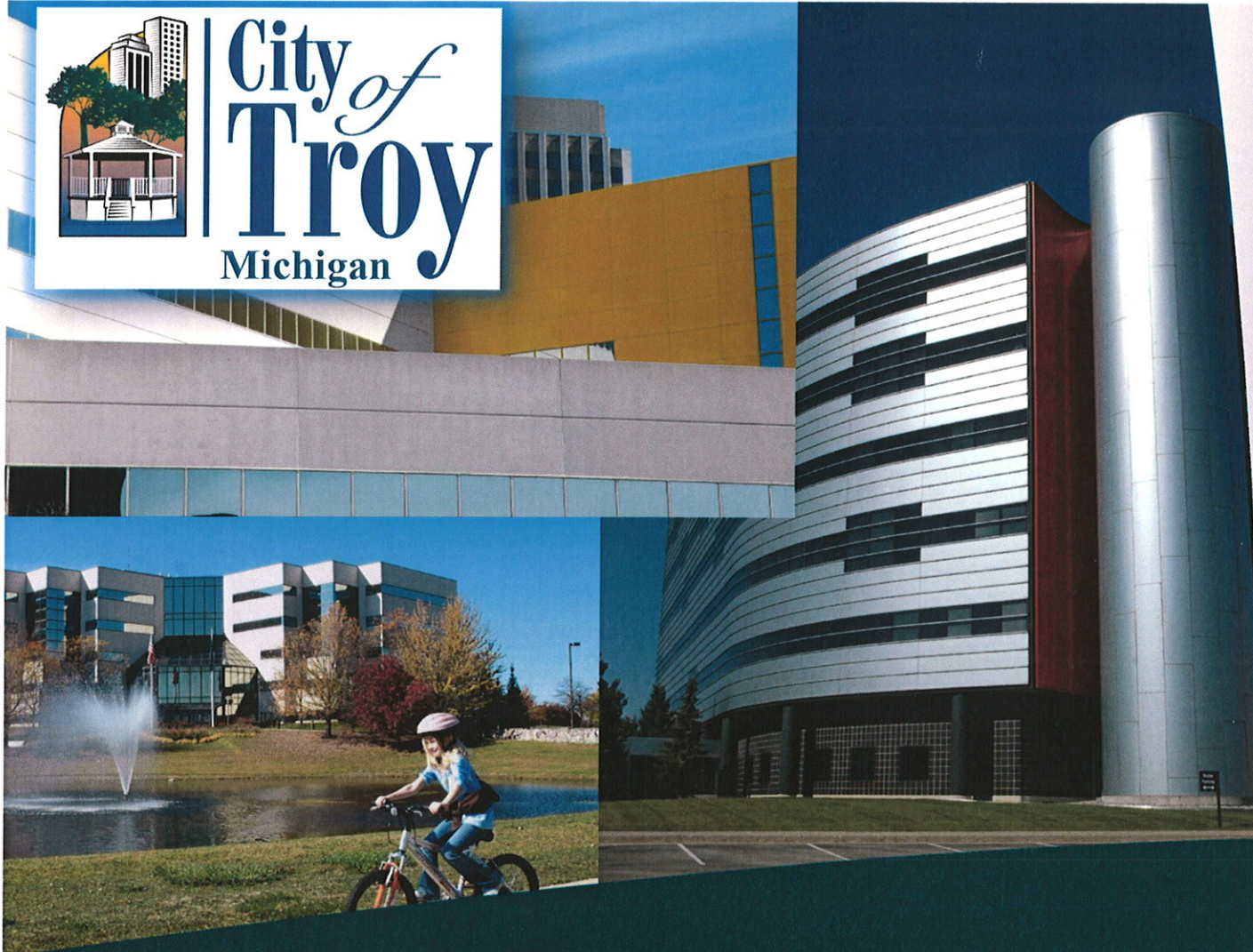




City
of
Troy
Michigan



Comprehensive Annual Financial Report

For the Year Ended June 30, 2010



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010

CITY COUNCIL

Mayor

Louise E. Schilling

Mayor Pro Tem

Mary Kerwin

Council Members

Robin Beltramini

Wade Fleming

Martin F. Howrylak

Maureen M. McGinnis

Dane M. Slater

ADMINISTRATION

City Manager

John Szerlag

Assistant City Manager/Finance and Administration

John M. Lamerato

Financial Services Director

James A. Nash



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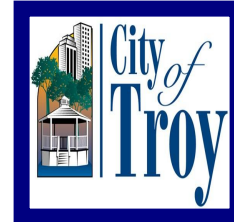
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December 13, 2010

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, 2010 is hereby submitted. The report represents a comprehensive and detailed picture of our financial transactions during fiscal year 2009/10 and the financial condition of the various funds as of fiscal year end. This report was prepared by a team of City staff led by John M. Lamerato, Assistant City Manager/Finance and Administration. Troy's staff is responsible for the accuracy of data and completeness and fairness of the presentation, including all disclosures.

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

	<u>July 2010</u>
Troy	11.9%
Metro Area*	15.2%
Michigan	14.0%
National	9.7%
Oakland County	13.5%

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

The growth in taxable value has slowed and even turned negative in recent years indicative of the overall real estate market compared to the 1980s and 1990s and had an 11.3% decrease in 2010, which is expected of a more mature community. In 2009, our taxable value was \$5,459,779,936. This compares to \$5,562,596,010 in 2008, or a 1.8% decrease. In Michigan, only the City of Detroit has a higher taxable value than the City of Troy. However, in this era of competition for business retention and attraction, we need to advance a preferred future in which residents and businesses continue to aspire to locate here.

The City has expanded upon its budgeting practices by including five-year budget projections and the adoption of a three-year budget. Our approach to funding major capital projects is to accumulate funds over a number of years to avoid the issuance of debt. The City has adopted a policy to maintain our unassigned fund balance at 10% - 17% of the general fund budget.

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

Transit Center

The community is teaming with the City of Birmingham and has secured Federal and State funding to assist in the development of this project. The project will feature a multi-model center for bus, train, cab and limousine service.

ArvinMeritor

For years, Troy has been fortunate to host ArvinMeritor's World Headquarters and Technical Center. The company is planning a complete upgrade to their Technical Center that will involve a \$10 million investment in the plant facility and \$9 million in new machinery and equipment. The company will also create 101 new jobs. In July, ArvinMeritor received approval from the MEGA board for a MEGA tax credit and Troy City Management anticipates receiving an application for a P.A. 198 plant rehabilitation and personal property tax abatement.

AxleTech

AxleTech is a leader in the design and manufacturing of planetary axles used in military, construction and heavy duty vehicles. A former division of ArvinMeritor, AxleTech maintained their headquarters in Troy. In 2008, AxleTech was acquired by General Dynamics and the company decided to consolidate some of their operations. Troy staff worked for over two years to retain AxleTech in its community and find a location that met their consolidation needs. In partnership with the MEDC and Oakland County, we were able to prepare an incentive package that made AxleTech chose Troy, Michigan. The company is leasing, and recently moved in to, a 200,000 square foot industrial building on Rochester Road where it houses its brake division, aftermarket warehousing, engineering and headquarters operations. The company has already created 200 jobs and plans to continue to add to this growth.

FINANCIAL INFORMATION

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

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

Single Audit

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

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

Budgeting Controls

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

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

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

General Government Functions

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

This letter of transmittal is designed to 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 increased 1.8% from the prior year. Property taxes in the general fund decreased by .3%.

State sources decreased this year by \$733,784 or 11.3%; \$5,755,214 from \$6,488,998. State shared revenue is the major source of this revenue, which is a return to local governments of a portion of state sales tax and is not restricted to use. The State of Michigan budget problems resulted in a reduction of the statutory portion of this allocation.

Licenses and permits were down 10.0% due to a decrease in the issuance and value of building permits and right-of-way permits. Fines and forfeitures were up 16.5%. Charges for services revenue increased by 6.8% due primarily to engineering fees for chargeable projects, and right of way use charges. Investment income was down 62.8% due to the corresponding decrease in interest rates.

Total general fund operating expenditures decreased by 5.9%. Full-time employment was reduced by twenty four positions through attrition and lay-offs bringing our total reduction to 48 positions over the last six years.

General Fund Balance

The fund balance of the general fund increased by \$2.4 million to a balance of \$23,741,886. The city refrained from re-appropriating fund balance to balance the 2009/10 Budget. Of the \$23,741,886 fund balance, \$447,720 is non spendable for such items as inventory and prepaid items; \$9,171,895 is assigned for tax appeals, insurance claims and improvements and maintenance; \$1,000,000 is committed for the Volunteer Firefighters Incentive Plan, and \$2,400,000 for the 2010/11 Budget, leaving \$10,722,271 as unassigned. The \$10,722,271 represents 18.5% of our 2010/11 general fund budget. This amount slightly exceeds our 10-17% goal and is considered adequate to provide funds for unforeseen future negative events, and any upcoming budget shortfalls.

Special Revenue Funds

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

Major Street Fund – Gas and weight tax revenues received in this fund from the State of Michigan are used for repairs, maintenance, snow and ice removal, and construction of all streets classified as “major” within the city. The gas and weight taxes generated \$3,337,309 compared to \$3,396,979 last fiscal year. This marks the sixth year in a row of a decrease in this revenue source. The price of gas and more fuel efficient vehicles has caused this reduction.

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

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

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

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

Enterprise Operations

The City operates five separate enterprise operations: water fund, sanitary sewer fund, Aquatic Center fund, Sylvan Glen and Sanctuary Lake golf course funds.

Water Fund - Operating revenues amounted to \$14.0 million, resulting in a increase of \$.8 million from last year. Operating expenses totaled \$12.5 million, a decrease of \$.2 million from last fiscal year. The economy and weather conditions had a significant effect on our water consumption.

Sanitary Sewer Fund - Generated \$10.4 million in operating revenues compared to \$9.8 million last fiscal year. Operating expenses totaled \$9.1 million, compared to \$9.0 million last fiscal year. These rates are reviewed annually during budget time to ensure proper funding for operations and maintenance and improvements to the system.

Aquatic Center - Continues to operate at a loss. The operating loss of \$116,174 compares to a net loss of \$115,190 last fiscal year. Operating revenues decreased by \$35,000 year to year due to a large decrease in seasonal pass sales. Operating expenses decreased by \$34,017. The City has taken measures to increase usage and continues to look at ways to reduce the net loss.

Sylvan Glen Golf Course Fund - Ended the year with an increase in net assets of \$50,389. This amount compares to an increase of \$105,380 last fiscal year.

Sanctuary Lake Golf Course Fund - Ended the year with a decrease in net assets of \$664,226 compared to a \$716,054 decrease in net assets last fiscal year. Steps have been taken to increase play and reduce the loss, with the hiring of Billy Casper Golf to manage and operate both golf courses.

Internal Service Funds

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

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

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

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

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

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

Workers' Compensation Fund – Departments are charged a percentage of payroll based on premiums established by our provider to account for pooled insurance expenses.

Fiduciary Funds

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

Pension Trust – Employees’ Retirement Fund – This fund is used to account for the accumulation of resources for pension benefit payments to qualified general and public safety employees. The employees retirement fund reported end-of-the-year net assets held in trust for pension benefits of \$151,579,785 compared to the beginning amount of \$140,910,654. As of December 31, 2009, the fund is 94.9% funded.

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

Retiree Health Care Trust Fund - The retiree health care trust Fund was established in fiscal year 2006 to account for medical benefits provided to employees during retirement. This fund will accumulate revenue until the reserves are depleted in the employees retirement fund. This plan and trust is created under the authority of the Public Employee Health Care Fund Investment Act, Public Act 149 of 1999.

Agency Fund – This fund is used to account for taxes collected on behalf of other governmental units and contractors’ performance deposits.

Component Units

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

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

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

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

Debt Administration

At June 30, 2010, the City had a number of debt issues outstanding. These issues included \$30,670,062 being serviced by governmental funds and \$10,700,000 by proprietary fund types. Major rating agency Standard and Poor's gave the City a "AAA" rating for our unlimited tax general obligation bonds. Moody's rating is "Aa1" for our unlimited tax general obligation bonds.

Cash Management

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

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

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

Tax Rate Limitations

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

<u>Purpose</u>	<u>Authority</u>	<u>Rate Per \$1,000 of Taxable Value</u>
General Operating	City Charter	\$8.10*
Refuse Collection	Act 298, P.A. of Michigan 1917 as Amended,	3.00*
Disposal	Article IX, Section 56 of Michigan Constitution	
Debt Service	City Charter	Amount Necessary for debt payment

*The maximum permitted general operating and refuse collection and disposal per Headlee Amendment of the Michigan Constitution for fiscal year 2010 was 8.1000 and 2.5522, respectively.

Risk Management

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

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

OTHER INFORMATION

Independent Audit

The City Charter and State statutes require an annual audit of all accounts of the City by certified public accountants. The accounting firm of Rehmann Robson, was selected by the City Council. The City received an "unqualified opinion" from Rehmann Robson, which is the best opinion that an organization can receive on its financial statements. It indicates that the auditor's examination has disclosed no conditions that cause them to believe that the financial statements are not fairly stated in all material respects.

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Troy, Michigan for its CAFR for the fiscal year ended June 30, 2009.

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


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

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

Acknowledgements

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

Respectfully submitted,



John Szerlag, City Manager



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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Troy
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

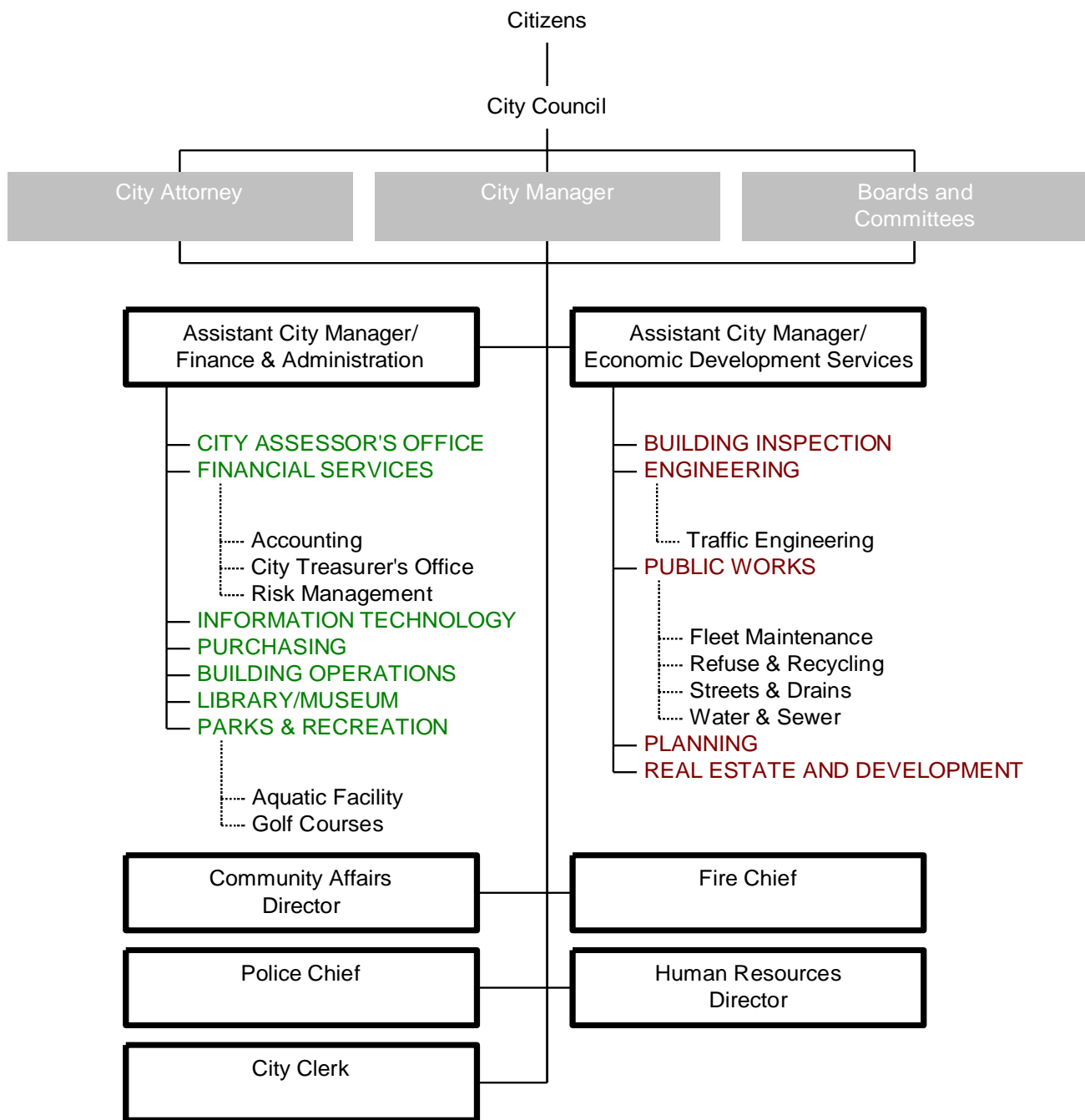


President

Executive Director

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2009/10 ORGANIZATIONAL CHART



**PRINCIPAL
OFFICIALS**

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

FUND ORGANIZATION CHART

Governmental Funds

General*

Debt Service

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

Special Revenue

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

Proprietary Funds

Enterprise

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

Capital Projects*

Permanent

- Cemetery Perpetual Care

Internal Service

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

Fiduciary Funds

Pension Trust

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

Agency

- Agency

Component Units

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

*Major funds under GASB No. 34

Financial Section

INDEPENDENT AUDITORS' REPORT

December 6, 2010

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Troy, Michigan (the "City")***, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Troy, Michigan***, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17, beginning net assets of the sanitary sewer fund have been restated.

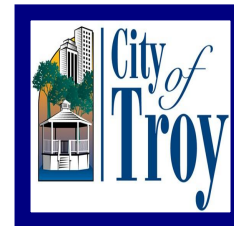
In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis presented on pages 3-10 and the Schedules of Funding Progress and Employer's Contributions on pages 70-75 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Troy's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the transmittal letter, which begins on page VII and the City's financial statements, which begins on page 11.

FINANCIAL HIGHLIGHTS

- The City's combined total net assets are reported as \$391.0 million for the fiscal year ended June 30, 2010, compared to \$381.9 last fiscal year.
- In the City's governmental activities, revenues generated \$80.0 million, while expenses totaled \$75.5 million.
- In the City's business-type activities, revenues generated \$27.7 million, while expenses totaled \$24.9 million.
- The total cost of all of the City's programs, including governmental activities and business-type activities was \$100.4 million, down \$4.3 million from last fiscal year; this compares to a \$.9 million decrease last year.
- Total net assets increased \$7.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

In addition to these required elements, we have included a section with combining statements that provide details about our 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 assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

Governmental Activities – Most of the City's basic services are included here, such as police, fire, public works, parks and recreation, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.

Business-type Activities – The City charges fees to customers to help cover the cost of certain services it provides. The City's business-type activities include water, sanitary sewer, Aquatic Center, and two public golf courses.

FUND FINANCIAL STATEMENTS

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

The City of Troy has three types of funds:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

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

Proprietary Funds – Proprietary funds are used to report services where the City charges customers a fee for services rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds:

- Enterprise funds and business-type activities are the same, but the fund statements provide more detail and additional information such as cash flows.
- Internal service funds are used to report activities that provide supplies and services for the City's other programs. Examples of internal service funds would be motor equipment and information technology.

Fiduciary Funds – The City of Troy is trustee for its employee pension plans. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

THE CITY OF TROY AS A WHOLE

The City's combined total net assets for the fiscal year ended June 30, 2010 is \$391.0 million. Business-type activities comprise \$160.0 million and governmental activities make up \$231.0 million of the total net assets.

Combined unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, is reported as \$77.0 million. \$33.9 million is the amount of unrestricted net assets reported for the City of Troy's governmental activities.

The table on the following page shows the comparison of total assets, total liabilities, and total net assets (in millions of dollars) in a condensed format as of June 30, 2010 to the prior year.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current Assets	\$ 72.0	\$ 73.3	\$ 46.4	\$ 48.3	\$ 118.4	\$ 121.6
Capital Assets	201.5	197.3	127.6	122.1	329.1	319.4
Total Assets	\$ 273.5	\$ 270.6	\$ 174.0	\$ 170.4	\$ 447.5	\$ 441.0
Liabilities:						
Long-term Debt						
Outstanding	\$ 36.5	\$ 39.3	\$ 10.7	\$ 11.0	\$ 47.2	\$ 50.3
Other Liabilities	6.0	5.4	3.3	3.4	9.3	8.8
Total Liabilities	\$ 42.5	\$ 44.7	\$ 14.0	\$ 14.4	\$ 56.5	\$ 59.1
Net Assets:						
Invested in						
Capital Assets,						
Net of Debt	\$ 170.8	\$ 164.0	\$ 116.9	\$ 111.1	\$ 287.7	\$ 275.1
Restricted	26.3	31.7	-	-	26.3	31.7
Unrestricted	33.9	30.2	43.1	44.9	77.0	75.1
Total Net Assets	\$ 231.0	\$ 225.9	\$ 160.0	\$ 156.0	\$ 391.0	\$ 381.9

Total assets increased by \$6.5 million during the year, made up of a increase of \$2.9 million in governmental activities and an increase of \$3.6 million in business type activities. The decrease in current assets was due primarily to the reduction in receivables.

Total liabilities decreased by \$2.6 million primarily due to the reduction in long-term debt through annual debt payments. Other liabilities increased by \$.5 million compared to the prior year.

Net assets show an increase in investments in capital assets net of debt of \$12.6 million and unrestricted net assets increased by \$1.9 million. Restricted net assets decreased by \$5.4 million.

