965,781	12,260,233	11,066,116	10,441,542	9,229,240	8,803,101	8,648,930	13,742,158
Transfers out	(15,699,191)	(12,008,850)	(16,972,741)	(11,578,093)	(10,442,591)	(9,934,593)	(8,772,125)	(8,218,400)	(8,648,930)	(13,292,158)
Total other financing sources (uses)	905,125	1,744,881	(2,217,299)	633,202	936,109	567,415	657,123	584,701	51,220	15,668,700
Net change in fund balances	$ 1,249,588	$ (6,106,453)	$ (930,986)	$ (799,474)	$ (4,883,319)	$ (2,984,202)	$ (3,276,772)	$ 5,911,906	$ 5,822,417	$ 3,388,362
Debt service as a percentage of noncapital expenditures	9.3%	5.1%	5.3%	4.9%	5.3%	5.5%	6.1%	6.5%	6.4%	5.1%

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
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
2013	29,612,174	4,446,398	2,962,459	6,481,465	2,917,119	46,419,615
2014	29,591,708	4,647,626	2,982,973	6,526,304	3,010,782	46,759,393

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
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%
2013	44,391,807	43,575,998	98.16%	729,657	44,305,655	99.81%	86,153	0.19%
2014	45,071,690	44,160,748	97.98%	609,614	44,770,362	99.33%	101,328	0.22%

CITY OF TROY, MICHIGAN

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	Art	Total
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
2013 H	6.50	1.53	1.05	0.70	0.70	10.48	10.51	4.65	1.58	3.37	0.59	6.00	0.10	0.20	37.48
2013 NH	6.50	1.53	1.05	0.70	0.70	10.48	22.95	4.65	1.58	3.37	0.59	6.00	0.10	0.20	49.92
2014 H	6.50	1.53	1.09	0.70	0.70	10.52	10.07	4.65	1.59	3.37	0.59	6.00	0.10	0.20	37.09
2014 NH	6.50	1.53	1.09	0.70	0.70	10.52	22.95	4.65	1.59	3.37	0.59	6.00	0.10	0.20	49.97

H - Homestead
NH - Non-Homestead

CITY OF TROY, MICHIGAN

Assessed Value and Taxable Value of Property
Last Ten Fiscal Years

Assessment Date	Levy Date	Fiscal Year Ended	Residential Property	Commercial Property	Industrial Property	Personal Property	Total Gross Taxable Value	Michigan Tax Tribunnels, Board of Reviews and TIFS	Net Taxable Value	Total Direct Tax Rate	Assessed Value	Taxable Value as a Percentage of Assessed Value
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	$ (4,320,315)	$ 5,090,437,908	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	(24,228,168)	5,240,123,382	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	(31,392,191)	5,403,643,251	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	(13,406,312)	5,537,110,125	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	(32,906,185)	5,529,689,825	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	(233,474,545)	5,226,305,391	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	(187,025,599)	4,656,587,413	9.4	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	(115,608,486)	4,333,141,674	10.19	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	(93,614,668)	4,219,077,382	10.48	4,410,108,900	97.79%
12/31/2012	7/01/2013	6/30/2014	2,704,214,970	908,560,198	283,393,700	414,094,580	4,310,263,448	(63,630,562)	4,246,632,886	10.52	4,491,432,340	95.97%
12/31/2013	7/01/2014	6/30/2015	2,790,011,280	878,242,440	277,484,950	425,841,680	4,371,580,350	TBD	4,371,580,350	10.50	4,827,541,740	90.55%

Source: City of Troy Assessing records

Note: The estimated assessed value is calculated using a 12-month sales study updated annually.