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

The following table shows the comparison of the change in net assets (in millions of dollars) as of June 30, 2010 to the prior year, in a condensed format:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program Revenues:						
Charges for Services	\$ 11.8	\$ 10.8	\$ 26.9	\$ 25.5	38.7	\$ 36.3
Operating Grants & Contributions	1.1	1.0	-	-	1.1	1.0
Capital Grants & Contributions	8.6	10.0	0.3	1.0	8.9	11.0
General Revenues:						
Property Taxes	50.7	51.0	-	-	50.7	51.0
State-shared Revenues	5.6	6.3	-	-	5.6	6.3
Interest Earnings	0.8	1.9	0.5	1.1	1.3	3.0
Other Revenue	1.4	0.2	-	-	1.4	0.2
Total Revenues	\$ 80.0	\$ 81.2	\$ 27.7	\$ 27.6	\$ 107.7	\$ 108.8
Program Expenses:						
General Government	\$ 10.5	\$ 10.1	\$ -	\$ -	\$ 10.5	\$ 10.1
Public Safety	31.3	31.6	-	-	31.3	31.6
Engineering & Public Services	15.0	15.9	-	-	15.0	15.9
Community & Economic Dev	1.5	1.8	-	-	1.5	1.8
Sanitation	4.0	4.0	-	-	4.0	4.0
Recreation and Culture	12.6	14.9	-	-	12.6	14.9
Interest Expense	0.6	1.4	-	-	0.6	1.4
Water	-	-	12.5	12.7	12.5	12.7
Sanitary Sewer	-	-	9.1	9.0	9.1	9.0
Golf Courses	-	-	2.7	2.7	2.7	2.7
Aquatic Center	-	-	0.6	0.6	0.6	0.6
Total Expenses	\$ 75.5	\$ 79.7	\$ 24.9	\$ 25.0	\$ 100.4	\$ 104.7
Inc in Net Assets before Transfers	\$ 4.5	\$ 1.5	\$ 2.8	\$ 2.6	\$ 7.3	\$ 4.1
Transfers	0.6	0.7	(0.6)	(0.7)	-	-
Increase in Net Assets	5.1	2.2	2.2	1.9	7.3	4.1
Net Assets - Beginning of Year as restated	225.9	223.7	157.8	154.1	383.7	377.8
Net Assets - End of Year	\$ 231.0	\$ 225.9	\$ 160.0	\$ 156.0	\$ 391.0	\$ 381.9

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

GOVERNMENTAL ACTIVITIES

The City of Troy's total governmental revenue is reported at \$80.0 million, a decrease of \$1.2 million from the prior year. The decrease is attributable to a reduction in property taxes and state shared revenues.

Expenses decreased by \$4.2 million compared to last fiscal year. The net decrease of \$4.2 million is spread over several divisions, of which \$2.3 million is attributable to recreation and cultural activities. The decrease to those activities was a result of mid-year staff reductions and wage concessions.

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

BUSINESS-TYPE ACTIVITIES

The City of Troy's business-type activities consist of water, sanitary sewer, Aquatic Center, and golf courses. Water and sanitary sewer services classified as major funds are provided to City residents through the Detroit water system and sewerage treatment plants. Change in net assets for business-type activities increased by \$2.2 million. The water and sewer Fund increased by \$1.8 million and \$1.0 million respectively. The City's two golf courses recorded a net decrease in net assets of \$.7 million.

THE CITY OF TROY'S FUNDS

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

The City's general fund fund balance increased by \$2.4 million to a balance of \$23.7 million. The increase was attributable to a one time transfer of excess Brownfield Redevelopment Authority tax increments and reduction in staff of on demand service departments and five percent reduction in pay through the use of furlough days for several employee groups.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Fund balance in the capital projects fund decreased by \$5.0 million due to the timing and completion of various projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, City Council amended the budget to take into account events during the year. The most significant was to recognize the receipt of a federal grant and a private donation from the Kresge Foundation.

Overall expenses for the City were 5.9% or \$3.7 million less than the budgeted amount due to a conservative spending policy, delays in filling vacant positions, reduction of twenty four full-time positions, reduction in benefit levels for new hires and five percent wage reductions in the form of furlough days for several employee groups.

REFUSE FUND BUDGETARY HIGHLIGHTS

The Refuse Fund had revenues of \$3.9 million and expenditures of \$4.0 million. There was a need to draw down \$69,223 from fund balance leaving \$121,239 of fund balance at June 30, 2010. The 2010/11 Budget calls for an increase in the tax rate from .75 mills to .87 mills. Future budgets will require a tax increase in order to cover expenditures because of increased costs and lower taxable value.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2010, the City of Troy had \$287.7 million invested in a broad range of capital assets including land, buildings, police and fire equipment, water and sewer lines, roads, sidewalks, and other infrastructure, net of debt. The increase in capital assets during the year was attributable to the excess of additions in relation to the recognition of depreciation. Additional information about the City's capital assets is presented in Note 1 and Note 5 to the financial statements.

The City of Troy's debt rating is excellent. We maintain a "AAA" rating on unlimited tax general obligation bonds by Standard and Poor's. The City of Troy's bond indebtedness totaled \$41.4 million at June 30, 2010. Additional information about the City's long-term debt can be found in Note 8 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

CURRENT ECONOMIC EVENTS

The City of Troy's budget for 2011 calls for a tax rate of 9.40, a .12 mill increase from the current year. The general operating total tax rate has remained the same or lower since July 1, 1996. Property taxes make up approximately 56% of our general fund budget. Because of the impact of Proposal A, State of Michigan budget woes, and a decrease in taxable values due to the drop in property values, the City of Troy reduced its full-time work force by 55 positions in 2010/11 through attrition and layoffs. The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or five percent.

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

Because most properties decreased in market value due to utilizing a one-year sales study versus two years, the mathematical result of this is that the total taxable value for the City of Troy will result in a reduction of taxable value. With conservative budget forecasting of revenues and realistic expenditure estimates, reduction of workforce, utilization of fund balance and employee concessions, we have a balanced budget.

State shared revenue payments decreased by \$698,333 this past year. When comparing this annual amount to the amount we received five years ago, we are receiving \$2.7 million less. The State is still experiencing financial woes so we have adjusted our revenue forecast to reflect the State's economy, and the likelihood of future reductions.

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

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

CONTACTING THE CITY OF TROY'S MANAGEMENT

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

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

CITY OF TROY, MICHIGAN
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	\$ 45,400,605	\$ 30,463,167	\$ 75,863,772	\$ 10,468,309
Investments	15,554,026	10,188,754	25,742,780	2,355,643
Receivables (net)	7,405,471	7,983,946	15,389,417	82,710
Internal balances	2,818,459	(2,818,459)	-	-
Due from component units	67,485	-	67,485	-
Other assets	761,143	589,291	1,350,434	-
Capital assets				
Assets not being depreciated	42,467,077	18,561,586	61,028,663	-
Assets being depreciated, net	159,032,675	109,068,334	268,101,009	-
Total assets	273,506,941	174,036,619	447,543,560	12,906,662
Liabilities				
Accounts payable	3,070,030	3,234,825	6,304,855	229,689
Accrued payroll	2,568,216	-	2,568,216	-
Accrued liabilities	316,720	50,241	366,961	187,416
Due to primary government	-	-	-	67,485
Unearned revenue	3,171	74,877	78,048	-
Noncurrent liabilities				
Due within one year	5,733,413	400,000	6,133,413	2,065,000
Due in more than one year	30,814,725	10,300,000	41,114,725	22,030,000
Total liabilities	42,506,275	14,059,943	56,566,218	24,579,590
Net assets				
Invested in capital assets, net of related debt	170,829,690	116,929,920	287,759,610	-
Restricted for				
Debt service	3,413,596	-	3,413,596	-
Highways and streets	3,392,466	-	3,392,466	-
Capital projects	17,340,626	-	17,340,626	-
Perpetual care	218,367	-	218,367	-
Other purposes	1,928,234	-	1,928,234	-
Unrestricted (deficit)	33,877,687	43,046,756	76,924,443	(11,672,928)
Total net assets (deficit)	\$ 231,000,666	\$ 159,976,676	\$ 390,977,342	\$ (11,672,928)

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

CITY OF TROY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 10,480,528	\$ 2,792,387	\$ 4,465	\$ -	\$ (7,683,676)
Public safety	31,300,208	2,606,050	148,345	79,897	(28,465,916)
Public works	15,000,517	1,912,056	-	8,426,732	(4,661,729)
Sanitation	3,994,706	4,796	-	-	(3,989,910)
Community and economic development	1,460,081	-	713,473	82,511	(664,097)
Recreation and culture	12,573,922	4,484,145	191,024	1,660	(7,897,093)
Interest on long-term debt	650,484	-	-	-	(650,484)
Total governmental activities	75,460,446	11,799,434	1,057,307	8,590,800	(54,012,905)
Business-type activities					
Water	12,474,578	13,968,516	-	156,179	1,650,117
Sewer	9,145,016	10,372,640	-	143,060	1,370,684
Aquatic center	561,343	451,670	-	-	(109,673)
Sylvan Glen golf course	1,087,120	1,128,192	-	-	41,072
Sanctuary Lake golf course	1,632,244	968,687	-	-	(663,557)
Total business-type activities	24,900,301	26,889,705	-	299,239	2,288,643
Total primary government	\$ 100,360,747	\$ 38,689,139	\$ 1,057,307	\$ 8,890,039	\$ (51,724,262)
Component units					
Downtown development authority	\$ 3,715,364	\$ -	\$ -	\$ -	\$ (3,715,364)
Local development financing authority	236,375	-	-	-	(236,375)
Brownfield redevelopment authority	2,218,055	-	-	-	(2,218,055)
Total component units	\$ 6,169,794	\$ -	\$ -	\$ -	\$ (6,169,794)

continued...

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

CITY OF TROY, MICHIGAN
STATEMENT OF ACTIVITIES (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (54,012,905)	\$ 2,288,643	\$ (51,724,262)	\$ (6,169,794)
General revenues				
Property taxes	36,362,516	-	36,362,516	-
Property taxes for sanitary purposes	3,900,932	-	3,900,932	-
Property taxes for economic development	-	-	-	3,526,616
Property taxes for capital projects	7,957,902	-	7,957,902	-
Property taxes for debt service	2,451,711	-	2,451,711	-
State shared revenue, unrestricted	5,615,666	-	5,615,666	-
Grants and contributions not restricted to specific programs	1,207,291	301	1,207,592	-
Unrestricted investment earnings	785,025	487,698	1,272,723	134,385
Gain on sale of capital assets	163,134	4,800	167,934	-
Transfers - internal activities	627,160	(627,160)	-	-
Total general revenues and transfers	59,071,337	(134,361)	58,936,976	3,661,001
Change in net assets	5,058,432	2,154,282	7,212,714	(2,508,793)
Net assets (deficit), beginning of year, as restated	225,942,234	157,822,394	383,764,628	(9,164,135)
Net assets (deficit), end of year	\$ 231,000,666	\$ 159,976,676	\$ 390,977,342	\$ (11,672,928)

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

CITY OF TROY, MICHIGAN

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2010

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 16,911,309	\$ 12,420,543	\$ 4,512,328	\$ 33,844,180
Investments	3,921,280	3,845,953	3,710,583	11,477,816
Receivables:				
Accounts receivable (net)	583,709	2,837,929	-	3,421,638
Taxes-delinquent	276,178	-	-	276,178
Special assessments	-	346,722	-	346,722
Interest and dividends	726	712	296	1,734
Due from other funds	3,163,089	-	-	3,163,089
Due from component units	67,485	-	-	67,485
Due from other governments	1,977,658	-	1,323,139	3,300,797
Inventory	364,144	-	-	364,144
Prepaid expenditures	83,576	-	-	83,576
Total assets	\$ 27,349,154	\$ 19,451,859	\$ 9,546,346	\$ 56,347,359
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 753,621	\$ 1,939,485	\$ 172,971	\$ 2,866,077
Accrued payroll	2,568,216	-	-	2,568,216
Due to other funds	-	-	420,712	420,712
Other liabilities	9,123	-	-	9,123
Deferred revenue	276,308	171,748	-	448,056
Total liabilities	3,607,268	2,111,233	593,683	6,312,184
Fund balances				
Non-spendable	447,720	-	-	447,720
Restricted	-	130,842	8,163,263	8,294,105
Committed	3,400,000	-	89,400	3,489,400
Assigned	9,171,895	17,209,784	700,000	27,081,679
Unassigned	10,722,271	-	-	10,722,271
Total fund balances	23,741,886	17,340,626	8,952,663	50,035,175
Total liabilities and fund balances	\$ 27,349,154	\$ 19,451,859	\$ 9,546,346	\$ 56,347,359

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

CITY OF TROY, MICHIGAN

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2010

Fund balances - total governmental funds	\$ 50,035,175
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets not being depreciated	42,456,829
Add: capital assets being depreciated	341,639,116
Deduct: accumulated depreciation	(186,310,834)

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

Add: deferred revenues	444,885
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Internal service funds are used by management to charge the costs of certain equipment usage, public service department and retiree health care costs to individual governmental funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in the internal service funds.	14,564,071
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Add: due from business-type activities for internal service fund activities	76,082
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: accrued interest payable	(307,597)
Deduct: bonds payable	(30,670,062)
Deduct: claims incurred but not reported	(926,999)

Net assets of governmental activities	<u>\$ 231,000,666</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF TROY, MICHIGAN

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

FOR THE YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 36,362,516	\$ 7,957,902	\$ 6,508,133	\$ 50,828,551
Licenses and permits	1,113,809	-	-	1,113,809
Intergovernmental				
Federal sources	82,029	2,975,813	127,522	3,185,364
State sources	5,755,214	79,897	4,659,183	10,494,294
Local sources	577,953	330,445	-	908,398
Charges for services	7,681,919	462,258	7,536	8,151,713
Fines and forfeitures	1,226,729	-	-	1,226,729
Investment earnings	267,513	265,389	110,171	643,073
Other	2,711,165	406,348	230,188	3,347,701
Total revenues	55,778,847	12,478,052	11,642,733	79,899,632
Expenditures				
Current				
General government	8,562,924	-	-	8,562,924
Public safety	30,902,648	-	-	30,902,648
Public works	6,888,176	-	-	6,888,176
Sanitation	-	-	3,996,065	3,996,065
Community development	-	-	127,522	127,522
Recreation and culture	12,231,424	-	-	12,231,424
Debt service				
Principal	-	239,692	2,065,000	2,304,692
Interest and fees	-	83,550	1,292,143	1,375,693
Capital outlay	-	17,062,105	-	17,062,105
Total expenditures	58,585,172	17,385,347	7,480,730	83,451,249
Revenues (under) over expenditures	(2,806,325)	(4,907,295)	4,162,003	(3,551,617)
Other financing sources (uses)				
Issuance of debt	-	61,816	11,260,000	11,321,816
Payments to escrow agents	-	-	(11,261,350)	(11,261,350)
Transfers in	5,233,735	2,000,000	3,207,807	10,441,542
Transfers out	-	(2,120,211)	(7,814,382)	(9,934,593)
Total other financing sources (uses)	5,233,735	(58,395)	(4,607,925)	567,415
Net change in fund balances	2,427,410	(4,965,690)	(445,922)	(2,984,202)
Fund balances, beginning of year	21,314,476	22,306,316	9,398,585	53,019,377
Fund balances, end of year	\$ 23,741,886	\$ 17,340,626	\$ 8,952,663	\$ 50,035,175

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

CITY OF TROY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds	\$ (2,984,202)
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Amounts reported for *governmental activities* in the statement of activities are different because:

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

Add: capital outlay	17,085,777
Deduct: depreciation expense	(12,403,604)
Deduct: book basis of capital assets sold	(49,993)

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

Deduct: net difference in deferred revenue	(313,000)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	13,941,799
Deduct: proceeds from bond issuance	(11,321,816)

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

Add: net gain from governmental activities in the internal service funds	1,268,696
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrued interest expense	23,152
Deduct: increase in accrued claims payable	(188,377)

Change in net assets of governmental activities	<u><u>\$ 5,058,432</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF TROY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 35,908,540	\$ 35,908,540	\$ 36,362,516	\$ 453,976
Licenses and permits	1,579,000	1,579,000	1,113,809	(465,191)
Intergovernmental				
Federal sources	6,500	57,500	82,029	24,529
State sources	6,753,100	6,753,100	5,755,214	(997,886)
Local sources	699,900	699,900	577,953	(121,947)
Charges for services	8,067,380	8,067,380	7,681,919	(385,461)
Fines and forfeitures	1,071,000	1,071,000	1,226,729	155,729
Investment earnings	600,000	600,000	267,513	(332,487)
Other	1,586,140	1,606,140	2,711,165	1,105,025
Total revenues	56,271,560	56,342,560	55,778,847	(563,713)
Expenditures				
General government				
Council and executive administration	3,731,120	3,731,120	3,369,619	361,501
Finance	3,150,020	3,150,020	3,124,482	25,538
Other	2,292,290	2,292,290	2,068,823	223,467
Total general government	9,173,430	9,173,430	8,562,924	610,506
Public safety				
Police	25,230,580	25,230,580	24,756,774	473,806
Fire	4,451,610	4,502,610	4,263,605	239,005
Building inspection	2,019,290	2,019,290	1,882,269	137,021
Total public safety	31,701,480	31,752,480	30,902,648	849,832
Public works				
Roads and streets	5,726,110	5,726,110	4,844,712	881,398
Engineering	2,414,420	2,414,420	2,043,464	370,956
Total public works	8,140,530	8,140,530	6,888,176	1,252,354
Culture and recreation				
Parks and recreation	9,027,160	9,027,160	8,325,497	701,663
Library and museum	4,189,200	4,209,200	3,905,927	303,273
Total culture and recreation	13,216,360	13,236,360	12,231,424	1,004,936
Total expenditures	62,231,800	62,302,800	58,585,172	3,717,628
Revenues over (under) expenditures	(5,960,240)	(5,960,240)	(2,806,325)	3,153,915
Other financing sources				
Transfers in	5,960,240	5,960,240	5,233,735	(726,505)
Net change in fund balances	-	-	2,427,410	2,427,410
Fund balance, beginning of year	21,314,476	21,314,476	21,314,476	-
Fund balance, end of year	\$ 21,314,476	\$ 21,314,476	\$ 23,741,886	\$ 2,427,410

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

CITY OF TROY, MICHIGAN

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

JUNE 30, 2010

	Business-Type Activities - Enterprise Funds					Governmental Activities
			Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
	Water	Sanitary Sewer				
Assets						
Current assets						
Cash and cash equivalents	\$ 11,496,027	\$ 17,722,931	\$ 25,500	\$ 1,218,709	\$ 30,463,167	\$ 11,556,425
Investments	3,694,515	6,073,459	-	420,780	10,188,754	4,076,210
Interest receivable	2,023	5,318	-	78	7,419	752
Accounts receivable						
Billed	2,076,430	5,401	16,160	17,001	2,114,992	57,650
Unbilled	2,881,954	2,397,958	-	-	5,279,912	-
Due from other funds	-	-	-	1,139,845	1,139,845	-
Inventories	542,297	15,626	19,548	11,820	589,291	313,423
Total current assets	20,693,246	26,220,693	61,208	2,808,233	49,783,380	16,004,460
Noncurrent assets						
Contracts receivable	137,367	444,256	-	-	581,623	-
Capital assets not being depreciated	10,479,989	3,973,582	2,213,463	1,894,552	18,561,586	10,248
Capital assets being depreciated net of accumulated depreciation	65,666,197	32,868,252	8,092,391	2,441,494	109,068,334	3,704,393
Total capital assets, net of accumulated depreciation	76,146,186	36,841,834	10,305,854	4,336,046	127,629,920	3,714,641
Total noncurrent assets	76,283,553	37,286,090	10,305,854	4,336,046	128,211,543	3,714,641
Total assets	96,976,799	63,506,783	10,367,062	7,144,279	177,994,923	19,719,101
Liabilities						
Current liabilities						
Accounts payable	2,112,548	866,394	114,059	141,824	3,234,825	203,953
Due to other funds	-	-	3,505,666	376,556	3,882,222	-
Accrued liabilities	7,725	-	42,516	-	50,241	-
Compensated absences	-	-	-	-	-	2,717,625
Unearned revenue	74,877	-	-	-	74,877	-
Current portion of bonds payable	-	-	400,000	-	400,000	-
Total current liabilities	2,195,150	866,394	4,062,241	518,380	7,642,165	2,921,578
Noncurrent liabilities						
Compensated absences	-	-	-	-	-	2,233,452
Bonds payable	-	-	10,300,000	-	10,300,000	-
Total noncurrent liabilities	-	-	10,300,000	-	10,300,000	2,233,452
Total liabilities	2,195,150	866,394	14,362,241	518,380	17,942,165	5,155,030
Net assets						
Investment in capital assets, net of related debt	76,146,186	36,841,834	(394,146)	4,336,046	116,929,920	3,714,641
Unrestricted	18,635,463	25,798,555	(3,601,033)	2,289,853	43,122,838	10,849,430
Total net assets (deficit)	\$ 94,781,649	\$ 62,640,389	\$ (3,995,179)	\$ 6,625,899	160,052,758	\$ 14,564,071
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(76,082)	
Net assets of business type activities					\$ 159,976,676	

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

CITY OF TROY, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating revenues						
Charges for services	\$ 13,124,012	\$ 10,372,640	\$ 616,728	\$ 1,158,142	\$ 25,271,522	\$ 7,455,748
Rental						-
Golf course	-	-	347,584	216,306	563,890	-
Restaurant	-	-	4,375	87,720	92,095	-
Hydrant	145,150	-	-	-	145,150	-
Building	-	-	-	-	-	183,031
Equipment	-	-	-	-	-	3,289,578
Tap and connections fees	193,225	-	-	-	193,225	-
Penalties	466,757	-	-	-	466,757	-
Other services	39,372	-	5,101	117,694	162,167	-
Other services to city funds	-	-	-	-	-	660,916
Total operating revenues	13,968,516	10,372,640	973,788	1,579,862	26,894,806	11,589,273
Operating expenses						
Cost of sales and services	7,295,491	7,005,514	-	-	14,301,005	6,811,440
General and administrative	788,067	493,496	-	-	1,281,563	558,223
Operations	2,399,170	657,325	825,369	1,334,212	5,216,076	2,432,472
Depreciation	2,008,913	991,545	297,709	328,255	3,626,422	935,888
Total operating expenses	12,491,641	9,147,880	1,123,078	1,662,467	24,425,066	10,738,023
Operating income (loss)	1,476,875	1,224,760	(149,290)	(82,605)	2,469,740	851,250
Nonoperating revenues (expenses)						
Investment earnings	192,836	277,778	264	16,820	487,698	141,952
Interest expense	-	-	(515,200)	-	(515,200)	-
Gain on sale of capital assets	-	-	-	-	-	195,248
Total nonoperating revenues (expenses)	192,836	277,778	(514,936)	16,820	(27,502)	337,200
Income (loss) before contributions and transfers	1,669,711	1,502,538	(664,226)	(65,785)	2,442,238	1,188,450
Developer contributions	156,179	143,060	-	-	299,239	-
Transfers in	-	-	-	-	-	120,211
Transfers out	-	(627,160)	-	-	(627,160)	-
Change in net assets	1,825,890	1,018,438	(664,226)	(65,785)	2,114,317	1,308,661
Net assets (deficit), beginning of year, as restated	92,955,759	61,621,951	(3,330,953)	6,691,684		13,255,410
Net assets (deficit), end of year	\$ 94,781,649	\$ 62,640,389	\$ (3,995,179)	\$ 6,625,899		\$ 14,564,071
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					39,965	
Change in net assets of business-type activities					\$ 2,154,282	

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

CITY OF TROY, MICHIGAN

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities						
Cash received from customers and others	\$ 13,851,340	\$ 10,125,076	\$ 1,612,501	\$ 1,581,167	\$ 27,170,084	\$ -
Cash received from interfund services	-	-	-	-	-	11,599,908
Cash payments to employees	(1,811,286)	(898,276)	(398,028)	(785,988)	(3,893,578)	(7,655,520)
Cash payments to suppliers for goods and services	(8,371,014)	(7,121,775)	(321,715)	(456,205)	(16,270,709)	(2,624,742)
Cash payments for interfund services	(409,514)	(181,531)	(23,254)	(53,776)	(668,075)	-
Net cash provided by operating activities	3,259,526	1,923,494	869,504	285,198	6,337,722	1,319,646
Cash flows from noncapital financing activities						
Transfers from other funds	-	-	-	-	-	120,211
Transfers to other funds	-	(627,160)	-	-	(627,160)	-
Net cash provided (used) by noncapital financing activities	-	(627,160)	-	-	(627,160)	120,211
Cash flows from capital and related financing activities						
Purchase of capital assets	(5,916,716)	(946,228)	(29,568)	(190,671)	(7,083,183)	(468,300)
Proceeds from sale of capital assets	-	-	-	-	-	195,248
Bond principal payments	-	-	(300,000)	-	(300,000)	-
Bond note interest payments	-	-	(515,200)	-	(515,200)	-
Net cash used by capital and related financing activities	(5,916,716)	(946,228)	(844,768)	(190,671)	(7,898,383)	(273,052)
Cash flows from investing activities						
Proceeds from sale of investments	9,358,644	4,021,374	-	1,314,386	14,694,404	1,378,956
Purchases of investments	(2,602,187)	(2,930,356)	-	(1,252,360)	(6,784,903)	(914,166)
Investment earnings	198,348	294,777	264	17,953	511,342	110,709
Net cash provided by investing activities	6,954,805	1,385,795	264	79,979	8,420,843	575,499
Net increase (decrease) in cash and cash equivalents	4,297,615	1,735,901	25,000	174,506	6,233,022	1,742,304
Cash and cash equivalents, beginning of year	7,198,412	15,987,030	500	1,044,203	24,230,145	9,814,121
Cash and cash equivalents, end of year	\$ 11,496,027	\$ 17,722,931	\$ 25,500	\$ 1,218,709	\$ 30,463,167	\$ 11,556,425

Continued...