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

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

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

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

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

CITY OF TROY, MICHIGAN

Top Ten Principal Taxpayers
Current Year and Nine Years Ago

	Fiscal Year Ended 6/30/2005			Fiscal Year Ended 6/30/2014			
Taxpayer	**Taxable Value**	**Rank**	**Percentage of Total City Taxable Value**	**Taxable Value**	**Rank**	**Percentage of Total City Taxable Value**	**Taxpayer**
Frankel Forbes Cohen	$ 62,372,530	1	1.22%	$ 51,579,130	1	1.20%	*Frankel Forbes Cohen*
Nykel Management	56,361,080	2	1.11%	17,010,500	10	0.39%	Delphi
888 W Big Beaver Associates	32,532,870	7	0.64%	36,713,920	2	0.85%	Urbanical Oakland Mall
Liberty Property L.P.	43,507,780	3	0.85%	25,039,520	4	0.58%	*Nykel Management*
Detroit Edison	33,882,660	5	0.67%	33,483,940	3	0.78%	*Detroit Edison*
Kelly Services	33,786,950	6	0.66%	20,025,150	5	0.46%	CC Troy ASSOC
Riggs & Company (Coumbia Centers)	28,079,400	8	0.55%	19,962,720	6	0.46%	Osprey-Troy Officentre LLC
K-Mart	39,103,450	4	0.77%	17,480,210	9	0.41%	*Kelly Services*
Oakland Mall LLC	28,047,750	9	0.55%	19,696,840	7	0.46%	Nemer Troy Place Realty
Standard Federal Bank (Bank of Am.)	27,759,750	10	0.54%	17,840,330	8	0.41%	Bank of America
Total Top Ten	**$ 385,434,220**			**$ 258,832,260**			**Total Top Ten**
Total % of City T/V			**7.57%**			**6.01%**	**Total % of City T/V**
Total City T/V	**$ 5,094,758,223**			**$ 4,310,263,448**			**Total City T/V**

Underlined & *Italic* appear in both years.

CITY OF TROY, MICHIGAN

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
2005	$ 40,812,271	$ 12,000,000	$ 52,812,271	1.69%	$ 609
2006	39,156,648	11,800,000	50,956,648	1.62%	585
2007	37,280,131	11,600,000	48,880,131	1.55%	558
2008	35,333,976	11,300,000	46,633,976	1.47%	530
2009	33,290,046	11,000,000	44,290,046	1.29%	544
2010	30,670,062	10,700,000	41,370,062	1.21%	509
2011	27,783,479	10,300,000	38,083,479	1.14%	470
2012	25,247,312	9,900,000	35,147,312	1.04%	428
2013	22,620,536	11,160,759	33,781,295	0.99%	408
2014	34,873,790	10,105,000	44,978,790	1.31%	540

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

CITY OF TROY, MICHIGAN

Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures

Last Ten Fiscal Years

Fiscal Year Ended June 30	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures	Percentage of Debt Service to General Government Expenditures
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%
2013	2,420,000	973,354	3,393,354	57,288,668	5.92%
2014	2,480,000	1,090,225	3,570,225	75,062,875	4.76%

Includes General, Special Revenue and Debt Service Funds.

CITY OF TROY, MICHIGAN

Computation of Direct and Overlapping Debt

June 30, 2014

Jurisdiction	Net General Bonded Debt Outstanding	Percentage Applicable to Troy	Amount Applicable to Troy
City of Troy	$ 44,978,790	100.00%	$ 44,978,790
Avondale School District	130,046,600	19.90%	25,879,273
Birmingham School District	182,795,000	3.72%	6,799,974
Bloomfield Hills School District	57,225,000	2.14%	1,224,615
Lamphere School District	9,350,000	14.83%	1,386,605
Royal Oak School District	51,805,000	2.14%	1,108,627
Troy School District	137,655,000	100.00%	137,655,000
Warren School District	144,730,000	8.29%	11,998,117
Oakland County	446,858,171	8.75%	39,100,090
Oakland Intermediate School District	55,625,000	8.23%	4,577,938
Oakland County Community College	3,075,000	8.81%	270,908
Total overlapping debt	1,219,164,771		230,001,146
Total direct and overlapping debt	$ 1,264,143,561		$ 274,979,936

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

CITY OF TROY, MICHIGAN

Computation of Legal Debt Margin

June 30, 2014

Assessed Valuation at December 31, 2012 $ 4,491,432,340

	Annual Net Debt	Percentage of State Equalized Valuation	Legal Margin Amount	Legal Debt Margin
General obligation debt	$ 42,735,000	10.0%	$ 449,143,234	$ 406,408,234
Emergency bonds	-	37.5%	1,684,287,128	1,684,287,128
Special assessment bonds	-	12.0%	538,971,881	538,971,881
Total debt	$ 42,735,000		$ 2,672,402,242	$ 2,629,667,242

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 ($4,491,432,340), 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				
	2005	2006	2007	2008	2009
Debt Limit	$ 633,722,297	$ 652,607,433	$ 660,880,475	$ 642,265,981	$ 622,709,405
Total net debt applicable to limit	(47,405,000)	(45,855,000)	(44,130,000)	(42,220,000)	(40,050,000)
Legal debt margin	$ 586,317,297	$ 606,752,433	$ 616,750,475	$ 600,045,981	$ 582,659,405
Total net debt applicable to the limit as a percentage of debt limit	7.48%	7.03%	6.68%	6.57%	6.43%

	Fiscal Year				
	2010	2011	2012	2013	2014
Debt Limit	$ 583,886,924	$ 498,851,831	$ 454,041,268	$ 441,010,890	$ 449,143,234
Total net debt applicable to limit	(37,460,000)	(34,545,000)	(32,010,000)	(30,420,000)	(42,735,000)
Legal debt margin	$ 546,426,924	$ 464,306,831	$ 422,031,268	$ 410,590,890	$ 406,408,234
Total net debt applicable to the limit as a percentage of debt limit	6.42%	6.92%	7.05%	6.90%	9.51%

CITY OF TROY, MICHIGAN

Pledged Revenue Coverage
Last Ten Fiscal Years

	Building Authority Bonds				
		Debt Service			
Fiscal Year Ended	Collections	Principal	Interest	Total	Coverage (1)
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%
2013	1,295,277	400,000	419,657	819,657	158%
2014	1,335,433	400,000	328,254	728,254	183%

	Michigan Transportation Fund Bonds				
		Debt Service			
Fiscal Year Ended	Collections (1)	Principal	Interest	Total	Coverage
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%
2013	2,521,831	225,000	26,013	251,013	1005%
2014	2,759,611	250,000	13,750	263,750	1046%

	Special Assessment Bonds				
		Debt Service			
Fiscal Year Ended	Collections	Principal	Interest	Total	Coverage (2)
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
2013	-	-	-	-	N/A
2014	-	-	-	-	N/A

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

(2) 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 (3)	Median Age (3)	Number of Households(3)	Average Household Size (3)	Income Per Capita (3)	Income Per Household (1)	Personal Income (millions)	Unemployment Rate (%)(2)	Education Age 25 or Older: High School(3)	Education Age 25 or Older: Bachelor Degree(3)	Education Age 25 or Older: Graduate or Professional Degree (3)
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	41,200	107,532	3,381	7.7	73	57	27
2013	82,853	41.8	33,063	2.61	41,200	107,532	3,414	7.4	73	57	27
2014	83,270	41.8	33,182	2.60	41,209	108,176	3,431	5.9	95	57	27

Source:

(1) U.S. Census - American Fact Finder
(2) Oakland County research services
(3) Southeast Michigan Council of Governments (SEMCOG)