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

CITY OF TROY, MICHIGAN
STATEMENT OF CASH FLOWS (CONCLUDED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water	Sanitary Sewer	Sanctuary Lake Golf Course	Nonmajor Business-Type Activities	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ 1,476,875	\$ 1,224,760	\$ (149,290)	\$ (82,605)	\$ 2,469,740	\$ 851,250
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation	2,008,913	991,545	297,709	328,255	3,626,422	935,888
Changes in assets and liabilities:						
Accounts receivable	(136,641)	(199,471)	(14,459)	1,305	(349,266)	10,635
Inventories	(17,507)	5,157	(252)	3,468	(9,134)	(22,495)
Contracts receivable	13,935	(48,093)	-	-	(34,158)	-
Accounts payable	(96,019)	(50,404)	83,624	60,321	(2,478)	8,093
Due to other funds	-	-	653,172	(25,546)	627,626	-
Accrued liabilities	4,440	-	(1,000)	-	3,440	-
Compensated absences	-	-	-	-	-	(463,725)
Unearned revenue	5,530	-	-	-	5,530	-
Net cash provided by operating activities	\$ 3,259,526	\$ 1,923,494	\$ 869,504	\$ 285,198	\$ 6,337,722	\$ 1,319,646
Noncash investing, capital, and financing activities						
Contributions of capital assets	\$ 156,179	\$ 143,060	\$ -	\$ -	\$ 299,239	\$ -

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

CITY OF TROY, MICHIGAN

STATEMENT OF NET ASSETS FIDUCIARY FUNDS

JUNE 30, 2010

	Pension Trusts	Agency
Assets		
Cash and cash equivalents	\$ 5,332,271	\$ 1,768,159
Interest receivable	312,811	4
Taxes receivable	-	901,571
Investments		
U.S. Government securities	21,404,088	-
Corporate bonds	21,896,995	-
Corporate equities, preferred	3,208,920	-
Corporate equities, common	75,980,977	-
Mutual funds	45,668,075	-
Other investments	764,793	25,676
Total assets	174,568,930	\$ 2,695,410
Liabilities		
Accounts payable	816,240	\$ 6,450
Performance deposits	-	2,688,960
Total liabilities	816,240	\$ 2,695,410
Net assets		
Held in trust for pension benefits	119,011,331	
Held in trust for postemployment healthcare benefits	54,741,359	
Total net assets	\$ 173,752,690	

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

CITY OF TROY, MICHIGAN
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Pension Trusts
Additions	
Contributions	
Employer contributions	\$ 5,923,570
Employee contributions	296,367
Total contributions	6,219,937
Investment income	
Interest	2,312,303
Dividends	2,456,486
Net adjustment in fair value of investments	15,993,812
Total investment income	20,762,601
Total additions	26,982,538
Deductions	
Benefits	11,292,641
Administrative expenses	93,754
Total deductions	11,386,395
Net increase in plan net assets	15,596,143
Net assets held in trust, beginning of year for	
Pension benefits	105,664,875
Postemployment healthcare benefits	52,491,672
Total net assets held in trust, beginning of year	158,156,547
Net assets held in trust for	
Pension benefits	119,011,331
Postemployment healthcare benefits	54,741,359
Total net assets held in trust, end of year	\$ 173,752,690

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

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

JUNE 30, 2010

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Assets				
Cash and cash equivalents	\$ 9,718,696	\$ 159,886	\$ 589,727	\$ 10,468,309
Investments	2,091,240	56,395	208,008	2,355,643
Receivables				
Taxes receivable	78,069	-	4,203	82,272
Interest receivable	388	11	39	438
Total assets	11,888,393	216,292	801,977	12,906,662
Liabilities				
Accounts payable	216,558	-	13,131	229,689
Due to primary government	67,485	-	-	67,485
Interest payable	187,416	-	-	187,416
Noncurrent liabilities				
Due within one year	2,065,000	-	-	2,065,000
Due after one year	22,030,000	-	-	22,030,000
Total liabilities	24,566,459	-	13,131	24,579,590
Net assets (deficit)				
Unrestricted	(12,678,066)	216,292	788,846	(11,672,928)
Total net assets (deficit)	\$ (12,678,066)	\$ 216,292	\$ 788,846	\$ (11,672,928)

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

CITY OF TROY, MICHIGAN
COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Downtown Development Authority	Local Development Financing Authority	Brownfield Redevelopment Authority	Total
Revenues				
Property taxes	\$ 3,221,248	\$ 292,368	\$ 13,000	\$ 3,526,616
Investment earnings	107,239	3,809	23,337	134,385
Total revenues	3,328,487	296,177	36,337	3,661,001
Expenses				
Economic development	2,561,887	236,375	2,215,633	5,013,895
Interest	1,153,477	-	-	1,153,477
Other expense	-	-	2,422	2,422
Total expenses	3,715,364	236,375	2,218,055	6,169,794
Change in net assets	(386,877)	59,802	(2,181,718)	(2,508,793)
Net assets (deficit), beginning of year	(12,291,189)	156,490	2,970,564	(9,164,135)
Net assets (deficit), end of year	\$ (12,678,066)	\$ 216,292	\$ 788,846	\$ (11,672,928)

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

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Component Units

Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are also legally separate entities, but are not in substance part of the government operation. The City of Troy has three component units, the Downtown Development Authority, Brownfield Redevelopment Authority and the Local Development Financing Authority, which meets the criteria for discretely presented component units. The Authorities are also reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Financial statements for each of the individual component units are available at the City Office.

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

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

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

Basis of Presentation - Government-Wide Financial Statements

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

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

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

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

Basis of Presentation - Fund Accounting

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

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

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Governmental Funds

The City reports the following major and nonmajor governmental funds:

Major Funds

General Fund

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

Capital Projects Fund

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Nonmajor Governmental Funds

Special Revenue Funds

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

Debt Service Funds

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

Permanent Funds

Permanent funds are used to account for the resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the government or its citizenry. The City has one permanent fund for cemetery perpetual care.

In addition, the City reports the following fund types:

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The

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

The following proprietary funds are reported:

Enterprise Funds

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

Internal Service Funds

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

The City operates six internal service funds. The unemployment and worker's compensation funds account for insurance costs provided to and charged to other departments. The compensated absences fund accounts for the accrual of sick and vacation by all departments. The information technology fund provides computer services, training and equipment to all departments on a cost reimbursement basis. The motor equipment fund rents vehicles and equipment to departments on a cost reimbursement basis. The custodial services fund provides services to all funds on a cost reimbursement basis.

The City reports the following major proprietary funds:

Water Fund

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

Sanitary Sewer Fund

The sanitary sewer fund accounts for the operation and maintenance of the City's sewage disposal system, capital additions and improvements.

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Sanctuary Lake Golf Course Fund

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

Fiduciary Funds

Trust and Agency Funds

Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. These include pension trust funds, a retiree health care trust fund and an agency fund. Pension and retiree health care trust funds are accounted for in essentially the same manner as proprietary funds, since capital maintenance is critical. The pension trust funds account for the activities of the general employees and volunteer fireman retirement systems, which accumulate resources for pension benefits to qualified employees and volunteers during retirement. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. Agency fund activity includes tax collections for other taxing jurisdictions for which the City collects taxes and contractors performance deposits.

Basis of Accounting

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

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

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

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred provided the liability normally would be liquidated with

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expendable available financial resources. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

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

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

All proprietary funds, pension and retiree health care trust funds and agency funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water and sewer fund utility service receivables are recorded at year-end.

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

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

Budget Information

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

1. Budgets must be adopted for the general fund and special revenue funds.
2. The budgets must be balanced.

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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).

Encumbrance Accounting

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

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Cash and Investments

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

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

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

Investments are stated at fair value.

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items.

Capital Assets

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

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

CITY OF TROY, MICHIGAN
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Capital assets are depreciated using the straight-line method over the following useful lives:

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

Accrued Vacation and Other Compensated Absences

The City maintains an internal service fund to account for the accumulation of resources for, and the payment of, vacation, compensatory time, holiday and sick pay. Earned but unpaid vacation pay is fully accrued in the compensated absences fund, as it is due during the fiscal year subsequent to the statement of net assets date.

The City charges departments incurring payroll costs for vacation pay benefits as they are earned on a percent of payroll basis and transfers related proceeds into the compensated absences fund to pay for eventual benefits to employees. Accumulated unpaid vacation pay due to the employees of the City at June 30, 2010, was \$2,302,191.

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

Long-Term Obligations

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

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

Fund Equity

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

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

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Note 2 - Stewardship, Compliance and Accountability

State Construction Code Act

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

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

Shortfall at July 1, 2009		\$ (5,662,535)
Current year building permit revenue	<u>\$ 1,042,911</u>	
Related expenses:		
Direct costs	1,889,109	
Estimated indirect costs	<u>151,129</u>	
Total construction code expenses	<u>2,040,238</u>	
Net shortfall for the year ended June 30, 2010		<u>(997,327)</u>
Cumulative shortfall at June 30, 2010		<u>\$ (6,659,862)</u>

Note 3 - Deposits and Investments

Statutory Authority

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

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States. Repurchase agreements consisting of these same instruments.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more

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than 270 days after the date of purchase. Not more than fifty percent of any fund may be invested in commercial paper at any time.

- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan or any of its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

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

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

The pension and retiree health care trust funds are also authorized to invest in stocks, annuity investment contracts, mutual funds, commercial paper, corporate bonds, instrumentalities of the United States, real estate (limited to five percent of the trust funds assets), certain state and local government obligations, and certain other specified investment vehicles.

Investment and Deposit Risk

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The City of Troy's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

CITY OF TROY, MICHIGAN
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<u>Investment</u>	<u>Fair Value</u>	<u>Average Maturity</u>
Government-wide		
US Government or agency bond/note	\$22,090,283	270 days
Pooled investments	3,652,497	120 days
Employees' Retirement System		
Corporate Bonds	21,896,995	3.5 years
US Government or agency bond/note	16,415,144	5 years
Discretionary Fire Incentive Reserve		
US Government or agency bond/note	4,988,944	5 years
Retiree Health Care Trust Fund		
Other	764,793	120 days

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Organization</u>
General Employees' Retirement System			
Corporate Bonds	\$ 3,512,565	AA to AA-	S&P
Corporate Bonds	8,169,374	A to A-	S&P
Corporate Bonds	4,638,399	BBB to BBB-	S&P
Corporate Bonds	199,750	BB to BB-	S&P
Corporate Bonds	3,319,476	B to B-	S&P
Corporate Bonds	201,000	CCC to CCC-	S&P
Corporate Bonds	1,856,431	Not Rated	
Total	<u>\$21,896,995</u>		

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, \$31,401,297 of the City of Troy's bank deposits (certificates of deposit, checking, and cash) was exposed to custodial credit risk because they were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City of Troy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City of Troy does not have a policy for investment custodial credit risk. At year end none of the City's investments were subject to custodial credit risk due to one of the following:

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

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

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
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Note 4 - Receivables

Receivables, which include amounts due from other governments at June 30, 2010, are summarized as follows:

	<u>Governments</u>	<u>Other</u>
Major Governmental Funds		
General Fund		
Due from Oakland County	\$ 149,911	\$ -
Due from State of Michigan	1,827,747	-
Invoices and advances	-	583,709
	<u>1,977,658</u>	<u>583,709</u>
Capital Projects Fund		
Billed Accounts Receivable	-	2,837,929
Total Major Governmental Funds	<u>1,977,658</u>	<u>3,421,638</u>
Nonmajor Governmental Funds		
Community Development Block Grant Fund		
Due from Federal Government	112,312	-
Major Streets Fund		
Due from State of Michigan	867,294	-
Local Streets Fund		
Due from State of Michigan	343,533	-
Total Nonmajor Governmental Funds	<u>1,323,139</u>	<u>-</u>
Total Governmental Funds	<u><u>\$ 3,300,797</u></u>	<u><u>\$ 3,421,638</u></u>
Major Business-Type Activities		
Water Fund		
Billed accounts receivable	\$ -	\$ 2,076,430
Unbilled accounts receivable	-	2,881,954
	-	<u>4,958,384</u>
Sanitary Sewer Fund		
Billed accounts receivable	\$ -	\$ 5,401
Unbilled accounts receivable	-	2,397,958
	-	<u>2,403,359</u>
Sanctuary Lake Golf Course Fund		
Billed accounts receivable	-	16,160
Total Major Business-Type Activities Funds	<u>-</u>	<u>7,377,903</u>
Nonmajor Business-Type Activities		
Aquatic Center Fund		
Billed accounts receivable	-	5,288
Sylvan Glen Golf Course Fund		
Billed accounts receivable	-	11,713
Total Nonmajor Business-Type Activities	<u>-</u>	<u>17,001</u>
Total Business-Type Activities	<u><u>\$ -</u></u>	<u><u>\$ 7,394,904</u></u>
Governmental Activities - Internal Service Fund		
Motor Equipment Fund		
Billed accounts receivable	\$ -	\$ 57,650
Total	<u><u>\$ 3,300,797</u></u>	<u><u>\$ 10,874,192</u></u>

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
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Note 5 - Capital Assets

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,772,271	\$ 76,911	\$ -	\$ 31,849,182
Museum artifacts	2,084,666	-	-	2,084,666
Construction-in-progress	10,934,848	1,708,222	4,109,841	8,533,229
Total capital assets, not being depreciated	\$ 44,791,785	\$ 1,785,133	\$ 4,109,841	\$ 42,467,077
Capital assets, being depreciated:				
Infrastructure-major/county/local roads	\$ 154,493,216	\$ 13,675,435	\$ -	\$ 168,168,651
Infrastructure-local donated roads	33,468,626	179,625	96,727	33,551,524
Infrastructure-sidewalks	29,928,892	570,209	-	30,499,101
Infrastructure-drains	1,208,816	644,282	-	1,853,098
Land improvements	7,091,250	96,788	-	7,188,038
Buildings and improvements	78,833,279	1,812,705	-	80,645,984
Miscellaneous equipment	5,162,751	94,009	256,802	4,999,958
Office equipment	2,305,557	689,320	107,041	2,887,836
Vehicles	18,216,065	1,407,185	966,966	18,656,284
Library books/audio visual	6,821,124	709,227	560,958	6,969,393
Total capital assets being depreciated	\$ 337,529,576	\$ 19,878,785	\$ 1,988,494	\$ 355,419,867
Less accumulated depreciation for:				
Infrastructure-major/county/local roads	\$ 68,037,058	\$ 5,662,692	\$ -	\$ 73,699,750
Infrastructure-local donated roads	22,328,531	1,314,353	96,727	23,546,157
Infrastructure-sidewalks	25,488,025	1,146,251	-	26,634,276
Infrastructure-drains	93,934	20,162	-	114,096
Land improvements	5,377,473	278,859	-	5,656,332
Buildings and improvements	39,018,432	2,892,700	-	41,911,132
Miscellaneous equipment	3,760,142	420,399	236,524	3,944,017
Office equipment	2,028,261	145,373	107,042	2,066,592
Vehicles	13,358,779	1,164,307	937,250	13,585,836
Library books/audio visual	5,495,566	294,396	560,958	5,229,004
Total accumulated depreciation	\$ 184,986,201	\$ 13,339,492	\$ 1,938,501	\$ 196,387,192
Total capital assets, being depreciated, net	\$ 152,543,375	\$ 6,539,293	\$ 49,993	\$ 159,032,675
Governmental activities capital assets, net	\$ 197,335,160	\$ 8,324,426	\$ 4,159,834	\$ 201,499,752

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 5 - Capital Assets - Continued

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 6,738,504	\$ -	\$ -	\$ 6,738,504
Construction-in-progress	10,626,878	6,811,828	5,615,624	11,823,082
Total capital assets, not being depreciated	\$ 17,365,382	\$ 6,811,828	\$ 5,615,624	\$ 18,561,586
Capital assets, being depreciated:				
Water and sewer transmission and distribution system	\$ 152,635,533	\$ 5,960,095	\$ -	\$ 158,595,628
Service connections	750,121	-	-	750,121
Land improvements	8,898,232	-	-	8,898,232
Buildings and improvements	7,304,531	15,377	-	7,319,908
Miscellaneous equipment	2,581,410	156,713	-	2,738,123
Motor vehicles	527,580	54,033	24,000	557,613
Furniture, fixtures and other	261,330	-	-	261,330
Total capital assets being depreciated	\$ 172,958,737	\$ 6,186,218	\$ 24,000	\$ 179,120,955
Less accumulated depreciation for:				
Water and sewer transmission and distribution system	\$ 57,309,931	\$ 2,942,729	\$ -	\$ 60,252,660
Service connections	750,121	-	-	750,121
Land improvements	1,863,636	226,039	-	2,089,675
Buildings and improvements	3,663,803	288,204	-	3,952,007
Miscellaneous equipment	2,160,642	141,481	-	2,302,123
Motor vehicles	440,736	27,969	24,000	444,705
Furniture, fixtures and other	261,330	-	-	261,330
Total accumulated depreciation	\$ 66,450,199	\$ 3,626,422	\$ 24,000	\$ 70,052,621
Total capital assets, being depreciated, net	\$ 106,508,538	\$ 2,559,796	\$ -	\$ 109,068,334
Total business-type activities capital assets, net	\$ 123,873,920	\$ 9,371,624	\$ 5,615,624	\$ 127,629,920

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 5 - Capital Assets - Continued

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

Governmental activities:

General government	\$ 3,863,599
Public safety	628,659
Public works	8,186,457
Community and economic development	22,657
Recreation and culture	<u>638,120</u>

Total depreciation expense - governmental activities	<u><u>\$ 13,339,492</u></u>
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Business-type activities:

Water	\$ 2,008,913
Sanitary Sewer	991,545
Aquatic Center	169,974
Sylvan Glen Golf Course	158,281
Sanctuary Lake Golf Course	<u>297,709</u>

Total depreciation expense - business-type activities	<u><u>\$ 3,626,422</u></u>
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Note 6 - Interfund Receivables, Payables and Transfers

The amounts of interfund receivables, payables and transfers are as follows as of June 30, 2010:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 3,163,089	\$ -
Special Revenue Funds		
Community Development Block Grant Fund	-	108,712
Budget Stabilization Fund	-	312,000
Enterprise Funds		
Aquatic Center Fund	-	376,556
Sanctuary Lake Golf Course Fund	-	3,505,666
Sylvan Glen Golf Course Fund	<u>1,139,845</u>	<u>-</u>
	<u><u>\$ 4,302,934</u></u>	<u><u>\$ 4,302,934</u></u>

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Interfund balances represent routine and temporary cash flow assistance from mainly the general fund until amounts are transferred from fund investment accounts. The Sylvan Glen golf course fund provides funds for the Sanctuary Lake golf course fund until its operations provide enough funding to cover expenses.

Interfund transfers reported in the fund statements are as follows as of June 30, 2010:

<u>Fund Transferred from</u>	<u>Fund Transferred to</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 3,606,575
	Nonmajor Governmental Funds	3,207,807
	Capital Projects Fund	<u>1,000,000</u>
		7,814,382
Capital Projects Fund	General Fund	1,000,000
	Capital Projects Fund	1,000,000
	Internal Service Funds	<u>120,211</u>
		2,120,211
Sewer Fund	General Fund	<u>627,160</u>
Total		<u>\$ 10,561,753</u>

Nonmajor Governmental Funds

Major streets fund transfer to general fund for routine road maintenance in the amount of \$1,678,007. Major streets fund transfer to capital projects fund of \$1,000,000 representing funding of road improvements. Local streets fund transfer to general fund for routine road maintenance in the amount of \$1,628,568. General debt service fund transfer to Proposal A, B, and C debt service funds in the amount of \$3,057,807 for principle and interest payments on outstanding debt.