Principal Employers by Industry
Current and Previous Four Years

Industry	2010			2011			2012			2013			2014		
	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	630	1	38.99%	630	1	38.82%	643	1	39.62%	643	1	39.62%	638	1	39.12%
Office	268	2	16.58%	262	2	16.14%	261	2	16.08%	261	2	16.08%	262	2	16.06%
Retail Store (Mall, Plaza, Market, Whse, Discount	128	3	7.92%	149	3	9.18%	150	3	9.24%	150	3	9.24%	154	3	9.44%
Medical Office	80	4	4.95%	85	4	5.24%	85	4	5.24%	85	4	5.24%	84	5	5.15%
Engineering	76	5	4.70%	79	5	4.87%	66	7	4.07%	66	7	4.07%	66	7	4.05%
Restaurant & Fast Food	66	6	4.08%	66	6	4.07%	66	7	4.07%	66	7	4.07%	66	8	4.05%
Apartments	62	7	3.84%	66	6	4.07%	67	6	4.13%	67	6	4.13%	67	6	4.11%
Service (Station, Garage, Booth, Convenience)	56	9	3.47%	51	8	3.14%	58	8	3.57%	58	8	3.57%	58	10	3.56%
Loft (Multi Tenant Industrial)	42	11	2.60%	41	9	2.53%	41	10	2.53%	41	10	2.53%	40	11	2.45%
Bank	28	12	1.73%	29	10	1.79%	30	11	1.85%	30	11	1.85%	32	12	1.96%
Auto Dealership	17	13	1.05%	17	11	1.05%	17	12	1.05%	17	12	1.05%	17	13	1.04%
Warehouse (Storage, Distribution, Transit)	55	10	3.40%	56	7	3.45%	57	9	3.51%	57	9	3.51%	59	9	3.62%
All other	74	8	4.58%	85	4	5.24%	82	5	5.05%	82	5	5.05%	88	4	5.40%
Total commercial/industrial parcels	1,582		97.90%	1,616		99.57%	1,623		100.00%	1,623		100.00%	1,631		100.00%

Source: City Assessor

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CITY OF TROY, MICHIGAN

Operation Indicators by Function/Program

Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Building Inspection										
Permits issued	2,136	1,927	1,696	1,588	1,251	1,185	940	1,699	2,006	2,297
Plans reviewed	1,716	1,600	1,059	920	685	719	908	1,842	2,023	2,641
Executive Administration										
City Manager's Office										
GFOA awards/submittals	3	3	3	3	3	3	2	2	3	3
City Attorney's Office										
District court appearances	6,425	6,531	6,368	6,706	6,840	6,091	6,492	6,612	7,884	7,871
Community Affairs										
New resident packets distributed	775	775	950	830	855	910	943	912	803	790
Press releases sent	412	440	450	465	475	482	487	474	479	482
City Clerk's Office										
Registered voters	54,188	53,792	54,355	56,774	55,989	56,572	55,301	57,470	58,318	56,630
Voter turnout% (November)	77%	25%	63%	24%	79%	22%	57%	27%	74%	27%
Human Resources										
Applications processed	1,156	1,500	1,117	1,762	1,015	365	110	1,566	778	1,274
Job postings	44	50	45	39	37	10	11	30	26	38
Labor contracts settled	1	4	0	1	1	1	6	0	0	3
Engineering										
Engineering										
Soil erosion inspections	2,983	4,570	4,001	1,422	1,626	979	863	772	628	812
Machine traffic counts	128	125	136	136	146	125	93	68	52	43
PASER ratings	Not Avail.	Not Avail.	Not Avail.	Not Avail.	Not Avail.	Not Avail.	Not Avail.	5.8	5.8	5.7