Capital Projects Fund

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

Sewer Fund

Transfer to general fund for storm sewer operating expenditures.

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 7 - Operating Leases

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

Year Ending June 30

2011	\$ 114,014
2012	30,628
2013	27,731

Lease costs for the year ended June 30, 2010, are \$169,794.

Note 8 - Long-term Liabilities

The following is a summary of long-term liability transactions of the City for the year ended June 30, 2010:

	Storm Drains and IBNR	Street Bonds	Enterprise	Internal Service	Total Long-Term Debt	Downtown Development Authority Construction
Long-term debt/liabilities payable at						
July 1, 2009	\$ 33,003,668	\$ 1,025,000	\$ 11,000,000	\$ 5,284,157	\$ 50,312,825	\$ 26,070,000
Addition of new debt	16,378,674	-	-	4,268,207	20,646,881	-
Long-term debt retired	<u>(18,635,281)</u>	<u>(175,000)</u>	<u>(300,000)</u>	<u>(4,601,287)</u>	<u>(23,711,568)</u>	<u>(1,975,000)</u>
Total long-term debt/liabilities payable at						
June 30, 2010	<u><u>\$ 30,747,061</u></u>	<u><u>\$ 850,000</u></u>	<u><u>\$ 10,700,000</u></u>	<u><u>\$ 4,951,077</u></u>	<u><u>\$ 47,248,138</u></u>	<u><u>\$ 24,095,000</u></u>

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Governmental Activities

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
George W. Kuhn Drain District Bonds, Series 2007G dated 9/20/07; original issue amount \$46,242; bearing interest at 1.625%; principal due in annual installments of \$1,949 to \$2,599 through April 1, 2028	\$ 43,636	\$ (1,949)	\$ 41,687	\$ 2,079
Street, Roads and Streetscape Improvement General Obligation Bonds dated 11/1/01; original issuance amount \$6,850,000; bearing interest at 3.25% to 4.70%; principal due in annual installments of \$150,000 to \$600,000 through October 1, 2020; refunded	5,300,000	(4,975,000)	325,000	325,000
Public Safety Facilities and City Hall General Obligation Bonds dated 8/1/00; original issuance amount \$2,330,000; bearing interest at 4.625% to 4.75%; principal due in annual installments of \$80,000 to \$500,000 through October 1, 2010	900,000	(400,000)	500,000	500,000
Public Safety Facilities and City Hall General Obligation Bonds dated 11/1/01; original issuance amount \$1,170,000; bearing interest at 3.75% to 4.75%; principal due in annual installments of \$15,000 to \$110,000 through October 1, 2020; refunded	970,000	(915,000)	55,000	55,000
George W. Kuhn Drain District Drain Bonds, Series 2001D dated 12/20/01; original issuance amount \$81,089; bearing interest at 2.50%; principal due in annual installments of \$3,198 to \$5,116 through April 1, 2025	67,277	(25,257)	42,020	2,686

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Governmental Activities – Continued

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
George W. Kuhn Drain District Drain Bonds, Series 2008H dated 9/22/08; original issuance amount \$135,137; bearing interest at 2.50%; principal due in annual installments of \$7,638 to \$12,473 through April 1, 2024	\$ 135,137	\$ 61,816 (7,796)	\$ 189,157	\$ 8,056
Refunding Bonds, Recreation; dated 3/31/10; original issuance amount \$5,910,000; bearing interest at 2.0% to 5/0%; principal due in annual installments of \$15,000 to \$665,000 through October 1, 2020	-	5,910,000	5,910,000	15,000
Community Center and Recreational Facilities General Obligation Bonds dated 11/1/01; original issuance amount \$9,470,000; bearing interest at 3.00% to 4.625%; principal due in annual installments of \$200,000 to \$700,000 through October 1, 2020; refunded	7,095,000	(6,595,000)	500,000	500,000
North Arm Relief Drain Revenue Bonds dated 1998; original issuance amount \$926,972; bearing interest at 2.25%; principal due in annual installments of \$38,408 to \$54,933 through October 1, 2020	597,662	(44,087)	553,575	45,088
George W. Kuhn Drain District Drain Bonds, Series 2001C dated 10/1/01; original issuance amount \$2,102,682; bearing interest at 2.50%; principal due in annual installments of \$82,368 to \$131,609 through April 1, 2024	1,669,995	(93,111)	1,576,884	95,414
Michigan Transportation Fund Bonds serviced by the Downtown Development Authority Fund, dated 2/1/2000; original issuance amount \$5,600,000; bearing interest at 4.75% to 5.45%; principal due in annual installments of \$125,000 to \$1,300,000 through May 1, 2014	1,025,000	(175,000)	850,000	175,000

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Governmental Activities - Continued

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Public Safety Facilities and City Hall General Obligation Bonds, dated 2/1/03; original issuance amount \$14,500,000; bearing interest at 2.50% to 4.50%; principal due in annual installments of \$500,000 to \$1,100,000 through April 1, 2020	\$11,500,000	\$ (500,000)	\$ 11,000,000	\$ 500,000
Refunding Bonds, Streets, dated 3/31/10; original issuance amount \$4,515,000; bearing interest at 2.0% to 5.0%; principal due in annual installments of \$15,000 to \$575,000 through October 1, 2020	-	4,515,000	4,515,000	15,000
George W. Kuhn Drain District Refunding Drain Bonds, Series 2007, dated 8/01/07; original issuance amount \$318,728; bearing interest at 2.55%; principal due in annual installments of \$1,663 to \$29,033 through April 1, 2024	311,054	(8,697)	302,357	9,337
George W. Kuhn Drain District Drain Bonds dated 9/25/05, Series 2005; original issuance amount \$41,440; bearing interest at 1.625%; principal due in annual installments of \$1,790 to \$2,430 through April 1, 2026	36,640	(4,440)	32,200	1,819
Refunding Bonds, dated 2/29/08; original issuance amount \$3,505,000; bearing interest at 3.00% to 4.00%; principal due in annual installments of \$165,000 to \$365,000 through October 1, 2020	3,285,000	(165,000)	3,120,000	215,000
George W. Kuhn Drain District Drain Bonds, Series 2000A dated 10/1/00; original issuance amount \$457,372; bearing interest at 2.50%; principal due in annual installments of \$17,906 to \$28,650 through April 1, 2022	322,309	(21,231)	301,078	21,871

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Governmental Activities – Continued

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Refunding bonds (Public Safety), dated 3/31/10; original issuance amount \$835,000; bearing interest at 2.0% to 5.0%; principal due in annual installments of \$60,000 to \$105,000 through October 1, 2020	\$ -	\$ 835,000	\$ 835,000	\$ -
George W. Kuhn Drain District Drain Bonds, Series 2001E dated 1/1/02; original issuance amount \$252,476; bearing interest at 4.00% to 5.25%; principal due in annual installments of \$8,953 to \$18,415 through April 1, 2024	<u>31,336</u>	<u>(10,232)</u>	<u>21,104</u>	<u>10,232</u>
Total Long-term Debt	<u>33,290,046</u>	<u>(2,619,984)</u>	<u>30,670,062</u>	<u>2,496,582</u>
Other Long-term Obligations				
Compensated Absences	5,284,157	4,268,207	-	-
	-	(4,601,287)	4,951,077	2,717,625
Incurred but not reported insurance claims	738,622	5,056,858	-	-
	<u>-</u>	<u>(4,868,481)</u>	<u>926,999</u>	<u>519,206</u>
Total Governmental Activities	<u>\$ 39,312,825</u>	<u>\$(2,764,687)</u>	<u>\$ 36,548,138</u>	<u>\$5,733,413</u>

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

Business-Type Activities

Municipal Building Authority Golf Course Bonds serviced by the Golf Course Fund, dated 7/1/02; original issuance amount \$12,000,000; bearing interest at 3.25% to 5.00%; principal due in annual installments of \$200,000 to \$900,000 through December 1, 2027	<u>\$ 11,000,000</u>	<u>\$ (300,000)</u>	<u>\$ 10,700,000</u>	<u>\$ 400,000</u>
Total Governmental and Business-type Activities	<u>\$ 50,312,825</u>	<u>\$(3,064,687)</u>	<u>\$ 47,248,138</u>	<u>\$6,133,413</u>

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Component Units

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u> <u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Downtown Development Authority Development Bonds, dated 7/19/01; original issuance amount \$14,255,000; bearing interest at 4.00% to 5.50%; principal due in annual installments of \$545,000 to \$1,165,000 through November 1, 2018	\$ 9,325,000	\$ (730,000)	\$ 8,595,000	\$ 770,000
2002 Downtown Development Authority Community Center Facilities Bonds serviced by the Downtown Development Authority Fund, dated 9/1/02; original issuance amount \$9,700,000; bearing interest at 2.05% to 5.00%; principal due in annual installments of \$400,000 to \$850,000 through May 1, 2018	6,900,000	(575,000)	6,325,000	600,000
2003 Downtown Development Authority Community Center Facilities Junior Lien Bonds serviced by the Downtown Development Authority Fund, dated 6/1/03; original issuance amount \$4,025,000; bearing interest at 2.50% to 4.25%; principal due in annual installments of \$75,000 to \$500,000 through November 1, 2018	3,475,000	(200,000)	3,275,000	200,000
Downtown Development Authority Refunding Bonds, dated 7/19/01; original issuance amount \$9,745,000; bearing interest at 4.00% to 5.50%; principal due in annual installments of \$380,000 to \$800,000 through November 1, 2018	<u>6,370,000</u>	<u>(470,000)</u>	<u>5,900,000</u>	<u>495,000</u>
Total Downtown Development Authority	<u>\$ 26,070,000</u>	<u>\$(1,975,000)</u>	<u>\$24,095,000</u>	<u>\$2,065,000</u>

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

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

The annual debt requirements to maturity for all long-term debts outstanding as of June 30, 2010, exclusive of earned but unpaid sick pay and insurance claims are as follows:

<u>Government Activities</u>				<u>Business Type Activities</u>			<u>Component Units</u>		
General Obligation Debt									
Year Ending June	Serviced by Government Fund Types	Street Bonds	Amount of Annual Interest	Proprietary Fund Types	Amount of Annual Interest	Total	Downtown Development Authority	Amount of Annual Interest	Total
2011	\$ 2,321,582	\$ 175,000	\$ 1,147,338	\$ 400,000	\$ 501,945	\$ 4,545,865	\$ 2,065,000	\$1,079,374	\$ 3,144,374
2012	2,336,167	200,000	1,059,753	400,000	485,446	4,481,366	2,215,000	989,480	3,204,480
2013	2,431,776	225,000	971,923	400,000	468,597	4,497,296	2,365,000	888,602	3,253,602
2014	2,491,746	250,000	864,165	400,000	451,247	4,457,158	2,490,000	772,871	3,262,871
2015	2,622,182	-	754,283	450,000	431,248	4,257,713	2,650,000	648,953	3,298,953
2016	2,712,716	-	657,724	500,000	408,998	4,279,438	2,815,000	515,814	3,330,814
2017	2,758,787	-	556,852	500,000	386,748	4,202,387	3,005,000	376,638	3,381,638
2018	2,684,268	-	454,627	500,000	364,248	4,003,143	3,175,000	231,600	3,406,600
2019	2,874,959	-	337,433	600,000	339,123	4,151,515	3,315,000	78,450	3,393,450
2020	2,921,158	-	208,369	600,000	310,999	4,040,526	-	-	-
2021	3,060,976	-	80,962	600,000	282,124	4,024,062	-	-	-
2022	201,424	-	16,002	600,000	252,500	1,069,926	-	-	-
2023	164,083	-	10,464	700,000	220,000	1,094,547	-	-	-
2024	166,841	-	6,090	700,000	185,000	1,057,931	-	-	-
2025	16,112	-	1,658	800,000	147,500	965,270	-	-	-
2026	16,479	-	1,296	800,000	107,500	925,275	-	-	-
2027	14,552	-	928	850,000	66,250	931,730	-	-	-
2028	14,527	-	586	900,000	22,500	937,613	-	-	-
2029	9,727	-	244	-	-	9,971	-	-	-
Total	\$29,820,062	\$ 850,000	\$ 7,130,697	\$10,700,000	\$5,431,973	\$53,932,732	\$ 24,095,000	\$5,581,782	\$ 29,676,782

Special Assessment Bonds

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

Advance Refunding

During 2010, the government advance refunded three general obligation bond issues. The government issued \$11,260,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

refunded bonds are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$578,137 and to obtain an economic gain (difference between the percent value of the debt service payments of the refunded and refunding bonds) of \$503,147.

Note 9 - Net Assets/Fund Balance Classification Policies and Procedures

The City adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in the current year. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. While the classifications of fund balance in the City's various governmental funds were revised, the implementation of this standard had no effect on total fund balance.

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.

Net Assets

Net assets have been restricted for (a) debt service, based upon bond indenture agreements and the City's understanding that bond proceeds generated by these funds are only to be spent on specified construction or the retirement of related debt, (b) replacements and extensions based upon bond indenture agreements or the limited purpose for which a fund was established, (c) employee fringe benefits based upon the limited purpose for which funds have been established, and (d) outstanding purchase orders for motor equipment and supplies.

Spendable Fund Balance

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

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

	Funds			
	General	Capital Projects	Nonmajor	Permanent
Restricted:				
Debt Service, Road Maintenance, Capital Improvements and Budget Stabilization	\$ -	\$ 130,842	\$ 7,944,896	\$ 218,367
Committed:				
Volunteer Firefighters Incentive Reserve	\$ 1,000,000	\$ -	\$ -	\$ -
Subsequent years budgets	2,400,000	-	89,400	-
Total committed	\$ 3,400,000	\$ -	\$ 89,400	\$ -
Assigned:				
Improvement and maintenance	3,829,067	17,209,784	-	-
Insurance Claims	3,342,828	-	-	-
Snow and ice control	-	-	700,000	-
Tax appeals	2,000,000	-	-	-
Total assigned	\$ 9,171,895	\$ 17,209,784	\$ 700,000	\$ -
Unassigned:	\$ 10,722,271	\$ -	\$ -	\$ -
Total spendable fund balance	\$ 23,294,166	\$ 17,340,626	\$ 8,734,296	\$ 218,367

Note 10 - Risk Management

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

The City accounts for transactions related to these risks in accordance with GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which states that a liability for claims must be reported if information prior to the issuance of the

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

financial statements indicates it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss that can be reasonably estimated.

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, 2010.

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

Note 11 - Litigation and Contingent Liabilities

Litigation

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

Condemnations

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

Tax Appeals to the Michigan Tax Tribunal

The City has several outstanding property tax assessment appeals totaling approximately \$290,808,735 (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, 2010.

Note 12 - Property Taxes

Property taxes are recorded on the modified accrual basis of accounting and are levied, and become a lien on July 1st on the taxable valuation of the property located within its boundaries as of the preceding December 31st. Taxable value is determined by the prior year's taxable value

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 2009-2010 levy was \$5,459,779,936. The City's operating tax rate was 6.50 mills for the same year with additional millages of .50, 1.53 and .75 levied to fund various types of debt service costs, capital outlay expenditures and refuse removal and disposal, respectively.

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

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

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

Note 13 - Retirement System and Plan

Employee Retirement System

The City of Troy, Michigan, under the authorization of the City ordinance, maintains employee retirement plans covering all full-time employees. The single-employer defined benefit plan provides retirement benefits based on credited service time and average compensation with death and disability benefits, and under some circumstances, payments to dependents. Normal retirement age is 65 with provisions for early and late retirement. Participants under such plan are required to contribute a fixed percentage of their total compensation, with the City's contribution being an amount sufficient to cover current service costs and prior service costs which are being funded and charged to operations over the average expected active future working life time. The percent of wages required to be contributed by all employees participating in the primary plan was 1.5 to 4.0 percent as of June 30, 2010. The City's total payroll for the year ended June 30, 2010, was \$33,675,624. Included in this total was \$10,017,786 and \$19,643,900 of covered payroll for the employee retirement system and the employee defined contribution plan, respectively. \$4,013,938 represents payroll, which was not covered by the retirement system or the defined contribution plan. The plan is closed to new participants. Current membership in the system is as follows:

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

<u>Group</u>	<u>December 31, 2009</u>
Retirees and beneficiaries currently receiving benefits	255
Vested terminated employees	12
Active employees:	
Fully vested	126
Nonvested	2

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

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2010 were determined using the aggregate cost method. Unfunded actuarial liabilities were amortized as a level percent of payroll on an open basis over the expected future service and pay service period of active members.

For the year ended June 30, 2010, contributions totaling \$1,657,721 (\$1,361,354 employer and \$296,367 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2008, which was net of the amortization of assets in excess of unfunded actuarial accrued liability. Employer and employee contributions were based on 13.6 percent and 3.0 percent, respectively, of covered payroll.

Significant actuarial assumptions used include (a) a 6.5 percent investment rate of return, (b) projected salary increases of 3.5 percent per year compounded annually, attributable to inflation, additional projected salary increases ranging from .2 to 4 percent per year, depending on age, attributable to seniority/merit and the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five year period.

Incentive Plan for Volunteer Firefighters

The City of Troy has a noncontributory discretionary incentive plan established by resolution of the City Council covering its volunteer firefighters. The single-employer plan benefits are determined based on annual contribution amounts for each year of incentive service. The normal cost and amortization payment for the year ended June 30, 2010 was determined using an

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

individual entry age funding method. At January 1, 2010, the benefit payment amount was \$605 per year for incentive service. Participants are eligible for payments at age 55 with ten or more years of volunteer service, age 50 with 25 years of service or 30 years of incentive service regardless of age. The City's contribution to the plan for the year ended June 30, 2010, was \$864,167. The volunteer firefighters are not paid any remuneration for their service. Unfunded actuarial liabilities were amortized as a level dollar amount on a closed basis. The amortization period is 25 years.

<u>Group</u>	<u>December 31, 2009</u>
Retirees and beneficiaries currently receiving benefits	79
Vested terminated employees	27
Active employees:	
Fully vested	61
Nonvested	76

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

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

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

<u>Fiscal Year Ended June 30,</u>	<u>Actuarial Valuation Date December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2008	2006	\$ 273	100.0%	None
2009	2007	428	100.0	None
2010	2008	1,361	100.0	None

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Fiscal Year Ended June 30,	Actuarial Valuation Date December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	2006	\$ 800	100.0%	None
2009	2007	885	100.0	None
2010	2008	864	100.0	None

The plans do not issue a separate financial report.

The funded status of the Employee Retirement System Pension Benefits (ERS) and the Incentive Plan for Volunteer Firefighters (IPVF) as of December 31, 2009, the most recent actuarial valuation date, is as follows (dollar amount in thousands).

Actuarial Valuation December 31, 2009	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) – (a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll (b-a)/(c)
ERSPB	\$ 132,465	\$ 139,519	\$ 7,054	94.9 %	\$ 10,483	67.3%
IPVF	5,325	12,625	7,300	42.2	N/A	N/A

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

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Statement of Net Assets

	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund
ASSETS		
Cash and cash equivalents	\$ 3,163,998	\$ -
Interest receivable	302,801	9,869
Investments		
U.S. Government securities	16,415,144	4,988,944
Corporate bonds	21,896,995	-
Corporate equities, preferred	3,208,920	-
Corporate equities, common	75,980,977	-
Mutual funds	30,616,540	819,978
Total assets	<u>151,585,375</u>	<u>5,818,791</u>
LIABILITIES		
Accounts payable	<u>5,590</u>	<u>810,650</u>
NET ASSETS		
Held in trust for pension benefits	114,003,190	5,008,141
Held in trust for postemployment healthcare benefits	37,576,595	-
Total net assets	<u>\$ 151,579,785</u>	<u>\$ 5,008,141</u>

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Statement of Changes in Fund Net Assets

	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund
Additions		
Contributions		
Employer contributions	\$ 1,361,354	\$ 864,167
Employee contributions	296,367	-
Total contributions	<u>1,657,721</u>	<u>864,167</u>
Investment income		
Interest	2,014,839	278,033
Dividends	2,244,059	-
Net adjustment in fair value of investments	14,933,510	3,187
Total investment earnings	<u>19,192,408</u>	<u>281,220</u>
Total additions	<u>20,850,129</u>	<u>1,145,387</u>
Deductions		
Benefits	10,099,374	1,193,267
Administrative expenses	81,624	12,130
Total deductions	<u>10,180,998</u>	<u>1,205,397</u>
Net increase(decrease) in plan net assets	<u>10,669,131</u>	<u>(60,010)</u>
Net assets held in trust, beginning of year for:		
Pension benefits	100,596,724	5,068,151
Postemployment healthcare benefits	40,313,930	-
Total net assets held in trust, beginning of year	<u>140,910,654</u>	<u>5,068,151</u>
Net assets held in trust, end of year for:		
Pension benefits	114,003,190	5,008,141
Postemployment healthcare benefits	37,576,595	-
Total net assets held in trust, end of year	<u>\$ 151,579,785</u>	<u>\$ 5,008,141</u>

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 14 - Defined Contribution Plan

The City maintains a defined contribution plan (DCP) administered by the International City Manager's Association Retirement Corporation (ICMARC), which qualifies under the Internal Revenue Code Section 401(a). Classified, Exempt and Fire Staff Officers in the City's Employees Retirement System were given the option to transfer to the DCP by December 31, 1997. Employees who elected to transfer to the DCP had their individually actuarially determined earned retirement benefits in the Employees Retirement System determined as of the date of election to transfer to the DCP. In 1998, the City afforded the option to AFSCME members of the Employees Retirement System to elect a transfer to the DCP, of which 41 employees elected such transfer. In 1999, the City afforded the option to MAP members of the Employees Retirement System to elect a transfer to the DCP, of which 29 employees elected such transfer. In 2000, the City afforded the option to TCOA members of the Employees Retirement System to elect a transfer to the DCP, of which 20 employees elected such transfer. In 2002, the City afforded the option to TPOA members of the Employees Retirement System to elect a transfer to the DCP of which 19 employees elected such transfer. The DCP is also in effect for all new full-time employees. Total membership in the DCP as of June 30, 2010 was 294.

The DCP maintains a schedule of vesting as follows: participants who transferred from the Employees Retirement System are fully vested. For new hires the following schedule applies: 50% vested after 3 years, 75% vested after 4 years and 100% vested after 5 years. Employees contribute 3 to 6 percent of their salary, while the employer contributes 10 to 13 percent. All employees are able to contribute up to 10 percent of their salary on a voluntary after-tax basis. All contributions are remitted to a third-party plan administrator.

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

The City's payroll for employees covered by the DCP for the year ended June 30, 2010, was \$19,643,900, and the City's total payroll was \$33,675,624. The required contributions, which matched those actually made, were \$888,685 by employees and \$2,229,055 by the City, representing 4.5 percent and 11.3 percent of covered payroll, respectively.

Note 15 - Retiree Health Care Trust Fund

Plan Description

The City provides certain healthcare benefits for retired employees in accordance with the bargaining groups agreements and other requirements. Substantially all of the City's full-time employees may become eligible for those benefits if they reach normal retirement age while working for the City. The City's contribution for healthcare benefits is accounted for in the

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

Retiree Health Care Trust Fund. The employers contribution of \$3,698,049 was attributable to healthcare benefits. This contribution represented 12.5 percent of total covered payroll during the current year. During the current year, healthcare benefits paid for 250 retirees totaled \$2,737,336, which was paid out of the Employees Retirement System. Future payments will be made by the Employees Retirement System until the reserves that have accumulated there are exhausted.

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.

The funding progress of the Plan as of December 31, 2008, the most recent valuation date, is as follows:

Valuation as of December 31, 2008:

Actuarial value of assets	\$ 38,093,710
Actuarial value of liabilities (AAL)	91,965,894
Unfunded AAL	53,872,184
Funded Ratio	41.4%
Annual covered payroll	31,168,000

Funding Progress

For the year ended June 30, 2010, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution	\$ 3,901,186
Amount contributed	<u>(3,698,049)</u>
Increase in OPEB obligation	203,137
Net OPEB obligation, beginning of year	<u>156,684</u>
Net OPEB obligation, end of year	<u>\$ 359,821</u>

CITY OF TROY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows (dollar amounts in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2008	\$ 2,923	100%	\$ -
June 30, 2009	3,759	97.1	156,684
June 30, 2010	3,898	94.8	359,821

Actuarial Methods and Assumptions

In the December 31, 2008 actuarial valuation, the individual entry age normal actuarial cost method was used. The actuarial assumptions include an assumed rate of return of 6.5%. An annual healthcare cost trend of 9% was used in fiscal year 2010 decreasing to 4.0% by 2018. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percent of payroll on an open basis. The remaining amortization period as of December 31, 2008 was 30 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.

<u>Actuarial Valuation December 31,</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (b) - (a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Active Member Covered Payroll (c)</u>	<u>Unfunded AAL as a Percentage of Active Member Covered Payroll (b-a)/(c)</u>
2008	\$ 38,094	\$ 91,966	\$ 53,872	41.4%	\$ 31,168	172.8%

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Statement of Net Assets

	Retiree Health Care Trust Fund
ASSETS	
Cash and cash equivalents	\$ 2,168,273
Interest receivable	141
Investments	
Mutual funds	14,231,557
Other investments	<u>764,793</u>
Total assets	<u>17,164,764</u>
NET ASSETS	
Held in trust for postemployment healthcare benefits	<u>17,164,764</u>
Total net assets	<u><u>\$ 17,164,764</u></u>

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Statement of Changes in Fund Net Assets

	Retiree Health Care Trust Fund
Additions	
Contributions	
Employer contributions	\$ 3,698,049
Total contributions	<u>3,698,049</u>
Investment income	
Interest	19,431
Dividends	212,427
Net adjustment in fair value of investments	1,057,115
Total investment earnings	<u>1,288,973</u>
Total additions	<u>4,987,022</u>
Deductions	
Benefits	<u>-</u>
Net increase in plan net assets	<u>4,987,022</u>
Net assets held in trust, beginning of year for:	
Postemployment healthcare benefits	<u>12,177,742</u>
Net assets held in trust, end of year for:	
Postemployment healthcare benefits	<u>\$ 17,164,764</u>

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 16 - Deficit Net Assets

The Sanctuary Lake golf course fund has deficit net assets of \$3,995,179 at June 30, 2010.

The Sanctuary Lake golf course completed its fifth year of operations with operating revenues of \$973,788 and operating expenses of \$1,123,078 plus the addition of interest expense on outstanding debt of \$515,200 resulting in a negative change in net assets of \$664,226, compared to \$716,054 last fiscal year. Several reasons are attributable for the deficit:

- Economy
- Weather conditions

The City turned over operations and management of both courses on June 15, 2010 to Billy Casper Golf with the hope of reducing and even eliminating the deficit in the next several years.

The Downtown Development Authority (component unit) reflected a deficit net asset position of \$12,678,066 compared to \$12,291,189 last fiscal year. This deficit is attributable to recognizing this fund as a component unit and the corresponding outstanding long-term debt.

Note 17 - Restatements

There was an adjustment made to the sanitary sewer fund's accumulated depreciation for the year ended June 30, 2009. The adjustment had the following effect on the beginning net assets:

	<u>Sanitary Sewer Fund</u>
Net assets as previously reported	\$ 59,818,602
Prior period adjustment	
Adjust accumulated depreciation	<u>1,803,349</u>
Net assets as restated	<u><u>\$ 61,621,951</u></u>

CITY OF TROY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

In addition, the prior period adjustment had the following effect on government-wide net assets:

	<u>Business-type Activities</u>
Net assets as previously reported	\$ 156,019,045
Prior period adjustment	
Adjust accumulated depreciation	<u>1,803,349</u>
Net assets as restated	<u>\$ 157,822,394</u>

* * * * *

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

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

PENSION ONLY

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) – (a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll (b-a)/(c)
2004	\$ 126,802	\$ 109,364	\$ (17,438)	115.9	\$ 12,572	(138.7)%
2005	128,790	113,260	(15,530)	113.7	12,100	(128.4)
2006	132,168	119,299	(12,869)	110.8	11,472	(112.2)
2007	132,917	123,162	(9,755)	107.9	11,046	(88.3)
2008	128,249	126,138	(2,111)	101.7	10,953	(19.3)
2009	132,465	139,519	(7,054)	94.9	10,483	(67.3)

HEALTH ONLY

2004	\$ 36,484	\$ 40,419	\$ 3,935	90.3%	\$ 30,046	13.1%
2005	37,190	43,554	6,364	85.4	29,937	21.3
2006	*	*	*	*	*	*
2007	*	*	*	*	*	*
2008	*	*	*	*	*	*
2009	*	*	*	*	*	*

* - not available

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

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

Fiscal Year Ended June 30,	Actuarial Valuation Date December 31,	Annual Required Contribution	Percent Contributed
2005	2003	\$ 1,716	100.0%
2006	2004	213	100.0
2007	2005	273	100.0
2008	2006	273	100.0
2009	2007	428	100.0
2010	2008	1,361	100.0

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

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

* After changes in benefit provisions.

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

Fiscal Year Ended June 30,	Actuarial Valuation Date December 31,	Annual Required Contribution	Percent Contributed
2005	2003	\$ 796	100.0 %
2006	2004	815	100.0
2007	2005	790	100.0
2008	2006	800	100.0
2009	2007	885	100.0
2010	2008	864	100.0

OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(\$ amounts in thousands)

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

* Not available

OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(\$ amounts in thousands)

<u>FISCAL YEAR ENDED JUNE 30</u>	<u>ACTUARIAL VALUATION DATE DECEMBER 31</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>PERCENT CONTRIBUTED</u>
2008	2006	\$ 2,923	100.0%
2009	2006	3,759	97.1
2010	2008	3,901	94.8

COMBINING AND INDIVIDUAL FUND STATEMENTS

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CITY OF TROY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2010

	Special Revenue						Permanent Fund
	Major Streets	Local Streets	Refuse	Community Development Block Grant	Budget Stabilization	Total Special Revenue	Cemetery Perpetual Care
Assets							
Cash and cash equivalents	\$ 956,051	\$ 656,650	\$ 214,120	\$ -	\$ -	\$ 1,826,821	\$ 161,420
Investments	337,218	231,614	75,524	-	2,118,995	2,763,351	56,936
Interest receivable	63	43	14	-	-	120	11
Due from other governments	867,294	343,533	-	112,312	-	1,323,139	-
Total assets	\$ 2,160,626	\$ 1,231,840	\$ 289,658	\$ 112,312	\$ 2,118,995	\$ 5,913,431	\$ 218,367
Liabilities							
Accounts payable	\$ -	\$ -	\$ 168,419	\$ 3,600	\$ -	\$ 172,019	\$ -
Due to other funds	-	-	-	108,712	312,000	420,712	-
Total liabilities	-	-	168,419	112,312	312,000	592,731	-
Fund balance							
Restricted	1,860,626	742,440	121,239	-	1,806,995	4,531,300	218,367
Committed	-	89,400	-	-	-	89,400	-
Assigned	300,000	400,000	-	-	-	700,000	-
Total fund balances	2,160,626	1,231,840	121,239	-	1,806,995	5,320,700	218,367
Total liabilities and fund balance	\$ 2,160,626	\$ 1,231,840	\$ 289,658	\$ 112,312	\$ 2,118,995	\$ 5,913,431	\$ 218,367

Continued.....

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

JUNE 30, 2010

	Debt Service				Total Debt Service	Total Nonmajor Governmental Funds
	General Debt Service	Proposal A Debt Service	Proposal B Debt Service	Proposal C Debt Service		
Assets						
Cash and cash equivalents	\$ 2,524,087	\$ -	\$ -	\$ -	\$ 2,524,087	\$ 4,512,328
Investments	890,296	-	-	-	890,296	3,710,583
Interest receivable	165	-	-	-	165	296
Due from other governments	-	-	-	-	-	1,323,139
Total assets	\$ 3,414,548	\$ -	\$ -	\$ -	\$ 3,414,548	\$ 9,546,346
Liabilities						
Accounts payable	\$ 952	\$ -	\$ -	\$ -	\$ 952	\$ 172,971
Due to other funds	-	-	-	-	-	420,712
Total liabilities	952	-	-	-	952	593,683
Fund balance						
Restricted	3,413,596	-	-	-	3,413,596	8,163,263
Committed	-	-	-	-	-	89,400
Assigned	-	-	-	-	-	700,000
Total fund balances	3,413,596	-	-	-	3,413,596	8,952,663
Total liabilities and fund balance	\$ 3,414,548	\$ -	\$ -	\$ -	\$ 3,414,548	\$ 9,546,346

CITY OF TROY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue						Permanent Fund
	Major Streets	Local Streets	Refuse	Community Development Block Grant	Budget Stabilization	Total Special Revenue	Cemetery Perpetual Care
Revenues							
Property taxes	\$ -	\$ -	\$ 3,900,932	\$ -	\$ -	\$ 3,900,932	\$ -
Federal grants and reimbursements	-	-	-	127,522	-	127,522	-
State grants and reimbursements	3,337,309	1,321,874	-	-	-	4,659,183	-
Charges for services	-	-	4,796	-	-	4,796	2,740
Investment earnings	21,944	12,633	21,114	-	6,995	62,686	2,325
Other	-	-	-	-	-	-	-
Total revenues	3,359,253	1,334,507	3,926,842	127,522	6,995	8,755,119	5,065
Expenditures							
Current							
Sanitation	-	-	3,996,065	-	-	3,996,065	-
Community development	-	-	-	127,522	-	127,522	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	-	-	3,996,065	127,522	-	4,123,587	-
Revenues over (under) expenditures	3,359,253	1,334,507	(69,223)	-	6,995	4,631,532	5,065
Other financing sources (uses)							
Issuance of debt	-	-	-	-	-	-	-
Payments to escrow agents	-	-	-	-	-	-	-
Transfers in	-	150,000	-	-	-	150,000	-
Transfers out	(2,828,007)	(1,628,568)	-	-	(300,000)	(4,756,575)	-
Total other financing (uses) sources	(2,828,007)	(1,478,568)	-	-	(300,000)	(4,606,575)	-
Net change in fund balances	531,246	(144,061)	(69,223)	-	(293,005)	24,957	5,065
Fund balances, beginning of year	1,629,380	1,375,901	190,462	-	2,100,000	5,295,743	213,302
Fund balances, end of year	\$ 2,160,626	\$ 1,231,840	\$ 121,239	\$ -	\$ 1,806,995	\$ 5,320,700	\$ 218,367

Continued....

CITY OF TROY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2010

	Debt Service				Total	Total
	General	Proposal A	Proposal B	Proposal C	Debt	Nonmajor
	Debt Service	Debt Service	Debt Service	Debt Service	Service	Governmental
						Funds
Revenues						
Property taxes	\$ 2,607,201	\$ -	\$ -	\$ -	\$ 2,607,201	\$ 6,508,133
Federal grants and reimbursements	-	-	-	-	-	127,522
State grants and reimbursements	-	-	-	-	-	4,659,183
Charges for services	-	-	-	-	-	7,536
Investment earnings	45,160	-	-	-	45,160	110,171
Other	230,188	-	-	-	230,188	230,188
Total revenues	2,882,549	-	-	-	2,882,549	11,642,733
Expenditures						
Current						
Sanitation	-	-	-	-	-	3,996,065
Community development	-	-	-	-	-	127,522
Debt service						
Principal	175,000	465,000	950,000	475,000	2,065,000	2,065,000
Interest	125,686	341,669	529,489	295,299	1,292,143	1,292,143
Total expenditures	300,686	806,669	1,479,489	770,299	3,357,143	7,480,730
Revenues over (under) expenditures	2,581,863	(806,669)	(1,479,489)	(770,299)	(474,594)	4,162,003
Other financing sources (uses)						
Issuance of debt	-	4,515,000	835,000	5,910,000	11,260,000	11,260,000
Payments to escrow agents	-	(4,515,275)	(835,800)	(5,910,275)	(11,261,350)	(11,261,350)
Transfers in	-	806,944	1,480,289	770,574	3,057,807	3,207,807
Transfers out	(3,057,807)	-	-	-	(3,057,807)	(7,814,382)
Total other financing sources (uses)	(3,057,807)	806,669	1,479,489	770,299	(1,350)	(4,607,925)
Net change in fund balances	(475,944)	-	-	-	(475,944)	(445,922)
Fund balances, beginning of year	3,889,540	-	-	-	3,889,540	9,398,585
Fund balances, end of year	\$ 3,413,596	\$ -	\$ -	\$ -	\$ 3,413,596	\$ 8,952,663

CITY OF TROY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL MAJOR STREETS FUND

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State grants and reimbursements	\$ 3,273,000	\$ 3,273,000	\$ 3,337,309	\$ 64,309
Investment earnings	40,000	40,000	21,944	(18,056)
Total revenues	3,313,000	3,313,000	3,359,253	46,253
Other financing (uses)				
Transfers out	(3,313,000)	(3,313,000)	(2,828,007)	484,993
Net change in fund balances	-	-	531,246	531,246
Fund balance, beginning of year	1,629,380	1,629,380	1,629,380	-
Fund balance, end of year	\$ 1,629,380	\$ 1,629,380	\$ 2,160,626	\$ 531,246

CITY OF TROY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL LOCAL STREETS FUND

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
State grants and reimbursements	\$ 1,337,000	\$ 1,337,000	\$ 1,321,874	\$ (15,126)
Investment earnings	25,000	25,000	12,633	(12,367)
Total revenues	1,362,000	1,362,000	1,334,507	(27,493)
Other financing sources (uses)				
Transfers in	150,000	150,000	150,000	-
Transfers out	(1,772,240)	(1,772,240)	(1,628,568)	143,672
Total other financing (uses)	(1,622,240)	(1,622,240)	(1,478,568)	143,672
Net change in fund balances	(260,240)	(260,240)	(144,061)	116,179
Fund balance, beginning of year	1,375,901	1,375,901	1,375,901	-
Fund balance, end of year	\$ 1,115,661	\$ 1,115,661	\$ 1,231,840	\$ 116,179

CITY OF TROY, MICHIGAN

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

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 3,893,330	\$ 3,893,330	\$ 3,900,932	\$ 7,602
Charges for services	4,500	4,500	4,796	296
Investment earnings	40,000	40,000	21,114	(18,886)
Total revenues	3,937,830	3,937,830	3,926,842	(10,988)
Expenditures				
Sanitation	4,087,830	4,187,830	3,996,065	191,765
Net change in fund balances	(150,000)	(250,000)	(69,223)	180,777
Fund balance, beginning of year	190,462	190,462	190,462	-
Fund balance (deficit), end of year	\$ 40,462	\$ (59,538)	\$ 121,239	\$ 180,777

CITY OF TROY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL COMMUNITY DEVELOPMENT BLOCK GRANT

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Federal grants	\$ 158,320	\$ 344,777	\$ 127,522	\$ (217,255)
Expenditures				
Community development	158,320	344,777	127,522	217,255
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF TROY, MICHIGAN

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

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 50,000	\$ 50,000	\$ 6,995	\$ (43,005)
Other financing sources (uses)				
Transfers out	(300,000)	(300,000)	(300,000)	-
Net change in fund balances	(250,000)	(250,000)	(293,005)	(43,005)
Fund balance, beginning of year	2,100,000	2,100,000	2,100,000	-
Fund balance, end of year	\$ 1,850,000	\$ 1,850,000	\$ 1,806,995	\$ (43,005)

CITY OF TROY, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2010

	Sylvan Glen Golf Course	Aquatic Center	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,218,709	\$ -	\$ 1,218,709
Investments	420,780	-	420,780
Accounts receivable	11,713	5,288	17,001
Due from other funds	1,139,845	-	1,139,845
Interest receivable	78	-	78
Inventories	11,820	-	11,820
Total current assets	2,802,945	5,288	2,808,233
Noncurrent assets			
Capital assets not being depreciated	1,894,552	-	1,894,552
Capital assets being depreciated, net of accumulated depreciation	723,110	1,718,384	2,441,494
Total capital assets, net of accumulated depreciation	2,617,662	1,718,384	4,336,046
Total assets	5,420,607	1,723,672	7,144,279
Liabilities			
Current liabilities			
Accounts payable	125,045	16,779	141,824
Due to other funds	-	376,556	376,556
Total liabilities	125,045	393,335	518,380
Net assets			
Investment in capital assets	2,617,662	1,718,384	4,336,046
Unrestricted (deficit)	2,677,900	(388,047)	2,289,853
Total net assets	\$ 5,295,562	\$ 1,330,337	\$ 6,625,899

CITY OF TROY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Sylvan Glen Golf Course	Aquatic Center	Total
Operating revenues			
Charges for services	\$ 732,987	\$ 425,155	\$ 1,158,142
Rental			
Golf course	216,306	-	216,306
Restaurant	87,720	-	87,720
Miscellaneous income	91,179	26,515	117,694
Total operating revenues	1,128,192	451,670	1,579,862
Operating expenses			
Operations and maintenance	936,342	397,870	1,334,212
Depreciation	158,281	169,974	328,255
Total operating expenses	1,094,623	567,844	1,662,467
Operating income (loss)	33,569	(116,174)	(82,605)
Nonoperating revenues			
Investment earnings	16,820	-	16,820
Change in net assets	50,389	(116,174)	(65,785)
Net assets, beginning of year	5,245,173	1,446,511	6,691,684
Net assets, end of year	\$ 5,295,562	\$ 1,330,337	\$ 6,625,899

CITY OF TROY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Sylvan Glen Golf Course	Aquatic Center	Total
Cash flows from operating activities			
Cash received from customers	\$ 1,132,720	\$ 448,447	\$ 1,581,167
Cash payments to employees	(505,071)	(280,917)	(785,988)
Cash payments to suppliers for goods and services	(323,581)	(132,624)	(456,205)
Cash payments for interfund services	(34,247)	(19,529)	(53,776)
Net cash provided by operating activities	269,821	15,377	285,198
Cash flows used by capital and related financing activities			
Purchase of capital assets	(175,294)	(15,377)	(190,671)
Cash flows from investing activities			
Proceeds from sale of investments	1,314,386	-	1,314,386
Purchase of investments	(1,252,360)	-	(1,252,360)
Investment income	17,953	-	17,953
Net cash provided by investing activities	79,979	-	79,979
Net increase in cash and cash equivalents	174,506	-	174,506
Cash and cash equivalents, beginning of year	1,044,203	-	1,044,203
Cash and cash equivalents, end of year	\$ 1,218,709	\$ -	\$ 1,218,709
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 33,569	\$ (116,174)	\$ (82,605)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	158,281	169,974	328,255
Changes in assets and liabilities:			
Accounts receivable	4,528	(3,223)	1,305
Inventory	3,468	-	3,468
Accounts payable	69,975	(9,654)	60,321
Due to other funds	-	(25,546)	(25,546)
Total adjustments	236,252	131,551	367,803
Net cash provided by operating activities	\$ 269,821	\$ 15,377	\$ 285,198

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

JUNE 30, 2010

	<u>Compensated Absences</u>	<u>Unemployment Compensation</u>	<u>Custodial Services</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 4,344,364	\$ 190,798	\$ 248,655
Investments	1,532,344	67,298	87,705
Accounts receivable	-	-	-
Interest receivable	283	12	16
Inventory	-	-	-
Total current assets	<u>5,876,991</u>	<u>258,108</u>	<u>336,376</u>
Noncurrent assets			
Capital assets not being depreciated	-	-	-
Capital assets being depreciated net of accumulated depreciation	-	-	-
Total capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>5,876,991</u>	<u>258,108</u>	<u>336,376</u>
Liabilities			
Current liabilities			
Accounts payable	-	26,474	1,224
Compensated absences	2,717,625	-	-
Total current liabilities	<u>2,717,625</u>	<u>26,474</u>	<u>1,224</u>
Noncurrent liabilities			
Compensated absences	2,233,452	-	-
Total liabilities	<u>4,951,077</u>	<u>26,474</u>	<u>1,224</u>
Net assets			
Investment in capital assets	-	-	-
Unrestricted	925,914	231,634	335,152
Total net assets	<u>\$ 925,914</u>	<u>\$ 231,634</u>	<u>\$ 335,152</u>