CITY OF TROY, MICHIGAN

Operation Indicators by Function/Program

Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Finance										
Accounting/Risk Management										
Payroll checks processed	23,851	23,800	24,116	27,717	27,346	23,147	22,891	23,091	24,073	24,073
Invoices issued	1,651	1,800	2,200	2,000	3,597	8,354	9,649	10,027	10,033	10,635
Liability claims processed	139	129	114	143	140	85	84	57	53	103
Insurance certificates approved	357	350	386	379	370	364	331	328	348	365
Assessing										
Residential appraisals	1,200	1,600	1,500	1,273	1,439	863	750	500	642	518
Reinspections	1,500	1,250	1,000	800	1,000	600	500	500	892	892
Purchasing										
Value of goods/services purchased	$26.3 mil	$29.0 mil	$30.4 mil	$29.6 mil	$33.8 mil	$31.7 mil	$33.3 mil	$34.2 mil	$34.6 mil	$34.0 mil
% of awards without dispute	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
City Treasurer's Office										
Tax bills processed	65,480	66,220	65,740	66,907	65,798	65,770	65,687	65,900	66,000	66,200
Water bills processed	104,771	106,369	102,000	104,784	104,777	104,807	99,566	101,055	102,272	102,510
Fire										
Fire Department responses	1,188	1,475	1,338	1,154	889	853	1,022	1,090	1,006	1,165
Inspections performed	2,196	2,000	2,210	2,440	2,768	2,543	2,347	2,013	3,154	2,988
Other General Government										
Building Operations										
Requests for service	14,472	16,750	18,900	19,200	18,922	17,280	16,801	12,500	18,550	18,550
Planning										
Site plan reviews	19	21	14	21	9	14	13	8	9	17
Special use requests	6	10	22	13	15	9	8	7	12	3
Parks, Recreation and Culture										
ROW trees trimmed	1,000	1,160	3,215	1,968	2,894	3,168	2,457	2,262	3,508	3,300
Recreation programs	496	496	561	573	587	622	471	468	466	480
Library cards	Not avail.	Not avail.	Not avail.	Not avail.	Not avail.	51,200	50,900	51,000	51,000	46,400

CITY OF TROY, MICHIGAN

Operation Indicators by Function/Program

Last Ten Fiscal Years

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Part 1 Crimes	2,044	2,088	1,890	2,021	1,944	1,837	1,842	1,865	1,670	1,512
Operate while impaired	453	448	520	503	477	396	464	399	506	473
Hazardous traffic citations	11,869	8,903	9,765	9,127	8,178	8,214	7,526	7,385	6,811	6,704
Non-hazardous traffic citations	5,378	3,587	3,093	3,002	3,415	2,888	2,745	3,941	3,681	3,168
Traffic crashes:										
Property damage	2,701	2,648	2,585	2,670	2,336	2,167	2,427	2,434	1,958	3,342
Personal injury	695	571	556	614	564	374	317	386	303	532
Fatal crash	13	3	6	6	5	5	3	2	4	4
Public Works										
Streets & Drains Division										
Requests for service	1,293	744	860	1,602	1,258	1,004	1,188	1,149	1,370	1,774
Water & Sewer Division										
Requests for service	2,650	2,637	2,244	2,147	2,844	2,902	3,379	3,366	4,217	4,434
Sanitary sewers cleaned in feet	1,670,000	2,067,000	1,610,795	2,100,000	2,100,000	1,785,000	1,307,000	2,100,000	1,300,000	1,630,417
Fleet Maintenance										
Work orders	4,137	4,050	4,072	4,000	3,848	3,507	3,217	2,839	2,037	2,532
Vehicle tires replaced	791	600	648	594	604	608	520	566	464	406
Refuse/Resource Recovery										
Tons of refuse collected	48,308	54,500	44,637	35,313	32,951	27,412	27,230	29,816	26,655	27,210
Tons of compost collected	7,804	9,984	7,917	10,753	10,620	12,313	9,690	10,689	8,786	9,743
Information Technology										
Help desk requests	1,620	1,800	2,062	2,136	2,075	2,392	2,498	2,485	2,333	3,079
Golf Course										
Sylvan Glen rounds of golf	51,060	50,820	45,032	42,451	43,892	41,719	40,852	47,293	42,655	37,737
Sanctuary Lake rounds of golf	18,463	25,833	23,729	23,664	24,710	24,757	27,236	33,485	30,301	30,283
Aquatic Center										
Admissions	55,348	50,240	54,519	53,521	48,146	47,738	51,000	54,260	47,940	49,066