CITY OF TROY, MICHIGAN

COMBINING STATEMENT OF NET ASSETS INTERNAL SERVICE FUNDS

JUNE 30, 2010

	<u>Information Technology</u>	<u>Motor Equipment</u>	<u>Worker's Compensation</u>	<u>Total</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 1,002,045	\$ 4,157,235	\$ 1,613,328	\$ 11,556,425
Investments	353,442	1,466,368	569,053	4,076,210
Accounts receivable	-	57,650	-	57,650
Interest receivable	65	271	105	752
Inventory	-	313,423	-	313,423
Total current assets	<u>1,355,552</u>	<u>5,994,947</u>	<u>2,182,486</u>	<u>16,004,460</u>
Noncurrent assets				
Capital assets not being depreciated	-	10,248	-	10,248
Capital assets being depreciated net of accumulated depreciation	<u>466,548</u>	<u>3,237,845</u>	<u>-</u>	<u>3,704,393</u>
Total capital assets, net of accumulated depreciation	<u>466,548</u>	<u>3,248,093</u>	<u>-</u>	<u>3,714,641</u>
Total assets	<u>1,822,100</u>	<u>9,243,040</u>	<u>2,182,486</u>	<u>19,719,101</u>
Liabilities				
Current liabilities				
Accounts payable	38,945	137,310	-	203,953
Compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,717,625</u>
Total current liabilities	<u>38,945</u>	<u>137,310</u>	<u>-</u>	<u>2,921,578</u>
Noncurrent liabilities				
Compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,233,452</u>
Total liabilities	<u>38,945</u>	<u>137,310</u>	<u>-</u>	<u>5,155,030</u>
Net assets				
Investment in capital assets	466,548	3,248,093	-	3,714,641
Unrestricted	<u>1,316,607</u>	<u>5,857,637</u>	<u>2,182,486</u>	<u>10,849,430</u>
Total net assets	<u>\$ 1,783,155</u>	<u>\$ 9,105,730</u>	<u>\$ 2,182,486</u>	<u>\$ 14,564,071</u>

CITY OF TROY, MICHIGAN

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

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Compensated Absences</u>	<u>Unemployment Compensation</u>	<u>Custodial Services</u>
Operating revenues			
Charges for services	\$ 4,268,207	\$ -	\$ 1,215,682
Equipment rental	-	-	-
Building rental	-	-	-
Other	-	200,691	-
	<u> </u>	<u> </u>	<u> </u>
Total operating revenues	<u>4,268,207</u>	<u>200,691</u>	<u>1,215,682</u>
Operating expenses			
Cost of services	3,706,855	199,246	1,149,400
Motor vehicle and garage expenses			
Administration	-	-	-
Operations	-	-	-
Depreciation	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	<u>3,706,855</u>	<u>199,246</u>	<u>1,149,400</u>
Operating income	<u>561,352</u>	<u>1,445</u>	<u>66,282</u>
Nonoperating revenues			
Investment earnings	49,800	2,812	1,750
Gain on sale of capital assets	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total nonoperating revenues	<u>49,800</u>	<u>2,812</u>	<u>1,750</u>
Income before transfers	<u>611,152</u>	<u>4,257</u>	<u>68,032</u>
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>611,152</u>	<u>4,257</u>	<u>68,032</u>
Net assets, beginning of year	<u>314,762</u>	<u>227,377</u>	<u>267,120</u>
Net assets, end of year	<u>\$ 925,914</u>	<u>\$ 231,634</u>	<u>\$ 335,152</u>

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

FOR THE YEAR ENDED JUNE 30, 2010

	Information Technology	Motor Equipment	Worker's Compensation	Total
Operating revenues				
Charges for services	\$ 1,576,310	\$ -	\$ 395,549	\$ 7,455,748
Equipment rental	-	3,289,578	-	3,289,578
Building rental	-	183,031	-	183,031
Other	-	393,437	66,788	660,916
Total operating revenues	1,576,310	3,866,046	462,337	11,589,273
Operating expenses				
Cost of services	1,319,882	-	436,057	6,811,440
Motor vehicle and garage expenses				
Administration	-	558,223	-	558,223
Operations	-	2,432,472	-	2,432,472
Depreciation	32,537	903,351	-	935,888
Total operating expenses	1,352,419	3,894,046	436,057	10,738,023
Operating income (loss)	223,891	(28,000)	26,280	851,250
Nonoperating revenues				
Investment earnings	10,606	55,033	21,951	141,952
Gain on sale of capital assets	-	195,248	-	195,248
Total nonoperating revenues	10,606	250,281	21,951	337,200
Income before transfers	234,497	222,281	48,231	1,188,450
Transfers in	120,211	-	-	120,211
Change in net assets	354,708	222,281	48,231	1,308,661
Net assets, beginning of year	1,428,447	8,883,449	2,134,255	13,255,410
Net assets, end of year	\$ 1,783,155	\$ 9,105,730	\$ 2,182,486	\$ 14,564,071

CITY OF TROY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Compensated Absences	Unemployment Compensation	Custodial Services
Cash flows from operating activities			
Cash received from interfund services	\$ 4,272,362	\$ 200,873	\$ 1,215,879
Cash payments to employees	(4,039,936)	-	(1,025,921)
Cash payments to suppliers for goods and services	-	(190,669)	(123,963)
Net cash provided (used) by operating activities	232,426	10,204	65,995
Cash flows from noncapital			
Transfers from other funds	-	-	-
Net cash provided by noncapital financing activities	-	-	-
Cash flows from capital and related financing activities			
Purchase of capital assets	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash used by capital and related financing activities	-	-	-
Cash flows from investing activities			
Proceeds from sale of investments	280,178	12,961	67,595
Purchase of investments	(42,802)	(2,732)	(70,328)
Investment income	49,800	2,812	1,750
Net cash provided (used) by investing activities	287,176	13,041	(983)
Net increase (decrease) in cash and cash equivalents	519,602	23,245	65,012
Cash and cash equivalents, beginning of year	3,824,762	167,553	183,643
Cash and cash equivalents, end of year	\$ 4,344,364	\$ 190,798	\$ 248,655
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating loss	\$ 561,352	\$ 1,445	\$ 66,282
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	-	-	-
Changes in assets and liabilities:			
Accounts receivable	4,155	182	197
Inventory	-	-	-
Accounts payable	-	8,577	(484)
Accrued liabilities	(333,081)	-	-
Total adjustments	(328,926)	8,759	(287)
Net cash provided (used) by operating activities	\$ 232,426	\$ 10,204	\$ 65,995

CITY OF TROY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Information Technology	Motor Equipment	Worker's Compensation	Total
Cash flows from operating activities				
Cash received from interfund services	\$ 1,577,178	\$ 3,869,692	\$ 463,924	\$ 11,599,908
Cash payments to employees	(1,058,002)	(1,531,661)	-	(7,655,520)
Cash payments to suppliers for goods and services	(350,846)	(1,523,207)	(436,057)	(2,624,742)
Net cash provided (used) by operating activities	168,330	814,824	27,867	1,319,646
Cash flows from noncapital financing activities				
Transfers from other funds	120,211	-	-	120,211
Net cash provided by noncapital financing activities	120,211	-	-	120,211
Cash flows from capital and related financing activities				
Purchase of capital assets	(120,211)	(348,089)	-	(468,300)
Proceeds from sale of capital assets	-	195,248	-	195,248
Net cash used by capital and related financing activities	(120,211)	(152,841)	-	(273,052)
Cash flows from investing activities				
Proceeds from sale of investments	178,518	684,845	154,859	1,378,956
Purchase of investments	(159,778)	(589,214)	(49,312)	(914,166)
Investment income	10,606	23,790	21,951	110,709
Net cash provided by investing activities	29,346	119,421	127,498	575,499
Net increase in cash and cash equivalents	197,676	781,404	155,365	1,742,304
Cash and cash equivalents, beginning of year	804,369	3,375,831	1,457,963	9,814,121
Cash and cash equivalents, end of year	\$ 1,002,045	\$ 4,157,235	\$ 1,613,328	\$ 11,556,425
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 223,891	\$ (28,000)	\$ 26,280	\$ 851,250
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	32,537	903,351	-	935,888
Changes in assets and liabilities:				
Accounts receivable	868	3,646	1,587	10,635
Inventory	-	(22,495)	-	(22,495)
Accounts payable	-	-	-	8,093
Accrued liabilities	(88,966)	(41,678)	-	(463,725)
Total adjustments	(55,561)	842,824	1,587	468,396
Net cash provided (used) by operating activities	\$ 168,330	\$ 814,824	\$ 27,867	\$ 1,319,646

CITY OF TROY, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2010

	Pension and Other Employee Benefit Trust Funds			
	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund	Retiree Health Care Trust Fund	Total Pension Trust Funds
Assets				
Cash and cash equivalents	\$ 3,163,998	\$ -	\$ 2,168,273	\$ 5,332,271
Interest receivable	302,801	9,869	141	312,811
Investments				
U.S. Government securities	16,415,144	4,988,944	-	21,404,088
Corporate bonds	21,896,995	-	-	21,896,995
Corporate equities, preferred	3,208,920	-	-	3,208,920
Corporate equities, common	75,980,977	-	-	75,980,977
Mutual funds	30,616,540	819,978	14,231,557	45,668,075
Other investments	-	-	764,793	764,793
Total assets	151,585,375	5,818,791	17,164,764	174,568,930
Liabilities				
Accounts payable	5,590	810,650	-	816,240
Net assets				
Held in trust for pension benefits	114,003,190	5,008,141	-	119,011,331
Held in trust for postemployment healthcare benefits	37,576,595	-	17,164,764	54,741,359
Total net assets	\$ 151,579,785	\$ 5,008,141	\$ 17,164,764	\$ 173,752,690

CITY OF TROY, MICHIGAN

COMBINING STATEMENT OF CHANGES

IN FUND NET ASSETS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	Pension and Other Employee Benefit Trust Funds			
	Employees' Retirement System	Discretionary Fire Incentive Reserve Fund	Retiree Health Care Trust Fund	Total
Additions				
Contributions				
Employer contributions	\$ 1,361,354	\$ 864,167	\$ 3,698,049	\$ 5,923,570
Employee contributions	296,367	-	-	296,367
Total contributions	1,657,721	864,167	3,698,049	6,219,937
Investment income				
Interest	2,014,839	278,033	19,431	2,312,303
Dividends	2,244,059	-	212,427	2,456,486
Net adjustment in fair value of investments	14,933,510	3,187	1,057,115	15,993,812
Total investment earnings	19,192,408	281,220	1,288,973	20,762,601
Total additions	20,850,129	1,145,387	4,987,022	26,982,538
Deductions				
Benefits	10,099,374	1,193,267	-	11,292,641
Administrative expenses	81,624	12,130	-	93,754
Total deductions	10,180,998	1,205,397	-	11,386,395
Net increase (decrease) in plan net assets	10,669,131	(60,010)	4,987,022	15,596,143
Net assets held in trust, beginning of year for				
Pension benefits	100,596,724	5,068,151	-	105,664,875
Postemployment healthcare benefits	40,313,930	-	12,177,742	52,491,672
Total net assets held in trust, beginning of year	140,910,654	5,068,151	12,177,742	158,156,547
Net assets held in trust, end of year for				
Pension benefits	114,003,190	5,008,141	-	119,011,331
Postemployment healthcare benefits	37,576,595	-	17,164,764	54,741,359
Total net assets held in trust, end of year	\$ 151,579,785	\$ 5,008,141	\$ 17,164,764	\$ 173,752,690

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

FOR THE YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and cash equivalents	\$ 1,863,903	\$ 219,732,484	\$ (219,828,228)	\$ 1,768,159
Investments	689,549	2,464,291	(3,128,164)	25,676
Taxes receivable	814,321	225,465,718	(225,378,468)	901,571
Interest receivable	1,730	4	(1,730)	4
Total assets	<u>\$ 3,369,503</u>	<u>\$ 447,662,497</u>	<u>\$ (448,336,590)</u>	<u>\$ 2,695,410</u>
Liabilities				
Accounts payable	\$ 1,930	\$ 215,235,106	\$ (215,230,586)	\$ 6,450
Performance deposits	3,367,573	601,116	(1,279,729)	2,688,960
Total liabilities	<u>\$ 3,369,503</u>	<u>\$ 215,836,222</u>	<u>\$ (216,510,315)</u>	<u>\$ 2,695,410</u>

CITY OF TROY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS AND

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2010

	Operating	Debt Service	Total	Adjustments	Net Assets
Assets					
Cash and cash equivalents	\$ 5,928,895	\$ 3,789,801	\$ 9,718,696	\$ -	\$ 9,718,696
Investments	2,091,240	-	2,091,240	-	2,091,240
Receivables					
Taxes receivable	78,069	-	78,069	-	78,069
Interest receivable	388	-	388	-	388
Total assets	\$ 8,098,592	\$ 3,789,801	\$ 11,888,393	-	11,888,393
Liabilities					
Accounts payable	\$ 216,558	\$ -	\$ 216,558	-	216,558
Due to primary government	-	67,485	67,485	-	67,485
Interest payable	-	-	-	187,416	187,416
Deferred revenue	78,069	-	78,069	(78,069)	-
Noncurrent liabilities					
Due within one year	-	-	-	2,065,000	2,065,000
Due after one year	-	-	-	22,030,000	22,030,000
Total liabilities	294,627	67,485	362,112	24,204,347	24,566,459
Fund balance					
Reserved					
Debt service	-	3,722,316	3,722,316	(3,722,316)	-
Unreserved	7,803,965	-	7,803,965	(7,803,965)	-
Total fund balances	7,803,965	3,722,316	11,526,281	(11,526,281)	-
Total liabilities and fund balance	\$ 8,098,592	\$ 3,789,801	\$ 11,888,393		
Net (deficit)					
Unrestricted				(12,678,066)	(12,678,066)
Total net deficit				\$ (12,678,066)	\$ (12,678,066)

CITY OF TROY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2010

Fund balances - total governmental funds	\$	11,526,281
--	----	------------

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

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

Add: deferred revenues	78,069
------------------------	--------

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	(187,416)
Deduct: bonds payable - current portion	(2,065,000)
Deduct: bonds payable - long-term portion	(22,030,000)

Net assets of governmental activities	\$	(12,678,066)
--	-----------	---------------------

CITY OF TROY, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES AND

GOVERNMENTAL FUND REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Operating</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Net Assets</u>
Revenues					
Property taxes	\$ 3,204,718	\$ -	\$ 3,204,718	\$ 16,530	\$ 3,221,248
Investment earnings	101,212	6,027	107,239	-	107,239
Total revenues	3,305,930	6,027	3,311,957	16,530	3,328,487
Expenditures/expenses					
Economic development	2,561,887	-	2,561,887	-	2,561,887
Debt service:					
Principal	-	1,975,000	1,975,000	(1,975,000)	-
Interest	-	1,167,592	1,167,592	(14,115)	1,153,477
Total expenditures/expenses	2,561,887	3,142,592	5,704,479	(1,989,115)	3,715,364
Revenues over (under) expenditures	744,043	(3,136,565)	(2,392,522)	2,005,645	(386,877)
Other financing sources (uses)					
Transfers in	-	3,142,591	3,142,591	-	3,142,591
Transfers out	(3,142,591)	-	(3,142,591)	-	(3,142,591)
Total other financing sources and (uses)	(3,142,591)	3,142,591	-	-	-
Net change in fund balances/ net assets	(2,398,548)	6,026	(2,392,522)	2,005,645	(386,877)
Fund balance/net assets (deficit), beginning of year	10,202,513	3,716,290	13,918,803	(26,209,992)	(12,291,189)
Fund balance/net assets (deficit), end of year	\$ 7,803,965	\$ 3,722,316	\$ 11,526,281	\$ (24,204,347)	\$ (12,678,066)

CITY OF TROY, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds	\$ (2,392,522)
--	----------------

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

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

Add: net difference in deferred revenue	16,530
---	--------

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

Add: principal payments on long-term liabilities	1,975,000
--	-----------

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

Add: decrease in accrued interest expense	<u>14,115</u>
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Change in net assets of governmental activities	<u><u>\$ (386,877)</u></u>
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CITY OF TROY, MICHIGAN

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

JUNE 30, 2010

	<u>Operating</u>	<u>Adjustments</u>	<u>Net Assets</u>
Assets			
Cash and cash equivalents	\$ 159,886	\$ -	\$ 159,886
Investments	56,395	-	56,395
Interest receivable	11	-	11
Total assets	<u>\$ 216,292</u>	-	216,292
Liabilities			
Accounts payable	\$ -	-	-
Fund balance			
Unreserved	216,292	(216,292)	-
Total liabilities and fund balance	<u>\$ 216,292</u>		
Net assets			
Unrestricted		216,292	216,292
Total net assets		<u>\$ 216,292</u>	<u>\$ 216,292</u>

CITY OF TROY, MICHIGAN

**LOCAL DEVELOPMENT FINANCING AUTHORITY
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Operating</u>	<u>Adjustments</u>	<u>Net Assets</u>
Revenues			
Property taxes	\$ 292,368	\$ -	\$ 292,368
Investment earnings	3,809	-	3,809
Total revenues	296,177	-	296,177
Expenditures/expenses			
Economic development	236,375	-	236,375
Net change in fund balances/net assets	59,802	-	59,802
Fund balance/net assets, beginning of year	156,490	-	156,490
Fund balance/net assets, end of year	\$ 216,292	\$ -	\$ 216,292

CITY OF TROY, MICHIGAN

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

JUNE 30, 2010

	<u>Operating</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash	\$ 589,727	\$ -	\$ 589,727
Investments	208,008	-	208,008
Taxes receivable	4,203	-	4,203
Interest receivable	39	-	39
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 801,977</u>	-	801,977
 Liabilities			
Accounts payable	\$ 13,131	-	13,131
 Fund balance			
Undesignated	788,846	(788,846)	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 801,977</u>		
 Net Assets			
Unrestricted		788,846	788,846
		<u> </u>	<u> </u>
Total net assets		<u>\$ 788,846</u>	<u>\$ 788,846</u>

CITY OF TROY, MICHIGAN

BROWNFIELD REDEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES AND

GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Operating</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property taxes	\$ 13,000	\$ -	\$ 13,000
Investment earnings	23,337	-	23,337
Total revenues	<u>36,337</u>	<u>-</u>	<u>36,337</u>
Expenditures/expenses			
Community and economic development	2,215,633	-	2,215,633
Other	2,422	-	2,422
Total expenditures/expenses	<u>2,218,055</u>	<u>-</u>	<u>2,218,055</u>
Net change in fund balance/net assets	(2,181,718)	-	(2,181,718)
Fund balance/net assets, beginning of year	2,970,564	-	2,970,564
Fund balance/net assets, end of year	<u><u>\$ 788,846</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 788,846</u></u>

STATISTICAL SECTION

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CITY OF TROY, MICHIGAN

STATISTICAL SECTION

JUNE 30, 2010

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	105
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	111
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.	115
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.	121
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	123
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.	129
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in the fiscal year ended 6/30/03; schedules presenting government-wide information include information beginning in that year.	

CITY OF TROY, MICHIGAN

NET ASSETS BY COMPONENT (Accrual Basis of Accounting)

	Fiscal Year Ended							
	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>6/30/2006</u>	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>
Governmental activities								
Invested in capital assets, net of related debt	\$ 82,829,398	\$ 116,110,302	\$ 122,746,020	\$ 159,749,955	\$ 153,793,099	\$ 157,447,608	\$ 164,045,115	\$ 170,829,690
Restricted	29,507,113	1,810,587	50,227,946	33,017,038	34,119,273	34,552,624	31,704,901	26,293,289
Unrestricted	62,117,445	81,355,650	32,494,032	34,533,448	33,414,001	31,970,878	30,192,218	33,877,687
Total governmental activities net assets	<u>\$ 174,453,956</u>	<u>\$ 199,276,539</u>	<u>\$ 205,467,998</u>	<u>\$ 227,300,441</u>	<u>\$ 221,326,373</u>	<u>\$ 223,971,110</u>	<u>\$ 225,942,234</u>	<u>\$ 231,000,666</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 99,905,946	\$ 100,797,007	\$ 102,045,725	\$ 102,621,738	\$ 105,920,417	\$ 107,889,998	\$ 111,070,571	\$ 116,929,920
Restricted	6,604,596	7,306,405	-	-	-	-	-	-
Unrestricted	33,631,643	33,240,135	40,036,148	42,421,282	43,142,406	46,259,322	44,948,474	43,046,756
Total business-type activities net assets	<u>\$ 140,142,185</u>	<u>\$ 141,343,547</u>	<u>\$ 142,081,873</u>	<u>\$ 145,043,020</u>	<u>\$ 149,062,823</u>	<u>\$ 154,149,320</u>	<u>\$ 156,019,045</u>	<u>\$ 159,976,676</u>
Primary government								
Invested in capital assets, net of related debt	\$ 182,735,344	\$ 216,907,309	\$ 224,791,745	\$ 262,371,693	\$ 259,713,516	\$ 265,337,606	\$ 275,115,686	\$ 287,759,610
Restricted	36,111,709	9,116,992	50,227,946	33,017,038	34,119,273	34,552,624	31,704,901	26,293,289
Unrestricted	95,749,088	114,595,785	72,530,180	76,954,730	76,556,407	78,230,200	75,140,692	76,924,443
Total primary government net assets	<u>\$ 314,596,141</u>	<u>\$ 340,620,086</u>	<u>\$ 347,549,871</u>	<u>\$ 372,343,461</u>	<u>\$ 370,389,196</u>	<u>\$ 378,120,430</u>	<u>\$ 381,961,279</u>	<u>\$ 390,977,342</u>

CITY OF TROY, MICHIGAN

CHANGES IN NET ASSETS (Accrual Basis of Accounting)

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

CITY OF TROY, MICHIGAN

CHANGES IN NET ASSETS (Accrual Basis of Accounting)

(Continued)