CITY OF TROY, MICHIGAN

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	410	423	437	443	443	443	443	435	406	406
Miles of unimproved	4.9	4.9	4.8	4	4	4	4	4	4	4
Sewers										
Miles of combination storm/sanitary	10	10	10	10	10	10	10	10	10	10
Miles of sanitary	386	384	386	394.5	397	398	398	391	392	393
Miles of storm	488	510	542	543	545	545	545	589	625	631
Street Lights										
Detroit Edison owned poles	577	564	564	582	582	580	562	561	562	562
City owned poles	1,707	1,558	1,558	956	956	956	997	1,242	539	539
Water										
Annual distribution in million cubic feet	595	663	614	561	494	449	485	530	539	450
Miles of watermains	547	536	538	539	540	540	540	537	539	537
Number of hydrants	5,610	5,759	5,782	5,830	5,850	5,854	5,870	5,863	5,897	5,930
Parks and Recreation										
Number of developed parks	14	14	14	14	14	14	14	14	15	15
Acres of public parks	735	735	880	880	1000	1000	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	2	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

Source: City Departments

CITY OF TROY, MICHIGAN

Building Construction
Last Ten Fiscal Years

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
2012 - 2013	2,006	permits		146,556,961	estimated value
2013 - 2014	2,297	permits		165,364,134	estimated value

Source: SafeBuilt Inc.

CITY OF TROY, MICHIGAN

Full and Part-Time City Government Employees By Function/Program
Last Ten Fiscal Years

Function/Program	2005		2006		2007		2008		2009		2010		2011		2012		2013		2014	
	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	21	2	21	2	21	2	21	2	17	2	0	0	0	0	0	0	0	0
Executive Administration																				
City Manager's Office	6	0	6	0	5	0	4.5	0	4.5	0	4.5	0	4	4	7	6	7	5	7	7
City Attorney's Office	8	1	8	1	8	1	8	1	8	1	8	1	6	1	7	1	7	1	7	0
City Clerk's Office	6	2	6	2	6	2	6	2	6	2	5	2	3	2	4	2	4	2	4	2
Human Resources	4	1	4	1	4	1	4	1	4	1	4	1	2	1	2	1	3	1	4	1
Community Affairs	3	9	3	6	3	6	3	6	3	6	1	6	0	0	0	0	0	0	0	0
Engineering																				
Engineering	23	7	23	6	23	6	22	6	21	6	16	5	12	3	10	4	11	3	11	3
Finance																				
Accounting/Risk Management	10.5	0	10.5	0	10.5	0	10.5	0	10.5	0	9.5	0	4	1	4	3	6	1	6	2
Assessing	8	2	8	2	8	2	8	2	8	2	8	1	6	1	6	1	6	1	7	1
Purchasing	3	1	3	1	3	1	3	1	3	1	3	1	2	0	0	1	2	1	2	1
City Treasurer's Office	4.5	0	4.5	0	4.5	0	4.5	0	3.5	0	3.5	0	3	0	4	0	3	1	3	1
Fire																				
Fire	14	2	14	2	14	2	14	2	13	2	13	2	10	6	11	6	11	6	11	6
Library/Museum																				
Library	20	88	20	88	17	98	16	98	16	96	15	93	5	61	6	68	5	71	9	82
Museum	2	9	2	9	2	9	2	9	2	9	2	9	0	0	0	0	0	0	0	0

Continued.....