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

CITY OF TROY, MICHIGAN

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

	For Fiscal Year Ended									
	<u>6/30/2001</u>	<u>6/30/2002</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>6/30/2006</u>	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>
General Fund										
Nonspendable	\$ 3,177,624	\$ 3,383,974	\$ 3,524,927	\$ 3,597,139	\$ 708,988	\$ 618,143	\$ 695,992	\$ 617,505	\$ 623,544	\$ 447,720
Committed	-	-	-	-	-	-	-	-	-	3,400,000
Assigned	-	-	-	-	-	-	-	-	-	9,171,895
Unassigned	20,200,272	18,576,135	17,901,803	16,855,616	23,098,204	26,280,666	24,169,595	23,015,257	20,690,932	10,722,271
Total general fund	<u>\$ 23,377,896</u>	<u>\$ 21,960,109</u>	<u>\$ 21,426,730</u>	<u>\$ 20,452,755</u>	<u>\$ 23,807,192</u>	<u>\$ 26,898,809</u>	<u>\$ 24,865,587</u>	<u>\$ 23,632,762</u>	<u>\$ 21,314,476</u>	<u>\$ 23,741,886</u>
All other Governmental Funds										
Spendable										
Restricted	\$ 37,052,869	\$ 33,599,918	\$ 34,669,982	\$ 16,788,859	\$ 11,218,690	\$ 8,671,081	\$ 4,531,948	\$ 4,510,081	\$ 4,203,075	\$ 8,294,105
Special revenue funds	8,677,209	5,453,780	5,166,988	6,597,268	12,288,180	5,601,748	6,375,447	5,748,781	5,295,743	789,400
Capital projects funds	11,421,852	10,136,827	24,099,059	27,090,374	26,559,518	18,573,691	23,026,136	23,743,384	21,992,781	17,209,784
Debt service funds	-	-	-	613,290	-	-	-	347,630	-	-
Permanent fund	-	-	-	-	161,558	170,518	185,742	202,748	213,302	-
Total all other governmental funds	<u>\$ 57,151,930</u>	<u>\$ 49,190,525</u>	<u>\$ 63,936,029</u>	<u>\$ 51,089,791</u>	<u>\$ 50,227,946</u>	<u>\$ 33,017,038</u>	<u>\$ 34,119,273</u>	<u>\$ 34,552,624</u>	<u>\$ 31,704,901</u>	<u>\$ 26,293,289</u>

CITY OF TROY, MICHIGAN

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

	Fiscal Year									
	<u>6/30/2001</u>	<u>6/30/2002</u>	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>6/30/2006</u>	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>
Revenues										
Property taxes	\$ 45,093,163	\$ 47,720,109	\$ 49,445,596	\$ 49,729,110	\$ 51,455,237	\$ 49,877,171	\$ 50,696,911	\$ 51,270,756	\$ 51,092,129	\$ 50,828,551
Licenses and permits	2,048,206	1,522,133	1,449,003	1,649,985	1,607,445	1,662,592	1,491,958	1,393,635	1,237,191	1,113,809
Intergovernmental - federal	307,050	569,310	437,061	415,609	2,928,690	961,366	551,965	1,279,824	4,884,314	3,185,364
Intergovernmental - state	13,012,679	17,169,346	15,946,030	19,579,823	12,944,756	12,073,497	11,805,209	11,990,426	11,345,811	10,494,294
Intergovernmental - local	118,646	159,268	142,450	241,418	165,154	891,705	765,823	758,058	465,212	908,398
Charges for services	3,996,793	3,667,536	5,870,215	6,310,960	8,594,731	7,895,033	8,338,480	8,109,915	7,782,945	8,151,713
Fines and forfeits	1,061,310	1,171,749	896,833	960,250	973,527	994,373	1,243,286	1,483,784	1,054,161	1,226,729
Investment income	5,406,554	2,687,564	1,664,399	1,198,874	2,213,067	2,947,672	3,942,955	2,782,486	1,592,062	643,073
Other	2,614,718	3,999,601	4,798,868	5,497,512	2,817,781	1,601,059	2,046,840	1,924,977	1,999,943	3,347,701
Total revenues	<u>\$ 73,659,119</u>	<u>\$ 78,666,616</u>	<u>\$ 80,650,455</u>	<u>\$ 85,583,541</u>	<u>\$ 83,700,388</u>	<u>\$ 78,904,468</u>	<u>\$ 80,883,427</u>	<u>\$ 80,993,861</u>	<u>\$ 81,453,768</u>	<u>\$ 79,899,632</u>
Expenditures										
General government	\$ 7,134,820	\$ 7,605,215	\$ 8,217,477	\$ 8,657,335	\$ 8,978,687	\$ 9,002,076	\$ 9,118,399	\$ 9,181,757	\$ 9,167,749	\$ 8,562,924
Public safety	22,787,828	24,721,059	25,229,356	26,313,278	27,203,034	27,973,275	29,575,908	30,764,667	31,042,277	30,902,648
Roads and Streets	3,458,730	3,321,820	3,822,154	3,944,998	5,074,870	4,755,184	4,754,166	5,600,748	5,687,378	4,844,712
Other Public Works	3,359,645	3,808,488	3,708,860	3,500,055	2,780,643	2,835,772	2,676,716	2,676,845	2,525,114	2,043,464
Sanitation	3,477,389	3,671,275	4,198,140	4,432,201	4,432,841	4,367,093	4,528,962	3,892,487	3,961,794	3,996,065
Community & Economic Dev.	397,874	675,157	576,366	553,242	474,591	2,011,275	116,091	115,981	195,216	127,522
Recreation and culture	8,991,175	10,287,719	11,893,754	12,524,550	13,263,560	13,376,722	13,412,739	14,431,267	13,830,413	12,231,424
Capital outlay	22,422,333	56,099,017	42,801,620	22,194,876	14,791,534	18,994,837	11,856,766	12,322,730	17,176,377	17,062,105
Debt service										
Principal	2,969,940	9,589,460	4,081,284	12,872,500	3,109,955	1,736,712	1,917,957	1,968,296	2,225,309	2,304,692
Interest and other charges	2,162,127	3,229,735	3,133,028	4,410,719	3,246,210	1,702,856	1,639,410	1,471,759	1,461,569	1,375,693
Total expenditures	<u>\$ 77,161,861</u>	<u>\$ 123,008,945</u>	<u>\$ 107,662,039</u>	<u>\$ 99,403,754</u>	<u>\$ 83,355,925</u>	<u>\$ 86,755,802</u>	<u>\$ 79,597,114</u>	<u>\$ 82,426,537</u>	<u>\$ 87,273,196</u>	<u>\$ 83,451,249</u>
Excess of revenues over (under) expenditures	\$ (3,502,742)	\$ (44,342,329)	\$ (27,011,584)	\$ (13,820,213)	\$ 344,463	\$ (7,851,334)	\$ 1,286,313	\$ (1,432,676)	\$ (5,819,428)	\$ (3,551,617)
Other Financing Sources (Uses)										
Issuance of debt	\$ 14,860,761	\$ 34,181,247	\$ 40,225,000	\$ -	\$ -	\$ 81,089	\$ 41,440	\$ 3,505,000	\$ 181,379	\$ 11,321,816
Proceeds from sale of capital assets	-	-	-	-	74,985	905,292	748,221	47,902	131,205	-
Payments to escrow agents	-	-	-	-	-	-	-	(3,601,840)	-	(11,261,350)
Transfers in	11,612,967	19,623,039	23,611,663	22,746,919	16,529,331	12,767,350	13,965,781	12,260,233	11,066,116	10,441,542
Transfers out	(10,862,367)	(18,841,149)	(22,761,463)	(22,746,919)	(15,699,191)	(12,008,850)	(16,972,741)	(11,578,093)	(10,442,591)	(9,934,593)
Total other financing sources (uses)	<u>\$ 15,611,361</u>	<u>\$ 34,963,137</u>	<u>\$ 41,075,200</u>	<u>\$ -</u>	<u>\$ 905,125</u>	<u>\$ 1,744,881</u>	<u>\$ (2,217,299)</u>	<u>\$ 633,202</u>	<u>\$ 936,109</u>	<u>\$ 567,415</u>
Net change in fund balances	<u>\$ 12,108,619</u>	<u>\$ (9,379,192)</u>	<u>\$ 14,063,616</u>	<u>\$ (13,820,213)</u>	<u>\$ 1,249,588</u>	<u>\$ (6,106,453)</u>	<u>\$ (930,986)</u>	<u>\$ (799,474)</u>	<u>\$ (4,883,319)</u>	<u>\$ (2,984,202)</u>
Debt service as a percentage of noncapital expenditures	9.4%	19.2%	11.1%	22.4%	9.3%	5.1%	5.3%	4.9%	5.3%	5.5%

CITY OF TROY, MICHIGAN

GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Governmental Funds				
	General	Refuse	Capital	General Debt Service	Total All Property Taxes
2001	\$ 27,295,287	\$ 3,707,365	\$ 6,871,070	\$ 3,393,679	\$ 41,267,401
2002	29,085,526	3,636,077	7,506,099	3,548,012	43,775,714
2003	30,399,278	3,800,177	7,417,214	3,710,450	45,327,119
2004	30,985,387	3,886,714	7,586,118	3,512,091	45,970,416
2005	32,300,414	4,010,718	9,036,196	2,418,718	47,766,046
2006	35,229,232	4,120,154	8,041,747	2,486,038	49,877,280
2007	35,679,836	4,254,241	8,200,947	2,561,887	50,696,911
2008	36,667,821	3,563,759	8,385,316	2,653,860	51,270,868
2009	36,487,455	3,564,456	8,386,956	2,653,262	51,092,129
2010	36,362,516	3,900,932	7,957,902	2,607,201	50,828,551

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	Ratio of Total Tax Collections To Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes To Total Tax Levy
2001	\$ 39,434,080	\$ 38,848,160	98.51%	\$ 693,813	\$ 39,541,973	100.27	\$ 256,858	.65
2002	41,803,788	41,016,410	98.12	632,486	41,648,896	99.63	308,641	.74
2003	43,497,146	42,574,532	97.88	582,323	43,156,855	99.22	491,213	1.13
2004	44,251,910	43,440,583	98.17	672,473	44,113,056	99.68	296,928	.67
2005	45,666,420	44,814,456	98.13	637,527	45,451,983	99.53	214,437	.47
2006	46,913,799	45,924,486	97.89	726,792	46,651,278	99.44	65,394	.14
2007	48,338,412	47,306,612	97.87	923,002	48,229,614	99.78	108,773	.23
2008	48,667,887	47,589,455	97.79	1,037,838	48,627,293	99.92	107,492	.22
2009	48,676,220	47,420,544	97.42	771,027	48,191,571	99.00	120,221	.25
2010	48,273,658	47,388,992	98.17	766,850	48,155,842	99.76	116,780	.24

CITY OF TROY, MICHIGAN

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

Overlapping Governments									
Fiscal Year Ended June 30	City of Troy	Troy School District	Oakland County	Oakland County Community College	Intermediate School District	SMART	State Education	Zoo	Total
2001 H	9.48	10.71	4.65	1.61	2.08	0.32	6.00	*	34.85
2001 NH	9.48	21.32	4.65	1.61	2.08	0.32	6.00	*	45.46
2002 H	9.48	10.06	4.64	1.60	3.46	0.32	6.00	*	35.56
2002 NH	9.48	21.13	4.64	1.60	3.46	0.32	6.00	*	46.63
2003 H	9.45	9.73	4.65	1.61	3.42	0.60	6.00	*	35.46
2003 NH	9.45	21.14	4.65	1.61	3.42	0.60	6.00	*	46.87
2004 H	9.45	9.43	4.65	1.60	3.40	0.60	5.00	*	34.13
2004 NH	9.45	21.14	4.65	1.60	3.40	0.60	5.00	*	45.84
2005 H	9.45	10.16	4.65	1.60	3.38	0.60	6.00	*	35.84
2005 NH	9.45	22.13	4.65	1.59	3.38	0.60	6.00	*	47.80
2006 H	9.45	9.87	4.65	1.58	3.37	0.60	6.00	*	35.52
2006 NH	9.45	22.13	4.65	1.58	3.37	0.60	6.00	*	47.78
2007 H	9.43	9.87	4.65	1.58	3.37	0.59	6.00	*	35.49
2007 NH	9.43	22.13	4.65	1.58	3.37	0.59	6.00	*	47.75
2008 H	9.28	9.42	4.65	1.58	3.37	0.59	6.00	*	34.89
2008 NH	9.28	22.13	4.65	1.58	3.37	0.59	6.00	*	47.60
2009H	9.28	8.72	4.65	1.58	3.37	0.59	6.00	0.10	34.29
2009NH	9.28	22.10	4.65	1.58	3.37	0.59	6.00	0.10	47.67
2010H	9.28	8.77	4.65	1.58	3.37	0.59	6.00	0.10	34.34
2010NH	9.28	22.10	4.65	1.58	3.37	0.59	6.00	0.10	47.67

H - Homestead

NH - Non-Homestead

* - Not Applicable

CITY OF TROY, MICHIGAN

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

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Personal Property	Total Taxable Value	Total Direct Tax Rate	Assessed Value	Taxable Value as a Percentage of Assessed Value
2001	\$ 2,200,049,920	\$ 1,099,760,450	\$ 430,191,020	\$ 643,070,690	\$ 4,373,072,080	9.48	\$ 5,218,597,300	83.8%
2002	2,341,626,570	1,239,570,810	455,491,350	649,562,212	4,686,250,942	9.48	5,652,563,942	82.90
2003	2,482,897,070	1,275,459,080	483,319,960	619,964,538	4,861,640,648	9.45	5,955,697,398	81.63
2004	2,592,381,651	1,333,873,080	467,772,010	584,236,696	4,978,263,437	9.45	6,188,084,256	80.45
2005	2,738,916,540	1,329,545,890	490,202,370	536,093,423	5,094,758,223	9.45	6,337,222,973	80.39
2006	2,892,925,590	1,369,954,040	497,974,250	503,497,670	5,264,351,550	9.45	6,526,074,330	80.67
2007	3,076,070,702	1,376,175,120	502,914,670	479,874,950	5,435,035,442	9.43	6,608,804,750	82.23
2008	3,187,596,017	1,388,201,850	510,504,920	464,213,650	5,550,516,437	9.28	6,422,659,810	86.42
2009	3,196,824,810	1,399,118,520	509,100,180	457,552,500	5,562,596,010	9.28	6,227,094,050	89.33
2010	3,134,086,995	1,370,377,371	507,215,340	448,100,230	5,459,779,936	9.28	5,838,889,239	93.51

Source: City of Troy Assessing records

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

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

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

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

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

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

CITY OF TROY, MICHIGAN

TOP TEN PRINCIPAL TAXPAYERS CURRENT YEAR AND TEN YEARS AGO

6/30/2000				6/30/2010			
Taxpayer	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxable Value	Rank	Percentage of Total City Taxable Value	Taxpayer
K Mart Corp	\$ 59,365,250	1	1.36%	\$ 62,780,180	1	1.30%	<u>Frankel Forbes Cohen</u>
Gale & Wentworth	56,984,570	2	1.30%	41,207,320	2	0.85%	Emmes Asset Mngt
<u>Frankel Forbes Cohen</u>	55,436,550	3	1.27%	29,800,130	3	0.62%	<u>Nykel Management</u>
<u>Nykel Management</u>	50,675,750	4	1.16%	28,326,390	4	0.58%	Troy Industrial
WRC Properties	44,750,060	5	1.02%	27,992,000	5	0.58%	Nemer Troy Place
<u>Detroit Edison</u>	43,333,620	6	0.99%	27,557,700	6	0.57%	<u>Detroit Edison</u>
Liberty Property LTD	43,144,960	7	0.99%	27,381,260	7	0.57%	Osprey-Troy Place
Top of Troy	30,070,050	8	0.69%	26,348,660	8	0.54%	UrbanCal - Oakland Mall
<u>Standard Federal</u>	26,406,860	9	0.60%	26,332,930	9	0.54%	888 W Big Beaver Assoc
EDS Corp	24,633,280	10	0.56%	24,647,460	10	0.51%	<u>Bank of America</u>
Total Top Ten	\$ 434,800,950			\$ 322,374,030			Total Top Ten
Total % of City T/V			9.94%			6.66%	Total % of City T/V
Total City T/V	\$ 4,373,072,080			\$ 4,843,613,012			Total City T/V

*Underlined & Italic appear in both years.

CITY OF TROY, MICHIGAN

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxable Value	Estimated Population	General Activities					Business Type Activities		Total Net Bonded Debt Per Capita
			General Obligation & County Issued Bonds	Debt Service Fund Balance	Total	Percent of Net Bonded Debt to Taxable Value	Net Bonded Debt Per Capita	Business Type Activities Bonds	Net Bonded Debt Per Capita	
2001	\$ 4,373,072,080	80,959	\$ 25,462,925	\$ 11,017,036	\$ 14,445,889	0.3 %	\$ 178.43	\$ 2,400,000	\$ 29.64	\$ 208.07
2002	4,686,250,942	80,959	41,864,521	12,716,625	29,147,896	0.6	360.03	1,600,000	19.76	379.79
2003	4,861,640,648	80,959	53,238,658	13,543,103	39,695,555	0.8	490.32	12,800,000	158.10	648.42
2004	4,978,263,437	80,959	42,498,315	4,820,818	37,677,497	0.8	465.39	12,000,000	148.22	613.61
2005	5,094,758,223	80,959	40,812,271	4,734,163	36,078,108	0.7	445.63	12,000,000	148.22	593.85
2006	5,264,351,550	80,959	39,156,648	4,776,501	34,380,147	0.7	424.66	11,800,000	145.75	570.41
2007	5,435,035,442	80,959	37,280,131	4,434,911	32,845,220	0.6	405.70	11,600,000	143.28	548.98
2008	5,550,516,437	80,959	35,333,976	4,318,695	31,015,281	0.6	383.10	11,300,000	139.58	522.68
2009	5,562,596,010	80,959	33,290,046	3,889,540	29,400,506	0.5	363.15	11,000,000	135.87	499.02
2010	5,459,779,936	80,959	30,670,062	3,413,596	27,256,466	0.5	336.67	10,700,000	132.17	468.84

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

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Government Expenditures</u>
2001	\$ 1,525,782	\$ 200,706	\$ 1,726,488	\$ 54,739,528	3.15 %
2002	1,549,651	1,229,717	2,779,368	66,909,928	4.15
2003	1,600,863	1,606,965	3,207,828	65,367,274	4.91
2004	11,512,500	2,831,219	14,343,719	77,303,538	18.56
2005	1,579,955	1,753,162	3,333,117	68,279,944	4.88
2006	1,525,000	1,600,594	3,125,594	65,514,169	4.77
2007	1,700,000	1,542,756	3,242,756	67,425,737	4.81
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

Includes General, Special Revenue and Debt Service Funds.

CITY OF TROY, MICHIGAN

COMPUTATION OF DIRECT AND OVERLAPPING DEBT JUNE 30, 2010

Jurisdiction	Net General Bonded Debt Outstanding	Percent Applicable to Troy	Amount Applicable to Troy
City of Troy	\$ 27,256,466	100.00%	\$ 27,256,466
Avondale School District	84,799,876	18.04	15,297,898
Birmingham School District	219,265,000	3.96	8,682,894
Bloomfield Hills School District	11,735,000	2.02	237,047
Lamphere School District	17,340,000	13.16	2,281,944
Royal Oak School District	75,590,000	2.51	1,897,309
Troy School District	127,965,000	100.00	127,965,000
Warren School District	168,605,000	8.39	14,145,960
Oakland County	97,719,285	8.74	8,540,665
Oakland Intermediate School District	64,735,000	8.18	5,295,323
Macomb Intermediate School District	500,000	1.16	5,800
Oakland County Community College	<u>6,005,000</u>	8.80	<u>528,440</u>
Total overlapping debt	<u>874,259,161</u>		<u>184,878,280</u>
Total direct and overlapping debt	<u><u>\$ 901,515,627</u></u>		<u><u>\$ 212,134,746</u></u>

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

CITY OF TROY, MICHIGAN

COMPUTATION OF LEGAL DEBT MARGIN JUNE 30, 2010

Assessed Valuation at December 31, 2008 \$ 5,838,869,239

	Annual Net Debt	Legal Margin		
		Percentage of State Equalized Valuation	Amount	Legal Debt Margin
General obligation debt	\$ 37,460,000	10%	\$ 583,886,924	\$ 546,426,924
Emergency bonds	-	3/8	21,895,760	21,895,760
Special assessment bonds	<u>-</u>	12	<u>700,664,309</u>	<u>700,664,309</u>
Total debt	<u><u>\$ 37,460,000</u></u>		<u><u>\$ 1,306,446,993</u></u>	<u><u>\$ 1,268,986,993</u></u>

The statutory debt limits of net bonded indebtedness incurred for all public purposes shall not at any one time exceed 10% of the assessed valuation of taxable property in the City (\$5,838,869,239), except that this limit may be exceeded by 3/8ths of 1% in case of fire, flood or other calamity. This limitation does not include bonds issued in anticipation of the payment of special assessments, nor bonds issued pursuant to court order for sewage or garbage disposal systems.

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

CITY OF TROY, MICHIGAN

LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS JUNE 30, 2010

	Fiscal Year				
	2001	2002	2003	2004	2005
Debt Limit	\$ 521,859,730	\$ 565,256,394	\$ 595,569,740	\$ 618,808,426	\$ 633,722,297
Total net debt applicable to limit	(19,332,300)	(33,840,000)	(58,875,000)	(48,680,000)	(47,405,000)
Legal debt margin	<u><u>\$ 502,527,430</u></u>	<u><u>\$ 531,416,394</u></u>	<u><u>\$ 536,694,740</u></u>	<u><u>\$ 570,128,426</u></u>	<u><u>\$ 586,317,297</u></u>
Total net debt applicable to the limit as a percentage of debt limit	3.70%	5.99%	9.89%	7.87%	7.48%

	Fiscal Year				
	2006	2007	2008	2009	2010
Debt Limit	\$ 652,607,433	\$ 660,880,475	\$ 642,265,981	\$ 622,709,405	\$ 583,886,924
Total net debt applicable to limit	(45,855,000)	(44,130,000)	(42,220,000)	(40,050,000)	(37,460,000)
Legal debt margin	<u><u>\$ 606,752,433</u></u>	<u><u>\$ 616,750,475</u></u>	<u><u>\$ 600,045,981</u></u>	<u><u>\$ 582,659,405</u></u>	<u><u>\$ 546,426,924</u></u>
Total net debt applicable to the limit as a percentage of debt limit	7.03%	6.68%	6.57%	6.43%	6.42%

CITY OF TROY, MICHIGAN

PLEDGED REVENUE COVERAGE LAST TEN FISCAL YEARS

Building Authority bonds					
Fiscal Year Ended	Debt Service				Coverage (1)
	Collections	Principal	Interest	Total	
2001	\$ -	\$ -	\$ -	\$ -	-
2002	-	-	-	-	-
2003	-	-	511,294	511,294	0.000%
2004	-	-	557,770	557,770	0.000%
2005	962,132	-	557,770	557,770	1.725%
2006	1,173,020	200,000	554,520	754,520	1.555%
2007	1,057,265	200,000	547,307	747,307	1.415%
2008	985,813	300,000	539,038	839,038	1.175%
2009	923,908	300,000	526,950	826,950	1.117%
2010	974,051	300,000	515,200	815,200	1.195%

Michigan Transportation Fund Bonds					
Fiscal Year Ended	Debt Service				Coverage
	Collections (2)	Principal	Interest	Total	
2001	\$ 2,206,234	\$ 1,100,000	\$ 342,238	\$ 1,442,238	1.530%
2002	2,389,260	1,200,000	221,538	1,421,538	1.681%
2003	2,433,431	1,300,000	164,538	1,464,538	1.662%
2004	2,627,194	125,000	103,438	228,438	11.501%
2005	2,548,178	150,000	97,438	247,438	10.298%
2006	2,529,103	175,000	90,088	265,088	9.541%
2007	2,502,483	175,000	81,338	256,338	9.762%
2008	2,461,676	175,000	72,588	247,588	9.943%
2009	2,371,142	175,000	63,838	238,838	9.928%
2010	2,329,592	175,000	54,913	229,913	9.869%

Special Assessment Bonds					
Fiscal Year Ended	Debt Service				Coverage (3)
	Collections	Principal	Interest	Total	
2001	\$ 39,413	\$ 25,000	\$ 14,413	\$ 39,413	1.000%
2002	37,738	25,000	12,738	37,738	1.000%
2003	36,056	25,000	11,056	36,056	1.000%
2004	34,369	25,000	9,369	34,369	1.000%
2005	32,675	25,000	7,675	32,675	1.000%
2006	55,125	50,000	5,125	55,125	1.000%
2007	51,713	50,000	1,713	51,713	1.000%
2008	-	-	-	-	-
2009	-	-	-	-	-
2010	-	-	-	-	-

(1) Capitalized Interest 2003, 2004.