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

Last Ten Fiscal Years

	2005		2006		2007		2008		2009		2010		2011		2012		2013		2014	
	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	4	1	3.5	0	3.5	0	3.5	0	0	0	0	0	0	0	0	0
Building Operations	12	2	12	2	12	2	12	2	12	2	11	2	6	0	6	3	7	3	7	4
Planning	5	0	5	0	5	0	5	0	5	0	3	0	4	2	4	2	4	2	4	2
Police																				
Sworn Police Officers	102		99		98		94		95		95		94		73		74		69	
Command	35		36		34		36		29		27		24		23		22		21	
Other	57	13	59	13	61	14	62	18	68	18	66	18	35	22	44	32	44	35	47	31
Parks & Recreation																				
Parks & Recreation	35	128	35	128	34	212	34	206	32	206	32	181	15	155	12	190	11	182	11	195
Public Works																				
Streets & Drains Division	34.5	19	32.5	18	31.5	18	31.5	18	31.5	18	28.5	18	24.5	2	20.5	11	20.5	8	22.5	9
Water & Sewer Division	35	6	35	6	34	7	34	7	34	7	34	7	31	0	31	6	31	6	33	6
Fleet Maintenance	18	2	18	2	18	2	18	2	18	2	18	2	11	2	11	4	14	3	12	6
Refuse/Resource Recovery	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	0.5	0	0.5	0	0.5	0	0.5	0
Information Technology																				
Information technology	9	0	9	0	9	0	9	0	9	2	9	2	8	1	8	1	8	1	9	0
Golf Course																				
Golf course	5	54	5	72	5	72	5	71	5	71	5	54	0	0	0	0	0	0	0	0
Aquatic Center																				
Aquatic center	0	74	0	74	0	74	0	74	0	88	0	88	0	50	0	37	0	45	0	42
Total Employees	**488**	**422**	**485**	**437**	**476**	**533**	**472**	**529**	**467**	**543**	**443**	**496**	**310**	**314**	**294**	**379**	**301**	**378**	**307**	**401**

Source: City Department of Human Resources

CITY OF TROY, MICHIGAN

State Shared Revenues
Last Ten Fiscal Years

Fiscal Year Ended June 30	State Shared Revenue
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
2013	6,279,381
2014	6,435,145

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	
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
2013	3,623,451	1,420,210	5,043,661
2014	3,963,956	1,555,266	5,519,222

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	6/30/2016	61
Michigan Association of Police - Clerical, Police Services Aides	6/30/2015	43
Troy Command Officers Association - Command Police Officers	6/30/2019	20
Troy Police Officers Association - Police Officers	6/30/2015	69
Troy Firestaff Officers Association - Fire Career Professionals	6/30/2019	9
Troy Communication Supervisors Association - Civilian Communications Supervisors	6/30/2016	7

Source: City Department of Human Resources

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SINGLE AUDIT

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Rehmann

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

November 26, 2014

To the Honorable Mayor and City Council of the
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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 26, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Circular A-133, and is 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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CITY OF TROY, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Urban and Community Forestry (UCF) Grants Program	10.675	(MI)DNR	CARP13-14	$ 5,000
U.S. Department of Commerce				
NOAA Great Lakes Restoration Projects Grant	11.463	Direct	NA12NMF4630242	985,000
U.S. Department of Housing and Urban Development				
Community Development Block Grant	14.218	OAK	172170	58,778
U.S. Department of Justice				
Bulletproof Vest Grant	16.607	Direct	N/A	3,300
Byrne JAG Grant 2013-DJ-BX-0109	16.738	MSP	72453-1-14-B	10,000
Total U.S. Department of Justice				13,300
U.S. Department of Transportation				
Troy Multi Modal Transit Facility				
ARRA - Contract # 2011-0231, Project # 113143, Agenda: CAB	20.319	MDOT	20110276	1,704,370
Total Expenditures of Federal Awards				**$ 2,766,448**

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, 2014. 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
(MI)DNR	Michigan Department of Natural Resources
MSP	Michigan State Police

4. RECONCILIATION OF FEDERAL REVENUES REPORTED IN GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal sources per Governmental Funds Schedule of Revenues, Expenditures and Changes in Fund Balances	$ 3,189,800
Less reimbursements for previous year expenditures subsequently determined eligible for reimbursement from federal sources	(423,352)
Total Expenditures of Federal Awards	**$ 2,766,448**

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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 26, 2014

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

We have audited, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

November 26, 2014

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *City of Troy, Michigan* (the "City") 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's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance 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, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe that a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rehmann Robson LLC

CITY OF TROY, MICHIGAN

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified			
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:	Unmodified			
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
11.463	NOAA Great Lakes Restoration Projects Grant

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, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters reported.

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Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2014

No matters were reported.

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