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

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

CITY OF TROY, MICHIGAN

DEMOGRAPHIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Population (5)	Number of Households(1)	Median Household Effective Buying Income (1)	School Enrollment (3)	Unemployment Rate (%) (2)	Median Age (1)	Personal Income (000's)(1)	Education Age 25 or Older					
								High School(1)	Bachelor Degree(1)	Graduate or Professional Degree			
2001	80,959 (4)	30,872	\$ 65,642	12,101	2.3 %	38.1	\$ *	* %	* %	* %			
2002	84,531	31,371	70,342	12,043	3.2	38.1	*	*	*	*			
2003	84,841	31,504	65,625	12,092	3.2	38.1	*	*	*	*			
2004	85,956	31,944	62,862	12,059	3.2	38.1	*	*	*	*			
2005	86,740	32,281	64,630	12,005	4.7	38.0	*	*	*	*			
2006	87,159	32,431	*	12,131	4.9	38.1	*	*	*	*			
2007	87,594	32,596	*	12,192	4.8	41.7	43	*	*	*			
2008	87,956	32,802	*	12,165	5.6	37.0	*	*	*	*			
2009	81,490 **	33,368 **	89,840 **	12,069	9.4 **	41.1 **	42 **	** 86	** 27	** *			
2010	80,084 **	33,176	*	12,045	11.9	41.1	*	83	28	*			

Source:

- (1) U.S. Census 2006-2008 American Community Survey
- (2) Michigan Department of Energy, Labor and Economic Growth
- (3) Troy School District
- (4) U.S. Bureau of the Census
- (5) Southeast Michigan Council of Governments (SEMCOG)

* Information not available.

** Change in the calculation method.

CITY OF TROY, MICHIGAN

PRINCIPAL EMPLOYERS BY INDUSTRY CURRENT AND PREVIOUS FOUR YEARS*

Industry	2006			2007			2008			2009			2010		
	Number of		Percent of Total	Number of		Percent of Total	Number of		Percent of Total	Number of		Percent of Total	Number of		Percent of Total
	Parcels	Rank		Parcels	Rank		Parcels	Rank		Parcels	Rank		Parcels	Rank	
Industrial, Light Manufacturing	654	1	41.24%	647	1	40.90%	638	1	39.68%	676	1	41.83%	630	1	39.82%
Office	267	2	16.83%	266	2	16.81%	266	2	16.54%	267	2	16.52%	268	2	16.94%
Retail Store (Mall, Plaza, Market, Whse, Discount)	143	3	9.02%	144	3	9.10%	149	3	9.27%	149	3	9.22%	128	3	8.09%
Medical Office	75	5	4.73%	76	5	4.80%	76	6	4.73%	85	4	5.26%	80	4	5.06%
Engineering	86	4	5.42%	83	4	5.25%	79	5	4.91%	78	5	4.83%	76	5	4.80%
Restaurant & Fast Food	62	7	3.91%	61	7	3.86%	61	8	3.79%	66	6	4.08%	66	6	4.17%
Apartments	66	6	4.16%	65	6	4.11%	64	7	3.98%	64	7	3.96%	62	7	3.92%
Service (Station, Garage, Booth, Convenience)	42	10	2.65%	42	10	2.65%	56	9	3.48%	47	8	2.91%	56	9	3.54%
Loft (Multi Tenant Industrial)	39	11	2.46%	41	11	2.59%	42	11	2.61%	44	9	2.72%	42	11	2.66%
Bank	24	12	1.51%	28	12	1.77%	28	12	1.74%	29	10	1.79%	28	12	1.77%
Auto Dealership	16	13	1.01%	17	13	1.07%	17	13	1.06%	17	11	1.05%	17	13	1.07%
Warehouse (Storage, Distribution, Transit)	56	9	3.53%	55	9	3.48%	50	10	3.11%	17	12	1.05%	55	10	3.48%
All other	56	8	3.53%	57	8	3.61%	82	4	5.10%	77	13	4.78%	74	8	4.68%
Total commercial/industrial parcels	<u>1,586</u>		<u>100.00%</u>	<u>1,582</u>		<u>100.00%</u>	<u>1,608</u>		<u>100.00%</u>	<u>1,616</u>		<u>100.00%</u>	<u>1,582</u>		<u>100.00%</u>

* Information was not compiled prior to the 2004 assessment roll

CITY OF TROY, MICHIGAN

OPERATION INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Building Inspection</u>										
Permits issued	1,946	1,938	1,867	2,110	2,136	1,927	1,696	1,588	1,251	1,185
Plans reviewed	1,450	1,029	1,053	1,200	1,716	1,600	1,059	920	685	719
<u>Executive Administration</u>										
City Manager's Office										
GFOA awards/submittals	3	3	3	3	3	3	3	3	3	3
City Attorney's Office										
District court appearances	5,071	5,953	4,910	6,484	6,425	6,531	6,368	6,706	6,840	N/A
<u>Engineering</u>										
Engineering										
Soil erosion inspections	400	500	900	2,500	2,983	4,570	4,001	1,422	1,626	979
Machine traffic counts	162	140	138	140	128	125	136	136	146	125
<u>Finance</u>										
Accounting/Risk Management										
Payroll checks processed	24,675	22,811	23,224	23,250	23,851	23,800	24,116	27,717	27,346	23,147
Invoices issued	2,234	2,259	2,193	120	1,651	1,800	2,200	2,000	3,597	8,354
Liability claims processed	181	161	162	161	139	129	114	143	140	85
Insurance certificates approved	278	287	307	400	357	350	386	379	370	364
Assessing										
Residential appraisals	1,500	1,200	1,500	1,200	1,200	1,600	1,500	1,273	1,439	863
Reinspections	1,500	1,500	1,500	1,500	1,500	1,250	1,000	800	1,000	600
City Clerk's Office										
Dog licenses issued	6,500	5,256	5,013	5,020	2,330	1,690	2,043	1,870	2,250	2,573
Registered voters	55,329	54,712	54,273	54,122	54,188	53,792	54,355	56,774	55,989	56,572
Human Resources										
Applications processed	1,550	1,552	1,340	1,248	1,156	1,500	1,117	1,762	1,015	365
Job postings	52	50	44	50	44	50	45	39	37	10
Labor contracts settled	3	2	2	1	1	4	0	1	1	1
Purchasing										
Value of goods/services purchased	\$27.0 mil	\$23.6 mil	\$24.4 mil	\$29.0 mil	\$26.3 mil	\$29.0 mil	\$30.4 mil	\$29.6 mil	\$33.8 mil	\$31.7 mil
% of awards without dispute	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
City Treasurer's Office										
Tax bills processed	63,241	63,086	64,000	64,000	65,480	66,220	65,740	66,907	65,798	65,770
Water bills processed	98,476	98,747	N/A	N/A	104,771	106,369	102,000	104,784	104,777	104,807
Community Affairs										
New resident packets distributed	N/A	761	770	760	775	775	950	830	855	910
Press releases sent	N/A	315	330	340	412	440	450	465	475	482

CITY OF TROY, MICHIGAN

OPERATION INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<u>Fire</u>										
Fire Department responses	1,347	1,182	1,204	1,358	1,188	1,475	1,338	1,154	889	853
Inspections performed	2,093	1,974	2,465	2,000	2,196	2,000	2,210	2,440	2,768	2,543
<u>Other General Government</u>										
Building Operations										
Requests for service	3,478	3,478	6,200	11,472	14,472	16,750	18,900	19,200	18,922	17,280
Planning										
Site plan reviews	27	31	33	18	19	21	14	21	9	14
Special use requests	8	7	7	7	6	10	22	13	15	9
<u>Parks & Recreation</u>										
ROW trees trimmed	1,160	3,000	3,200	1,000	1,000	1,160	3,215	1,968	2,894	3,168
Nature Center program attendance	3,176	3,176	4,660	4,090	4,995	4,765	4,890	5,089	5,400	5,658
<u>Police</u>										
Part 1 Crimes	2,316	2,061	2,107	1,979	2,044	2,088	1,890	2,021	1,944	1,837
Operate while impaired	469	442	306	431	453	448	520	503	477	396
<u>Public Works</u>										
Streets & Drains Division										
Requests for service	1,151	905	870	1,100	1,293	744	860	1,602	1,258	1,004
Traffic signs repaired/replaced	1,761	1,825	1,650	1,800	1,650	1,680	1,250	1,123	1,046	1,230
Water & Sewer Division										
Requests for service	2,414	2,653	2,414	2,650	2,650	2,637	2,244	2,147	2,844	2,902
Sanitary sewers cleaned in feet	1,079,417	1,918,932	1,671,089	1,670,000	1,670,000	2,067,000	1,610,795	2,100,000	2,100,000	1,785,000
Fleet Maintenance										
Work orders	4,593	3,098	3,849	4,000	4,137	4,050	4,072	4,000	3,848	3,507
Vehicle tires replaced	489	403	355	400	791	600	648	594	604	608
Refuse/Resource Recovery										
Tons of refuse collected	49,524	48,793	49,263	54,000	48,308	54,500	44,637	35,313	32,951	27,412
Tons of compost collected	4,957	4,989	6,303	6,500	7,804	9,984	7,917	10,753	10,620	12,313
<u>Information Technology</u>										
Help desk requests	1,049	1,250	1,407	1,400	1,620	1,800	2,062	2,136	2,075	2,392
<u>Golf Course</u>										
Sylvan Glen rounds of golf	57,115	55,982	53,410	55,560	51,060	50,820	45,032	42,451	43,892	41,719
Sanctuary Lake rounds of golf	-	-	-	4,010	18,463	25,833	23,729	23,664	24,710	24,757
<u>Aquatic Center</u>										
Admissions	48,664	53,140	38,578	48,000	55,348	50,240	54,519	53,521	48,146	47,738

CITY OF TROY, MICHIGAN

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Fire</u>										
Stations	6	6	6	6	6	6	6	6	6	6
<u>Police</u>										
Stations	1	1	1	1	1	1	1	1	1	1
<u>Streets</u>										
Miles of improved	362.2	366	370	371	410	423	437	443	443	443
Miles of unimproved	9.9	7	7.4	6.5	4.9	4.9	4.8	4	4	4
<u>Sewers</u>										
Miles of combination storm/sanitary	2.3	2	10	10	10	10	10	10	10	10
Miles of sanitary	374.5	377	382.5	384.7	386	384	386	394.5	397	398
Miles of storm	273.9	278	366	397	488	510	542	543	545	545
<u>Street Lights</u>										
Detroit Edison owned poles	712	712	579	577	577	564	564	582	582	580
City owned poles	1,119	1,122	1,669	1,707	1,707	1,558	1,558	956	956	956
<u>Water</u>										
Annual distribution in million cubic feet	564.9	574.6	641	643	595	663	614	561	494	449
Miles of watermain	532.8	536	538.8	543.5	547	536	538	539	540	540
Number of hydrants	5,442	5,467	5,492	5,561	5,610	5,759	5,782	5,830	5,850	5,854
<u>Parks and Recreation</u>										
Number of developed parks	14	14	14	14	14	14	14	14	14	14
Acres of public parks	832	896	735	735	735	735	880	880	1,000	1,000
Number of tennis courts	18	18	18	18	18	18	18	18	18	18
Outdoor education center/farm	1	1	1	1	1	1	1	1	1	1
18-hole golf course	1	1	1	2	2	2	2	2	2	2
Community center	1	1	1	1	1	1	1	1	1	1
Aquatic center	1	1	1	1	1	1	1	1	1	1

CITY OF TROY, MICHIGAN

BUILDING CONSTRUCTION LAST TEN FISCAL YEARS

2000 - 2001	1,946	permits	\$ 230,713,492	estimated value
2001 - 2002	1,938	permits	143,908,032	estimated value
2002 - 2003	1,867	permits	141,941,808	estimated value
2003 - 2004	2,110	permits	140,823,926	estimated value
2004 - 2005	2,136	permits	143,697,564	estimated value
2005 - 2006	1,927	permits	114,459,317	estimated value
2006 - 2007	1,696	permits	113,160,162	estimated value
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

CITY OF TROY, MICHIGAN

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

<u>Function/Program</u>	<u>Full and Part Time Employees as of June 30</u>																			
	<u>2001</u>		<u>2002</u>		<u>2003</u>		<u>2004</u>		<u>2005</u>		<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>	<u>Full Time</u>	<u>Part Time</u>
<u>Building Inspection</u>																				
Building Inspection	21	1	22	0	22	0	22	0	22	0	21	2	21	2	21	2	21	2	17	2
<u>Executive Administration</u>																				
City Manager's Office	6	0	6	0	6	0	6	0	6	0	6	0	5	0	4.5	0	4.5	0	4.5	0
City Attorney's Office	7	2	7	2	8	1	8	1	8	1	8	1	8	1	8	1	8	1	8	1
City Clerk's Office	6	1	6	1	6	2	7	2	6	2	6	2	6	2	6	2	6	2	5	2
Human Resources	4	1	4	1	4	1	4	1	4	1	4	1	4	1	4	1	4	1	4	1
Community Affairs	4	4	3	6	3	6	3	3	3	9	3	6	3	6	3	6	3	6	1	6
<u>Engineering</u>																				
Engineering	23	7	23	109	23	7	23	7	23	7	23	6	23	6	22	6	21	6	16	5
<u>Finance</u>																				
Accounting/Risk Management	11	0	11	0	11	0	11	0	10.5	0	10.5	0	10.5	0	10.5	0	10.5	0	9.5	0
Assessing	10	0	10	0	10	0	10	0	8	2	8	2	8	2	8	2	8	2	8	1
Purchasing	3	1	3	1	3	1	3	1	3	1	3	1	3	1	3	1	3	1	3	1
City Treasurer's Office	5	0	5	0	5	0	5	0	4.5	0	4.5	0	4.5	0	4.5	0	3.5	0	3.5	0
<u>Fire</u>																				
Fire	12	2	14	2	14	2	14	2	14	2	14	2	14	2	14	2	13	2	13	2
<u>Library/Museum</u>																				
Library	17	80	20	66	20	85	20	86	20	88	20	88	17	98	16	98	16	96	15	93
Museum	0	0	3	4	3	5	3	5	2	9	2	9	2	9	2	9	2	9	2	9
<u>Other General Government</u>																				
Real Estate & Development	5	1	5	1	5	1	5	1	5	1	5	1	4	1	3.5	0	3.5	0	3.5	0
Building Operations	10	2	11	2	12	2	12	2	12	2	12	2	12	2	12	2	12	2	11	2
Planning	5	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0	3	0
<u>Police</u>																				
Police	194	11	194	11	194	13	194	13	194	13	194	13	193	14	192	18	192	18	188	18

CITY OF TROY, MICHIGAN

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

Full and Part Time Employees as of June 30																				
	<u>2001</u>		<u>2002</u>		<u>2003</u>		<u>2004</u>		<u>2005</u>		<u>2006</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>		<u>2010</u>	
	<u>Full</u>	<u>Part</u>	<u>Full</u>	<u>Part</u>	<u>Full</u>	<u>Part</u>	<u>Full</u>	<u>Part</u>	<u>Full</u>	<u>Part</u>	<u>Full</u>	<u>Part</u>	<u>Full</u>	<u>Part</u>	<u>Full</u>	<u>Part</u>	<u>Full</u>	<u>Part</u>	<u>Full</u>	<u>Part</u>
	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>	<u>Time</u>
<u>Parks & Recreation</u>																				
Parks & Recreation	34	20	34	43	35	116	35	128	35	128	35	128	34	212	34	206	32	206	32	181
<u>Public Works</u>																				
Streets & Drains Division	32.5	18	34.5	18	34.5	19	34.5	19	34.5	19	32.5	18	31.5	18	31.5	18	31.5	18	28.5	18
Water & Sewer Division	35	6	35	6	35	6	35	6	35	6	35	6	34	7	34	7	34	7	34	7
Fleet Maintenance	18	2	18	2	18	2	18	2	18	2	18	2	18	2	18	2	18	2	18	2
Refuse/Resource Recovery	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1	1.5	1
<u>Information Technology</u>																				
Information technology	8	0	8	0	9	0	9	0	9	0	9	0	9	0	9	0	9	2	9	2
<u>Golf Course</u>																				
Golf course	4	20	4	35	4	37	3	36	5	54	5	72	5	72	5	71	5	71	5	54
<u>Aquatic Center</u>																				
Aquatic center	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>74</u>	<u>0</u>	<u>74</u>	<u>0</u>	<u>74</u>	<u>0</u>	<u>74</u>	<u>0</u>	<u>74</u>	<u>0</u>	<u>74</u>	<u>0</u>	<u>88</u>	<u>0</u>	<u>88</u>
<u>Total Employees</u>	<u>476</u>	<u>180</u>	<u>487</u>	<u>311</u>	<u>491</u>	<u>381</u>	<u>491</u>	<u>390</u>	<u>488</u>	<u>422</u>	<u>485</u>	<u>437</u>	<u>476</u>	<u>533</u>	<u>472</u>	<u>529</u>	<u>467</u>	<u>543</u>	<u>443</u>	<u>496</u>

CITY OF TROY, MICHIGAN

STATE SHARED REVENUES LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>State Shared Revenue</u>
2001	\$ 8,129,105
2002	\$ 8,348,727
2003	\$ 7,618,966
2004	\$ 7,101,729
2005	\$ 6,906,372
2006	\$ 6,844,167
2007	\$ 6,635,508
2008	\$ 6,633,938
2009	\$ 6,313,999
2010	\$ 5,615,666

GAS AND WEIGHT TAXES LAST TEN FISCAL YEARS

<u>Fiscal Year Ended June 30</u>	<u>Type of Street</u>		<u>Total Gas and Weight Tax (Act 51) Receipts</u>
	<u>Major Road</u>	<u>Local Road</u>	
2001	\$ 3,129,740	\$ 1,282,727	\$ 4,412,467
2002	\$ 3,415,410	\$ 1,363,109	\$ 4,778,519
2003	\$ 3,479,968	\$ 1,386,893	\$ 4,866,861
2004	\$ 3,751,867	\$ 1,502,521	\$ 5,254,388
2005	\$ 3,647,503	\$ 1,448,852	\$ 5,096,355
2006	\$ 3,628,794	\$ 1,429,411	\$ 5,058,205
2007	\$ 3,587,980	\$ 1,416,986	\$ 5,004,966
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

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	6/30/2010	77
Michigan Association of Police - Clerical, Police Services Aides	6/30/2010	55
Troy Command Officers Association - Command Police Officers	6/30/2011	28
Troy Police Officers Association - Police Officers	6/30/2013	96
Troy Firestaff Officers Association - Fire Career Professionals	6/30/2011	11
Troy Communication Supervisors Association - Civilian Communications Supervisors	N/A	9

SINGLE AUDIT SECTION

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

December 6, 2010

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Troy, Michigan*** (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

In addition, we noted a certain matter that we reported to management of the City of Troy in a separate letter dated December 6, 2010.

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

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive style with a large, stylized 'L' and 'L'.

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

December 6, 2010

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

Compliance

We have audited the compliance of the *City of Troy, Michigan* (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the *City of Troy, Michigan's* management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the *City of Troy, Michigan* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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

CITY OF TROY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Forest Service:		
Pass through Department of Natural Resources		
<i>Arbor Day Mini Grant</i>	10.664	\$ 200
U.S. Department of Housing and Urban Development:		
Pass through Oakland County, Michigan		
<i>Community Development Block Grant</i>	14.218	127,522
U.S. Department of Justice:		
<i>Bulletproof Vest Grant</i>	16.607	266
U.S. Department of Transportation:		
Pass through Michigan State Department of Transportation		
<i>Highway Planning & Construction</i>		
HH2221	20.205	8,932
RR5218	20.205	1,864,954
HH6030	20.205	550,182
HH6088	20.205	412,983
RR5240	20.205	9,962
RR6240	20.205	105,543
RR6189	20.205	17,720
RR3172	20.205	4,044
RR5451	20.205	1,493
Total pass through Michigan State Department of Transportation		2,975,813
Pass through Michigan Office of Highway Safety Planning		
<i>MACP Award PT-09-70</i>	20.600	1,967
Total U.S. Department of Transportation		2,977,780
U.S. Department of Energy Labor & Economic Growth:		
<i>Energy Efficiency and Conservation Grant</i>	81.128	15,000
U.S. Department of Homeland Security:		
<i>FEMA-Assistance to Firefighter's Grant</i>	97.044	63,546
Pass through Oakland County, Michigan		
<i>Oakland County Homeland Security Terrorism Grant</i>	97.067	1,050
Total U.S. Department of Homeland Security		64,596
Total Expenditures of Federal Awards		\$ 3,185,364

See accompanying notes to schedule of expenditures of federal awards.

THE CITY OF TROY, MICHIGAN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Troy, Michigan and is presented on the same basis of accounting as the basic financial statements.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

* * * * *

THE CITY OF TROY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified?	None reported
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	No
Identification of major programs:	20.205 Highway Planning & Construction
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

THE CITY OF TROY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV – PRIOR YEAR FINDINGS

None noted